Ministerio de Hacienda

Gobierno de Chile

The Green Agreement

Ministry of Finance
2019

Antofagasta region, Chile / Antonio García

Message from the Minister of Finance

“Climate change is real and its effects are being felt today. Since 1980, the number of extreme climate events has more than tripled, with impacts on many different areas.

It is an enormous challenge, and the window of time for action is slight. The longer we wait, the greater the costs will be. In light of this, from the government we are clear that we must move towards a low-carbon economy, without neglecting our potential for growth and competition. Climate change and society’s response to it, present financial risks and opportunities which will impact Chile’s stability and capacity for growth if they do not receive due attention. In terms of the risks, not being prepared could mean a reduction in productivity, negative impacts on the ability to pay certain debtors, a fall in the value of assets and a rise in costs.

In terms of opportunities, climate change opens up alternatives for the financial sector owing to the huge amount of resources required to meet the objectives of the Paris Agreement, which seeks to limit the increase in temperature to below two degrees Celsius from pre-industrial levels. This produces wide-ranging opportunities for investment and innovation, creating competitive industries and new jobs.

We know that we cannot take on this challenge alone. Chile will need financial markets and banks to channel savings and household investment in the long-term towards a path to prosperity which will be sustainable over time.

We also know that in order to face these challenges many things are necessary: greater knowledge and capacity within organizations, better ways of measuring, producing and disseminating information, plus new and better tools for managing all this data.

Because of our faith in the potential of the financial sector in this transition, and at the same time, taking into account that decisions should be made based on the maximum amount of information possible, we have launched the Public-private Green Finance Roundtable – which this agreement is derived from – as a starting point for cooperation between financial sector actors.

The government hopes that financial institutions will take into account and manage the climate dimension in decision-making, thereby carrying out their social role to assign capital efficiently whilst at the same time facilitating the transition to a sustainable, low-carbon economy.”

Ignacio Briones Rojas
Minister of Finance

The present agreement is a voluntary pact between the financial sector, the government and regulators which sets out general principles in relation to managing the risks and opportunities associated with climate change in the signatories' decision-making, and lays out a commitment to concrete actions in this area.

This agreement seeks to contribute to financial stability and to help to meet the country's commitments on climate issues.

The four spheres of action in the Green Agreement are:

i) Governance
ii) Strategies and Opportunities
iii) Managing Risk
iv) Objectives and Metrics

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1. Background

A recent publication[1] by the Intergovernmental Panel on Climate Change (IPCC) indicates that it is both necessary and possible to prevent the rise in global temperature above 1.5 degrees Celsius from the pre-industrial period, and that it is still feasible to achieve. Above said threshold, the effects on the climate would be considerable, creating corresponding changes in human and economic activities

The impacts associated with an increase in the emission of greenhouse gases will have consequences in different areas, although it is recognized that the exact timing and seriousness of said effects are difficult to estimate. This is in part due to the nature of climate change itself, which is large-scale – affecting the majority of sectors and industries – and long-term, making it a unique challenge which requires a global response.

Against this backdrop, the start of international coordination on the challenges related to this phenomenon dates back to 1992, the year in which The United Nations Framework Convention on Climate Change (UNFCCC) was adopted, and later the Kyoto Protocol in 1997. Nevertheless, for various reasons said initiatives were not enough to reverse or change the trend of a rise in temperature. This led the international community to insist on promoting universal participation in climate action, which was consolidated in the Paris Agreement of 2015.

1.1 The Paris Agreement

The Paris Agreement was adopted within the framework of the 21st Conference of the Parties of the UNFCCC; the agreement became the first international treaty on climate change with legally binding commitments for both developed and developing countries. It was approved by the 197 countries which make up the UNFCCC and has been ratified by 187 countries to date[2].

The Paris Agreement establishes three main objectives for all countries, which are intended to guide national efforts and groups on matters of mitigation, adaptation and means of implementation (financing, development and transfer of technology and strengthening capacities).

The countries which have ratified it must periodically communicate their Nationally Determined Contributions (NDC) to the Convention, which contain the target with which each country will contribute to meeting the Agreement's objectives.

