

Sustainability Report

2016



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CHAIRMAN'S OUTLOOK

Felipe Joannon Vergara

Dear Reader,

It is my pleasure to present SAAM's first Sustainability Report, a new milestone for our company. This document marks one more step in the process to solidify sustainability within the company's strategy, elevating our organization's standards to those of a modern, globalized company operating in 15 countries throughout the Americas.

In recent decades, the global business world has demonstrated that it takes much more than a good product or service to develop a business that lasts over time. Companies must not only comply with laws and regulations, but must also satisfy stakeholder expectations. At SAAM, sustainability involves operating our business while creating value for our customers, employees, contractors, suppliers, shareholders and the communities and societies near our operations and, in turn, protecting the environment and upholding high ethical standards.

This report is the culmination of work that began in 2015 to survey the company's stakeholders in order to identify critical factors for sustainability. We then prepared a materiality matrix and the SAAM Sustainability Policy, which was approved by the Board on August 5, 2016.

That same day, we also unveiled an action plan to make immediate progress in less-developed areas and perform a diagnostic of our operations in Chile using criteria from three of the leading global organizations on the matter: ISO 26,000, Dow Jones Sustainability Index (DJSI) and Global Reporting Initiative (GRI).

All this reflects the importance that the company's Board has placed on sustainability and how to integrate it into the day-to-day operations of SAAM's numerous companies. Although the first stage will concentrate on Chile, the idea is for all subsidiaries and associates to act and work under the same framework within the short- to medium-term in the different countries where we operate.



The decision to take this path was not made by chance. Each day, more and more companies and countries are concerned about the products crossing their borders; the path they take to their destination; how inputs are manufactured and how transport is managed. As a company with over 55 years in business in Chile—an open market economy that depends largely on foreign trade—we have a responsibility:

SAAM must lead the way and continue to support foreign trade in Chile, an economy located far from the world's major hubs of consumption where ports play a crucial role for products like salmon, wood pulp, fruit, vegetables, copper and wine, etc., that drive the country's growth.

This is why ports and all the logistics involved—including towage services—must adopt policies that are environmentally responsible and sustainable, minimizing the impacts of terminal operations and taking into account that numerous cities have developed around ports.

As a result, we have implemented several different measures: new and modern port infrastructure; special warehouses for handling bulk cargo; and ongoing improvement of job, safety and economic conditions for port workers. The latter can be attributed to coordinated efforts with labor unions, albeit not free of difficulties, with dialogue as the foundation for development.

Similarly, we have improved communication with authorities and the community. At some terminals, we even have real-time feeds available so anyone can watch how cargo is handled.

We keep strict control of our finances through internal and external audits in compliance with U.S. rules on bribery, money laundering and terrorism financing¹, which places us on the cutting edge in these matters.

We have made important strides, but we know that this is a long-term project that requires ongoing revision. One reward along the path has been SAAM's naming as one of the 21 companies on the Dow Jones Sustainability Index Chile, which recognizes companies that best meet international standards and requirements in governance, environmental and social dimensions.

We will stay on this path, convinced that it is the right direction for the future of SAAM, its employees, shareholders and the community to which we belong, and we will continue to delve into these issues, focused on the contribution we can make to the country's development.

Felipe Joannon Vergara
Chairman of the Board of SMSAAM

¹ Foreign Corrupt Practices Act (FCPA).

ENTREVISTA AL GERENTE GENERAL

Macario Valdés Raczynski

**Pendiente envío por parte de SAAM.
SAAM definir si vamos a incluir esta entrevista o no**

¿Cómo está incorporando SAAM la sostenibilidad en su estrategia de negocios?



¿Cuáles son los principales desafíos para SAAM en estas materias?

Si miramos los tres negocios de la compañía ¿Cuál es la principal contribución a la sociedad? y ¿cuáles son los principales impactos que tienen sus operaciones?

SAAM, Door to the Americas

SAAM is a multinational company founded in Chile in 1961 that offers a broad, efficient support network for foreign trade. Over its 55 years in business, it has become a relevant player in the Americas and one of the leading companies in cargo movement, connecting local companies with the world. It fulfills this mission by providing port, towage and comprehensive logistics services in 15 countries in North, Central and South America, with operations at more than 80 ports and over 11 thousand specialized employees distributed throughout the region.

OUR BUSINESS

Port Terminals

- SAAM is one of the main port operators in South America.
- The company operates 12 port terminals in seven countries in the Americas, including Chile's largest port, San Antonio Terminal Internacional (STI).

Towage Services

- SAAM is a leader in towage services in the Americas and the fourth largest player worldwide.
- It has a fleet of 177 tugboats deployed at 84 ports in 11 countries in the region.

Logistics

- SAAM provides supply chain services for the main industries in the countries where it operates: food and beverage, mining and energy, consumer services and industrial goods.



DOOR TO THE AMERICAS

41% of cargo mobilized* in Chile was at a SAAM port terminal.

90% of global trade is shipped by sea (95% in Chile).

SAAM operates in the ten most competitive economies in Latin America**

*: In relation to total tons mobilized through concessioned ports.

** : Source: World Economic Forum

SAAM AT A GLANCE

THE COMPANY

In 2016, SAAM celebrated 55 years in business serving the international trade sector. The company's history and future are strong. Founded in Chile, it has already reached the entire continent, from Stewart (Canada) to Punta Arenas (Chile), and has become one of the leading companies in the 15 countries where it operates.

SAAM is the main asset of Sociedad Matriz SAAM S.A., a publicly listed corporation founded in 2011. Its stock is listed on Chile's Santiago Exchange and is part of the IPSA index, a stock index that brings together the 40 leading companies in the country.

In the different markets where it operates, SAAM partners with strategic local and global operators. These include SSA Marine, one of the largest terminal operators in the United States; SMIT, the second largest global player in towage services and a subsidiary of the Dutch group Boskalis; and American Airlines.

As of December 2016, Quiñenco (Luksic Group) held a 52.20% interest in the company.

DJSI CHILE

In 2016, SAAM was selected to be on the Dow Jones Sustainability Index Chile, making it the only Chilean company in the transport and infrastructure sector to be included on the index.

This accomplishment is the result of the company's commitment to sustainability. That commitment has translated into a serious work plan that has enabled the organization to build more direct relationships with its stakeholders, including customers, suppliers, authorities, the community and others, providing timely information to the market and working to generate value in its areas of influence.

Mission

"To provide port services, assistance in maneuvering, maritime operations and comprehensive logistics services, generating excellence in operational solutions, thereby creating value for our customers, employees and shareholders, with due respect for the community and the environment."

Vision

"To be the leading company in the Americas in port operations and towage services, and to be recognized as an important logistics operator in the region, standing out for our industry knowledge, geographic coverage, capacity for internationalization, service quality and commitment to our customers."

Values

FIGURES 2016

GOVERNANCE	FINANCIAL PERFORMANCE	ECONOMIC IMPACT
<p>Sustainability Policy is approved and Sustainability Committee is created.</p> <p>Crime Prevention Model is implemented.</p>	<p>US\$717 million in sales².</p> <p>US\$749 million in Market Cap³.</p> <p>US\$205 million in EBITDA.</p> <p>By business line:</p> <ul style="list-style-type: none"> • Ports: 44% • Towage: 49% • Logistics: 7% <p>By geographic area:</p> <ul style="list-style-type: none"> • Chile: 40% • South America (excluding Chile): 36% • North America: 18% • Central America: 6% 	<p>38.5 million tons transferred at SAAM port terminals¹, equivalent to 14 times the total fresh fruit exports in Chile that year.</p> <p>Service Quality Certification - ISO 9,001 for the Port Terminal and Towage Services divisions⁴.</p> <p>US\$33 million in taxes paid to governments.</p>
THE COMMUNITY	THE ENVIRONMENT	LABOR PERFORMANCE
<p>100% of questions and suggestions responded to within 48 hours⁵.</p> <p>US\$199 million in purchases from local suppliers⁶.</p> <p>US\$564,032 invested in social projects and initiatives.</p>	<p>Five ports in Chile participate in Clean Production Agreements.</p> <p>73% of the tug fleet are more efficient vessels with better environmental performances.</p>	<p>11,340 employees⁷.</p> <p>11.6% are women.</p> <p>0 fatal accidents.</p> <p>10% reduction in accident frequency index as a result of prevention programs.</p>

More information on the Group's ownership and legal structure and the sectors and markets where it does business is available at www.saam.com and in the 2016 Annual Report, which is also available on that website.

² Includes figures for SM SAAM's consolidated subsidiaries and equity-method associates.

³ As of December 30, 2016, the share price was Ch\$51.61 and the US dollar exchange rate was Ch\$671.

⁴ Certified at port terminals in Antofagasta, Arica, Iquique, San Antonio, San Vicente, Ecuador, Mexico, Peru and the United States. Towage services: Brazil, Canada, Ecuador, Mexico, Panama and Peru.




⁵ Questions and suggestions received on our website.

⁶ Includes purchases by SAAM, its subsidiaries and main associates.

⁷ Includes all open-term, fixed-term and temporary personnel of all SAAM Group companies.

VALUE CHAIN



<p>TOWAGE SERVICES</p> 	<p>PORT TERMINALS</p> 	<p>LOGISTICS</p> 
<p>SAAM has 177 tugs to offer docking and undocking services, assistance, salvage and towage services, in addition to specialized services for vessels at off-shore terminals and positioning and anchoring at oil and gas platforms. ASD tugs⁸ account for 73% of the company's fleet. These vessels provide superior maneuvering, safety and speed in operations.</p> <p>Supply Chain</p> <p>Important elements in the division's supply chain include tug manufacturers, fuel and lubricant suppliers and maintenance service providers. No one supplier represents more than 10% of all purchases made in 2016 for the supply of goods and services.</p>	<p>SAAM has a network of 12 terminals in seven countries. The port services provided to shipping lines are essentially different types of cargo transfer services: containers; loose and bulk cargo; refrigerated containers to especially adapted, electrically-powered systems. The terminals also provide services to importers, exporters, freight forwarders and logistics operators, including cargo storage and consolidation services, among others.</p> <p>Supply Chain</p> <p>Engineering and construction companies are the most important type of supplier for this division. No one supplier represents more than 10% of all purchases made during the period for the supply of goods and services.</p>	<p>SAAM Logística provides supply chain solutions for industrial and commercial companies in the retail, food and beverage, mining, energy and manufacturing sectors. It focuses on creating value by providing long-term, customized supply chain services that are continuously evolving in line with market changes and enhancements identified during continual improvement processes. The division's solutions aim to optimize the different storage and transport logistics processes in order to guarantee the integrity of the cargo, maintain continuous, inventory-linked control and allow cargo tracking and traceability. Customers can monitor movements and transactions throughout the entire supply chain from sea or air terminals to their distribution centers, or even to final points of sale.</p> <p>Supply Chain</p> <p>This division's main suppliers are general service and transportation companies. No one supplier represents more than 10% of all purchases made in 2016 for the supply of goods and services.</p>

⁸ State-of-the-art tugs with mobile propellers capable of turning 360° on a vertical axis.

STRATEGY

CONTEXT

Foreign trade is the key driver for growth and social development in the economies where SAAM does business. As a result, the company's purpose is to provide services that add value to and enhance the competitiveness of the sector. Foreign trade is even more important in small, geographically isolated economies. This is the case in Chile, which depends increasingly on a globalized and interconnected world. In this context, the industry's challenges grow in number and complexity and, as a result, SAAM's commitment to Chile and the other countries where it operates becomes even more pressing and necessary than ever.

International trade, which is the core of the company's business, has been impacted by global and regional economic slowdown. The company's main customers—shipping companies—have experienced historical drops in rates and, consequently, in earnings. This phenomenon has put pressure on companies that provide services for shipping operations and has furthered the merger and consolidation process within the industry that, according to experts, has still not reached its end.

DEVELOPMENT STRATEGY

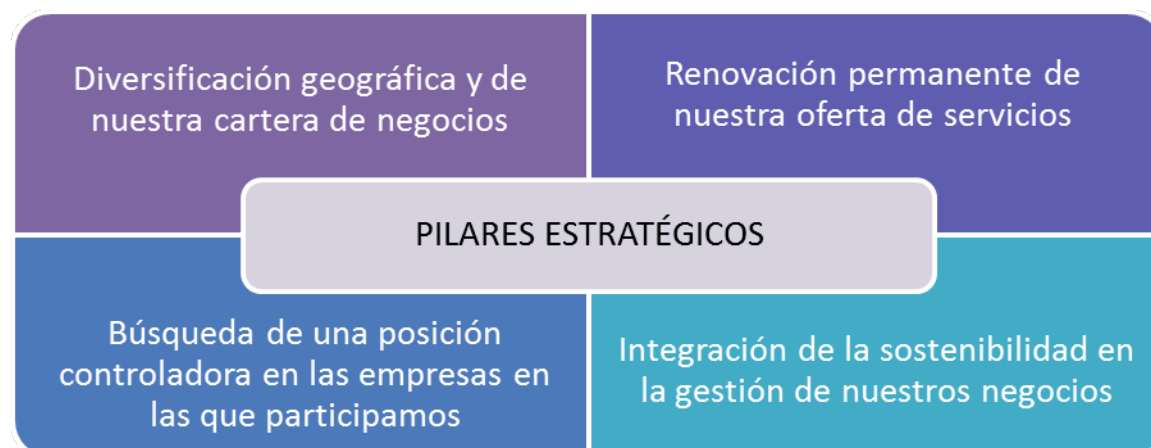
In this adverse context, SAAM has deployed a strategy to deal appropriately with the restrictive cycle and find spaces and opportunities for generating extraordinary value. This was demonstrated by the financial results obtained in 2016, which are the product of proactive, forward-looking management that detects new needs and leverages opportunities to generate value and contribute to its customers' competitiveness.

60% of EBITDA
in 2016 was
generated
outside of Chile

Adaptability has characterized SAAM's management since the very beginning. Proof of this lies in its 55 years in business, facing a variety of contexts and circumstances. The company has generated profits every year, with no exceptions.

SAAM's strategy centers around four key concepts: geographic and portfolio diversification; a continually renewed service offering; the search for a controlling position in the companies where it invests; and the integration of sustainability into the management of its business.

KEY CONCEPTS OF SAAM'S STRATEGY



Diversification

Thanks to portfolio diversification, an appropriate commercial strategy and the commitment of all its employees, in 2016 SAAM was able to compensate for lows in markets such as Brazil, Mexico and Chile; and strengthen others like Ecuador and Costa Rica.

**US\$115 million
in investments
in 2016**

SAAM's leadership position is an achievement it wants to protect and strengthen. As a result, it has continued to diversify its portfolio geographically and by business line and to look toward international markets. In fact, 60% of the company's EBITDA in 2016 was generated outside of Chile. Similarly, in order to strengthen its capacity to maximize value generation in different countries and business niches, SAAM has selectively promoted investment programs to leverage market opportunities and defend positions attained within the Americas. Proof of this is the US\$115 million invested in 2016.

Revising Services

Given the global importance of foreign trade and the industry's increased competition, SAAM is constantly looking to increase efficiency and focus its efforts on processes that generate value for relevant stakeholders like customers, importers and exporters or the shipping industry.

This focus on providing services that strengthen customer competitiveness have led SAAM and its subsidiaries to continuously review the portfolio of services it provides and the processes and procedures it uses to maximize its contribution to the value chain of companies that contract these services. This has cultivated a culture of continuous improvement that can be seen in each of its business divisions and, in parallel, has led to a process of adjusting its offering based on customer needs and requirements. One example is SAAM Logística, which has restructured its value proposition to adapt to changes in the shipping industry, including the progressive closure of some services that SAAM originally provided 55 years ago.

In the port division, most of the terminals where SAAM operates have expanded their docks and purchased cranes with larger lift capacities and outreaches in order to service new vessels.

Lastly, SAAM's towage services division implemented an ambitious renovation plan that not only fortified its standing as the global industry's fourth largest player but also positioned the division as one of the most modern, most powerful fleets in the world.

Controlling Position

For SAAM's shareholders and management, the best way to generate value for the company and its stakeholders is from a controlling position, where it is involved in decision making and can bring its 55 years of business to the table.

As a result, SAAM has chosen to focus its investments and growth plans on capitalizing, acquiring or forming companies in which it holds at least 50% of the shares or companies where, despite not having a majority stake, it has formed alliances to manage or co-manage its businesses in accordance with its vision and management standards. This is the case in companies co-managed by global leaders such as Royal Boskalis in towage services and American Airlines in airport services.

Sustainable Management

In recent decades, the global business world has demonstrated that it takes much more than a good product or service to develop a business that lasts over time. Companies must not only comply with laws and regulations, but must also meet the expectations of their stakeholders, from regulators that oversee the ethical conduct of corporations and their executives, to communities demanding that their rights be fully respected and that they be considered when earnings are distributed.

