BancoEstado
desde 1855



SUSTAINABLE FINANCING FRAMEWORK

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1. INTRODUCTION

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

Banco del Estado de Chile (the Bank), commercially operating under the brand BancoEstado, is the only public bank in Chile and was created by government decree in 1953. BancoEstado is wholly owned by the Republic of Chile, reflecting strong sovereign support. The Bank shares the governments international credit ratings and manage all public financial activities through a single account managed by the General Treasury of the Republic of Chile.

BancoEstado has been the main facilitator of financial inclusion within the country, supporting economic development and empowerment of small enterprises and deployment of public policies of state institutions. Additionally, BancoEstado seeks to support the transition to a low-carbon economy by providing a mix of green financial products for retail clients, micro and small enterprises. BancoEstado intends to support sustainable activities within the blue economy[1] that contribute to ocean protection and improved water management. A central pillar of BancoEstado's approach is financing initiatives that strengthen society by empowering vulnerable populations and enhancing access to essential services.

2. RATIONALE FOR BANCOESTADO'S SUSTAINABLE FINANCING FRAMEWORK

2.1 SUPPORTING A STRONG COMMITMENT TO SUSTAINABLE DEVELOPMENT

As "The Bank of the Chilean People," BancoEstadorecognizes its role as an agent of transformation and promoter of local development. As the main facilitator of financial inclusion in the country, the Bank supports economic development, empowerment and deployment of public policies. In addition, the Bank also maintains a strong environmental focus. BancoEstado understands that in the current Chilean and global context, reaching environmental goals requires collaboration to reduce, mitigate and manage the environmental impact of the Bank's processes as well as active engagement and support for clients.

In 2016, BancoEstado developed its Corporate Sustainability Policy -- an integrated sustainable business vision that is applicable to all operations and employees. The policy outlines the basic principles for determining responsible and transparent action, safeguarding assets and protecting the Bank's reputation.



[1]Defined as Sustainable use of ocean resources for economic growth, improved livelihoods, and jobs while preserving the health of ocean ecosystems and water resources in the IFC Blue Finance Guidelines ifc-guidelines-for-blue-finance.pdfc

The general principles behind BancoEstado's Corporate Sustainability Policy are:

- Respect for human rights
- Compliance with legislation
- Transparency and information
- Prevention of illicit behavior
- Risk management
- Due process of complaints
- Integration of social and environmental criteria

In 2019, BancoEstado presented its Environmental and Climate Change Policy[2] that describe the objectives for minimizing the Bank's environmental impact and enhancing its response to climate change. The policy outlines clear criteria to guide and align its actions and activities. In 2021, BancoEstado strengthened its climate strategy and released a pathway towards carbon neutrality by joining the Race to Zero campaign and committing to reach zero direct emissions by 2030 and zero financed emissions by 2050. Thus, BancoEstado's climate action plan will actively contribute to the transition of the Chilean economy to low-carbon activities.

As part of its sustainability related commitments, BancoEstado is supporting the United Nations (UN) Sustainable Development Goals (SDGs), which promote 17 objectives materialized in 169 goals across five fundamental issues: people, the planet, prosperity, peace and alliances.

BancoEstado's contributions largely focus on the reduction of existing inequality gaps, in alignment with the following SDGs.

SUSTAINABLE DEVELOPMENT GOALS



[2] https://www.corporativo.bancoestado.cl/sites/default/files/Policy_EnviromentalClimateChange.pdf

To execute BancoEstado's sustainability strategy, the Bank has the following governance in place:

- The BancoEstado Executive Committee is responsible for monitoring the proper implementation of the Bank's Corporate Sustainability Policy and promoting the incorporation of a sustainability-focused culture among workers, while the Steering Board is informed on an annual basis of progress in implementing the policy.

- The Corporate Sustainability Committee is responsible for promoting the implementation of the commitments made in the BancoEstado Policy.

- The Sustainability Bureau is responsible for monitoring progress, meeting targets, milestones, and identifying indicators for the deployment of the various strategic lines of sustainability.

Consistent with the principles set out in our Corporate Sustainability Policy, BancoEstado puts forward the sustainability strategy from different action areas, related to environmental, social and governance (ESG). These areas of focus correspond to priority themes for BancoEstado, which are updated by materiality exercises and expectations of stakeholders.[3]

2.2 A SUSTAINABLE FINANCING FRAMEWORK TO REINFORCE BANCOESTADO'S CONTRIBUTION TO SOCIAL AND ENVIRONMENTAL OBJECTIVES IN CHILE

BancoEstado is a trailblazer in the labeled bond space, having introduced innovative bond structures in both public and private markets. For example, the Bank has issued multiple local social bonds earmarked for expenditures related to social inequality reduction in Chile, advancing the Bank's sustainability mandate.