Chile ratified the Paris Agreement in February 2017, setting out commitments in five areas:

i) Mitigation
ii) Adaptation
iii) Building and Developing Skills
iv) Development and Transfer of Technology
v) Financing

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[1] *IPCC, Special Report: Global Warming of 1.5ºC (2018), available at: https://www.ipcc.ch/sr15/*
[2] *The Paris Agreement is based on a composite structure of international commitments whose reach is defined at a national level according to relevant social, economic, environmental and political conditions, and is captured in the NDC, which functions as the legal vehicle for the adoption of said national commitments: https://unfccc.int/process/the-paris-agreement/status-of-ratification*

The scale of this challenge requires a huge mobilization of resources, as well as the coordinated investment of public and private actors.

The Chilean government has been promoting innovative and competitive steps to drive sustainable growth and to channel financial flows towards a low-carbon economy which is resilient to climate, in line with international commitments and the announcement by the President of the Republic, Sebastián Piñera, to reach neutrality in the emission of greenhouse gases by 2050. It is particularly key to understand and manage the risks and opportunities associated with climate change, and to minimize the impact of economic activities on the environment, without neglecting growth.

1.2 Climate change as a source of financial risk

According to the World Economic Forum Report of 2019[3], climate change is one of the main economic risks on a global level, and a source of financial risk which could threaten financial stability, macroeconomics and world growth. Accordingly, discarding information about climate variables when making economic decisions can lead to an inexact appraisal of assets and, as a result, an inadequate allocation of financial resources (see Figure 1).

Specific risks to the financial system generated by climate change have been defined as physical or transition[4].

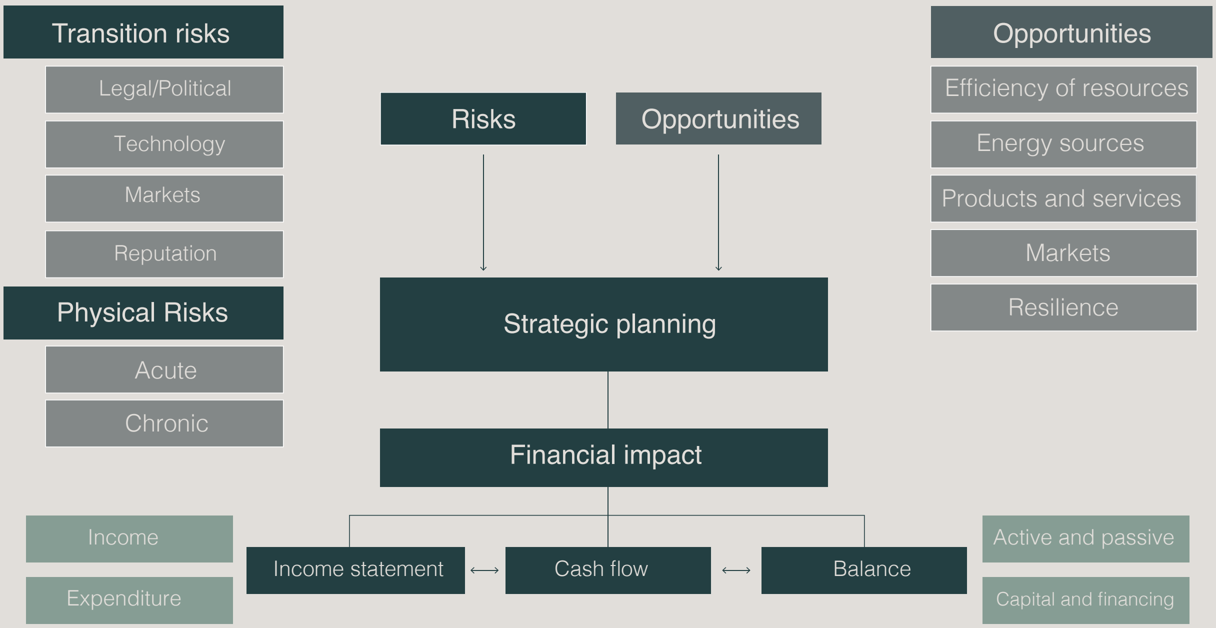
Physical Risks: This refers to the impact on the financial system of severe natural events in highly-exposed economic sectors, for example: heat waves, landslides, forest fires, floods, storms, rising sea levels, droughts, changes in the acidity of the oceans and change in patterns of precipitation. If physical risks materialize, they have the potential to affect a range of financial institutions (banks, institutional investors, among others) which are exposed to productive sectors affected by climate change or changes in value assurance (Bank of England, 2017).

