

SOCIAL AND ENVIRONMENTAL RISK POLICY



BancoEstado
desde 1855





OBJECTIVE AND SCOPE

BancoEstado's Social and Environmental Risk Policy states the **institution's commitment and interest** on promoting and encouraging socially responsible management in business and projects funded by the Bank, **hence relevant for credit decisions** that borrowers have formal instances and procedures regarding environmental management that minimize, control and properly manage the negative impacts that their economic and financial activities may have on ecosystems and communities.

The scope of the **Social and Environmental Risk Policy** applies to **those companies whose social and environmental impacts are significant, or that the economic activity is within the sectors with the greatest impact defined in the Risk and Social Management Manual, with a focus on BancoEstado's Wholesale Banking business segments.**



LEGAL FRAMEWORK AND REFERENCES

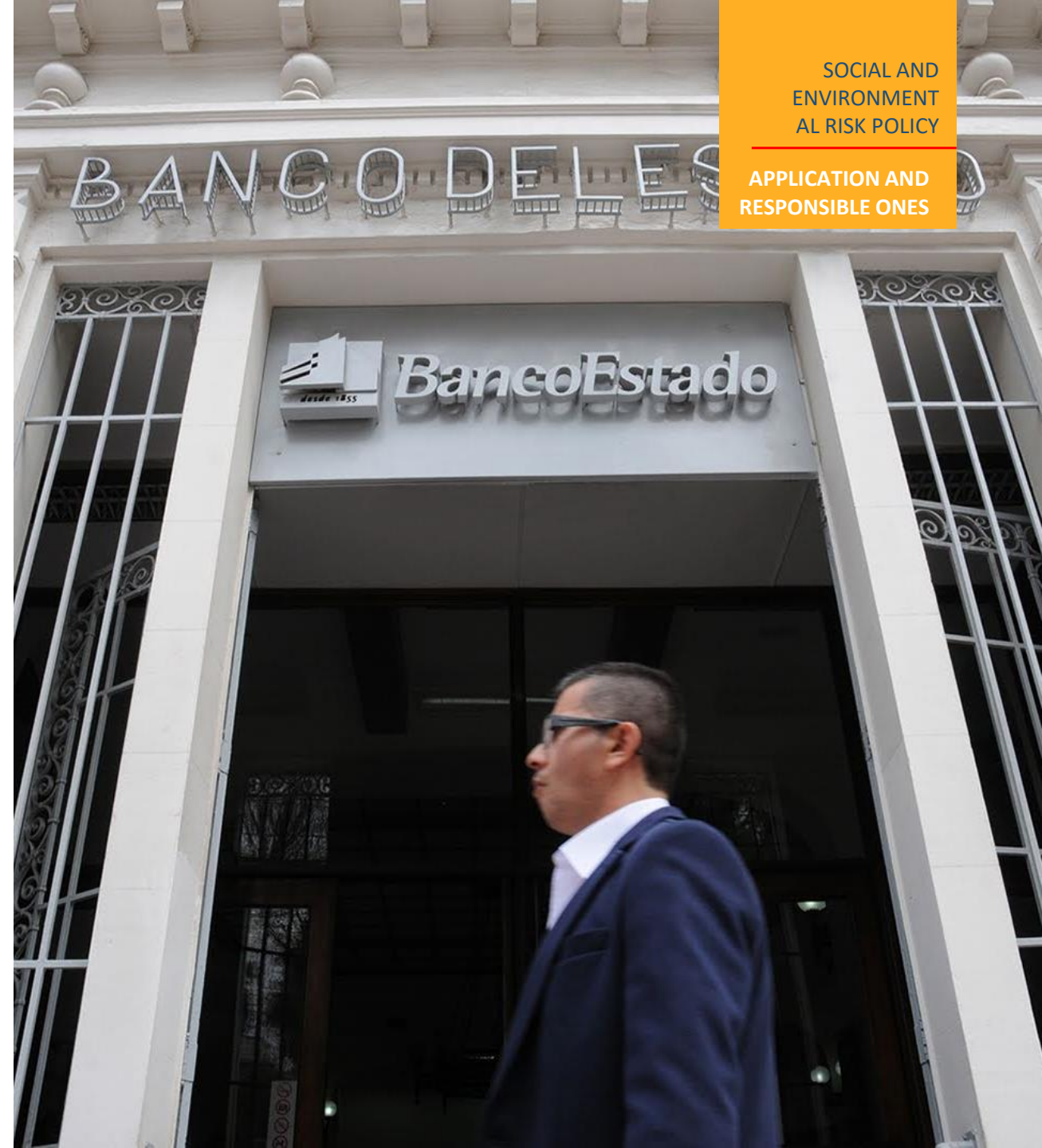
The Social and Environmental Risk Policy of BancoEstado takes into account the provisions of the national legislation in these matters, especially [Law N°19.300 on General Grounds of the Environment](#), its amendments, public policies and, of course, all relevant complementary legislation.

