

Second-Party Opinion

Banco de Chile Sustainability Financing Framework



Evaluation Summary

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



USE OF PROCEEDS The eligible categories for the use of proceeds – Socioeconomic Advancement & Empowerment – MSME Financing & Women-Owned Enterprises, Socioeconomic Advancement & Empowerment – Financial Literacy, Access to Basic Infrastructure, Affordable Housing (Social Housing), Energy Efficiency, Renewable Energy, Green Buildings, and Clean Transportation – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 7, 8, 9 and 11.



PROJECT EVALUATION / SELECTION Banco de Chile's Sustainability Financing Working Group oversees the evaluation and selection of eligible assets and will also manage social and environmental risks associated with the financed projects. Banco de Chile has adopted internal processes to address these risks. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Banco de Chile's processes for management of proceeds are overseen by its Treasury Division. Proceeds will be managed on a portfolio basis. Banco de Chile expects to reach full allocation 24 months after issuance. Pending full allocation, unallocated proceeds will be held or invested in cash, cash equivalents or other short-term funding sources. This is in line with market practice.



REPORTING Banco de Chile will report on the allocation and impact of proceeds on an annual basis until the maturity of the instruments. This may be integrated in Banco de Chile's annual report or a separate document. Allocation reporting will include net proceeds raised and total amount of funds allocated by category. Impact metrics may include the number of beneficiaries and GHG emissions reduced/avoided (tCO₂e). Sustainalytics views Banco de Chile's allocation and impact reporting as aligned with market practice.

Evaluation Date	July 13, 2022
Issuer Location	Santiago, Chile

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Introduction

Banco de Chile (“BCH”, the “Issuer” or the “Bank”) is a commercial bank headquartered in Santiago, Chile. The Bank was founded in 1893 and offers a range of banking and financial services from its stock brokerage, fund management, insurance brokerage, financial advising and collections subsidiaries to over two million customers in Chile. As of December 2021, the Bank has over 10,200 employees¹ and reported CLP 13,264 billion in revenues.²

Banco de Chile has developed the Banco de Chile Sustainability Financing Framework (the “Framework”) under which the Bank and its subsidiaries³ intend to issue green, social or sustainability bonds⁴ and loans, and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to advance Chile’s shift to a low-carbon economy and generate positive social impacts in the country. The Framework defines eligibility criteria in eight areas:

1. Socio-economic Advancement & Empowerment – MSMEs Financing & Women-Owned Enterprises
2. Socio-economic Advancement & Empowerment – Financial Literacy
3. Access to Basic Infrastructure
4. Affordable Housing (Social Housing)
5. Energy Efficiency
6. Renewable Energy
7. Green Buildings
8. Clean Transportation

Banco de Chile engaged Sustainalytics to review the Banco de Chile Sustainability Financing Framework, dated June 2022, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)⁵, Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP)⁶. This Framework has been published in a separate document.⁷

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁸ 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, and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA, APLMA, and LSTA;

¹ As of December 31, 2021, the Bank had 10,288 employees with an additional 1,996 individuals employed by its subsidiaries for a total employee base of 12,284 employees.

² Banco de Chile, “Annual Report 2021”, at:

https://portales.bancochile.cl/uploads/000/036/049/3381cde0-07af-4188-b381-dafdfa95d815/original/Memoria_2021_BCh_ENG_digital_06-2022.pdf

³ BCH has communicated that the subsidiaries (including special purpose vehicles) issuing the bonds through the Framework will either be wholly owned or majorly controlled (>50%+1 share) by the Bank. The Bank has further confirmed that it will be responsible for ensuring continual alignment of the issuance with the criteria defined with the Framework.

⁴ The bonds applicable under the Framework include senior secured and unsecured notes, convertible bonds, and commercial papers. For issuances based on standard convertible bonds, Sustainalytics has communicated to the Bank that once the conversion occurs, the SPO will no longer be valid for that issuance. For mandatory convertible bonds, the Issuer must achieve 100% bond allocation before the conversion of the bond.

⁵ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁶ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁷ The Banco de Chile Sustainability Financing Framework is available on Banco de Chile’s website at:

<https://portales.bancochile.cl/nuestrobanco/es/nb/sostenibilidad/documentos-descargables#politicas-y-declaraciones>

⁸ 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.

- 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 Banco de Chile's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Banco de Chile representatives have confirmed (1) they understand it is the sole responsibility of Banco de Chile to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with 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 Banco de Chile.