Transition Risks: This refers to the process of adjusting to an economy with zero net emissions, which arises from significant political, legal and technological changes, and market changes, as a result of an effort by all economic agents to reduce emissions and adapt to the effects of climate change. Depending on the nature, speed and focus of these changes, transition risks may have different influences on the financial and reputational risks for organizations. The previously cited Paris Agreement, for example, takes into account public climate policies with an estimated global cost of over 830 billion dollars annually.

Not acting swiftly and effectively will have significant economic and financial impacts and will leave our economy and society exposed to various risks. At the same time, new opportunities are created through the transformation and transition towards a low-carbon economy, accompanied by the efficient use of resources, the adoption of clean energy sources, the development of innovative services and products, the growth of environmentally friendly markets and organizations' adaptation to climate change.

[3] The Global Risks Report 2019, available at: http://www3.weforum.org/docs/WEF_Global_Risks_Report_2019.pdf
[4] A third, additional risk has been proposed which comes from the two former risks: Liability Risk. This risk arises when people or businesses seek compensation for losses which they may have suffered due to the physical or transition risks associated with climate change. For more information, see report "The impact of climate change on the UK insurance sector. A Climate Change Adaptation Report by the Prudential Regulation Authority", Bank of England (2015).

Figure 1: Risks and opportunities associated with climate change



Source: the author(s), based on the Final Report "Recommendation of the Task Force on Climate-related Financial Disclosures".

1.3 International initiatives related to climate change and the financial system

In consideration of growing global concern about climate issues and their effects on development, in 2015 the Financial Stability Board (FBS) of the G20 created the Task Force on Climate-related Financial Disclosures (TCFD)[5]. The aim of this group was to develop recommendations so that organizations in all economic sectors can take into account, manage and disseminate information related to climate change, thereby promoting informed decision-making.

The TCFD proposes a framework for voluntary and flexible disclosure which can be integrated into pre-existing report frameworks based on the Environmental, Social and Governance (ASG, for its acronym in Spanish) criteria. It centres around four topic areas:

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i) Organizational management facing climate-related risks and opportunities.
ii) The impact of risks and opportunities associated with climate change on the organization's business, strategy and financial planning.
iii) The process through which the organization identifies, evaluates and manages climate-related risks.
iv) Metrics and objectives for evaluating and managing the risks and opportunities associated with climate change.

[5] *The TCFD's Recommendations and Reports are available at: https://www.fsb-tcfd.org/*

On a global level, this framework has become the most-used to date in terms of understanding and disseminating climate-related information by the economic and financial sector. In 2019, it has the support of 800 organizations both in the public sector – including the Chilean government - and the private sector.

Taking into consideration the recommendations of the TCFD, in addition to other international initiatives like the G20 Green Finance Study Group and the Paris Agreement, in 2018 the Network of Central Banks and Supervisors for Greening the Financial System (NGFS)[6] emerged.

Its objectives are, on the one hand, to contribute to the analysis and management of climate-related and environmental risks in the financial sector, and, on the other, to mobilize said sector's resources towards a greener economy – the former, through outlining and promoting better practices and through the development of analytical models for green finance.

The network has been working on three courses of action:
i) Supervision of the climate-related and environmental risks to the financial sector.
ii) Analysis of the macrofinancial impact of climate change.
iii) Promoting green finance.

This network currently has 46 members, including supervisors and central banks, and 9 multilateral organizations.

Faced with the complexity of climate challenge, multilateral cooperation and, in particular, the adoption of common and comparable frameworks by economic actors on a global level, forms an important step towards greater transparency and understanding of the risks and opportunities associated with this phenomenon.

This endeavour will allow us to measure the reach of climate change with regards to financial stability and will facilitate a well-organized transition towards a low-carbon economy resilient to the impacts of new, climate-related scenarios.

[6] *For more information, see https://www.banque-france.fr/en/financial-stability/international-role/network-greening-financial-system*

1.4 Building a Green Agreement for the financial system in Chile

On the 3rd of July 2019 the Ministry of Finance announced the creation of the Public-Private Green Finance Roundtable ("Roundtable"), whose aim is to outline an agenda for dialogue and joint working between the government, regulators and financial market institutions, in order to incorporate the risks and opportunities associated with climate change into decision-making. This Agreement defines management principles based on these themes in line with international standards and best practices, and positions itself as the starting point of a long-term agenda.

