



SANTIAGO  
EXCHANGE

# Sustainability and Financial Innovation

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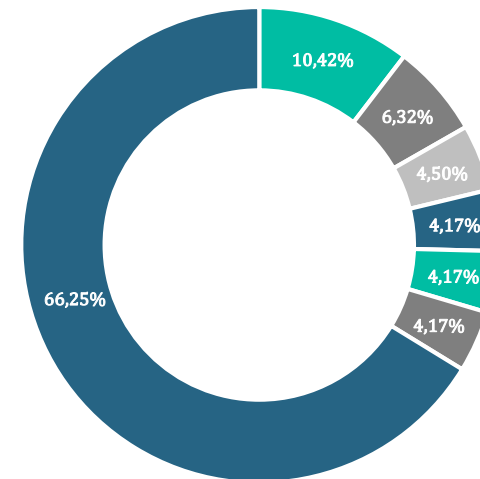
# About Us



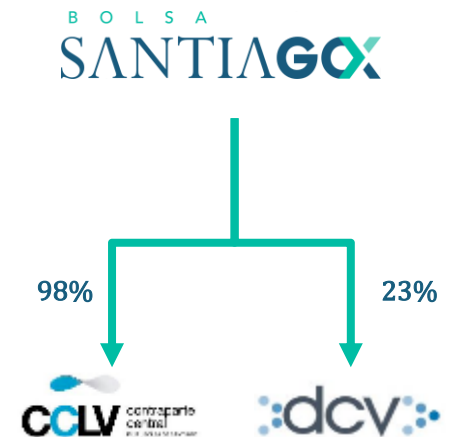
# Business Summary

- ✓ Shares, Fund Units, ETFs, Fixed Income, Financial Brokerage, Derivatives and Currencies.
- ✓ Average monthly transaction volume of ~US\$3.4 billion (last 5 years).
- ✓ Currently, Santiago Exchange's revenue comes mainly from electronic order routing and the provision of technology services to the market, such as back-office services provided to stock brokers.
- ✓ Contraparte Central y Liquidación de Valores (CCLV): Securities clearing and settlement for financial institutions.
- ✓ Depósitos Central de Valores (DCV): Processes and registers position transfers traded on securities exchanges and OTC markets.

Ownership and Control



- B3 - Brasil Bolsa Balcao
- BICE Inversiones
- Valores Security
- Others
- Banchile
- Scotia Corredora
- Itau Corpbanca



# Multi-Market Exchange Integrated Value Chain

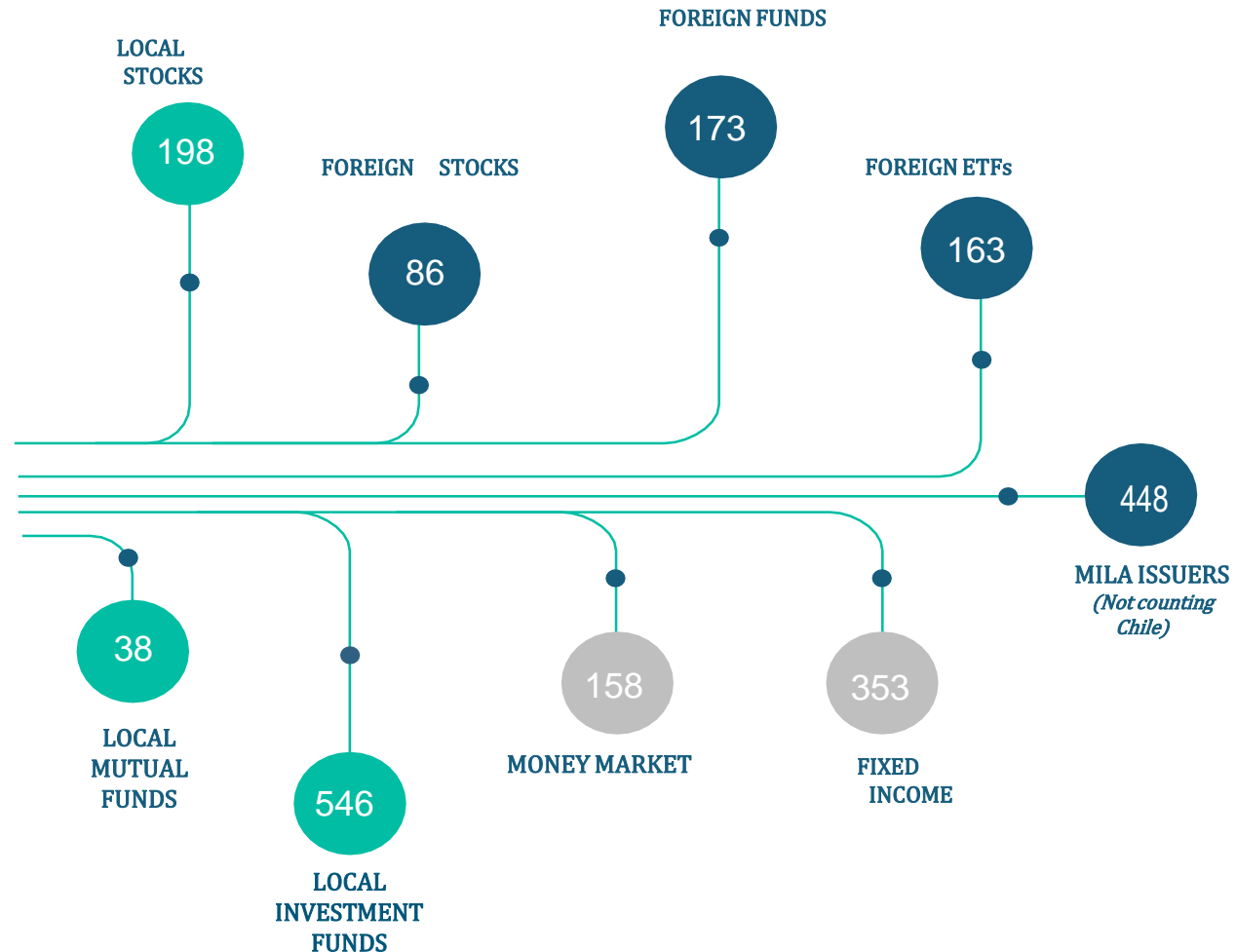
“Comprehensive  
solutions for our  
customers’  
business”



