

## Sustainability Framework Alignment Opinion

# Banco de Crédito e Inversiones

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### Sustainability Financing Framework Overview

In our view, Banco de Crédito e Inversiones's (BCI's) proposed sustainability financing framework is aligned with the four components of the Green Bond Principles 2021 (GBP) and the four components of the Social Bond Principles 2021 (SBP), collectively referred to under the Sustainability Bond Guidelines (SBG), as well as the four components of the Green Loan Principles 2021 (GLP), collectively referred to as the Principles.

BCI is the fourth-largest bank in the Chilean financial system with about 14% of market share, providing banking products and services for individuals, small- and mid-size enterprises (SMEs), and corporations. The bank aims to grow outside Chile by strengthening its presence in the U.S., which represents about 29% of its total assets after several acquisitions in the last few years. Moreover, the bank has incorporated sustainability as part of its three-year strategic plan. BCI aims to promote environmental, social, and governance (ESG) factors through financial and investment solutions to facilitate and accelerate corporations' transition towards a climate-friendly economy and SMEs' access to financial services and resilience to technological changes.

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## Framework Alignment Overview



### 1. Use of proceeds

BCI's sustainability financing framework is aligned with this component because the proceeds will be used to finance projects in categories that address social and environmental issues, aligned with eligible categories in the Principles. Eligible use of proceeds also includes general corporate loans to counterparties that derive at least 90% of their revenues from the green and social eligibility criteria.



### 2. Process for project evaluation and selection

BCI's sustainability financing framework is aligned with this component. There is a well-defined process in place to ensure the eligibility of the assets. Moreover, the framework provides information on processes to identify and manage potential social and environmental risks of the projects and companies funded under this framework.



### 3. Management of proceeds

BCI's sustainability financing framework is aligned with this component of the Principles. The bank commits to manage the net proceeds in separate portfolios for green, social, and sustainable financing.



### 4. Reporting

BCI's sustainability financing framework is aligned with this component because it has committed to releasing an annual report that will include an update of the allocation of the proceeds and quantitative performance measures of the assets in an aggregated level, and where practicable, will provide specific examples of financed projects.

## Issuer Sustainability Objectives

BCI's goal is to ensure its long-term financial performance by delivering value to its key stakeholders by incorporating environmental and social considerations in its business decisions. Through its 2023 strategy plan, BCI outlines sustainability as part of its main strategic pillars. The bank aims to support economic, social, and environmental development in the countries in which it operates according to the following factors: financial and digital inclusion of small businesses; financing of corporate investments to adapt business to a low-carbon economy; and engagement with stakeholders to strengthen the bank's transparency and trust. To achieve these objectives, BCI has developed financing programs to clients and non-clients such as "BCI Nace", "Valor Pyme", and green project finance. Moreover, the bank adhered to the Principles of Responsible Investment through its asset management arm and to the Green Agreement of its stockbroker.

## Framework Description

### 1. Use of proceeds

The Principles stipulate that a seeker of finance should commit the net proceeds of an issuance exclusively to eligible green and social projects respectively. According to the GBP and GLP, eligible projects will seek to achieve at least one of five environmental objectives, including: 1) climate change mitigation, 2) climate change adaptation, 3) natural resource conservation, 4) biodiversity conservation, and 5) pollution prevention and control. According to the SBP, following eligible project categories capture the most common social issues: 1) affordable basic infrastructure, 2) access to essential services, 3) affordable housing, 4) employment generation, and programs designed to prevent and/or alleviate unemployment, 5) food security and sustainable food systems, and 6) socioeconomic advancement and empowerment.



BCI commits to allocate all net proceeds of bonds and loans issued under its framework to exclusively (re)finance green and social projects or companies that fit the eligible categories. The framework articulates the category, definition, and eligibility, which are consistent with the bank's sustainability objectives and with the green and social categories described in the Principles. Moreover, the bank maps financed projects in line with the U.N. Sustainable Development Goals.

Green eligibility criteria focuses on climate change mitigation. Eligible projects cover renewable energy (i.e. wind and solar power generation), clean transportation (i.e. electric vehicles, hydrogen-powered public transport, and supporting infrastructure), energy efficiency projects, and water management (i.e. treatment and sewage infrastructure and desalination plants powered by renewable energies). On the other hand, eligible social projects include financial inclusion of early-stage businesses that do not necessarily have a sales history and digital support for SMEs, which aligns with the "access to essential services" social project category under the SBP.

Moreover, the use of proceeds includes general corporate loans to counterparties that derive at least 90% of their revenues from activities that are green or social, and the loan proceeds are not used for any of the excluded activities.

### 2. Process for project evaluation and selection

To align with the second component of the Principles, a seeker of finance must explain the process by which eligible projects are selected, the related eligibility criteria applied to select those projects, including exclusionary criteria, if applicable, and the processes by which it identifies and manages perceived social and environmental risks associated with the projects.



In our opinion, BCI's sustainability financing framework is aligned to the Principles. BCI has established a process to ensure that outstanding and new asset exposures fit with the eligible categories set in the framework and to monitor the amount being financed for social and green financing separately. BCI's Sustainable Finance team, together with Wholesale and SMEs management teams, are responsible for the evaluation and selection process, including applying the eligibility and exclusionary criteria, which they will perform on a quarterly basis.