The Roundtable's work is focused on the following areas:

Risk Management

How the Chilean financial sector identifies, evaluates, manages and publicizes the main risks resulting from climate change in their activities.

Policies and Green Financial Instruments

How the government, regulators and the financial market can identify and take advantage of market opportunities through a range of instruments and vehicles which can facilitate the transition towards a low-carbon economy, thereby fulfilling Chile's commitments in the Paris Agreement and the goal of neutral emissions by the year 2050.

This initiative is one of the objectives of the first National Finance Strategy on Climate Change in Chile, published by the Ministry of Finance in 2019.

The Roundtable is led by the Ministry of Finance and is made up of representatives of the Financial Market Commission (CMF, for its acronym in Spanish), the Central Bank of Chile (BCCh, for its acronym in Spanish), the Superintendence of Pensions (SP, for its acronym in Spanish), the Chilean Electronic Stock Exchange (BEC, for its acronym in Spanish), the Association of Pension Fund Administrators (AAFP, for its acronym in Spanish), the Association of Banks and Financial Institutions (ABIF, for its acronym in Spanish), the Chilean Insurance Association (AACH, for its acronym in Spanish), the Chilean Association for Investment Funds (ACAFI, for its acronym in Spanish) and the Association for the Administration of Mutual Funds (AAFM, for its acronym in Spanish).

The activities developed within the framework of the Roundtable have the support of the Inter-American Development Bank (BID, for its acronym in Spanish), the United Nations Environment Programme Finance Initiative (UNEPFI) and the British Embassy.

2. Principles of the Green Agreement

The Agreement's principles and commitments for financial sector bodies are subject to the legal regulations and duties which apply to those entities within the scope of their work.

The Agreement's principles and commitments for financial authorities are subject to their respective legal responsibilities and characteristics with regards to how they fulfil their roles as technical assessors and mutual co-operators in matters related to carrying out their designation. In this way, the agreement takes into account the autonomy and/or technical nature which, in their case, has been inferred onto them by the legal system.

2.1 Transversal principles for financial sector bodies

Management

To evaluate how the Board is informed about the risks and opportunities associated with climate change and the impact that those risks and opportunities could have on their organization.

To consider involving upper administration in the process of understanding and managing the risks and opportunities associated with climate change, as well as the directives issues by the Board in relation to this.

Strategies and Opportunities

To set out how they will include management of the risks and opportunities associated with climate change in the short, medium and long-term within their strategy.

To strengthen the capacity at all levels of the organization to identify, understand, evaluate, manage and assimilate the risks and opportunities associated with climate change, as well as its impact on decision-making.

To evaluate how they will identify the opportunities which climate change and the transition to a sustainable economy will bring for businesses, projects and for different sectors of the economy in general.

Managing Risk

To determine how they will include the identification, evaluation and management of the financial risks regarding climate change within internal risk management.

Objectives and Metrics

To evaluate how metrics and objectives linked to the risks associated with climate change are set in the business strategy.

To consider sharing the results of the implementation of aspects of the Green Agreement.

2.2 Transversal principles for financial authorities[7]

Management

To consider assigning a unit, group or representative to the study, identification and analysis of the risks associated with climate change when fulfilling their respective legal mandates.

Strategies and Opportunities

To promote opportunities to discuss and share information and understanding with market participants to facilitate a broader understanding of the ways climate change interacts with the financial risks and opportunities which come from the phenomenon.

To initiate a process for identifying, measuring and evaluating the financial risks of climate change for the financial system, under their legal responsibilities.

Managing Risk

To establish standards and recommendations which can guide financial bodies to improve their process of financial risk management in relation to climate change, and to evaluate a potential requirement to share a minimum amount of information about said processes in line with international standards.

To establish clear, timely and effective channels of communication and coordination, both among financial institutions and with institutions which are under their supervision and regulation as appropriate, in order to tackle the risks associated with climate change.

Objectives and Metrics

To identify the gaps which remain in information and data related to matters of climate risks, to be able to later close those gaps and, wherever possible, share this information and make it available to the public.

