



Annual Report Attachment

2020

Economic Dimension

1. Board of Directors

Regarding the composition of Banco Estado's Board of Directors, we state that all our Board Members meet the conditions to be considered independent, as defined in the Dow Jones Sustainability Index.

2. Emerging Risks

Emerging Risk	Description of the Risk	Potential Impact of the Risk on the company's business	Mitigation actions implemented
1) Climate Change and Drought	There is a broad consensus within the global scientific community on the effect that greenhouse gas emissions related to human activity have had and will have on the planet's temperature and climate. The scientific community has warned that extreme weather will increase rapidly over the next decade, causing a direct impact on activities linked to the primary sector of the economy, in addition to the ecological and humanitarian impacts that it entails.	In the long term, climate change could affect agriculture in several ways: decreasing yields, modifying agricultural practices through changes in the use of water (irrigation) and agricultural inputs such as herbicides, insecticides and fertilizers. The drought that affects Chile has meant a significant reduction in rainfall, rainwater and snow, a phenomenon that has affected mainly from the 3rd to the 7th Regions. Currently, the drought represents a growing threat to the agricultural sector, which is why BancoEstado has categorized it as an emerging risk that moves us to study it, quantify it and carry out preventive activities, support actions and mitigation of potential impacts for our clients. We have identified nearly 2,500 clients with loans for a total of MM \$ 252,400. The negative effects of climate change and drought could increase late payments for our clients in the agricultural sector, which could affect our ability to produce profits, and in the worst case, produce net losses.	During the 2019-2020 period, BancoEstado has carried out a work of identification and monitoring of clients who develop agricultural businesses and who are within the zones declared in agricultural emergency. Close monitoring has also been carried out between the Agricultural Risk Management and the commercial area, in the analysis of the businesses and credit proposals, to intensify the attention on the available irrigation water sources of the evaluated businesses. This has materialized in a daily communication regarding water issues, incorporating new tools and analysis variables (Water Balance Report). In addition, support programs have been developed for the agricultural sector with the greatest potential risk of climate impact, such as the conversion to species more resistant to conditions of water stress, investments in more efficient irrigation systems, crop protection infrastructure (roofs) and frost control equipment.

Emerging Risk	Description of the Risk	Potential Impact of the Risk on the company's business	Mitigation actions implemented
2) Digital Gap	<p>The digital divide, understood as the gap that exists between those who have access to the Internet and reliable devices and those who have very limited or no access, has increased due to the new relevance that these tools have acquired in a context of Covid-19 pandemic and related lockdowns. This gap is expected to continue advancing in the coming years if no action is taken, especially for under privileged sectors (BancoEstado's main client focus) who have less access to technology.</p>	<p>This emerging risk could have relevant impacts for BancoEstado, since the bank's clients could have greater difficulties in accessing technology. These difficulties could mean increased use of branches and face-to-face processes, which could increase the bank's operating costs, and therefore decrease the possibility of generating profits.</p>	<p>Our digital development strategy has been based on the promotion of the mobile application as a digitization vehicle for individuals and small businesses, making it a familiar and common channel not only for inquiries and transactions, but also for customers to request and purchase our products and services. At the same time, we constantly monitor digital transactions made in the bank, in order to evaluate the success and continuity of our digitization initiatives.</p>

3. Reporting on Breaches of our Codes of Conduct

Type of Claim	Number	STATUS
Robbery, theft and embezzlement	33	<ul style="list-style-type: none"> - 11 cases with complaints and already investigated by the public ministry. - 17 cases with complaints and currently investigated by the public ministry. - 5 cases with dismissals or closed investigations by the public ministry.
Money Laundering	114	All claims were investigated and resolved, the result of investigations is confidential by law.
Sexual Harassment	14	Investigations performed
Non-sexual Harassment	6	Investigations performed

Type of actions taken (regarding the 20 claims on work and sexual harassment)	Number
Termination of contract	5
Not substantiated	14
Other Sanctions	6



4. Policy Influence Contributions

	Currency	2017	2018	2019	2020
Lobbying, interest representation	CLP	0	0	0	0
Local, regional or national political campaigns	CLP	0	0	0	0
Trade associations or tax-exempt groups	CLP	72.233.244	83.332.325	26.501.241	118.672.193
Other	CLP	0	0	0	0
Total contributions and spending	CLP	72.233.244	83.332.325	26.501.241	118.672.193

For 2020, the contributions to trade associations and tax-exempt groups mentioned above account for annual memberships to banking trade associations, commercial communication trade associations and chambers of commerce.

