

Chile's Experience in the ESG Market



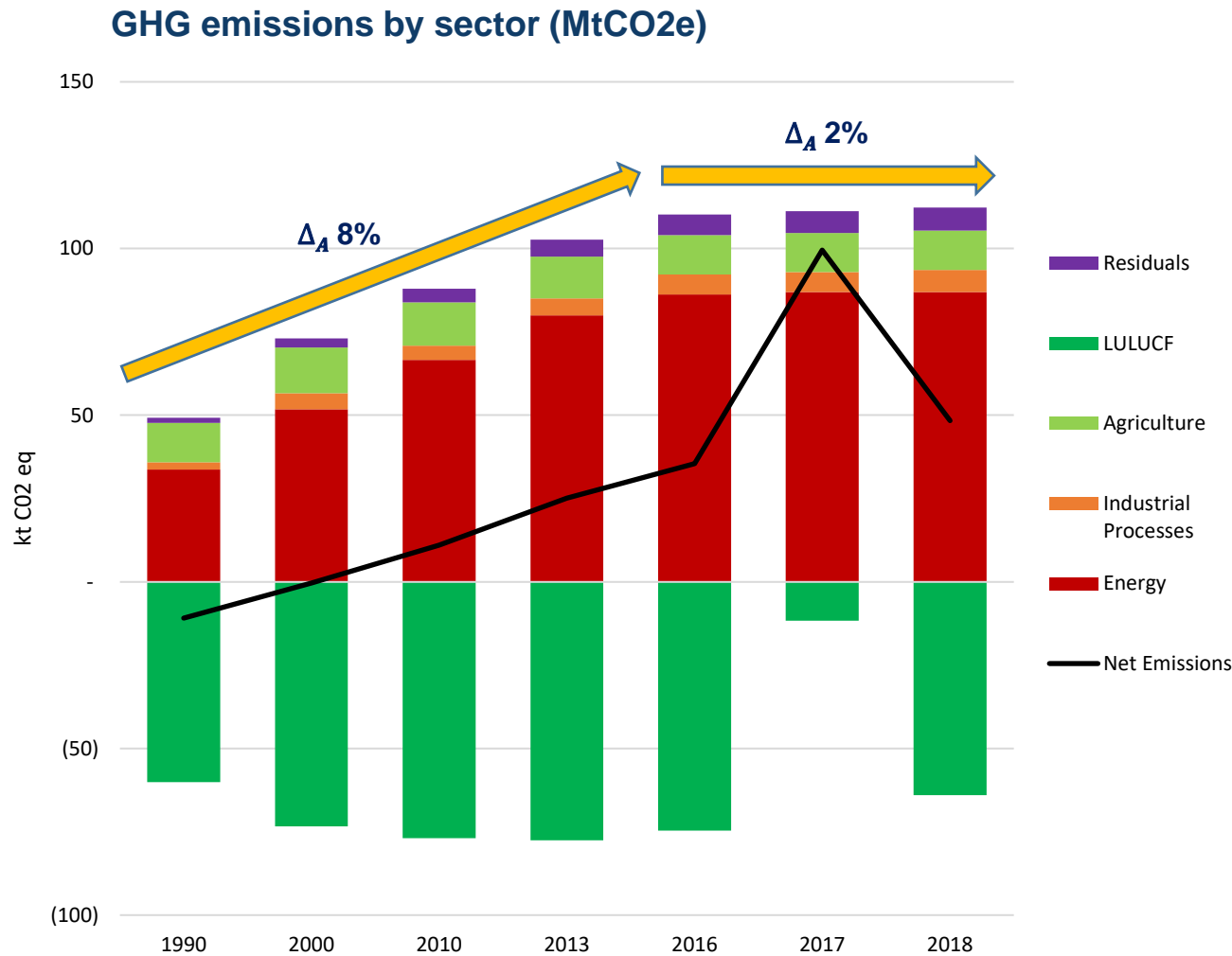
**Gobierno
de Chile**

Ministerio de Hacienda

**Public Debt Management Office
Ministry of Finance**

April, 2022

...substantial evolution of pollution in Chile has worsened global warming and we are suffering the effects of climate change



... Chile is well committed to face Climate Change

Regulatory Framework

- **Law of Climate Change Framework** (Ley Marco de Cambio Climático): targets, institutions and tools
- **Energy Efficiency Law:** industrial, mining and transport sector, with the goal of reducing emissions 2% annually

