

COMMISSION FOR THE FINANCIAL MARKET PUBLISHES REGULATION ON ESG CONTENT IN ANNUAL REPORTS

On November 12, 2021, the Commission for the Financial Market ("CMF") published General Rule 461 which modifies the structure and content of the annual report of issuers of securities registered at the CMF Securities Registry on Environmental, Social and Governance or ESG matters (the "NCG").

Under the new regulation, the NCG eliminates the Social Responsibility and Sustainable Development section from the of annual reports (section that was included by General Standard 386 issued in 2015 but with a limited scope), replacing it by the obligation to report on ESG factors in all sections of the annual report, deepening the minimum information requirements. The NCG also repeal the General Rule 385 under which the public corporations had to inform once a year to the CMF and the public at large about corporate governance practices, information that now will be included in the annual report. In this way, ESG factors can be considered organically in all aspects of the company without the need to analyze a specific section or report in this regard.

In addition, the annual report must include an index that expressly refers to the international reporting standards taken as a reference.

With the new rule, the structure of the annual report is divided into the following sections:

Profile of the Entity. Where the company, mission, vision, purpose and values must be described. In addition to considering the history of the company, ownership structure, control, description of the series of shares, indicate dividend policy and also include statistical information on dividends, stock market transactions and number of shareholders.

Corporate Governance. It should include the structure and operation of corporate governance, as well as the adoption of good practices in various matters. For example, ensuring the proper functioning of corporate governance; the integration of a sustainability approach to

Esta alerta legal es proporcionada por Carey y Cía. Ltda. con fines educativos e informativos únicamente y no pretende ni debe interpretarse como asesoría legal.

Carey y Cía. Ltda.
Isidora Goyenechea 2800, Piso 43.
Las Condes, Santiago, Chile.
www.carey.cl

environmental (with emphasis on climate change), social and human rights issues in strategic decision making; management of the interests of key stakeholders; promotion of research and development (R&D), among others.

In addition, various reports on the composition and functioning of the Board of Directors are included, as well as information on the main executives, including in aggregate and comparative form with the previous year, the amount of remuneration received, description of compensation plans or benefits, including the detail of payments based on stock options.

The report should also contain information on risk management and policies, especially on operational, financial, labor, environmental, social and human rights issues. The impact of the risks detected should be described, as well as the strategy in this respect, taking into consideration the definitions and guidelines of recognized international organizations.

Strategy. Among other things, it should indicate the short-, medium- and long-term horizons relevant to the company and its strategic objectives. It should also indicate the strategic commitments adopted in the framework of compliance with the Sustainable Development Goals (SDGs) of the United Nations.

People. Information on all the people who provide services to the company, including, among others, aspects of diversity, gender pay gap (including formulas for calculating it), occupational safety, and workplace and sexual harassment.

Business Model. Description of the company's industrial sector, including the entity's related businesses, stakeholders, properties and facilities, information on its subsidiaries and associates, and uncertainty in these entities.

Supplier Management. Explain supplier payment policy, payment terms, and supplier evaluation mechanisms.

Legal and Regulatory Compliance Indicators. Report whether there are procedures in place to prevent and detect non-compliance with regulations, customer rights, workers' rights, environmental standards, as well as report any sanctions imposed and the amount of such sanctions.

Issuers will be able to voluntarily comply with its regulations from

fiscal year 2022 (report to be delivered in 2023), however, the regulations will be mandatory as follows:

- As of December 31, 2022: those open corporations that exceed the equivalent of UF 20 million (app. USD750 million) in total consolidated assets calculated as of the beginning date of the fiscal year to which the report refers.
- As from December 31, 2023: those open stock corporations that exceed the equivalent of UF 1 million (app. USD37.5 million) in total consolidated assets calculated as of the beginning date of the fiscal year referred to in the notes to the financial statements.
- As of December 31, 2024 for special corporations registered in the Securities Registry of the CMF, or that in accordance with General Rule 431 or Circular 991 must submit their annual report in accordance with the provisions of General Rule 30, and other issuers of securities not contemplated in the two preceding points.

Autores: Cristián Eyzaguirre; Francisco Guzmán; Enzo Devoto