5. Sustainable Finance

Client Due Diligence / Know Your Customer

In addition to the Bank's Socio-Environmental Risk Policy, we have a Social and Environmental Risk Admission Manual, which establishes and describes the procedures for the identification, evaluation and management of the Social and Environmental Risks of our clients, both for financing companies and projects.

The process includes the categorization of companies and / or projects, and the application of a Social and Environmental Risk Questionnaire for companies that are categorized in A and B (high and medium Social and Environmental Risks), as part of the Know Your Customer process. In the case of project evaluation, Environmental Due Diligence is carried out with an external consultant and / or internal review.

The Social and Environmental Risk Questionnaire assesses ESG variables (Environmental, Social and Corporate Governance), most of them based on the IFC Performance Standards. Topics include:

- Corporate governance
- Social and Environmental Risk and Impact Assessment System
- Labor conditions
- Resource Efficiency Measures and Pollution Prevention

- Community protection programs against adverse effects
- Involuntary Resettlements
- Conservation of Biodiversity and Natural Resources
- Impacts of Indigenous Peoples
- Cultural heritage
- Climate Change Adaptation and Mitigation Systems

For its part, the evaluation of Projects bases its analysis on compliance with with Environmental and Social legislation, including in cases of greater Social and Environmental Risk the analysis regarding the Equator Principles, IFC Performance Standards and proposal of a Plan of Action to mitigate potential gaps.

Project Finance Process

Internally, compliance with the Social and Environmental Risk Policy is carried out by integrating the Social and Environmental evaluation in the Credit process. The Social and environmental Risk variables are evaluated in different Credit committees that have internal interdisciplinary working groups (Commercial, Risks, Legal and other areas) that are involved in compliance with the Social and Environmental Risk Policy. All projects are categorized by the Social and Environmental Risk Unit, reviewing compliance with environmental legislation. Some cases incorporate conditions for compliance with social and environmental variables in their credit contracts, being jointly monitored by the Commercial monitoring area and Social and Environmental Risk Unit.

Externally, we ensure compliance with the Equator Principles by hiring independent external experts, who carry out the Environmental Due Diligence of the Project. It analyzes compliance with the Equator Principles and IFC Performance Standards. In the event of gaps, a complementary Compliance Plan is established in which the client agrees to mitigate the gaps, which is reviewed through periodic monitoring by External Consultants and the Bank's Social and Environmental Risk Unit. Some examples of consultants with whom we have worked are G-Advisory and Stantec who have carried out an evaluation of the Road infrastructure project and follow-up of the Complementary Compliance Plan.

Out of all the 109 projects evaluated in 2020, 96 were financed, while 13 were rejected.

Examples of application of Social and Environmental Risk Policy

Financing associated with an Energy project through Wind Farms and Solar Park. The Project was categorized according to the Equator Principles, categorizing it B, Medium Social and Environmental risk. A review of compliance with national environmental regulations was carried out. Additionally, there was an external environmental Due Diligence which analyzed compliance with the Equator Principle and IFC Performance Standards. The main impacts identified in he Due Diligence were related to the generation and treatment of waste in the construction phase, use and treatment of water, acoustic impacts, potential impact on archeology and impact on animal habitat.

The Project contemplated specific measures to reduce impacts and post-construction monitoring plans, such as noise control and mitigation through emission limits thresholds in wind farms, specific plans for the use and treatment of water and waste for the solar park.