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[7] *The regulation and supervision of the financial market is entrusted to the technical bodies who sign this Agreement under their respective laws. The Ministry of Finance therefore subscribes to those principles which are applicable to the Ministry in the ambit of its legal faculties and characteristics.*

3. Commitments of the Green Agreement

3.1 Commitments of the Ministry of Finance

1. To determine and define the responsibilities within the structure of the Ministry of Finance for developing policies related to the risks and opportunities presented by climate change and green financing. In addition, to define the process by which the Ministry of Finance will be informed about the risks and opportunities associated with climate change and green finance for the country.

2. To incorporate recommendations based on the implementation of the Green Agreement in the updates to the National Finance Strategy on Climate Change.

3. To strengthen capacity within the Ministry to understand and manage the risks and opportunities associated with climate change and its impact on public finances and financial stability.

4. To support the design and implementation of new, green financial instruments to drive strategic action in priority sectors.

5. To establish a working group under the Financial Stability Board which will monitor possible risks to financial stability due to climate change.

6. To evaluate changes in the investment directives of the Pension Reserve Fund and the Economic and Social Stabilization Fund in order to include a requirement to manage the climate-related, environmental, social and governance risks.

7. To develop mechanisms which will facilitate an estimate of the investment required in the transition to a carbon-neutral economy by the year 2050.

8. To disseminate to the public, the challenges, strategies, activities and achievements of the public-private Green Finance Roundtable and future projects within the framework of this initiative.

3.2 Commitments of the Central Bank of Chile

1. To explore and evaluate the relevance of climate risks – physical, transition and liable – to the stability of the financial system in Chile.
2. To evaluate the permanent incorporation of the Central Bank of Chile in technical cooperation initiatives, forums and working groups on climate change and the financial sector, both on a national and international level.
3. To publicly state the relevance to the financial sector of financial risks which come from climate change, and of the creation of new internal capacities by financial institutions to appropriately evaluate, manage and mitigate those risks.
4. To develop research projects related to the financial risks of climate change within its macro-finance research agenda. Alongside this, it will evaluate research projects on the impact of climate change on the economy as a whole.
5. To cooperate technically with other public bodies, in terms of methodology and theory, around the effects of climate change on the economy and financial risks in relation to financial stability, statistics and institutional management.

3.3 Commitments of the Financial Market Commission

1. To develop and publish a Climate Change Strategy, according to which the Commission will structure its work on these subjects.
2. To form an initial working group through which the Commission will carry out its strategy during this stage.
3. To identify the information challenges which the Commission could face in monitoring these risks in the different markets which it supervises, and to collaborate actively with other authorities to create a systematic monitoring of these risks.
4. To generate the necessary capacity and understanding to incorporate the risks related to climate change into its supervisory work.
5. To establish the basic conditions necessary so that a local green financial market is possible, in line with highest international standards.

3.4 Commitments of the Superintendence of Pensions

1. To incorporate into the best practices guidance for investment processes and risk management an explicit consideration of climate risk and risks associated with ASG factors by the boards of the Pension Fund Administrators as relevant financial risks in said processes.

2. To include climate-related risk and risks associated with ASG factors in the evaluation of risks in the process of Risk-Based Supervision (RBS) through which the Pension Fund Administrators are audited.
   Establecer que los directorios de las Administradoras de Fondos de Pensiones documenten cómo considerarán los riesgos climáticos y ASG.

3. To establish that the boards of the Pension Fund Administrators will document how they are taking into account climate-related and ASG risks.

4. To establish that Pension Fund Administrators will designate the necessary resources to create technical capacity within the teams responsible for said work, to assure the satisfactory inclusion of climate-related and ASG risks in the process of investment and risk management.

5. To establish that in the investment policies of the Pension Fund Administrators there should be a consideration of climate and ASG risks in relation to investment processes and risk management.

6. To encourage Pension Fund Administrators to incorporate specific metrics into their investment policies to measure the impact of ESG risks, considering within this framework, the specific impact of climate.

7. To establish that Pension Fund Administrators will submit information to affiliates with regards to how climate and ASG risks are being taken into account in investment policies.

8. To require Pension Fund Administrators to encourage the companies and vehicles which they invest the resources of the Pension Funds in to share information about how they evaluate risks related to climate change and ASG, and to adopt best practices in this area.

3.5 Commitments of the Investment Fund Administrators

1. To promote the inclusion of environmental and climate factors in investment processes and in the management of the Investment Fund Administrators, assigning a representative to this role.

