

Second-Party Opinion

BancoEstado Sustainability Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the BancoEstado Sustainability Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Micro, Small and Medium-sized Enterprises, Woman Entrepreneurs, Social and Affordable Housing, Access to Banking Services and Technological Support to Financial Inclusion, Natural and Health Disaster Alleviation Efforts, Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Land Use, and Circular Economy – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 5, 7, 8, 9, 11, 12, and 15.



PROJECT EVALUATION / SELECTION BancoEstado’s Sustainable Finance Coordination Working Group (SFCWG) will be responsible for evaluating and selecting eligible assets. BancoEstado has internal procedures in place to identify and manage environmental and social risks associated with assets financed, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS BancoEstado’s Finance Department will oversee the allocation of proceeds to eligible assets and will track the allocation of net proceeds through its annual financial audit process. BancoEstado commits to allocate net proceeds to eligible projects within 36 months of issuance on a best-effort basis. Pending allocation, unallocated proceeds will be held temporarily in cash or other liquidity instruments in BancoEstado’s treasury liquidity portfolio. This is in line with market practice.



REPORTING BancoEstado intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the total amount of bond proceeds allocated, in whole or in part, to each eligible assets, the progress of assets financed, and the balance of unallocated net proceeds. In addition, Banco Estado is committed to reporting on relevant impact metrics. Sustainalytics views BancoEstado’s allocation and impact reporting as aligned with market practice.

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Issuer Location	Santiago, Chile

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Introduction

Banco del Estado de Chile (“BancoEstado” or the “Bank”) is a state-run bank wholly owned by the Republic of Chile. Founded in 1953, the Bank serves 13 million people, institutions and organizations, providing financial services, with an emphasis on the unbanked and on micro, small and medium-sized enterprises.

BancoEstado has developed the BancoEstado Sustainability Financing Framework (the “Framework”) under which it intends to issue sustainability bonds and loans, and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to advance the shift to a low-carbon economy and generate positive social impacts in Chile. The Framework defines eligibility criteria in eleven areas:

1. Micro, Small and Medium-Sized Enterprises
2. Woman Entrepreneurs
3. Social and Affordable Housing
4. Access to Banking Services and Technological Support to Financial Inclusion
5. Natural and Health Disaster Alleviation Efforts
6. Green Buildings
7. Renewable Energy
8. Energy Efficiency
9. Clean Transportation
10. Sustainable Land Use
11. Circular Economy

BancoEstado engaged Sustainalytics to review the BancoEstado Sustainability Financing Framework, dated December 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG)¹, Green Bond Principles 2021 (GBP)², Social Bond Principles 2021 (SBP)³. The Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of BancoEstado’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. BancoEstado representatives have confirmed that: (1) they understand it is the sole responsibility of BancoEstado to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-100621.pdf>.

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>.

³ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-100621.pdf>.

⁴ The BancoEstado Sustainability Financing Framework is available on Banco Estado’s website at: <https://investor.bancoestado.cl/>.

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

all relevant information, and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and BancoEstado.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that BancoEstado has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the BancoEstado Sustainability Financing Framework

Sustainalytics is of the opinion that the BancoEstado Sustainability Financing Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of BancoEstado's Sustainability Finance Framework:

- Use of Proceeds:
 - The eligible categories – Micro, Small and Medium-sized Enterprises, Woman Entrepreneurs, Social and Affordable Housing, Access to Banking Services and Technological Support to Financial Inclusion, Natural and Health Disaster Alleviation Efforts, Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Land Use, and Circular Economy – are aligned with those recognized by the GBP and SBP.
 - The Framework defines a look-back period of 36 months for refinancing activities, which is in line with market practice.
 - Within the Micro, Small and Medium-sized Enterprises (MSMEs) category, BancoEstado may provide loans dedicated to microfinance, and small and medium-sized businesses.⁶ For microfinance, BancoEstado specified that it may offer loans to individuals that meet criteria to be considered micro or small business,⁷ i.e. constituting an EIRL (limited responsibility company). Eligible businesses in the category must be in rural or remote regions of Chile, where credit conditions are more restrictive. Sustainalytics considers the recipients and target areas to be in line with market practice.
 - Within the Women Entrepreneurs category, BancoEstado may finance women entrepreneurs⁸ and SMEs majority-owned or majority-managed by women (where majority means more than

⁶ For indicative purposes, BancoEstado defines small and medium enterprises as those with annual sales comprised between CLF 5,000 and CLF 100,000 (from USD 187,000 to USD 3,750,000 eq.). Such thresholds will be communicated by BancoEstado ahead of each issuance as they are subject to regular change.

⁷ For indicative purposes, BancoEstado defines micro enterprises as those with annual sales up to CLF 5,000 (USD 187,000 eq.). Such thresholds will be communicated by BancoEstado ahead of each issuance as they are subject to regular change.

⁸ Any women 18 years or older that operates her own enterprise.

