

# SANTIAGO STOCK EXCHANGE- COMMUNICATION WITH STAKEHOLDERS

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## **BUSINESS STRATEGY**

### **1. How does your exchange define and view the rationale for corporate sustainability and the exchange's role in promoting it?**

The Santiago Stock Exchange, in its role as leader of the Chilean capital markets, aims to promote best practices in sustainability in the local stock market. To achieve this goal, the Santiago Stock Exchange is working on defining a corporate sustainability strategy for the 2015-2018 period, in order to establish and to promote a sustainable culture within the institution and capital markets with a focus on issuers and investors.

With the aim of educating and engaging issuers and investors on issues of sustainability, the Santiago Stock Exchange has announced its interest in creating a sustainability index that will monitor the performance of listed companies on ESG issues. This measure will further promote corporate social responsibility among issuers from an integral perspective and deliver an evaluation tool for investors.

### **2. How does your exchange's senior leadership and organizational structure support the promotion of corporate sustainability in its market(s)?**

The Santiago Stock Exchange formed a working group which is responsible for proposing and planning sustainability initiatives within the framework of the strategic plan outlined for the institution and capital markets. These initiatives must be evaluated and approved by senior management prior to implementation. Currently, the team is developing a strategic sustainability plan for the 2015-2018 period as well as initiatives to be carried out by the Santiago Stock Exchange.

One of the team's roles, as defined in the strategic sustainability plan, is to communicate the measures and progress on ESG issues within the institution and to the market.

The person primarily responsible for sustainability issues at the Santiago Stock Exchange is the Chief Planning and Development Officer.

**3. What goals/objectives does your exchange have in regards to advancing sustainability in your market?**

The Santiago Stock Exchange, as part of the focus of the ESG work planned for 2015-2018, wants to encourage responsible investment in the Chilean stock market and position itself as an advocate for sustainability best practices in the stock market in terms of promoting and facilitating the delivery of timely and accurate issuer information.

To do this, it works to promote communication and education among issuers of the Santiago Stock Exchange on issues of incorporating best practices in areas of information transparency to investors and the market in general and incorporating principles of responsible decision-making by investors.

Another focus of the project will be generating sustainable investment opportunities. The Santiago Stock Exchange is developing its first sustainability index, set to be released during the first quarter of 2016. This index will provide more information on how corporate governance, environmental and social dimensions are being integrated into the business strategies of local issuers, providing investors with a tool to evaluate the performance of those companies with sustainable best practices and encouraging companies to disclose their action plans associated with ESG issues.

In order to strengthen and formalize the commitment of the Santiago Stock Exchange in the field of sustainability, in November 2014 the Board approved the exchange's incorporation into the Sustainable Stock Exchange (SSE).

The challenge facing the Santiago Stock Exchange regarding sustainability is to develop initiatives to help increase market interest in ESG issues at the investor and issuer level.

## TRANSPARENCY AND ISSUER REPORTING

**4. Describe your exchange's approach to promoting sustainability disclosure by companies.**

With the development of the first sustainability index in the Chilean market, the Santiago Stock Exchange intends to take an important step in fostering mechanisms for disclosing information on sustainable issues by market issuers.

**5. What is your exchange's process for reviewing listing standards in general? Are there opportunities for stakeholders to comment during this process?**

The Santiago Stock Exchange regulations require corporations who wish to be listed on the exchange to comply with the registration and continuous disclosure requirements of the local regulator, the Superintendencia de Valores y Seguros (SVS), and do not impose additional requirements.

## **6. How do you track sustainability reporting of your listed companies?**

During the quarter following year end, all corporations (and thus 100% of listed companies) are required to submit a questionnaire regarding compliance with corporate governance standards generated by the SVS. Completion of the questionnaire is a mandatory requirement of the regulator. The questionnaire should explain the company's compliance with standards, and if companies are not in compliance, the questionnaire should explain why. These questionnaires are available on the SVS's website, in a specific section containing information for each company.

In order to strengthen the transparency of the stock market and improve the flow of information that issuers provide investors, the Santiago Stock Exchange has developed, within the initiatives of the 2015-2018 sustainability strategy, a work plan with issuers outlining disclosure of an annual sustainability report that complements the company's financial information with information regarding the objectives, strategies and results in matters involving labor relations, product and service liability, community relations, environmental impact and corporate governance practices.

To encourage the disclosure of information by issuers, the Santiago Stock Exchange intends to follow-up on the companies' ESG publications, making their performance statistics available on the exchange's website to continuously deliver information to investors.