6. Privacy Protection

Responsibility for Privacy Issues

BancoEstado has a Corporate Government to manage Operational and Technological Risk, which covers, among other matters, Information Security. The defined governance framework considers the “Policy for the Integral Management of Operational and Technological Risk”.

In the area of Information Security, there is a “Information Security Standard”, which establishes that access to information from the Bank or its customers should only be limited to the function that performed by the user and not for other purposes. It also defines levels in the field of confidentiality, classifying as Level 1 those aspects that require a higher level of restriction, among which is customer information.

The first line of defense is made up of different Managements areas, including the Infrastructure and Production Management and the Cybersecurity Management, which have different processes and technological tools that allow the Bank's assets to be adequately protected, including: Perimeter Firewall, Advanced threat detection tools, Antivirus, Tools to detect and prevent information leakage, among others. On the other hand, it has a Cybersecurity monitoring center (SOC), which allows managing Cybersecurity events that threaten the security of assets.

In addition, BancoEstado has a second line of Defense, which is the Operational and Technological Risk Management that monitors compliance with the Information Security Policy, Regulation and standards through the monitoring of the Information Security protection controls and Cybersecurity, for this it has a panel of indicators that is periodically presented to the Operational and Technological Risk Committee who analyze their performance, and monitor the implementation of action plans of those that are outside the acceptance threshold.

Finally, a third line of defense, which is the Comptroller, with absolute independence from the two lines mentioned above, which has an annual audit plan that considers matters related to Information security and Cybersecurity.

Social Dimension

1. Labor Practice Indicators

1.1 Total number of employees 2020:

BancoEstado: 9.858

BancoEstado MicroEmpresas: 1.233

BancoEstado Express: 1.584

1.2 Breakdown of workforce: Gender

Women's participation indicator	BancoEstado	BancoEstado MicroEmpresas	BancoEstado Express
Participation of women in total workforce	49%	60%	44%
Participation of women in managerial positions	24.5%	57%	0%
Participation of women in managerial and assistant managerial positions	25.9%	28.5%	14%
Participation of women in assistant managerial positions	27.1%	23%	20%
Participation of women in managerial positions in revenue-generating areas	17.4%	25%	0%
Share of women in STEM positions (Science, Technology, Engineering, Mathematics)	37.6%	S/I	56%



1.3 Breakdown of workforce: Nationality

Indicator of nationality participation in total labor force	BancoEstado	BancoEstado MicroEmpresas	BancoEstado Express
Chile	99.3%	99.2%	95.5%
Peru	0.2%	0.3%	1.4%
Venezuela	0.1%	0.2%	2.1%
Other	0.4%	0.3%	0.9%

Indicator of nationality participation in managerial and assistant managerial positions	BancoEstado	BancoEstado MicroEmpresas	BancoEstado Express
Chile	98.3%	98%	100%
Peru	0%	0%	0%
Venezuela	0.6%	0%	0%
Other	1.1%	2%	0%

1.4 Breakdown of workforce: Age range

Age range participation indicator	BancoEstado	BancoEstado MicroEmpresas	BancoEstado Express
Under 30 years old	4.6%	9%	8.7%
Between 30 and 50 years old	68.4%	81%	78.4%
Over 50 years old	27.1%	10%	12.9%

1.5 Breakdown of workforce: Disability

Inclusion of people with disabilities	BancoEstado	BancoEstado MicroEmpresas	BancoEstado Express
Total number of people with disabilities	31	6	22

1.6 Pay Gap

Type of position	Ratio BancoEstado	Ratio BancoEstado Micro empresas	Ratio BancoEstado Express
1) Executive Level (Base salary only)	0,91	NA	NA
2) Executive Level (Base salary + other incentives)	0,85	NA	NA
3) Management Level (Base salary only)	0,92	1,09	0,82
4) Management Level (Base salary + other incentives)	0,91	1,09	0,66
5) Non-managerial level	0,82	0,85	0,9

1) and 2) Executive level refers to divisional managers who report to the CEO (executive general manager). For the subsidiaries, it is not possible to compare the salary gap at the executive level, as with no divisional managers, data only refers to the position of general manager.