   - **Investment:** To create budgets, policies, objectives and concrete actions which will make sustainable investments possible; this will lead to formally applying environmental and climate criteria in investment processes.

   - **Management:** To identify the risks and opportunities associated with climate change for those affected within the organization and to identify how these are being addressed. Organizations can voluntarily describe their processes for identifying and evaluating climate-related risk management, which should form part of their general risk management.

   All these elements should be evaluated periodically and the whole organization should be informed, including the Board. The size and structure of the organization should be taken into account, both in order to apply sustainable criteria and to determine the risks and opportunities associated with climate change for each organization. The aim is to create appropriate policies and requirements for each institution.

2. To provide information for stakeholders related to environmental and climate matters where relevant: within commercial datasheets, on the website, in reports and in other types of output for different financial products.

3. To provide training to organizations' members on responsible/sustainable investments and on how to include climate risks – physical and transition – in decision-making. In terms of the training requested by the Accreditation Committee of Knowledge on the Stock market (CAMV, for its acronym in Spanish) for work on the financial market, this should include content on ASG and climate-related risk.

4. To include within questions to investors which are used to determine their risk profile questions about their priorities and goals with regards to sustainable investment.

5. Organizations should outline whether existing regulations are adequate in light of the sector's climate-related challenges. In the same vein, they should identify whether the terminology and risk framework used is appropriate for the industry and propose possible improvements.

6. To identify and promote common standards for financial sector companies on environmental issues. To this end, the use of trade associations is advised to establish agreements, merge guidelines and reach a consensus among their associates.

7. To establish a policy within Investment Fund Administrators on internal practices which contribute to sustainability. This policy should also facilitate how to take into account and manage the risks and opportunities associated with climate change in the administration of portfolios.

3.6 Commitments of Mutual Fund Administrators

1. To implement public metrics to help evaluate the impact of actions related to managing climate change on an individual and industrial level.

2. To assign or establish specific roles for the management of climate change within each Administrator, with the aim of researching, proposing and implementing measures which have a direct impact on the standardization of ASG criteria in companies.

3. To share and deliver information to participants on good practice for sustainable investment and how it can be applied to the ASG natural variables.

4. To participate in and collaborate on initiatives with the aim of gaining greater knowledge of and creating capacity for climate change, mainly on issues related to mitigation, construction and financing, in line with the commitments undertaken in the Paris Agreement. These should be incorporated into the investment policies of each Administrator.

5. To determine and develop metrics which can be applied to investment portfolios related to climate change. These metrics should measure, on an individual and industrial level, the portfolios' contribution to reducing the level of emissions in order to reach a carbon-neutral economy by the year 2050.

6. To establish the regular publication of progress or results of the commitments adopted in this Green Agreement, both on an individual level and in terms of how they align with cross-industry commitments.

7. To measure and share, according to the information provided by the different Administrators, to what degree investments in national companies and in debt instruments or shares converge in terms of the 30% reduction in CO_2 emissions by 2030 (in relation to 2007 levels, a commitment of the Chilean Government in joining the Paris Agreement), and carbon neutrality by the year 2050.

3.7 Commitments of Pension Fund Administrators

1. To identify and evaluate measures which are conducive to mitigating risks and adapting to the effects of climate change in the Pension Funds' portfolios.

2. To develop the necessary capacities to evaluate the risks and opportunities presented by climate change in the societies and vehicle administrators where they make the most significant investments, and to include, where appropriate, and where it is compatible with the return and risk objectives, said information in investment decisions.

3. In relation to the societies and vehicle administrators where they make the most significant investments, to request that they evaluate the risks and opportunities associated with climate change and that they report on said evaluations.

4. To identify and evaluate the investment opportunities which come from the transition to a zero net emissions economy by the year 2050, in the framework of the legal mandate to achieve appropriate profitability and security of pension fund investments.

5. To report periodically on the actions undertaken in relation to the aforementioned commitments.

3.8 Commitments of Insurers

1. To encourage both the Board and Companies' upper administration to incorporate into their Cooperative Government framework and the decision-making process issues and practices related to sustainable development which are relevant to the role which the insurance industry plays in our country.

2. Training of upper management and the Board in matters related to sustainability, climate change, the risks being faced and opportunities.

3. To incorporate guidelines on sustainability into the Board's policies which take into account the risks and opportunities related to climate change, and which identify the initiatives which each Company takes on in the face of said risks and opportunities.

