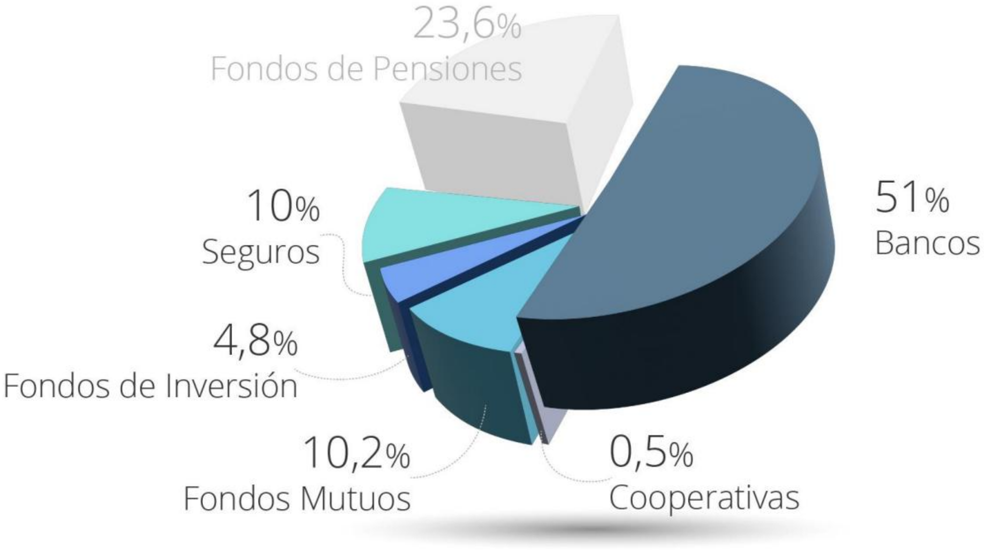
The role of the CMF in the disclosure of information on sustainability risks

Roundtable Adoption of IFRS ISSB in Peru

Solange Berstein
Chairwoman – Financial Market Commission

The Financial Market Commission (CMF) is the regulator and supervisor of the Chilean financial market (everything except the pension system)



The CMF oversees more than 8,000 entities. This represents 77% of the assets in the Chilean financial market.

$604 billion, more than twice the 2024 GDP

Source: CMF

CMF´s main objectives are to ensure the proper functioning, development, and stability of the financial market, facilitating the participation of market agents, and promoting the protection of public trust

Institutional Mandates		
Prudential	**Conduct**	**Market Development**
Seeks to promote the solvency, liquidity, and risk management of financial institutions to prevent financial instability issues from impacting people's well-being.	Seeks to protect investors and users of financial services by promoting transparency and integrity in the financial market and ensuring fair treatment of users by institutions.	Seeks to improve efficiency, accessibility, depth, and resilience of the financial system to foster inclusive and sustainable economic growth.

CMF objectives in the disclosure of sustainability information

Institutional Mandates		
Prudential	Conduct	Market Development
• Proper risk assessment	• Financial customer protection • Market integrity and transparency	• Green products and markets • Financial education

Evolution of the regulations issued by the CMF

1989 - GR 30: first basis of annual reports, without sustainability or comprehensive corporate governance.

2012 – GR 341: Corporate governance standards for publicly traded companies, "comply or explain" format.

2015 – GR 385: mandatory corporate governance report.

2015 – GR 386: section on social responsibility and sustainable development; diversity and the gender pay gap.

2020 – Strategy to Address Climate Change in Financial Markets: promoting climate disclosure, green financial market, and integration of climate risks.

2021 – GR 461: Restructures the annual report to fully incorporate ESG, materiality, a strategic tool for the board of directors, shareholders, creditors, and regulators.

2024 – GR 519: Adoption of IFRS S1 and S2 standards from the International Sustainability Standards Board (ISSB).

Incentivized independent verification but not required.

New Law: Diversity and inclusion on boards of directors (gender quotas, maximum 60% per gender); phased in as comply or explain and potentially mandatory implementation if thresholds are not achieved.