3) Management level refers to managers (except divisional) and assistant managers.

5) Non-managerial level refers to the rest of the organization.



2. Human Rights

In accordance with our Sustainability Policy, we are committed to Human Rights.

- **Commitment to Respect for Human Rights:** Promote and respect Human Rights under the guidance of the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights and other internationally recognized frameworks adopted by the State of Chile.
BancoEstado prohibits any harassment, abuse or inappropriate treatment, and any type of discrimination in all areas of its operations against employees, customers, potential customers, suppliers, contractors, or any person who interacts with it.
- **With regard to our workers:** We are committed to respecting and promoting labor rights recognized in the national legislation and international agreements. This includes non-discrimination, human trafficking, forced or child labor, freedom of association, among others.
- **With regard to our Suppliers:** We are committed to working with suppliers that respect human rights, reject child labor, unsafe, forced or compulsory adolescent labor, provide decent working conditions and apply fair and transparent practices in the exercise of their activity, incorporating as a bank the mechanisms that allow us to demonstrate such compliance.

Zero Tolerance for Discrimination, Sexual and Labor harassment:

Our Diversity and Human Rights Policy states our commitment to not tolerate discrimination of any kind, sexual or labor harassment. In addition, we have conducted trainings for our employees in order to educate them about the concepts of discrimination, and thus prevent it for both employees and customers.

For BancoEstado employees, we held talks on Sexual Diversity with experts from Fundación Iguales, allowing us to learn more about these concepts and promote non-discrimination in this area.

We have reporting channels that allow employees, suppliers and customers to report any type of harassment or discrimination.

During 2020, BancoEstado received 20 complaints of labor or sexual harassment within the organization. Regarding claims made by clients, we received 89 complaints alleging discrimination. Most of them came from people with disabilities and 1 case of sexual diversity.

3. Human Capital Development

Training Indicators	BancoEstado	BancoEstado MicroEmpresas	BancoEstado Express
Average Hours of Training per employee	37.1	32	43.7
Average training costs per employee	\$212.891	\$56.170	\$70.511

4. Talent Attraction and Development

4.1 New Hires, Internally Filled Vacancies and Recruitment Costs:

New Hires	2017	2018	2019	2020
BancoEstado	645	362	351	339
BancoEstado Microempresas	79	64	82	18
BancoEstado Express	S/I	206	208	65
Total	724	632	641	422

Percentage of vacant positions filled by internal candidates	2017	2018	2019	2020
BancoEstado	68%	52%	65.7%	62%
BancoEstado Microempresas	38%	40%	21%	31%

4.2 Employee turnover

Turnover Rate	2017	2018	2019	2020
BancoEstado	4.8%	4.5%	6.1%	3.2%
BancoEstado Microempresas	S/I	4.6%	7.1%	2.1%

Voluntary turnover rate	2017	2018	2019	2020
BancoEstado	2.9%	2.3%	3.9%	1.8%
BancoEstado Microempresas	S/I	0.8%	1.3%	0.9%

5. Corporate Citizenship

As part of our priorities, we made cash contributions of Ch\$352,420,240. No in-kind contributions were made. Administrative expenses in 2020 totaled Ch\$473,672,016.

Due to the pandemic emergency, we were unable to carry out corporate volunteering in 2020 (in 2021, we do have employees who are volunteering during working hours).



6. Health and Safety

6.1 Programs and Benefits:

BancoEstado:

We have our own Nursery and Kindergarten for the children of workers in the Metropolitan Region; in regions, BancoEstado pays tuition and monthly fees directly to the selected nursery and gives a contribution in money to partially cover the cost of kindergarten.

In 2020, 92 workers used the Bank's Kindergarten and 401 mothers received the monthly stipend per child. On the other hand, 79 children attended the Bank's Head Office Nursery and 62 mothers received on-line support. In addition, 61 mothers were reimbursed the full monthly fee for in-person care in external nurseries. In the case of home care for children under 2 years of age, who remain at home due to medical reasons, the benefit was granted to a total of 174 female workers in the country.