- 50%). Sustainalytics views the criteria to be aligned with market expectations and considers that lending to women-owned MSMEs may help promote gender inclusion.
- Under the Social and Affordable Housing category, the Bank may provide mortgages to low- and middle-income households in tranches 40 to 80, as classified under the Chilean government's socio-economic assessment.⁹ Households in the 40 to 70 tranches are the most vulnerable and make part of the low-income segment. The households that fall between the 80 and 100 tranches are part of the middle-income segment.¹⁰
 - Section 3 expands on the rationale of providing mortgages to middle-income segments in the Chilean context. However, Sustainalytics considers market practice to limit the provision of mortgages to low-income population and notes that the Framework allows eligibility to households between tranches 40 and 80 of the Chilean socio-economic qualification. Sustainalytics considers the inclusion of middle-income households to be a deviation from market practice.
 - In addition, Sustainalytics considers it a market expectation to ensure such lending is provided with low-interest rates and to disclose such rates. The absence of assurance and disclosure regarding interest rates and assurance represents a limitation to the Framework.
 - The Bank has shared its lending policies that seek to avoid predatory lending and prevent borrowers from over-indebtedness, which Sustainalytics views as a key component of sustainable consumer lending. Please refer to Section 2 for additional details.
 - Within the Access to Banking Services and Technological Support to Financial Inclusion category, the Bank may provide essential banking services to populations living in rural or remote regions, namely extreme regions located in the far south and far north of Chile.
 - Sustainalytics recognizes that these regions have historically experienced lack of infrastructure and economic development and higher unemployment and living costs.¹¹ In addition, rural areas experience lower banking integration; the average household that uses financial products has a global inclusion index¹² of 42.8, compared to 18.1 for rural households, indicating that rural households have lower levels of financial inclusion than the average population.¹³
 - In this context, BancoEstado intends to finance financial services, including cash withdrawals, deposits and transfers, as well as non-financial services, such as bill payments. For example, the Bank has started the CuentaRUT programme, providing debit cards with no monthly commission, opening access to banking deposits, transfers and withdrawals.¹⁴ Sustainalytics considers the expenditures to be aligned with market practice.
 - Under the Natural and Health Disaster Alleviation Efforts category, BancoEstado may provide loans to MSMEs located in areas adversely affected by natural and health disasters, such as floods, droughts and pandemics, in accordance with its internal policies. Sustainalytics considers the expenditures to be aligned with market practice.
 - Under the Green Buildings category, the Bank may finance buildings that have achieved a Calificación Energética de Viviendas rating C or above. Sustainalytics notes that a building with

⁹ The Bank will establish internal criteria for loans dedicated to social housing based on the Chilean government's socio-economic qualification for those who are registered with the government's Social Registry of Households (*Registro Social de Hogares*). The socio-economic qualification is prepared for applicants as part of the socio-economic assessment, and it separates households into tranches based on their family formation, educational attainment, housing conditions, total income, physical and mental health, and access to social security. More information about the process is available (in Spanish) on the website of the Social Registry of Households at: http://www.registrosocial.gob.cl/docs/Orientaciones-complementarias-N8_calculo-CSE_VF.pdf.

¹⁰ The tranches do not apply to the whole Chilean population, i.e., the 100 tranche does not correspond to the top 9% richest households in Chile.

¹¹ Correa, L., et al., (2014), "Economic invisibility of Chile's end regions", at: https://www.scielo.cl/scielo.php?script=sci_arttext&pid=S0719-09482014000200008

¹² The global inclusion index is calculated as a simple average of the following variables: percentage of the population over 15 years of age that holds an account in a formal financial institution, uses the ATM as the main means of withdrawal, has a debit card, had a loan from a financial institution during the previous year, had money saved in a financial institution the previous year and owns a credit card. More information will be available at: https://repositorio.cepal.org/bitstream/handle/11362/42639/1/S1700575_en.pdf.

¹³ United Nations ECLAC, "Financial inclusion of small rural producers", (2017), at: https://repositorio.cepal.org/bitstream/handle/11362/42639/1/S1700575_en.pdf

¹⁴ More information about financial products such as Caja Vecina, Cuenta RUT and Compra Aquí will be available at: <https://www.corporativo.bancoestado.cl/acerca-de-bancoestado/responsabilidad-social/inclusion-financiera>

rating C represents between 40% and 55% energy savings in comparison with the baseline.¹⁵ Sustainalytics considers the Calificación Energética de Viviendas certification scheme to be credible and aligned with market practice. Please refer to Appendix 1 for an overview of Sustainalytics assessment.