To achieve this, the company surveyed more than 70 stakeholders. Based on these results, it identified and prioritized the organization's material issues and designed systems to measure and verify that the company's main risks are properly managed. This process has outlined the strengths and weaknesses of SAAM's sustainability management, as well as the risks emerging from its social and environmental plans. The company is adopting measures to close the identified breaches and take advantage of existing opportunities.

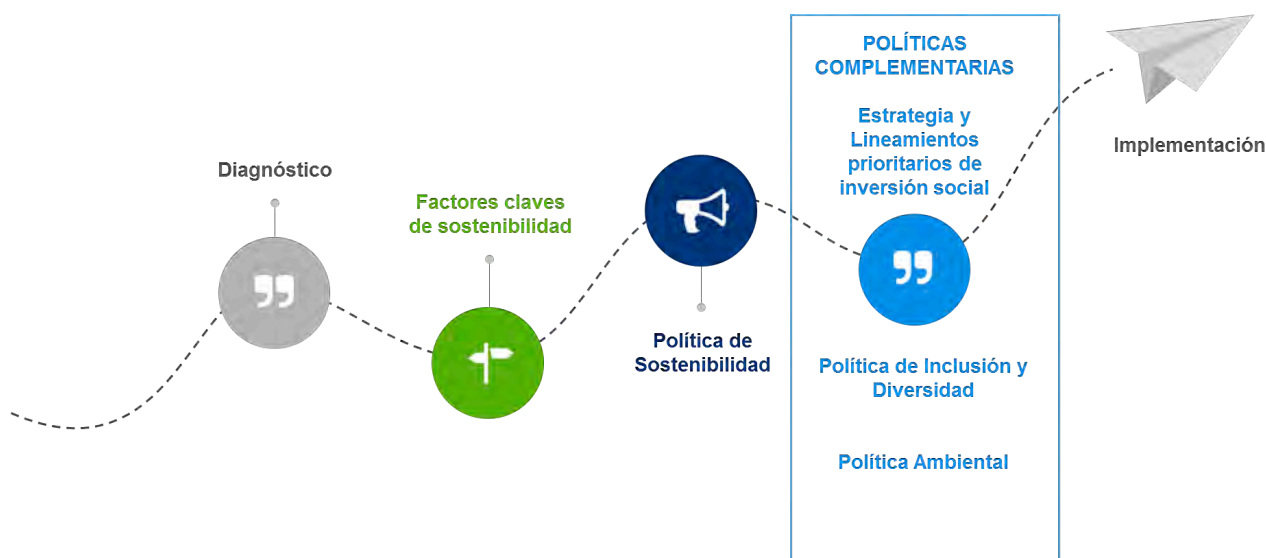
Similarly, it has redoubled efforts to strengthen corporate governance aspects related to ethics and compliance and has kept safety as a core concept and inalienable value that is more important than anything else.

SUSTAINABILITY PRIORITIES AND VISION

At SAAM, the path of sustainability will lead to recognition as a responsible and safe company and will enable it to comprehensively manage risks and opportunities in economic, social, environmental, ethical and corporate governance aspects.

This is why the company performed a diagnostic of sustainability matters in 2015, which identified the key issues for the future of its business. In 2016, it began preparing a Sustainability Policy with seven principles that represent public management commitments on matters of ethics and corporate governance; social and environmental management and people development, among other aspects. Based on the priorities identified and the principles set, the company prepared an immediate action plan and a survey and reflection process to systematize sustainability management beginning in 2017.

THE PATH TO SUSTAINABILITY



SUSTAINABILITY DIAGNOSTIC AND KEY FACTORS

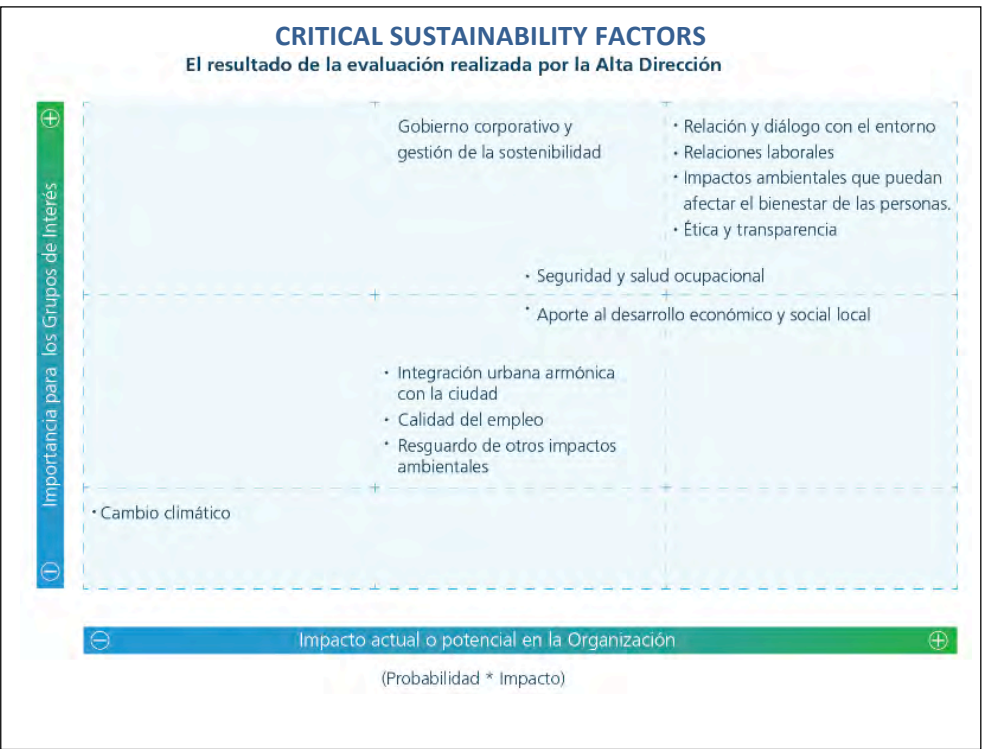
In 2015 SAAM identified the key factors for sustainability and, based on these, prepared a policy that lays the foundation for deciding and managing strategies and action plans for its operations and respective businesses.

These factors were identified and prioritized by consulting with the company's main internal and external stakeholders, which chose the most relevant topics for the business and the emerging issues for the logistics and port sectors.

SUSTAINABILITY POLICY

As a result of these processes, the company prepared its Sustainability Policy, which was approved by the Board in August 2016. This policy aims to develop SAAM's operations in a sustainable manner in order to create value for its communities, employees, customers and shareholders while maintaining due respect for the community and the environment.

In order to facilitate implementation by employees, the company opted for a straightforward, tangible and action-focused concept. Therefore, the policy was expressed in seven brief, easy-to-remember principles designed to frame the conduct of everyone that works at SAAM and its subsidiaries, as well as the employees that adhere to its principles and vision.



SUSTAINABILITY POLICY



1. Creating value for the company and society are our sources of inspiration.

2. Building mutually beneficial relationships with our employees is a priority.

<p>We work to ensure the profitable and responsible development of SAAM and its companies, by contributing to the competitiveness of the countries where we operate, working alongside our customers, shareholders, employees, contractors, suppliers and the communities where we do business to generate shared value.</p>	<p>We believe in diversity, equal opportunities at work and non-discrimination in all facets of life. Therefore, we encourage a commitment to inclusiveness in the workplace, with an underlying respect and value for individual differences in order to leverage the talent and strengths of each employee. We are convinced that active, collaborative and close participation is the basis for establishing win-win relationships that promote the process of creating shared value.</p>
<p>3. Safety comes first and is a value that we will not compromise.</p> <p>We begin by promoting a culture of safe conduct and a risk-free environment. We identify, evaluate and take the necessary measures to control potential hazards to our health and safety at work.</p>	<p>4. Our values and corporate ethics guide our actions.</p> <p>Managing our company based on ethics and our values of Respect, Honesty, Responsibility, Safety and Service-Focused is key to generating trust-based relationships with our stakeholders. These principles are factored into each decision we make as well as our daily activities, with no exception.</p>
<p>5. Our responsibility is to seek excellence in order to exceed stakeholder expectations.</p> <p>We take maximum advantage of our capacities and knowledge to meet and exceed our stakeholders' expectations. We operate in a sector that is strategic to the development and global integration of the countries where we operate, which is why we are committed to providing sustainable solutions inspired by best practices.</p>	<p>6. Caring for the environment and preventing negative impacts are integral components of our business.</p> <p>We are committed to preventing, managing and minimizing the negative impacts that our operations can have on a cultural, environmental and social level, as well as any alteration that may affect our employees, neighbors, ecosystems and the environment in general. We integrate economic, social and environmental variables into decision making and into the development of our operations and new businesses.</p>
<p>7. Contributing to a more prosperous, stronger society is an ongoing challenge.</p> <p>We are devoted to building greater prosperity and the identity of the towns and societies where we operate, contributing to their economic and social development. We work hard to empathize with different points of view and ways of life, fostering unprejudiced collaboration in the areas where we operate.</p>	

COMPLEMENTARY POLICIES

In 2016, the company prepared a Social Investment Strategy, designed to leave a common mark that helps build the reputation of and appreciation for SAAM and its companies among its stakeholders and surrounding communities. This strategy defines two priority areas for social investment projects: contributing to the economic and social development of local communities; and contributing to the harmonic urban integration of its facilities and the city. (See page X)

In addition, the Inclusiveness and Diversity Policy was approved in December 2016. This policy is designed to promote diversity in the company's work teams and encourage inclusiveness, respect and value for individual differences, in order to leverage the talent and strengths of each employee (See page X).



Also in late 2016, the company distributed a draft of its Environmental Policy. This policy contains guidelines and specific commitments that SAAM and its subsidiaries must meet in this area. It is expected to be approved and implemented during the first half of 2017. (See page X)

IMPLEMENTATION

Once the Sustainability Policy had been approved by the Board, the company began the process of distributing the policy, carrying out the second sustainability diagnostic and preparing respective Action Plans.

- **Distribution:** The distribution and alignment plan called for meetings with management teams at subsidiaries and associates in Chile and talks to increase awareness among internal stakeholders.
- **Second diagnostic and plans for 2017:** Based on criteria defined by three of the leading global organizations on the matter (ISO 26,000, Dow Jones Sustainability Index (DJSI) and Global Reporting Initiative (GRI)), the company conducted a new diagnostic to understand sustainability management at the company and its subsidiaries and accurately identify weaknesses and gaps in comparison with international best practices and procedures endorsed by these entities.

Aspects Considered in the Second Sustainability Diagnostic



More than 130 variables were measured across all business lines and support divisions in order to benchmark the company's compliance against sustainability management systems promoted by leading international sustainability organizations. The diagnostic considered all dimensions of sustainability (corporate governance, human rights, labor practices, the environment, fair supplier operating practices, customer affairs and active community involvement and development). Based on its outcomes, the company developed the corresponding work plans for the corporate divisions for 2017.

The diagnostic identified corporate governance and labor practices as areas where SAAM has made the most progress. Areas for improvement include systematizing environmental processes and practices, formalizing a human rights policy and establishing the respective procedures and control mechanisms to ensure correct implementation.

GOVERNANCE AND ETHICS

CORPORATE AND SUSTAINABILITY GOVERNANCE

BOARD OF DIRECTORS

SAAM S.A. is the main asset of Sociedad Matriz SAAM S.A. (SM SAAM), which is a publicly traded corporation. Its main governance body is a Board of Directors with seven members elected by shareholders. Two members are independent, in accordance with the Corporations Law. All directors serve a two-year term.

Board's Role: The Board of Directors determines the strategy, policies and priorities for directing the company and its business areas; defines the company's administrative structure and appoints the CEO; and monitors management's actions, especially regarding value creation and the efficient use of resources.

SM SAAM also has a Directors' Committee with three members, two of whom are independent directors. The committee's powers and duties include analyzing the financial statements and reports from independent auditors, reviewing information on related party transactions and preparing an annual report on its activities containing its main recommendations for shareholders and the Board, among other matters.

The task of managing risks, including economic, social and environmental risks, is assigned to the company's different functional areas. The Office of the Controller is in charge of implementing control systems to verify that risks are managed in accordance with Board guidelines. The Controller reports directly to the Directors' Committee.

New Director Orientation: Since 2016 SM SAAM has an orientation procedure for new directors to educate them on topics relevant to the company's businesses, especially the subsidiary SAAM S.A., including risks and other operational, financial and legal information.

Sustainability Training: The company organizes annual training programs on matters of interest to the company and its Board, such as corporate governance, amendments to essential corporate and securities market regulations, the Board's functions and duties and related recent court judgments, conflicts of interest and related party transactions, free competition, crime prevention, accounting criteria and human resource management, among others.

In 2016, the company also incorporated the most important local and international advancements in inclusiveness, diversity and sustainability reporting from the year before, and the main risk management tools, including sustainability risks, that have been implemented over the past year. In addition, the Board approved a formal mechanism for implementing improvements in its organization and operations.

Risk management, free competition, inclusiveness and diversity are some of the topics that the Board decided to include in its training.

More information on the Board's role and corporate governance is available at www.saam.com/gobierno-corporativo/ and in the Annual Report 2016, on pages 20, 78-81.

SUSTAINABILITY GOVERNANCE

SAAM has implemented executive-level opportunities for discussing sustainability-related matters and monitoring their progress. It created the Sustainability Committee to spearhead the process of integrating sustainability into the company's daily management. The members of this committee include all corporate managers and there are no alternates. Each manager is directly responsible for all initiatives that his or her area or team must carry out. (See insert).

The process is led by the CEO and coordinated by the Corporate Affairs Division. However, responsibility for executing each initiative, plan and project is assigned based on functional, organization-wide criteria. Based on these criteria, during the year each area took on new tasks in matters as diverse as corporate governance, human rights, people (HR), the environment, suppliers, customers and the community. These plans cover the material topics detected in identifying Critical Sustainability Factors, drafting the Sustainability Principles and conducting the gap diagnostic. [\(See page X\)](#)














In addition, the Health, Safety and Environment Division was created in 2016 in order to generate synergies between environmental and safety management and provide support for subsidiaries that want to improve their performance in these areas. This new division reports to the Corporate Human Resources Division.



SUSTAINABILITY COMMITTEE

The committee's most important duties include: leading the necessary transformation process to make SAAM a sustainable company; integrating sustainability matters into the company's businesses; prioritizing guidelines and integrating them into the Balanced Scorecard; incorporating sustainability goals and KPIs into the Performance Management System; monitoring the sustainability strategy, work plans and critical factors as well as all other matters related to internalizing sustainability.

GOALS 2016

	Goal	Compliance	Comments
CORPORATE GOVERNANCE	Approve the Sustainability Policy.		The policy underwent a consultation process with corporate managers and was then approved by the Board on August 5, 2016.
	Create the Sustainability Committee.		The purpose of this committee, which is made up of all corporate managers at SAAM, is to lead the transformation process to make the company a sustainable enterprise.
	Increase organization-wide awareness of the importance of incorporating sustainability.		An internal communications plan was implemented and meetings were held with management teams at subsidiaries and associates to educate them on the policy's conceptual framework and social investment guidelines. Support was provided by the consulting firm Vincular.
	Communicate the Strategic Priorities in order to align the organization behind one common objective.		The company implemented work plans for each corporate division and a related internal communications plan, and began to define strategic priorities for 2017.
	Communicate SAAM's values as the heart of the company and demonstrate where they are present.		In 2016 the company's values were included in the human resources communications process and incorporated into personnel evaluations as part of the company's performance management system.
	Promote knowledge and use of the Code of Ethics, grievance and resolution mechanisms, Crime Prevention Manual and conduct training at a corporate level.		During 2015 and part of 2016, SAAM trained employees on its Crime Prevention Model, Code of Ethics and grievance mechanisms. The Office of the Controller is currently reviewing the Code of Ethics in order to make improvements.
	Create the position of Compliance Officer, or similar.		The company decided to develop a Comprehensive Compliance Model. The Office of the Controller, which will play the role of Compliance Officer, is responsible for designing and managing this model.
	Incorporate sustainability into the risk matrix.		The company is in the process of preparing a risk matrix and a work plan for 2017.
	Perform a self-diagnostic of sustainability matters at SAAM companies in Chile.		The sustainability diagnostic was applied to SAAM subsidiaries in Chile. During the first half of 2017, it will be expanded to Portuaria Corral, Iquique Terminal Internacional, Terminal Marítimo Mazatlán and Puerto Caldera, as well as SAAM Remolcadores in Costa Rica.
	Generate an action plan for each corporate division based on results of the self-diagnostic.		Issues were prioritized and distributed to divisions in December 2016. The related work plan for 2017 is being prepared on a case-by-case basis with each corporate division, with special attention being placed on two areas: environment and ethics.
	Execute the Corporate Reputation Index study.		This was approved in November 2016. The study will be conducted until May 2017 and the results will be available in July of that same year.
THE ENVIRONMENT	Incorporate the environmental function on a corporate level.		The Health, Safety and Environment Division was created in October 2016. This new division reports to the Corporate Human Resources Division and has a work plan to carry out in 2017.
	Perform an environmental and safety audit at SAAM Chile.		The project was awarded to the consulting firm ERM. Study results are expected to be ready in June 2017.

