

Chile's Sustainable Bond Framework



**Gobierno
de Chile**

Ministerio de Hacienda

**Ministry of Finance
November 2020**

Chile's commitment to Sustainable Development

- Chile was the first country in the Americas to issue Green Bonds, which were structured in accordance with [Chile's Green Bond Framework](#) (2019)
- Considering its Paris Agreement commitments, in 2020 Chile presented an update of its Nationally Determined Contributions ([NDC](#))
 - On the mitigation side, Chile committed the goal of reaching 95 MtCO₂eq for 2030, the peak year in 2025 and a carbon Budget that will not exceed 1.100 MtCO₂eq for the 2020-2030 period
- The Ministry of Finance, in coordination with the Ministry of the Environment, developed a [Financial Strategy on Climate Change](#), which included:
 - The creation of a Public-Private Green Finance Table
 - Research to generate data and analysis
 - The promotion of financial instruments to fund these green initiatives
- Chile has made significant progress in the social dimension over the last thirty years, with poverty falling from 68% in 1990 to 8.6% in 2017. In order to enhance the focalization of fiscal spending, Chile recognizes various poverty dimensions to identify the vulnerable population



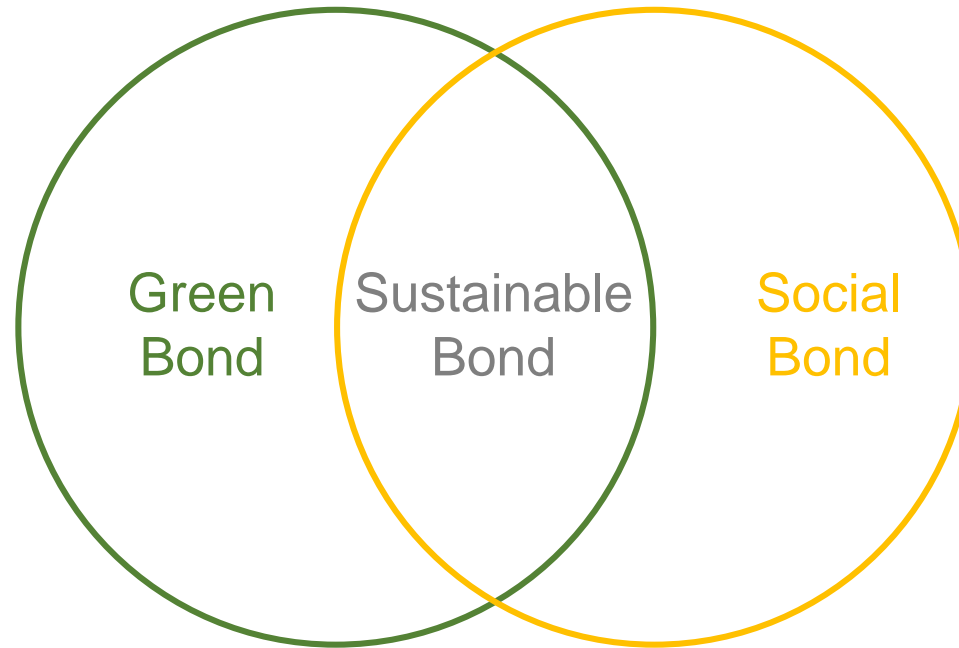
What is a Sustainable Bond?



- Proceeds from Green Bond issuances are used exclusively to finance or fund projects with a **positive environmental leaning**
- Examples of such projects include renewable energy, biodiversity preservation, clean transportation, and green buildings



- Social Bonds are used to raise funds for new or existing projects with a **positive social leaning**
- Examples of such projects include food security, access to basic infrastructure, access to basic essential services
- The beneficiaries from such projects include vulnerable populations, the unemployed, the elderly, individuals with disabilities, etc.



