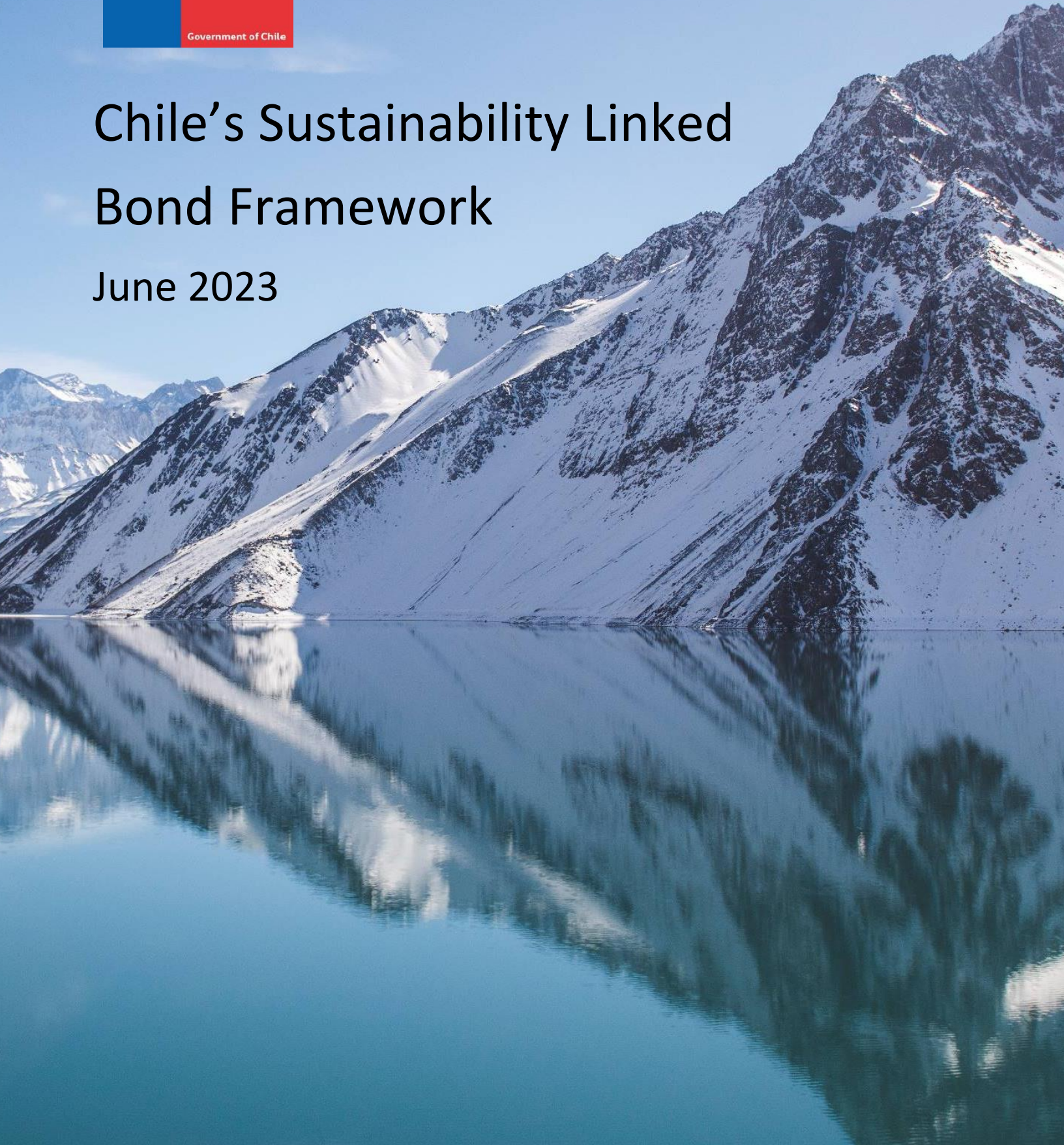





Chile's Sustainability Linked Bond Framework

June 2023





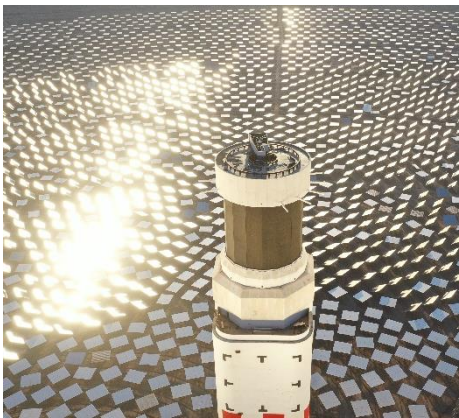
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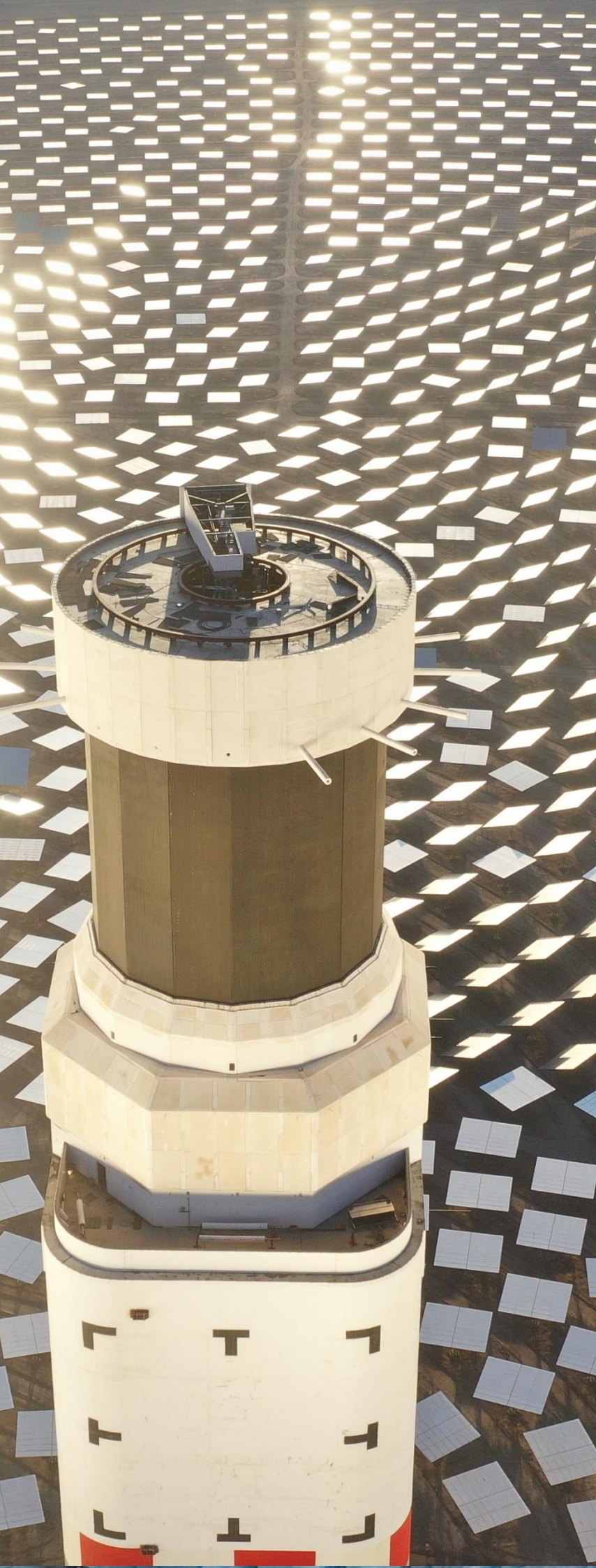
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01

Introduction



The Republic of Chile's (Chile) development strategy is rooted in three key pillars: economic, environmental and social sustainability.

Various Ministries, including the Ministry of Finance (MoF), have taken on a key role in supporting this national development strategy through the consideration of all three of these components as part of the general ministerial mandate. The MoF, responsible for the country's fiscal policy, has assumed a pivotal role in steering public and private capital flows to support and uphold environmental commitments, as demonstrated by a diverse set of initiatives, including being responsible for the Country's Climate Change Financial Strategy.

Chile's Green, Social, Sustainability and Sustainability-Linked Bond issuances, structured and executed by the Public Debt Office of the MoF, have been the cornerstone of this strategy. In May 2019, Chile published a Green Bond Framework to support the nation's inaugural Green Bond issuance and drive investment into climate focused projects. In November 2020, given the importance of social investments for the nation's sustainable development agenda, Chile updated its Framework to incorporate social categories, expanding the nation's toolkit to include Social and Sustainability Bonds, which were first issued in January 2021.

In February 2022, Chile published a Sustainability-Linked Bond Framework (SLB Framework), becoming the first-ever sovereign to issue Sustainability-Linked Bonds in March 2022, with a landmark transaction that aligned economic incentives with the achievement of ambitious sustainability targets. The original SLB Framework focused on the first pillar: environmental sustainability. Specifically, the KPIs encouraged the implementation of necessary actions to fulfill the greenhouse gas (GHG) reduction commitments agreed in Chile's updated Nationally Determined Contribution (NDC) and implement an ambitious national clean energy agenda.

In June 2023, Chile updated its SLB Framework to account for the third and very important pillar for realizing the nation's inclusive and sustainable development strategy: social sustainability. The new social KPI focuses specifically on increasing the percentage of Women Board Members. Through the issuance of Sustainability-Linked Bonds tied to achieving this Gender Equality KPI, Chile will reinforce the importance of gender diversity in the highest levels of management, both in the public and private sector, while formally committing to a goal that has a relevant impact for the labor force and governance structures of the Chilean companies that will have impacts towards an inclusive and sustainable development of the country. Achieving this target requires material efforts by all companies reporting to the CMF (Comision para el Mercado Financiero). We hope these efforts encourage other sovereign and private issuers to incorporate social KPIs in other SLB transactions brought to the market.