SOCIAL ASPECTS	Create a procedure for donations and gratuitous loans of physical space.	●	These procedures enable both SAAM and its subsidiaries to be present in the community to help with emergencies and other requests for assistance and social events.
	Create a procedure for questions and suggestions from customers and the community in general.	●	Since the creation of the Question and Suggestion Form, 100% of forms submitted have been resolved and responded to within 48 hours.
	Create a Community Engagement Handbook for Group companies in Chile.	●	The handbook was prepared and sent to the respective corporate and business line division managers.
	Implement social investment project "Globetrotting Container."	●	The project was organized together with the foundation <i>Corporación de Patrimonio Marítimo</i> and financed through cultural donations. Between October and December 2016, the container toured the cities of Iquique, San Antonio, Valparaíso and Talcahuano, and attracted over 7,000 visitors.
	Sign agreements with public and private institutions: <i>Desafío Levantemos Chile</i> , <i>Fundación Techo</i> , <i>Corporación Patrimonio Marítimo de Chile</i> and <i>Museo Marítimo de Chile</i> .	●	These agreements were signed in line with strategic community engagement plans.
	Provide social assistance.	●	With the implementation of the procedure for donations and gratuitous property loans, the company provided support for foundations and educational, religious and social institutions, donating 67% more than in 2015.



= Achieved



= Partially achieved



= Not achieved

ETHICS AND COMPLIANCE

SAFEGUARDING ETHICS

Code of Ethics: The company has a Code of Ethics that creates a framework for employees' day-to-day actions and conduct.

The code contains the commitments and ethical responsibilities that SAAM employees must undertake in performing their duties in order to manage the company's business and corporate activities. It considers aspects such as supplier and customer relations, competition, conflicts of interest, integrity, presents and gifts, personal integrity, administrative responsibilities, accuracy and confidentiality of information, to name a few. The document also states that all employees are to respect the company's values and take responsibility for their decisions and actions at all times, as well as know and fully adhere to the guidelines specified in the Code of Ethics.

The code is applicable to directors, executives and employees of SAAM and its subsidiaries in Chile⁹ and the port terminals in which it invests. Each individual (a total of 3,057 people) receives a copy of the code upon joining the organization and must sign a declaration of receipt and compliance. The code is also available on SAAM's website and Intranet.

In order to reinforce the contents of the Code of Ethics, an online ethics course must be approved by each new hire when they join the organization as part of the orientation process.

Ethics Committee: The Ethics Committee is the body within SAAM responsible for ensuring correct application of the Code of Ethics. Its main functions include:

- Updating the Code of Ethics based on suggestions and situations observed within the company.
- Promoting values and ethical conduct.
- Fielding questions.
- Channeling Code of Ethics violations.

The members of this committee include the managers of the Human Resources and Legal departments and two additional managers that are rotated annually. It is chaired by the Controller.

Currently, SAAM is in the process of reviewing and updating the Code of Ethics. A new version that includes a set of corporate integrity best practices is scheduled to be published in 2017. The new document will be applicable to all territories where the company has companies and/or operations under its control, significant influence and/or relevant involvement in management.

⁹ Chilean companies in which SAAM has control with an interest greater than 50%.

Areas Covered by the Code of Ethics



Diseño: si lo grafican en algo similar a esto, las flechas deben apuntar desde el Código a los ámbitos.

The company has an Order, Health and Safety Handbook that sets forth work-related obligations and prohibitions for employees and establishes a series of policies and procedures that regulate their actions in certain areas also governed by the Code of Ethics.

In addition, because SAAM is a publicly traded corporation, it has a Market Information Manual, which is designed to regulate the disclosure of information of interest and safeguard reserved, confidential and insider information. This manual also sets forth the rules for securities market transactions by directors, executives and related parties in accordance with the current rules of the Chilean Superintendency of Securities and Insurance (SVS).

Crime Prevention Model: SAAM has implemented a Crime Prevention Model, in accordance with Law No. 20,393 on the Criminal Liability of Legal Entities, which seeks to prevent the crimes of bribery of public national or foreign officials, receipt of stolen property, asset laundering and terrorism financing by any person that acts in representation of SAAM.

SAAM's Crime Prevention Model identifies potentially risky processes and activities and evaluates risks and mitigation activities for risk exposure. These are managed using a risk matrix and controls following internal protocols based on responsibilities, duties, obligations and sanctions. This system is reinforced by prevention, detection, response and monitoring activities.

The model calls for a Corporate Prevention Officer. The Board has appointed the Controller to take on this role. The responsibilities of this role include establishing appropriate controls given SAAM's exposure to the crimes regulated by Law 20,393, continuously evaluating and monitoring how the model is operating and updating its contents based on changes in current regulations and the company's business environment.

As of December 31, 2016, the scope of the Crime Prevention Model included all SAAM operations in Chile and its 16 domestic subsidiaries.

A copy of the Prevention Handbook was distributed to all employees in 2016. In addition, 547 employees received training on the Model and the Grievance System.

Certification of Crime Prevention Model: During 2016, SAAM finalized implementation and certification of its Crime Prevention Model. The model was certified externally by BH Compliance, an entity registered

**SAAM certified its
Crime Prevention
Model in 2016**

with the SVS. Certification is valid for two years, which is the maximum period permitted by law.

The Code of Ethics, Grievance System and grievance investigation and management procedure were also examined as part of the certification process.

In order to continually improve and update the model, and eventually implement a Comprehensive Compliance Model, the company is incorporating other compliance-related matters and broadening its current model to include international standards and rules on corruption (FCPA, UK Bribery), free competition and compliance best practices.

Grievance System: SAAM has an anonymous, confidential grievance system that employees and third parties can use to report irregular conduct and/or violations of the Code of Ethics or policies and/or specific guidelines in the Crime Prevention Model.

Currently, grievances can be filed as follows:

- Web platform (available through the Intranet and on SAAM's website and by e-mail to denunciassaam@saam.cl);
- In person or by letter addressed to the Ethics Committee, the individual's direct supervisor, the Controller or the Crime Prevention Officer (CPO).

The web platform is managed by an external, international supplier specializing in global solutions that meet international standards. It assures that the services are provided on a secure site that guarantees independent, efficient and speedy communications between the platform and the informant, safeguarding his or her confidentiality and anonymity. In order to guarantee the confidentiality, anonymity and safety of the informant, SAAM works to ensure the correct use of this system and anti-retaliation procedures.

All grievances filed are redirected to the Office of the Controller for initial analysis and are managed using the protocols established in the Grievance Procedure, which internally regulates how each grievance must be handled, from filing to investigation, escalation and derivation, until penalties are set or reports are filed with regulators, if necessary.

The Grievance System is publicized through the company's Intranet and website. New hires are also informed of the system as part of the Orientation Process when they join the company.

In 2016, seven grievances were filed on matters addressed in the Code of Ethics. However, all seven were dismissed in accordance with the grievance investigation procedure since they lacked grounds and/or sufficient information to determine their validity. No grievances related to cases of discrimination or potentially illegal acts were received.

Inclusiveness, Diversity and Stakeholder Engagement: The Code of Ethics promotes and values individual dignity and rejects and prohibits any discrimination based on race or ethnicity, nationality, socioeconomic condition, language, ideology or political opinion, religion or creed, union involvement or lack of affiliation, gender, sexual orientation, gender identity, marital status, age, filiation, personal appearance and illness or disability. The company also approved an Inclusiveness and Diversity Policy to reinforce this position. As part of the Board-approved Sustainability Policy, the company prepared a Community Engagement Handbook. This tool serves as a guide for developing, planning and promoting the participation and appropriate involvement of the company and its associates with stakeholders.

Human Rights and Native Peoples: Since SAAM operates in several countries in the Americas, which are culturally diverse and have varying degrees of development and heterogeneous practices, human rights and respect for native peoples are relevant issues for the company. However, these are not addressed explicitly in the Code of Ethics. As part of the process of reviewing and updating the Code of Ethics, initiated in late 2016, the company is evaluating whether to incorporate these two topics.

As part of the second sustainability diagnostic (*see page X*), gaps in human rights were identified. This gave rise to the need to formalize a policy on the matter and establish the respective procedures and control mechanisms to ensure correct application.

COMPLIANCE

Comprehensive Compliance Model: The company began designing a system to centralize and complement the various compliance mechanisms and initiatives it has developed with the ultimate goal of implementing a Comprehensive Compliance Model. During 2017, the company moved forward on evaluating and designing an organization-wide compliance structure, outlining the scope and road map for such initiatives and defining compliance projects to be implemented during the year.

SAAM is designing a Comprehensive Compliance Model that brings together the different perspectives and initiatives in this area.

This model will be developed collectively by the CEO, in-house counsel and the Controller and their respective teams, which will distribute the guidelines of the model to the Board and Executive Committee.

Audits

Internal Auditing: The Controller, through the internal auditing team, works to ensure that SAAM's operations are managed in accordance with the highest standards, including guidance from the Institute of Internal Auditors (IIA), international auditing standards¹⁰ and the COSO (Committee of Sponsoring Organizations) Model. This team works independently in carrying out its duties of inspection and verification. It periodically reviews internal controls and analyzes risks to relevant business, operational and support processes, as defined in the Annual Internal Auditing Plan (AIAP) approved by SAAM's Board, which uses a risk-based audit approach.

The plan includes SAAM's domestic and foreign subsidiaries and companies where it exercises significant influence over management without having control.

Each auditing process identifies findings that are classified based on how critical they are and addressed using action plans defined by the company's management. The Office of the Controller continuously monitors the implementation status of these plans and compliance with commitments made.

External Auditing: In compliance with the requirements of Law 18,046 on Corporations, SAAM has audited its balance sheets, income statements and cash flow statements for the past 10 years, taking special care to ensure that the balance sheet reasonably reflects the company's true financial situation, based on accounting principles used in Chile (IFRS).

SAAM holds bidding processes every year for auditing services that take into account a series of requirements, including whether the audit company has operations throughout the Americas. Auditors participating on the audit team must also have experience in the company's industry and be level senior and above. It also takes into account the auditing hours and support provided by specialized technical areas. KPMG Auditores y Consultores Ltda. is in charge of performing our annual audits, testing internal control to verify financial, accounting and systems processes in order to ensure that they are performed correctly, thus enabling improvements to be detected.

¹⁰ Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, Code of Ethics Internal Auditing, International Standards for the Professional Practice, among others.

RISK MANAGEMENT

Risk management is a high priority at SAAM, and, therefore, the company took steps in 2016 to formalize this process.

The Risk Management Unit, which reports to the Office of the Controller, is responsible for leading this project, based on guidelines and norms established by the Board through the Directors' Committee, which is briefed frequently on the status of the project.

The company's risk management challenges for 2017 include formalizing the project in the different areas of comprehensive risk management, based on an international methodological standard (ISO 31,000), covering strategic, business, compliance and operational risks, as well as identifying the different dimensions of sustainability risks.

This is in parallel to defining a proper support structure for managing these risks, as well as establishing responsibilities in the different management stages, also including monitoring and reporting.

CERTIFICATIONS

SAAM is certified under the following international standards: ISO 14001:2004¹¹ (environment), ISO 9001:2008¹² (quality), OHSAS 18001:2007¹³ (occupational health and safety) and ISO 28001¹⁴ (security management systems for the supply chain). This process has enabled us to guarantee high standards and establish mechanisms and tools to ensure continuous improvement.

The port business also has specific certifications such as Management and Security Control for International Trade (BASC)¹⁵, the International Ship and Port Facility Security Code (ISPS or PBIP Code¹⁶ developed by the International Maritime Organization (IMO)) and Certified Authorized Economic Operator (AEO)¹⁷ (secure trade).

(More information on the management systems implemented by SAAM can be found on page Xx)

¹¹ The port terminals in Antofagasta, Arica, Iquique, San Antonio, San Vicente and Peru are certified under ISO 14001. The following towage services are certified under this standard: Brazil, Canada, Costa Rica, Mexico, Panama and Peru. In the future, we hope to certify the operations of the Logistics Division.

¹² The port terminals in Antofagasta, Arica, Iquique, San Antonio, San Vicente, Ecuador, Mexico, Peru and the United States are certified under ISO 9001. The following towage services are certified under this standard: Brazil, Canada, Ecuador, Mexico, Panama and Peru. In the future, we hope to certify the operations of the Logistics Division.

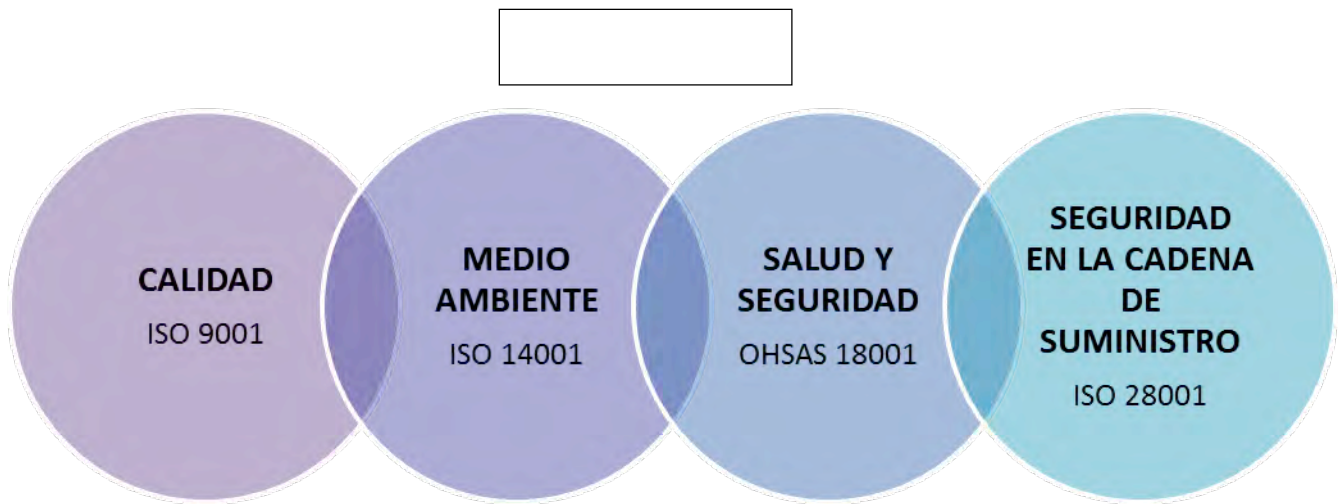
¹³ The port terminals in Arica, Iquique and Peru are certified under OHSAS 18001. The contract between Logística Chile and ENAP for maintenance and connections in Quintero is also certified under this standard. The following towage services are certified under this standard: Brazil, Canada, Mexico, Panama and Peru.

¹⁴ The port terminal in Peru is certified under ISO 28001.

¹⁵ The port terminals in Ecuador and Peru are certified under the BASC standard.

¹⁶ The port terminals in Arica, Corral, Iquique, Ecuador and Peru are certified under this standard.

¹⁷ The port terminal in Peru is certified as an AEO.



STAKEHOLDER ENGAGEMENT

At SAAM, we understand that in order to ensure the future and growth of our businesses over time, we must contribute harmoniously to the economic, social and environmental dimensions of sustainability in the areas where we operate. In order to achieve this objective, we must consider the different perspectives and points of view of all stakeholders since every decision the company makes can have a direct or indirect impact on them.