- Under the Renewable Energy category, the Bank may finance renewable energy technologies, including solar photovoltaic, CSP, onshore and offshore wind power, small hydropower (<25 MW), and biomass.
 - BancoEstado has communicated to Sustainalytics that eligible CSP plants will not rely on a fossil fuel backup for electricity generation.
 - The Bank has confirmed to Sustainalytics that the hydropower projects will be subject to an ESG assessment as part of the Bank's Social and Environmental Policy. Sustainalytics considers this to adequately address material risks related to new hydropower facilities financed, refer to section 2 for further discussion.
 - The Bank intends to finance electricity generation from bioenergy, including waste and non-waste feedstocks. Waste feedstocks are limited to forestry and agricultural residues, while non-waste feedstock is limited to wood pellets sourced from FSC or PEFC-certified operations. In addition, feedstock will not be derived from sources that compete with food sources or carbon pools such as high biodiversity value land. Sustainalytics notes the emission threshold criterion limiting eligibility to facilities operating at life cycle GHG emissions below 100 gCO₂e/kWh. Sustainalytics considers the criteria as aligned with market practice. For Sustainalytics' assessment on the certifications, please refer to Appendix 2.
- Under the Energy Efficiency category, the Bank may provide loans for energy efficiency projects validated by the Agencia de Sostenibilidad Energética (ASE) or the Servicio de Evaluación Ambiental (SEA). Project examples includes the following:
 - Non-Conventional Renewable Energies (NCRE) projects for SMEs, limited to wind, solar and small-scale hydropower projects (<25 MW).
 - Electric heat pump, thermal insulation of ceilings, walls and windows, efficient lighting (LED) and smart meters for ensuring energy efficiency at home and office.
 - BancoEstado confirmed that the projects financed under this category will not be primarily powered by fossil fuel.
 - Sustainalytics considers the projects as aligned with market practice and encourages the Bank to report on estimated or achieved energy efficiency on a portfolio basis, where feasible.
- Under the Clean Transportation category, the Bank may finance public and private means of transportation and related infrastructure, including electric and hydrogen-powered trams, buses and other private vehicles.
 - The Framework includes a maximum emission threshold of 50 gCO₂/pkm for public and private transportation assets, which is in line with market practice.
 - The Bank may also finance electric charging stations.
 - Sustainalytics considers the activities and applicable emission threshold aligned with market practice.
- In the Sustainable Land Use category, the Bank may finance the following activities:
 - Construction and rehabilitation of micro-irrigation dedicated to crop farms and drainage work, as well as technical micro-irrigation for crop farms. The Bank has specified that irrigation systems will be energy efficient and include localized, low volume irrigation projects that use technology to optimize water use. These expenditures are aligned with market practice.
 - Certified organic agriculture, based on certifications such as BCS-OEKO and Bio Latina.
 - Management plans for soil degradation of agricultural land only using fertilizers accepted in organic farming. The Bank has confirmed that the expenditures will exclude livestock farming and the use of synthetic fertilizers.

Sustainalytics considers the certifications under organic agriculture to be credible. Refer to Appendix 3 for Sustainalytics' assessment of organic agriculture certifications and forestry certifications. Nevertheless, Sustainalytics notes that it is market practice to provide

¹⁵ Baseline is a home built according to the current construction standard *Ordenanza General de Urbanismo y Construcciones* <https://www.calificacionenergetica.cl/como-se-obtiene-la-letra-de-la-calificacion-energetica/>.

transparency on the intended schemes, therefore, Sustainalytics encourages BancoEstado to provide disclosure on any certifications that it intends to treat as “equivalent” for the purposes of determining eligibility, and notes that Sustainalytics’ opinion does not apply to schemes other than those defined within the Framework.

- Within the Circular Economy category, the Bank may finance the following activities:
 - R&D for products, processes and technologies using bio-based materials certified by the Roundtable on Sustainable Biomaterials (RSB) or equivalent.
 - Procurement of recycled, waste, resource-efficient and certified bio-based materials as inputs. The Bank has confirmed that it will ensure sustainable sourcing of the bio-based raw materials.
 - Resource-efficient production processes based on eco-design.¹⁶
 - Resource-efficient production process for low-carbon products that are certified by the RSB or equivalent.
- Sustainalytics considers the RSB certification scheme to be credible, and notes that it is market practice to provide transparency on the intended schemes. Therefore, Sustainalytics encourages BancoEstado to provide disclosure on any certifications it intends to treat as “equivalent” for the purposes of determining eligibility, and notes that Sustainalytics’ opinion does not apply to schemes other than those defined within the Framework. Please refer to Appendix 3 for Sustainalytics’ assessment of the scheme.
- Project Evaluation and Selection:
 - The SFCWG will be responsible for evaluating and selecting eligible projects. The SFCWG is comprised of relevant members from different business units who will review and provide final approval for proposed projects that comply with the Framework’s eligibility criteria.
 - The Bank has established an internal process for conducting sustainability due diligence that follows the IFC’s Environmental, Health and Safety Guidelines, and other local guidelines. The Bank also has an exclusion list for investments involving the manufacturing or trading of products that are prohibited under Chilean law and violate the Montreal Protocol. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional, details please refer to Section 2.2.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - BancoEstado’s Finance Department will oversee the process of validating and monitoring the allocation of net proceeds to the eligible assets. The Bank will track the allocation of net proceeds to eligible assets through its annual financial audit process. If an asset ceases to fulfil the eligibility criteria outlined in the Framework, the Bank will strive to replace it with other assets that meet the Framework’s eligibility criteria.
 - The Bank commits to allocate net proceeds to eligible projects within 36 months of issuance on a best effort basis. Pending allocation, unallocated proceeds will be held temporarily in cash or other liquidity instruments in the Bank’s treasury liquidity portfolio.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - BancoEstado intends to report on the allocation and impact of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the total amount of bond proceeds allocated, in whole or in part, to each eligible project category, the progress of projects financed, and the balance of unallocated net proceeds.
 - In addition, BancoEstado is committed to reporting on relevant impact metrics, subject to availability. Impact metrics may include information such as the number of MSMEs supported, number of dwellings, estimation of annual energy savings, as well as tonnes of CO₂ avoided.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

