



DETAILED INSTRUCTIONS FOR FINANCIAL
CLASSIFICATION OF CGE DIGITAL EXPENDITURES

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DETAILED INSTRUCTIONS FOR THE FINANCIAL CLASSIFICATION OF CGE DIGITAL EXPENDITURES

1. Purpose

To establish the technical criteria and operating procedures for the financial classification of expenses and digital investments of CGE, ensuring compliance with International Financial Reporting Standards (IFRS) and consistency in the accounting treatment.

2. Scope

This standard applies to All CGE disbursements for CGE infrastructure and software, including:

- Software licenses and SaaS subscriptions.
- Technology implementation and consulting services
- Technology infrastructure and hardware
- Support, maintenance and operation services
- Security and compliance tools
- Data and analytics platforms.

3. Reference documents

- **IAS38 - Intangible Assets:** Recognition and measurement of software and developments.
- **IAS16 - Property, Plant and Equipment:** Accounting treatment for the recognition, measurement and depreciation of tangible assets that an entity holds for use in the production or supply of goods or services.
- **IFRS16 - Leases:** Treatment of rights to use software and services.

4. Definitions

4.1. Capital Expenditures (CAPEX)

Corresponds to investment in assets owned by CGE with a useful life of more than one year.

4.1.1. Digital Intangible CAPEX:

Definition: Investments in intangible technological assets with a useful life of more than one year, which are identifiable, controllable by CGE and generate future economic benefits. Includes base software, perpetual licenses, capitalizable internal developments and customizations that create new functionalities.

Key features:

- Direct control by CGE.
- Estimated useful life greater than 12 months
- Quantifiable or strategic economic benefits

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A strategic benefit is one whose investment is justified not by the money it directly generates, but by the problem it avoids (e.g., compliance with a law, security) or the future opportunity it creates for the business (e.g., upgrading a key platform that is a requirement for future projects, staying competitive).

4.1.2. Tangible CAPEX:

Definition: Corresponds to physical and tangible assets, such as servers, network equipment or user equipment, owned by CGE. They are acquired to be used in the operation of the business for a period exceeding one year.

Key characteristics:

- They are physical assets, they can be touched.
- CGE has full ownership and control over the asset.
- Their expected useful life is greater than 12 months.
- They are recorded as Property, Plant and Equipment and are subject to depreciation.

4.2. Property, Plant and Equipment (Right-of-Use Assets - IFRS 16)

Definition: Contractual rights to control and use a technology asset for a specified period exceeding 12 months, without owning the underlying asset. Applies mainly to SaaS subscriptions, hardware leasing and Cloud services with multi-year contracts.

Key features:

- Contractually defined right of use.
- Period of use longer than 12 months
- Control over the use of the asset during the contractual period
- Fixed contractual installments, or variable installments that depend on an index or rate.
- Amortized over the period of use of the asset or the duration of the contract.

4.3. Operating Expenses (OPEX)

Definition: Recurring operating expenses related to technology that do not qualify as assets or are not directly attributable to the development of an asset, including maintenance services, technical support, training, variable cloud services, and any technology expense with a duration of less than 12 months or amount less than the established thresholds.

5. Responsibilities

This section shall identify in which position/s or unit/s falls the responsibility/s for the activities described in the document.

- **Digital Transformation Management**
 - Confirm financial classification guidelines in CEM.
 - Training to users on the application of the instructions

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- **IT Management**

- Prepare feasibility reports, where the financial classification described in this document is used.

5.1. Document Responsibilities

The Digital Transformation Management of the Strategic Planning and Regulation Directorate is responsible for the following:

- Maintenance and permanent updating of these instructions
- Regulatory compliance and consistency with corporate guidelines.

6. Development

6.1. Basic Principles

Basic Classification Criteria

Classification	Control	Recognition Criteria	Applicable Standard	Accounting Effect
Digital Intangible CAPEX	Own	Identifiable (IAS 38), controllable, future benefits, useful life >12 months	IAS 38	Intangible Assets
Tangible CAPEX	Own	Physical Asset (IAS 16), controllable, useful life >12 months	IAS 16	Fixed Assets
Property, plant and equipment	Third party	Right to control and use for defined period >12 months, annual overhead greater than \$5,000,000.	IFRS 16	Right of Use Assets (IFRS 16)
OPEX	Third Party	Control of supplier, contract ≤12 months or no control over asset	IAS 1	Expense for the year

Monetary Thresholds for Classification

Value Investment	Individual	Procedure	Process	Timeline
< \$500.000 CLP		Direct application	Automatic classification according to matrix	1 business day
\$500.000 - \$200.000.000 CLP		Detailed analysis	Evaluation with objective criteria and supporting documentation	1 business day

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> \$200,000,000 CLP	Specialized review	Joint IT, Digital Transformation (DT) and Financial Services Analysis	3 business days
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6.2. Classification and procedure

6.2.1. OPERATIONAL CLASSIFICATION MATRIX

6.2.1.1. Licenses and Software

Concept: Licenses and software constitute the core of digital investments, being classified according to the acquisition model (perpetual vs. subscription), duration of the right of use and level of control over the asset.