ANALYSIS OF MAIN STAKEHOLDERS



Diseño: agregar a cada grupo de interés la descripción en la tabla de abajo

<ul style="list-style-type: none"> • Authorities 	<p>Relevant authorities include those that design public policies for, regulate and oversee the company's businesses, as well as those that represent the communities around its operations. Therefore, regulator engagement by SAAM, its subsidiaries and associates can include the president and several pertinent ministries in each country (transportation, environment, finance, public works, labor, among others), legislative authorities, regional or local governments, maritime authorities and government entities related to foreign trade (customs, investigative police, agricultural and livestock services, among others).</p>
<ul style="list-style-type: none"> • Strategic Partners 	<p>These are local or international business partners with which the company has alliances in different countries in order to maximize value generation for alliance members, customers and markets where they provide services. Some examples include SSA Holding Internacional, Royal Boskalis and American Airlines.</p>
<ul style="list-style-type: none"> • Shareholders and Investors 	<p>This includes all investors and shareholders, both majority and minority. SAAM is a publicly traded corporation. Quiñenco holds 51.7% of its property while the remaining 48.3% belongs to other shareholders and investors, including pension fund companies (AFP), institutional investors and foreign investors.</p>
<ul style="list-style-type: none"> • Customers 	<p>The company's portfolio includes domestic and international customers. Its main customers include shipping companies, mining projects, oil companies, exporters and importers that use the services of one or all three of its business divisions.</p>
<ul style="list-style-type: none"> • Trade Associations 	<p>SAAM and several of its companies play an active role in various trade associations that are important to its businesses and its customers. Some include <i>Cámara Marítima y Portuaria de Chile</i>, <i>Cámara Aduanera</i>, shipowner associations, and fruit, manufacturing, transport and exporter trade associations.</p>
<ul style="list-style-type: none"> • Employees 	<p>Employees include operators, administrative staff, technicians, professionals and supervisors, as well as executives of SAAM and its subsidiaries. Including all of the companies in which SAAM has investments, it directly employs 11,340 people with 20 different nationalities. Of these, 53% are Chilean and the remaining 47% are from other countries in the Americas and Europe. Women account for 12%.</p>
<ul style="list-style-type: none"> • Community 	<p>This includes the community near each of SAAM's operations and subsidiaries, as well as associates that can generate significant impacts on their surroundings. The company strives to maintain a relationship of dialogue and involvement that strengthens the necessary Social License to Operate (SLO) for each of its activities.</p>
<ul style="list-style-type: none"> • Suppliers 	<p>This includes suppliers of raw materials, goods and services. They supply the key inputs for the company's operations, such as oil and port equipment, among others. Services include those used for general purposes and for specific areas like transportation, engineering, port construction and tug maintenance, to name a few.</p>

Stakeholder Communication

SAAM has different mechanisms for stakeholder communication at both a corporate and an individual company level. Organization-wide corporate communication tools include the annual report, website, market information instruments and press releases. It also uses specific channels such as e-mail, newsletters, meetings and surveys, among others. In addition, it has feedback mechanisms to gather opinions from stakeholders such as suggestion boxes, grievance hotlines, web contact forms and perception studies, etc.

It also relies on specific mechanisms for particular stakeholders, such as presentations for investors and customers, and shareholder meetings.

Each individual company addresses employee communications and determines the proper channels based on its particular organizational culture. As a corporate principle, SAAM promotes open, transparent communication with its workers, looking not only to provide information but also to generate two-way communication between executives and employees. Some of the channels used for employee communications include: Intranet, e-mail, bulletin boards, corporate meetings, reports, posters, brochures and videos.

	<p>Organizations in which SAAM Participates</p> <p>The company and its subsidiaries have been actively involved in the following organizations in Chile: <i>Comunidad Logística, Cámara Marítima y Portuaria de Chile, Cámara Aduanera, Federación de Productores de Fruta de Chile (FEDEFRUTA), Asociación de Exportadores de Chile (ASOEX), Asociación de Exportadores y Manufacturas (ASEXMA), Asociación Gremial de Transportistas, Confederación de la Producción y del Comercio (CPC), Asociación de Industriales, Asociación Nacional de Ciudades Puerto, Sociedad de Fomento Fabril (SOFOFA), Asociación Nacional de Armadores.</i></p>
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ECONOMIC IMPACT

STRATEGIC ROLE IN THE DEVELOPMENT OF COUNTRIES WHERE IT OPERATES

INTERNATIONAL TRADE

Economic globalization, coupled with the relocation of production centers and the resulting increase in the distance separating manufacturing centers from hubs of consumption, has led to an increase in long-distance shipping. In this context, logistics play an increasingly strategic role in connecting product demand and supply, particularly in countries where SAAM does business. Most of these countries have adopted an exporter development model. Furthermore, except for Mexico, Latin American economies in particular are known for being net exporters of raw materials and importers of manufactured goods.

In this context, maritime trade is the main mechanism for the exchange of goods. Internationally, it represents around 90% of global trade of goods¹⁸. According to the International Maritime Organization (IMO), it is the most efficient, most profitable and most secure international transport system for moving goods. One of its main advantages lies in its ability to transport large volumes at low unit transportation costs.

**90% of global
trade is shipped
by sea.**

Sea transport is important across all industries since it offers the aforementioned advantages for all types of activities and cargo. Ports play an important role in moving liquid and solid bulk cargo for the mining, forestry, chemical and fuel sectors, as well as container cargo for a variety of industries (fresh fruit, fishing, forestry, technology, retail, etc.), and all types of vehicles, machinery and other cargo for projects.

Importance of Foreign Trade in the Americas

Foreign Trade vs GDP of Each Country¹⁹

	2013	2014	2015
Chile	65%	66%	60%
Brazil	26%	25%	27%
Argentina	29%	28%	23%
Mexico	64%	66%	73%

¹⁸ Source: International Maritime Organization (IMO)

¹⁹ Source: WTO – World Trade Organization; World Bank.

Peru	49%	46%	45%
Colombia	38%	37%	39%
USA	30%	30%	28%
Canada	62%	64%	66%
Uruguay	50%	49%	45%
Guatemala	59%	57%	51%

Role in the Latin American Economy

SAAM plays a key role in the region's economies. Its efficiency is critical to maintaining world-class foreign trade. In 2016, SAAM's port terminals transferred a total of 38.5 million tons of cargo in the six countries where it operates. This volume is equivalent to 14 times Chile's total fresh fruit exports in 2016²⁰, or a 41% market share in Chile.

Throughout SAAM's 55 years in business, the company has witnessed first-hand the development driven by port terminals in different countries. Chile's case is reflected in different studies²¹.

SAAM's port terminals connect 57 developed and emerging economies²². Chile, for example, is connected to 19 countries, including neighbors such as Peru and Argentina, and other far-off economies like the United States, Spain, Italy and even Japan and China.

SAAM
Connects and
Generates

Cargo Mobilized at Port Terminals			
Millions of tons			
	Mobilized at SAAM Ports ²³	Mobilized by Port Sector in Each Country	Market Share of Trade in Each Country (%)
Chile	26.9	67.2	40%
USA	1.2	6.1	20%
Ecuador	1.5	11.4	14%

Given SAAM's commitment to service, which is focused on the needs of exporting customers no matter what entry or exit port their products pass through, the company offers airport transfer services together with American Airlines, which currently operate in Chile, Ecuador and Colombia. The company has gradually shifted towards "inland" services, including comprehensive logistics services that even involve managing distribution centers or transporting products to points of sale.

²⁰ Chile's fresh fruit exports in 2016 totaled 2.6 million tons. Source ODEPA, Chilean Ministry of Agriculture.

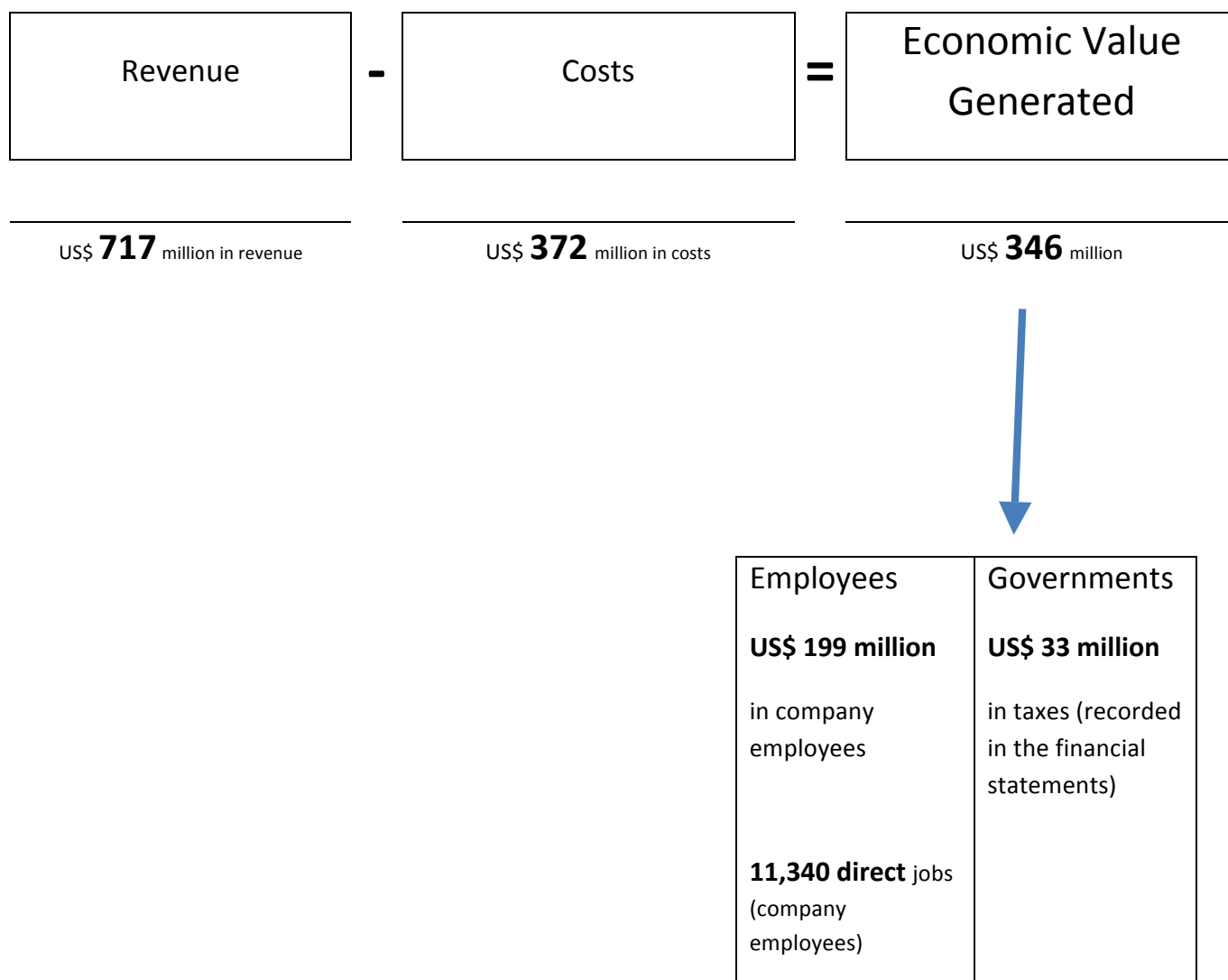
²¹ Studies that analyze this topic in Chile: <http://si2.bcentral.cl/public/pdf/estudios-economicos-estadisticos/pdf/see115.pdf>, <http://www.dop.cl/acercadeladireccion/Documents/Infraestructura%20Portuaria%20y%20Costera%20Chile%202020.pdf>

²² This figure includes all countries along the service routes that arrive to or leave from SAAM ports.

²³ Includes figures for SM SAAM's consolidated subsidiaries and equity-method associates, excluding Peru, Mexico and Colombia.

DISTRIBUTION OF ECONOMIC VALUE GENERATED

The Economic Value Generated²⁴ by SAAM, including its consolidated subsidiaries and associates, is measured as the difference between revenue and total costs. In 2016, the company generated economic value of US\$ 345 million, which was distributed among the different agents with which it interacts: employees, through wages; the government, through taxes and fees (see page Xx) paid for port terminals; and other stakeholders, which have not been disclosed separately in the Group's accounting.



VALUE CONTRIBUTED TO GOVERNMENTS BY PORTS

Concessioned ports are obligated by law to make an annual payment to the government for the concession, calculated based on the economic value of the port asset and known as the “port fee.” The amount payable is not linked to the profit obtained that year; even when no profits are generated, the port fee must still be paid.

In Chile's case, since the concession system began, the fee paid to the government has been around three times the value of the profits received by the owners in the same period. In addition, port companies make

²⁴ Figures for SM SAAM's consolidated subsidiaries and equity-method associates.

infrastructure investments, which are regulated by the government. In Chile, this amount is similar to the total paid in port fees.

Contribution²⁵ from Ports in Chile

In millions of US\$

	Contribution to Shareholders	Contribution to the Government		Infrastructure Investments
	Profit	Port Fee Paid	Income Taxes	Capex
San Antonio	116	340	28	341
San Vicente	83	196	20	127
Iquique	79	56	20	72
Antofagasta	45	88	12	175
Total	323	680	80	715
	18%	38%	4%	40%

²⁵ Includes figures for port terminals in Chile. Values represent the total contribution made from the beginning of each concession until 2016.

CUSTOMER RELATIONS

OUR CUSTOMERS

SAAM operates three business divisions in which it maintains a strong market position in the region: port terminals, towage and logistics. Thanks to the combination of services that it offers, the company is recognized as a comprehensive cargo operator which also provides broad geographic coverage in the Americas to its customers.

Port Terminals

This division offers cargo transfer services to customers including vessel docking and undocking, cargo transfer and storage in auxiliary facilities.

The division's main customers are shipping companies engaged in regular maritime transport services along a specific route, generally on a weekly basis. A second group of customers is importers/exporters, freight forwarders and logistics operators, with an emphasis on mining port projects.

Port terminals are concessioned by the government and oversight is usually handled by a public port company, which ensures compliance with the clauses of each concession contract.

Each country has a regulatory framework for the industry that is designed to promote investments and improve the sector's productivity and competitiveness. The majority have a private operator concession system as well as port and government authorities that oversee the actions of concessionaires, mainly in regard to free competition.

In both Chile and other countries, there are standards that guarantee equal, non-discriminatory access to port services, rate criteria that promote competitiveness, rate regulation, quality and free competition standards and structural protections regarding horizontal and vertical integration.

Towage

This operation provides docking and undocking support services for ships in the ports, assisting vessels with both salvage and towing. In addition, the company provides towage services at off-shore terminals and positioning and anchoring at oil and gas platforms.

The main towage customers are shipping companies, oil companies, port terminals, importers and exporters.

Port towage activity is highly regulated and is subject to each country's laws. The port towage market is governed by national regulations and is generally considered a cabotage or maritime transport activity. From a commercial perspective, various business models adopted by local authorities for the provision of towage services coexist, ranging from concessions and regulated rates as in the cases of Mexico and Costa Rica to open markets and free rates, which is the model used in nine other countries in which SAAM operates.

Logistics

After restructuring the portfolio of services offered to the market, SAAM Logistics has focused on solutions that create value in the supply chain of each customer in such diverse industries as food and beverages, consumer goods, mining, energy and manufacturing. This division's services include managing customers' logistics processes, inventory and information.

SAAM has off-port warehouses, storage facilities and cold storage units throughout Chile that allow it to store cargo whether or not it has entered the country, thus offering value-added services to meet customer needs. This includes transportation and other complementary services in order to create a unique value proposition that gives users a single logistics provider of monitoring, traceability and data services.

The design seeks to optimize every link in the customer's supply chain, contributing solutions that integrate systems and technologies into the logistics process. This allows for visibility to be provided with a differentiated value proposition that includes overseeing the resources of each of the operation's activities and identifying potential processes that do not add value and are not always identified by the customer. The goal is to develop an efficient logistics chain that gives customers the peace of mind they need to focus on their business.

SAAM Logistics Services

Warehouse Management	Transport Management	Special, Value-Added Services
Handling products with inventory control management Value-added services (labeling and packing) Customer storage cycle and cross docking in SAAM warehouses and third-party facilities	Import and export cargo transport Capillary distribution Transfer of final products or products in process Shipping agency services	Connection and disconnection of flexible hoses transporting hydrocarbons Storage of liquids in specialized silos Logistics services for the wood (chips and pulp) industry, among others

SERVICE QUALITY

Our commitment to our customers and to service quality is reflected in the certification of SAAM's management systems under the international standard ISO 9001:2008 (quality).²⁶

SAAM's value proposition is based on the relationship that we develop with and personalized attention provided to our customers. For example, each port terminal has a commercial management office that periodically visits customers (shipping companies, exporters/importers, transport firms, shipping agents, etc.). At the corporate level, the Port Terminals Division has a department focused on commercial issues. SAAM's services aim to provide coordinated service and timely responses to contingencies.

Each business has a customer database that is managed locally and independent of the division. As a result, customer satisfaction is measured differently in each case. There are various customer communications and service platforms that range from traditional to online systems. The online service systems that have been implemented by the Port Terminals Division at many ports are particularly important. Both importers and exporters are also provided with additional services that facilitate and improve the customer experience, such as storage and consolidation.

In an effort to continually improve our terminals, we have recently promoted five key initiatives: measuring the general efficiency of the crane teams, introducing practices to enhance crane performance, standardizing maintenance processes; scheduling container receipt and dispatch with systems tools (*Container Express*); and appointing and training continuous improvement leaders (see inset).