BancoEstado's Sustainable Bonds



[3]Additional information can be found on BancoEstado's Sustainability page: Una Banca Sostenible | BancoEstado Corporativo.

To further build on these milestones and reinforce the Bank's Corporate Sustainability Policy and strong commitment to addressing the challenges of poverty, exclusion, and climate change, BancoEstado is expanding its existing 2024 Sustainability Bond Framework to encompass broader sustainability investments and assets. In this new Framework, BancoEstado is introducing expanded criteria to existing categories, new project categories, and incorporating Eligible Blue Project Categories, to support the financing of sustainable water management and blue economy activities. BancoEstado is committed to be in line with best market practices as well as expanding its financed impact within its community and country. The Bank views the Framework's revision as a foundational step toward advancing this goal.

This Sustainable Financing Framework (the "Framework") provides the investor community transparency on BancoEstado's social, green, and blue investments and actions.



3. BANCOESTADO SUSTAINABLE FINANCING FRAMEWORK

This Sustainable Financing Framework provides BancoEstado the opportunity to issue Social, Green, Blue, Sustainability, and Thematic[4] bonds, loans, and commercial paper that support BancoEstado's lending to projects promoting sustainable development.

The Framework is aligned with the four pillars components of the International Capital Markets Association (ICMA) Green Bond Principles 2021, with June 2022 update (GBP)[5], Social Bond Principles 2023 (SBP)[6], and Sustainability Bond Guidelines 2021 (SBG).[7] The Framework is also aligned with the Loan Markets Association (LMA), Loan Syndications and Trading Association (LSTA) Green Loan Principles 2025 (GLP)[8] and Social Loan Principles 2025 (SLP)[9], and is structured as follows:

Use of Proceeds	Process for Evaluation and Selection	Management of Proceeds	Reporting

In addition, the Bank intends to follow best practice recommendations on transparency of the Principles by publicly publishing this Sustainable Financing Framework and committing to external verification.

BancoEstado has also structured this Framework in line with the Guidelines for Blue Finance developed by the International Finance Corporation (IFC), 2022 version[10], and the IFC "Biodiversity Reference Guide", 2022 version[11], with the relevant Supplementary Guidance.

On a best efforts basis, BancoEstado will consider aligning with the criteria outlined in the Framework and reporting on allocated proceeds in accordance with the Taxonomy of Environmentally Sustainable Economic Activities of Chile, once it is finalized and implemented.

3.1 USE OF PROCEEDS

Sustainability-labeled and Thematic Bonds/Loans ("Sustainable Financing Instruments") will be used to finance and/or refinance, in part or in full, new and/or existing Eligible Social, Green, and Blue Projects ("Eligible Projects"). Expenditures related to the Eligible Projects:

- have been disbursed during the thirty-six months preceding the issue date of the Notes and/or
- will be disbursed following the issue date of the Notes and before the maturity date of the Notes.

"Pure-play" company financing will be eligible only if at least 90% of such company's income is related to activities detailed in one or more of the Eligible Project Categories displayed below. Eligible Projects Categories will contribute to one or more of the following Social, Green, and Blue Objectives, as defined below[12]



[4]Instruments with net proceeds allocated to finance and/or refinance projects that have a specific area of impact in line with the Eligible Categories and their respective criteria listed below. Thematic labels in scope include but are not limited to Socially responsible, Women and Gender, Inclusion, Silver Economy, Climate/Adaptation, Biodiversity/Conservation, Health and Sanitation, etc.
[5]Green-Bond-Principles-June-2022-060623.pdf
[6]Social-Bond-Principles-SBP-June-2023-220623.pdf
[7]Sustainability-Bond-Guidelines-June-2021-140621.pdf
[8]Green Loan Principles - LSTA
[9]Social Loan Principles (SLP) - LSTA
[10]Guidelines for Blue Finance
[11]Biodiversity Finance Reference Guide
[12]Remaining 10% of activities will not conflict with criteria set forth in the Exclusion List.



Social Objectives

- Provide access to essential financial services for individuals that are traditionally excluded from the banking system and/or lack the necessary tools to grow their businesses;
- Promote the creation and preservation of viable jobs, socio-economic advancement; and empowerment through microfinance and support to women businesses and underserved individuals such as Crece Mujer program;
- Support financing of mortgages to low-income households that fulfill Ministry of Housing requirements;
- Contribute to the growth of local economies in rural[13] or isolated areas[14];
- Contribute to the reduction of social inequalities and expand access to essential services; and;
- Support pandemic and disaster relief efforts such as the Chile Ayuda a Chile and Reemprende programs;
- Support and promote the 'Silver Economy'[15] through targeted investments toward senior citizens to meet the needs of an ageing population.