02

Chile's Commitment to Sustainable Development



1. Sustainability Strategy

In September 2015, Chile adopted the 2030 Sustainable Development Agenda (the Agenda), an action plan on behalf of the people, the planet and prosperity, aimed at strengthening universal peace within a broader concept of liberty. In doing so, Chile committed to advance the Agenda's 17 social and environmentally oriented goals. The United Nations (UN) Sustainable Development Goals (SDGs) have provided a general framework for Chile to design policies and initiatives that support sustainable and inclusive growth. In 2019, Chile published its second Voluntary National Report on the 2030 Sustainable Development Agenda.

Chile's adoption of the Agenda alongside 193 United Nations (UN) member countries serves as one of the many examples of international cooperation. Over the last several decades, other examples include the ratification of the Universal Declaration of Human Rights (1948), the International Covenant of Civil and Political Rights (1966), and the International Covenant on Economic, Social and Cultural Rights (1966), as well as the Convention on the Rights of the Child (1989). Chile is also a member of the Ibero-American Multilateral Agreement on Social Security (Convenio Iberoamericano de Seguridad Social), in addition to 25 other multilateral agreements. Parts of those agreements are included in Chile's currently-in-effect Constitution, which establishes a series of rights for all people, such as the right to live in a pollution-free environment, the right to good health, the right to education, freedom of employment, and protection for the right to social security.

Environmental Policies & Action

Chile's Nationally Determined Contribution (NDC)

In February 2017, Chile ratified the Paris Agreement by means of Supreme Decree N° 30 of the Ministry of Foreign Affairs and, in September 2015, presented its Intended Nationally Determined Contribution (INDC) before the United Nations Framework Convention on Climate Change (UNFCCC). Since the

submission of Chile's first NDC in 2015, the country has substantially advanced its development of policies and capacities related to climate action. [Chile submitted an updated NDC in 2020](#), after making significant progress addressing the effects of climate change, in line with science-based evidence. The updated NDC addresses the major requirements of the scientific community and considers commitments in five areas: i) social pillar for just transition and sustainable development, ii) mitigation, iii) adaptation, iv) integration, and v) means of implementation.

The updated NDC includes a refreshed mitigation goal that replaces the previous emissions intensity indicator with unconditional absolute indicators. More specifically, Chile has included unconditional absolute indicators, with a goal of 95 metric tons of carbon dioxide equivalent (MtCO₂eq) by 2030, an emissions maximum in 2025, and a GHG emissions budget of no more than 1,100 MtCO₂eq in the period 2020-2030.

Under the updated NDC, Chile has also committed to update the [Plan for Mitigation and Adaptation to Climate Change for Infrastructure Services through 2022](#). This plan was first introduced in 2017 and supports the development of sustainable infrastructure projects at the community, regional, and national levels. Under this commitment, Chile has taken into account population and territory protection considerations and demands associated with urban and/or rural consumption for each water-related public infrastructure project through 2030.

Environmental Regulation Complementary to the NDC

In 2015, Chile developed the National Energy Policy (Política Energética Nacional, PEN), a long-term guiding instrument for the development of public energy policies. The document sets out three main goals: to make Chile a climate change leader; to use energy to improve Chileans' quality of life; and to create a new productive identity for Chile through energy.

The initiative identifies over 60 targets for 2030, 2040 and 2050 in order to reach these ambitions. The emphasis of the PEN is to tackle climate change decisively, incorporating green hydrogen for the first time as an opportunity to reduce the main productive sectors' emissions in Chile. This document is fundamental within the path outlined by Chile's NDCs, updated in 2020, considering that the energy sector represents the majority of Chile's total GHG emissions. As part of the broader strategy, the first five-year process of the Long-Term Energy Planning 2017-2022 was published in 2017. Both the PEN and the PELP policies are being updated, as required by national legislation.

In February 2021, Chile approved an energy efficiency law¹ to foster energy efficiency across several sectors, including industry, mining, transport, and building, with the goal of reducing emissions by 2% per year until 2030, thereby reducing final energy consumption by 10% by 2030 and 35% by 2050. This law follows the 2013 "Law 20/25" or the "Non-Conventional Renewable Energy (NCRE) Law" that promoted the diversification of energy sources into renewable energy and established Chile's target of generating 20% of its electricity from renewable sources by 2025.²

In December 2021, the Ministry of Environment (MoE) published Chile's Long-Term Climate Strategy (LTCS), which consolidates several initiatives led by different members of the State. This document presents a long-term vision for Chile and compiles the commitments and contributions in mitigation, adaptation, and different sectorial areas as well as addresses internal coordination issues, cost-effectiveness analysis and its means of implementation and monitoring.

On June 2022, Chile published the Climate Change Framework Law, which places Chile at the forefront of the region in terms of environmental regulation. This legislation implements, for the first time, a legal framework for climate change mitigation and adaptation measures, making it a state policy that

outlines specific actions for 17 ministries, regional governments, and all municipalities. The law incorporates specific obligations for the Ministry of Finance, establishing the responsibility to publish the Country's Climate Change Financial Strategy and also report annually to the Congress the proportion of climate change expenditure from the public budget. The Climate Change Framework Law also aims to reduce vulnerability, increase resilience, and guarantee compliance with international commitments assumed by Chile to confront the challenges imposed by climate change. Therefore, the Climate Change Framework Law implements coordinated measures to articulate, execute, report, and disseminate public policies for the comprehensive, participatory and transparent management of climate change adaptation and mitigation measures, with an inter-generational approach.

The Government of Chile has established a plan for decommissioning its coal-power plants that will see 11 of its 28 plants offline by 2024, followed by an additional 7 plants in 2025, representing 65% of its current coal-power generation capacity. Chile aims to have all 28 of its coal plants decommissioned by 2040 or earlier. Moreover, Chile has committed to a [National Electromobility Strategy](#) that aims to have 100% of the sales of light and medium vehicles, public transport (buses, taxis and shared taxis) and large machinery to be zero-emission vehicles by 2035.

In 2022, the Law of Energy Storage (Law Nr. 21,505)³ was unanimously approved, which promotes the participation of NCRE in the electric matrix, allowing its storage, and avoiding the dumping of production. This law allows storage systems that are not part of a generation plant to participate in the balance of energy injections and withdrawals of the National Electric System, and to be paid for through the wholesale or retail markets. At the same time, in connection with the electromobility, this Law

¹ Ley de Eficiencia Energética, Law No. 21.305 (Ministerio de Energía, 2021).

² See more at: <https://www.centreforpublicimpact.org/case-study/clean-energy-targets-chile-2025>

³ <https://www.bcn.cl/leychile/navegar?idNorma=1184572>

includes a transitory reduction of certain regulatory payments that electric and hybrid cars make.

Another bill under discussion in the Congress will provide better conditions for the improvement of NCRE. In effect, the Bill which Promotes the Renewable Energies (Proyecto de Ley de Impulso a las Energías Renovables) establishes minimum quotas of renewable energy of 60% by 2030 to energy providers. Additionally, it includes a quota of 40% in certain time blocks in order to promote the storage of renewable energies.

Finally, in April 2023 the Bill of Energetic Transition (Proyecto de Transición Energética: Transmisión eléctrica como sector habilitante) was announced, which takes into account the national target to reach carbon neutrality by 2050. This bill considered the feedback provided by the industry and contains three pillars: i) the efficient development of transmission lines, ii) the electric sector and climate change, and iii) the capacity and promotion of storage systems.

At the international level, Chile is a member of the United Nations Framework Convention for Climate Change (UNFCCC). In this role, Chile participates with a local credit line in the Green Climate Fund (GCF). This Fund aims to promote the design and implementation of climate measures by developing countries in order to meet Paris Agreement goals. To achieve this objective, the Fund operates as a provider of financial mechanisms as part of the UNFCCC. As such, it offers financing for mitigation and/or adaptation projects as well as a readiness programme⁴, which are promoted by the public or private sector of each country, and which contribute to meeting the sustainable development goals and the NDCs of the applicant countries.

Chile also took part in the 2022 UN Biodiversity Conference (COP-15), which culminated with the most recent international environmental agreement: the Kunming-Montreal Global Biodiversity Framework. Chile, along with more than 190 other countries, agreed to adopt and strive to reach four

goals and 23 targets by 2030. Most notably, Chile and its international peers have agreed to the thirty-by-thirty (30x30) goal, referring to the global efforts to conserve 30% of terrestrial and marine habitats by 2030.

In June 2023, Chile approved the Nature Law, which creates the National Service for Biodiversity and Protected Areas (Servicio de Biodiversidad y Áreas Protegidas), which will oversee the conservation of the national biodiversity. Its pillars are the following:

1. To integrate the conservation responsibilities in a single entity, coordinating the different players with an integral view of the country and its ecosystems, both marine and terrestrial, and in and out of protected areas.
2. To create a National System of Protected Areas (Sistema Nacional de Áreas Protegidas), composed by all the protected areas in Chile. Currently, the protected areas are under the responsibility of different ministries.
3. To ensure that the Service also promotes and incentivizes the conservation out of the protected areas, creating tools to face threats to wildlife, such as invasive species.
4. To give the financial services and human resources that allow it to fulfill its mandate, as well as economic tools to cover existing financial gaps.