- Funds raised from Sustainable Bonds are used exclusively to fund a **combination of Green and Social projects**



Green bond issuances have accomplished several milestones

2019 Green Bonds USD - \$1,431mm 3.500% 2050 Notes
EUR - €861 mm 0.830% 2031 Notes

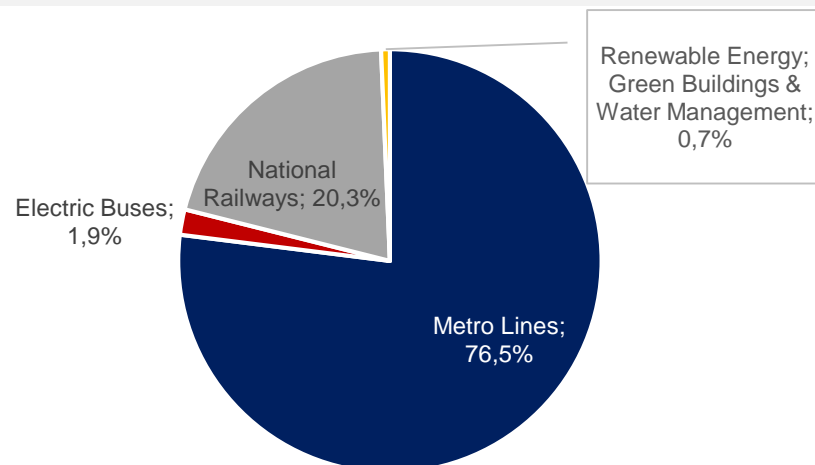
First sovereign green bonds in the Americas, first in Euros issued by a non-European sovereign, longest tenor debut USD green bond.

Lowest yields ever obtained in both currencies, low spreads, record demand from global markets (12.8x for USD, and 4.7x for the EUR).

Important broadening of Chile's investor base towards institutional investors with green mandates.

2020 Green Bonds USD - \$900 mm repap of 3.500% 2050 Notes
\$750 mm 2.450% 2032 Notes
EUR - €694 mm repap of 0.830% 2031 Notes
€1,269 mm 1.250% 2040 Notes

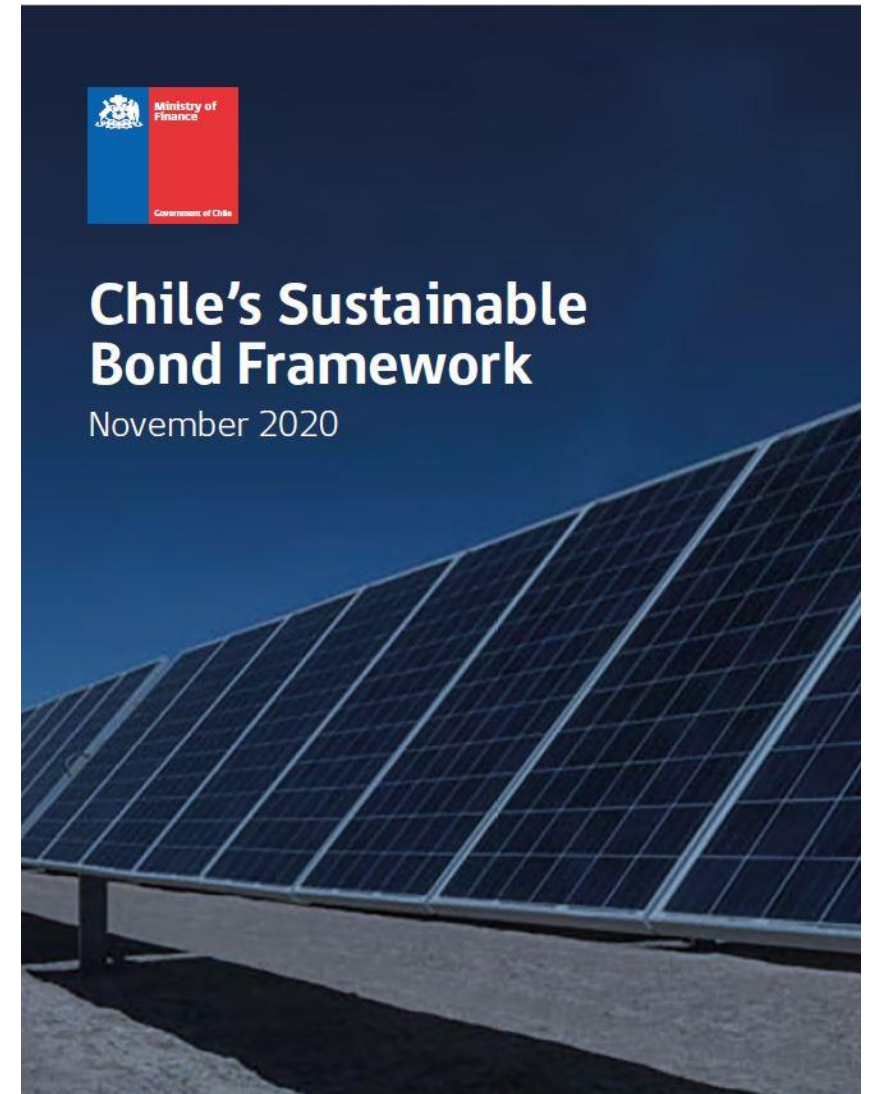
Chile has issued more than US\$6.2 bn in green bonds, which are being allocated in the following sectors.