Eligible Social Project Categories

Socioeconomic Empowerment and Advancement	Affordable Housing	Access to Essential Services - Financial Inclusion	Natural and/or health disaster alleviation efforts

[13]The definition of rural area can be found at the following document: "OECD, Rural Well-being: Geography of opportunities" (2020), Rural-WellBeing-Chile.pdf (oecd.org).
[14]The definition of remote or isolated area can be found at the following document: "SUBDERE, Estudio actualización de base censal. Identificación de localidades en condición de aislamiento" (2021), https://proactiva.subdere.g ov.cl/handle/123456789/523.
[15]Silver Economy refers to the economic activities, products and services of senior citizens (senior citizen defined as a person over the age of 60 years) and retirees.

Eligible Social Project Category	Eligibility Criteria and Target Population	SDG Alignment
Socioeconomic Empowerment and Advancement *Micro, small and medium-sized enterprises (MSMEs) financing* *Women Empowerment*	**MSME Financing** Loans dedicated to micro, small, or medium-sized enterprises (MSMEs), in accordance with BancoEstado's internal policies[16], or located in rural and/or isolated areas (as defined above) Loans dedicated to supporting women-owned enterprises and MSMEs Women entrepreneur: any woman 18 years or older who operates an enterprise Women-owned is majority-owned or majority-managed by women (where majority means more than 50%) Loans dedicated to supporting enterprises and MSMEs owned by a senior citizen(s) Senior citizen-owned is majority-owned or majority- managed by a senior citizen (where majority means more than 50%) **Women Empowerment** Loans dedicated to initiatives and programs that provide development, recruitment, professional training, mentoring programs for women and girls	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES
Affordable Housing	Loans dedicated to social housing, limited to the group households between 40% and 80% of the socio-economic qualification, in accordance with the requisites outlined by the "Registro Social de Hogares", provided by the Ministry of Social Development[17]. Loans dedicated to subsidized housing for low-income senior housing, assisted living facilities, and related infrastructure: Low-income senior citizens with an income in line with the criteria listed above	8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

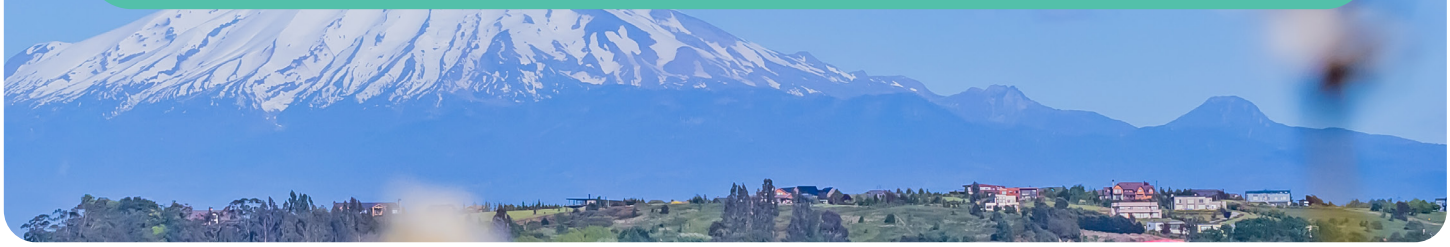
[16]Specific internal criteria to qualify as a loan dedicated to microfinance, small business, or medium-sized business will be communicated by BancoEstado ahead of each issuance as they are subject to regular change
[17]Specific internal criteria to qualify as a loan dedicated to social housing are available online on the website of the Ministry of Social Development: http://www.registrosocial.gob.cl/documentos.

Eligible Social Project Category	Eligibility Criteria and Target Population	SDG Alignment
Access to Essential Services *Financial Inclusion*	**Financial Inclusion** Loans dedicated to supporting access to essential banking services (e.g. cash withdrawals, depositis and transfers, etc.) and non- financial services (e.g. bills payments, etc.) in the most isolated localities in Chile, such as Caja Vecina, Cuenta RUT, and Compra Aqui, or to senior citizens.	1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES
Natural and/or health disaster alleviation efforts	Loans dedicated to the recovery, alleviation of unemployment, and / or preservation of job opportunities to MSMEs, and/or senior citizens located in areas negatively impacted by natural and/or health disasters such as floods, droughts and pandemics, in accordance with BancoEstado's internal policies	8 DECENT WORK AND ECONOMIC GROWTH 13 CLIMATE ACTION



Green Objectives

- Mitigate its own environmental impacts through the adaptation, generation and operation of its infrastructure, headquarters and branches;
- Prioritize the deployment of programs with the greatest impact in reducing the Bank's carbon and environmental footprint;
- Promote responsible behavior with the environment throughout our value chain;
- Promote and evaluate the adoption of measures by suppliers to mitigate their environmental impact, establishing minimum responsibility requirements for those who develop activities within the Bank's facilities;
- Strengthen the relationship with State institutions and agencies for the environmental public policies deployment;
- Generate and deploy accessible "green" financial products, particularly to promote the use of renewable energy and support energy efficiency in all customer segments, seeking to generate greatest economic, environmental and social value to our society; and
- Integrate environmental and social risks in client projects financing.