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.

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 Banco de Chile has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Banco de Chile Sustainability Financing Framework

Sustainalytics is of the opinion that the Banco de Chile Sustainability Financing Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP, and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Socio-economic Advancement & Empowerment – Micro-, Small- and Medium-Sized Enterprises (MSMEs) Financing & Women-Owned Enterprises, Socio-economic Advancement & Empowerment – Financial Literacy, Access to Basic Infrastructure, Affordable Housing (Social Housing), Energy Efficiency, Renewable Energy, Green Buildings and Clean Transportation – are aligned with those recognized by the GBP, SBP, GLP, and SLP.
 - Sustainalytics notes that Banco de Chile will finance loans related to the categories below which include project and program-related financing as well as financing of businesses. Sustainalytics recognizes that the GBP and SBP favour project-based lending and financing, which provide generally more transparency than non-project-based lending. The Framework allows for general purpose lending to pure-play companies, however, Sustainalytics notes the high threshold that Banco de Chile has established in order to deem a company eligible for inclusion. Pure-play companies must derive more than 90% of their revenues from eligible activities in order to qualify for financing. Sustainalytics further notes that financing of any of the following sectors

is excluded under the Framework: Weapons and small arms, tobacco, fossil fuels, alcohol, gambling and adult entertainment.

- BCH has established a two-year lookback period for its refinancing activities. Sustainalytics considers this to be in line with market practice.
- Within the Socio-economic Advancement & Empowerment – MSMEs Financing & Women-Owned Enterprises category, the Bank intends to finance MSMEs⁹ in Chile, including those led or owned by women.
 - The Bank uses IFC's definition to define women-owned MSMEs as either those that are majority owned ($\geq 51\%$) by women (or a woman), or where (i) $\geq 20\%$ of the MSME is owned by women, (ii) at least one woman serves as the CEO/COO/President/Vice President, and (iii) the Board of Directors (where a board exists) has $\geq 30\%$ representation of women.¹⁰
 - The Framework excludes investments in projects or activities that may have negative environmental or social impacts, such as weapons and small arms, tobacco, fossil fuels, alcohol, gambling, and adult entertainment.
 - Sustainalytics considers the well-targeted approach for financing in a developing economy such as Chile to be aligned with market practice.
- Under the Socio-economic Advancement & Empowerment – Financial Literacy category, the Bank intends to finance partnership-based financial training and education programs that are specifically designed to provide financial literacy to the unbanked and underbanked individuals and MSME entrepreneurs in Chile.
 - The Framework defines "unbanked" populations as those households that do not have access to a checking or savings account. The "underbanked" populations are defined as those households in which one or multiple members either have an account at an insured institution or have obtained financial products or services outside of the banking system.
 - The Framework requires the training programs to be offered free-of-cost to the target populations.
 - Sustainalytics recognizes the potential of financing such programs for a well-defined set of target populations to generate positive social impact and considers the criteria to be aligned with market practice.
- Under the Access to Basic Infrastructure category, the Bank intends to finance public infrastructure projects in those rural or intermediate regions in Chile that have no or significantly inadequate access to basic infrastructure, in particular, roads, bridges, water and sanitation utilities, health services, and education facilities.
 - The Framework considers a region "rural" if more than 50% of its population resides in rural communities¹¹ and a region "intermediate" if 25% to 50% of its population is living in rural communities.
 - Sustainalytics considers the financing of roads and bridges in those regions where road connectivity does not exist or is significantly inadequate to be in line with market practice.
 - Through investments in water infrastructure and services, BCH aims to increase public access to potable water.¹² Sustainalytics notes positively that the Framework allows investments in just those desalination projects that are powered by 100% renewable

⁹ The Framework defines MSMEs as an organization that either fulfills two of the following three criteria: (i) an employee base of up to 300 people, (ii) total assets between USD 100,000 to USD 15 million, and (iii) total annual revenue in the range of USD 100,000 to USD 15 million, or if the loan to it falls within the relevant MSME loan size proxy per the IFC criteria. More information at:

https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors

¹⁰ IFC, "IFC's Definitions of Targeted Sectors", at:

https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors

¹¹ Per the Framework, a community is considered as "rural" if its population density is below 150 inhabitants per square kilometer, in accordance with the OECD regional typology. More information at: https://read.oecd-ilibrary.org/urban-rural-and-regional-development/oecd-territorial-reviews-chile-2009_9789264060791-en#page90 and <https://www.masvidarural.gob.cl/ruralidad-en-chile/>

¹² The Framework excludes investments in potable water infrastructure projects that are designed for industrial purposes.