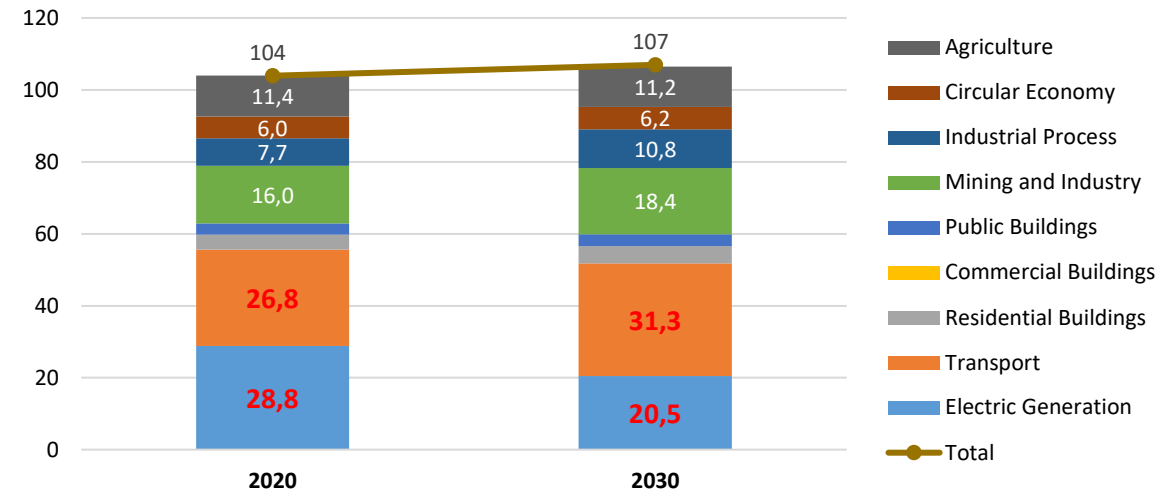
Targets and Goals

- **NDC 2020**
 - Chile is committed to a gross carbon budget not higher than 1,100 MtCo2eq for the 2020-2030 period, reaching a peak in 2025, and a **level of 95 MtCO2eq in 2030**
 - Others: to reduce at least 25% of carbon emissions by 2030, sustainable management and recovery of 100 thousand native forestry hectares by 2030, to create marine protected areas
- **Long Term Climate Strategy**, with 2050 targets

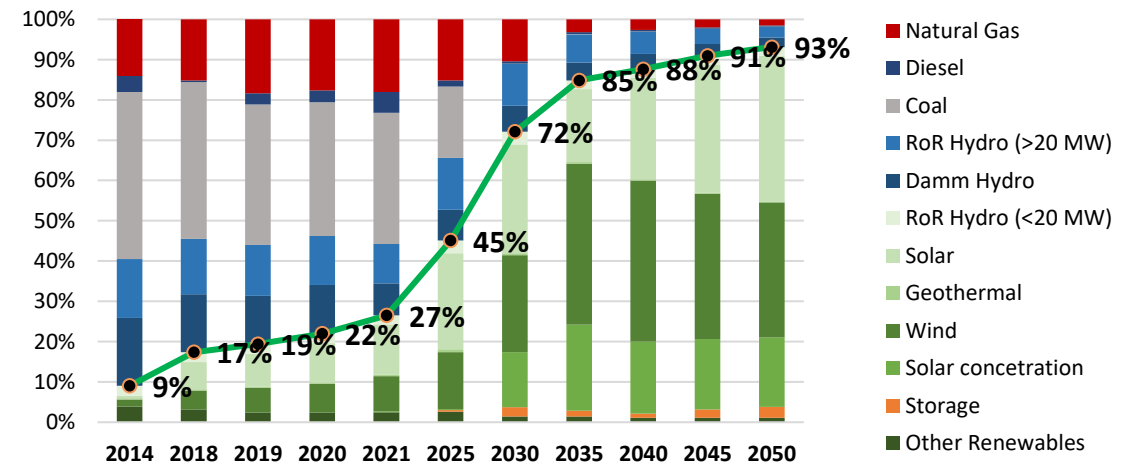
Policy Action

- **Long Term Energy Planification:** Every 5 years, in order to forecast energy scenarios (30 years)
- **National Electromobility Law**
- **Green Hydrogen National Strategy:**
 - (i) Domestic consumption
 - (ii) Export and transportation