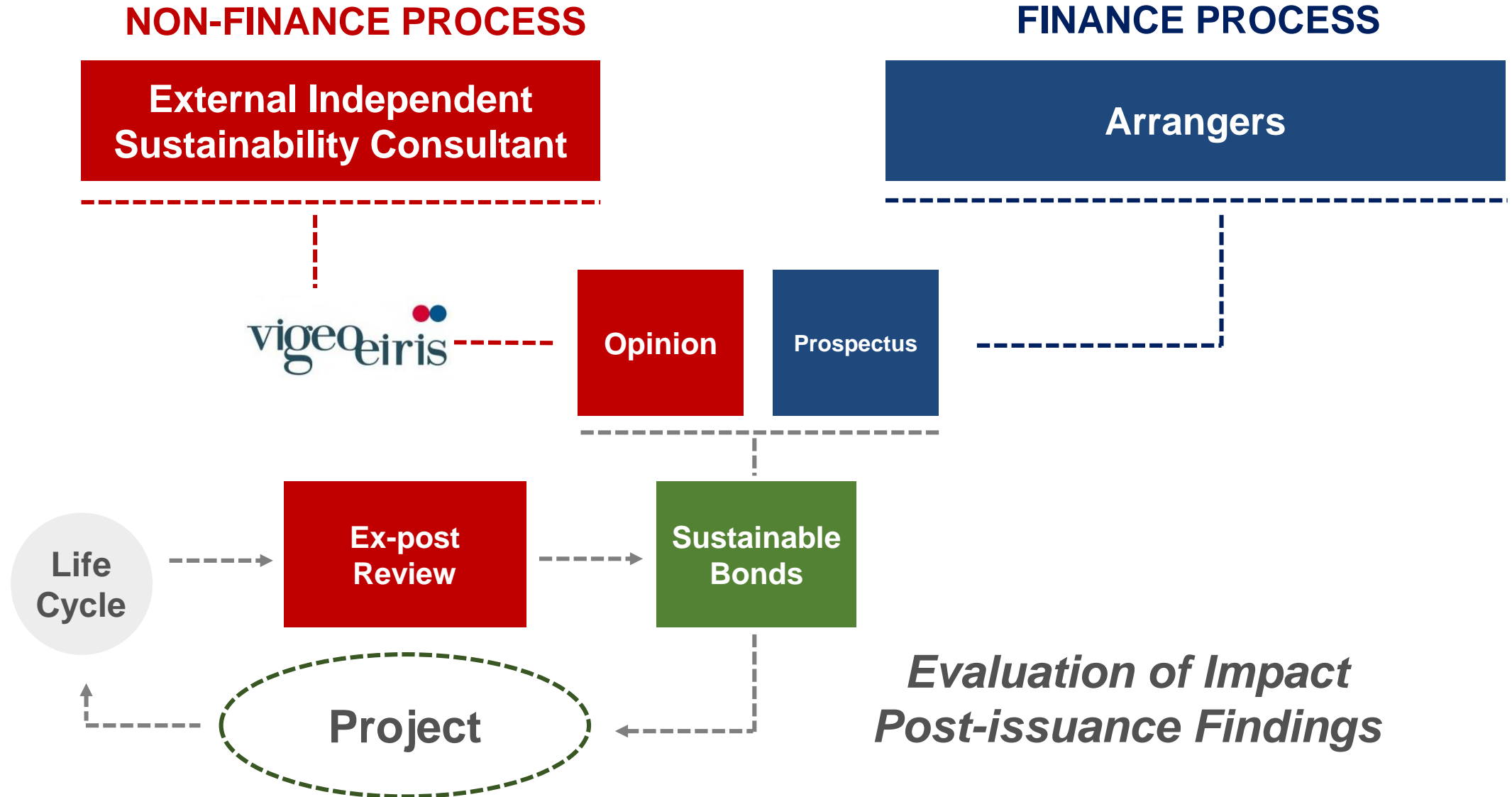
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- The new framework updates and broadens the Green Bond Framework, laying the guidelines for the issuance of Chile's Social, Green, and Sustainable Bonds
- Like the Green Bond Framework, this new document establishes the Use of Proceeds, the Evaluation and Selection of the Projects' process, the Management of Proceeds and the Reporting process after the issuance of these instruments
- The Framework adds new social categories, including those that have been crucial in supporting the population most affected by the COVID-19 pandemic
- This framework complies with ICMA standards for Green and Social bonds and received a favorable SPO from Vigeo Eiris