- energy and have an appropriate waste management plan for brine disposal¹³ and considers the criteria for financing water infrastructure projects to be aligned with market practice.
- For investments in healthcare, BCH intends to finance just those public and private healthcare facilities in Chile that primarily target individuals who are registered with Fondo Nacional de Salud (FONASA).¹⁴ Sustainalytics considers the criteria for financing healthcare facilities to be in line with market practice and encourages the Bank to report on the impact created for the beneficiaries of the financed healthcare facilities.
 - Under the Affordable Housing (Social Housing) category, the Bank intends to provide real estate or construction loans to real estate companies to build affordable housing for the defined target populations in accordance with the Chilean government's housing subsidy programmes.
 - Real estate companies shall register their affordable housing project with one of the following programmes: (i) Housing Subsidy for Families Program DS1,¹⁵ (ii) Social and Territorial Integration Program DS19,¹⁶ or (iii) Solidarity Fund for Housing Choice Program DS49.¹⁷ The Ministry of Housing and Urbanism of Chile governs these programmes and its independent organization, Servicios de Vivienda y Urbanización, ensures that targeted low- and moderate-income households receive government subsidies to purchase the affordable housing. The Issuer has further communicated that each programme has its specific criteria to apply with regards to the applicant's socioeconomic status as well as the affordable housing price. For instance, DS19 regulates the affordable housing price cap to be UF 1,200 (USD 38,362) for tranche 1 applicants, UF 1,800 (USD 57,543) for tranche 2 applicants, and UF 2,600 (USD 83,118) for tranche 3 applicants. Sustainalytics further notes that the capped affordable housing prices under the subsidy programmes are expected to be below the average prices for purchasing residential homes (of comparable sizes) in Chile, which is recognized as a favorable approach for ensuring affordability for the target populations.
 - The Framework targets those households that are registered with the Social Registry of Households and that do not exceed 90% in the socioeconomic qualification bracket as classified under the Chilean government's socioeconomic assessment.¹⁸ The socioeconomic qualification separates households into seven tranches (0-40%, 41-50%, 51-60%, 61-70%, 71-80%, 81-90%, 91-100%) based on their family formation, educational attainment, housing conditions, total income, physical and mental health, and access to social security with the lowest tranche representing the most socio-economically vulnerable populations.¹⁹ While acknowledging that the conventional practice for affordable housing is to target low-to-moderate income populations, Sustainalytics notes that the methodology adopted by the Social Registry of Households looks at multiple socioeconomic metrics for defining the target populations. Sustainalytics further notes that the average income for households in tranche 81-90% (CLP 1,077,716 or USD 1,248) in 2020 was lower than the average family income in Chile (CLP 1,135,938 or USD 1,315) in the same year²⁰ and recognizes the Bank's holistic approach for targeting the vulnerable populations in a developing economy such as Chile.
 - Under the Energy Efficiency category, Banco de Chile intends to finance measures that result in a reduction of energy consumption of more than 30% compared to the pre-improvement levels, excluding any processes and technologies that rely on fossil fuels. Projects and activities include the development, retrofit and installation of the following:

¹³ Desalination plants produce significant amounts of brine. Due to the use of pre-treatment and anti-fouling additives within the process, this hypersaline by-product liquid stream may contain heavy metals and chemicals that can accumulate in and affect the ecosystem.

¹⁴ Fonasa, "Get to know Fonasa", at: <https://www.fonasa.cl/sites/fonasa/conoce-fonasa>

¹⁵ More information about the program is available at: <https://www.minvu.gob.cl/wp-content/uploads/2022/03/DS1-guia-compra-2022.pdf>

¹⁶ More information about the program is available at: <https://www.minvu.gob.cl/wp-content/uploads/2019/05/DS19-diptico-2022.pdf>

¹⁷ More information about the program is available at: <https://www.minvu.gob.cl/wp-content/uploads/2022/05/Res-Ex-504-de-13-04-2022-Llamado-Adquisicion-de-Suelos-Glosa-12.pdf>

¹⁸ More information about the process is available on the website of the Registro Social de Hogares at: <http://www.registrosocial.gob.cl/que-es#top>