Gender Equality Policies & Action

International and Regional Commitments

Chile's administration is committed to address social and environmental issues through a multidimensional and intersectional lens anchored in the UN Sustainable Development Goals. While the country has successfully reduced poverty in the past 30 years, Chile continues to strive to improve income and gender equality. Thus, while Chile's commitments to environmental topics, highlighted in their sovereign bond issuances, was a critical first

⁴ The Readiness and Preparatory Support Programme (the Readiness Programme) supports country-driven initiatives by developing countries to strengthen their institutional

capacities, governance mechanisms, and planning and programming frameworks towards a transformational long-term climate action agenda.

step, Chile strives to further strengthen their commitments, incorporating social issues in its sustainability-linked bond issuances.

Chile has implemented ambitious domestic and international commitments related to gender equality. The Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW⁵), was ratified by Chile in 1989. The CEDAW is the broadest and most progressive international instrument on women's rights, stipulating several commitments to advance equal rights between men and women. Among these, Article 11 of the CEDAW is noteworthy, stating that “States Parties shall take all appropriate measures to eliminate discrimination against women in the field of employment in order to ensure, on a basis of equality of men and women, the same rights.”

In 1995, Chile adopted the Beijing Platform for Action⁶, which is considered the most progressive blueprint for advancing women's rights. The Beijing process reinforced women's rights at a global scale and at all levels of policy making.

More recently, Chile demonstrated yet again the importance of addressing gender inequalities by becoming a full member of the International Labor Organization's (ILO) Governing Body in 2019 and adopting the Buenos Aires Commitment in 2022.

Gender equality is an integral pillar of the “ILO Centenary Declaration for the Future of Work” (2019),⁷ adopted by governments and representatives of employers and workers organizations. The declaration encourages its 187 Member States to effectively achieve gender equality. The Declaration also proposes “to achieve gender equality at work through a transformative agenda,” with regular evaluation of progress made, which:

- i. Ensure equal opportunities, equal participation and equal treatment, including equal

remuneration for women and men for work of equal value;

- ii. Enable a more balanced sharing of family responsibilities;
- iii. Provides scope for achieving better work–life balance by enabling workers and employers to agree on solutions, including on working time, that consider their respective needs and benefits, and;
- iv. Promote investment in the care economy.

The Buenos Aires Commitment⁸, adopted in 2022 at the XV Regional Conference on Women in Latin America and the Caribbean, proposed a path to move towards a care society with agreements in innovative areas to achieve a transformative recovery that promotes gender equality and sustainability at the regional level. In particular, the participating countries agreed to:

- Advance recovery plans with proactive measures to achieve substantive equality that foster comprehensive care systems, decent work and the full, significant and equal participation of women in positions of leadership in strategic sectors of the economy for a transformative recovery with gender equality aimed at the sustainability of life and for the transition to a care society (Commitment 6); and
- Design, implement and evaluate macroeconomic policies, particularly fiscal policies (income, spending and investment), from a gender equality and human rights perspective (Commitment 26).

National Commitments & Strategic Plan

Since the creation of the National Women's Service in 1991, public policies for gender equality have been sustainably developed in Chile. Under Law 20820⁹, the Ministerio de la Mujer de Chile (Ministry of Women and Gender Equity) was established as

⁵ <https://www.ohchr.org/en/instruments-mechanisms/instruments/convention-elimination-all-forms-discrimination-against-women>

⁶ The Beijing Platform for Action

⁷ ILO Centenary Declaration for the Future of Work

⁸ Buenos Aires Commitment (March 2023)

⁹ Law 20820

the Secretariat of State and is responsible for collaborating with the President of the Republic in the design, coordination and evaluation of policies, plans and programs aimed at promoting gender equity, equal rights and seeking the elimination of all forms of arbitrary discrimination against women.

In the 2023-2026 strategic plan¹⁰, the following areas of actions will be prioritized:

1. Substantive equality of rights, treatment, and participation
2. Life free from violence
3. Autonomy and economic empowerment
4. Sexual and reproductive rights
5. Care economy and co-responsibility
6. Social and cultural change

Strategic Objectives

1. Ensure that public policies do not produce or reproduce discrimination
2. Eradicate discrimination against women, gender diversity and LGBTQ communities from the regulatory framework
3. Address, prevent and eradicate all types of violence or arbitrary discrimination against women, gender diversity and LGBTQ communities
4. Influence the actions of State and private institutions in addressing violence against women, gender diversity and LGBTQ communities
5. Improve women's equal participation, economic empowerment, and autonomy
6. Strengthen the conditions for sexual and reproductive autonomy
7. Shift gender norms in care and domestic work, promoting their equal distribution.

8. Recognize and raise awareness on unpaid domestic and care work
9. Advance in the establishment of a culture of respect and recognition for gender equality

The Chilean government also believes that an advanced society needs diversity of experiences, opinions, and ideas in order to make the best decisions and achieve the best outcomes. The representation of women in leadership positions, specifically on the board of directors, can provide companies with a competitive advantage, while ultimately benefiting society.

2. Rationale for Development of Sustainability-Linked Bond Framework

The issuance of Chile's sovereign Green Bonds started in 2019 and provided positive financial results while simultaneously demonstrating Chile's commitment to climate action.

Recognizing Chile's comprehensive commitment to sustainable development and in accordance with the Sustainable Development Goals established by the United Nations in 2015, the MoF decided to incorporate social aspects of sustainable development into its financing strategy in 2020. To do this, Chile adapted its Green Bond Framework to a Sustainable Bond Framework, incorporating the possibility of issuing not only green bonds, but also social and sustainable bonds, moving from a purely environmental perspective towards a sustainable one, taking into account the global nature of sustainable development, while incorporating a multidimensional understanding of vulnerability.

Through the issuance of SLBs, Chile intends to leverage ambitious timelines to achieve strong sustainable outcomes that are relevant, core and material to Chile and the Chilean people. Chile expects that the issuance of its SLBs will build upon Chile's prior Green, Social, and Sustainable Bond issuances and inspire other countries and companies to do the same.

¹⁰ Ministerio de la Mujer Definiciones estratégicas 2023-2026



03

Alignment with SLB Principles and Selection of Key Performance Indicators (KPI)

This SLB Framework is in alignment with ICMA Sustainability-Linked Bond Principles (SLBP) published in June, 2023. Thus, this SLB Framework complies with the five core components outlined in the ICMA Sustainability-Linked Bond Principles:

1. Selection of Key Performance Indicators (KPIs);
2. Calibration of Sustainability Performance Targets (SPTs);
3. Bond Characteristics;
4. Reporting; and
5. Review and Verification.

I. Selection of KPIs

The selection of KPIs follows the environmental objectives set by Chile's NDC and therefore, it is coherent with Chile's strategy of development. Particularly, the selected KPIs can be found in Chile's LTCS as well as its rationale.

KPI 1: Greenhouse Gas (GHG) Emissions per year, measured in MtCO₂eq.

KPI	Greenhouse Gas Emission (GHG) per year, measured in MtCO ₂ eq.
Reference year	Chile's contribution is not based on a single reference year
SDG Alignment	SDG 13 Climate Action - Target 13.3: <i>"Improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning."</i>
Methodology	IPCC Guidelines for national greenhouse gas inventories (2006) ¹¹ GHG emissions from sectors included in Chile's latest National Greenhouse Gases Inventory (NGHGI): Energy, Industrial Processes and Product Use (IPPU), Agriculture and Waste, excluding the LULUCF sector. GHG emissions include: carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFC), perfluorocarbons (PFC), sulfur hexafluoride (SF ₆) and nitrogen trifluoride (NF ₃)

Rationale for KPI 1

Chile is already experiencing the impact of climate change. Evidence is now pointing to a further increase in temperatures nationwide, with greater intensity in the northern area (1.5°C-2.0°C above the historical average) and in the mountainous areas of the Andes.

Chile, like all Parties subscribed to the Paris Agreement, must implement the necessary actions

National Context of GHG Emissions

to fulfill the commitments agreed in its updated NDC, and move towards inclusive and sustainable development. These contributions represent the core instruments guiding climate action to prevent the increase in global average temperature, raise global resilience, and mobilize public and private investments on a sustainable development path, balancing the environmental, social and economic variables.

In 2020, the country's total GHG emissions accounted for 105,552 kt CO₂ eq, increasing by 116%

¹¹ 2019 IPCC refinement is being adopted

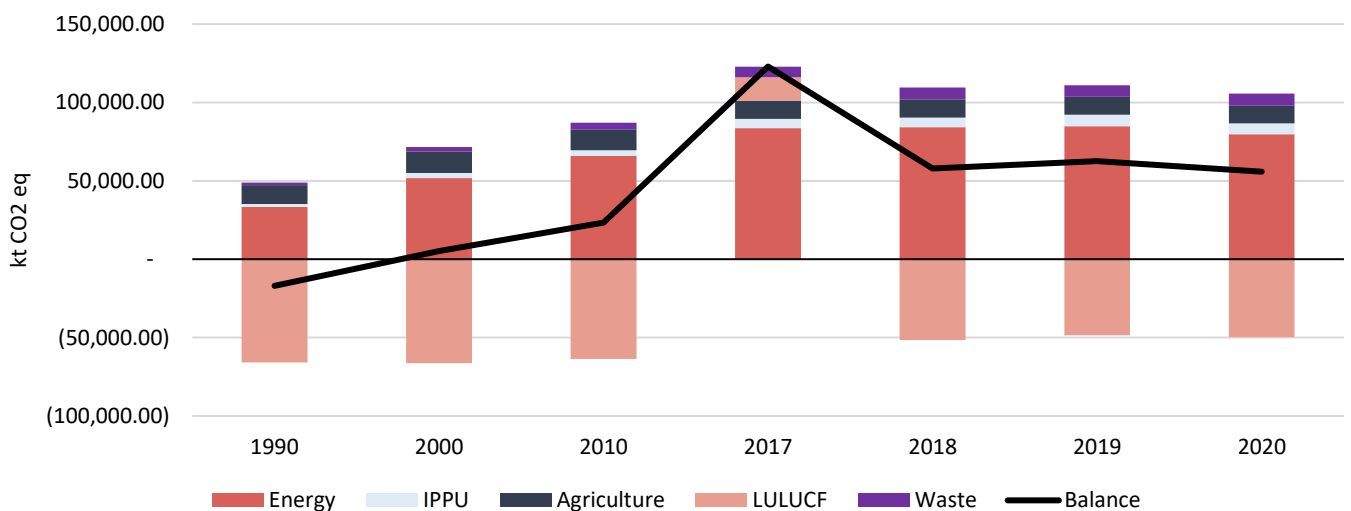
since 1990 and decreasing by 4% since 2018. The main causes of the trend in total GHG emissions are CO₂ emissions generated by the burning of fossil fuels for electricity generation and land transport (accounted for by the Energy sector), CH₄ emissions generated by livestock (enteric fermentation and manure management) and N₂O emissions generated by the application of nitrogen in agricultural soils (the last two accounted for in the Agriculture sector)¹². The Energy Sector (related to fossil fuels consumption for energy generation and ground transportation) is responsible for most GHG