Base Scenario (forecasts) for GHG emissions by 2030



Energy Matrix and NCRE



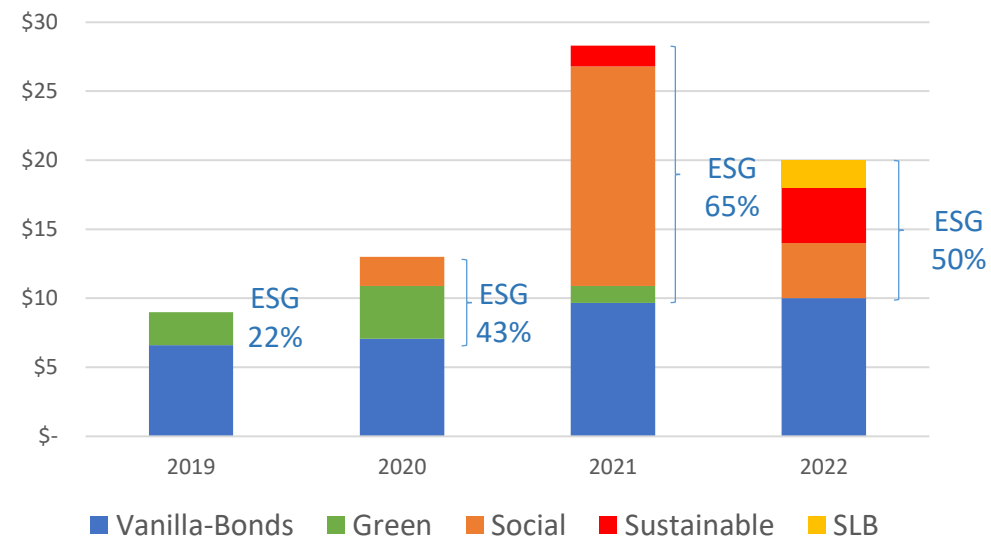
Source: Ministry of Environment and Ministry of Energy

Contribution of the Government's Financing Strategy to address Climate Change and Sustainable Growth

- Labelled bonds have become fundamentals for financing of Chile, and they are totally incorporated into the general strategy of debt management
- Formally, since 2018, Chilean PDMO seeks to promote the development of ESG green asset class (green/social/sustainability bonds) to attract foreign investment and support the country's sustainable infrastructure needs, while diversifying the investor base
- Chile has taken a leadership in the ESG market:
 - In 2019, being the first country in the Americas to issue Green Bonds
 - In 2022, issuing the first SSLB. This format especially brought increased investor interest, and made the notes the first-ever SLB from a Sovereign issuer anywhere in the world
 - This transaction opens a new path for other countries to link their funding activities in the capital markets with their ESG commitments

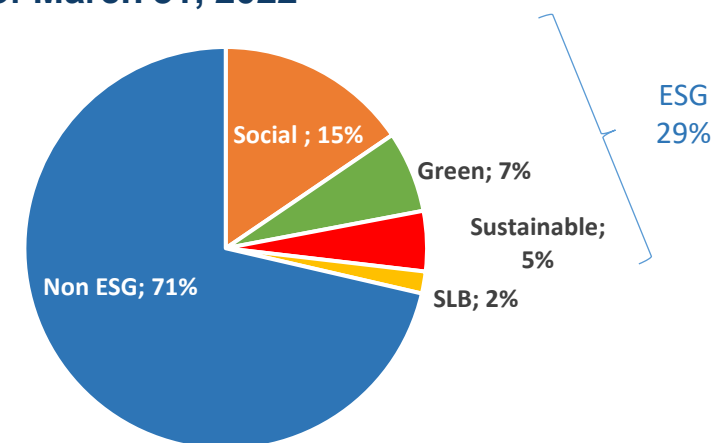
Historical Issuances

Billion of US dollars



Stock as of March 31, 2022

% of total



Frameworks and Labelled bonds issuances

Green Bond Framework
June 2019



2019

First Green Bond Issuance

- EUR-2031 €861 MM
- USD-2050 US\$ 1,418 MM

Sustainable Bond Framework
December 2020



2020

Green Bond Issuances

- EUR-2031 (R) €694 MM
- EUR-2040 €1,269 MM
- USD-2032 US\$ 750 MM
- USD-2050 (R) US\$ 900 MM

First Social Bond Issuances

- CLP-2028 \$1,040,000 MM
- CLP-2033 \$560,000 MM

2021

Green Bond Issuances

- EUR-2031 (R) €400 MM
- USD-2032 (R) US\$750 MM

Social Bond Issuances

- In pesos: CLP-2024 and CLP-2028 totaling \$2,561,000 MM
- In euros: EUR-2027, EUR-2029, EUR-2036 and EUR-2051 totaling € 3,918 MM
- In US dollars: USD-2033, USD-2041, USD-2061 and USD-2071 totaling US\$ 7,950 MM