# Capital Markets in the Region

	Market capitalization (US\$)	Local listed companies	Value of shares traded (US\$)	Value of fixed-income instruments traded (US\$)	Market cap/ GDP	2019
BRAZIL	1st (1,190 BI)	1st (324 issuers)	1st (1,066 BI)	4th (0.222 BI)	2nd (65.54%)	
CHILE	3rd (211 BI)	2nd (203 issuers)	3rd (43 BI)	2nd (272 BI)	1st (72.19%)	
MEXICO	2nd (679 BI)	4th (139 issuers)	2nd (83 BI)	6th (-)	5th (33.87%)	
COLOMBIA	5th (133 BI)	6th (66 issuers)	4th (13 BI)	1st (312 BI)	4th (40.78%)	
PERU	4th (164 BI)	3rd (196 issuers)	6th (4 BI)	5th (0.730 BI)	3rd (43.63%)	
ARGENTINA	6th (36 BI)	5th (92 issuers)	5th (4.3 BI)	3rd (160 BI)	6th (8.76%)	

# Over 1,500 local and international issuers



# As the main Exchange in Chile, we Promote Sustainability

## *Our Strategy:*

### As a company

- ✓ Managing our reliability and security
- ✓ Incorporating the technology that will allow us to streamline our processes
- ✓ Promoting a digital transformation that adds value for our customers, regulators and society as a whole

### To the market

- ✓ Promoting sustainability in the market
- ✓ Creating sustainable products and differentiated services for our customers in order to raise the industry standard
- ✓ Being accelerators of responsible investment

### Creating a new investment environment, aligned with social demands





# Alliances to Promote Sustainability



Pacto Global  
Red Chile





# Our Initiatives

## *Tools for securities market sustainability*

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- ✓ Recommendations for Strengthening Transparency in the Stock Market – May 2015
  - ✓ Guide to the Design and Construction of Sustainability Reports – January 2017
  - ✓ Guide to Responsible Investment – May 2017
  - ✓ *La Voz del Mercado* (The Voice of the Market) Study – annually, since 2017
  - ✓ Investor Relations Committee – bi-annually, since 2018
  - ✓ Stakeholders Sustainable Index (SSIndex) – annually, since 2018

## COMING SOON:

- ✓ Investors Committee
- ✓ Sustainability Reporting and Disclosure Guide for Issuers in Chile – Santiago Exchange + GRI
- ✓ Ring the Bell for Gender Equality – annually, since 2016
- ✓ Ring the Bell for Financial Literacy – annually, since 2018
- ✓ ESG Investment Practices Study – annually, since 2019
- ✓ Ring the Bell for Responsible Investment – annually, since 2019
- ✓ Statement by Investors (Asset Managers and Pension Funds) on Promoting Responsible Investment – December 2019
- ✓ Sustainability Matrix – June 2020

# Alliances and Working Groups

*To promote sustainability and responsible investment*

## **Public-Private Working Group on Green Finance** – initiative led by the Chilean Finance Ministry

- ✓ The goal is to reach a green agreement and draft a green finance road map (2020-2024) with all public and private financial market stakeholders to consider the specific contents and variables associated with green issues.
- ✓ The Green Agreement was signed in December 2019 with all financial market stakeholders. Work on the road map is ongoing.