On the other hand, the collective bargaining agreement includes sick leave with hospitalization of the employee's child under 18 years of age for 5 working days.

We provide Student Grant Assistance for all children of workers who have a disability, with no age limit.

BancoEstado grants a bonus to employees for the birth of each child and in the case of men, the Bank covers administrative leave that doubles the number of legal days, as well as leave for legal adoption. A Leave Protocol for pregnant workers was also prepared for mothers, starting in the 5th month of pregnancy.

Covid 19 Pandemic Support: To support our employees, the following protocols and benefits were generated at the beginning of the pandemic.

✓ **Special Leave Protocol to care for children under 2 years of age:**

This leave will be granted to all workers (fathers and mothers) who do not have a support network, Welfare Bonus and in the event of continued closure of childcare and education facilities.

✓ **Childcare Leave Protocol:**

This leave will be granted to all workers who do not have a support network or have difficulty caring for their children due to the continued closure of Schools. For this particular leave, the age range goes from 2 to 13-year-old children, who are attending Kindergarten, Preschool and Elementary School.

✓ **Benefits to assist Working Women with Children under 3 years of age:**

- Compensatory bonus for lack of nursery, for mothers who work in person or telework. It was granted to 142 mothers.

- Alternative Kindergarten Bonus for mothers who work at least 10 days in person. It was granted to 376 female workers.

It is worth mentioning that a mother received both compensatory and nursery benefits during 2020, for example, from January to June one benefit and July to December the other.

BancoEstado Express:

Flexible working hours benefits: Flexible working hours benefits are available for employees who are studying and are allowed to leave early. During 2020, this benefit was granted to 42 people. Also, flexible working hours are provided for workers with children who are in nursery school, being able to work from Monday to Friday only in the morning shift, setting the work shift only during the morning.

Additional benefits for mothers and fathers with pay: Workers with children in nursery can work from Monday to Friday only in the morning shift. In case of serious hospitalization of a child: two days of leave.

BancoEstado Microempresas:

Flextime benefits: Hour Bank Benefit. 32 hours per worker per year. This benefit is taken up by 100% of the workers.

Additional benefits for mothers and fathers:

- 5 extra days are granted on the birth or adoption of a child for fathers or mothers. This was used by 52 users in 2020.
- Alternative nursery: In cases where children under 2 years of age cannot attend the legal nursery due to justified health problems, the Company pays the working mother a cash voucher to cover the cost of caring for her child. 51 users in 2020.
- For mothers: During the first month after returning from maternity leave, for those workers who opt for the full working day, they will have the benefit of reducing their working day by 3 hours 10 minutes from Monday to Thursday, and 2 hours and a half on Fridays. 6 users in 2020.
- For fathers: Hourly benefit. Leave one hour before the end of the normal working day, for 1 month, from the date of the end of the parental postnatal period. 4 users in 2020.

6.2 Absentee Rate

Absentee Rate	2020
BancoEstado	5.6%
BancoEstado Microempresas	6,7%
BancoEstado Express	7%



Environmental Dimension

1. Operational Eco-efficiency

1.1 Direct greenhouse gas emissions (Scope 1)

Metric	2017	2018	2019	2020
Tons of CO ₂	1705	2025	2686	2259
Coverage	100%	100%	100%	100%

1.2 Direct greenhouse gas emissions (Scope 2)

Metric	2017	2018	2019	2020
Tons of CO ₂	13255	15556	15761	14731
Coverage	100%	100%	100%	100%

1.3 Energy Operational Eco-efficiency

BancoEstado keeps a record of its electricity consumption in accordance with the development and evolution of its operations. As part of its commitment to efficiency and the environment, several energy efficiency initiatives have been implemented, including the replacement of efficient lighting and heating equipment and the incorporation of renewable energies in a group of the Bank's branches, reducing the purchase of electricity from the public grid. The implementation of these renewable energy projects in some branches demonstrates the institutional decision to advance in the implementation of technologies that promote the transition to a low-carbon economy.