Sustainable bonds and external review process








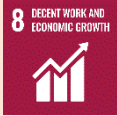
Use of Proceeds – Eligible Categories

	Eligibility Criteria	Benefit	SDGs Contribution
Green Sectors	Clean Transportation	Promote public transportation and support to multimodal transport solutions, such as: electrified metro lines, electric buses, intermodal infrastructure to connect different clean transportation, subsidies to promote public transportation, among others.	<ul style="list-style-type: none"> ·Climate change mitigation ·Air quality improvement ·GHG reduction   
	Energy Efficiency	Support energy efficiency improvement in buildings and public spaces, such as: improvements in public buildings, subsidies, public lighting improvements, among others.	<ul style="list-style-type: none"> ·Climate change mitigation ·Energy savings ·GHG reduction   
	Renewable Energy	Promote the development of renewable energy technologies, such as: wind energy, solar energy, small run-of-river hydro plants, among others.	<ul style="list-style-type: none"> ·Climate change mitigation ·Energy savings ·GHG reduction   
	Living natural resources, land use and marine protected areas	Promote land, biodiversity preservation and marine protected areas, such as: programs for the conservation and restoration of native forest, maintenance of national parks, marine protected areas protection, surveillance and research, among others.	<ul style="list-style-type: none"> ·Climate change mitigation ·Conservation and sustainable use of terrestrial ecosystems ·Biodiversity preservation and protection of terrestrial ecosystems    
	Efficient and climate resilient water management	Promote sustainable water management to ensure water supply, such as: water distribution, waste water management, water resources conservation, flood defence systems, among others.	<ul style="list-style-type: none"> ·Water resources conservation ·Climate change adaptation ·Reduction of water consumption  
	Green Buildings	Green building construction and retrofits, with a minimum of 30% carbon reduction in line with CBI standard, such as: the design and construction of public buildings, costs associated with retrofits to existing public buildings to meet certification criteria, among others.	<ul style="list-style-type: none"> ·Climate change mitigation ·Energy savings ·GHG reduction   