Eligible Green Project Categories

Green Buildings	Renewable energy	Energy efficiency	Clean transportation
Sustainable land use	Circular Economy	Terrestrial biodiversity conservation	Climate change adaptation

Eligible Green Project Category	Eligibility Criteria	SDG Alignment
Green Buildings	Loans related to the acquisition, design, retrofit, construction, leasing and/or maintenance of residential and commercial buildings that meet the following criteria, which may include: Energy efficiency rating (Calificación Energética de Viviendas) of C or superior[18], 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 EDGE (Level 1) Leadership in Energy and Environmental Design ("LEED") Gold or Platinum	7 AFFORDABLE AND CLEAN ENERGY  11 SUSTAINABLE CITIES AND COMMUNITIES 
Renewable Energy	Loans related to the design, construction, maintenance, and operation of generation, distribution, and/or transmission of renewable energy, which may include: Solar power (photovoltaic and CSP) Wind power (onshore) Small-scale hydropower with the life-cycle GHG emissions <50gCO2e/kWh, power density greater than 10W/m2 and that are run-of-river without artificial reservoir or low storage capacity 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	7 AFFORDABLE AND CLEAN ENERGY  13 CLIMATE ACTION 

[18]https://www.calificacionenergetica.cl/como-se-obtiene-la-letra-de-la-calificacion-energetica/

Eligible Green Project Category	Eligibility Criteria	SDG Alignment
Energy Efficiency	Loans related to the design, construction, maintenance, and operation of energy efficiency, which may include: Non-Conventional Renewable Energies (NCRE) projects for micro and small businesses limited to wind and solar, that seek to reduce environmental impact and improve efficiency through their operations Home and office improvement loan purposes such as solar panels, electric heat pump, thermal insulation of ceilings, walls and windows Efficient lighting such as LED Smart meters for heat, cool, electricity, and water	13 CLIMATE ACTION
Clean Transportation[19]	Loans related to the design, construction, maintenance, retrofit, expansion, and operation of low-carbon public or private public transport means and related infrastructure, validated by the Agencia de Sostenibilidad Energética (ASE), which may include: Electric, hydrogen powered rail, metros, trams and buses, emitting less than 50g of CO2 per km Electric or hydrogen-powered private vehicles, limited to scooters, bicycles, motorbikes, tricycles, and cars, emitting less than 50g of CO2 per km Electric vehicles supporting logistics operations such as forklifts, with zero direct emissions Supporting infrastructure such as charging stations, hydrogen fueling stations, infrastructure for multimodal transport	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION

[19]Excludes financing for related infrastructure such as new construction and existing road infrastructure retrofits, parking facilities and fossil fuel filling stations and other asset which prolong the life and/or facilitate the use of fossil-fuel powered transport

Eligible Green Project Category	Eligibility Criteria	SDG Alignment
Sustainable Land Use *Sustainable Agriculture* *Sustainable Forestry*	Loans related to the environmentally sustainable management of living natural resources and land use, which may include: **Sustainable Agriculture** Construction and rehabilitation and investment of micro-irrigation dedicated to crop farms and drainage work[20] 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 Climate resilient crops (drought-resistant, pest-resistant) Regenerative agriculture practices Traceability systems **Sustainable Forestry** Sustainable management of natural forests and forest plantations, through - Afforestation - Reforestation - Restoration of productive landscapes, and restoration of high-conservation-value forests, degraded forests or existing native forests. - Certifications include Forest Stewardship Council and Programme for the Endorsement of Forest Certification Agroforestry and silvopastoral projects under the certification schemes	

[20]The selection of such projects is based on the decision of the Comisión Nacional de Riego, pursuant to law no. 18450

Eligible Green Project Category	Eligibility Criteria	SDG Alignment
Circular Economy	Loans related to the design, construction, maintenance, retrofit, expansion, and operation of environmentally sustainable production processes and innovations, which may include: • Systems for collection, transportation, storage, transfer, classification, recycling, reuse, and final disposal of waste • Reuse of products and recovery of materials from solid waste • R&D for products, processes, and technologies certified by relevant schemes recognized by Registro de Emisiones y Transferencias de Contaminantes or other bodies[21] • Procurement of recycled, waste, resource-efficient and certified bio-based materials as a production input. • Resource-efficient production processes based on eco-design[22] • Resource-efficient production processes for low-carbon products, using bio-based materials certified by the Roundtable on Sustainable Biomaterials (or equivalent)	
Terrestrial Biodiversity Conservation	Loans related to the acquisition, construction, development, operation, and maintenance of systems, technologies, and processes that support the management, conservation and restoration of terrestrial ecosystems, which may include: • Conservation, restoration, afforestation and reforestation of terrestrial ecosystems and native vegetation • Restoration of natural forests of high conservation value forests and degraded lands	

