



Strengthening Sustainability Policies for Corporate Governance: the Chilean Experience

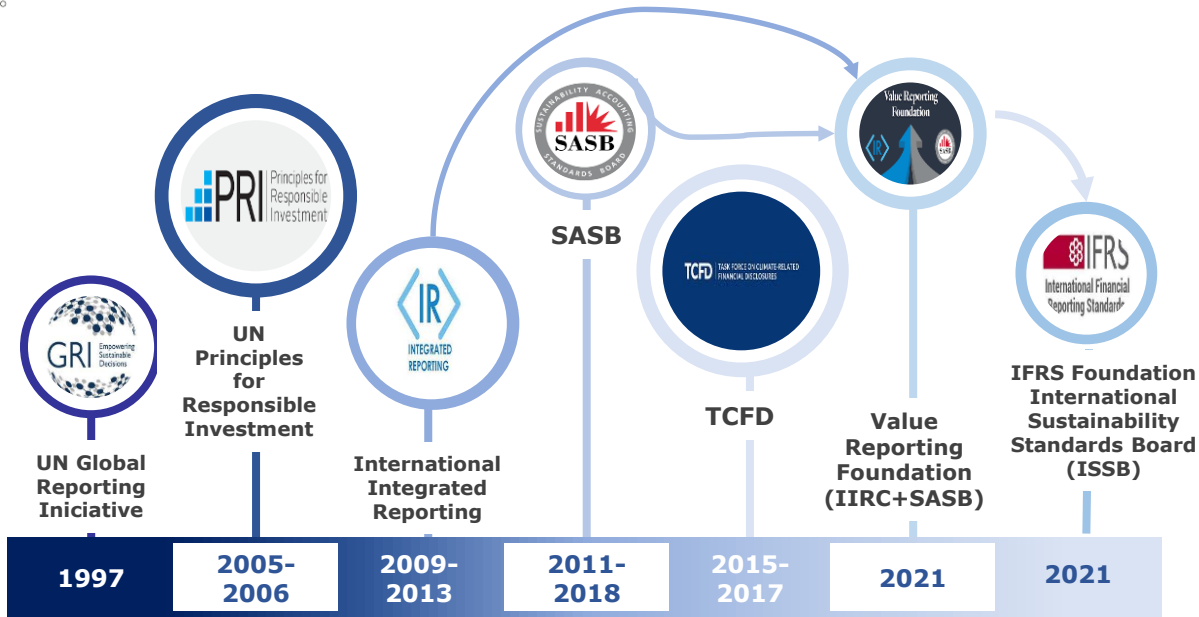
Bernardita Piedrabuena K.
Commissioner

Since 2015, CMF has required ESG information from public listed companies














- ❖ 2015, NCG No. 385 y NCG No. 386:
 - Corporate Governance, comply or explain approach.
 - Metrics related to diversity: board, management, employees.
- ❖ Nov.2021, NCG No. 461 (ESG Rule):
 - Established mandatory sustainability-related disclosures for issuers to be done in their annual filings: board's oversight of sustainability-related risks, the company's governance and risk management frameworks.
 - Adoption of international standards: metrics and comparability.



International standards are converging

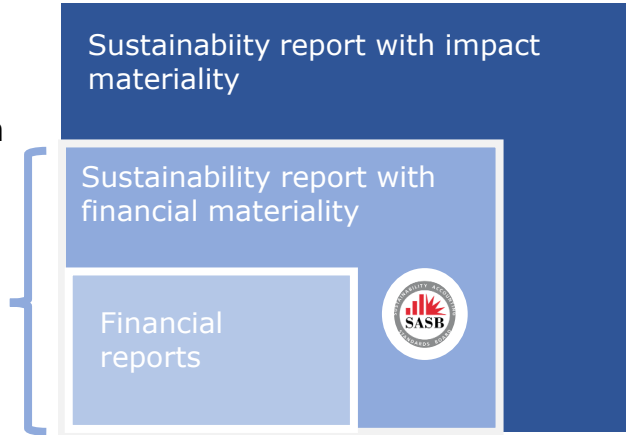


ESG rule considered GRI, SASB, TCFD, and VRF standards

#	GR 461	International Framework / Standard
1	Content index	
2	Profile of the Company	
3	Corporate Governance <ol style="list-style-type: none"> 1) Governance framework 2) Board of Directors 3) Board Committees 4) Main Executives 5) Adherence to international frameworks or standards 6) Risk management 7) Relations with stakeholders and the general public 	  
4	Strategy	  
5	People	 
6	Business Model	 
7	Vendor Management	 
8	Indicators <ul style="list-style-type: none"> • Legal and regulatory compliance (clients, workers, environmental, free competition, others) • Sustainability indicators by type of industry (SASB Standards) 	
9	Relevant or essential facts	
10	Shareholder and directors committee comments	
11	Financial reports	