Type of Expense	Description	CAPEX	Property, plant and equipment (IFRS 16)	OPEX
Perpetual Licenses	Permanent right to use software without expiration	>500,000 and use >12 months	N/A	<\$500.000
SaaS Subscriptions	Software-as-a-Service with recurring payments and remote access	N/A	>\$5.000.000 y contract >12 months and equal installments	<\$5.000.000 o <12 months
Software licenses for Development	Software used in development and testing processes	If purchased as part of the main project	>\$5.000.000 y contract >12 months and equal installments	If you do not meet CAPEX criteria
Upgrades or New Versions	Upgrades of existing software with new functionality	If it is a condition for the system to continue to operate	N/A	If maintenance
Temporary Licenses	Rights of use with specific limited duration	N/A	>\$5,000,000 and use >12 months with equal installments	<12 months or < \$5.000.000

6.2.1.2. Implementation and Services

Concept: Licenses and software are the core of digital investments, classified according to the acquisition model (perpetual vs. subscription), duration of the right of use and level of control over the asset.

Type of Expense	Description	CAPEX	Capital Expenditures	OPEX
Consultancy and previous studies	Analysis, feasibility or diagnostics prior to the project.	If there is certainty that the project is going to be developed	N/A	Uncertain outcome of project implementation
Implementation Consulting	Services for system implementation	If the project is (fully) developed. 100%.	N/A	If the project is not (fully) developed

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Development/Customization	Creation of specific functionalities or standard software adaptation	Always if > \$500.000 y > 12 months of estimated useful life	N/A	<\$500.000 o temporary
Data Migration	Transfer and transformation of data between systems	If data migration is part of the implementation development phase of a project (system, module, etc.)	N/A	If the project only contemplates data migration.
Systems Integration	Connectivity and synchronization between different technology platforms.	If it creates new functionality that generates economic benefits (direct or indirect). indirect).	N/A	Simple or no impact connections
Testing and QA	Quality testing and validation of system performance.	Capitalized if testing is necessary for the asset to perform as intended prior to go-live (development phase). development phase)	Leasing of a specialized test system for the project	Recurrent or post-implementation testing
User training	Training of personnel in the use of new technologies	In the context of an implementation or upgrade implementation or upgrade project	N/A	Project-independent training
Change Management	Activities to facilitate organizational adoption of new technologies	In the context of an implementation or upgrade project	N/A	Change management independent of projects
Documentation	Creation of manuals, procedures and technical documentation	In the context of an implementation project or upgrade project	N/A	Independent project documents

6.2.1.3. Infrastructure and Hardware

Concept: Technology infrastructure provides the physical and logical basis for the operation of systems, classified according to the ownership and control model of the underlying asset.

Type of Expense	Description	CAPEX	Fixed Assets	OPEX
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Servers and/or Hardware	Physical processing and storage equipment	If own	>\$5.000.000 y contract >12 months and equal installments	Use <12 months or low amount
Cloud Infrastructure (IaaS, PaaS, etc.)	Infrastructure as a service in the cloud with virtualized resources	N/A	Contract >12 months, fixed fees ≥\$5.000.000	Pay-as-you-go or contract ≤12 months
Dedicated Storage	Dedicated and dedicated data storage systems	If owned	Contract >12 months, fixed fees ≥\$5.000.000	Shared storage services (pay-per-use or contract ≤12 months)
Networking Equipment	Networking, connectivity and telecommunications equipment	If owned	Contract >12 months, fixed fees ≥\$5.000.000	Connectivity services
Virtualization	Platforms that allow creation of virtual resources	Perpetual license >\$500.000	Subscription >\$5.000.000 y >12 months and equal installments	One-time services or temporary licenses

6.2.1.4. Support and Maintenance

Concept: Support and maintenance services ensure the continuous and updated operation of technological assets, generally being operational expenses due to their recurrent and preservation nature.

