

Banco del Estado de Chile

Type of Engagement: Annual Review

Date: 29 December 2023

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Introduction

In November 2023, Banco del Estado de Chile (“BancoEstado”) issued Sustainability Bond (the “2023 Sustainability Bond”) to finance or refinance projects aimed at advancing the shift to a low-carbon economy. In December 2023, BancoEstado engaged Sustainalytics to review the projects financed with proceeds from the Sustainability Bond (the “Nominated Projects”) and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the BancoEstado Sustainability Financing Framework 2021 (the “Framework”)¹ which is an update of the Banco del Estado de Chile Social Bond Framework 2018.² Sustainalytics provided a Second-Party Opinion on the Framework in January 2018³ and an update to it in December 2021.⁴ This is Sustainalytics’ second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in March 2019.

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Green Buildings e.g., green mortgage credits (Crédito para Ecoviviendas)	Financing/investments related to the acquisition of homes with an energy efficiency rating ⁵ (Calificación Energética de Viviendas) of C or superior, validated by the Ministry of Housing and Urban Planning (MINVU). The C rating category is given to homes with ex-post energy savings over 40% compared to an average baseline consumption of 19.200 kWh/year.	<ol style="list-style-type: none"> i. Number of mortgages extended ii. Estimation of annual energy savings (MWh) iii. Estimation of annual Greenhouse Gas (GHG) emissions reduced or avoided (tCO₂e)
Renewable Energy e.g., Loans for Green Energy (Crédito para Energías Limpias)	Financing/investments related to renewable energy including: <ol style="list-style-type: none"> i. Solar power (photovoltaic and CSP) ii. Wind power (onshore and offshore) iii. Small-scale hydropower (<25MW) with the life-cycle GHG emissions <100gCO₂e/kWh 	<ol style="list-style-type: none"> i. Installed capacity (MW) ii. Estimation of annual Greenhouse Gas (GHG) emissions reduced or avoided (tCO₂e)

¹ BancoEstado, “Sustainable Financing Framework”, (2021), at:

<https://investor.bancoestado.cl/sites/default/files/content/documents/BancoEstado%20Sustainability%20Financing%20Framework.pdf>

² BancoEstado, “Social Bond Framework”, (2018), at: https://investor.bancoestado.cl/sites/default/files/content/documents/bancoestado-social-bond-spo-%28eng%29_0.pdf

³ Sustainalytics, “Second-Party Opinion, BancoEstado Social Bond Framework”, (2018), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/bancoestado-social-bond-spo-final-04262018.pdf?sfvrsn=b4e5da85_3

⁴ Sustainalytics, “Second-Party Opinion, BancoEstado Sustainable Financing Framework”, (2021), at: <https://investor.bancoestado.cl/documents/green-and-social-bond/bancoestado-sustainability-financing-framework-spo>

⁵ BancoEstado, “Energy Efficiency Ratings”, at: <https://www.calificacionenergetica.cl/como-se-obtiene-la-letra-de-la-calificacion-energetica/>

	<p>iv. Non-waste and waste (limited to forestry and agricultural residues) biomass operating at life-cycle GHG emissions <100gCO₂e/kWh with feedstock not derived from sources that compete with food sources or carbon pools such as high biodiversity value land. Additionally, when applicable, wood pellets are sourced from FSC or PEFC-certified operations.</p>	
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Issuer’s Responsibility

BancoEstado is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the 2023 Sustainability Bond. The work undertaken as part of this engagement included collection of documentation from BancoEstado and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by BancoEstado. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by BancoEstado.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁶ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the Nominated Projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. BancoEstado has disclosed to Sustainalytics that the proceeds from the 2023 Sustainability Bond were fully allocated as of November 2023.

⁶ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Projects to determine if impact of projects was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

Appendix

Appendix 1: Allocation and Reported Impact

In November 2023, BancoEstado issued Sustainability Bond and raised 38.124 million Chilean pesos. 100% of the proceeds were allocated as of November 2023 to finance new projects or refinance existing projects.

Table 3: 2023 Sustainability Bond allocation and reported impact.

Use of Proceeds Category	Environmental Impact Reported	Net Proceeds Allocation Chilean Pesos (millions)
Green Buildings	<p>A total of 303 mortgages were extended, based on energy efficiency ratings for green buildings.</p> <ul style="list-style-type: none"> i. Of which 22 mortgages were allocated to buildings with an energy efficiency rating of A. ii. 57 mortgages were allocated to buildings with an energy efficiency rating of B. iii. And 224 mortgages were allocated to buildings with an energy efficiency rating of C. 	18.288
Renewable Energy	Installed wind power projects with capacity of 348 MW	19.835
Total Proceeds Allocated (Chilean Pesos in millions)		38.124

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