[21]Including the Secretaria Regional Ministerial de Salud (SEREMI) and Ministerio del Medio Ambiente (MMA)
[22]Eco-design means "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 (https://www.eea.europa.eu/help/glossary/eea-glossary/eco-design)

Eligible Green Project Category	Eligibility Criteria	SDG Alignment
	Urban forests and public green spaces, which involve urban trees, green infrastructure Biological corridors and nature-based solutions Prevention and control programs for invasive species Establishing and managing Protected Areas (PA) Rewilding, species reintroduction, and monitoring programs Biodiversity data platforms and habitat monitoring	
Climate Change Adaptation	Loans related to the design, construction, operation, and maintenance of infrastructure and measures that build resiliency and adaptation to climate-related natural hazards, such as drought, floods, wildfires, and hurricanes, which may include: Information systems, weather, and climate analytics, remote sensing-based tools, and early warning systems designed for analyzing physical climate risk exposure and protecting against extreme events Disaster response and recovery platforms Adaptation infrastructure such as flood prevention and wildfire mitigation and management	13 CLIMATE ACTION





Blue Objectives

- Mitigate its own environmental impacts through the improvement and expansion of water supply / treatment infrastructure;
- Prioritize the deployment of to reduce the consumption of water and address local and regional water scarcity;
- Promote responsible behavior with the environment throughout our value chain;
- Promote and evaluate the adoption of measures by suppliers to mitigate their environmental impact, establishing minimum responsibility requirements for those who develop activities within the Bank's facilities;
- Generate and deploy accessible "blue" financial products, particularly to promote sustainable water practices, promoting the blue economy, and preserving marine conservation, seeking to generate environmental and social value to our society; and
- Integrate environmental and social risks in client projects financing.

