

ESG in Chile:

How Companies are currently integrating ESG issues into their risk management system to ensure sustainable.



Why are ESG variables relevant for banks?

The banking sector must be a promoter of sustainable business practices, in order to ensure long-term global financial stability and economic development.

In the case of **BancoEstado**, as a public bank,
this is a “must”

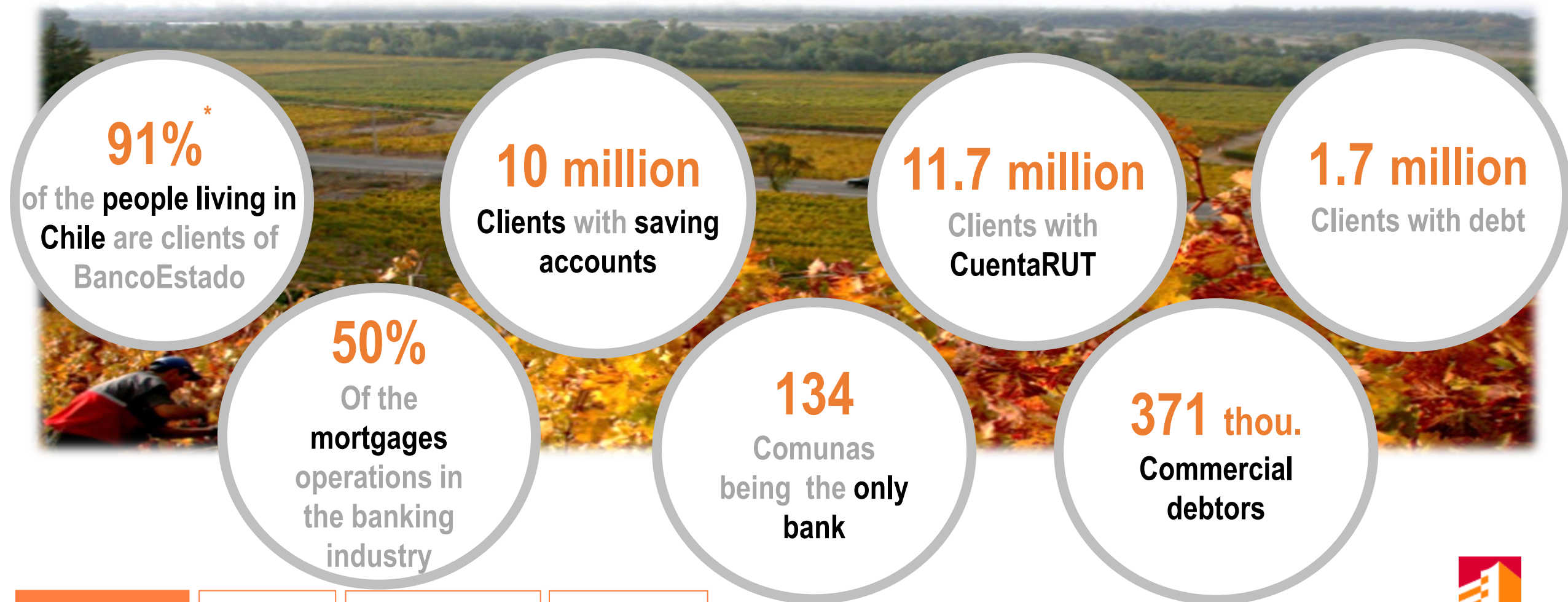


BancoEstado at a glance

- BancoEstado has a 164 years history and is the only public bank in Chile.
- Has presence across the whole country through its different service channels, being the **only bank** in more than **130 "comunas."**
- **More than 13.5 million** clients and **more than 14,000 employees in the corporation.**
- Earnings before taxes 2018: **US\$ 524 millions**, ROE (before taxes) **20.8%.**



BancoEstado leads financial inclusion. We provide banking and financial services for the majority of people in Chile.



Governance

Social

Environmental

Challenges

(*) with at least 1 product in BancoEstado. People over 13 years old



How do we work in order to achieve our mission in a sustainable way?

BancoEstado in Chile

Mission: We exist to support all **the people and companies** of the country, providing **financial solutions** for their life projects, being a powerful **public policy tool** that supports Chile in its path towards **development**.



How do we do business?



How do we support our environment?

Governance

Social

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Challenges



1.- Green financial products

2.- ESG factors in the credit process in BancoEstado

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In BancoEstado we created a mix of Green products for retail clients, micro and small enterprises.