Moreover, the bank lists processes that it will take to identify and manage social and environmental risks stemming from the projects and companies that it will finance under this framework. For financed companies, BCI will require clients to answer a questionnaire based on the relevant ESG factor for the sectors according to SASB standards, and then the bank commits to monitor and present action plans based on the ESG risks identified. For projects, alignment with Equator Principles will be checked together with other project-specific risk parameters. Lastly, BCI discloses a sector exclusion list for the project selection that includes armament and weapons, tobacco and alcohol, fossil fuels, gambling, and pornography.

### 3. Management of proceeds

The Principles require a seeker of finance to monitor the net proceeds of all outstanding green and social financing transactions, which includes appropriately tracking the proceeds and adjusting the balance of net proceeds to match allocations to eligible green and social projects. The Principles also require a seeker of finance to disclose to investors the intended types of temporary placement it intends to use for unallocated proceeds.



BCI is aligned to this component of the Principles because it commits to maintain an amount at least equal to the value of the instruments issued under this framework on a rolling basis. The funds will be managed in various sub-portfolios for green, social, and sustainable categories. The monitoring of the allocation of proceeds is on a monthly basis under the responsibility of the International Manager, who is also responsible for informing the Sustainable Finance team about new issuances. In the case of unallocated net proceeds, the Treasury team will be notified, and proceeds will be allocated in cash or liquid securities, in line with BCI's investment policies.

### 4. Reporting

The Principles stipulate that a seeker of finance should report on the use of proceeds annually until full allocation. Information presented in the annual report must include a list of the projects that receive financing, a description of each project, including the amount allocated to each project, and their expected environmental and social impacts.



BCI commits to make publicly available on its website an annual report of current issuances, the amount of the proceeds raised, the amount of the proceeds allocated by each category, and the outstanding unallocated balance by the end of the period. Moreover, BCI commits to report on the environmental and social impact of assets funded with the proceeds issued under this framework, subject to confidentiality and availability of information.

## Additional Features Of The Framework

This section of the report provides additional information on whether the framework incorporates recommended aspects of the Principles and goes beyond minimum requirements. This section does not impact on our alignment opinion with the stated principles.

BCI's sustainability financing framework follows the voluntary guidelines provided by the Principles. In some cases, the framework goes beyond the requirements of the Principles. The following are key strengths of the framework:

- BCI has proposed key performance indicators that may be used to measure the outputs and impact of the various green and social categories. For instance, carbon emissions and total installed capacity are outlined impact metrics for renewable energy projects. This also includes a commitment to disclose the methodology to calculate those quantitative performance measures, which demonstrates greater transparency and is considered a best market practice.

Offsetting the above strengths are the following factors:

- BCI may request an annual external review of its report on the allocation of proceeds, although it does not commit to have an independent third-party verification yet. While the Principles don't formally recommend post-issuance external review or verification of reporting, we believe it to be best market practice for issuers to obtain a verification or audit of impact or allocation report and a strength of the framework.
- BCI does not commit to disclose financing versus refinancing proportion of proceeds. In the event that all or a proportion of the proceeds are, or may be used, for refinancing, it is recommended that issuers provide an estimate of the share of financing and refinancing, and where appropriate, clarify which investments or project portfolios may be refinanced, and to the extent relevant, the expected look-back period for refinanced eligible projects.

## Conclusion









Based on our assessment of BCI's sustainability financing framework, we regard this framework to be aligned with the four components of the Principles, given that the seeker of finance has committed to:

- Allocate the full amount of the net proceeds to eligible green and social purposes, as defined by the seeker of finance;
- Use clear 'green' and 'social' criteria (as defined by the seeker of finance) to select projects for funding;
- Manage and track proceeds; and
- Commit to regular reporting of the environmental and social impact and use of proceeds.

## Mapping To The U.N. Sustainable Development Goals

The Sustainable Development Goals (SDGs) were set up by the United Nations in 2015 and form an agenda for achieving sustainable development by 2030. We use the International Capital Market Association (ICMA) SDG mapping for this part of the report. We acknowledge that the ICMA mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

BCI's sustainability financing framework intends to contribute to the following SDGs:

Use of proceeds	SDGs	
<i>Renewable Energy</i>		
	<b>7. Affordable and clean energy*</b>	<b>13. Climate action</b>
<i>Clean Transportation</i>		
	<b>11. Sustainable cities and communities*</b>	<b>13. Climate action</b>
<i>Energy Efficiency</i>		
	<b>12. Responsible consumption and production</b>	<b>13. Climate action</b>
<i>Sustainable Water and Wastewater Management</i>		
	<b>6. Clean water and sanitation*</b>	
<i>Leadership in financial inclusion for early-stage entrepreneurship</i>		
	<b>8. Decent work and economic growth*</b>	

*Technological and sustainable  
empowerment for MSME's*



**12. Responsible  
consumption and  
production**

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\*We could link the eligible project categories to those SDGs based on the ICMA mapping

## Sustainability Framework Alignment Opinion

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