¹⁹ Departamento de Operaciones División de Focalización, "Orientaciones al RSH N°8 Cálculo de la Calificación Socioeconómica", at:

http://www.registrosocial.gob.cl/docs/Orientaciones-complementarias-N8_calculo-CSE_VF.pdf

²⁰ InE, "Ingreso laboral promedio mensual en Chile fue de \$635.134 en 2020", at: [https://www.ine.cl/prensa/detalle-prensa/2021/08/24/ingreso-laboral-promedio-mensual-en-chile-fue-de-\\$635.134-en-2020](https://www.ine.cl/prensa/detalle-prensa/2021/08/24/ingreso-laboral-promedio-mensual-en-chile-fue-de-$635.134-en-2020)

- Energy efficiency improvement measures such as electricity-powered boilers, heat insulating walls, LED lighting, and heating and air conditioning.
 - Smart meters for heat, cool, electricity and water.
 - Improvements related to homes and offices such as solar panels, electric heat pumps, thermal insulation of ceilings, walls and windows.
 - Sustainalytics views these investments to be aligned with market practice.
- Under the Renewable Energy category, Banco de Chile intends to finance the acquisition, development, operation and maintenance of the following projects and activities:
 - Solar power including photovoltaic and concentrated solar power (CSP) as well as offshore and onshore wind power. Banco de Chile has confirmed that fossil-fuel back-up of CSP projects will be limited to 15% of total electricity generation.
 - Hydropower with (i) a capacity smaller than 25MW and life-cycle GHG emissions below 50 gCO₂e/kWh or (ii) run-of-river without artificial reservoir or low storage capacity. The Issuer has confirmed that an environmental and social risk assessment will be conducted for every potentially eligible hydropower project. Only those projects will be financed that have no significant risks, controversies or expected negative impact associated with them. Please see 'Project Evaluation and Selection' below for more information.
 - Bioenergy for the purpose of electricity generation from waste biomass limited to forestry and agricultural residues. Life-cycle emissions of such facilities will be below 100 gCO₂e/kWh.
 - Sustainalytics views these investments to be aligned with market practice.
- Under the Green Buildings category, Banco de Chile intends to finance (i) commercial buildings that have achieved or are expected to achieve a specified green building certification, in particular, LEED ("Gold" or "Platinum"),²¹ BREEAM ("Excellent" or "Outstanding")²² or ENERGY STAR (a score of 85 or above)²³, or (ii) the retrofitting or refurbishment expenditures for existing buildings that achieve at least a 30% reduction in primary energy demand compared to the pre-retrofit level.
 - Sustainalytics considers the certification schemes to be credible and the levels selected to be indicative of positive impact and aligned with market practice.
 - For buildings improvements, BCH has confirmed that just the expenditures related to energy efficiency improvements will be financed under the Framework. Sustainalytics considers the criteria to be aligned with market practice.
- Under the Clean Transportation category, Banco de Chile intends to finance assets related to low-carbon and zero-emission transportation, in particular:
 - Electric vehicle infrastructure including charging stations. The Framework excludes financing of parking lots.
 - Passenger cars, trucks and light-duty vehicles including electric vehicles and hybrid vehicles with a threshold of a maximum 75 gCO₂/km.²⁴
 - Public transportation vehicles including buses, trains, trams and trolleybuses with a threshold of a maximum 50 gCO₂/p-km²⁵. The construction of roads is excluded from the Framework.
 - Sustainalytics considers these expenditures to be in line with market practice.
- Project Evaluation and Selection:
 - Banco de Chile will establish a Sustainability Financing Working Group (the "Working Group") which will be comprised of senior representatives from the following departments/ divisions: (i) Treasury Division, (ii) Corporate and Social Responsibility Office, (iii) Wholesale Credit Risk Division (Environmental and Social Risk Coordinator), (iv) Investor Relations, (v) Marketing and

²¹ ChileGBC, "LEED® - Leadership in Environmental and Energy Design", at: <https://www.chilegbc.cl/index.php?sec=proyectos-leed>

²² BREEAM, "Scoring and Rating BREEAM assessed buildings", at: https://www.breeam.com/BREEAM2011SchemeDocument/Content/03_ScoringRating/scoring.htm

²³ Energy Star, "Eligibility Criteria for the 1-100 Energy Star Score", at: https://www.energystar.gov/buildings/benchmark/understand_metrics/score_criteria

²⁴ The Bank has communicated that the vehicle emission estimation will be based on the Worldwide Harmonized Light Vehicle Test Procedure (WLTP) laboratory test protocol.