First Sustainable Bond Issuances

- Formosa USD-2053 US\$ 1,500 MM

SLB Framework
February 2022



2022

Sustainable Bond Issuances

- USD-2027 US\$ 1,500 MM
- USD-2034 US\$ 1,500 MM
- USD-2052 US\$ 1,000 MM

First SLB Issuance

- USD-2042 US\$ 2,000 MM

Green and Social projects

Green Projects:

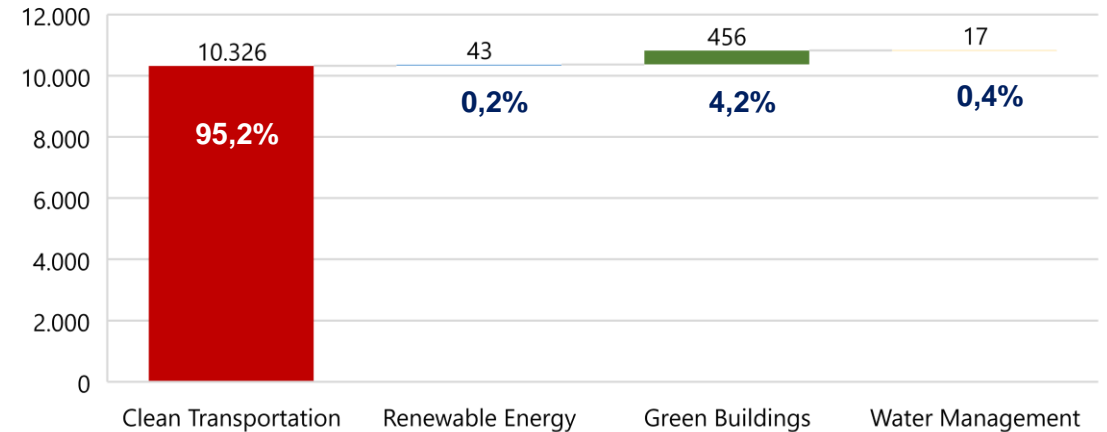
- The green projects are certified by Climate Bond Initiative (CBI), which provides to the market a high degree of confidence
- Since its beginning, Chile has certified US\$10.8 billion, mainly in the Clean Transportation sector
- The last certification was performed on February, 2022, which totalized US\$ 1.7 billion, mainly in Clean Transportation Sector, but also with other amounts for renewable energy in vulnerable sectors
- Categories are full aligned with Chile’s priorities, focused on clean transportation, clean energies and green buildings

Social Projects:

- Social sectors aligned to ICMA recommendations and linked to particular SDGs
- The social sectors included in the framework are:
 - Support for the elderly or people with special needs in vulnerable situation
 - Support for low-income families
 - Access to Affordable Housing
 - Support for the community through job creation
 - Access to education
 - Food security
 - Access to essential health services
 - Social programs designed to prevent and/or alleviate unemployment derived from socioeconomic crisis, including through the potential effect of financing SMEs and micro-finances

