



## Joint Declaration on Climate Change

**The Ministry of Finance, the Commission for the Financial Market, the Superintendence of Pensions and the Central Bank of Chile (hereinafter, the “Authorities”) declare their commitment and interest in promoting adequate management of risks and opportunities of climate change, in order to maintain the development and stability of the financial system.**

Climate change is a large-scale global challenge that can no longer be understood as a problem limited to the environment; Its effects are multidimensional, and in particular they affect our economy and therefore, the financial sector.

The relationship between climate change and the financial system may arise in two dimensions:

1. Opportunities: financial markets play an important role in mobilizing and channeling the resources required for the transition to a carbon neutral economy. In this sense, the financial system can play a role in financing the investments necessary to handle climate change, based to the applicable regulation and supervision.
2. Risks: the financial system is exposed to risks from climate change, which have been classified as physical and transitional risks. Physical risks arise from the existence of severe weather events and changes in long-term weather patterns. On the other hand, transition risks emerge from the process of adjustment towards a carbon neutral economy, which result from the political, legal, technological and market changes derived from the efforts of economic agents to reduce emissions and adapt to the effects of climate change. These risks have a relevant potential effect on the financial system. Its distinct nature and its large-scale impact, implies that they must be managed accordingly.

The Authorities that subscribe to this Declaration, within the scope of their respective competences and in the context of fulfilling their functions of technical advice and cooperation in matters related to the exercise of their attributions, are willing to collaborate in the Green Finance Public - Private Roundtable, convened by the Ministry of Finance with the objective of defining a long-term joint dialogue and work agenda so that the national financial sector has the necessary capacities to identify and incorporate the opportunities and risks of climate change in its business strategies and decision making. This initiative

aims to contribute to the stability and development of the financial market to move towards a carbon neutral economy and the achievement of the country's commitments in climate action.

The Authorities acknowledge that the effects of climate change and the transition to a low-carbon economy have associated risks, which, if materialized, could have negative consequences for financial institutions and the proper functioning of the financial system. In this sense, and as part of their respective institutional mandates, it is relevant to measure these risks and take actions that ensure financial stability and the proper development and functioning of the markets under their regulation and / or supervision.

In addition, the Authorities recognize that, in response to climate change, important transformations can be generated in the financial markets, such as changes in society's demands and advances in innovation and technological development, which lead to new economic activities that, properly managed according to the legal framework that governs them, could have the potential to promote sustainable development for Chile.

The Authorities are working to study, understand and identify the risks of climate change and, if necessary, determine supervision and regulation actions to properly manage them, while allowing their supervised, to take advantage of the opportunities that will be generated for the country in this new context. Additionally, they are collaborating to raise awareness among the financial system about these risks, within the scope of their respective attributions and when appropriate, while recognizing the need to strengthen existing capacities and competencies in the industry. In that sense, the supervisors expect that the entities under their supervision evaluate and incorporate the effects of climate change in their investment decisions, in accordance with the applicable regulations, policies and practices.

In addition to this Declaration, the Authorities will sign a "Green Agreement". This agreement is a public-private voluntary commitment among the financial sector, through which each signatory subscribe the main principles around the management of the risks and opportunities from climate change. From these principles, concrete actions will be undertaken in a coordinated manner by the financial entities in their respective fields of competence, in line with international standards in this area, contributing in this way to sustainable economic development, promoting financial, fiscal and monetary stability of the Chilean economy.

The Authorities hope that the timely and coordinated work will allow the financial sector to successfully manage the risks from climate change and at the same time promote the development of a long-term strategic vision.