²⁵ Ibid.

- Digital Banking Division, (vi) Commercial Division, and (vii) Corporate Banking Division. The Working Group will oversee the allocation and selection process to ensure projects financed meet the criteria laid out in the Framework.
- The Working Group will also manage social and environmental risks associated with the financed projects. Banco de Chile has adopted internal processes to address these risks. Refer to Section 2 for more details.
 - Based on the process in place to select eligible projects as well as manage environmental and social risks associated with the projects, Sustainalytics considers the process to be in line with market practice.
 - Management of Proceeds:
 - BCH's Treasury Division will be responsible for the allocation and tracking of proceeds. Banco de Chile will manage proceeds on a portfolio basis.
 - The Bank aims to allocate proceeds within 24 months of each issuance. Pending full allocation, proceeds will be held or invested in cash, cash equivalents or other short-term funding sources. Banco de Chile has confirmed that this excludes any carbon-intensive or controversial activities.
 - Based on processes in place to manage the proceeds, Sustainalytics considers this to be in line with market practice.
 - Reporting:
 - Banco de Chile will report on the allocation and impact of proceeds on an annual basis until the maturity of the instruments. This may be integrated in the Bank's annual report or a separate document. The Bank will also communicate any material changes regarding the portfolio composition on an ad-hoc basis. All reports will be available on Banco de Chile's website.
 - Allocation reporting will include net proceeds raised, total amount of funds allocated by category, unallocated proceeds as well as the share of financing versus refinancing. Impact reporting will include number of beneficiaries, number of loans granted, GHG emissions reduced/avoided (tCO₂e) and installed capacity (MW).
 - Based on the reporting commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Banco de Chile Sustainability Financing Framework aligns with the four core components of the GBP, SBP, GLP, and SLP. For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of Banco de Chile

Contribution of Framework to Banco de Chile's sustainability performance

Sustainalytics is of the opinion that Banco de Chile demonstrates a commitment to sustainability with a focus on the following three key environmental and social areas: (i) corporate eco-efficiency and carbon footprint reduction, (ii) sustainable and responsible finance, and (iii) social inclusion.

Banco de Chile has established an Environmental Sustainability Policy which aims to reduce the Bank's adverse impact on the environment, contribute to financial stability and achieve the country's environmental commitments.²⁶ The policy sets out principles for target setting related to the area of corporate eco-efficiency and carbon footprint reduction, progress tracking and communication throughout the organization, and identification of the parties responsible for the process. In 2021, Banco de Chile has achieved a carbon footprint reduction of 27.9% compared to 2020 levels.

Sustainable and responsible finance constitutes another core pillar of the Bank's sustainability commitments. Banco de Chile integrates socio-environmental criteria and ESG factors into its investment risk assessment and project selection process, in alignment with the recommendations by the United Nations Environment Programme Finance Initiative's environmental and social risk assessment programme.²⁷ Further, Banchile

²⁶ Banco de Chile, "Annual Report 2021", at: https://portales.bancochile.cl/uploads/000/032/920/863764ed-a92b-4ddf-b0b1-9c9eb385bf11/original/Memoria_2021_BCh_ENG_digital.pdf

²⁷ Ibid.

Administradora General de Fondos, a subsidiary of Banco de Chile, was one of the first Chilean fund managers to adhere to the Principles for Responsible Investment.²⁸

To support social inclusion in Chile, the Bank has supported social initiatives and programs targeting historically marginalized or disadvantaged populations. The Women Who Inspire (Mujeres que Inspiran) programme sponsored by the Bank, for instance, identifies women leaders and provides scholarships and trainings to this group to support female entrepreneurship. Routes for Chile Program is another showcase of the Bank's sponsorship to provide emergency assistance for cities experiencing disasters to promote and support to SME entrepreneurs associated with the tourism industry. The Bank's social investments²⁹ totaled approximately CLP 7.6 billion (~USD 8.8 million) in 2021.³⁰

Sustainalytics recognizes BCH's commitment to its ongoing social and environmental initiatives and encourages it to develop quantifiable and time-bound sustainable finance targets to further strengthen its sustainability practices.

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, could include land use and biodiversity issues related to the construction of large-scale infrastructure projects, waste management, worker health and safety, community relations, and predatory lending.