emissions nationwide, accounting for 75% of total emissions in 2020. The other sectors represent Industrial Processes and Product Use (IPPU) representing 7% of 2020 emissions, Agriculture 11% of emissions and Waste 7%. The Land Use, Land Use Change and Forestry (LULUCF) sector is the only one absorbing GHG in the country, and is consequently recorded as a sink in the emissions registry data available since 1990.¹³ For further detail see Figures 1A and 1B.

Figure 1A: Chile's NGHGI: balance of GHG emissions (ktCO₂eq) by sector, 1990-2020¹⁴

Sector	1990	2000	2010	2017	2018	2019	2020
Energy	33,336	51,804	65,751	83,547	84,203	84,861	79,724
IPPU	1,890	3,151	3,765	5,905	6,221	7,383	6,930
Agriculture	12,008	13,799	13,091	11,732	11,652	11,334	11,238
LULUCF	(65,812)	(66,220)	(63,616)	14,874	(51,579)	(48,538)	(49,727)
Waste	1,584	2,745	4,363	6,841	7,385	7,449	7,660
Balance	(16,993)	5,279	23,354	122,899	57,882	62,489	55,825
Total	48,819	71,499	86,970	108,025	109,461	111,027	105,552

Figure 1B: Chile's NGHGI: balance of GHG emissions (ktCO₂eq) by sector, 1990-2020



Source: Ministry of the Environment, Sistema Nacional de Inventarios de Gases de Efecto Invernadero, published March 2023.

¹² Principales resultados (mma.gob.cl)

¹³ <https://snichile.mma.gob.cl/resultados-principales/>

¹⁴ Numbers may vary slightly from previous reports due to methodology, refer to <https://snichile.mma.gob.cl/metodologia/>

Calculation Methodology and Governance Process

KPI 1 will be measured through the National Greenhouse Gas Inventory (NGHGI), administered by the Climate Change Office of the MoE. The NGHGI covers the entire national territory and includes emissions and removals of carbon dioxide and emissions of methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.

The reporting and verification framework is based on the agreements and action plans set forth in the UNFCCC and are grounded in the objective of the Paris Agreement, to have reliable, transparent and comprehensive information on GHG emissions, climate actions and support.¹⁵

For Developing Countries (i.e. Non-Annex 1 Parties) the requirement is to produce a biennial update report (BUR) on national emissions inventory.

The process of reporting and verification of the national inventory is summarized in terms of both an internal and external review:

- The **internal review** aims to document a comparison between the calculations elaborated by the internal teams, against those elaborated by external organizations. Each sectorial team applies their own source of comparison, using the IPCC 2006 Guidelines.
- The **external review** is based on the international consultation and analysis process of the UNFCCC, which includes two steps: i) a technical analysis by a team of independent experts,¹⁶ and ii) a facilitative sharing of views in the form of workshop. The workshop consists of a presentation followed by oral questions and answers by the parties to facilitate transparency and learning opportunities among them.

To produce the inventory calculation there are different technical sectorial teams that gather the information, calculate the GHG emissions of each sector, and fine-tune the sectorial inventory. That data is then reviewed and compiled by a Technical Coordination Team and approved in its final version by the sectorial teams. Additional information on the governance that manages this information can be located in Chile's updated NDC.



¹⁵ More information here: Introduction to Transparency | UNFCCC

¹⁶ For example, the 2020 National Inventory of Greenhouse Gases was reviewed by an external technical expert provided by the Latin American Network of Greenhouse Gases National Inventories; Red Latinoamericana de Inventarios Nacionales de Gases de Efecto Invernadero - RedINGEI

Since 2015 a Guarantee and Quality Control system has been implemented aligning with best practices of the IPCC to assure the quality of the process. Thus, each sectorial technical team is responsible for applying all the quality control procedures in their calculations. All these processes are listed and checked as implemented (or not), and they can add comments to facilitate the procedure to other professionals. In addition, each inventory is subject to a quality control by professionals directly involved in its elaboration, as well as to an external review of the inventories is provided by independent qualified experts, which is the mechanism defined by the UNFCCC and the Paris Agreement through its reinforced transparency framework.

For the external review process, there will be a technical analysis, which will begin once the BUR is submitted. The product of the review process is a summary report which will be published on the UNFCCC website.¹⁷

KPI 2: Non-Conventional Renewable Energy, as the % of total generation in the National Electric System

KPI	Non-Conventional Renewable Electric Generation (NCRE), as the percentage (%) generated in the National Electric System, measured in megawatt hours (MWh).					
Reference year	27% NCRE in 2021					
2018 - 2022 Performance	% NCRE	2018 17%	2019 19%	2020 22%	2021 27%	2022 33%
SDG Alignment	SDG 7 Affordable and Clean Energy - Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.					
Methodology	<p>The KPI, which covers Chile's entire energy grid, will be measured through the Gross Monthly Generation SEN (MWh), Open Energy database, published by the National Energy Commission (CNE) with data from the National Electricity Coordinator, a technical body of public law that is related to the Ministry of Energy. This platform, among other duties, records and saves the data related to generation, transport and distribution of the National Electric System and is the official source of information for Chile.</p> <p>For these purposes, NCRE is that coming from the following sources: wind, small run-of-river hydro (plants up to 20 MW of installed capacity), biomass, biogas, geothermal, solar, ocean energy and green hydrogen</p>					

Rationale for KPI 2

Transitioning to a high-income economy requires the development of a reliable, inclusive, competitive, and sustainable energy sector. Given the growing demand for energy to meet the needs of society and the economy, achieving Chile's climate change objectives requires a transformation of the Chilean energy matrix.¹⁸

¹⁷ The documents of the latest review cycle of Chile are available on the following website.

¹⁸ The energy sector alone accounted for 75% of Chile's total emissions in 2020.

As one of the 60 targets outlined in Chile's [PEN 2050](#), Chile aims to generate 100% of its energy emission-free by 2050. The achievement of this goal is measured by mean of ambitious targets focused on increasing renewable energy production, particularly from non-conventional sources, and reducing reliance on coal and other fossil fuels.

Given the instrumental role that the transition toward clean energy sources plays in Chile's strategy to achieve emissions neutrality, Chile has decided to incorporate the 2030 NCRE generation target as a principal KPI in this SLB Framework.

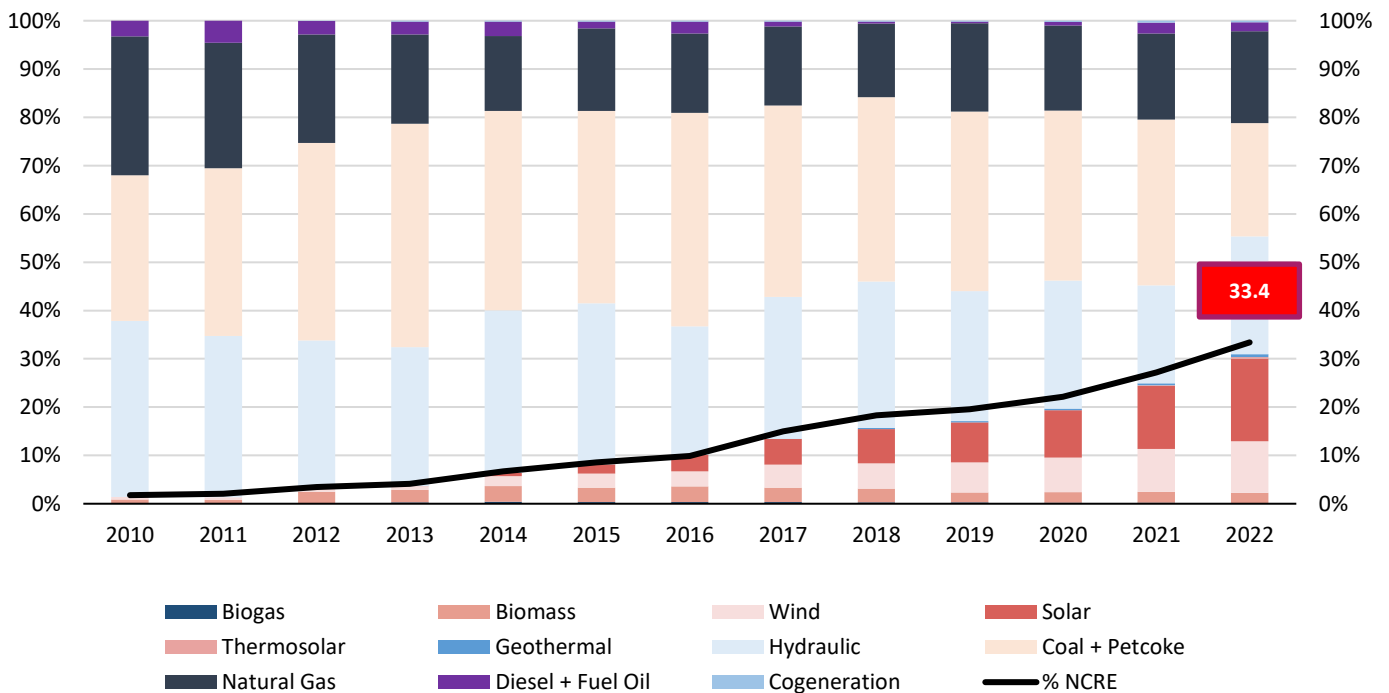
National Context of Electricity Consumption in Chile

Until 2017, Chile's electrical system comprised two interconnected systems, which operated independently of each other: SIC (Sistema Interconectado Central de Chile) and SING (Sistema Interconectado del Norte Grande de Chile). In 2018, both networks merged, creating the National Electric System (SEN).