¹⁶ The Framework defines eco-design as the integration of environmental aspects into the product development process, by balancing ecological and economic requirements. Eco-design considers environmental aspects at all stages of the product development process, striving for products which make the lowest possible environmental impact throughout the product life cycle, as defined by the European Environment Agency. More information is available at: <https://www.eea.europa.eu/help/glossary/eea-glossary/eco-design>.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the BancoEstado Sustainability Financing Framework aligns with the four core components of the GBP and SBP, which also apply to sustainability bonds. For detailed information please refer to Appendix 4: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of BancoEstado

Contribution of the Framework to BancoEstado's sustainability strategy

Sustainalytics is of the opinion that BancoEstado demonstrates a commitment to sustainability with a focus on the following key environmental and social areas: (i) carbon neutrality, (ii) social and financial inclusion, and (iii) responsible, integral and transparent action.¹⁷ BancoEstado established a Corporate Sustainability Policy in 2019 that integrates ESG principles into the Bank's operations and aims to address challenges related to responsible business practices, sustainable finance, financial inclusion and environmental issues.¹⁸ The Bank has instituted a Corporate Sustainability Committee that is responsible for implementing the policy's commitments, setting appropriate management measures and monitoring performance of the Bank on its sustainability policy and commitments on a regular basis.¹⁹

The Bank also offers a wide range of sustainable finance products under its Mundo Verde range.²⁰ The Green Mutual Fund (*Fondo Mutuo Verde*) for individual investors, for example, invests in companies that follow environmental or social criteria and whose services aim at protecting the environment and the social well-being of people. In 2020, the Green Mutual Fund received CLP 860 million (USD 1.02 million) in investments from 251 people. The Green Mutual Fund has a mixed composition of debt and shares, and invests at least 60% of its assets in certified sustainable or climate change conscious instruments. Other green financing products of BancoEstado include the Eco-housing mortgage loan, the Clean Energy and Energy Efficiency loan, the Electro-mobility loan and the Energy Saving Insurance programme; all of which provide financing for customers looking at sustainability improvements to their homes or lifestyle purchases, like electric and hybrid vehicles. The Bank's Ecovivienda mortgage credit has provided financing for more than 1,500 energy-efficient homes, 66% of which for low-income families.²¹ The Bank is also a member of the Net-Zero Banking Alliance initiative²², and aims to achieve carbon neutrality by aligning GHG emissions²³ from its lending and investment portfolio with a net zero pathway by 2030.²⁴ Furthermore, two subsidiaries of the bank, BancoEstado Microempresas and CajaVecina, are certified as B Corporations²⁵.

BancoEstado has also undertaken diversity and inclusion initiatives and developed social and financial inclusion programmes under its sustainability policy.²⁶ In 2020, the Bank provided more than 24 million transfers to individuals in bonds and other benefits under different programmes, including COVID Bond, Solidarity Loans Programme, Guaranteed Minimum Income and Family Income Bond.²⁷ In 2020, BancoEstado advanced 156,241 loans through the Fogape Covid-19 credit line, mostly to micro and small businesses.²⁸ In 2020, the Bank's Emprende programme registered more than 125,000 micro and small entrepreneurs, who received education on financial products, services, risks and opportunities, including a special programme aimed at empowering women entrepreneurs in Chile.²⁹ The Emprende program is a platform that supports entrepreneurship with the objective of financial education of entrepreneurs, helping them become more aware of financial risks and opportunities. In 2020, this program registered 126,693 entrepreneurs.

¹⁷ BancoEstado, "Corporate Sustainability Policy" at: <https://www.corporativo.bancoestado.cl/pdf/view>

¹⁸ Ibid.

¹⁹ BancoEstado, "Corporate Sustainability Policy" p. 14 at: <https://www.corporativo.bancoestado.cl/pdf/view>

²⁰ BancoEstado, "Integrated Annual Report 2020" p. 185, at:

https://www.corporativo.bancoestado.cl/sites/default/files/documentos_archivos/Memoria%20BE%202020.pdf

²¹ BancoEstado, "Integrated Annual Report 2020" pp. 186-187, at:

https://www.corporativo.bancoestado.cl/sites/default/files/documentos_archivos/Memoria%20BE%202020.pdf

²² UNEP FI, "Net Zero Banking Initiative" at: <https://www.unepfi.org/net-zero-banking/>

²³ GHG emissions refer to the Bank's scope 1, 2 and 3 emissions, with scope 3 emissions including indirect GHG emissions, where significant, and where data allows.

²⁴ BancoEstado, "Integrated Annual Report 2020" p. 190, at:

https://www.corporativo.bancoestado.cl/sites/default/files/documentos_archivos/Memoria%20BE%202020.pdf

²⁵ Sistema B, "Certifying as a B Corporation", at: <https://www.sistemab.org/en/b-certification/>

²⁶ BancoEstado, "Integrated Annual Report 2020", at:

https://www.corporativo.bancoestado.cl/sites/default/files/documentos_archivos/Memoria%20BE%202020.pdf

²⁷ Ibid.