Sustainalytics is of the opinion that Banco de Chile is able to manage and/or mitigate potential risks through implementation of the following:

- Banco de Chile has a standard credit process in place which takes into account the potential impact of the E&S risks on a case-by-case basis to inform its lending decisions. The Bank sets credit limits for lending activities with a higher-than-normal E&S risk level and seeks approval from its Credit Committees for financing such assets. BCH has additionally implemented an investment policy integrating ESG elements into its investment analysis and decision-making process.³¹ The Bank aims at ensuring that its commercial borrowers are compliant with the relevant regional environmental regulations, in particular, the Framework Law on Climate Change,³² Framework for Waste Management, Extended Producer Responsibility and Promotion of Recycling,³³ and standards of Servicio Evaluación Impacto Ambiental (SEIA) that address risks related to land use, biodiversity issues, and waste management. It evaluates risks associated with community relations based on its internal risk policies and practices, in line with the information available at the time of such assessments.
- Chile has established a legal framework for occupational health and safety,³⁴ including the law on work accidents and occupational diseases,³⁵ qualification and evaluation of work accidents and diseases,³⁶ basic sanitary and environmental conditions in workplaces,³⁷ and safety of workers in situations of risk and emergency³⁸. The Labor Code³⁹ issued by the country's Directorate of Labor also includes various regulations pertaining to labor rights and health and safety. BCH has communicated to Sustainalytics that it ensures portfolio-level compliance with these regulations.

²⁸ Ibid.

²⁹ Social investment includes deductible and non-deductible donations, sponsorships, SENCE training tax credits, additional support for the pandemic related and other social initiatives.

³⁰ Banco de Chile, "Annual Report 2021", at: https://portales.bancochile.cl/uploads/000/032/920/863764ed-a92b-4ddf-b0b1-9c9eb385bf11/original/Memoria_2021_BCh_ENG_digital.pdf

³¹ Banco de Chile, "Annual Report 2021", at: https://portales.bancochile.cl/uploads/000/032/920/863764ed-a92b-4ddf-b0b1-9c9eb385bf11/original/Memoria_2021_BCh_ENG_digital.pdf

³² Ministry of Environment, "Framework Law on Climate Change", (Law 21455), at: <https://www.bcn.cl/leychile/navegar?idNorma=1177286>

³³ Ministry of Environment, "Framework for Waste Management, Extended Producer Responsibility and Promotion of Recycling", (Law 20920), at: <https://www.bcn.cl/leychile/navegar?idNorma=1090894>

³⁴ ILO, "Chile Occupational safety and health", at: https://www.ilo.org/dyn/natlex/natlex4.listResults?p_lang=en&p_country=CHL&p_classification=14

³⁵ Ministry of Labour and Social Security, Law 16.744, (1968), at: <https://www.bcn.cl/leychile/navegar?idNorma=28650>

³⁶ Ministry of Labour and Social Security, Law 21.012, (2017), at: <https://www.bcn.cl/leychile/navegar?idNorma=1103798>

³⁷ Ministry of Health, Decree No. 594, (1999), at:

https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=59815&p_country=CHL&p_classification=14

³⁸ Decree No. 63, (1978), https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=12973&p_country=CHL&p_classification=14

³⁹ Directorate of Labor, "Labor Code", at: <https://www.dt.gob.cl/legislacion/1624/w3-article-95516.html>

- BCH has adopted formal processes to ensure adherence to the regulations of CMF which is the Chilean financial regulator and supervisor as well as the country's national consumer service (SERNAC), helping it mitigate the risk of predatory lending. Generally, in Chile there is a legal interest rate limit that customers can be charged with. This threshold is updated on a regular basis.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Banco de Chile 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 eight use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP, and SLP. Sustainalytics focuses below on where the impact is specifically relevant in the local context.

Importance of financing affordable housing projects in Chile

A variety of socio-economic factors in the Chilean market have contributed to a continued rise in prices, a housing shortage, increasing socio-economic disparity, segregation and exclusion. As per a survey published in 2022, the quantitative housing deficit reached 641,421 units with low-income households having been affected the most.⁴⁰ Low-income families accounted for 72% of the total housing deficit, followed by middle-income families at 25% and high-income families at 3%.⁴¹ The sustained increase in housing prices means that housing costs continue to make up a large share of a family's total budget, particularly for low- to middle-income families which earmark up to 40% of their income to housing, on average, as per OECD.⁴² Moreover, with land prices continuing to push people living on low incomes from established metropolitan areas to locations that lack urban infrastructure, services and amenities, the qualitative housing deficit, which considers deficiencies in housing condition such as inadequate space and amenities, is estimated to be even higher at 1.2 million units in 2021.⁴³

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.⁴⁴ Additionally, the government developed the Integrated Housing Subsidy System known as D.S. 1, which is targeted toward low- to middle-income households.⁴⁵ The funds from the subsidy programmes are distributed depending on an applicant's vulnerability score,⁴⁶ using the government's socio-economic assessment⁴⁷.