In 2021, NCRE sources included biomass, concentrated solar power (CSP), wind, geothermal, solar photovoltaic (PV), and small-scale hydropower. For the avoidance of doubt, large-scale hydropower (with installed capacity above 20MW) is excluded from the definition of NCRE. The following table represents the proportion of electricity production in SEN for both NCRE sources, and renewable sources as a whole:

	2018	2019	2020	2021	2022	2028	2032
% NCRE	17%	19%	22%	27%	33%	50%	60%

Figure 2: Diversification of Chilean Energy Matrix by generation technology, 2010-2022.



Source: Open Energy database, published by the National Energy Commission (CNE) with data from the National Electricity Coordinator.

Calculation Methodology and Governance Process

The Gross Monthly Generation SEN database contains information by plant, identifying the power plant, the technology and the monthly generation measured in MWh. Therefore, this KPI will be calculated annually using the following formula that identifies the energy coming from NCRE:

$$KPI\ 2 = \frac{\sum NCRE\ gross\ generation}{\sum energy\ gross\ generation} \times 100$$

- The **internal information review** process includes internal actors of the electricity market, i.e., the National Electric Coordinator and the coordinated companies, in coordination with an external panel of experts. Each generating company reviews the information on electricity generation on a monthly basis due to the fact that the Coordinator prepares the economic balances of energy where the remuneration of each company is calculated.
- If there are divergences between the companies and the Coordinator, there is an **independent, known as Panel of Experts**, which resolves any conflicts that may arise between actors in the sector. The Panel of Experts of the General Electricity Services Law is an autonomous collegiate body created in 2004 by Law No. 19,940, with strict and regulated jurisdiction. Its function is to resolve, through opinions of binding effect, discrepancies and conflicts that, according to the law, arise due to the application of the electricity and gas services legislation and that the electricity, gas services and other companies authorized entities submit to their knowledge. To assure transparency, the Panel of Experts is made up of seven professionals, five of whom must be engineers or economics graduates and two lawyers, with extensive professional experience. These are appointed by the Court for the Defense of Free Competition, through public competition. Finally, their appointment is made by resolution of the Ministry of Energy.¹⁹



¹⁹ For more information, visit the web page of [Panel de Expertos](#).

KPI 3: Percentage of women in Board Member positions at companies that report to the CMF

KPI	Percentage of women in Board Member positions at companies that report to the CMF ²⁰			
Reference year²¹	14.0% in 2022			
% Women on Board of Directors in Private & SEP companies (2019-2022²²)	2019 10.6%	2020 10.5%	2021 12.7%	2022 14.0%
SDG Alignment	SDG 5 Gender Equality and Women's Empowerment – Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life			
Methodology	Under Regulation No. 386 ²³ , data is collected on all companies under the scope of the CMF and is disclosed in the Reporte de Indicadores de Género de las Empresas en Chile. ²⁴ Calculation: Number of women on Board of Directors at companies reporting to CMF / total number of Board of Directors at companies reporting to CMF			

Rationale for KPI 3

International studies^{25,26,27} indicate that higher representation of women in leadership positions generate benefits such as a higher return on capital, higher margins, improved financial performance, less corruption, and less fraud, among other benefits. Studies also show that higher representation of women on the Board has a positive relationship with firm performance, improved risk management, heightened innovation, more diverse opinions, enhanced ability to respond to complex topics, and more involvement in corporate social responsibility.²⁸ Chile believes that a higher representation of women on the Board drives macroeconomic benefits, the development of more inclusive cultures in companies, and provides a more accurate reflection of the entire Chilean population.

The Chilean government has actively supported gender diversity by implementing a policy that seeks to increase the presence of women on the Board of Directors of state-owned companies (Sistema Empresas Públicas), starting in 2014, under President Michelle Bachelet²⁹. This commitment led to an increase of over 20% between December 2013 (5%) to December 2014 (28.3%). By the end of President Bachelet's second term, her program's goal to reach 40% of women representation on the boards of Sistema Empresas

²⁰ This is measured as the total number of women board members compared to the total number of Board of Director positions across all companies. For the avoidance of doubt, this is taking into account an average across all companies.

²¹ Statistics for KPI 3 are sourced from Cuarto Reporte De Indicadores de Género en Las Empresas En Chile 2022. Data includes information from 469 companies for the year 2022

²² For illustration purposes only to demonstrate trends. Since 2019, the number of companies that report to the CMF has been increasing year by year. The companies that have submitted data corresponds to 450, 460, 447 and 469 for each year, respectively. These number correspond to the total sample of companies included, per each report.

²³ https://www.cmfchile.cl/normativa/ncg_385_2015.pdf

²⁴ <https://www.chilemujeres.cl/wp-content/uploads/2023/03/4o-REPORTE-INDICADORES-DE-GENERO-EN-EMPRESAS-EN-CHILE.pdf>

²⁵ Bosch, M. J., Enri one, A., & Riumallo, M. P. (2022). A Study of the Diversity Policy for Boards of Directors in the System of Public Companies in Chile. In K. Agha & M. Maestro (Eds.), *Global Perspectives on Maintaining Gender, Age, and Religious Diversity in the Workplace* (pp. 120-136). IGI Global. <https://doi.org/10.4018/978-1-6684-5151-9.ch007>

²⁶ Yılmaz, M.K., Hacıoğlu, Ü., Nantembelele F.A. ve Sowe, S. (2021). Corporate board diversity and its impact on the social performance of companies from emerging economies. *Global Business and Organizational Excellence*. DOI: 10.1002/joe.22135

²⁷ Nguyen, T. H., Ntim, C. G., & Malagila, J. K. (2020). Women on corporate boards and corporate financial and non-financial performance: A Systematic Literature Review and Future Research Agenda. *International Review of Financial Analysis*, 71, 101554.

²⁸ Barrone, 2011; Economic Research Council, 2012; Bart & McQueen, 2013; Sandoval, 2014

²⁹ <https://www.chilemujeres.cl/wp-content/uploads/2023/03/4o-REPORTE-INDICADORES-DE-GENERO-EN-EMPRESAS-EN-CHILE.pdf>

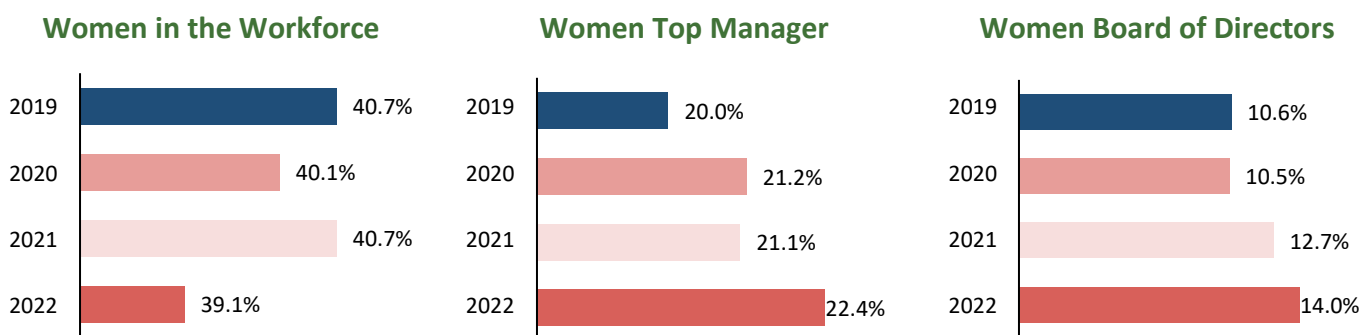
Públicas (SEP) Companies was surpassed. In 2021, the policy was reinforced under Article 2 of the Regulation of the Appointment of Directors of SEP Companies³⁰, mandating that "Persons of the same gender who are appointed as directors or are proposed as such at Shareholders' Meetings by the SEP Council³¹, may not exceed 60% of the total number of directors of the companies where the SEP Board has the power to appoint and propose in shareholders' meetings." In the same year, the gender quota of the boards of SEP Companies was established in law, under Law No. 21,356, July 3, 2021³².