Total CBI Certified Portfolio

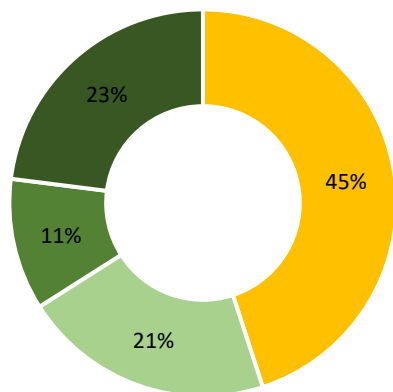
Million of US dollars



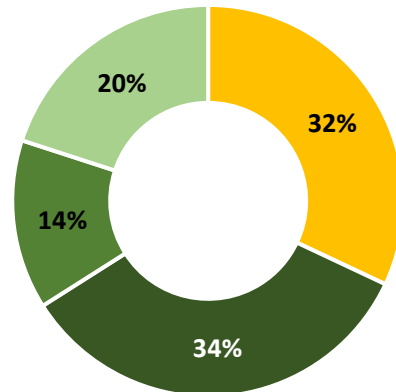
Sustainability-Linked Bonds

- On February, 2022 Chile published its SLB Framework, which sets the guidelines for the issuance of SLB
- SLB Framework aligned with the SLB Principles of ICMA
- With the SLBs, Chile seeks to expand its ESG instruments, including instruments that do not contemplate a specific use of proceeds in projects, but rather that the financial cost of the instrument (coupon step-up) depends on sustainability performance targets (SPTs) are achieved. This implies “aligning efforts to meet goals, otherwise a financial penalty will have to be paid”.**
- In its SLB Framework, Chile established targets (SPTs) based on:
 - Achieve annual GHG emissions of 95 MtCO₂e by 2030 (SPT1a)
 - Achieve a maximum GHG budget of 1,100 MtCO₂e between 2020 and 2030 (SPT1b)
 - Achieve 60% electricity generation derived from non-conventional renewable sources by 2032 (SPT2)
- On March, 2022 Chile issued its first SLB, US\$2 billion dollar denominated with maturity on 2042 (20yrs)**
- Coupon Step-Up: 12.5 or 25 bps if one or two SPTs are not satisfied, respectively (8yrs fully accrued payment; equivalent to potential total penalty of 200 bps)
- IPTs: T+240bp area; Final Spread: T+200bp; NIC: 15bp; Final Orderbook: \$5.75bn

SRI Investors Density by Number of Accounts



SRI Investors Density of Allocation

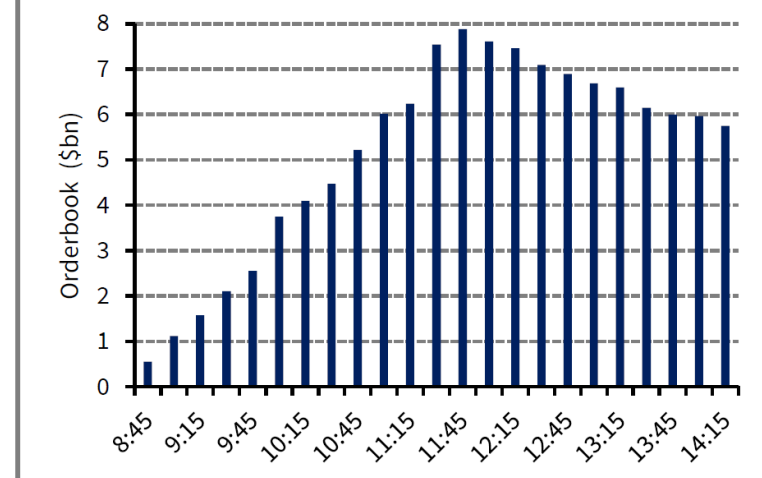


• 55% of accounts where SRI inv. 68% of allocation went to SRI inv.

■ Not SRI ■ Dark ■ Medium ■ Light

■ Not SRI ■ Dark ■ Medium ■ Light

Orderbook Over Time



Reporting, Verification & SPO

Reporting

- Chile will publish an annual “SLB Report,” including information on KPI evolution, progress against the SPTs, and other material information for investors regarding KPI progress
 - Information regarding KPI 1 will be produced biennially, in line with current NDC protocol and similar to other countries’ reporting cycles
 - Information regarding KPI 2 will be produced annually

Verification

- As part of the NDC process, KPI 1 performance will be reviewed and verified by the Technical Team of Experts (TTE) of the UN Framework Convention on Climate Change (UNFCCC)
- KPI 2 performance will be reviewed and approved by Chile’s National Electrical Coordinator, an independent technical body
- A report on the verification of KPI 1 and KPI 2 will be publicly available on the Public Debt Office’s website

Second Party Opinion (SPO) - Sustainalytics

- In its SPO, Sustainalytics establishes that “the Sustainability-Linked Bond Framework...is aligned with the five core components of the SLBP”
- Sustainalytics believes that the Framework “is aligned with Chile's climate change and renewable energy policies, commitments and laws”
 - Help to meet carbon neutrality goal
 - “Well-position” the country to issue green instruments

KPI	SPT	Strength of KPI	Ambitiousness of SPT
KPI 1: Absolute GHG Emissions (MtCO2e)	SPT 1a: Achieve annual GHG emissions of 95 MtCO2e by 2030 SPT 1b: A maximum GHG budget of 1,100 MtCO2e between 2020 and 2030	Very Strong	Ambitious
KPI 2: Share of Non-Conventional Renewable Energy Generation in the National Electric System	SPT 2a: Achieve 50% electricity generation derived from non-conventional renewable sources by 2028 SPT 2b: Achieve 60% electricity generation derived from non-conventional renewable sources by 2032	Strong	Highly Ambitious

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