

# PRI RESPONSE

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## CHILEAN DRAFT TAXONOMY OF ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES (T-MAS)

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## ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Chilean Ministry of Finance call for feedback on the Taxonomy of Environmentally Sustainable Economic Activities (T-MAS).

## ABOUT THIS CONSULTATION

The Ministry of Finance of Chile has presented a Draft Classification System or Taxonomy of Environmentally Sustainable Economic Activities of Chile (T-MAS) as a fundamental tool to promote transparency, foster sustainable investments, and align economic activities with the country's environmental and sustainable development objectives. Citizens were invited to provide their feedback to the Draft T-MAS, most notable the Chapter 4 which presents Technical Selection Criteria (TSC) for Eligible Economic Activities.

### **For more information, contact:**

Lizeth Palencia  
Head of Latin-America, Responsible Investment Ecosystems  
[lizeth.palencia@unpri.org](mailto:lizeth.palencia@unpri.org)

Jan Vandermosten  
Senior Policy Specialist  
[Jan.vandermosten@unpri.org](mailto:Jan.vandermosten@unpri.org)

# KEY RECOMMENDATIONS

Sustainable finance taxonomies are crucial to ensure well-functioning financial markets that collectively contribute to climate and broader environmental goals. They help investors assess whether investments meet robust sustainability standards and align with policy commitments such as the Paris Agreement on Climate Change, the Sustainable Development Goals (SDGs) and national sustainability and climate change goals. They are also a cornerstone instrument of [sustainable finance policy frameworks](#) through their ability to provide a science- and evidence-based foundation for disclosure, stewardship and duty-based policies.

The PRI welcomes the development by the Chilean Ministry of Finance of the Draft Classification System or Taxonomy of Environmentally Sustainable Economic Activities of Chile (T-MAS). Its design aligns with the PRI and World Bank [sustainable finance taxonomy implementation guide](#), and sets it up well to be interoperable with other sustainable finance taxonomies.

The PRI's key recommendations are to:

- Consider providing a more detailed description of the T-MAS' headline environmental objectives (climate change mitigation and adaptation, sustainable use of water and marine resources, circular economy transition, pollution prevention and control, and ecosystem and biodiversity conservation), and most notably to anchor them in scientific consensus and international norms.
- Develop phased guidance on how and when the Chilean taxonomy could, over time, be embedded in and connected to (for instance) sustainability-related disclosures; provisions for transition plans; public finance instruments; stewardship instruments; labelling schemes for financial products; and sectoral emission, technology, and investment pathways. This approach recognises the taxonomy as a tool for advancing sustainable finance over the long term while acknowledging the current stage of development in Chile's sustainable finance framework.

## DETAILED RESPONSE

### STRUCTURE AND DESIGN

The Draft T-MAS aligns with the components PRI has formulated in a [sustainable finance taxonomy implementation guide](#) jointly published with the World Bank:

- **Objectives** which define the aims of the taxonomy.
- **Activity lists** which detail eligible economic activities (i.e. those activities that can make a positive contribution to the objectives of the taxonomy). Taxonomies may also go beyond sustainable economic activities and include, for instance, economic activities that are needed to enable a transition towards achieving social or environmental goals or economic activities that are inherently harmful: such 'extended' taxonomies should always make clear that they are not only identifying sustainable economic activities, and maintain a clear distinction between the different types of economic activities (i.e. sustainable, transition, harmful) so that investors can clearly distinguish the degree to which their investments are (not) contributing to the objectives defined by the taxonomy.

- **Performance criteria** which determine whether the eligible activities are aligned with the objectives of the taxonomy. Criteria should be defined for how economic activities can significantly contribute to the objectives of the sustainable finance taxonomy, as well as for ensuring that economic activities do no significant harm to any of the objectives. To be aligned with a sustainable finance taxonomy, an economic activity must significantly contribute to one its objectives, while doing no significant harm to any of the other objectives.

In relation to the above, PRI:

- Encourages the Chilean Ministry of Finance to consider providing a more detailed description of the T-MAS' headline environmental objectives (climate change mitigation and adaptation, sustainable use of water and marine resources, circular economy transition, pollution prevention and control, and ecosystem and biodiversity conservation), and most notably to anchor them in scientific consensus and international norms. Examples of such descriptions can be found in the [EU taxonomy regulation](#) (articles 10 to 15) or the [draft headline ambitions](#) (page 20-22) for the Australian taxonomy's environmental objectives that were published for consultation in May 2024.
- Recognises that a sustainable taxonomy should be reflective of a country's economic structure and the sectors most material to the set objectives; and that quantitative and technology neutral criteria are the most effective way to identify economic activities that meet the objectives of a sustainable taxonomy. However, providing detailed feedback on the selection of sectors or the specific technical screening criteria outlined in Chapter 4 of the Draft T-MAS falls outside the remit of PRI's work and expertise.
- Notes that the T-MAS' environmental objectives and overall structure (using technical screening criteria) will facilitate its interoperability with other sustainable finance taxonomies. PRI also encourages the efforts to map the Chilean Classification of Economic Activities (CLAE) against the International Standard Industrial Classification (ISIC), which will support international comparison of the T-MAS' coverage of economic activities. Chile can also further pursue interoperability efforts as a member of the International Platform on Sustainable Finance (IPSF).

## INTEGRATION IN A SUSTAINABLE FINANCE FRAMEWORK

The PRI supports adopting the T-MAS as a voluntary reference framework in its initial phase, but underlines opportunities to, over time, embed and connect the framework into (for instance) sustainability-related disclosures; provisions for transition plans; public finance instruments; stewardship instruments; labelling schemes for financial products; and sectoral emission, technology, and investment pathways. Further guidance could clarify if, how, and when the T-MAS would be integrated into such policy instruments over the long term while acknowledging the current stage of development in Chile's sustainable finance framework.

*The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Ministry of Finance further to develop the T-MAS in Chile.*

Please send any questions or comments to [policy@unpri.org](mailto:policy@unpri.org).

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