

November 4th, 2020

Ministry of Finance publishes its Sustainable Bond Framework

Santiago, November 4th, 2020. After a successful external review under the Second Party Opinion methodology, the Ministry of Finance published its inaugural Sustainable Bond Framework (Framework), laying the groundwork for the issuance of Chile's Social, Green and Sustainable bonds. This Framework updates and broadens the Green Bond Framework published by the Ministry of Finance in 2019.

The publication of this new Framework builds on several measures that the Ministry of Finance has implemented in recent years that have allowed the Ministry to diversify the investor base of government debt. These measures include adjustments that facilitated the direct participation of foreign investors in local currency primary market debt issuances, as well as the issuance of green bonds which have broadened the investor base towards investors with environmental, social and governance (ESG) mandates.

According to the International Capital Market Association (ICMA), social bonds are debt instruments that finance or refinance eligible social projects, completely or partially. On the other hand, green bonds are debt instruments that fund or refinance initiatives for climate change mitigation, adaptation and environment protection. Finally, sustainable bonds are debt instruments that finance both social and green projects.

Minister of Finance, Ignacio Briones, highlighted that the objective of the Framework is to further diversify the instruments issued by the State, establishing a standard for local issuers as well as promoting the funding of concrete initiatives that favor sustainable development, that is, projects that support the most vulnerable as well as those that protect the environment.

The development of the Sustainable Bond Framework and the selection of the eligible portfolio is the result of a coordinated work led by the Ministry of Finance and the valuable support of the Inter-American Development Bank.

The Sustainable Bond Framework establishes the following categories for eligible projects:

Green Categories

- Clean Transportation
- Energy Efficiency
- Renewable energy
- Living natural resources, land use and marine protected areas
- Efficient and climate resilient water management
- Green buildings (ecological buildings)

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Social Categories:

- Support for the elderly or people with special needs in a vulnerable situation
- Support for low-income families
- Support for human rights victims
- Support for the community through job creation
- Access to affordable housing
- Access to education
- Food security
- Access to essential health services
- Social programs designed to prevent and/or alleviate unemployment derived from socioeconomic crises, including through the potential effect of financing SMEs and micro finances

The categories and definitions established in the Framework are in line with International Capital Markets Association (ICMA) standards and achieved the highest qualification in Vigeo Eiris' (VE) second party opinion. VE is an independent international agency specialized in research on environmental social and governance (ESG) issues. In its SPO report, VE qualified Chile's ESG performance as "Advanced", highlighting the social responsibility and institutional areas.

For more information on the Republic of Chile's Sustainable Bonds, please visit: <https://www.hacienda.cl/english/work-areas/international-finance/public-debt-office/sustainable-bonds>

Green Bonds

Chile was the first sovereign in the Americas to issue green bonds, and actually has two euro-denominated and two dollar-denominated green bonds. As of November 3rd 2020, the Republic of Chile has issued a total of roughly US\$6.2 billion in green bonds. These issuances have been recognized internationally:

- Green Finance 2019, The Banker.
- Green Bond of the Year-Sovereign, Environmental Finance Bond Award 2019.
- Financing, Netexplor Smart Cities Accelerator UNESCO 2019.
- Sovereign Issuer of the Year, LatinFinance Awards 2019.
- Best Public Debt Office/Sovereign Debt Management Office in Latin America, GlobalMarkets Awards 2019.
- Green Bond of the Year for Latin America, GlobalCapital Sustainable and Responsible Capital Markets Awards 2019.
- Sovereign Bond of the Year, LatinFinance Awards 2019.
- Recognition on innovation in Sustainable finance 2019, Spanish Observatory on Sustainable Finance.



Ministry of Finance of Chile
Investor Relations Office

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