	CONTINUOUS IMPROVEMENT LEADERSHIP TRAINING - CHILE
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²⁶ ISO 9001 certification has been obtained for the port terminals in Antofagasta, Arica, Iquique, San Antonio, San Vicente, Ecuador, Mexico, Peru and the US. The following towage units are certified: Brazil, Canada, Ecuador, Mexico, Panama and Peru. We hope to certify operations from the Logistics Division in the future.

	<p>Each port terminal trained continuous improvement leaders in the development and use of technologies and information systems that allow them to optimize daily terminal operations. The skills addressed include teamwork (concern for direct supervisees, contribution to the development of direct supervisees, and delegation of responsibility), facilitating leadership, dispute resolution, results-based approaches, motivation and trust.</p> <p>Each process ended with participants presenting objectives for improving their terminal to be addressed in the future.</p>
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Relationships with Other Stakeholders that Are Crucial to Service

Port services depend on a diverse group of stakeholders that impact the quality delivered to the customer. In view of this, SAAM’s Port Terminals cultivate a close relationship with the stakeholders that impact terminal performance: transport companies, customs agents, empty container deposits, public port companies as well as customs, maritime and local authorities, among others. The quality of the terminal’s service and the entire supply chain depends on solid coordination with all these parties.

QUALITY CUSTOMER SERVICE

The most highly valued aspects of service quality vary from business to business.

Towage	Port Terminals	Logistics
Safety of maneuvers and service Precision service Availability of service High power towage	Operational safety Productivity in container transfer Fluid access Speed of receipt/delivery of containers	Security of service Completeness ratio Accuracy of inventory records Accuracy of inventory location On-time receipt, preparation and delivery Timely information ABC Curve* Inverse logistics

*ABC Curve: method of classifying services based on their relative importance. The highest value classification is A, the intermediate level is B and the lower value level is C.

	<p>“CONTAINER EXPRESS” IMPROVES SERVICE TO PORT TERMINAL CUSTOMERS - CORP</p> <p>SAAM is looking to generate a true virtuous circle for exporters, transportation firms and customs agents using Container Express. This innovative initiative seeks to reduce service times during the container receipt and unloading process at SAAM’s port terminals. The model has already been implemented at the San Vicente and San Antonio ports and will be replicated in all port terminals. Container Express offers added value to customers through the website. This computer platform brings together port operational systems, customs systems and the entire web transaction platform, thus coordinating shipping agencies, exporters, importers, customs agencies and oversight authorities (customs, SAG, etc.)</p>
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SUPPLY CHAIN SUSTAINABILITY (SUPPLIERS AND SUBCONTRACTORS)

The competitiveness of SAAM's business is based, to a great extent, on the performance of critical service providers. As such, SAAM and its companies make efforts to ensure the sustainability of contractors, to improve labor standards of service providers at SAAM facilities and to guarantee the labor conditions of those companies' employees. In this context, it is fundamental for the company to build mutually beneficial relationships with suppliers of goods and services.

SAAM subcontracts specialized services in specific areas based on each business line. Subcontractors provide ongoing support services such as maintenance, security, transportation and meals. It also outsources temporary services for expanding or building new facilities. SAAM also hires organizations to train certain employees, such as towage crews, on specific issues.

Protecting Subcontractor Sustainability

The sustainability of firms that provide services to SAAM is safeguarded in various areas. For example, the Code of Ethics extends to them along with care for facilities' security. In addition, progress has been made on the stage prior to hiring providers through the development of an information system on critical areas such as financial capacity, accident rate, quality certifications, environment, risks and reputation in sensitive areas of the business. Furthermore, SAAM looks into sensitive areas in terms of ethics such as funding terrorism and money laundering. We use tools such as Achilles to obtain integrated information from providers on finances, legal compliance, accident rates and other topics.

In addition, an organization-wide Subcontracting Committee was created and developed a Corporate Policy on Subcontracting as well as a standard for requirements for hiring service providers. This collective effort became the basis for subsequent sourcing and hiring work and oversight of contractor performance.

Two new corporate committees focused on contractors were created in 2016: The Bid Committee and the Subcontracting Committee.

The Corporate Policy for contractors will be disseminated during 2017. Thanks to this policy and other procedures associated with the Procurement Area, the company will have a system with segregated, clear functions for contractor management throughout the entire cycle of the commercial relationship with SAAM.

Changes are being implemented to ensure proper segregation of duties, from identifying the type of service needed to selecting and hiring the supplier, and including operational and administrative oversight of the contractor.

A multidisciplinary team will participate in the entire process in order to select strategic partners that meet SAAM standards and add value to the processes.

Legal Compliance by Subcontractors

SAAM requires its contractors to comply with all laws and regulations in each country. These requirements form part of the mandatory contractual clauses in its hiring standard.

In order to ensure compliance, new management and oversight systems have been incorporated, including Achilles, Ariba and Previred at the corporate level. These systems facilitate the inputting of and negotiation

with suppliers subject to the subcontractor law and contract management as well as subsequent oversight of the contractor's labor obligations. Implementation of SISCON is also underway. This in-house development in SAP provides control of facilities access and is also applied to contractors.

THE COMMUNITY

ALIGNED URBAN INTEGRATION

SOCIAL CONTEXT

Due to its significant geographic dispersion, SAAM confronts different local realities in hundreds of operations in the 15 countries in the Americas in which it has a presence, from Canada to the Strait of Magellan in Chile. As a result of the scale and location of their facilities, port terminals have the greatest social and economic impact of any of SAAM's businesses. In addition, in certain territories they are the axis of development of local economies.

Ports have become hubs of development that have promoted the expansion of cities or emergence of settlements in their immediate surroundings. As a result, many terminals are located within urban developments, which presents new and greater challenges related to the port's integration into the community and within the city's dynamic.

STRATEGIC VIEW

SAAM's goal is to contribute value to the urban environment in which its operations are located, minimizing negative impacts, maximizing positive impacts and establishing communications channels and stable and long-term connections with the various stakeholders. This includes officials related to national and local territorial planning that determine coastline use, and neighborhood and social organizations that represent local residents.

Aligned Urban Integration - Priority Areas for SAAM's Community Engagement - Contribution to Local Development

To achieve aligned urban integration of its operations, the company focuses on:

- **Maximizing its positive social impacts**
- **Generating urban value**
- **Managing inconveniences involving operations**
- **Strengthening dialogue and the relationship with the community**

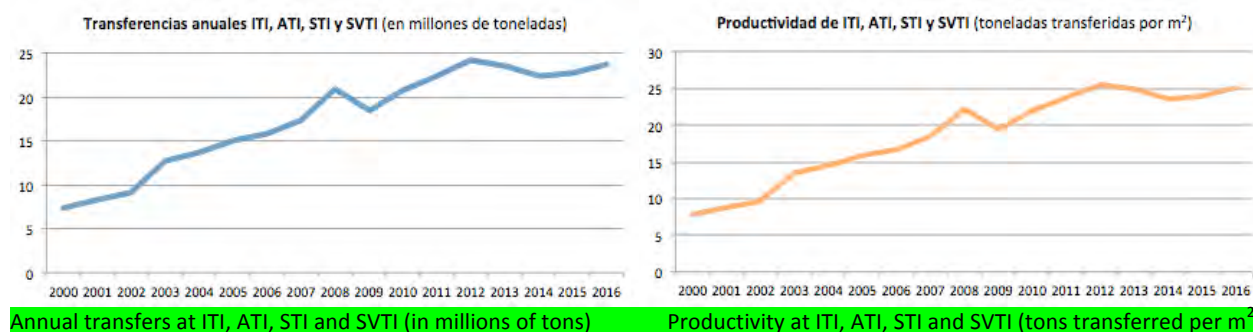
In order to make this form of management effective, the company has developed policies and best practices for SAAM and all subsidiaries. These tools can also be used by associates where SAAM has a direct impact on management. Since 2016, the company has had a Sustainability Policy ([see p. X](#)), a Community Relations Handbook and a public affairs agenda that allow it to learn about different visions of territorial development and adopt measures that allow for harmonious and mutually beneficial coexistence.

CONTRIBUTING URBAN VALUE (SOCIAL INFRASTRUCTURE)

SAAM seeks to maximize the positive social impacts of its operations, such as employment and business opportunities that are generated around port activities ([see p. X](#)).

Generally, SAAM has modernized its port terminals through concessions. This has drastically elevated the productivity of those spaces and has allowed ports to meet foreign trade requirements which, during their best years, grew at rates as high as two digits without the need to expand the spaces that they use.

SAAM: confirmar que m² no han variado desde 2000 para usar Productividad o dejamos Transferencias:




For more information on port infrastructure and SAAM's economic contribution, [see p. X](#).

In line with its community relations strategic plan, SAAM promotes **alliances with public and private institutions** to develop initiatives of shared interest such as sustainable development, care for the environment, urban improvement around its operations or disaster assistance in case of emergencies or catastrophes. In this context, agreements have been reached with institutions such as *Desafío Levantemos Chile*, *Fundación Techo*, *Corporación Patrimonio Marítimo de Chile* and *Museo Marítimo de Chile*.

For example, SAAM Smit Towage participates in the **Port Community** project in Lázaro Cárdenas, Michoacán. This is the first formal port community model in Mexico. Its objective is to collaborate with all stakeholders in the value chain to develop actions for improving port logistics in order to reach better levels of productivity and efficiency. The goal is to position this port internationally, thus increasing opportunities for the entire community.

Also in this context, ATI collaborates with *Corporación CREO Antofagasta* on the **macrozoning of the urban coastline**. The goal is to generate an organized work platform to help plan for and rejuvenate this sector. The project brings together community organizers, coastline users, environmental and cultural experts and representatives of public and private services.

 <p>Corral Bike Station 1.</p>	<h3>Corral Bike</h3> <p>Corral Bike is a joint initiative of the Corral Port and the local municipality to develop tourism in the district. During its first phase, the project offered tourists who visit Corral 25 mountain bikes that they could use to tour the city and its surroundings. The bikes are placed at four stations located in strategic points. Nearly 500 people use the bikes each month. For more information see, www.corralbike.cl</p>
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MANAGING SOCIAL IMPACTS OF OPERATIONS

The company works to minimize the possible negative impacts of its operations on surrounding communities, particularly near port terminals. The main social impacts include the arrival of external workers to the community and their subsequent behavior.

In order to minimize the risks associated with the arrival of external personnel to the community, SAAM gives preference to local workers who meet the same level of qualification as other candidates and works with its employees, suppliers and contractors on prevention and management measures. For example, it includes responsibility clauses in its contracts and trains new personnel (from the company and contractors) on social, environmental and security risks. The company also established a Drug and Alcohol Policy that has led to training, family involvement, awareness campaigns, the application of drug and alcohol tests and rehabilitation programs.

MINIMIZING INCONVENIENCES AROUND PORT TERMINALS

SAAM compiled a list of the main concerns of the stakeholders of its Chilean subsidiaries. Based on the results of this study, the company is working with different local actors to manage the impacts of cargo transport (roadway impact and risk of transit accidents) and cargo handling (emissions, noise and visual pollution).

One noteworthy experience, based on its effectiveness, is the Container Express system developed by San Vicente Terminal Internacional (SVTI) to coordinate the entry and exit of cargo and containers and the arrival of transport companies to that terminal. SVTI has used a reservation system to reduce wait times for trucks to an average of 15 minutes, ending congestion and possible traffic jams at the entrances and public streets near the port. This experience has been replicated or adapted by other SAAM terminals and other Logistics Division operations associated with general and off-port storage facilities.

Another one of the community's major concerns involving port activity and towage is the risk of environmental incidents. In response, protocols have been implemented to lower the risk of incidents and address various types of emergencies in all SAAM operations within port terminals. In addition, case studies are conducted in order to ensure that accidents are not repeated, and drills are conducted to keep the staff and community alert ([see p. X](#)).



The signing of the cooperation agreement between the Corral Bajo Defense Committee and Portuaria Corral.

Listen and Change

The first voices of discontent emerged in 2007, when the Corral community began to ask the port to give the community the land that it used in Corral Bajo, just one kilometer from the terminal, to store wood chips. The company did not respond to the complaint in a satisfactory manner, and pressure mounted until 2015, when it began to impact the port's social license to operate.

Following this "wake-up call," Portuaria Corral proposed changing the way in which it interacted with the community and established a systematic plan that involved the entire team in order to recover local residents' trust and build a relationship that would be sustainable in the long-term.

The first stage involved approaching the community organizations that led the campaign to recover the Corral Bajo land and the implementation of a series of improvements in its facilities and the surrounding areas. This demonstrated the company's interest in local integration. The actions adopted included replacing fencing around the perimeter and the storage field and installing an acoustic screen to mitigate the noise of operations in Amargos Bay.

In addition to changing how it interacted with the community, it was important to challenge the paradigm that the terminal needed auxiliary facilities in Corral Bajo in order to make its operation viable. After months of analysis and testing, it was determined that port operations could be optimized and it could make do without the field that the community wanted to recover and the transit of trucks between that point and the terminal. This made it possible to establish the basis for an agreement with the Corral Bajo community and to reduce night operations in Amargos and further reduce the impacts on the immediate surroundings.

The dialogue process that began in 2015 was strengthened in 2016, which helped the company better understand the community's concerns and seek out points of agreement. Ongoing discussions with residents were held, community projects were identified, the company began to support the local school and emblematic initiatives like Corral Bike were launched (see p. X).

The key to reconciliation between Portuaria Corral and its community has been understanding each other's needs and offering a second chance. In early 2017, the differences were overcome through the signing of a framework agreement that marks the beginning of a new stage in which the company and the community seek to become an example of coexistence and trust building.

RELATIONSHIP AND DIALOGUE WITH THE COMMUNITY

The Community Engagement Handbook is a guide to help SAAM and its companies establish contact with the community and take the steps necessary to generate a long-term relationship with it. The handbook provides procedures and tools organized around four areas:

1. Considering each area's special features
2. Planning the relationship
3. Promoting participation
4. Obtaining feedback

In the context of the transparency and community relations policy, SAAM and its companies have implemented and publicized a wide range of formal spaces for communicating with communities. These range from merely informative spaces for minor operations (information sheets, suggestion and complaint boxes, a grievance hotline, press releases and a website) to spaces for direct interaction with the operations that are considered most critical (meetings and panel discussions with officials and community representatives, site visits, meetings with influencers and NGOs, surveys and studies, etc.)

Over the past few years, communication through the **websites and social media** of SAAM and its companies has intensified. These channels are constantly expanded with information related to port operations and culture and offer specific channels for the community. One example is the Antofagasta Terminal International Website. In addition to providing ongoing information about operations and types of cargo, it has a closed-circuit TV feed so that each site can be viewed live.

The majority of SAAM's port terminals offer **guided tours** of their facilities and operations in order to bring the community closer to the company. Members of social organizations, students of all ages, researchers, officials and employees' families are the main participants in the tours. In addition, each May the ports invite the school community to visit in the context of the month-long celebration of the ocean.

In 2016, SAAM created the **questions and suggestions system**, which is open to the community through the website www.saam.com. The system is used to address and respond to grievances, questions, suggestions and concerns submitted by the community regarding SAAM's operations. The company has responded to 100% of requests received through this system within 48 hours.

SOCIAL INCIDENT MANAGEMENT

The inconveniences that may be caused in local communities as a result of our operations may lead to social conflicts. In order to identify these early on, SAAM offers formal communications channels and conducts community perception studies. There are sometimes incidents such as the public conflict that persists around Antofagasta Terminal Internacional (ATI), where the community is worried about the dust emissions from the stockpiling of copper concentrate, or the concerns about noise and dust emissions at Portuario Corral.

SAAM only owns 50% of Portuaria Corral and 35% of ATI, but it has worked with its partners to seek out channels for dialogue and joint solutions. Thanks to these spaces, constructive agreements have been reached in Corral between the company and the community (see p. X).



Student visit to ATI.

Recovering Trust

In mid-2013, the construction of the Stockpiling Reception and Mineral Concentrate Shipping (RAEC) project by ATI generated the first protests over the visual impact of the structure that would be used to store copper concentrate. The concern was amplified when a series of voices began to call attention to supposed health risks derived from the transfer of heavy metals in the port.

This issue is a particularly sensitive one given that the community has recently faced serious public health problems due to the presence of arsenic in the water and open-air lead stockpiling. The movement #EstePolvoTeMata (#ThisDustKillsYou) made the issue visible and mobilized discontent, evolving into a matter of general political interest. RAEC oversight increased exponentially and led to sanctions for noncompliance in the first two warehouses.

In this context, the company acted quickly and assertively to correct the situation, replacing key executives and making three commitments: **to implement the highest environmental standards in all of its processes, to make its operations transparent and to launch a community engagement process.** Investments were made to correct noncompliance and implement additional improvements. In addition, the doors were opened to organizations and individuals who were interested in visiting the company and cameras were installed so that the worksites could be viewed online.