## **360° Committee on Human Rights** – initiative led by the Chilean Justice Ministry

- ✓ The purpose of the committee is to support implementation of the National Action Plan (NAP) on Business and Human Rights. The multidisciplinary committee is comprised of representatives from several social organizations, business associations, trade unions as well as community and academic institutions.
- ✓ NAP is a public policy in effect since August 2017. It aims to implement the United Nations Guiding Principles on Business and Human Rights, passed in 2011 by the Council on Human Rights, on which Chile participates.



# Alliances and Working Groups

*To promote sustainability and responsible investment*

## **Steering Committee of Chapter Zero – initiative led by the World Economic Forum**

- ✓ Chapter Zero is a project that was set up in June 2019 in the United Kingdom and is part of the Global Climate Governance Initiative of the World Economic Forum, which was established with the purpose of developing awareness of climate change and business risks in the boards of directors.
- ✓ The Santiago Exchange was invited by EY, entity in charge of leading the implementation of the initiative in Chile, to join this challenge and be part of the Steering Committee – where the Chairman of the Exchange is a member – in order to contribute ideas and knowledge.



## **ESG Data Standardization Project – initiative led by the Chilean Association of Auditors and Finance Ministry**

- ✓ In order to support the study "Quality, transparency and coherence of ESG Data with focus on climate risk", lead by the Chilean Association of Auditors and the Finance Ministry, the Santiago Exchange is part of the Experts Council. The main objective of the study is to generate a structural proposal regarding the standardization of ESG data in the Chilean market.
- ✓ The proposal will be based on the recommendations released by the four largest auditing companies in the world – Deloitte, EY, KPMG and PwC – to the World Economic Forum and the International Business Council regarding the comparability and standardization of reporting indicators.

# Alliances and Working Groups

*To promote sustainability and responsible investment*

## United for Climate Action – Unidos por la Acción Climática

✓ The Santiago Exchange has been a member of this alliance since July 2019 as a “collaborator”, supporting different initiatives that the alliance develops aiming to increase the awareness of companies towards sustainability as a business culture.

✓ Members: Cámara de Comercio de Santiago (CCS), Líderes Empresariales por la Acción Climática (CLG), Acción Empresas, Pacto Global Red Chile, Confederación de la Producción y del Comercio (CPC), Carbon Disclosure Project (CDP) and Sistema B.



## Sustainability Group – Ibero-American Federation of Stock Exchanges (FIAB)

✓ The Santiago Exchange has been a member of the FIAB Sustainability Group since 2019, with the aim of promoting ESG factors and best practices within the stock markets of Latin America and Spain.



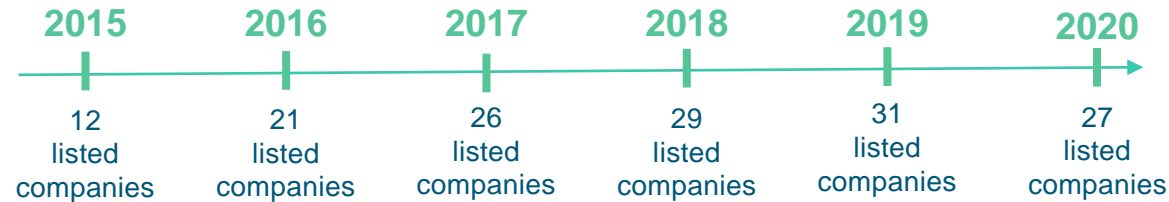
# Sustainability Indices

Calculated by  
**S&P Dow Jones  
Indices**

## Dow Jones Sustainability Chile Index (DJSI Chile)

*Launched in 2015*

### Evolution in DJSI Chile



## S&P IPSA ESG Tilted Index

*Launched in January 2021*



The index uses rules-based selection criteria based on relevant ESG principles to select and weight its constituents from the S&P IPSA, Chile's headline stock index, measuring the performance of the largest and most liquid stocks listed on the Santiago Exchange. At launch, the index had 26 constituents.