4. To work with clients and commercial partners to create awareness around the challenges related to sustainability and ASG criteria, as well as the need for risk management and developing solutions.

5. To commit to efforts to include aspects in management processes which will help to minimize adverse effects on society and the environment, focusing on the following four areas:

    - **Clients:** promoting a relationship with clients which takes into account aspects of sustainability; for example, minimizing the use of physical media, reducing avoidable trips and favouring virtual storage, among others.

    - **Purveyors:** promoting the inclusion of environmentally and climate-sustainable guidelines in the grading of purveyors and the selection of suppliers.

- **Investments:** encouraging the inclusion of an evaluation of the risks and opportunities which come from matters relating to sustainability, climate change and care for the environment in Investment Policies.

- **Companies:** adopting good sustainability practices, which includes, for example, responsible internal use of processes and resources (energy, paper, plastics, etc.) and favouring resources and technologies which narrow down and/or reduce negative impacts on the environment.

6. To work on identifying and managing the risks associated with climate change in an appropriate manner, looking to integrate them into the risk management strategy with the aim of promoting steps which have an impact on sustainable social development. They may evaluate alternative collaborations with stakeholders, such as the Insurance Association, the government, the regulator and other social actors.

7. To promote transparency through periodically sharing the progress of the implementation of the commitments previously laid out. To this end, we recommended using initiatives which allow for metrics which each Company can use to monitor the implementation of their sustainability strategy.

3.9 Commitments of the public and private Bank

STATE BANK OF CHILE

1. To establish an Environmental policy which contains principles and guidelines, as well as directives and initiatives, for implementing actions to contribute to fulfilling the National Determined Contribution (NDC). The aim of this policy is to position the State Bank as a financial referent in its commitment to the economic transition which Chile requires in order to meet the goal of reaching carbon neutrality by the year 2050. Furthermore, the State Bank will support public policies on climate action and assure its participation and support both for the Chilean State and private institutions. In addition, it commits to using internal and external communications to promote and speed up actions necessary for tackling climate change.

2. Supervision will be carried out by the upper management (the Executive committee) of the State Bank.

3. Within its commercial areas, the State Bank pledges to put at its clients' disposal the correct provision of financial services and products to support the transition, the reconversion or the transformation which their activities and businesses require in the transition to a carbon-neutral economy by the year 2050. Additionally, the State Bank commits to supporting its clients in all those measures for adaptation, mitigation, repair and resilience to climate change within its scope.

4. To include guidelines on social, environmental and climate risks in the credit evaluations of its companies when offering its products and services, in line with current international standards.

5. Internally, the State Bank will establish mechanisms and measurement indicators, once a year at a minimum, which reflect how environmental and climate variables are being taken into account in decision-making on finance.

6. To adopt good environmental practices and measures which lead to the efficient use of resources and which, at the same time, help to reduce or minimize contaminating emissions generated by the Institution's activities. To this end, the State Bank will look to strengthen its capacity at all levels of the organization to identify, measure, evaluate, manage and integrate the risks and opportunities associated with climate change.

7. As part of its value and supply chain, the State Bank will encourage its suppliers to adopt environmental protection measures which are at least similar to those used by the Institution. In this way, evaluations of climate-related and environmental risks should be taken into account within the commissioning and contracting of services.

THE PRIVATE BANK

1. To drive a culture of sustainability by adopting policies, mechanisms and internal processes which increasingly complement the Environmental, Social and Governance (ASG) principles in management, starting with the following actions:

    - To foster the creation of formal spaces which include the participation of upper management to produce the decisions and actions necessary to bring financial activities and operations into line with this issue.
    - To promote internal measures for the reduction, reuse, recycling and appropriate disposal of the waste produced by our activity, and to encourage the efficient use of resources.
    - To increasingly determine and reflect on ASG criteria in the process of purchasing and contracting services.

2. To promote the incorporation of ASG variables in the management of assets and the analysis of risk for clients and projects, starting with the following actions:

    - Encouraging the use of social and environmental criteria in the process of analysing credit and/or investment for projects and other activities, taking into account its impacts and risks.
    - Developing training programmes on ASG management systems within our organizations.

3. To promote a strategy which is in keeping with society's needs and goals, which fosters quality of life for the population, the responsible use of natural resources and the protection of the environment, starting with the following actions:

    - Continuously improving the portfolio of bank products and services which are earmarked for financing projects and activities which contribute to sustainable development.