In 2015, ATI promoted the Clean Production Agreement (CPA) for logistics, ports and mining in Antofagasta, making a series of voluntary commitments to operate in accordance with standards that exceed the legal requirements. In 2016, the company acquired spreaders that allow it to conduct its cargo operations using hermetic tippable containers and stopped using one of the old bulk mineral stockpiling warehouses. Beginning in 2018, ATI will stop using a second old warehouse and will stop using covered trucks.

In this way, the company has once again become the leader in the development of ports dedicated to the transfer of bulk minerals, just as it did in 2003, when it built the first negative pressure storage facilities in the country and ended outdoor stockpiling of these bulk items. These milestones were key to the improvement of environmental and health indicators associated with mining activity in the city.

In the future ATI will increase its efforts to continue to recover the community's trust, sharing objective data and showing that the port has ceased to be a factor of concern for the environment and especially for people's health.

CONTRIBUTION TO LOCAL DEVELOPMENT

STRATEGY AND PRIORITY LINES OF SOCIAL INVESTMENT

In 2016, the Social Investment Strategy was launched. Its primary objective is to give social investment projects a unified seal which, in addition to contributing to a specific community need, contributes to the positioning and valuation of SAAM and its companies as key players in the development of their environments and stakeholders.

In 2016, SAAM invested Ch\$564,032 in social projects and initiatives, 70% in social investment, 27% in donations and 3% in publicity.²⁷

The four axes for social investment are focused on urban integration aligned with the city and the contribution to local development and were defined based on each company's social reality.

Social Investment Axes

Sources of income for the community Wellbeing
Social infrastructure Social capital



Contributing to a more prosperous, stronger society is an ongoing challenge.

SOURCES OF INCOME FOR THE COMMUNITY

SAAM companies give preference to qualified local job candidates, suppliers and service providers and pay small and medium businesses promptly.

For example, the Montevideo cargo handling firm, Gertil, has contributed to the development of local suppliers, including companies that provide vulcanization, electrical and welding services. Experiences like this one are repeated in different SAAM companies. Based on the classification that each of them has provided, in 2016 purchases totaling at least US\$199 million were made from over 16,000 local suppliers.²⁸

During the same period, 82% of employees of SAAM and its subsidiaries resided in the region in which the company operates. Given the difficulty presented by the level of specialization of the services that it provides, this is a clear reflection of efforts to promote the hiring of local residents.

Under this policy, Portuaria Corral trained 23 local residents as Front Load Operators in 2016, seven of whom were women. Iquique Terminal Internacional (ITI) periodically holds a training program for local men and women so that they can perform jobs in the ports.

In 2017, SAAM will work to generate more precise indicators of its performance in this area in order to identify the direct or indirect contributions of its operations to local labor markets and economies. [For more information on SAAM's economic contributions, see p. X.](#)

²⁷ Includes SAAM initiatives as well as those of its subsidiaries and main associates.

²⁸ Includes employees, suppliers and purchases by SAAM, its subsidiaries and main associates.

SOCIO-ENVIRONMENTAL WELLBEING AND EDUCATION

SAAM contributes to improving quality of life through the protection of the community's natural resources. In addition to its daily environmental management, it supports diverse public and private organizations and participates in different activities to promote environmental awareness among the general population. These include activities such as International Coastal Cleanup Day.

Antofagasta Terminal Internacional has actively participated in the **Port of Antofagasta Clean Mining Logistics Production Agreement**, which was introduced in September 2016 by officials, local companies and the community. Its objective is to incorporate the best available techniques for logistics associated with the transportation, stockpiling, shipping and unloading of bulk concentrated mineral to and from the port. The agreement is currently being implemented and has a horizon of two years. ATI also participates in the **Antofagasta Municipal Environmental Committee**, which seeks to strengthen local environmental management and promote citizen education and participation in this area. The ultimate goal of this effort is to environmentally certify the Municipality of Antofagasta over a period of four years.



Signing of the Port of Antofagasta Mining Logistics CPA.

[For more information on terminal participation in Clean Production Agreements, see p. X.](#)

In 2016, ATI launched the **Leave Your Green Mark Environmental Education Program** at schools in Antofagasta. The goal of this effort is to promote behaviors that benefit the environment. The program began with a series of talks for students in Grades 4-8. This year, school leader training will begin in order to promote their ability to train their peers in environmental practices and develop initiatives that benefit the school and the community.

In addition, San Vicente Terminal Internacional (SVTI) has signed agreements with schools and daycare centers to support the development of environmental awareness through a wide range of activities. These include the creation of greenhouses and implementation of recycling programs. For example, in 2016, SVTI led a public space recovery program, working with schools to plant 150 trees.



Students participating in reforestation with SVTI.

SOCIAL CAPITAL

SAAM generates shared value, strengthening the community's social capital through its contribution to education, health and athletics, whether in its own initiatives or in collaboration with local development organizations.

One important alliance involves **local governments and maritime authorities**. This has led to Antofagasta Terminal Internacional's participation in the Municipal Environmental Committee (in environmental education and community initiative commissions) along with other local companies and social organizations. ATI also participates in the Municipal Social Development Corporation, which encourages best practices in health and education for the region.

Some of the noteworthy initiatives developed in 2016 are:

- **The Globetrotting Container** marked a new SAAM community building approach, highlighting the importance of the ocean in history and Chileans' daily lives and its role as a source of development (see inset).
- The agreement between SAAM Towage and Universidad Andrés Bello to **create shipping simulators** using cutting edge technology (see p. X) and increase the number of vacancies for professional practicums that the company reserves for students in the Merchant Marine program.
- SAAM Smit Towage Mexico continues to implement the Kanan project, which means **care and protect** in Mayan. Its objective is to avoid risky behavior among employees and their families through addiction prevention actions. It also strengthens family support and unity.
- SAAM Smit Towage Canada has worked with the First Nations organization since 2010 to implement a series of initiatives with indigenous communities such as the blessing of new towing vessels, provision of scholarships and support for sports.

In addition, SAAM companies support **various athletics initiatives and local athletes**. In 2016, ATI collaborated with Club Deportivo ATI and its adult and children's soccer leagues and women's basketball league, while Kios supported emerging athletes. Portuaria Corral helped create the kayaking class at Liceo Carlos Haverbeck Richter. In addition, donations were made to local sports clubs like San Antonio Unido and Deportes Iquique and inter-company soccer championships were held.



The Globetrotting Container

The Globetrotting Container

Through three interactive play stations, this traveling exhibit mounted on two 40-foot containers that have been remodeled into visitor centers allows visitors to learn about the shipping world, maritime history and the role of ports and logistics terminals in national and international trade. Its purpose is to bring the public, especially younger generations, closer to maritime culture and tradition, presenting the ocean as a window of connection to the world.

In 2016, the container visited the cities of Valparaíso, San Antonio, Talcahuano and Iquique, and had a presence at the International Naval and Maritime Exhibit for Latin America and Trans-Port 2016, with a total of over 7,000 visits. The project was developed in collaboration with Chile's Corporación Patrimonio Marítimo and benefits from the Cultural Donations Law.

HELP IN EMERGENCY SITUATIONS AND NATURAL DISASTERS

The company has stood out for its salvage, firefighting, hydrocarbon spill cleanup and dispersant pulverization in order to combat pollution. Its highly trained staff and modern, high-powered tow fleet (85 tons of bollard pull) with solid maneuverability (mainly ASD tugs) have been central to this effort.

One noteworthy case is the SAAM Smit Towage Mexico employees who are part of a rapid response team for natural and industrial disasters (hydrocarbon spills, fires, etc.). For example, they provided support to the Burgos ship that caught fire while transporting 167,000 barrels of fuel in the anchorage area of the port of Veracruz. Two of the company's tugs assisted in emergency efforts with the port's early response team and they worked as part of the salvage team. The operation prevented the fuel from spilling into the sea and allowed for the 31 crew members to be rescued unharmed.



Tugboat Protecting the Galapagos Islands

The Galapagos Islands are a world heritage site and biosphere reserve that has been affected by massive fuel spills over the past few years due to ocean conditions and the lack of emergency crews. In order to help address this type of contingency, in 2015 Ecuaestibas gave the Ecuadorian Navy a tugboat with the technical specifications required to operate in this area and provide response capacity to environmental protection authorities.

This was made possible thanks to the company's fleet renewal program, which made the operational tug available. The gesture was meant to mark Ecuestibas' 20th year in Ecuador in alliance with the country's government and Navy.

The **SOCIAL INFRASTRUCTURE** area is discussed in terms of the contribution to urban value. [See p. X.](#)

THE ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

During 2015, SAAM developed its sustainability strategy, identifying the most important environmental aspects for the company. These aspects and impacts will be updated for each business unit in 2017. The map will be used to develop a management program to establish the objectives and goals to be developed beginning in 2017.

CORPORATE ORGANIZATION

The company decided to implement environmental management at the corporate level in 2016 in order to support and supervise performance in this area in its main operations. It created the position of environmental specialist as the individual responsible for ensuring the fulfillment of the commitments derived from SAAM's Sustainability and Occupational Health and Safety policies. As part of this effort, the Corporate Risk Prevention Division was replaced with the Corporate Health, Safety and Environment Division. The unit is tasked with providing comprehensive management of these three aspects, which is essential to the adequate operation of SAAM and its companies.

MANAGEMENT SYSTEMS

Environmental issues are handled through an ISO 14001²⁹ certified management system whose scope is progressively being integrated into all of the company's business.

REGULATORY CONTEXT

Environmental issues are regulated by various officials depending on the country and the business. In Chile, port and towage operations are regulated by the maritime authority, the Port Works Department and the Port Authority. Logistics companies are regulated by the Ministry of Health, the Ministry of the Environment, the Environmental Assessment Service and the Ministry of Transportation. Oversight is handled by the Superintendency of the Environment and the respective Regional Health Ministry Services.

At the international level, the International Maritime Organization (IMO) is a United Nations entity responsible for adopting measures to protect the security of international maritime transport and prevent pollution of the marine environment. Each country's government chooses whether or not to have an agreement with the IMO.

COMPLIANCE

It is important to SAAM to ensure environmental compliance in every division and in each country. The company has been developing a socio-environmental commitment monitoring system since 2016 that includes, among other things, an early alert for identifying potential non-compliance.

One of the roles of the new corporate environmental unit is analyzing compliance and the legal context.



*Caring for the environment
and preventing negative
impacts are integral
components of our
business.*

²⁹ ISO 14001 certification has been obtained for the port terminals of Antofagasta, Arica, Iquique, San Antonio, San Vicente and Peru. The following towage units are certified: Brazil, Canada, Costa Rica, Mexico, Panama and Peru. The Geril company is also certified in Logistics, and we expect to have a larger number of certified operations in the Logistics Division in the future.

Incidents and Fines

No operational incidents with significant environmental impact³⁰ that would have involved fines or sanctions took place in 2016.

³⁰ Includes SAAM, its subsidiaries and associates.

SAFEGUARDING AGAINST ENVIRONMENTAL IMPACTS

CONTEXT

Port, towage and logistics operations have the potential to generate significant impacts on the environment. While these impacts are minor compared to those caused by other industries, steps must be taken to avoid and manage them. SAAM uses a preventative approach to adopt specific management measures in response to the risks and threats that an activity may generate.

Potential Impacts of the Various Industries

- **Port Terminals** have the potential to generate impacts related to air quality, transportation (traffic and roadway safety), visual pollution, noise, stockpiling and management of sensitive and/or hazardous bulk and cargo. Adequate management of supplies and solid waste is also important. Both ships and the loading and unloading process have the potential to generate pollution to the marine and river environment as a result of spills of hazardous substances or the occurrence of natural disasters. In addition, port terminal expansions can have environmental impacts due to dredging processes.
- **Logistics** are mainly associated with impacts derived from handling hazardous bulk products and cargo and the impact of movement on traffic and safety. There are also environmental issues to consider related to warehouse construction.
- **Towage** is considered cabotage. The main potential impacts are use of fuel, noise, and prevention of and reactions to incidents or natural disasters.

PORT TERMINALS

Transportation in Ports

The inconveniences that transportation generates is a sensitive topic for local stakeholders. SAAM companies have developed various initiatives to reduce this impact. One of the main initiatives is Container Express (see p. XX inset). This is a more efficient operational model that includes a loading and unloading scheduling system for drivers. The model has led to homogeneous distribution of container receiving over the course of the day, increasing terminal productivity and reducing waste as well as producing greater synergy among the stakeholders involved in this process. All of this generates fewer impacts on the surrounding areas, with fewer trucks on the road and waiting to enter the port. Another positive impact derived from these measures is the reduction of waiting times for drivers, which translates into higher quality work experiences for them (along with the addition of waiting rooms and bathrooms) and improved productivity for their vehicles.

In 2016, the Mexico Port Terminal implemented a joint initiative with the port administrator in order to mitigate the amount of transportation inside and outside of port facilities. There is a buffer area for drivers which is associated with a charge by the Port Authority and generates incentives to minimize the time that they spend in the terminal.

Corral merits special mention for moving its chip stockpiling area (which used to be located in Corral Bajo) and, consequently, eliminating port-related traffic in that area because all of the cargo that ships from Corral to international markets now enters this terminal by water.

Air Quality and Possible Spills in Bulk Ports

Movement of bulk cargo has the potential to generate environmental impacts through emission of particulate matter or spillage during reception, storage, docking and departure. The port terminals that handle bulk cargo take steps to minimize those impacts. For example, the Corral terminal has made available small craft and containment material in cases of bulk spills, which in this case corresponds to wood chips.

In 2016, the Peru terminal inaugurated a modern reception, storage and shipping system for mineral concentrates in order to minimize impacts on the environment.

	<p style="text-align: center;">MINIMIZING EMISSIONS IN BULK SHIPMENTS - ANTOFAGASTA</p> <p>The Antofagasta Port Terminal was the site of a significant conflict with the local community in 2015 due to complaints about air quality and emissions of bulk cargo. Monthly measurements were conducted of particulate matter (PM 2.5 and PM 10) and Sedimentable Particulate Matter (SPM) on the ocean floor.</p> <p>In 2016, concrete steps were taken to minimize emissions resulting from the transport of mineral concentrates.</p> <p>Control measures:</p> <ul style="list-style-type: none"> • Ceasing operation of the Concentrated Stockpiling System (CSS)—one of the two old warehouses built in the port—for the use of mineral concentrates. • Implementation of a new mining concentrates cargo system that uses flippable containers that are unloaded within the ship's hold, thus minimizing emissions into the environment. • Cleaning of trucks and railway cars that transport minerals. • By 2018, 100% of the cargo should be moved in sealed deposits (retainer method).
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Noise

All port terminals have measured noise emissions and have taken steps to mitigate those that reported high levels. This was the case of Portuaria Corral, which had nighttime levels that were slightly higher than the maximum. In order to correct this, the terminal presented a plan that was approved by environmental authorities and concluded with the installation of an acoustic screen that solved the problem and also improved the appearance of the area.

Clean Production Agreements

Chile has Clean Production Agreements (CPAs) in place that promote best industry practices in order to generate synergies and economies of scale. They allow for environmental performance that exceeds standards and increases the companies' productivity and competitiveness. CPAs are voluntary commitments made by private companies in cooperation with the public sector. They are geographically limited and define objectives based on the most important environmental issues.

Arica	Iquique	Antofagasta	San Antonio	San Vicente
Has participated in the CPA of the Arica Port sector since 2014. Lines of work:	In 2017, the CPA for the Tarapacá Region Logistics and Industrial Sector was created. Its lines of	The Port of Antofagasta Mining Logistics CPA was introduced	Formed in 2016, the CPA for the San Antonio Logistics Community has the following	Launched in 2015, the Biobío Region Ports CPA includes the following lines of work: program

improving the use of water and energy resources, managing hazardous solid waste, ensuring that water supply devices are working properly, aligning carbon footprint measurement and identifying sustainability indicators for the sector. It received recognition for its participation in these efforts in 2016.	work are: minimizing pollution of ocean bodies associated with port activities and incorporating anti-spill plans for hazardous materials, reducing the environmental impact of dredging processes, improving management of supplies and solid waste and decreasing pollution due to particulate matter and combustion gases generated by transportation. It includes commitments to a 3% reduction in energy consumption and a 5% decrease in the use of fresh water.	in 2016. Its purpose is to incorporate the best techniques available in logistics associated with the transport, storage, shipping and unloading of bulk mineral concentrate to and from the Port of Antofagasta, increasing the standards of port-mining operations in order to avoid negative impacts in the city.	objectives: comprehensive management of supplies and solid waste, the promotion of the Extended Responsibility Law, the implementation of measures to mitigate and control emissions derived from transport operations and the handling of solid bulk. This CPA also seeks to improve labor safety standards and the integration of companies' emergency plans and their connection to the city of San Antonio.	to monitor the quality of the marine environment, implementation of best dredging practices, minimization of pollution generated by particulate matter and combustion gases from transportation used from and towards the port terminal.
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RESPECT FOR THE ENVIRONMENT IN THE EXPANSION³¹ OF PORT TERMINALS - CORP

The expansions of the port terminals at San Antonio, San Vicente and Guayaquil in Ecuador cover a series of environmental aspects that had to be considered from the design stage and implemented during their construction.