The analysis conducted in "A Study of the Diversity Policy for Boards of Directors in the System of Public Companies in Chile," is the first study of its kind in Chile to examine empirically the impacts of including more women on the boards of SEP companies³³. The study suggests that the participation of women is key to providing a diversity of knowledge, experience, and skills. The study highlights the following benefits:

1. Triple Shock of Diversity: The representation of women not only contributed to gender diversity, but also to diversity in age and experience.
2. Boards chaired by women experience a higher level of effectiveness and organization. Surveyed board members stated that boards chaired by women resulted in more thoughtful discussions, enhanced information flow, and stronger mechanisms to evaluate general management.
3. Surveyed board members also stated that higher representation of women on the board positively influenced the climate of the board, improved decision-making processes, created more diverse and interdisciplinary work teams, and actively promoted critical agenda topics such as talent management, sustainability, compliance, and stakeholders' concerns.

Given the clear benefits of greater participation of women on the Board of Directors, Chile has decided to incorporate a KPI seeking to achieve at least 40% of women on the board on all companies under the scope of the CMF (Comisión para el Mercado Financiero), Chile's Financial Market Commission by 2031. Chile believes that by setting a target for all companies subject to the CMF, they are creating a strong and encouraging precedent for other companies in Chile to emulate, expanding the successfully achievements reached so far with SEP Companies.

Figure 3A: National Context of Women in Leadership in Chile



Source: 2022 Report on Gender Indicators for Companies in Chile that report to the Financial Market Commission (CMF)³⁴.

³⁰ <https://www.sepchile.cl/wp-content/uploads/2022/08/Reglamento-funcionamiento-consejo-2022-actualizado-1.pdf>

³¹ <https://www.sepchile.cl/quienes-somos/#consejo-directivo>

³² <https://www.bcn.cl/leychile/navegar?idNorma=1162243>

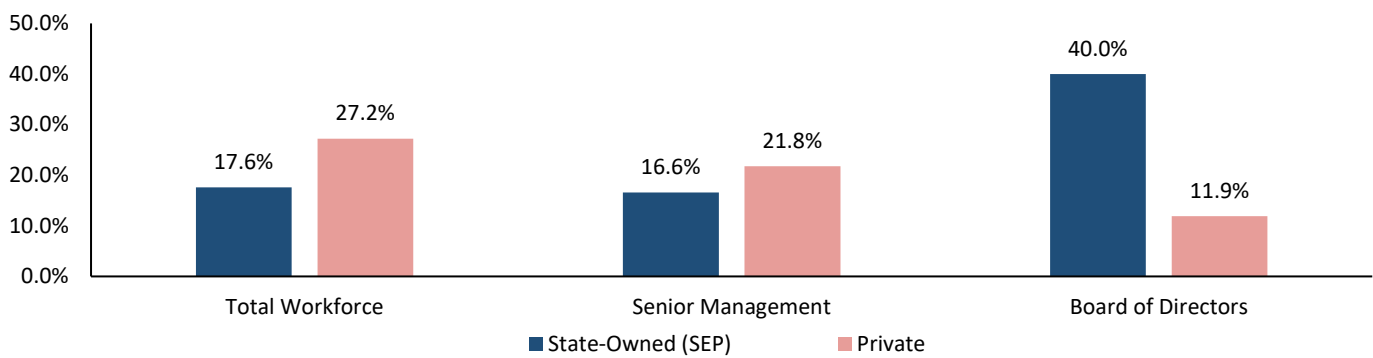
³³ Study population includes board member and general managers of the 19 companies of the System of Public Companies. Information was collected from three sources (quantitative and qualitative) and the results were analyzed in the aggregate without individualizing responses. The study did not include financial information about the companies because COVID19 had a financial impact on companies, and it was not possible to isolate the representation of more women on financial results.

³⁴ The underlying data for this graph is accounting for the total number of companies submitting data to the CMF per reporting period. This corresponds to the following: 450, 460, 447 and 469 for each year, respectively.

In 2022, CMF collected data for the first time that disaggregated private sector and SEP Companies³⁵. The proportion of women on the Board varies per entity type. State-owned companies achieved 40% women on the Board of Directors, versus 11.9% for private companies. For private companies, women are represented least at the level of the board, with women representing 27.2% in the overall workforce and 21.8% for senior management positions³⁶.

SEP Companies have lower women representation rates for overall workforce and top management. However, it should be noted that public companies are mainly concentrated in the Transportation and Storage sectors (39.1% of companies) and Manufacturing Industry (17.4%), sectors that have historically been masculinized and currently have a high participation of men, 73% and 79%, respectively.

Figure 3B: Women Participation in Total Workforce, Senior Management and Board of Directors for Private and State-Owned Enterprises, 2022



Source: 2022 Report on Gender Indicators for Companies in Chile that report to the Financial Market Commission (CMF)



³⁵ To ensure proper comparison across entity types, a total of 23 state-owned firms are considered, distributed in 8 areas, which are compared with 131 private ones belonging to the same sectors. The sectors include the following: manufacturing, services, transport and packaging.

³⁶ For purposes of benchmarking across companies, management positions were normalized to only account for managers that directly report to the Chief Executive Officer.

Calculation Methodology and Governance Process

All companies under the scope of the CMF must comply with General Regulation No. 386, and provide all necessary information and questionnaires requested by CMF. In 2015, the CMF published two Normas de Carácter General, Nr. 385 and Nr. 386³⁷, which instructed companies to report on social and sustainable development in their annual reports. This reporting requirement covers several social indicators, which includes information on the workforce, including the breakdown of workers by gender and information on salary equity³⁸.

As part of these reporting requirements, General Standard No. 386 specifies that the number of women and men at different hierarchical levels of the organization must be reported annually. With this information, the percentages of participation of women on the board of directors is calculated, using the following formula:

KPI 3: $\text{Number of Women Board of Directors} / \text{total Board of Directors across all companies reporting to the CMF}$

In 2021, the Norma 385 was replaced by the Norma de Carácter General Nr. 461, which established the mandatory dissemination of information on social, environmental and governance as an integral part of the Annual Reports, in line with developed economies.

In practice, the companies listed in the Registro de Valores must provide their annual report to the CMF. The CMF is an autonomous and technical entity which ensures proper functioning, development, and stability of the financial market, facilitates the participation of market agents, and promotes the care of public faith. It also proposes, through the MoF, legal and regulatory amendments to ensure the normal functioning of the market, as well as the compliance of the norms by the regulated entities.

The CMF has a president, which is designated by the President of the Republic, and 4 Comisionados, which are chosen by the President of the Republic with the ratification of the Senate.

The scope of the companies included in KPI 3 calculations are mainly securities issuing companies that report to the CMF in accordance with Norma 386. These companies must be listed in the CMF and regularly report to the CMF if they wish to issue and offer securities. They are mainly open stock companies, stock companies issuing debt securities, banks and financial institutions, third-party funds other than Pension Funds, and the State through of the Central Bank, the Treasury and the Social Welfare Institute (IPS).

The sample of companies considered for the report has been increasing year over year (2019: 450 companies; 2020: 460 companies; 2021: 447 companies; 2022: 469 companies). For the sake of SPT 3 calculation, an average of 40% Women Board of Directors of total companies reporting to the CMF in the observation year will be considered.

Under the Norma 461 provisions, the company's information is sent to the CMF. Then that information is provided to the Ministry of Finance, Ministry of Economy, the International Labour Association (ILO) and the NGO Fundación Chile Mujeres, to produce a Report called "Reporte de Indicadores de Género de las Empresas en Chile." This report includes the participation of women in the companies under the scope of the CMF and is completed no later than April of each year.

The full breadth of information is filtered and refined based on a series of considerations that provides a better analysis on the group of entities. For example, in 2022, information was collected from 680 organizations representing a total of 864,530 workers. The totality of the information was filtered, and the number of organizations studied was

³⁷ https://www.cmfchile.cl/normativa/ncg_386_2015.pdf

³⁸ The requirement is for Annual Reports to include: (1) Diversity of gender, nationality, age and length of tenure of directors, senior managers and other executives reporting directly to the board, and in the organisation as a whole; and (2) Remuneration and

gender (providing a comparative breakdown of information on salary by type of position, duties performed and level of responsibility for females relative to males)



Event	Event Observation date
a) Achieve Greenhouse Gas emissions of 95 MtCO ₂ eq by 2030	December 31, 2030
b) A maximum of 1,100 MtCO ₂ eq between 2020 and 2030	December 31, 2030

Pathway to achieve Greenhouse Gas emissions target

In its Updated NDC, Chile presents its 2030 target as a medium-term goal towards achieving its long-term goal to **GHG neutrality by 2050**. Additionally, such NDC also discusses the planning processes and its strategies including the “Long-term Climate Strategy 2050” to achieve its goals. Chile’s long-term vision is based on its work in two equally relevant lines of action:

- i. Reaching a sustained decrease in GHG emissions; and
- ii. Increasing and maintaining natural carbon sinks.

The pathway to the 2050 scenarios was based on modeling of the NGHGI's five sectors (Energy, IPPU, Agriculture, LULUCF and Waste), which in turn has been prepared according to the 2006 IPCC Guidelines.

The main contributor, the Energy sector, was forecasted using the tools at the Ministry of Energy to evaluate energy demand and supply scenarios, which are the main tools used by this Ministry to elaborate the Long-Term Energy Planning (PELP) scenarios.³⁹ In general, the modeling involves two key steps:

- i. Projecting the national GHG emissions with current policies and actions (until May 2019), and
- ii. A neutrality scenario that includes measures and considerations that might potentially lead Chile to reach GHG neutrality by 2050.

reduced to 469, representing 862,902 employees. The study excluded 211 entities, of which 3 did not

contain information, 61 did not have information on the total number of workers, 115 had less than 10 workers, and 31 did not have commercial activity.

This percentage is included in the Gender Indicator of Chilean Companies Report (Reporte de Indicadores de Género de las Empresas en Chile).

II. Calibration of Sustainability Performance Targets (SPTs)

The selected SPTs are coherent with the KPIs and Chile’s sustainability goals, established under the LTCS. These SPTs are verifiable according to comparable, ambitious and realistic methodologies.