Chile was the first jurisdiction to adopt mandatory disclosures of the SASB standards

- ❖ The SASB standard identify a subset of sustainability information that could have potential effects on the financial situation, operating performance or risk profile of companies within an industry.
- ❖ That information is designed for investors who are looking to make better economic decisions



Transition

Date	Companies
Year 2022 (2023 report)	Publicly listed companies with total assets over USD 790 millions
Year 2023 (2024 report)	Publicly listed companies with total assets over USD 40 millions
Year 2024 (2025 report)	All publicly listed companies, commercial banks, insurance companies, stock exchanges, asset managers (funds), state owned companies.

CMF estimations for 2023



70
Companies would
report in 2023

26
Sectors SICS

320
SASB Indicators

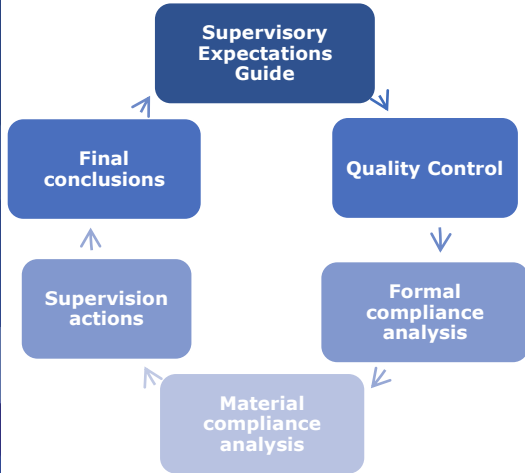
Supervision of ESG Rule

- ❖ A Sustainable Finance Information Supervision Unit was created in December 2021:
 - Ensure that the information available in the market is trustworthy.
 - Promote compliance with ESG Rule.
- ❖ CMF published Supervisory Expectations as part of our efforts to achieve an adequate understanding of ESG Rule and to promote better disclosures of high-quality, comparable data:
 - This is a preventive supervision measure that guides entities by letting them know what we expect to see during the supervision process, thus achieving an improvement in the quality of the entity's disclosure.

The Supervisory Expectations are a supervisory measure that consists of publishing, *ex ante*, the criteria of the supervisor when analyzing the regulated entities compliance with the rule.

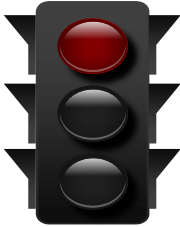


Supervision process of ESG Rule



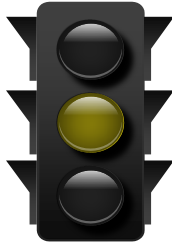
#	Stage	Description
1	Supervisory Expectations Guide	Entities know what is expected of them
2	Quality Control	Quality control of information received
3	Formal compliance analysis	Analysis of the reported fields to detect omissions or insufficient reporting
4	Material compliance analysis	Qualitative and quantitative analysis of the information reported by the entities
5	Supervision actions	Communications with entities when it is required to complete, specify or deliver information
6	Final conclusions	Evaluation of the most relevant aspects observed in the reports of the entities and feedback for the next disclosure period

Report's recommendations for Chile



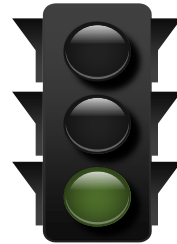
May choose to provide guidance on the fiduciary duties of the board of directors, and how boards may consider stakeholders' interests.

May consider the adoption of the business judgement rule – or of a similar safe harbour – either in statutory law or in a reinterpretation of existing legal provisions.



Should consider requiring or recommending annual assurance attestations by an independent, competent and qualified assurance service provider to deliver an external and objective assessment of a company's sustainability disclosure.

May consider to prioritise, in their regulatory activities, the most salient sustainability matters in their respective markets.



May contemplate the adoption of a high-quality and internationally accepted sustainability disclosure standard that facilitates the comparability of disclosure across markets.

Final remarks

Sustainability affects the three objectives of the Commission's legal mandate, and therefore, we must take action in this regard.

The CMF has advanced at the global forefront in terms of disclosure and we are working to develop comprehensive supervision of issuers, with a view to financial materiality.

The CMF expects entities to disclose quality information to the market, which allows users of that information to evaluate the sophistication of management and understanding of their business in an environment of global change.

Sustainability has gained importance due to the urgency of issues such as climate change and because they are important in people's lives. CMF understands that it must fulfill its role by placing itself at the service of people.

Thank you!