²⁸ BancoEstado, "Fogape Reactiva" at: https://www.bancoestado.cl/imagenes/_campanas/contingencia/fogape-reactiva.asp

²⁹ BancoEstado, "Emprende De BancoEstado" at: <https://emprendebancoestado.cl/>

Sustainalytics is of the opinion that the BancoEstado Sustainability Financing Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects include land use and biodiversity issues related to the construction of large-scale infrastructure projects, worker health and safety, community relations, and financial risks for borrowers, such as over-indebtedness and predatory lending. Sustainalytics is of the opinion that BancoEstado is able to manage or mitigate potential risks through implementation of the following:

Sustainalytics is of the opinion that BancoEstado is able to manage or mitigate potential risks through implementation of the following policies, processes and regulations:

- BancoEstado has implemented a Social and Environmental Risk Policy (*Política de Riesgos Sociales y Ambientales*) responsible for managing socio-environmental risks during credit appraisal processes.³⁰ The policy applies to businesses and projects whose social and environmental impacts are significant or are in sectors that create more impact, primarily focusing on corporate, large businesses, real estate and project finance. The Bank aims at ensuring that borrowers have formal procedures and E&S risk management policies to minimize, control and manage the potential negative externalities of their activities. For example, the Bank requests borrowers to consider the needs of local communities during project execution and management. In addition, the Bank's guidelines for social and environmental risks follow the IFC's Environmental, Health, and Safety Guidelines and other local guidelines.
- To better manage environmental and biodiversity risks, the Bank's Social and Environment Risk Policy also excludes lending for the following: illegal products, radioactive materials (except medical equipment), asbestos fibre (except cements sheets with a concentration lower than 20%), marine fishing with a driftnet of more than 2.5 km in length, activities involving forced labour or child labour and wood or other forest products not from sustainably managed forests.³¹
- Regarding worker health and safety, BancoEstado has developed the BancoEstado Operational Risk Control Management System that designs action plans, supervises practices, processes, facilities, and workstations to detect health risks, avoid occupational accidents and occupational diseases. Sustainalytics acknowledges the Bank's internal worker health and safety policy does not cover projects' risks but recognizes that the Bank is not directly responsible for worker health and safety during projects execution.
- BancoEstado conducts credit risk assessments as part of its Credit Policy to ensure that borrowers are not excessively indebted, and loans are only provided to borrowers that can demonstrate their ability to repay loans through disposable income. Additionally, the Bank evaluates applicants for mortgage loans using the Mortgage Loan Sale System to mitigate predatory lending risk by assessing the borrower's employment status, net income, and debt ratios.³²

Based on these policies, standards and assessments, Sustainalytics is of the opinion that BancoEstado has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All eleven use of proceeds categories are aligned with those recognized by GBP and SBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

³⁰ BancoEstado, "Política de Riesgos Sociales y Ambientales", (2021), at:

https://www.corporativo.bancoestado.cl/sites/default/files/Politica_RiesgoSocialAmbiental_06.2021.pdf

³¹ BancoEstado, "Corporate Sustainability Policy", at https://www.banktrack.org/download/corporate_sustainability_policy_4

³² Sustainalytics confidentially reviewed BancoEstado's Credit Policy and the evaluation guidelines for mortgage credit.

Contribution of social housing in alleviating living standards for the poor in Chile

A variety of socioeconomic factors in the Chilean market have contributed to a continued rise in prices, a housing shortage, increasing socio-economic disparity, segregation and exclusion. In 2017, the housing deficit reached 739,603 units, an increase of 13% over 2015, affecting low-income households the most.³³ In 2017, low-income households accounted for 72% of the total housing deficit, followed by middle-income families at 25% and high-income families at 3%.³⁴ Moreover, land prices continue to push people living on low incomes from established metropolitan areas to locations that lack urban infrastructure, services and amenities.³⁵

In an effort to expand affordable housing, the Chilean government established the Housing Choice Solidarity Fund Programme known as Subsidio D.S. 49 in 2011, which consists of grants to promote homeownership and subsidies directed at households in the lowest income quintile, covering nearly the entire cost of the dwelling.³⁶ Additionally, the government developed the Integrated Housing Subsidy System known as D.S. 1, which is targeted towards low- to middle-income households.³⁷ The funds from the subsidy programmes are distributed depending on an applicant's vulnerability score,³⁸ using the government's socio-economic assessment,³⁹ which classifies households on tranches based on their family formation, educational attainment, housing conditions, total income, physical and mental health, and access to social security. Furthermore, in 2021, the Ministry of Housing and Urban Development announced USD 5.2 billion for construction projects to build around 70,000 homes primarily for low- and middle-income families.⁴⁰

Considering the above, and highlighting BancoEstado's investments under the Framework, Sustainalytics is of the opinion that the social housing use of proceeds category is expected to create positive social impact by helping to increase the availability and accessibility of affordable housing in Chile, as well as helping to promote enhanced living conditions and housing security among the Chilean population.