SPT 1: Achieve GHG emissions of 95 MtCO₂eq by 2030 and a maximum of 1,100 MtCO₂eq between 2020 and 2030

The mitigation target is formulated in accordance with scientific recommendations, the mitigation requirement established in the Paris Agreement objectives, and Chile’s updated NDC.

Chile’s SPT 1 includes the following two events (SPT 1 Events), which Chile must achieve by the relevant observation date:

³⁹ Process established in the General Law of Electric Services, as stipulated in the respective Regulation (SD 134 from January 5, 2017)

Specific initiatives that will support Chile's achievement of the NDC targets are:

- i. Implementation of the Chile's coal phase out plan
- ii. Implementation of hydrogen and electromobility strategy
- iii. Fiscal policies such as taxes on sale of vehicles based on emissions data: and
- iv. The Energy Efficiency Law to promote energy efficiency across sectors

SPT 2: Achieve 50% of electric generation derived from NCRE sources by 2028 & achieve 60% of electric generation derived from NCRE sources by 2032.

In an analysis included in the Long-Term Energy Plan 2018-2022⁴⁰, the Ministry of Energy considered different investment and demand scenarios to assess compatibility with the more ambitious 30% carbon reduction goals. This exercise determined that the national carbon targets, as well as the investment pipeline, were achievable with a participation of 40% (or higher) of NCRE in the total generation. Since conducting the analysis, Chile has advanced faster than anticipated – for example, Chile achieved its 2025 target of 20% NCRE (Law No. 20,698) five years ahead of schedule.

Given how rapidly Chile's energy policies have evolved in recent years, and in light of NCRE forecasts included in the [Preliminary Report – Long-Term Energy Plan 2023-2027](#)⁴¹, 2028 and 2032 targets of 50% and 60% NCRE respectively have been determined to be appropriately ambitious targets for this SLB Framework. These targets are also aligned with the [IEA's Roadmap to Net Zero 2050](#), which outlines a 2030 target of 61% of the global electricity

mix being from renewable sources. It is worth noting that Chile's targets and associated action plan surpass the IEA's projections, given that Chile's targets exclude large-scale hydropower and imply a 20% fossil fuel share (substantially exceeding the IEA's projections of 39% by 2030).

Event	Event Observation date
a) Achieve 50% electric generation derived from NCRE sources by 2028	December 31, 2028
b) Achieve 60% electric generation derived from NCRE sources by 2032	December 31, 2032

Pathway to achieve electric generation target

In recent years, Chile has achieved substantial growth in NCRE, which opened a new chapter in Chile's energy history. Generation technologies from NCRE, such as solar photovoltaic and wind power, have become more competitive than conventional generation technologies, such as coal, natural gas and hydroelectric plants. This is primarily due to significant falls in investment costs, modularity of projects and shorter development times.

For this reason, in Chile and elsewhere in the world, generation projects from solar and wind energy have proliferated, without needing state subsidies⁴². As of 2005, there was 286 MW of installed NCRE capacity, while by September 2015, this figure had grown significantly, totaling 2,135 MW.⁴³ This growth has continued in the last five years. The proportion of renewable energy derived from non-conventional sources grew from 8% in 2015 to 20% in 2020 - achieving Chile's 2025 NCRE goal five years ahead of schedule.⁴⁴

⁴⁰ Proceso de Planificación Energética de Largo Plazo (energia.gob.cl), section 5.3.4.

⁴¹ PELP - section 5.10.6.

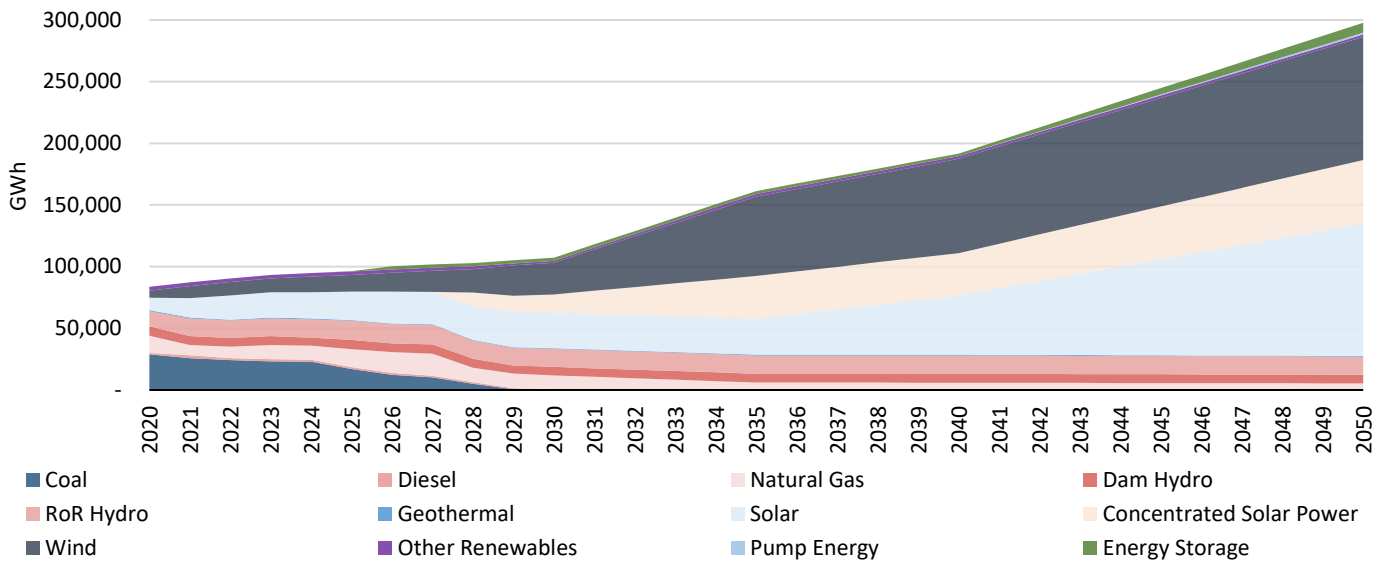
⁴² In 2021, for example, the amount of solar and wind power plants inaugurated in Chile will be by the same magnitude as what has been built throughout our history, since the first wind power plant was built, in 2007, until 2020. That is, we will double our

NCRE capacity in just one year. Renewable Energy Bill presented to Congress in December 2021. See link.

⁴³ Chile National Energy Policy 2050 (2015 version), p.72. See link.

⁴⁴ Chile National Energy Policy 2050 (2021 version), p.22. See link.

Figure 4: Expected electricity generation by type of energy, 2020-2050



Source: Ministry of Energy.

The National Electric System (SEN) is an electricity market based on market and competition among private actors. To promote growth of NCRE electricity generation and in line with its 2050 commitment to generate all energy without emissions, Chile has employed several policies, regulations and fiscal policy levers. Examples of these efforts include: the acceleration of electrical transmission projects, the modification of the energy auctions, and long-term policy and planning.⁴⁵

Factors that support the achievement of the targets:

- Strong commitment through Chile’s government and public policy and initiatives to increase the proportion of electric generation derived from NCRE.
- Support from the technical teams at multinational institutions.
- Increased availability of renewable energy sources.

- Investments in increasing renewable energy infrastructure.
- Investments to increase renewable energy supply and generation, such as green hydrogen, electromobility, and solar/wind power plants.
- The phase-out of conventional fuel sources, such as coal.

SPT 3: Achieve at least 40% of women representation on the board of directors’ companies under the scope of the CMF by 2031

The target was formulated based on an evaluation of Chile’s historical performance as well as the current standing and historical performance of global peers, as measured by the [OECD, ILO, etc.]. This target is also in line with Chile’s current policies and action plan which aim to advance gender diversity in the workforce.

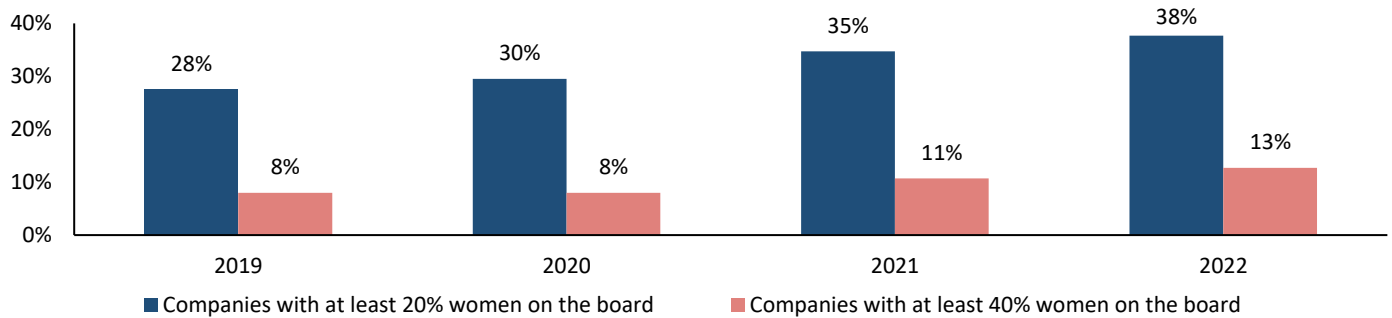
Between 2019 and 2022, Chile has steadily increased the percentage of women board members – from 10.3% to 14.7%, respectively. The number of companies with at least 20% of women on the board

⁴⁵ More information here.

has increased steadily between 2019 and 2022 – reaching 37.7% of companies reporting to CMF. Although there is growth in both the number of companies with at least 20% women on the board

and the number of companies with at least 40% women on the Board, the rate of growth at 40% remains slow, suggesting that the government's 40% target by 2031 represents an ambitious goal.