CMF published in 2020 a Climate Change Strategy and has been implementing a working plan

Incorporation of Climate Risks into Prudential Regulation

Quantification of Climate-Related Risks

Improvement of the Sustainable Disclosure Standard (GR 461-> GR 519)

Taxonomy Implementation Support

The CMF uses the concept of financial materiality, in line with IFRS-ISSB accounting standards

Why?

- Because it aligns with its mandate as a financial supervisor
- Because, to the best of its understanding, long-term impact materiality feeds back into financial materiality

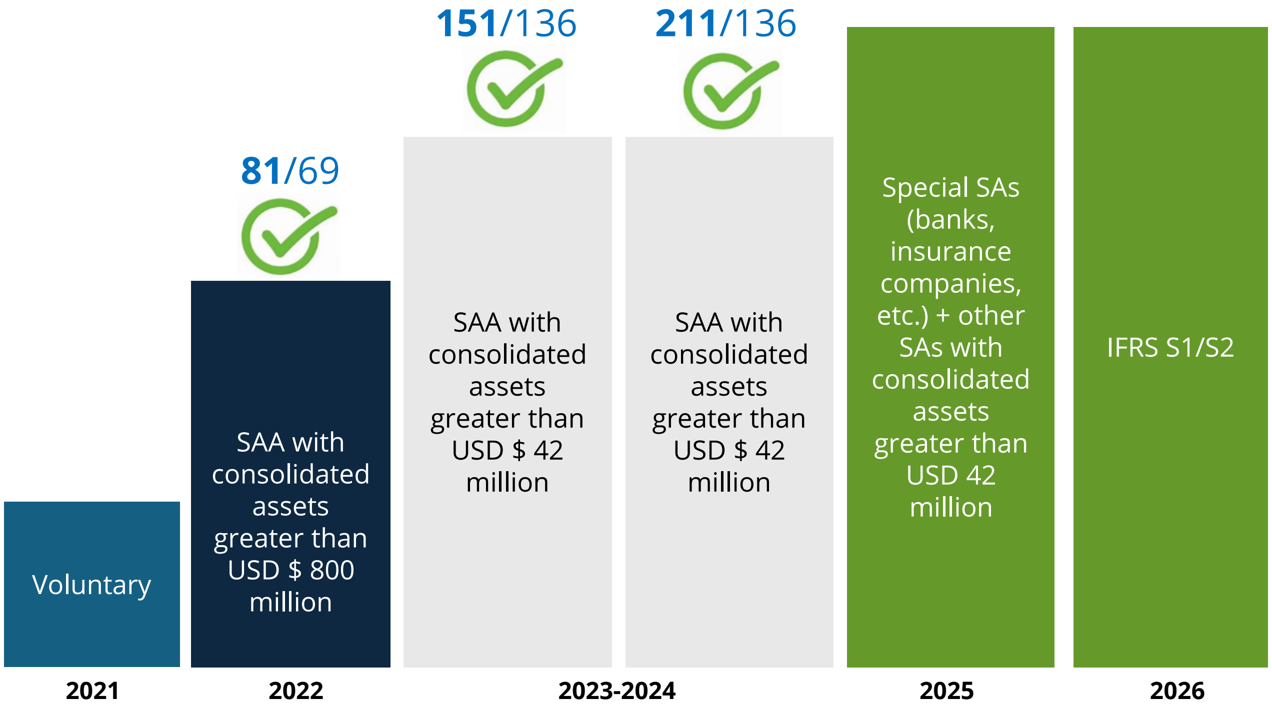
Source: https://eco-act.com/es/blog/que-es-la-doble-materialidad-y-por-que-es-importante-para-cumplir-con-el-csrd/