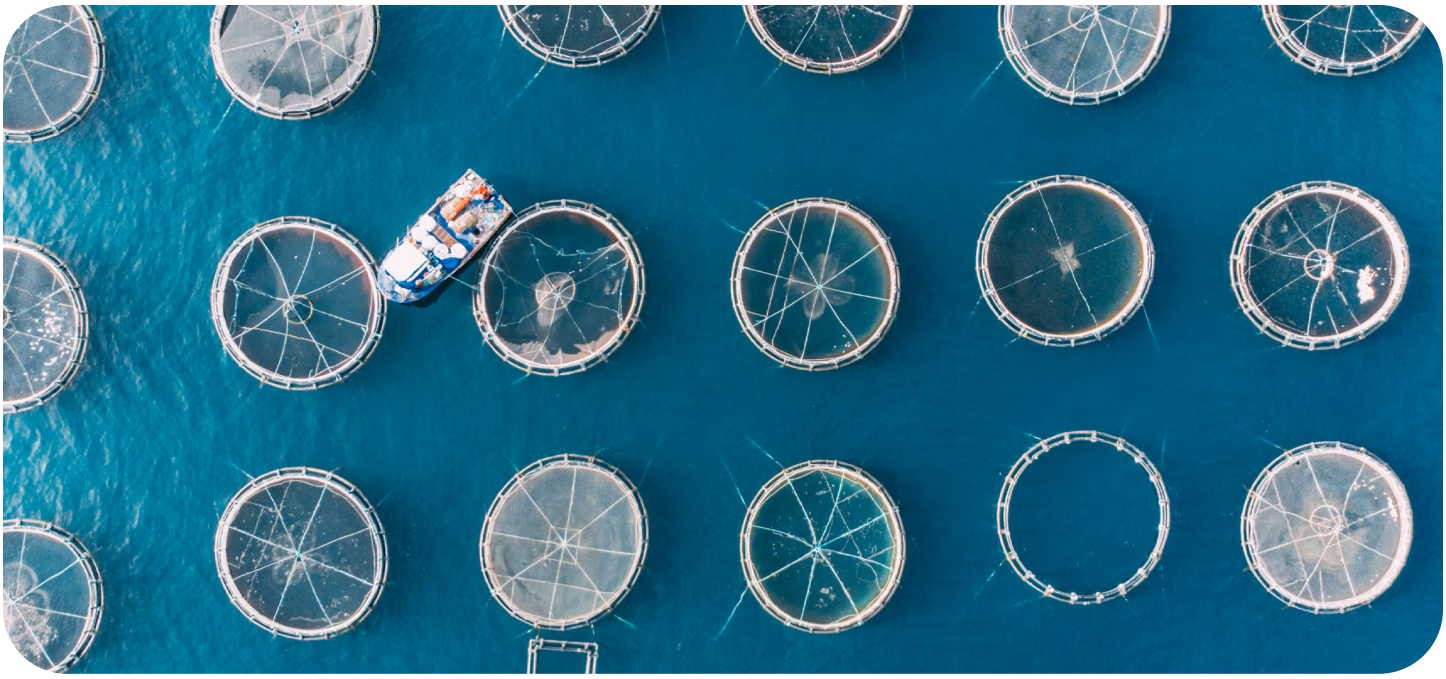
Eligible Blue Project Categories

- Marine Renewable Energy
- Sustainable Water and Wastewater Management
- Sustainable Fisheries and Mariculture
- Aquatic Biodiversity Conservation
- Marine Pollution Prevention and Circular Economy
- Sustainable Coastal and Marine Tourism
- Sustainable Ports and Marine Transport

Eligible Blue Project Category	Eligibility Criteria	SDG Alignment
Marine Renewable Energy	Loans related to the design, construction, maintenance, and operation of generation, distribution, and/or transmission of renewable energy, which may include: Wind power (offshore) Solar photovoltaic (offshore and coastal) Tidal energy Wave energy	
Sustainable Water and Wastewater Management	Loans related to the design, construction, maintenance, retrofit, and operation of systems, technologies, and processes that improves access to and supports the efficient use of water resources, which may include: Water storage and distribution infrastructure such as urban drainage, stormwater management systems, and rainwater harvesting systems Infrastructure for reduction of losses and consumption Infrastructure for drinking water treatment Wastewater collection and treatment systems including sewerage systems, and water treatment infrastructure Water conservation infrastructure such as monitoring systems, early warning systems for floods and droughts, drip irrigation, water recycling systems Watershed management activities to improve water quality Desalination plants powered by renewable energy sources as described above[23]	

[23]Eligible desalination plants will have proper due diligence regarding brine and salinity management. Proper diligence on impacts on nearby ecosystems and biodiversity will be conducted.

Eligible Blue Project Category	Eligibility Criteria	SDG Alignment
Sustainable Fisheries and Mariculture	Loans related to the acquisition, construction, development, operation, and maintenance of systems, technologies, and processes that promote sustainable practices within marine value chains, which may include: Sustainable aquaculture production and fisheries, and retail of related seafood products in line with local, national regulations and/or recognized by third-party certifications[24], where relevant Projects that prevent illegal, unreported, and unregulated fishing Technology transfer towards artisanal sustainable fishing and/or prevention of illegal fishing practices Recovery of overexploited fish stocks Regenerative aquaculture production Traceability systems to ensure sustainability of operations, facilities, and supply chains Systems to track and report chemical indicators	14 LIFE BELOW WATER



[24]Eligible certifications include but may not be limited to: *Marine Stewardship Council, Aquaculture Stewardship Council, Global Seafood Alliance, European Organic Certification*

Eligible Blue Project Category	Eligibility Criteria	SDG Alignment
Aquatic Biodiversity Conservation	Loans related to the acquisition, construction, development, operation, and maintenance of systems, technologies, and processes that support the management, conservation and restoration of marine / aquatic ecosystems, which may include: • Restoration, protection, and conservation of coastal and marine ecosystems such as wetlands, coral reefs, mangroves, seagrass • Establishing and managing Marine Protected Areas (MPA) • Marine spatial planning • Rewilding, species reintroduction, and monitoring programs • Invasive marine species prevention programs • Nature-based solutions to manage stormwater or manage flood protection • Research on conservation of water resources, biodiversity, and ecosystem services	
Marine Pollution Prevention and Circular Economy *Ocean- and water-friendly products*	Loans related to the research, design, manufacturing, trade, or retail of environmentally-friendly products that avoid water and coastal and marine pollution including: • Household and retail products with a sustainable supply of raw materials which displace existing harmful material inputs or products • Sustainable inputs e.g. biodegradable, plant-based, or compostable plastics and packaging to replace use of virgin plastics	 

Eligible Blue Project Category	Eligibility Criteria	SDG Alignment
Sustainable Coastal and Marine Tourism	Loans related to investments in sustainable tourism within the vicinity of marine conservation areas including: • Licensed certified sustainable tourism with inclusive livelihood elements and business opportunities • Nature-based marine visitor centers showcasing and disseminating research and knowledge of aquatic ecosystems	14 LIFE BELOW WATER

Sustainable Ports and Marine Transportation	Loans related to the acquisition, construction, development, operation, maintenance, and retrofitting of assets supporting and increasing environmental performance and sustainability of port functions and infrastructure including:
	• Water treatment equipment and facilities for wastewater generated from ports
	• Solid waste receiver facilities at ports and terminals for the collection and separation of waste for recycling purposes
	• Low carbon transport options connecting ports inland including:
	  ◦ Zero direct emissions heavy duty vehicles such as electric trucks
	  ◦ Low carbon freight rail transport and rolling stock with a direct emissions threshold of 21 gCO2eq/km
		6 CLEAN WATER AND SANITATION
		9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
		14 LIFE BELOW WATER



3.2 PROCESS FOR PROJECT EVALUATION AND SELECTION

The evaluation and selection process of the Eligible Projects is defined in line with BancoEstado's Sustainability policies[25], which rely on BancoEstado's strong processes to identify and mitigate common environmental and social risks.

