

SOCIAL, ENVIRONMENTAL, AND CLIMATE-RELATED RISKS POLICY



BancoEstado
desde 1855





OBJECTIVE & SCOPE

BancoEstado's Social, Environmental, and Climate-related Risks Policy declares the **institution's commitment and interest** in promoting and encouraging responsible management in the companies and projects financed by the Bank, **being relevant for its credit decisions** that its borrowers have formal procedures and instances of social and environmental management, and that they consider the effects of Climate Change favoring the transition to a low carbon economy, in such a way that they minimize, control and adequately manage the negative impacts that their economic and financial activities may have on ecosystems and communities.

The scope of application of the **Social, Environmental, and Climate-related Risks Policy** is for those companies and/or financing whose social and environmental impacts are significant, or whose economic activity is within the sectors of greatest impact defined in the Social and Environmental Risks Admission Manual, focusing on the business segments of BancoEstado's Wholesale Banking.



LEGAL FRAMEWORK & REFERENCES

BancoEstado's Social, Environmental and Climate-related Risks Policy considers the provisions of national legislation on these matters, **especially Law No. 19,300 on General Bases 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 **determine, evaluate and manage the social and environmental risks of the projects**, some international standards citing, as an example, Equator Principles, IFC Performance Standards, among others, without prejudice that its interpretation, application and scope, will depend on the definitions and updates that are explicitly established in this Policy.

Other Agreements, Initiatives and Standards taken into consideration in this Policy include Green Deal (2019) and Task Force on Climate-Related Financial Disclosure (TCFD) recommendations.

APPLICATION & RESPONSIBLE PARTIES

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

To facilitate the application of this Policy by all the areas involved, the Wholesale Risk Management makes available the [Social and Environmental Risks Admission Manual](#), whose application and updating is the responsibility of the Environmental Risk Unit, which reports to the Wholesale Risk Management.



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POLICY DESCRIPTION

The formulation of this Policy takes into consideration that companies, both in their current activities and in the new investment projects they undertake, generate externalities and environmental and social impacts, affecting both the environment in which they are located and the communities in which they are immersed.

An integral vision of the economic and financial results of a project or the management of a company must therefore consider the environmental and social consequences of its actions, and the climatic factors that could affect its activity. It is for this reason that BancoEstado has proposed to incorporate into the credit process of the companies mentioned in the scope of this policy, a vision of the environmental and social actions and results of the companies.

This new commitment is embodied in this "[Social, Environmental, and Climate-related Risks Policy](#)", which formally establishes BancoEstado's willingness to advance in the [incorporation of social, environmental and climate change variables in its credit process](#), aspiring to comprehensively evaluate the operations financed, requiring that they have, in addition to the economic and financial indicators that are relevant to the company's business, in addition to the economic and financial indicators mentioned in its Credit Risk Policy, [a set of responsible practices and behaviors with the communities and the environment](#), aimed at controlling and managing the adverse impacts that its operations may cause on them, as well as mechanisms for mitigating and adapting to Climate Change.

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, will be the accreditation by the borrower of a relevant environmental management appropriate to the nature and scale of the proposed project, in strict compliance with the environmental legislation of the country.



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It will also be relevant for the Bank's approval that in the gestation and development of the project, the needs of the communities and localities where they are developed have been considered, in accordance with the requirements of current legislation, and what in the Bank's judgment reflects the best practices in this area.

To ensure responsible management in environmental and social matters of the clients defined in the scope of this Policy, the Wholesale Risk Management, through the Environmental Risk Unit, will classify the environmental risk category of the companies and projects of these clients, using the Equator Principles as a guide for their categorization.

Agile and expeditious procedures, appropriate to each environmental risk category, shall be established for the recommendation of the environmental qualification of clients by the Environmental Risk Unit.

In the case of projects and clients in the higher environmental risk category, the company must be required to have adequate resources and organization so that these impacts are reduced, mitigated and/or compensated appropriately, in consideration of the provisions of Law 19,300 and its amendments, and to prove compliance with the requirements and mitigating factors associated with the Environmental Qualification Resolution (RCA) that authorized the project.

Notwithstanding the foregoing, BancoEstado reserves the right to hire an environmental consultant, which will be charged to the client, to be directly informed of the social and environmental impacts of a project, for which the company must undertake to provide the necessary information, allow a visit to its facilities and, if necessary, allow an audit of the environmental impact assessment process presented.

Additionally, in those cases that merit it according to their social and environmental risk category, BancoEstado will follow up on the compliance of its clients with environmental regulations.

SUMMARY & CONCLUSION

The purpose of BancoEstado's Social, Environmental, and Climate-related Risks Policy is to ensure that **clients who are the object of financing develop their activities in a socially responsible manner**, with an environmental management that minimizes negative impacts on ecosystems and communities, and that takes into consideration mechanisms for mitigating and adapting to Climate Change.

With this new approach, BancoEstado intends **to contribute to the achievement of responsible development by its clients**, in terms of both environmental and social impacts, as well as to favor the transition to a low-carbon society.



INFORMATION REQUIREMENT

The clients indicated in the Objective and Scope of this Policy shall be obliged to provide the Bank with the information on their business and production processes that it is necessary to know, in the levels of depth and detail corresponding to the different levels and categories indicated by the application of this Policy by the Environmental Risk Unit.

EXCLUSION LIST

BancoEstado has decided to refrain from participating in financing to companies that, as part of their main activity, produce or commercialize the following goods and/or services:

- Production or commercialization of any illegal product considered under Chilean law.
- Production or commercialization of radioactive materials. This does not apply to the purchase of medical equipment.
- Unlimited production or commercialization of asbestos fiber. This does not apply to the purchase and limited use of asbestos in cement sheets in which asbestos does not exceed 20%.
- Marine drift net fishing where the net exceeds 2.5 km in length.
- Production or activities involving forced or child labor.
- Production or commercialization of timber or other forest products that do not come from sustainably managed forests.

MONITORING & SUPERVISION OF THE POLICY

It is the responsibility of the Corporate Sustainability Committee to ensure the correct application and implementation of this Policy.





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