Considering the above, Sustainalytics is of the opinion that the Bank's investments in affordable housing programmes are expected to create positive social impact by enhancing the accessibility of affordable housing in Chile and improving the living conditions and housing security among the Chilean population.

Contribution of renewable energy and energy efficiency improvements to Chile's transition to a low-carbon economy

As a signatory to the Paris Agreement, Chile has committed to capping its absolute annual CO₂ emissions to 95 MtCO₂e annually by 2030 and to achieving carbon neutrality by 2050.⁴⁸ As part of these efforts, Chile passed the Non-Conventional Renewable Energy Law, which requires all electric utility companies with more

⁴⁰ Africa Equity, "Chile's Housing Crisis Has a Hidden Face: Domestic Violence", (2022) at: <https://africaequity.net/chiles-housing-crisis-has-a-hidden-face-domestic-violence/>

⁴¹ Chilean Chamber of Commerce, "Deficit housing: A challenge earring", at: <https://cchc.cl/2019/deficit-habitacional>

⁴² Havana Times, "Housing in Chile: From a Dream to a Constitutional Right", (2022) at: <https://havanatimes.org/features/housing-in-chile-from-a-dream-to-a-constitutional-right/>

⁴³ 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/>

⁴⁴ OECD, "Housing policy in Chile", at: <https://www.oecd-ilibrary.org/docserver/5jm2hzbnnq33-en.pdf?expires=1638169480&id=id&accname=guest&checksum=B54BBE85748BE673AFA2368292D37B67https://www.oecd-ilibrary.org/docserver/5jm2hzbnnq33-en.pdf?expires=1638169480&id=id&accname=guest&checksum=B54BBE85748BE673AFA2368292D37B67>

⁴⁵ Ibid.

⁴⁶ 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/>

⁴⁷ Ibid.

⁴⁸ Climate Home News, "Chile to peak emissions by 2025, under strengthened climate pledge", (2020) at: <https://www.climatechangenews.com/2020/04/09/chile-peak-emissions-2025-strengthened-climate-pledge/>

than 200 MW of installed capacity to generate at least 20% of their electricity from renewable sources by 2050⁴⁹ and phase out coal by 2040.⁵⁰

Under this law and on its path to attaining carbon neutrality, Chile set its national targets in 2013 for achieving 20% of the country's energy supply and 45% of electric generation capacity from renewable sources by 2025.⁵¹ In 2020, Chile's renewable sources comprised 21.8% of the country's energy consumption⁵² and accounted for 44.6% of the country's total electricity generation.⁵³

Furthermore, to improve Chile's energy efficiency, the Energy Efficiency Law was enacted in February 2021. This regulation enables better energy management practices amongst companies, the implementation of incentives to increase energy efficiency, promote zero-emission vehicles, provide transparent information on residential energy consumption, and the promotion of effective energy use in government buildings. Policies under this regulation aim to help Chile reduce its energy intensity by 10% by 2030 and reduce 28.6 million tons of CO₂ emissions. It is estimated that the measures taken under this law will help cover 35% of the country's carbon neutrality goal by 2050.⁵⁴

With 77% of GHG emissions in Chile coming from the energy sector,⁵⁵ investments in renewable energy and energy efficiency projects have the potential to significantly reduce GHG emissions of the country. Sustainalytics notes that Banco de Chile's financing of such projects is 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 set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Banco de Chile Sustainability Financing Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Socio-economic Advancement & Empowerment - MSMEs Financing & Women-Owned Enterprises	9. Industry, Innovation and Infrastructure	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
Socio-economic Advancement & Empowerment – Financial Literacy	1. No Poverty	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
Affordable Basic Infrastructure	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

⁴⁹ Privacy Shield Framework, "Chile – Energy", at: <https://www.privacyshield.gov/article?id=Chile-Energy>

⁵⁰ Bloomberg Law, "Chile to Phase Out Coal-Fired Power Generation by 2040", (2019), at: <https://news.bloomberglaw.com/environment-and-energy/chile-to-phase-out-coal-fired-power-generation-by-2040>