All loans will comply with BancoEstado's lending procedures and the thirty-six months look-back period specified in the Use of Proceeds section. Guidelines for social and environmental risks including an Exclusion List, as defined in the Social, Environmental, and Climate-related Risks Policy is summarized as follows:

- Customers who manufacture or trade any illegal products under Chilean Law
- Products under Montreal Protocol
- 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.

BancoEstado's guidelines follow IFC Environmental, Health, and Safety (EHS) Guidelines[26] ("Guías sobre Medio Ambiente, Salud y Seguridad") and other local guidelines provided by the Environmental authorities[27].

A Sustainable Finance Coordination Working Group, comprised of relevant members from BancoEstado's Finance, Commercial, and Corporate Risk departments, will meet on an annual basis to select relevant Eligible Projects that would qualify within the Framework.

The members will review and approve, on an annual basis and, when circumstances so require, the allocation of the proceeds to Eligible Projects and the annual reporting.

3.3 MANAGEMENT OF PROCEEDS

The net proceeds of the Sustainable Financing Instrument will be managed within BancoEstado's treasury liquidity portfolio, in cash or other liquidity instruments, until the total amount of the net proceeds equals the total amount of selected Eligible Projects and/or until the maturity date of the Sustainable Financing Instrument.

The Finance Department at BancoEstado will take specific measures as part of the annual financial audit process to track the invested amounts used and the loans granted in order to finance the selected Eligible Projects.

[25] Compromiso con la Sostenibilidad | Banca Pública BancoEstado
[26] http://www.ifc.org/wps/wcm/connect/554e8d80488658e4b76af76a6515bb18/Final%2B-%2BGeneral%2BEHS%2BGuidelines.pdf?MOD =AJPERESv
[27] Examples of local guidelines can be found here: https://www.sea.gob.cl/normativa-ambiental-aplicable

On a best-effort basis, BancoEstado is committed to allocate the proceeds of Sustainable Financing Instruments within 3 years of the issuance date. In case of Eligible Project divestment, BancoEstado will use the net proceeds to finance other Eligible Projects within a reasonable timeframe which are compliant with the current Use of Proceeds outlined above, on a best-efforts basis.

The portion of Eligible Projects financed by the Government through equity or to other indirect investments and included as eligible expenditures in the Republic of Chile's bonds, or any other related public entity, issued under its Sustainable Bond Framework[28], will be excluded from BancoEstado's allocation.

3.4 REPORTING

On an annual basis at least until full allocation, BancoEstado will provide on its website[29] the following reporting on any Sustainable Financing Instrument issued under this Framework. The annual reports will include the following:

Allocation reporting

- Amount of proceeds allocated, in whole or in part, by each Eligible Category
- Balance of unallocated proceeds
- Share of refinancing versus financing
- Brief description of selected projects

To the extent possible, the core principles and recommendations for reporting contained in ICMA's Harmonized Framework for Impact Reporting, referencing the latest handbooks for green projects[30] and social projects[31] (June 2024 and June 2023 editions, respectively) will be considered. On a best-efforts basis, BancoEstado will report on the following impact indicators, subject to data availability and where feasible. Other measurements may be included in future reporting, if needed.

Impact reporting

- Outcomes and impact metrics, using the following indicative reporting impact indicators defined by Eligible Category
- Explanation of the underlying methodologies and assumptions used to quantify impact, where feasible
- Corresponding social, green, or blue co-benefits derived from projects, where relevant and feasible

Potential impact metrics can be found in the appendix

4. EXTERNAL REVIEW

4.1 SECOND PARTY OPINION

BancoEstado mandated Moody's Analytics to provide a Second-Party Opinion on its Sustainable Financing Framework, including its alignment with the four pillars of the Principles as well as BancoEstado's contribution to other relevant market guidelines and SDGs as mentioned in the Framework.

4.2 POST-ISSUANCE EXTERNAL VERIFICATION

To ensure the highest level of transparency, BancoEstado will engage an external and independent verifier to assess the alignment of the allocation of proceeds with the Framework's criteria. This annual external review will be carried out until the proceeds are fully allocated and will be included in BancoEstado's annual report on the allocation and impact of proceeds.

