



Republic of Chile

Ministry of Finance

Coalition of Finance Ministers for Climate Action, Sherpa Meeting

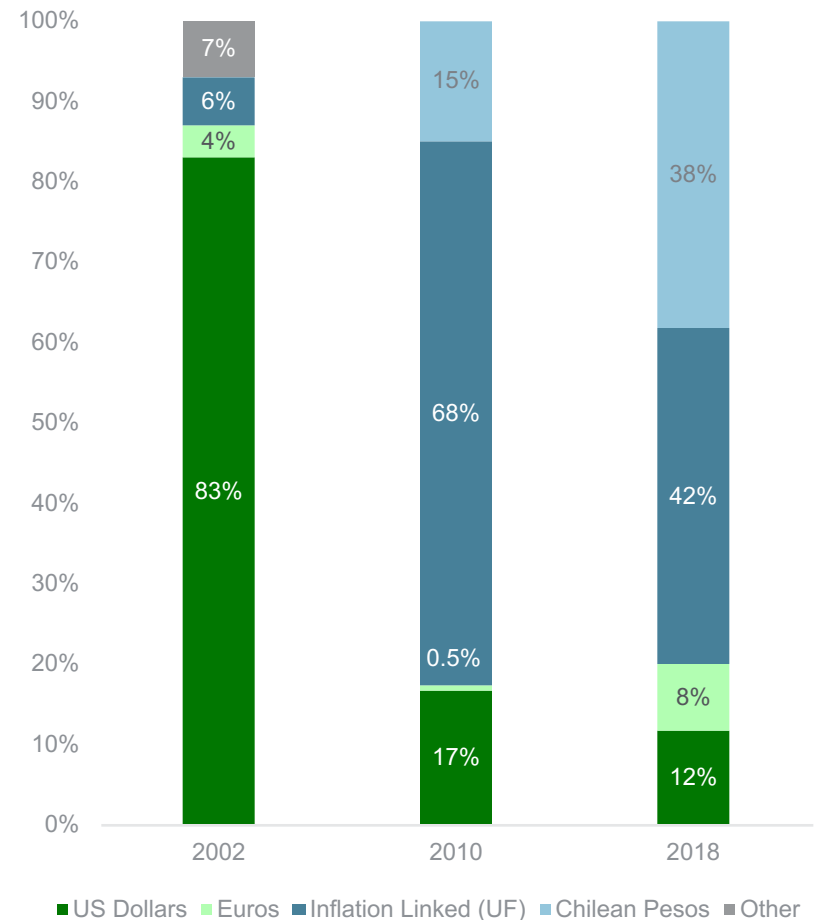
June 2019



Debt Policy Goals and Structure

- **Domestic:** to develop and lengthen yield curves (nominal and real), while deepening liquidity by fostering greater participation of non-residents
 - Recent issuances have strengthened new benchmarks and have created longer tenors, extending the debt maturity profile in line with international standards
- **External:** to establish benchmarks for Chilean companies in international capital markets
- **In addition:** to promote the development of a green asset class (social/green bonds) that attracts foreign investment in support of the country's sustainable infrastructure needs, while diversifying the investor base

Debt Composition by Currency Percent of total



Source: Ministry of Finance; Public Debt Report

Chile has a strong commitment to climate change mitigation and environmental protection

Green Bond market as an opportunity to leverage Chile's sustainable development strategy

- Chile views the development of a local and international Green Bond market to finance the country's sustainable development strategy as a critical tool to meet climate targets
- In line with the country's strategic priorities set forth by the 2018-2022 Government Program and with its international commitments, Chile has established a Green Bond Framework, oriented towards financing the following priorities:
 - Clean Transportation
 - Energy Efficiency
 - Renewable Energy
 - Living natural resources, land use and marine protected areas
 - Efficient and climate-resilient management of water resources
 - Green Buildings
- The Republic of Chile's Green Bond Framework has been developed following the highest standards of the Green Bond market. The framework has a second-party opinion delivered by Vigeo Eiris confirming its alignment with the Green Bond Principles (2018 edition) and the highest level of assurance on the contribution of the contemplated bonds to sustainable development
- A Chilean Green Bonds issuance will be fully aligned with its conventional issuance plan

Rationale for issuance

Chile believes the development of a local and international green bond market represents a unique tool to effectively channel its sustainability efforts and finance the country's sustainable development strategy

- Chile is promoting the development of a green asset class that may attract foreign investment to support the country's sustainable infrastructure needs
- As the first anticipated sovereign Green Bond issuer in Latin America, Chile intends to promote a regional dialogue to enhance the consistency and credibility of future issuance from the region and contribute to the development and acceptance of this asset class by issuers and investors

Use of Proceeds	<ul style="list-style-type: none"> ➤ Type of eligible expenditures: tax subsidies and exemptions, operational expenses for funding agencies, investments in real assets and maintenance for public infrastructure, intangible assets such as R&D, capital transfers to public or private entities ➤ Expenditures from budgetary year prior to issuance, current year, and future years ➤ Eligible Green Sectors: <div data-bbox="469 396 1833 504"> <div>Clean Transportation</div> <div>Energy Efficiency</div> <div>Renewable Energy</div> <div>Living Natural Resources, Land Use and Marine Protected Areas</div> <div>Water Management</div> <div>Green Buildings</div> </div> ➤ Exclusionary criteria: fossil fuel energy, rail dedicated to fossil fuels, nuclear power, alcohol, weapons, tobacco, gaming, or palm oil industries, deforestation and any activities contravening national laws and international agreements
Process for Project Evaluation and Selection	<ul style="list-style-type: none"> ➤ Inter-ministerial Green Bond Committee led by Ministry of Finance with support from Ministry of Environment oversees the full implementation of the Framework ➤ Ministry of Finance makes final decisions on eligibility based on information from various ministries
Management of Proceeds	<ul style="list-style-type: none"> ➤ Proceeds transferred to General Account of Chile and managed by Ministry of Finance in line with investment policy of the Government of Chile ➤ An amount equal to the proceeds will be allocated on a nominal basis to eligible expenditures through various ministries/agencies and Ministry of Finance oversight will ensure there is no double counting of eligible projects
Reporting	<ul style="list-style-type: none"> ➤ Allocation reporting: annual report until full allocation by the Ministry of Finance through the Treasury and Budget Office (DIPRES), subject to availability of general fiscal accounts and confidentiality/competition considerations ➤ Impact reporting: annual report until maturity by Ministry of Finance with Ministry of Environment liaising with other ministries to integrate relevant impact indicators
External Review	<ul style="list-style-type: none"> ➤ Second Party Opinion provided by Vigeo Eiris ➤ Certification under Climate Bond Standard considered on case-by-case basis ➤ External audit on allocation report and its conformity with Framework



Republic of Chile

Ministry of Finance

Coalition of Finance Ministers for Climate Action, Sherpa Meeting

June 2019