Use of Proceeds – Eligible Categories

	Eligibility Criteria	Benefit	SDGs Contribution
Social Sectors	Support for the elderly or people with special needs in vulnerable situation	Finance pensions for the most vulnerable population, such as: Basic Solidarity Pensions and Solidarity Pension Contribution; transfer per child; Basic Solidarity Pension for disability, among others.	<ul style="list-style-type: none"> -Improvement on social inclusion and cohesion -Poverty reduction  
	Support for low-income families	Finance actions taken to support the most vulnerable population through transfers and social programs, such as: permanent family contribution, Family transfers, winter transfers, among others.	<ul style="list-style-type: none"> -Improvement on social inclusion and cohesion -Poverty reduction  
	Support for human rights victims	Transfers for beneficiaries of Human Rights Reparatory Laws.	<ul style="list-style-type: none"> -Improvement on social inclusion and cohesion 
	Support for the community through job creation	Financing of projects that aim to create jobs for people in vulnerable situation.	<ul style="list-style-type: none"> -Employment creation 
	Access to Affordable Housing	Financing for the acquisition, repairing, enlargement, improvement and conditioning of houses, such as: solidarity fund for house election DS49, hose improvement DS27, among others.	<ul style="list-style-type: none"> -Reduce inequality -Provide access to decent housing for vulnerable population -Reduce the homeless population 

Use of Proceeds – Eligible Categories

	Eligibility Criteria	Benefit	SDGs Contribution
Social Sectors	Access to education	Financing of programs that aim to improve the quality and the access to preschool, basic, high and higher education; such as: free higher education, Public education support fund, bicentennial scholarship, among others.	<ul style="list-style-type: none"> -Provide equitable access and quality education in preschool, schools and higher education  
	Food Security	Financing of social programs to access to a healthy food for the most vulnerable population, such as: school alimentation program, food scholarship for higher education, among others.	<ul style="list-style-type: none"> -Provide access to a healthy, sufficient and proper food for vulnerable people -Avoid malnutrition 
	Access to essential health services	Financing for the development of the health public network for periods under state of emergency due to sanitary events, including COVID-19 pandemic, such as: construction and/or expansion of medical centers, purchase of medical supplies, expenditures to finance medical home visits, among others.	<ul style="list-style-type: none"> -Provide access to health system -Strengthen the health system response against to a pandemic 
	Social programs designed to prevent and/or alleviate unemployment derived from the socio-economic crisis, including through the potential effect of financing SMEs and micro finances	Financing of programs to support population whose income have been affected by socioeconomic crisis, such as: the employment protection law, household income transfers, emergency family income, loans with state guarantees for SMEs, among others.	<ul style="list-style-type: none"> -Strengthen family income -Prevent unemployment  

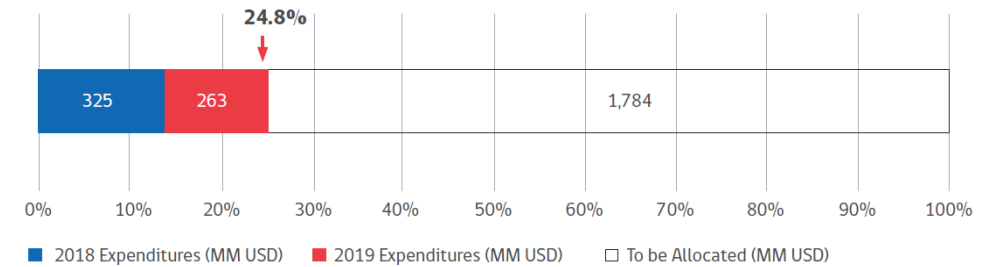
Reporting

The Ministry of Finance will publish, on an annual basis, a compilation of three reports after issuances under the Sustainable Bond Framework:

