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The Santiago Exchange is the Chile’s main multi-asset class exchange, with over 120 years of experience. Its strategic focus is to foster the development and depth of the capital market, providing business opportunities for brokers, issuers and local and foreign investors. Also it allows brokers and clients to trade financial instruments in transparent and reliable platforms with world-class technology and the most efficient standards.

With average daily traded volumes of over 1.5 billion dollars in equity, currency and debt markets, the Santiago Exchange has opened up into international markets through business alliances and new markets, such as the Venture Market in partnership with the Canadian TSXV and its presence in MiLA (Latin American Integrated Market). The latter gathering exchanges and securities depository corporations of Mexico, Colombia, Peru and Chile, and becoming the largest equity market in Latin America.

Being a meeting point for diverse players, exchanges play a key role in building sustainable capital markets and are relevant contributors in the search of regulations continuously improving and in the discussion about world class operating standards for issuers, investors and the market in general.

Therefore, the overall purpose of the Santiago Exchange today is to promote the sustainable development of the capital markets, and making a contribution to their strengthening, diversification, competitiveness and transparency. In such a way, we will make it easier to access different sources of funding in diverse economic sectors and acting as a driver of local growth and development.

The Santiago Exchange is strongly committed to this challenge. For this reason, it highlights the need to carry out diverse initiatives geared precisely towards the incorporation of international standards to its operations and to integrate social, environmental and corporate governance issues in its operating model. Thus, it joined 3 years ago the Sustainable Stock Exchange Initiative (SSE), where exchanges make a public and voluntary commitment to promote and improve the disclosure of environmental, social and corporate governance aspects.

Sustainability is one of the newest and greatest challenges imposed by today’s market. Given our full commitment to meeting this challenge, we decided to publish our first integrated report this year. This report presents the main processes and management results of the Santiago Exchange for the year ended December 31, 2016, including its CCP subsidiary, relating to financial, strategic and corporate governance matters, as well as our commitment to the market, customers, employees, suppliers and the community.

The contents of this report were defined in accordance with the principle of materiality established by the Global Reporting Initiative, and were identified by analyzing relevant sustainability issues. Material aspects were identified by surveying diverse internal and external stakeholders, as well as members of the Exchange’s management and governance. Corporate, sector- specific and specialized documents on sustainability matters were also
reviewed, taking into consideration the principles and commitments to which the Exchange adheres.

The methodology used to identify and prioritize the Exchange's stakeholders was based on the Practitioner's Handbook on Stakeholder Engagement from the Accountability Institute of Social and Ethical Accountability.

The stakeholder diagnostic was divided into three stages: identification, prioritization and validation. In order to complete this process, the Exchange conducted research by interviewing stakeholders classified as internal or external and met with market players considered key to the organization to obtain the final results. With this purpose, 8 key players were declared: stock holders, authorities and regulator entities, costumers, environment, supliers, employees, the executive board and others.

This process will be reevaluated each period in accordance with sustainability standards and the organization’s internal engagement policies, thus meeting the interests and expectations of the Exchange's diverse stakeholders.

We also believe it is important for corporations' development that they adopt sustainable management, which generates value for their shareholders, employees, suppliers, customers, the community and the environment. At Santiago Exchange, we are committed to promoting these issues in the capital market and embracing them internally.

In this sense, the sustainable development of the capital market involves addressing and responding to the multiple needs of those who take part in or could potentially take part in the market, creating incentives for the market to grow based on best practices in a setting of trust, transparency, competition and responsible investment.

Consequently, over the last year we actively focused our strategy on continuing to incorporate international best standards. In 2015, we launched the first sustainability index in Chile. The index, Dow Jones Sustainability Chile Index, is the first of its kind under a methodology of estimation of Dow Jones Sustainability Indices and the first one to apply to the companies that compose its blue-chip index, IPSA, as a basis. At the beginning, this index was made up of 12 companies that met certain sustainability criteria compared to their industry peers. The portfolio today reaches up to 21 issuers. Based on this experience, in the mid of 2016 we signed a strategic agreement with S&P Dow Jones Indices, to develop a new generation of securities indices for the equity and bond markets in Chile. In addition, we signed an agreement to create a sustainability index for the Latin American Integrated Market, which will highlight the companies with best sustainability scorings in the Pacific Alliance, including Chile, Colombia, Mexico and Peru.

After analyzing international best practices for exchanges, regulators and local and international issuers, the Santiago Exchange issued a series of recommendations for issuers regarding the disclosure of information that enables investors to evaluate their performance in transparency and sustainability matters. We also created an issuers relations area, with a special and active approach to support companies in these matters.

As a guide to issuers as well as investors concerning sustainable development, in January, we launched the Sustainability Reporting Guide, with the purpose of providing guidance and orientation in preparing and publishing information regarding ESG aspects. Additionally, we published the Responsible Investment Guide, written in collaboration with EY and several
market players. This Guide acts as a tool geared towards investment decision-making, and considering the relevance of ESG matters in the analysis, with special emphasis in promoting best practices in self-regulation, transparency and innovation.

On the other side, in risk matters, the Santiago Exchange has been incorporating all recommendations made by specialized international bodies for market infrastructure into its Comprehensive Risk Management Policy. In parallel, regarding corporate governance, we are confident in the bylaw reform approved by the shareholders that made possible the demutualization, recently achieved last June 12. In addition to separating the ownership of the Exchange from the ability to act as a broker, demutualization will introduce increased levels of competition, strengthen our capital markets and enhance efficiency and transparency, thus benefiting issuers, investors and intermediaries that take part in the market.

The new bylaws introduce the following changes to the Exchange's governance structure:

- There must be a minimum of three directors not related to brokers, which reinforces their independence and reduces the possibility of conflicts of interest. In addition, one of the unrelated directors must also be independent from the corporations listed on the Exchange.
- The creation of a Corporate Governance Code, which defines the rules and complementary procedures applicable to board elections.
- The creation of committees that include market participants in order to help the Board draft proposals involving market development, regulatory enhancement and exchange operations. In other words, these are formal opportunities for the Exchange's governance to communicate with its priority stakeholders.

Looking ahead, our sustainability management efforts will involve making a firm commitment to the development of the Exchange and the securities market alike; to ethical, transparent governance in all of the organization's dealings, building solid relationships with all counterparties; to value creation for our customers, establishing long-term, trust-based relationships; and to mastery, training and wellbeing for our team, working to strengthen our associates' abilities and skills.