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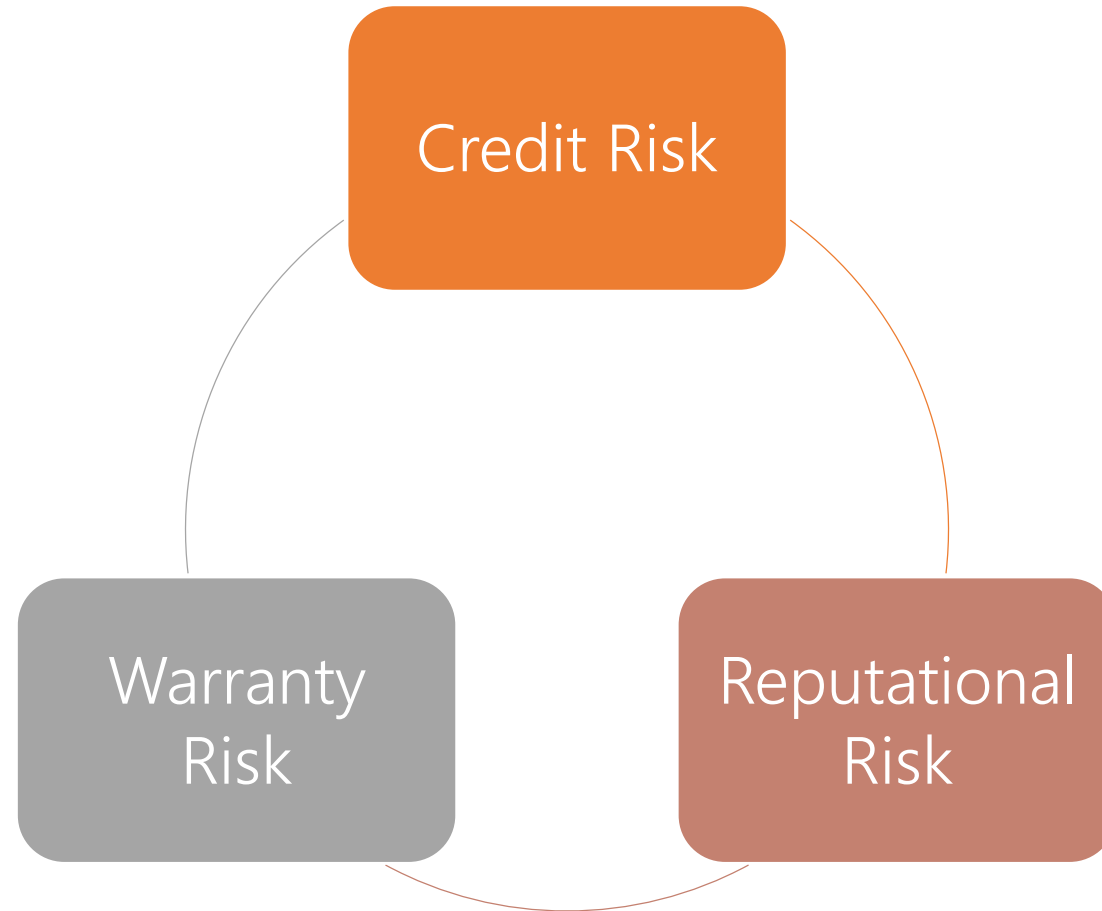
ESG factors in the credit process :

Why do we implemented the Socio-environmental Risk Analysis process in BancoEstado?

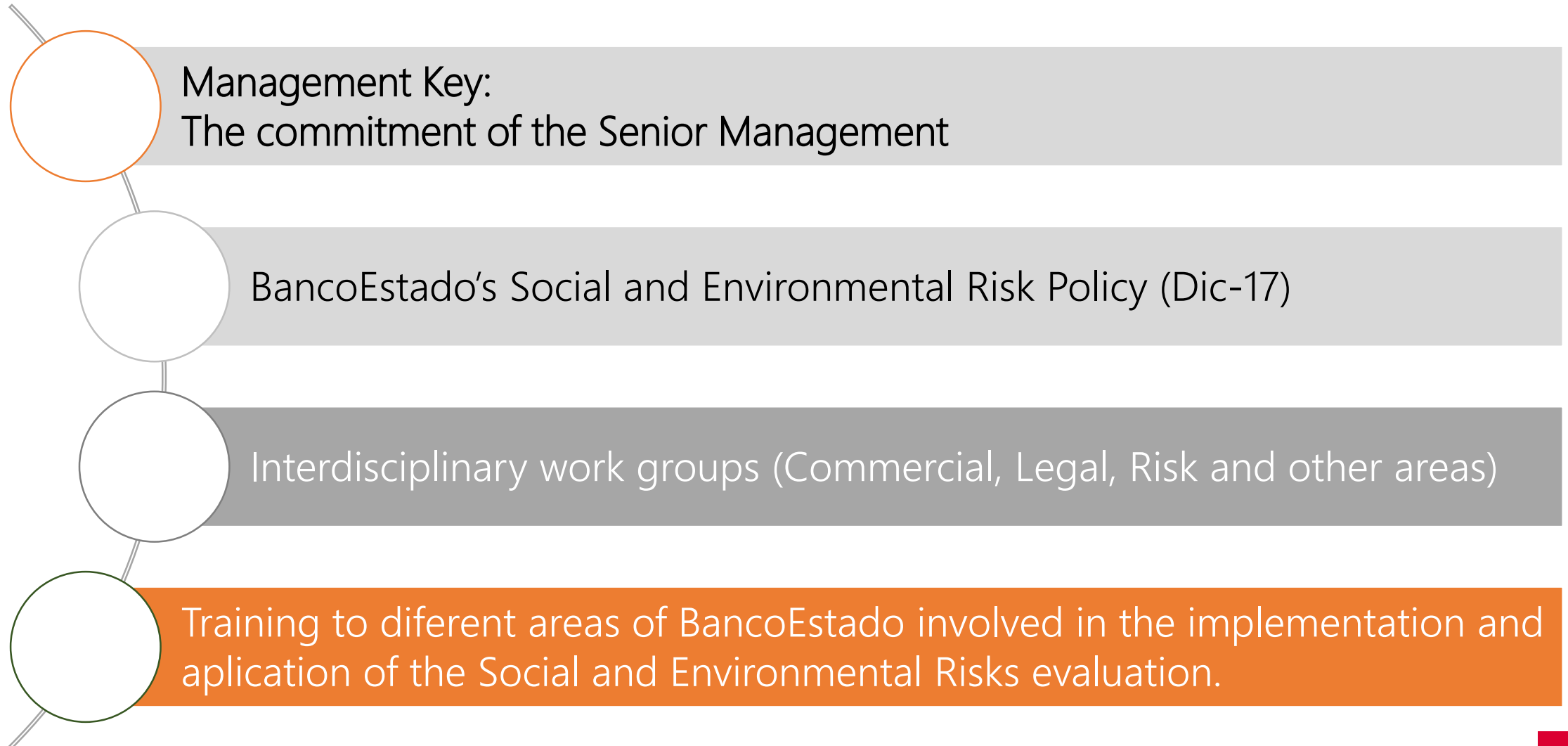
- We are committed to ensure that our **credit decisions promotes sustainability**.
- As a public bank we are responsible for the environmental and social management of our clients and we have the duty to contribute to achieve Chile's development