⁵¹ 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>

⁵² Our World in Data, "Energy Consumption by Source: Chile", (2020) at: <https://ourworldindata.org/grapher/energy-consumption-by-source-and-region?stackMode=absolute&country=~CHL>

⁵³ Our World in Data, "Electricity Production by Source", (2020) at: <https://ourworldindata.org/grapher/electricity-prod-source-stacked?tab=table>

⁵⁴ Government of Chile, "President Pinera enacts the Energy Efficiency Law in Chile: The time for a diagnoses is over; now is the time for action, commitment and resolve", (2021), at: <https://www.gob.cl/en/news/president-pinera-enacts-the-energy-efficiency-law-in-chile-the-time-for-diagnoses-is-over-now-is-the-time-for-action-commitment-and-resolve/>

⁵⁵ UN Framework Convention on Climate Change, "Emissions Summary for Chile", (2018) at: https://di.unfccc.int/ghg_profiles/nonAnnexOne/CHL/CHL_ghg_profile.pdf

Affordable Housing (Social 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.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
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

Conclusion

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

The 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 Framework is aligned with the overall sustainability strategy of the Issuer and that the use of proceeds categories will contribute to the advancement of the UN SDGs 1, 7, 9 and 11.

Additionally, Sustainalytics is of the opinion that Banco de Chile 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 Banco de Chile is well positioned to issue green, social and sustainability bonds and loans and that the Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles 2021 (GLP), Social Loan Principles 2021 (SLP) and Sustainability Bond Guidelines (2021).

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Banco de Chile
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Banco de Chile Sustainability Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 13, 2022
Publication date of review publication:	
Original publication date <i>[please fill this out for updates]</i>	

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:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ 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 – Socioeconomic Advancement & Empowerment – MSME Financing & Women-Owned Enterprises, Socioeconomic Advancement & Empowerment – Financial Literacy, Access to Basic Infrastructure, Affordable Housing (Social Housing), Energy Efficiency, Renewable Energy, Green Buildings, and Clean Transportation – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 7, 8, 9 and 11.

Use of proceeds categories as per GBP:

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

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

Use of proceeds categories as per SBP:

- | | |
|---|---|
| ☒ Affordable basic infrastructure | ☐ Access to essential services |
| ☒ Affordable housing | ☐ Employment generation (through SME financing and microfinance) |
| ☐ Food security | ☒ Socioeconomic advancement and empowerment |
| ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | ☐ Other (please specify): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Banco de Chile's Sustainability Financing Working Group oversees the evaluation and selection of eligible assets and will also manage social and environmental risks associated with the financed projects. Banco de Chile has adopted internal processes to address these risks. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

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

Information on Responsibilities and Accountability

- | | |
|---|--|
| ☐ Evaluation / Selection criteria subject to external advice or verification | ☐ In-house assessment |
| ☐ Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Banco de Chile's processes for management of proceeds are overseen by its Treasury Division. Proceeds will be managed on a portfolio basis. Banco de Chile expects to reach full allocation 24 months after issuance. Pending full allocation, unallocated proceeds will be held or invested in cash, cash equivalents or other short-term funding sources. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| ☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| ☐ Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| ☐ Allocations to future investments only | ☒ Allocations to both existing and future investments |
|---|---|

- | | |
|---|--|
| ☐ Allocation to individual disbursements | ☒ Allocation to a portfolio of disbursements |
| ☒ Disclosure of portfolio balance of unallocated proceeds | ☐ Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Banco de Chile will report on the allocation and impact of proceeds on an annual basis until the maturity of the instruments. This may be integrated in Banco de Chile's annual report or a separate document. Allocation reporting will include net proceeds raised and total amount of funds allocated by category. Impact metrics may include the number of beneficiaries and GHG emissions reduced/avoided (tCO₂e). Sustainalytics views Banco de Chile's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| ☐ Project-by-project | ☒ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (please specify): |

Information reported:

- | | |
|---|---|
| ☒ Allocated amounts | ☐ Sustainability Bond financed share of total investment |
| ☒ Other (please specify): Net proceeds raised, unallocated amounts, share of financing versus refinancing | |

Frequency:

- | | |
|--|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| ☐ Project-by-project | ☒ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| ☒ GHG Emissions / Savings | ☐ Energy Savings |
| ☐ Decrease in water use | ☒ 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): Standalone report published on the Issuer's website (can be included in the Bank's annual report)☐ 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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