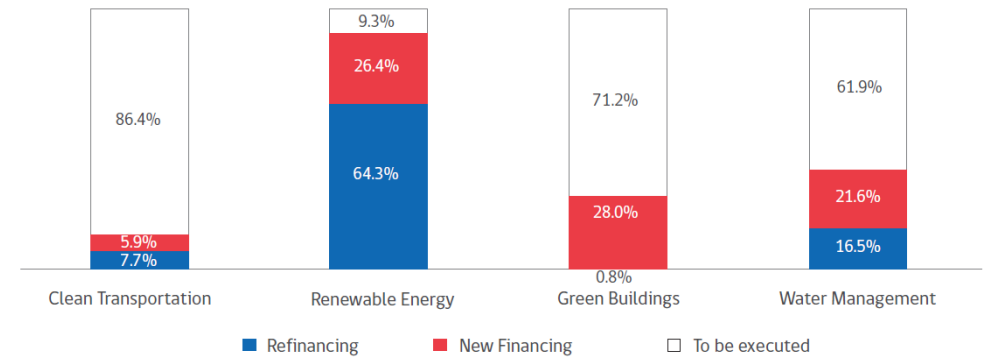
- I. **Allocation report:** description of the projects included in portfolio, degree of progress, and proportion of refinancing vs. new financing
- II. **Impact report:** Presents the social and/or environmental impact of the projects included in the portfolio, the quantitative performance indicators and the methodology and assumptions underlying the results presented
- III. **Eligibility report:** attests compliance of projects with Sustainable Framework Use of Proceeds