## **7. What incentives (i.e., public recognition/awards) and sanctions do you have in place to encourage disclosure and discourage non-compliance/lower levels of transparency?**

The SVS requires ongoing disclosure of information for listed companies. These requirements include the disclosure of financial information, essential facts or material events and corporate governance matters, among others. This information is sent to the Santiago Stock Exchange and, as a result, no sanctions are levied on issuers of the Santiago Stock Exchange for noncompliance of information delivery.

The Santiago Stock Exchange aims to encourage ESG disclosure of domestic issuers to the market through the development of Chile's first sustainability index. This index is intended to be a vehicle to communicate to the market the impact of adopting sustainability best practices on companies.

The sustainability index defines a universe of issuers that meet sustainability standards and provides a tool for investors looking to invest in companies with the best ESG practices in the Chilean market.

## **8. What connections have you made between national sustainable development frameworks and goals, and your exchange's existing standards and norms?**

The Santiago Stock Exchange, aware of the local market's growing interest in ESG issues, has become a leader in promoting best practices, transparency and responsible investment, making efforts to promote and to encourage corporate responsibility and to deliver evaluation tools to investors seeking sustainable investment alternatives.

Under the country's sustainable development framework, the Santiago Stock Exchange aligned its 2015-2018 sustainability strategy to the objectives that the SVS wants to achieve on issues of corporate governance, information delivery and sustainability in the market.

## ISSUER CAPACITY BUILDING

**9. If your exchange offers sustainability guidance for companies, please provide a description of the process for its creation.**

The Santiago Stock Exchange currently has no sustainability guidance for the stock market. However, the creation of a sustainability guide that promotes a responsible investment environment in line with society and market demands is included in the 2015-2018 sustainability strategic plan. In addition, the plan includes training and seminars for issuers and investors about the benefits of incorporating ESG issues into company strategies.

Also, the Santiago Stock Exchange is working on developing a model guidance to exchanges on corporate sustainability disclosure, to assist issuers in preparing sustainability reports as part of the ongoing work that the Santiago Stock Exchange has with the SSE.

**10. Do you and/or your regulator provide guidance on externally assuring ESG disclosures? In your market, how common is external assurance of ESG disclosures?**

Neither the Santiago Stock Exchange nor the regulator provides guidance on externally assuring of information disclosed on ESG issues.

## COLLABORATION AND ENGAGEMENT

**11. How do you engage and collaborate (or plan to do so) with: regulators, peer exchanges, investors, companies, global organizations and other stakeholders?**

Since November 2014, the Santiago Stock Exchange has been an active member of the Sustainability Stock Exchange (SSE) as part of an initiative to explore how exchanges, in collaboration with investors, regulators and companies, can enhance corporate transparency on ESG issues and encourage sustainable investment.

In addition, the Santiago Stock Exchange plans to develop a working committee where participating issuers and investors work together with the exchange on relevant issues regarding matters of corporate governance, market disclosure, investor relations and disclosure requirements for sustainable information, among others.

## SUSTAINABLE PRODUCTS

**12. How has your exchange supported the development of financial products that address sustainability-related issues (e.g., ESG Indices, carbon markets, social/environmental bonds, sustainable development funds, etc.)?**

The Santiago Stock Exchange began working on the development of an ESG index, researching the feasibility of implementing a sustainability index on the Santiago Stock Exchange. The study concluded that the conditions and critical mass for the index are present in the Chilean market. With these results, the Board approved the implementation plan to create the sustainability index through a bidding process which involved the most prestigious global suppliers of stock indexes.

In January 2015, a contract for the construction, implementation and marketing of the exchange's new sustainability index was awarded to S&P Dow Jones Indices. The launch of this new index is scheduled for the first quarter of 2016. In the future, it can be used as a tool for creating new, passive sustainable investment products (ETFs).

## EXCHANGE NEEDS

**13. Are there specific resources (meetings, commissioned research, webinars, etc.) that you would like from the SSE or other relevant groups to help you in your sustainability work?**

The Santiago Stock Exchange needs the support of the SSE and relevant expert groups to generate efficient channels of information between issuers and investors. It also would like support with education efforts aimed at market participants regarding ESG issues, such as invitations to participate in seminars and working groups in order to develop initiatives and gain experience in implementing sustainability best practices in the stock market.

**14. Are there any specific requests you have of investors, issuers and regulators in terms of their role in advancing sustainability in the market?**

No, at this time the Santiago Stock Exchange does not have any specific requests for investors, issuers and regulators on issues of sustainability.