A monitoring program for noise, air emissions and both hazardous and non-hazardous waste was included as well as safe handling of hazardous substances, effects on marine flora and fauna, control of noise pollution and protection of monuments and sites of anthropological, archaeological or historical value.

TOWAGE

Prevention of Accidents in Towing and Preparation for Natural Disasters

The SAAM towage operations are prepared to face emergencies. Drills of sinking vessels and other types of accidents are conducted on an ongoing basis. Planning is key for minimizing risks and avoiding as much improvisation as possible.

³¹ Environmental Monitoring Plan for the project "Southern Expansion, Site 3," STI with RCI 310 from 2014.

In the case of services provided in terminals for fuel and gas, given that they are highly critical activities, prevention and protection measures are taken in line with this business. SAAM units constantly develop and review assurance plans for the services provided in collaboration with fuel companies that are customers (Petrobras in Mexico, Pemex in Mexico and ENAP in Chile).

If an accident occurs, regardless of the company providing the service, a complete study is conducted in collaboration with the towage owners regarding the incident and any prevention measures that might have been useful. For example, in 2016 there was a fuel spill in the ocean involving the oil company Enap and the towage firm Ultratug in the city of Quinteros. Though SAAM was not involved in the incident, it was taken as a case study to learn about how to prevent such an accident. A series of measures were implemented to improve tugboat management with a focus on prevention.

SAAM Towage Accident Prevention Protocols

SAAM’s experience in this area has led it to establish a protocol that identifies and outlines high-risk operations:

- Nocturnal operations
- Operations during difficult weather conditions
- Prohibition against changing the tugboat while fuel or gas is being loaded/unloaded
- Prevention of alcoholism and drug addiction among workers (ongoing drug and alcohol tests)

Prevention of Environmental Impacts of Vessels

All tugboats have the potential to impact the environment, and steps must be taken to avoid the generation of domestic waste and waste water during operation and particulate matter air emissions as a result of the combustion of their motors. The actions that SAAM has implemented include:

- Domestic waste: These are discarded and taken to final disposal in each visit to port.
- Waste water: All tugs have waste water treatment plants.
- Emissions: The company is constantly replacing older vessels with more efficient ones that generate fewer emissions (see inset). Since 2011, SAAM has incorporated only propulsion engines that meet International Maritime Organization regulations in its ship construction and renewal projects to control NOX emissions. Furthermore, in order to decrease SOX emissions, SAAM takes special care to acquire and use low sulfur content (< 2%) fuels in the ports in which it operates.

ASD TUGBOATS: SAFER AND ENVIRONMENTALLY FRIENDLY

In 2016, eight tugboats with Azimutal³² propulsion were added to the 177 such vessels that SAAM has worldwide. These vessels offer greater maneuverability, safety and speed in their operations. Their motors are more energy efficient and they use less sulfur, that is, fewer contaminants. Both variables help reduce greenhouse gases per mile traveled.

In addition, the new tugs have waste water treatment systems and better safety and living conditions for the crew.

³² State-of-the-art tugboats that are more sustainable, safe and efficient and have propellers capable of making 360° turns.



CLIMATE CHANGE

CARBON FOOTPRINT IN THE PORTS

Ports are highly vulnerable to the effects of climate change. Changes in sea level, storms, wind and flooding pose risks to operators, equipment and stored products. The identification of these situations allows us to offer a safer service. In order to ensure that its operations are not part of the problem, SAAM measures its terminals' carbon footprint against industry standards in order to identify how and where to manage its greenhouse gas emissions in a responsible, transparent and efficient way.

Port terminals are making progress on action plans to decrease emissions. Stand-out initiatives include the improvement of planning processes, loading and unloading of vessels, the installation of air filters in equipment that requires it, replacement of equipment, shutting down heavy machinery or transport machinery when they are not being used, and training in efficient driving.

Greenhouse Gas Emissions					
Port Terminals					
	Antofagasta ³³	Arica ³⁴	Iquique ²⁹	San Antonio ³⁵	San Vicente ³⁶
Scope 1 ton CO ₂ e	3,091	6,380	2,472	8,594	8,809
Scope 2 ton CO ₂ e	1,433	1,000	473	7,809	2,243
Scope 3 ton CO ₂ e	11,077	17,395	12,668	27,884	15,759
Total emissions (1+2+3) ton CO ₂ e	15,611	24,744	15,613	39,296	26,811
Intensity of emissions (1 and 2) of CO ₂ ton CO ₂ e/ton transferred	1.9	2.47	1.4	No data	No data
Intensity of emissions (1,2 and 3) of CO ₂ ton CO ₂ e/ton transferred	6.4	No data	7.3	3.4	4.4

- Scope 1: direct emissions from sources controlled by the ports, mainly consumption of fuel associated with each port's equipment (cranes, transport vehicles, etc.).
- Scope 2: considers emissions related to electricity consumption generated by others, mainly due to consumption by reefers, cranes and lighting.
- Scope 3: considers emissions from the value chain of the service provided. This includes emissions from ships and trucks that come to the terminal to load and unload, emissions from the production of purchases, employee transportation, air travel and the disposal and treatment of waste, among other things.

³³ Antofagasta and Iquique Port Terminals measure their emissions jointly. Data from 2014.

³⁴ Arica has measured its carbon footprint for five years. The data is from the last measurement, taken in 2015.

³⁵ San Antonio measured its carbon footprint in 2014 and 2015. This data is from 2015.

³⁶ San Vicente has measured its carbon footprint for three consecutive years. The measurement published is from 2016.

TUGBOATS

Greenhouse gas emissions for tugboats in the world, particularly NO_x, are regulated by the International Maritime Organization (IMO). Maximum limits for the presence of sulfurs (SO_x) in the fuel used has been set, defining areas of greater demand given the greater sensitivity of natural ecosystems. These areas are called Emission Control Areas. SAAM tugs operate in the Canadian coast's ECA, which has required the use of low sulfur content fuel in SAAM vessels.

Furthermore, the renewal of the towage fleet has led to the incorporation of vessels with lower greenhouse gas emissions. Since 2011, SAAM has incorporated only propulsion engines that meet IMO standards for its fleet construction and renewal projects in order to control NO_x emissions. In an effort to reduce SO_x emissions, SAAM takes special care to acquire and use low sulfur (< 2%) content fuels in the ports in which it operates.

LABOR PERFORMANCE

JOB QUALITY

LABOR CONTEXT

SAAM generates employment for over 11,000 people in 15 countries in North, Central and South America. Each of those contexts present different realities in terms of economics, politics and social issues. The conditions of the staff who work on land or aboard our vessels also vary from country to country.

In regard to port and towage work, employees tend to have a special connection to the sea. This is often the result of a long family tradition. Even so, new generations of employees place more value on opportunities for development, and their intention to stay with a company is related to their commitment to it.

STRATEGIC VISION

SAAM and the group companies have a shared human resources strategy based on organization-wide processes that contribute value to the organization. Their approach to this area considers the necessary adjustment to local realities and compliance with all legal regulations in the countries in which they operate as well as human rights (see p. X).

In line with its mission, vision and values and in order to contribute to the company's growth and development, SAAM manages its human resources in line with the following pillars:

1. **Labor commitment**
2. **Talent and leadership**
3. **Labor relations**
4. **Risk prevention**

In early 2017, the group published its Inclusiveness and Diversity Policy in order to facilitate diversity in its teams, promoting a commitment to inclusiveness that involves respecting and valuing differences in order to draw on each employee's talent and strengths.

Given that it is an investment group, SAAM does not have complete control over all of its companies. As such, it makes even more of an effort to disseminate its best corporate practices among all subsidiaries and associates, though it recognizes that it still has room to grow.

The company had 11,340 employees in 2016.³⁷

11,340
employees in
15 countries

12% of its
employees are
female

70%
engagement

³⁷ Includes all open-term, fixed-term and temporary personnel of SAAM, its subsidiaries and associates.


MANAGING ENGAGEMENT

Engagement is directly related to employees' productivity and their intention of remaining with the company. Since 2013, SAAM has conducted an engagement survey among all of its subsidiaries. The results are used as the foundation for human resources management.


The 2016 survey registered 70% engagement, which was 10% higher than the international benchmark established by over 300 large firms.³⁸

Managing engagement is related to the other three pillars of human resource management and includes measuring **communication** characteristics, **work and safety conditions**, professional **development** opportunities, **leadership capacity** in the middle levels and joint efforts to improve **labor relations**.

Voluntary turnover of employees in 2016 was 5.1%, which can be understood as a sign of overall satisfaction. Total turnover was 17.6%.³⁹

	<p style="text-align: center;">Committed, Trained People</p> <p>Engagement is key for towage customers. They often request engagement survey results. Towage entities have reported 10 to 12 points above the SAAM average, even though their employees work in tight quarters and spend three or more days aboard their vessels. This is achieved through fluid, constant communication and close relationships with management. Employees are hired directly by SAAM and they all have the same benefits.</p> <p>Thanks to an agreement between SAAM and Universidad Andrés Bello, the company's towage captains and merchant marine students can be trained on Chile's most modern and complete simulators. In 2016, two simulation rooms were equipped with technology that allows them to practice port maneuvers in different scenarios and weather conditions, achieving realistic interaction and analysis of the behavior of the forces involved.</p>
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In regard to **gender diversity**, SAAM has 1,314 female employees, which is equivalent to 11.6% of its staff. The average base salary for women is between 96% and 97% that of men at the same compensation level. (The levels are 97% at the executive level, 96% among professionals, supervisors, administrative professionals and technicians, and 97% in operations and storage.)⁴⁰ The company has successful experiences incorporating women into non-traditional roles ([see inset](#)).

	<p style="text-align: center;">Female Heavy Machinery Operators at Iquique Terminal Internacional</p> <p>After participating in a training program for heavy equipment operations, two female employees were tested to operate front loaders inside the maritime terminal. Both come from port families and are proud of their work and achievements.</p> <p>Karol Mora (29) and Mónica Zúñiga (33) state that they diligently prepared to take on this challenge and were grateful for the opportunity to break down barriers by contributing to the company in a position that women traditionally have not held.</p>
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LABOR CONDITIONS

³⁸ Engagement measurement is applied in all SAAM subsidiaries.

³⁹ Includes SAAM, its subsidiaries and its main associates.

⁴⁰ Includes employees of SAAM, its subsidiaries and its main associates.

Today a large number of port and towage terminal operations use more advanced technology than heavy labor. SAAM group companies are constantly improving the conditions that affect their employees' job conditions and quality. Based on the context of each company and business, this includes improving work schedules and shift systems, improving facilities and tools and enhancing safety.

In 2016, SAAM Chile's **quality of life program** was launched. It included a nutritional evaluation for each employee, visits to tugs to prepare healthy lunches and break sessions involving gym workouts, jogging, laughter therapy and massages. In 2017, the first version of the labor/personal life quality and balance program will be held in Gertil, Uruguay. SAAM Smit Towage Canada will launch a healthy eating program and 10km race to motivate employees.

In regard to the **work environment**, in 2016 the towage fleet renewal plan was completed ([see inset](#)) and beginning in 2017 employees in the corporate offices in Santiago will work in LEED certified offices. The building is in the A+ category, meaning that it is eco-efficient in the use of energy, water, materials and waste management. The quality of the interior and the space in which the building and its surroundings are located (close to public transport, parks and services) translates into a more attractive and pleasant work environment.

In regard to safety, the **risk prevention program** helped reduce the frequency of accidents at SAAM by 10% over 2015. [See p. X for more information on occupational health and safety.](#)

Other benefits offered in some companies in order to improve job quality include guided tours of the facilities for families, support for employee athletic activities, support for employees affected by natural disasters, and advising services for legal and health matters.



Lunch with a nutritionist on a tugboat.

Improvements to Tow Facilities and Conditions

Towage employees work amid gorgeous landscapes but their shifts involve spending several days in a row in close quarters on a vessel. The fleet renewal effort, which introduced 20 next-generation vessels over a period of four years, presents direct benefits in terms of improved conditions, safety and comfort for our employees.



Forklift operator testing out a uniform.

Safer, More Comfortable Uniforms for Port Workers

In 2015, we began to work with the Universidad Católica School of Design to develop work clothes. The goal was to design uniforms that reflected pride in being part of the company and were appropriate for the work that our port employees carry out. Tests were conducted in each Chilean port to create an exclusive design that was tailored to the reality of the port made out of modern, smart materials that offer comfort and safety. The new uniforms will be distributed in 2017.

TALENT AND LEADERSHIP MANAGEMENT

SAAM has a highly capable, experienced team that is dedicated to its business. In order to continue to strengthen this team, the talent management program was launched in 2016 to identify and develop people with greater potential for taking on leadership positions.

In addition, the **annual training program** on technical and soft skills was implemented in order to address the needs of both companies and employees. The goal is to improve the knowledge of each employee in his or her current position, which promotes development with an eye to earn promotions, contributes to the creation of leaders and boosts productivity.

**231,770 hours
invested in training**

During 2016, a total of 231,770 hours was dedicated to training with a total investment of US\$1,183,922, which is equivalent to 34.7 hours and US\$177 invested per employee.⁴¹

In 2016, the corporate focus for training was **occupational safety and personal care**, highlighting the participation of leaders and supervisors as agents of change and facilitators of a commitment to this type of effort. The divisions conducted a series of training activities to promote safer and more efficient performance of duties (see p. X). In addition, the seventh version of the Academy for Lead Supervisors was held with a focus on safety, and leaders and joint committees were trained on incident investigation methodology.

(Port Terminals) Coordination meeting for the creation of the practice.



Interpersonal connections and teams are the main strength within the company. Under that premise, our corporate offices and Logistics Division worked to develop **soft skills and leadership** during 2016 to strengthen teams and reinforce cooperative behavior in meeting objectives. Coaching processes also were implemented in order to strengthen leadership. **Leadership training** events were held in port terminals in order to achieve continuous improvement, strengthening the skills necessary to manage the terminal improvement programs, such as teamwork, facilitating leadership, dispute resolution, results-based work, motivation and confidence.

Continuous improvement leaders in the FIT, TMAZ, TPG, ITI, ATI, STI, SVTI Terminals, SAAM Logistics and SAAM Ports.



In addition, the Logistics Division worked on the Labor Skills Certification program and an employability program.



New personnel training at ITI.

⁴¹ Includes SAAM, its subsidiaries and its main associates.

LABOR RELATIONS

LABOR CONTEXT

Several countries in which SAAM does business are implementing labor reforms that present new challenges for labor relations. For example, in 2016 Ecuador launched reforms to the Internships Law in the Business Sector and the Labor Code and increased the minimum wage. In Chile, a new labor law was passed, which will go into effect during 2017.

LABOR RELATIONS MANAGEMENT

SAAM works to build long-term labor relations with its employees, the organizations that represent them and the officials that protect their wellbeing through dialogue and seeking out agreements. In 2014, a milestone was reached with the Modern Labor Relations Certificate Program, which was completed by leaders and executives from each Chilean port. In 2015, the Labor Relations Strategy was implemented by the Corporate Human Resources Management Division.



*Building mutually
beneficial relationships
with our employees is a
priority.*

In 2016, the company continued to make strides in developing these relationships, focusing on guaranteeing employee safety and quality of life on the job, mutual cooperation, ongoing improvement of performance and benefits for employees. This protected operational continuity, which is essential to competitiveness in the industry. The exception was the **legal strike** that took place during the collective bargaining process at San Antonio Terminal Internacional (STI).

It is important to note that the Towage Division has never had a strike.

SAAM also began to prepare for the implementation of the labor reform that will go into effect in Chile in April 2017. It trained executives and human resources managers for this transition.

FREEDOM OF ASSOCIATION⁴²

SAAM promotes freedom of association, and 56% of its employees are linked to one of the 67 unions at the company or inter-company unions (in the cases of Uruguay and Canada). As a result, 28% of the company's employees are covered by a collective bargaining agreement.

*Fifty-six percent of
employees are part
of a union.*

Collective bargaining agreements are negotiated in each company according to each country's legislation. In 2016, 14 collective bargaining negotiations were carried out that culminated in the signing of agreements benefitting a total of 1,029 employees. These agreements will remain in force for two, three and up to four years.

⁴² The data on unionization and collective bargaining differ from those in the report because they only consider SAAM, its subsidiaries and its main associates. It does not include the companies SAAM Smit Brasil, Tisur (Peru), TPA, Puerto Buenavista (Colombia) or Tramarsa (Peru).