[28] Sustainable Bonds
[29] http://www.corporativo.bancoestado.cl/investor-relations/home-investor
[30] Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf
[31] ICMA-Handbook-Harmonised-Framework-for-Impact-Reporting-for-Social-Bonds-September-2024-250924.pdf



APPENDIX

POTENTIAL IMPACT METRICS MAY INCLUDE

Eligible Social Project Category	Indicative Impact Indicators
Micro, small and medium-sized enterprises (MSMEs)	Number of MSMEs supported Number of eligible loans extended Amount of credit distributed
Woman Entrepreneurs	Number of women-owned MSMEs supported Number of eligible loans extended Amount of credit distributed
Affordable Housing	Number of dwellings and/or number of beneficiaries Number of eligible loans extended
Access to Essential Services	Number of beneficiaries Number of service points implemented
Financial Inclusion	% of people living in rural and remote areas Number of branches with universal accessibility Number of eligible loans extended
Employment Generation	Number of MSMEs supported Number of eligible loans extended Number of jobs provided Number of jobs preserved

Eligible Green Project Category	Indicative Impact Indicators
Green Buildings	Number of mortgages extended Estimation of annual energy savings (MWh) Estimation of annual GHG emissions reduced or avoided (tCO2e) Number of eligible loans extended
Renewable Energy	Installed capacity (MW) Annual electricity generation (MWh) Estimation of annual GHG emissions reduced or avoided (tCO2e) Number of eligible loans extended

Energy Efficiency	Estimation of annual energy savings (MWh)
	Estimation of annual GHG emissions reduced or avoided (tCO2e)
	Number of eligible loans extended
Clean Transportation	Number of eligible loans extended
	Estimation of annual GHG emissions reduced or avoided (tCO2e)
	Number of eligible vehicles financed
Sustainable Land Use	Areas covered by sustainable agriculture (ha)
	Savings in water consumption
	Amount of sequestered GHG emissions (tons of CO_2/ha/year)
	Area under certified sustainable forest management (in ha and % of the total area; increase in %)
	Change in land use (Area ha. reforested with native species (in ha and % of the total area; increase in %))
	Number of eligible loans extended
Circular Economy	Increase of bio-based/recycled materials utilization (%)
	Amount of waste avoided (tons)
	Number of eligible loans extended
Terrestrial Biodiversity Conservation	Area of land restored or rehabilitated (in ha and % of total area; increase
	in %)Maintenance/safeguarding/increase of protected area (ha)
	Increase in species richness and relative abundance of priority biodiversity species (in number)
	Wildlife crossings/corridors created (in number and ha; increase in %) (number of wildlife species populations connected – Size of these wildlife populations)
	Estimation of annual GHG emissions reduced or avoided (tCO2e)
	Number of eligible loans extended
Climate Change Adaptation	Number of beneficiaries benefiting from climate change adaptation solutions and/or newly implemented warning systems (#)
	Value of economic savings generated by improvements in climate change adaptation (USD)
	Number of km of road, rail, or other infrastructure adapted
	Number of eligible loans extended

Eligible Blue Project Category	Indicative Impact Indicators
Sustainable Water and Wastewater Management	Annual absolute (gross) water use before and after the project in m^3/a, reduction in water use in %
	Drinking water pipes installed (km)
	New drinking water connections (#)
	Sewerage networks, built or improved (km)
	Installed wastewater treatment capacity (m^3/year)
	Wastewater treatment plants, built or improved (#)
	Drinking water treatment plants built or improved (#)
	Watercourse or body control infrastructure, built or rehabilitated (#)
	Land area benefited from new and/or rehabilitated irrigation infrastructure (ha)
	Estimation of annual GHG emissions reduced or avoided (tCO2e)
	Number of eligible loans extended
Sustainable Fisheries and Mariculture	Globally over-exploited marine fisheries in recovery or transition to more sustainable levels (metric tons)
	Area of marine habitat under (excluding protected areas) (ha)
	Certified sustainable seafood products produced/traded/retailed (in t/y and % of total; increase in %)
	Estimation of annual GHG emissions reduced or avoided (tCO2e)
	Number of eligible loans extended
Aquatic Biodiversity Conservation	Area of land and water protected (in km; increase in %)
	Maintenance/safeguarding/increase of protected area (ha)
	Increase in species richness and relative abundance of priority biodiversity species (in number)
	Estimation of annual GHG emissions reduced or avoided (tCO2e)
	Number of eligible loans extended
Marine Pollution Prevention and Circular Economy	Waste that is prevented, minimized, reused, or recycled (t)
	Number of eligible loans extended

Sustainable Coastal and Marine Tourism	Number of operations certified
	Number of people educated
	Number of eligible loans extended
Sustainable Ports and Marine Transport	Number of ports with improved environmental management
	Waste that is prevented, minimized, reused, or recycled (t)
	Number of eligible loans extended

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