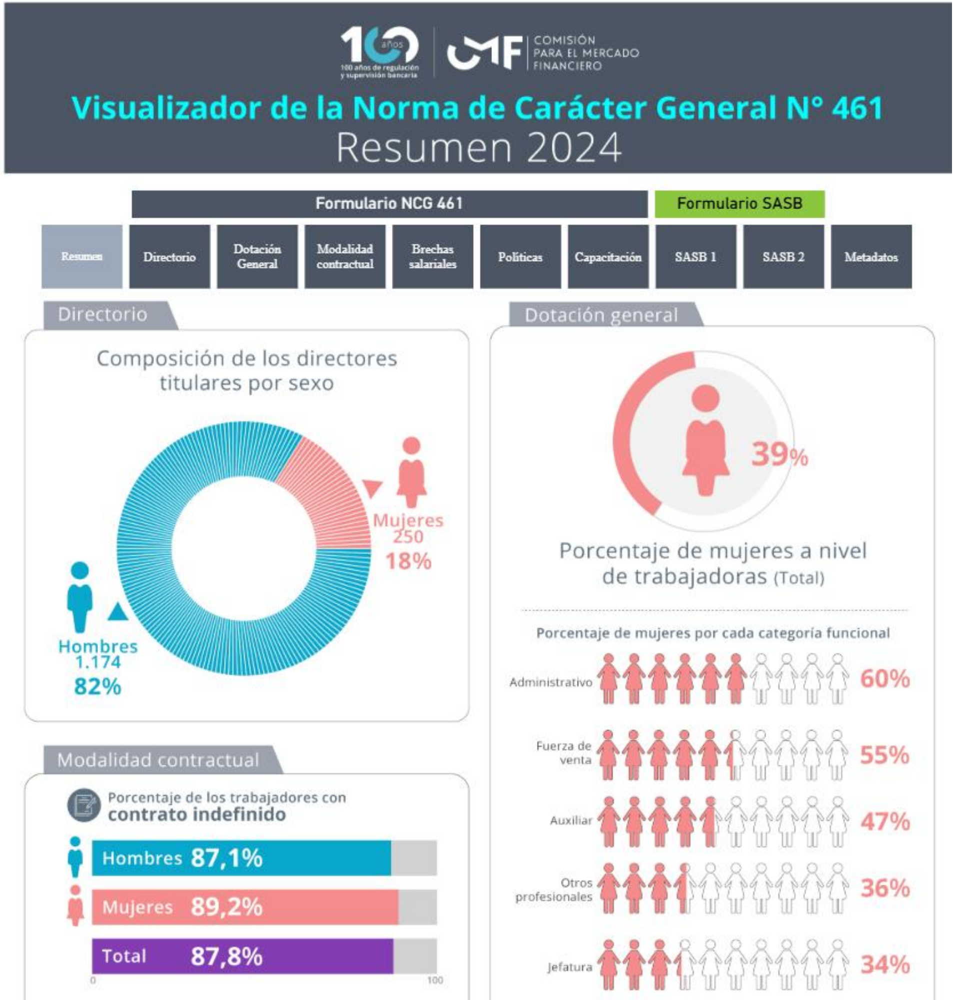
To which entities does the sustainability regulation apply?

<table>
<tr><th>Entity</th><th>ESG Requirement</th><th>Exception due to size</th></tr>
<tr><td>Issuers of publicly offered securities</td><td>Applies</td><td rowspan="5">Entities whose total consolidated assets, on average for the two previous years, do not exceed USD $42 Mill. (are subject to a simplified version of the report)</td></tr>
<tr><td>Banks</td><td>Applies</td></tr>
<tr><td>Insurance Companies</td><td>Applies</td></tr>
<tr><td>Asset Managers /Stock and Commodity Exchanges/DCV/Clearing and Settlement Systems</td><td rowspan="2">Excepted from reporting SASB and IFRS S1 and S2 metrics</td></tr>
<tr><td>Public entities and companies</td></tr>
</table>

Source: GR 519 Regulatory Impact Report, CMF.
https://www.cmfchile.cl/sitio/aplic/serdoc/ver_sgd.php?s567=5a2dda718fc6b4f8c3868b2f5999d6bfVFdwQmVVNUVSWGROUkZVeFQwUlpNMDlSUFQwPQ==&secuencia=-1&t=1763350154