Likewise, this Policy states that it takes as a reference to [regulate, evaluate and manage the social and environmental risks of the projects](#), some international standards citing, by way of example, Ecuador's Principles and IFC Performance Standards, among others, notwithstanding that its interpretation, application and scope, will depend on the definitions and updates that are explicitly established in this Policy..

APPLICATION AND RESPONSIBLE ONES

Corporate Risk Management office is responsible for reviewing and updating this policy, while its application and implementation is the responsibility of all those areas and personnel of the BancoEstado Corporation that develop activities related to the credit processes of the businesses segments mentioned in the Objective and Scope of this Policy.

So as to facilitate the application of this Policy by all the areas involved, the Business Risk Admission Management has the **Social and Environmental Risk Admission Manual**, the application and updating of which is in charge of the Environmental Risk Unit, dependent on the Business Risk Admission Management.



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POLICY DESCRIPTION

Preparing this Policy will take into account that business, both in their current as well as developing new investment projects, do generate externalities and environmental and social impacts, affecting both the environment they are in as well as the communities in which they operate.

An integral vision of the economic and financial results of a project or regarding the management of a company, must therefore take into account the environmental and social consequences of its actions. It is for this reason that BancoEstado has proposed to incorporate into the credit process of banking segments Corporate, Large Business, Real Estate, Construction, Concessions and Project Finance, a vision of the resulting environmental and social actions of the business.

This new commitment is embodied in this "Social and Environmental Risk Policy", which formally establishes the willingness of BancoEstado to develop and set the social and environmental variables in its credit process; that is, while aiming at funded operations contain the economic and financial indicators mentioned in their Credit Risk Policy, they include a set of responsible practices and behaviors with the communities and the environment, aimed at controlling and managing the adverse impacts that their operations may cause in these.

The above will be an integral part of the approval of those investment projects, which by their nature and/or amount may generate environmental risks of national or local significance, the accreditation by the borrower of an environmental management relevant and appropriate to the nature and scale of the project proposed, with strict compliance with the country's environmental legislation.

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Also, it will be relevant for the Bank's approval that in the conception and development of the project, **take into account the needs of the communities and localities where they are developed**, as required by current legislation and what, in the opinion of the Bank, reflects best practices in this area.

To ensure a responsible management in environmental and social matters for the clients defined in the scope of this policy, the Business Risk Admission Management, through the Unit of Environmental Risk, **will classify the environmental risk category of the business and projects of these clients, having the Ecuador Principles recommendation as a guideline for their categorization.**

The bank shall establish agile and expeditious procedures, appropriate to each category of environmental risk, for the recommendation of the environmental rating of the clients carried out by the Unit of Environmental Risk.

For projects and clients at the higher environmental risk category, the company should be required to have adequate resources and organization so these impacts are reduced, mitigated and/or appropriately compensated, bearing in mind the provisions stated in Law N°19,300 and its amendments; also, it must certify compliance with requirements and mitigations associated with the Environmental Qualification Resolution (RCA) that authorized the project.

Notwithstanding the foregoing, **BancoEstado reserves the right to contract an environmental consult, paid by the client, to become directly aware of the social and environmental impacts of a project** for which the business is obliged to provide the necessary information, allow visiting their facilities and, if necessary, allow auditing the environmental impact assessment process presented.

Additionally, in the cases that merit it according to its category of social and environmental risk, BancoEstado will monitor compliance with environmental regulations by its customers.



SUMMARY AND CONCLUSION

The purpose of BancoEstado's Social and Environmental Risk Policy is to ensure that the **clients subject to funding develop their activity in a socially responsible manner**, subject to an environmental management practice that minimizes the negative impacts on ecosystems and communities.

With this new approach, BancoEstado's purpose is **to contribute to achieve a responsible development by its customers**, in terms of the environmental as well as the social impacts they generate.

INFORMATION REQUIREMENT

Clients indicated in the Objective and Scope of this policy, must provide the Bank with information of their businesses and productive processes that are necessary to know, in the levels of depth and detail corresponding to the different levels and categories indicated in the application of this policy by the Unit of Environmental Risk.

EXCLUSION LIST

BancoEstado has set forth to abstain from participating at funding business that, within their main activity, produce or market the following goods and/or services:

- Production or marketing of any product considered illegal under the Chilean law.
- Production or marketing of radioactive materials. This rule does not apply to the purchase of medical equipment.
- Unlimited production or marketing of asbestos fiber. This rule does not apply to the purchase and limited use of asbestos in cement sheets where asbestos does not exceed 20%
- Fishing with drifting net where the net exceeds 2.5 km. of length
- Production or activities that involve forced labor or child labor.
- Production or marketing of wood or other forest products without being from sustainably managed forests.





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