BUILDING MUTUALLY BENEFICIAL RELATIONSHIPS

The group is committed to promoting clear, effective and direct communication at all levels of the organization. That implies involving all employees in decision-making processes in their areas and promoting open communication to produce a participatory and collaborative work environment.

In order to cement constructive labor relations, the companies employ a series of formal spaces and channels that allow them to communicate with their employees. These include the annual report, meetings and videoconferences, suggestion boxes, grievance hotline, press releases, website, surveys and study on commitment, Intranet, blogs, internal newsletters, social media, workshops, shareholder meetings, dialogue with joint committees, direct line with human resources and bulletin boards.



Dialogues

The best example of the vision of modern labor relations between employees, union leaders, managers and SAAM leadership are the Dialogues held at the Antofagasta, Iquique, San Antonio and San Vicente terminals. These events allow employees to share their concerns, receive timely responses and proactively solve potential conflicts in a context of mutual respect that complies with the terms of contracts and current legislation.

Important progress has been made in four areas of work around the methodology of social dialogue that establishes the foundations for the transparency and validity of the process:

- Occupational health and safety
- Productivity
- Quality of life and compensation
- Development of the company

These panels currently meet periodically at SAAM Chile port terminals and will begin to be replicated in other countries.

HEALTH AND SAFETY

Safety is one of SAAM's five values and is therefore addressed in a systematic and preventative manner. A Corporate Management Unit was created in this area in 2016. Its role is to guarantee safety and it reports to SAAM's Human Resources Management Division.

The industrial operations in which SAAM does business present potential risks. Port and towage activities are conducted in a marine environment with exposure to different weather conditions and moving equipment and elements—ships, cargo, ropes, moorings, cables, etc.—that must be handled with due caution in order to prevent accidents.



SEGURIDAD

Safety comes first and is a value that we will not compromise.

STRATEGIC MANAGEMENT OF OCCUPATIONAL HEALTH AND SAFETY

Within the framework of an Occupational Health and Safety Management System, in 2015 the group addressed a strategic approach to safety with a greater focus on prevention. In 2016, it published a policy that applies to all of the companies and is complemented by tools that allow them to make this vision tangible by tracking performance with key indicators, implementing management actions that mark leadership in these areas and monitoring processes.

In 2016 a safety strategy was designed on the basis of three axes:
Management systems as part of the processes of all Group companies
Industrial safety and ongoing improvement
Human behavior



SAAM's Occupational Health and Safety Policy

Safety is an essential value for SAAM that must be present in all operations and in which compliance with the following principles is fundamental:

- **We recognize** respect for life and protection of people.
- **We prevent** on-the-job injuries and illnesses through adequate risk control and identification and evaluation of hazards. We take steps to avoid incidents, especially those that may be serious or fatal.
- **We meet** legal requirements.
- **We promote** the active participation of all employees and suppliers and promote leadership in creating a culture of safety.
- **We persevere** in efforts to continuously improve the performance of the Occupational Health and Safety Management System.

The policy was published in June 2016. The extended version is available at www.saam.com/xxxxx

CERTIFICATION AND AUDITING

Safety is handled through a management system certified under OHSAS 18001.⁴³ While the OHSAS 18001 system is not implemented in all businesses, we are working towards that.

The results in the key safety indicators are connected to performance bonuses.

This issue is audited annually by SAAM corporate management, with special focus on critical businesses.

IMPROVEMENT PLANS

Occupational health and safety issues have been addressed from the corporate level, aligning and supporting the programs implemented by each company. In 2016, management, operations oversight and occupational health initiatives were focus areas (see inset).

The strategy implemented allowed for a decrease in the number of accidents that occurred in the Group's companies. There were no fatalities among employees and contractors in 2016. The frequency index for SAAM employees decreased by 19.3% from 16.6 in 2015 to 13.4 in 2016. Port terminal indexes dropped by 24%, 15% in towage and 18% in logistics.

**Zero fatalities
in 2016.**

⁴³ The Arica, Iquique and Peru port terminals are certified under OHSAS 18001. In regard to Logistics, SAAM has certification for the ENAP maintenance and connection contract in Quintero. The following towage operations are also certified: Brazil, Canada, Mexico, Panama and Peru.

SAAM Best Practices in Operational Health and Safety

Management Performance	Operational Control	Occupational Health
<p>Management review of progress in health and safety issues</p> <p>Management tour to observe the progress made and areas to be improved</p> <p>Daily meetings with managers from each company</p>	<p>Incident investigations</p> <p>Monthly safety committees</p> <p>Unacceptable risk oversight program including identification and implementation of control measures (hard barriers)</p> <p>Management of care, including training programs on these topics</p> <p>Preventative safety observations (PSO)</p> <p>Preventative safety inspections (PSI)</p> <p>Prevention program for contractor companies</p> <p>Incident reporting and monitoring</p>	<p>Occupational Hygiene and Health Program including programs to monitor progress</p> <p>Programs for monitoring personnel exposed to occupational hygiene and health risks</p> <p>Compliance with occupational health regulations</p>

SAAM Accident Rate ⁴⁴		
	2015	2016
Fatalities among employees and contractors	2	0
Frequency index ⁴⁵ for employees	16.6	13.4
Frequency index for employees and contractors	22.9	18

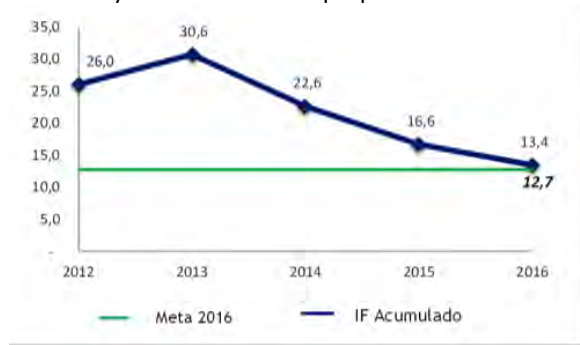
TRENDS IN SAAM'S FREQUENCY INDEX³

Only includes company-employees

Goal 2016 Accumulated FI

EVOLUCIÓN DEL INDICE DE FRECUENCIA³ SAAM

Sólo incluye a colaboradores propios



⁴⁴ SAAM S.A. includes the following port terminals: Iquique, Arica, San Antonio, San Vicente, U.S., Ecuador, Mexico, Corral, Golondrinas, Caliche, Colorado, Barrancas, Chinchorro, Peñuelas. The towage operations include Canada, Panama, Mexico, Brazil, Costa Rica, Uruguay, Ecuador, Guatemala and Honduras. In addition, the logistics firms COSEM, AEP, SERVISA, ISM, SEPSA, Reloncaví, Airport Service, Aerosan, Gertil and Luckymont are part of the company. Subcontractor information only includes operations in Chile.

⁴⁵ Frequency index (FI) = lost-time accidents per one million hours worked. Includes employees and contractors.

Safety Training

Various programs focused on leadership training and specific issues related to the various sites (see inset) were implemented in 2016, focusing on activities with higher numbers of incidents. The leadership programs related to safety included lead supervisor courses, a Certificate Program in Safety for CEOs and Safety Seminars for CEOs. General training was also provided on the incident investigation methodology.



Training in Terminals and Ports to be Instructors of Lashing and Release of Containers

The objective is to transfer techniques, skills and safe behaviors related to lashing and release⁴⁶ of containers to a group of employees who will serve as instructors. They will be responsible for transferring the knowledge and practice that they have acquired to handlers and longshoremen. Container lashing and release operations have resulted in a significant number of incidents. These decreased from 49 accidents in 2012 to 13 in 2016.

⁴⁶ Lashing and release = action of tying and untying the the fasteners of a container.

APPENDICES

SUMMARIZED SUSTAINABILITY PERFORMANCE

FINANCIAL PERFORMANCE				
Sales ⁴⁷	MUS\$	775	750	717
EBITDA	MUS\$	185	202	205
Market capitalization	MUS\$	752	616	749
Tons transferred ⁴⁸	Millions	30.6	31.7	38.5
GOVERNANCE AND ETHICS				
Board of Directors (SM SAAM S.A.)				
Independent directors	Number of independent directors	-	2	2
Directors	Number of directors	-	0	0
Executive directors	Number of directors that hold executive offices	-	0	0
Attendance at board meetings	Percent attendance at board meetings	-	95%	93%
Code of Ethics				
Employee coverage	Number of employees covered as of December 31st	-	1,658	2,136
Subsidiary coverage	Number of subsidiaries covered as of December 31st	-	14	12
Grievances received	Total number of grievances received during the year	-	1	7
Grievances resolved	Percent of grievances resolved versus total received	-	100%	100% ⁴⁹
Incidents of discrimination	Total number of incidents of discrimination	-	0	0
Compliance				
Fines and sanctions	ThUS\$ Monetary value of fines and sanctions for non-compliance with laws and regulations.	-	-	236.3
Coverage of Certifications (only Chile)				
ISO 9001 ⁵⁰	Percent coverage with respect to total operations certified through external assurance	-	100%	100%
OHSAS 18001 ⁵¹	Percent coverage with respect to total operations certified through external assurance	-	10%	10%
ECONOMIC				
Distribution of Value Generated¹				
Direct operating costs	MUS\$	-	-	372
Added Value Generated and Distributed	MUS\$ Revenue - direct operating costs	-	-	345

⁴⁷ Figures for SM SAAM's consolidated subsidiaries and equity-method associates.

⁴⁸ Includes 100% of volumes for subsidiaries and associates.

⁴⁹ In 2016, all seven grievances received were analyzed and finally dismissed since they lacked grounds and/or sufficient information to determine their accuracy.

⁵⁰ At SAAM S.A. in Chile, the following is certified: Chile's logistics and towage services divisions and four port terminals (ATI, ITI, STI, SVTI).

⁵¹ At SAAM S.A. in Chile, the following is certified: The contract between Logística Chile and ENAP QTV and the ITI port terminal.

Value distributed to employees	MUS\$	-	-	199
Value paid to the government	MUS\$	-	-	33
Supply Chain				
Labor Compliance	Percent of contractors where labor compliance is monitored	-	-	100%
THE COMMUNITY				
Aligned Urban Integration				
Response to questions and suggestions	Percent of questions and suggestions received through the webpage that were responded to within 48 hours	-	-	100%
Social incidents	Number of social incidents that took place during the year that may affect the company's reputation and/or reach communication media	-	37	10
Contribution to Local Development				
Social investment	US\$ invested in social projects and initiatives	-	-	564,032
Local suppliers	Number of suppliers located in the same region where the company operates	-	-	16,000
Purchases from local suppliers	MUS\$	-	-	199
Local employees	Percent of employees that reside in the same region where the company operates	-	-	82%
THE ENVIRONMENT				
Environmental Incidents and Sanctions				
Incidents with environmental impact	Number of operational incidents with environmental impact	-	-	0
Environmental fines	Number of significant fines Significant fines = more than US\$ 10,000.	-	-	0
Amount of environmental fines	Fines levied by SMA and sector authorities in ThUS\$ during the year. Significant fines = more than US\$ 10,000.	-	-	0
Water				
Total water consumption ⁵²	Thousands of m ³	-	100,257	193,848
Energy				
Electric power consumed	MWh	-	3,246,879	3,672,714
Cost of electric power consumed	MUS\$	-	1.4	1.2
Greenhouse Gas Emissions				
Total direct GHG emissions (scope 1) ⁵³	Tons of metric CO ₂ equivalents	20,591	32,341	18,489
LABOR PERFORMANCE				
Employment and Diversity				
Employees	Total employees as of December 31st	10,697	10,527	11,340
Female employees	As of December 31st	-	1,400	1,314
Women in senior management	Number of women in senior management (maximum of two reporting levels from CEO)	-	14	17
Women in middle management	Number of women in middle management (first level of management)	-	-	XX
Women in management in revenue generating roles	Number of women in production and commercial roles (excluding support roles such as HR, IT or legal)	-	-	XX
Age Range				
Employees under 30 years of age	As of December 31st	-	846	911
Employees between 30 and 60 years of age	As of December 31st	-	9,261	9,977
Employees over 60 years of age	As of December 31st	-	420	452

⁵² This includes the port terminals in the United States, Peru, San Vicente, Iquique and Antofagasta. Towage subsidiaries: Ecuador, Guatemala and Costa Rica. Logistics including Aerosan.

⁵³ The GHG emissions indicator has been measured for SAAM's port terminals with different scopes each year. 2014: Antofagasta, Iquique, San Antonio, San Vicente and Canada. 2015: Arica, San Antonio, San Vicente and Canada. 2016: San Vicente and Canada.

NATIONALITY				
Chilean employees	Number of Chilean employees	-	5,314	6,053
Employees from other countries	Number of employees of other nationalities	-	5,213	5,287
Training				
Average training hours	Average training and development hours, per employee	-	-	34.7
Investment in training	ThUS\$ invested in training	-	-	1,184
Average investment in training	US\$ invested in training, per employee	-	-	177
Labor Relations⁵⁴				
Number of unions	As of December 31st	-	-	67
Unionization	Percent of unionized employees as of December 31st	-	56%	56%
Strikes	Number of legal strikes during the year	-	2	1
Investment in Human Capital¹				
Return on investment in human capital	Revenue less operating costs over total expenses for wages and benefits	-	-	173%
Accident Rates⁸				
Fatalities (company and contractors)	Number of fatalities during the year, including company employees and contractors	-	2	0
Frequency index (only company employees)	Number of lost-time accidents during the year, per one million hours worked	-	16.6	13.4
Frequency index (company employees and contractors)	Number of lost-time accidents during the year, per one million hours worked	-	22.9	18
Severity index	Days lost per one million hours worked. Includes serious accidents and fatalities.	-	499.5	894.8
Employees represented on formal hygiene and safety committees	Percent	-	100%	100%

ABOUT THIS REPORT

We are proud to present our first Sustainability Report, which outlines our strategy, priorities and performance in the aspects that are of greatest importance to the sustainability of SAAM S.A.

This document complements the 2016 annual report and has been prepared using the Global Reporting Initiative's G4 standard core option. It focuses on the topics of greatest importance to SAAM and its stakeholders, which have been identified using the GRI-G4 guidelines.

The information presented here covers our management efforts during 2016. It also includes data from prior years in order to provide greater context as well as the main events that have occurred as of the date of publication of this document.

The report includes the company's corporate management and its three business divisions: Port Terminals, Towage Services and Logistics. As this is the Group's first report, systematized information for all subsidiaries and associates is not available for some indicators. Therefore, the scope of the indicators presented may vary, as specified in the notes for each figure.

A team of representatives from SAAM's different corporate divisions and all subsidiaries and associates worked together to prepare this report. The project was coordinated by the Corporate Affairs Division and advised by external experts. The team responsible for gathering and validating all information worked to ensure compliance with GRI principles.

⁵⁴ Data on labor relations differs from the annual report because it only includes SAAM, its subsidiaries and its main associates. Excludes SAAM Smit Brasil, Tisur, TPA, Puerto Buenavista and Tramarsa.

CONTACT INFORMATION

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TOPICS OF GREATEST IMPORTANCE

In order to identify the topics of greatest importance to disclose in this report, SAAM carried out a formal process that involved the Chief Executive Officer and all corporate divisions.

The first step was to identify the important matters from the following perspectives:

1. **Internal perspective:** interviews with the company's senior management and matters that arise from business priorities, the Sustainability Policy and the risk matrix.
2. **External perspective:** matters related to standard 385 on corporate governance and DJSI Chile, and the main topics appearing in the media on SAAM and the port and logistics sector.

The issues identified were analyzed in a workshop with SAAM's senior management. This workshop helped determine the reporting topics of greatest importance, the target audiences and the key messages to communicate.

The topics of greatest importance were:

THE COMPANY AND ITS STRATEGY <ul style="list-style-type: none">• Challenges and Development Strategy• Sustainability Priorities	THE COMMUNITY <ul style="list-style-type: none">Aligned Urban IntegrationContribution to Local Development
GOVERNANCE AND ETHICS <ul style="list-style-type: none">• Corporate Governance• Ethics and Compliance• Risk Management• Stakeholder Engagement	THE ENVIRONMENT <ul style="list-style-type: none">Environmental ManagementSafeguarding Against Environmental ImpactsClimate Change
ECONOMIC IMPACT <ul style="list-style-type: none">• Strategic Role in the Development of Countries Where It Operates• Customer Relations• Supply Chain Sustainability	LABOR PERFORMANCE <ul style="list-style-type: none">Job QualityLabor RelationsHealth and Safety

GRI-G4 CONTENT INDEX

PENDIENTE: SE DESARROLLA UNA VEZ QUE ESTÉ DISEÑADO EL REPORTE PARA LINKEAR LOS INDICADORES GRI A SU RESPECTIVA UBICACIÓN DENTRO DEL REPORTE.