Transition of sustainability regulation




COMISIÓN PARA EL MERCADO FINANCIERO
Visualizador de la Norma de Carácter General N° 461
Resumen 2024
Formulario NCG 461
Formulario SASB
Resumen
Directorio
Dotación General
Modalidad contractual
Brechas salariales
Políticas
Capacitación
SASB 1
SASB 2
Metadatos
Directorio
Composición de los directores titulares por sexo
Mujeres 250 18%
Hombres 1.174 82%
Modalidad contractual
Porcentaje de los trabajadores con contrato indefinido
Hombres 87,1%
Mujeres 89,2%
Total 87,8%
0
100
Dotación general
39%
Porcentaje de mujeres a nivel de trabajadoras (Total)
Porcentaje de mujeres por cada categoría funcional
Administrativo 60%
Fuerza de venta 55%
Auxiliar 47%
Otros profesionales 36%
Jefatura 34%

Challenges of sustainable disclosure

136

Number of companies required to report GR 461 and reported

75

Number of companies that voluntarily reported

Achieving conciseness and quality in the report

- The length of the memories makes it difficult to identify relevant data
- **Challenge:** Identify the appropriate balance between management communication and the delivery of financially material information

Generate appropriate data

- Financial information related to sustainability should be accessible and easy for investors to extract
- **Challenge:** comply not only in form but also in spirit with the rule

Implement third-party verification

- GR 461 does not require third-party verification of sustainability financial information
- **Challenge:** advance in good practices for auditing sustainability financial information

The importance of having a taxonomy for the disclosure of sustainability indices

- Classification tool, currently under construction, by the Ministry of Finance
- It follows the European model → at the level of economic activities
- Based on technical selection criteria – quantitative thresholds for meeting objectives
- There is a list of "eligible" activities that should be as representative of the economy as possible
- Companies analyze/disclose whether their activities are environmentally sustainable → Calculation of indicators

Why is it important?

- Common language about what is sustainable
- Reduce greenwashing
- It supports ambitious Sustainable Development goals.
- It strengthens investor confidence.

How the taxonomy structure operates

Environmental Objectives:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water
- Circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

To be aligned with the taxonomy, an economic activity must meet the following conditions:

Substantial Contribution to an Objective

\+

Do not cause significant damage to any other target.

\+

Comply with Minimum Social Safeguards

Technical Selection Criteria

Other challenges presented by sustainability disclosure

- Monitoring the progress of global initiatives
- Constantly updating regulations in response to a dynamic and changing environment
- Supervisory coordination: e.g., climate risk regulations of the Superintendency of Pensions
- Strengthening supervisory teams: training and international collaboration
- Continuing to promote the integration of ESG risks into the risk management frameworks of supervised entities
- Advancing the standardization of information and the naming of “sustainable” funds

Final Remarks

- Chile has a deep and robust financial system that has withstood turbulence and crises. Its proper functioning is central to the well-being of its citizens and the country's growth

- The NCG 461 reporting model has the strength of incorporating the latest developments on the subject at both the local and international levels. This should translate into more resilient entities, better prepared for the future demands of investors, policyholders, and clients in general. We will continue to work towards achieving the highest standards as they evolve

- The definition of a green taxonomy complements the dissemination of ESG information required by NCG 461

COMISIÓN
PARA EL MERCADO
FINANCIERO

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Estándar NIIF S1/S2

2023

Publication of the ISSB S1 and S2 standards

(fully incorporates the TCFD framework)

2024

First year of reporting (report to be published in 2025)

Transition: S2 only (no Scope 3 GHGs)

2025

S2 aligned with financial reporting.

Publication of industry-specific metrics (SASB)

2026

S1 and S2 Report (inc. Scope 3*)

+ SASB

* Under review

In progress

Additional reports will be developed over time.