4. To promote the cooperation and integration of efforts between signatory organizations, starting with the following actions:

    - To create a working group on Sustainable Finance led by the Association of Banks and Financial Institutions (ABIF, for its acronym in Spanish) to share experiences, accompany the implementation of these guidelines and to propose improvements and actions.
    - To develop mechanisms for consultation and dialogue with key interest groups through the working group.

3.10 Commitments of the Stockbrokers

1. To include initiatives within strategic planning which address aspects of climate change.

2. To incorporate risks associated with climate change into policies on risk and/or sustainability. This should include goals, indicators and the impact on organizational processes which are linked to the organisation's decisions on investment and subscription.

3. To incentivize and facilitate financial flows being directed towards more climate-efficient investments.

4. To strengthen the competency and capacity within teams to identify and analyse the risks associated with climate change, with a view to reaching an informed understanding of the impacts on business, financial, legal and other models. This is in addition to the risks and opportunities associated with climate change at all levels of the organization, particularly for portfolio administrators, research departments and decision-makers.

5. To promote the development of new, green investment implements and strategies for Fixed and Variable Income.

6. To incorporate mechanisms for the analysis, assessment, mitigation and monitoring of the risks associated with climate change into existing risk models.

7. To periodically publish each institution's degree of evolution and growth in terms of the management of the risks associated with climate change.

8. To work with investors and issuers to reach an agreement on information sharing in order to improve the investment decisions behind climate action, keeping in mind global trends and standards.

4. Signatories

4.1 Signatories to implementing the Agreement

The Ministry of Finance

The Central Bank of Chile

The State Bank of Chile

The Market Finance Commission

The Superintendence of Pensions

Financial sector bodies through their Trade Associations

Stockbroking bodies

4.2 Technical Secretary Signatories[8]

The Chilean Insurance Association (AACH)

The Chilean Association of Investment Fund Administrators (ACAFI)

Mutual Fund Administrators (AAFM)

The Association of Pension Fund Administrators (AAFP)

The Association of Banks and Financial Institutions (ABIF)

The Santiago Stock Exchange

The Chilean Electronic Stock Exhange

4.3 Technical Assessor Signatory

Ministry of the Environment

[8] *The role of Technical Secretary is to support associates in the implementation of the Agreement, and to be the official channel of communication between the organizations and the Ministry of Finance.*

Validity

The Green Agreement will be valid for four years, starting from the date of signing, and will be automatically extended for an additional four years, and so on successively. The Ministry of Finance should review how this Agreement is applied at the end of each calendar year in order to evaluate the degree of progress and the achievement of its objectives. In addition, the Ministry should publish a progress report on the initiative's website which should be drafted in coordination with financial authorities in terms of their respective responsibilities.

This agreement's signatories will carry out the commitments agreed to by their respective sectors; notwithstanding, they reserve the right to suggest or adopt, where applicable, new proposals or actions aimed at improving how these commitments are fulfilled. The members of the Roundtable will proceed in line with what has been established in their respective constitutional laws, with the aim of analysing, evaluating or implementing the commitments or technical initiatives which each of them has decided to adopt.

This Agreement's signatories can withdraw from or unilaterally end their participation in the Agreement without having to provide a reason, informing the Ministry of Finance of their decision at least 30 working days in advance.

Given that this agreement is marked by a spirit of free negotiation, collaboration and cooperation, and that, in light of this, the signatory bodies are taking on voluntary commitments, it is stated here for the record that the ending or withdrawal of those commitments will not result in a fine or sanction.

5.1 2020+ Roadmap for the Green Agreement

The 2020+ Roadmap is the action plan which the Ministry of Finance will use to coordinate the signatories' voluntary work to promote green financing and to manage climate-related risks to financial stability.

The Ministry of Finance will invite Trade Associations, the State Bank of Chile and the Santiago Stock Exchange to create a working group to produce recommendations on regulations for the development of green financing in Chile.

In turn, the Ministry of Finance will lead a public coordination meeting, made up of the authorities, regulatory bodies for different sectors and the Ministry of the Environment, with the aim of locating initiatives which will facilitate greater development of green financing in the country.

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Financial Bodies Working Group and Regulators Working Group

Ministerio de Hacienda

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