Type of Expense	Description	CAPEX	Operating Assets	OPEX
Annual Technical Support	Technical assistance and troubleshooting services	Never	Never	Always
Corrective Maintenance	Repairs and corrections of faults in existing systems	Never	Never	Always
Evolutionary Maintenance	Minor improvements and upgrades that do not generate new functionalities or quantifiable future economic benefits.	Never	Never	Minor Upgrades
Minor Upgrades	Security patches and version upgrades no new features	Never	Never	Always
Monitoring and Operation	Continuous monitoring of system operation	Never	Never	Always
Backup Services	Data backup and recovery services	Never	Never	Always

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1.1.1.1 Security and Compliance

- Continuous supervision: Expenses for permanent monitoring of systems and incident detection.
- Cybersecurity tools: Disbursements for technological solutions whether software or hardware and services for digital protection and defense.
- Security audits: Payments for specialized compliance reviews and internal controls.

Type of Expenditure	CAPEX	Fixed Assets	OPEX
Cybersecurity Tools	Perpetual license, >\$500,000, use >12 months	Subscription >\$5,000,000 y >12 months, fixed installments	Temporary license, pay-per-use, or amount <\$500,000
Security Audits	Never	Never	Always
Certifications	Never	Never	Always
SOC Services	Never	Never	Always
Pentesting or Ethical Hacking	In the context of a system implementation project	Never	If it is a recurring service or a one-time audit

1.1.1.2 Data and Analytics

Type of Expenditure	CAPEX	Capital Expenditures	OPEX
BI Platforms	If perpetual license >\$500,000	>\$5,000,000 and contract >12 months and equal installments	Consulting services or temporary licenses temporary
Data Lake/Warehouse	If own infrastructure	Cloud platform >5,000,000, contract >12 months, fixed fees	Cloud processing or storage services (pay-as-you-go), contract >\$5,000,000, fixed fees usage)
ETL Tools	If perpetual license >\$500,000	Subscription >\$5,000,000, contract >12 months, fixed installments	One-time integration services
Machine Learning Platforms	If perpetual license >\$500,000	Subscription >5,000,000, contract >12 months, fixed fees	API services or training services without asset generation asset

6.2.2. OPERATING PROCEDURE

Once the criteria are validated by the Financial Management department, Digital Transformation will apply the procedure autonomously to all CGE digital projects and will be referenced to the feasibility reports required by SGID for the approval of digital projects.

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6.2.2.1. Quick confirmation matrix

Key Question	Response	Action
Value >\$200,000,000 CLP?	YES	SPECIALIZED REVIEW
Is it operating expense without asset generation (e.g. support, corrective maintenance, generic training)?	YES	OPEX
Duration <12 months?	YES	OPEX
Own tangible hardware?	YES	CAPEX Tangible (IAS 16)
Perpetual software or custom development with useful life >12 months and >\$500.000 CLP?	YES	Intangible CAPEX (IAS 38)
Subscription >12 months?	YES	Good for Use (IFRS 16)
Custom development >\$500.000CLP?	YES	CAPEX
Case not covered?	YES	REVIEW SPECIALIZED

6.2.2.2. Application of criteria and procedures

6.2.2.2.1. Direct application of objective criteria:

- All cases that exactly match criteria matrix.
- Values <\$200,000,000 CLP
- Renewals of existing contracts (apply precedent classification)
- Cases with documented technical precedent

6.2.2.2.2. Specialized technical review required

- Individual values ≥\$200,000,000 CLP
- New types of technology not contemplated in the matrix
- Apparent contradiction with accounting standards
- Express request for technical review by the applicant

7. Records and data. Applicable formats

The following table shall be included with the records and data derived from the activities defined in the document (Forms, template formats, etc.). If there are no associated formats, complete with "Not applicable".

Record	Responsible issuer	File support/place of filing	Format	Responsible for archiving	Retention time
Feasibility report	IT	SharePoint Digital	PE.CGEdx.PE. REG.006.2024- FO.02/03/04, as applicable	TD	Indefinite

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8. List of Annexes

This section is mandatory. For annexes incorporated in the body of the document, they must be listed as Annex 01, Annex 02, etc. For annexes outside the body of the main document, they should be listed with the code of the main document plus the abbreviations -AX.01, -AX.02, etc, as in the following example:

- **Annex 00:** Revision History
- **PE.CGEDx.PE.REG.006.2024-FO.02:** Feasibility Report V1 (Template)
- **PE.CGEDx.PE.REG.006.2024-FO.03:** Feasibility Report V2 (Template)
- **PE.CGEDx.PE.REG.006.2024-FO.04:** Feasibility Report V3 (Template)

Note: It is recommended to give the number 00 for the annex "Revision History" so as not to interfere with existing annex coding. coding of existing annexes.

**DETAILED INSTRUCTIONS FOR THE FINANCIAL
CLASSIFICATION OF CGE DIGITAL EXPENDITURES**

Annex 00: Revision History

Edition	Date	Reasons for edit and/or summary of changes
1	06/11/2025	Initial edition of the document.

Note 1: Once you have finished editing the document, remember to update the table of contents on page 2.