Contribution of renewable energy towards Chile's transition to a low-carbon future

In 2020, renewable energy accounted for more than 47% of Chile's total electricity generation.⁴¹ On the other hand, Chile continues to rely heavily on fossil fuels to meet its energy demands, with renewable energy growth remaining relatively stagnant over the last two decades. Between 2010 and 2020, the electricity generation from renewable generation merely increased by 7%, highlighting the considerable scope for Chile to target more ambitious growth in renewables.⁴² In 2019, the Chilean government announced the closure of eight coal power plants by 2024, with the target of closing all coal power plants by 2040. In the same year, as a signatory to the Paris Agreement, Chile committed to reduce absolute CO₂ emissions by 95 MtCO₂e by 2030 and to achieve carbon neutrality by 2050.⁴³ As part of these efforts, Chile passed Law 20/25, which promotes the diversification of Chile's energy mix through the roll-out of non-conventional renewable energy and phasing out coal by 2040.^{44,45} With over 78% of GHG emissions in Chile coming from the energy sector, investment in the development of renewable energy projects has the potential to significantly reduce national GHG emissions. In order to achieve carbon neutrality, Chile has set targets for achieving 20% of its energy mix and 45% of all electric generation capacity from renewable sources by 2025.⁴⁶

Chile's 2018 Energy Policy identified solar and wind power as having the greatest potential impact for reaching the country's climate change goals, identifying the Atacama Desert's ideal conditions for renewable energy

³³ Chilean Chamber of Commerce, "Deficit housing: A challenge earring", at: <https://cchc.cl/2019/deficit-habitacional>

³⁴ Ibid.

³⁵ Jiménez, D. et al. (2021), "The Social Housing Crisis and the Barriers to Developing Dementia-Friendly Communities in Chile", *Frontiers in Public Health*, at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8421564/>

³⁶ OECD, "Housing policy in Chile", at: <https://www.oecd-ilibrary.org/docserver/5jm2hzbnnq33-en.pdf?expires=1638169480&id=id&accname=quest&checksum=B54BBE85748BE673AFA2368292D37B67https://www.oecd-ilibrary.org/docserver/5jm2hzbnnq33-en.pdf?expires=1638169480&id=id&accname=quest&checksum=B54BBE85748BE673AFA2368292D37B67>

³⁷ Ibid.

³⁸ Jiménez, D. et al. (2021), "The Social Housing Crisis and the Barriers to Developing Dementia-Friendly Communities in Chile", *Frontiers in Public Health*, at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8421564/>

³⁹ Ibid.

⁴⁰ Chile Reports, "Chilean Government's Economic Recovery Plan creates over 100,000 jobs in the first quarter of 2021", at: <https://chilereports.cl/en/news/2021/05/30/chilean-government-s-economic-recovery-plan-creates-over-100-000-jobs-in-the-first-quarter-of-2021>

⁴¹ IEA, "Chile", (2020), at: <https://www.iea.org/countries/chile>

⁴² Ibid.

⁴³ UNFCCC, "Chile's Nationally Determined Contribution – Update 2020", at: https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Chile%20First/Chile%27s_NDC_2020_english.pdf

⁴⁴ Climate Action Tracker, "Chile", at: <https://climateactiontracker.org/countries/chile/>

⁴⁵ Bloomberg Law, "Chile to Phase Out Coal-Fired Power Generation by 2040", (2019), at: <https://news.bloomberglaw.com/environment-andenergy/chile-to-phase-out-coal-fired-power-generation-by-2040>

⁴⁶ Centre for Public Impact, "Clean energy targets in Chile: 20/25 and the contribution of solar power", (2016), at: <https://www.centreforpublicimpact.org/case-study/clean-energy-targets-chile-2025>

generation.⁴⁷ However, in view of the significant challenges to integrating its fragmented electricity grids, the Cardones-Polpaico transmission line, a 500 kV overhead line with a length of 753 km, started operating in 2019, under a total construction cost of USD 1 billion,⁴⁸ with the objective of integrating Chile's power grid and creating opportunities for increased investment in the country's renewable energy sector.⁴⁹

Sustainalytics notes that BancoEstado's financing and investments are expected to promote the adoption of renewable energy and support a shift towards a low-carbon economy in Chile.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The instruments issued under the BancoEstado Sustainability Financing Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Micro, Small and Medium-Sized Enterprises	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium sized enterprises, including through access to financial services
Woman Entrepreneurs	5. Gender Equality	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.
Social and Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Access to Banking Services and Technological Support to Financial Inclusion	1. No Poverty 8. Decent Work and Economic Growth 9. Industry, Innovation and Infrastructure	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all 9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
Natural and/or Health Disaster Alleviation efforts	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

⁴⁷ Gobierno de Chile, "Energy Policies Beyond IEA", (2018), at: <https://energia.gob.cl/sites/default/files/documentos/energy-policies-beyond-iea-countries-chile-2018-review.pdf>

⁴⁸ Statista, "Chile: Investments in clean energy 2010–2019", at: <https://www.statista.com/statistics/995750/investments-clean-energy-chile/>

⁴⁹ Invest Chile, "President Piñera inaugurates Cardones-Polpaico power transmission line: project represented foreign investment of US\$1,000 million", (2019), at: <https://investchile.gob.cl/president-pinera-inaugurates-cardones-polpaico-power-transmission-line-project-represented-foreign-investment-of-us1000-million/>

Green Buildings	11. Sustainable cities and communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Land Use	15. Life on Land	15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Circular Economy	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Conclusion


BancoEstado has developed the BancoEstado Sustainability Financing Framework under which it may issue sustainability bonds and loans and use the proceeds to finance a wide range of environmentally and socially impactful projects that are expected to advance the shift to a low-carbon economy and generate positive social impacts in Chile.