What are the risks for BancoEstado coming from the Socio-Environmental Risks of our Clients?



Implementation Process



Governance

Social

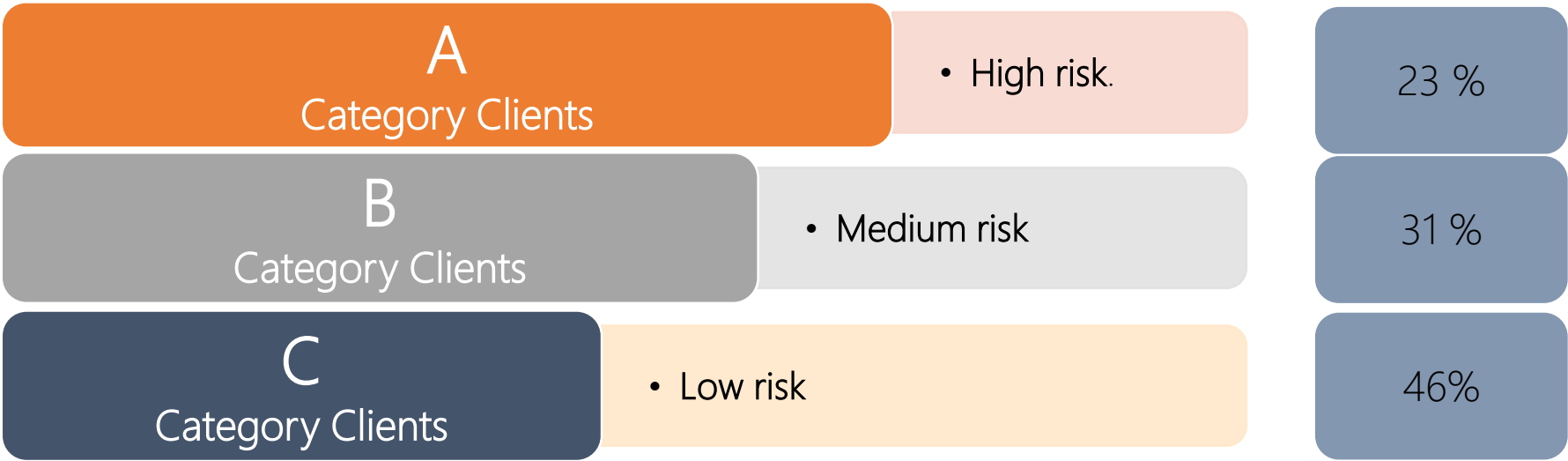
Environmental

Challenges



Social and Environmental Risk classification of the portfolio

We have classified a total of US\$ 9.000 millions



Some of the variables used in the evaluation

1

Corporate Governance

2

Social and Environmental risk and impact management

3

Resource Efficiency and Pollution Prevention

4

Biodiversity and natural resources conservation

5

Indigenous people and Cultural Heritage impact

6

Mitigation and Adaptation to Climate Change

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Multiple Benefits:

Build a portfolio with a better risk profile.

Add value for clients.

Improve the financing options of the Companies

Enhance the social role of BancoEstado



Main Challenges

- Be a referent of the social and environmental risk management for our clients, contributing to the sustainable development of Chile.
- Incorporate the environmental and social perspective into the culture and in a long-term strategy of BancoEstado.
- Impact and effectiveness evaluation: Keeping a constant evaluation results in order to measure the impacts. This allows sharing these results and compare them with the experiences and lessons learned in ESG topics with other institutions.



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