## Dow Jones Sustainability MILA Pacific Alliance Index

*Launched in 2017*

### Evolution in DJSI MILA



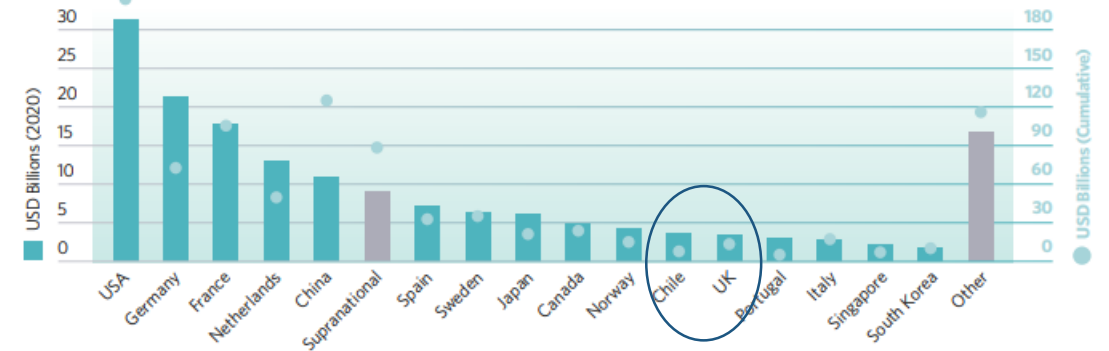
# Sustainability Bonds

## Green and Social in the World

This kind of bonds enables companies to finance or refinance projects with a positive impact on the environment or a given sector of the population, or a combination of both.



Top 2020 countries: Amount issued (2020 vs. Cumulative)



Dedicated Sections	# Exchanges
Green Bonds	9
Sustainable Bonds	5
Green Exchange	1
Green & Social Bonds	4
Green, Social & Sustainable	2

# Sustainability Bonds

## Green and Social in Chile

Santiago Exchange made a Green and Social Bond segment available to investors on April 16, 2018.

In July 2019, we signed an MoU with the Luxembourg Stock Exchange to encourage cross-listing of green bonds and other securities.



LUXEMBOURG  
STOCK EXCHANGE



LUXEMBOURG  
GREEN EXCHANGE



## Domestic Market Evolution

	2018	2019	2020	YTD 2021
Green & Social (#)	3	7	-	-
Green & Social (USDMM)	172	465	-	-
Corporate (#)	220	231	122	60
Corporate (USDMM)	5,443	8,477	4,527	1,186

Source: Climate Bonds Initiative, Santiago Exchange

## Latin America cumulative green issuance

USD21.75bn in cumulative green issuance as of 31 December 2020





# Sustainability Bonds

## *Sustainability Linked Bonds*

The main attribute of this kind of bonds instruments is that the financial and/or structural characteristics can vary depending on predefined sustainability/ESG objectives that the issuer achieves.

In that sense, issuers are thereby committing explicitly to future improvements in sustainability outcomes within a predefined timeline.

The proceeds of SLBs are intended to be used for general purposes.

In June 2020, the ICMA released the Sustainability-Linked Bond Principles (SLBPs) to guide market participants in structuring this new type of sustainable finance instrument.

Following the new trends, the Santiago Exchange launched the new sustainable segment in January of 2021 and the first local issuance is expected to take place in the first half of the year.

# Santiago Exchange Challenges

*To promote sustainability and responsible investment*

*How?*



Improvement of the market infrastructure



Local Development



International Development



Customer Management



- Diversification of services and products
- Expansion of the offer of financial instruments, especially on ESG
- Promotion of sustainability and ESG factors
- Development of technology and innovation and promotion the technological projects
- Development of initiatives and tools for the stakeholders, especially on ESG
- Strengthen the relationships with the market players
- Strengthening the Financial Literacy

# Santiago Exchange Next Steps

*To promote sustainability and responsible investment*



- ESG Investment Practices Study (3<sup>rd</sup> version that will include companies)
- Reporting and Responsible Investment Guide with GRI
- Registration and disclosure of the ESG instruments that are listed on the Exchange
- ESG training for Analysts
- Investor Relations Committee (with SASB participation)
- Investor Committee (with SASB participation)
- ESG Market Data: platform that will bring ESG information of chilean companies



With +127 years of experience, Santiago Exchange seeks to be a leader in the exchange industry, developing a transparent, responsible and sustainable market through various milestones and initiatives that have shaped its history.

# Santiago Exchange

[www.bolsadesantiago.com](http://www.bolsadesantiago.com)