The BancoEstado Sustainability Financing Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for the Bank to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the BancoEstado Sustainability Financing Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories are expected to contribute to advancing the UN Sustainable Development Goals 1, 5, 7, 8, 9, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that BancoEstado has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that BancoEstado is well positioned to issue sustainability bonds and loans and that BancoEstado's Sustainability Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), and Sustainability Bond Guidelines (2021).

Appendices

Appendix 1: Sustainalytics Assessment on Green Building Scheme

	Calificación Energética de Viviendas (The Energy Rating of Buildings)⁵⁰
Background	The Energy Rating of Buildings is the tool developed by the Ministry of Housing and Urban Planning and the Ministry of Energy, to identify and evaluate, standardized and objectively, energy performance of homes built in Chile. In Chile, the Energy Rating of Housing has been applied voluntarily since 2011, being administered by the Ministry of Housing and Urbanism.
Certification levels	A+ A B C D E F G
Areas of Assessment: Environmental Performance of the Building	Energy efficiency of new residential buildings, which have obtained a building permit after January 2007.
Requirements	The Energy Efficiency Level is determined based on the relationship between the energy requirement of the home that is being rated and a reference home. Higher letter equals higher percentage of savings, which in turn means greater energy efficiency. The level is calculated by comparing the current house with a reference house, which is a house identical to the one evaluated in terms of its shape, dimensions, geographical location, internal gains and glazed surface. The design of the house to be qualified is compared with that of the reference house, which complies with the minimum requirements of the thermal regulations established in the OGUC regulations. This reference house uses, by default, liquefied gas and standard equipment for heating, lighting and domestic hot water.
Performance display	

⁵⁰ Calificación Energética de Viviendas (The Energy Rating of Buildings): <https://www.calificacionenergetica.cl/>

Appendix 2: Overview and Analysis of FSC and PEFC Certifications

FSC and PEFC are both based on rigorous standards and on a multi-stakeholder structure. Both organizations are in line with international norms such as the International Labor Organization (ILO) conventions, the Convention on Biological Diversity (CBD), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In addition to compliance with laws in the country of certification, both schemes have a set of minimum requirements that companies are required to meet to obtain and maintain certifications. These requirements include compliance with standards around sustainable management of forests, management of environmental impact of operations, preservation of biodiversity, management of socio-economic and community relations, and sourcing of sustainable wood (chain of custody). Furthermore, both FSC and PEFC require external annual audits to ensure compliance and achieve and maintain certification. Despite these similarities, PEFC has faced certain criticisms from civil society actors. These are highlighted below:

- (i) **Type of organization:** Since the FSC is an international labelling and certification system, it sets its own global standards. The PEFC, in contrast, is not a standard setter, but a mutual recognition scheme. The PEFC sets sustainability benchmarks according to international norms and endorses national certification schemes that comply with these benchmarks. A common criticism of this model is that it allows for more flexibility in the interpretation of international PEFC benchmarks as per regional, cultural, and socio-economic context, and results in the endorsement of less rigorous national certification schemes. However, the process for being endorsed by the PEFC is thorough; any national certification system seeking to obtain PEFC endorsement must submit to a comprehensive assessment process, including independent evaluation and public consultation. This evaluation of compliance with international PEFC benchmarks is carried out by independent, accredited certification organizations.
- (ii) **Indigenous People's Rights:** FSC and PEFC both identify indigenous rights as an important standard in forest management. Both certification schemes require that forest management activities consider and do not infringe on indigenous people's rights, and the activities are carried out using frameworks ensuring their free and informed consent. A criticism of PEFC is that it requires only engagement with indigenous people in forest management decisions, while the FSC provides performance-oriented targets, and requires forest managers operating on indigenous lands to obtain indigenous people's consent through binding agreements.
- (iii) **Sourcing wood from non-certified sources:** Both FSC and the PEFC have established standards around sourcing wood from non-certified and controversial sources. FSC's standards direct forest managers to avoid wood harvested in violation of traditional and civil rights. A criticism of the comparable PEFC standard is that it limits identification of controversially sourced wood to situations where the local legislation is violated. However, PEFC standards explicitly reference the violation of local, national, and international legislation with regards to worker's and indigenous people's rights as being a controversial source of wood.