2019 Green Bond Impact & Allocation Report

Total allocated and pending resources

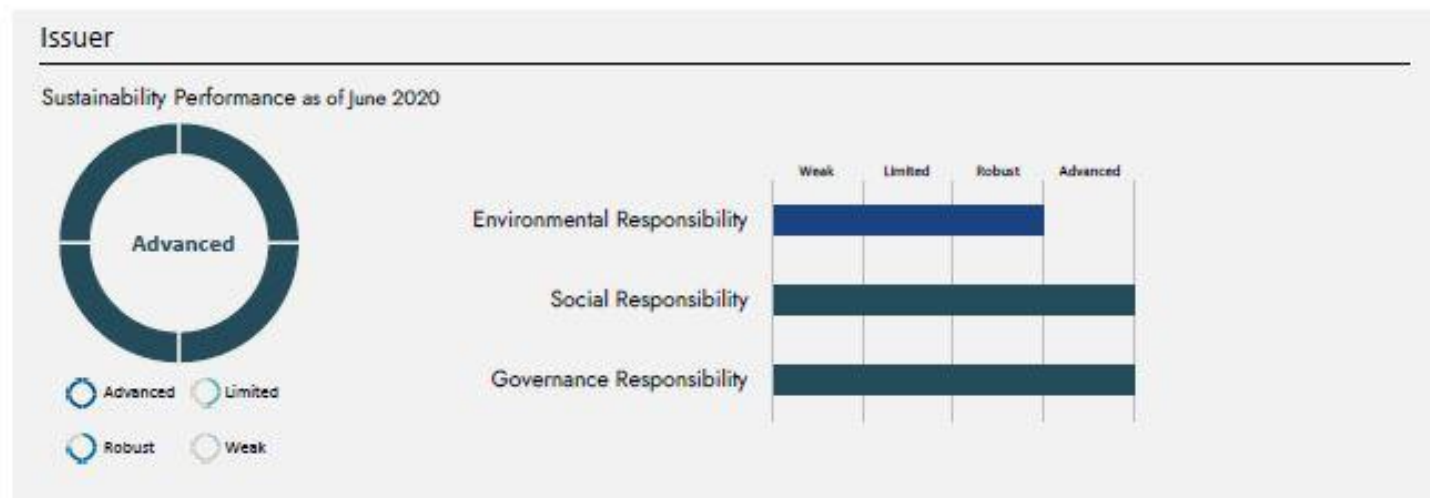
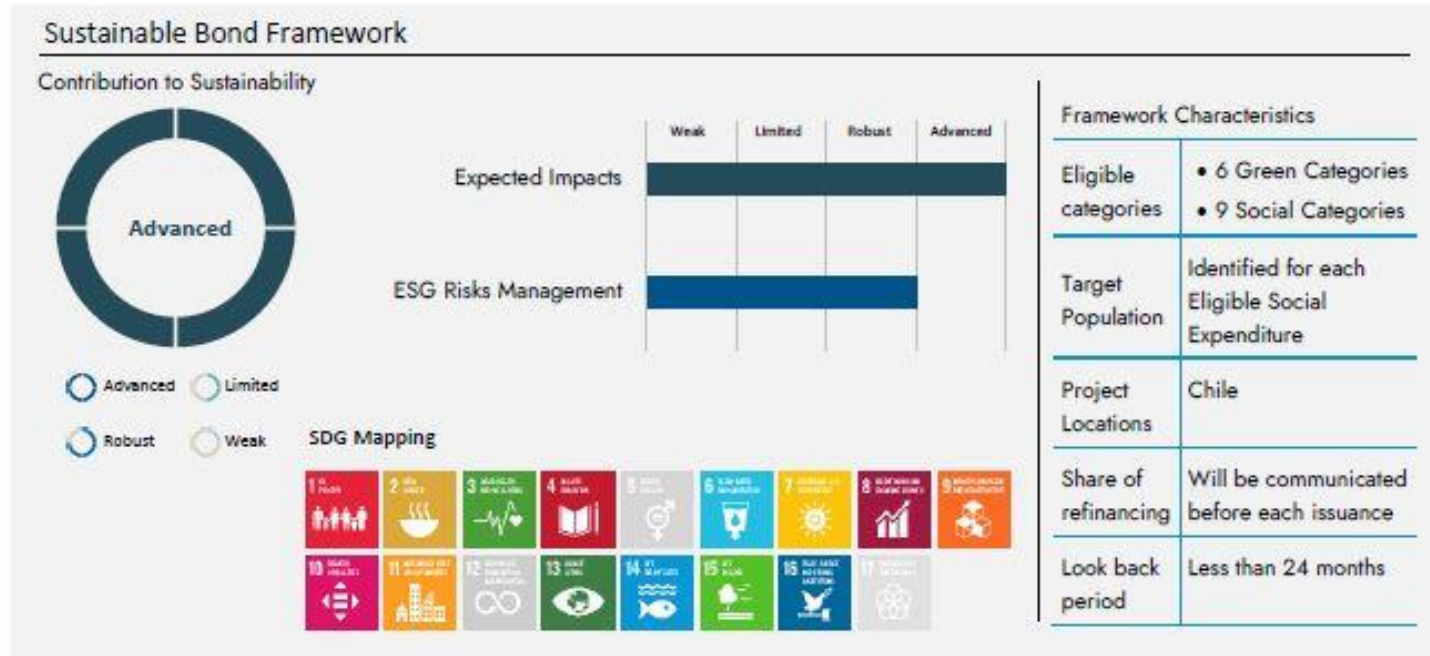


Refinancing, Financing and space available by Green Sector



SPO – Vigeo Eiris

- In its opinion, Vigeo Eiris states that “the Sustainability Bonds Framework is aligned with the four core components of the Green Bonds Principles 2018, Social Bond Principles 2020 and the Sustainability Bond Guidelines 2018, and adopts best market practices”
- Also states that this Framework “is coherent with the country’s strategic sustainability priorities, and that it contributes to the realization of its commitments and targets in terms of climate change mitigation, social progress and Sustainable development”



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