Figure 5: Women Participation on Boards of Directors, 2019-2022



Source: 2022 Report on Gender Indicators for Companies in Chile that report to the Financial Market Commission (CMF)⁴⁶

In addition to advancing gender diversity, this target will also contribute to improving productivity levels for Chile overall, a key issue that has been impacting the country since 2000 and has worsened in recent years due to the economic slowdown brought on by the COVID-19 pandemic. Studies have shown that increasing women's participation in the labor market has been shown to improve overall productivity levels.

Chile's SPT 3 includes the following event, which Chile must achieve by the relevant observation date:

Event	Event Observation date
Achieve at least 40.0% women Board Members by 2031	December 30, 2031

Pathway and Action Plan

Women's participation in decision-making positions is critical to promoting gender equality and diversity and inclusion. President Boric has centered gender parity and equality in government initiatives. One of President Boric's first initiatives was to appoint a

gender-balanced cabinet. Likewise, from the time President Boric took office in March 2022, 50% of the 94 new members appointed on the board of public companies were women. The Government of President Boric also introduced "Chile para Todos" (Chile for All), a comprehensive and intersectional plan to promote gender equality. The five main measures of the "Chile para Todas" plan includes⁴⁷:

1. Enactment of the Parental Responsibility and Effective Payment of Maintenance Debts Law
2. Flexible start times for people who have children under 12 years of age under their care
3. Special permits for caregivers of children under 12 years of age
4. Reduced working hours for domestic employees
5. Development of 40 care and protection centers

The implementation of the CMF General Standards N°386 and N°461 raised disclosure standards for the companies it oversees. NCG 386 incorporates a "Report of Social Responsibility and Sustainable Development," that provide indicators on the diversity of the board, senior management, and the entire organization, along with indicators on gender

⁴⁶ This graph is only accounting for companies that have been reporting every year since 2019 to 2022, which corresponds to 363 companies.

⁴⁷ Chile Para Todas

pay gaps. NCG 461 incorporates information requirements on sustainability and corporate governance in environmental, social and governance topics.

Chile has also made progress in increasing female participation in historically male-dominated sectors, with the auctions and projects of the Ministry of Public Works including gender factors, as well as the "Energía + Mujer" initiative from the Ministry of Energy. Through the use of public-private partnerships, the "Energía + Mujer" del Ministerio de Energía aims to rectify gaps and barriers of the advancement of women in the energy sector, with the goal of promoting more diverse leadership and management.

In the public sector, participation is higher than in the private sector, and thus the effort must be concentrated in the latter, in order to achieve the goal. In this regard, one of the main tools is the regulation of the private sector. Currently, there is a bill under discussion in Congress to establish a mandatory quota for women participation on boards of all companies under the scope of the CMF. The bill, titled "Más Mujeres en Directorios" (More women on Boards of Companies), establishes a suggested quota of 20.0% for the first 3 years. Then, in the fourth and fifth year, the suggested quota will increase to 40.0%. During these 5 years, all companies that do not comply with the suggested number will have to explain the reason for this ("comply or explain" approach).

After and including the sixth year, the quota will be mandatory and will be understood as fully enforced. During the election of the board members, if after the election the number of women result in a percent lower than the quota, the election must be repeated. In case of breaches, the CMF will have sanctioning power in accordance with its general law and regulatory authority.



According to the OECD⁴⁸, the OECD average of Women Board Members has been increasing by an average rate of 5.5% per year, from 25.2% in 2019 to 29.6% in 2022. To achieve its 2031 target, Chile will thus be required to increase at a rate of 12.4% per year, from 14.0% in 2022 to 40% in 2031, a much higher rate than the OECD average.

III. Characteristics of the SLBs.

The SLBs will provide for financial implications, such as, but not limited to a coupon step-up or premium payment, depending on whether Chile meets or fails to meet the applicable SPT Event or SPT Events or if it fails to comply with certain reporting and verification obligations. Any such financial implications will be commensurate and meaningful relative to the original SLB's financial characteristics.

⁴⁸ For more information, please visit: <https://stats.oecd.org/index.aspx?queryid=96330>

As set forth in the relevant documentation of the specific transaction:

- Each SLB may have one or more SPT Events, each with an associated event observation date and financial implication; and
- If any KPI has two or more different event observation dates, the financial implications may be cumulative.

The amount, timing, and mechanism for payment of the financial implications will be set forth in the relevant legal documentation for each specific SLB issuance. In addition, the documentation of the specific SLB may set forth the applicable KPI definition, calculation methodologies, applicable SPT Events and trigger events, any fallback mechanisms if such SPT Events cannot be calculated or observed satisfactorily, if applicable, and language to take into consideration potential exceptional events or extreme events, including changes in the regulatory environment that could materially impact the calculation of the KPI or the determination of the applicable SPT Events.

Chile intends to update this SLB Framework to reflect any relevant future Chilean laws or decrees that adopt more ambitious SPT Events for specific KPIs at relevant event observation dates. In addition, the relevant documentation for a specific SLB issuance may provide, subject to certain conditions, for an automatic adjustment to any more ambitious SPT Event included in a future SLB issuance that is based on the same KPI and same event observation date. Such adjustments are intended to:

- Update this SLB Framework according to Chile's increasing ambition over time, and allow Chile to adapt to new circumstances;
- Avoid the coexistence of SLBs with different SPT Events at the same event observation date for the same KPI; and
- Facilitate the reporting exercise, by avoiding the need to validate the KPI against multiple SPT Events.

IV. Reporting

Chile will publish a report ("SLB Report") annually containing a qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the KPI, as well as (when available) the progress of KPIs established in this SLB Framework, no later than June of each year.

Notwithstanding the above:

- The information regarding KPI 1 will be produced biennially, because the current NDC protocol limits Chile's ability to publish results annually due to the complexity of the data collection and verification. This is similar to other countries reporting NDC progress, and not unique to. Consequently, the SLB Report will contain the most updated official data.
- The information regarding KPI 2 will be produced annually. Thus, each SLB Report will contain information for the closing of the prior year.
- Information regarding KPI 3 will be produced annually. Thus, each SLB Report will contain information for the closing of the prior year.
- Additionally, the SLB Report may include other information, such as any relevant information enabling investors to monitor the progress of the KPI or illustration of the positive sustainability impacts of the performance improvement.

V. Review and Verification

Chile's SLB Framework has been reviewed by Sustainalytics, which has provided a second-party opinion on the alignment of the SLB Framework and the associated documentation with the ICMA Sustainability Linked Bond Principles, including an assessment of the relevance, robustness and reliability of selected KPIs, the rationale and level of ambition of the proposed SPTs, the relevance and reliability of selected benchmarks and baselines, and the credibility of the strategy outlined to achieve them, based on scenario analyses, where relevant.

Performance of KPI 1 will be reviewed and verified as part of the NDC process performed by the team of technical experts of the United Nations Framework Convention on Climate Change (UNFCCC), in the International Consultation and Analysis process (ICA). A summary report will be available on the UNFCCC website and made available in the SLB section of the Public Debt Office website.

For KPI2, the data is reviewed and approved by the National Electrical Coordinator, a technical and independent body, which reports on Chile's electricity generation sources. This data will be then collected and reported by Chile in the SLB section of the Public Debt Office website.

Performance of KPI3 will be published in the annual Gender Indicator of Chilean Companies Report (Reporte de Indicadores de Género de las Empresas en Chile), which includes the participation of the International Labour Organization and the non-governmental organization Chile Mujeres to support the integrity of the provided data and to avoid errors through the collection and reporting process. The information is provided by individual companies and reviewed by the Chilean Financial Market Commission, with any incorrect information delivery being subject to legal penalties.

Definitions:

- **BUR:** Biennial Update Report – the report submitted by Chile every two years as part of the UNFCCC process with an updated inventory of greenhouse gas emissions
- **CO₂e:** carbon dioxide equivalent, which is a way of expressing different greenhouse gases (in this case carbon dioxide (CO₂) methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆)) as a common unit according to their global warming potential.
- **COP25:** The 25th Conference of Parties – the 2019 United Nations Climate Change Conference
- **CSP:** Concentrated Solar Power
- **External Verifier:** qualified provider of third-party assurance or attestation services appointed by the Issuer to review the Company's statements for GHG emissions.
- **Greenhouse Gas Emissions (GHG):** total carbon equivalent emissions of Chile measured in metric tons CO₂e.
- **ICMA:** International Capital Market Association
- **IPPU:** Industrial Processes and Product Use
- **IPCC:** Intergovernmental Panel on Climate Change
- **LULUCF:** The Land Use, Land Use Change and Forestry
- **LNG:** liquefied natural gas
- **LTCS:** Long-Term Climate Strategy (LTCS)
- **MoE:** Ministry of Environment
- **MoF:** Ministry of Finance
- **NCRE:** non-conventional renewable energy. In this Framework, NCRE is defined as those coming from the following sources: wind, small run-of-river hydro (plants up to 20 MW of installed capacity), biomass, biogas, geothermal, solar and ocean energy.
- **NDC:** Nationally Determined Contribution
- **NGHGI:** National Greenhouse Gas Inventory
- **PEN:** National Energy Policy (Política Energética Nacional)
- **PV:** photovoltaic
- **RE:** Renewable energy
- **SEN:** Sistema Eléctrico Nacional de Chile
- **SIC:** Sistema Interconectado Central de Chile
- **SING:** Sistema Interconectado del Norte Grande de Chile
- **Target Observation Date:** the as-of date that will determine if the sustainability performance target has been achieved.
- **UNFCCC:** United Nations Framework Convention on Climate Change

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