Appendix 3: Sustainalytics assessment of agriculture certification schemes

	BSC OEKO – GARANTIE (BSC OEKO)⁵¹	Bio Latina⁵²	Roundtable on Sustainable Biomaterials⁵³
Background	BSC OEKO is a German certification, administered and overseen by the European Organic Certifiers Council (EOCC). The BSC OEKO certification serves the organic agriculture industry, including farmers, processors, packers, importers, exporters and warehousing companies.	BIO LATINA is a Latin American certifying body for Agriculture. The BIO LATINA certification is accredited with ISO 65 and incorporates environmental, social, farm management and framing practices considerations. BIO LATINA is a member of IFOAM and CERTIBIONET.	The Roundtable on Sustainable Biomaterials (RSB) is an international initiative that promotes and supports the sustainability of biomaterials production and processing, bringing together companies, farmers, NGOs and intergovernmental agencies. While the RSB was set up in 2007 as a means of ensuring the sustainability of liquid biofuels for transport, in 2013, it expanded its scope to include biomaterials.
Clear positive impact	Promoting sustainable practices in agriculture.	Promoting sustainable practices in agriculture.	Promoting sustainable biomaterials.
Minimum standards	BCS OEKO GARANTIE is mainly established by Regulation 834/2007 of the European Union. In addition, control bodies and authorities develop their own tools to reach the most performant controls.	BIO LATINA has established minimum stipulations that cover regulatory compliance, rules of organic production or service provisions, and environmental management plans.	The RSB sets minimum requirements in the areas of legality, planning, monitoring and continuous improvement, GHG emissions, human and labour rights, rural and social development, local food security, conservation, soil, water and air management, use of technology, inputs and management of waste, land rights and chain of custody. The RSB standard requires that biofuels achieve 50% lower lifecycle GHG emissions compared with a fossil fuel baseline. Each Principle also includes type of feedstock as a specific indicator of compliance.
Scope of certification or programme	Certifications in all areas of organic production, for farmers, processors, packagers, importers, exporters and warehouses.	With a wide scope for certification, this is a sample of some the focus areas: <ul style="list-style-type: none"> • Inspection and certification to organic production, handling operation and marketing • Inspection and certification to organic fiber production, flowers and cosmetic • Inspection of UTZ Certified 	The RSB certification addresses key risks such as human and labour rights, supply chain, resource management and land and biodiversity use through its criteria.

⁵¹ BCS-OEKO: <https://eocc.nu/members/bcs-oko-garantie/>

⁵² Bio Latina: <https://biolatina.com/>

⁵³ RSB: <https://rsb.org/>

		<ul style="list-style-type: none"> • Inspection and certification of Good Agriculture Practice regarding to the GLOBALGAP-standard 	
Verification of standards and risk mitigation	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.	Certified entities undergo a self-assessment process and, afterwards, receives a visit from a third-party auditor. Annual audits will also take place after the validation.
Third party expertise and multi-stakeholder process	Standard setting for Agriculture, Feed and Food follows legal requirements of the aforementioned standards and regulations	Standard setting follows EU Regulation and the Japanese Agricultural Organic Standard (JAS)	RSB is a full member of the ISEAL Alliance and respects its Codes of Good Practice for multistakeholder sustainability standards. RSB's benchmarks are available with Rainforest Alliance, the Sustainable Agriculture Network, the Forest Stewardship Council, Bonsucro and the IFC Performance standards.
Performance Display			
Qualitative considerations	Global recognition across 70 countries around the world. There are 450,000 BSC OEKO certified operators. Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.	Widely recognized with a presence in 10 Latin American countries. BIO LATINA certifies over 400 operators and more than 50,000 producers in Latin America. BIOLATINA requires a one year conversion period from the date of the initial inspection until the certification is approved. After a one year period, production, as well as processing facilities, must be re-inspected annually for continued renewal.	The RSB certification is considered strong by organisations such as WWF, IUCN and NRDC. In 2017, RSB certified 50 industrial facilities and 56,784 hectares of farmland.

Appendix 4: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Banco del Estado de Chile
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	BancoEstado Sustainability Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 17, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – Micro, Small and Medium-sized Enterprises, Woman Entrepreneurs, Social and Affordable Housing, Access to Banking Services and Technological Support to Financial Inclusion, Natural and Health Disaster Alleviation Efforts, Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Land Use, and Circular Economy – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 5, 7, 8, 9, 11, 12, and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Woman Entrepreneurs, Access to Banking Services and Technological Support to Financial Inclusion, Natural and/or Health Disaster Alleviation Efforts |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

BancoEstado's Sustainable Finance Coordination Working Group (SFCWG) will be responsible for evaluating and selecting eligible assets. BancoEstado has internal procedures in place to identify and manage environmental and social risks associated with assets financed, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

BancoEstado's Finance Department will oversee the allocation of proceeds to eligible assets and will track the allocation of net proceeds through its annual financial audit process. BancoEstado commits to allocate net proceeds to eligible projects within 36 months of issuance on a best-effort basis. Pending allocation, unallocated proceeds will be held temporarily in cash or other liquidity instruments in BancoEstado's treasury liquidity portfolio. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

BancoEstado intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the total amount of bond proceeds allocated, in whole or in part, to each eligible assets, the progress of assets financed, and the balance of unallocated net proceeds. In addition, Banco Estado is committed to reporting on relevant impact metrics. Sustainalytics views BancoEstado's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify): the progress of assets financed, and the balance of unallocated net proceeds | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |

Target populations

Other ESG indicators (please specify):

Frequency:

Annual

Semi-annual

Other (please specify):

Means of Disclosure

Information published in financial report

Information published in sustainability report

Information published in ad hoc documents

Other (please specify): on its website

Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

Consultancy (incl. 2nd opinion)

Certification

Verification / Audit

Rating

Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of

funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