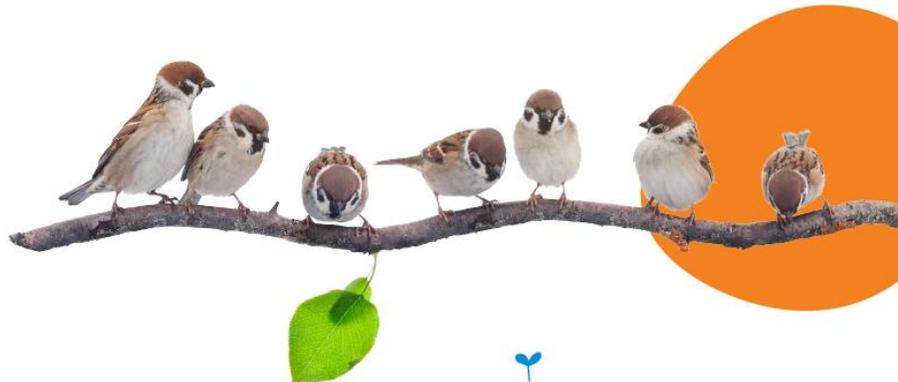


	Metric	2017	2018	2019	2020	Goal 2020
Total non-renewable energy consumption (MWh)	MWh	36657	36800	37704	35794	Decrease in 5%
Total renewable energy (biomass, solar, wind, etc.) purchased or generated for own consumption. Please specify: Solar panels installed at Santa Ana Building and branches nationwide (MWh)	MWh		70	91.5	92.7	
Total energy consumption costs	CLP		3427900000	4533885131	4635650000	
Coverage	Installations	100	100	100	100	

1.4 Water

Water consumption is determined based on actual billing in the Metropolitan region, and consumption estimates in the rest of the country.

	2017	2018	2019	2020	Goal
Total water use (million meters)	0.3093434	0.305701	0.268234	0.329219	Reduction in 5%
Coverage	100%	100%	100%	100%	



1.5 Waste

The main waste generated by BancoEstado corresponds to that produced by the use of paper and computer items, while to a lesser extent other waste generated by employees (such as wrappers and leftover food), all of which can be assimilated to municipal waste.

	Metric	2017	2018	2019	2020	Goal
Total waste generated	Metric tons	1234.4	1237.2	2152.7	1564	
Total waste used / recycled / sold	Metric tons	0.3	5.5	921	536	
Total waste disposed (A -B)	Metric tons	1234.01	1231.7	1453	1028	10% reduction
Coverage	Workers	100%	100%	100%	100%	

1.6 EP - Business travel emissions

	2017	2018	2019	2020	Comments
Tons of CO2	3375.1	2299	1607	156	CC: Total business travel by air, road, etc
Coverage	100%	100%	100%	100%	



1.7 Scope 3 GHG emissions

Regarding CO₂eq emissions for Scope 3, BancoEstado has gradually included several variables and emission sources influencing this indicator, as a sign of its commitment to know, survey, analyze, report and manage its environmental impacts.

The method used for the calculation was based on the methodological guidelines of the WRI GHG Protocol Corporate Accounting, known as GHG Protocol, supported by PCAF. The category names used in the document correspond to those of the GHG Protocol.

Type of Source	Description of its importance	Annual emissions (metric tons CO ₂)	Percentage of emissions calculated using supplier data
1. Mobilization of staff	Corporación BancoEstado has headquarters in the cities of Santiago and Lota and 726 branches distributed throughout the country. At the end of 2020, the number of workers considered for the calculation of GHG emissions for this concept is 68% of the total workforce of the Corporación, equivalent to 10,138 employees, excluding workers who are in Telework mode.	6.393	0%
2. Waste treatment and disposal	Corporación BancoEstado, as a service company, has a greater incidence of paper and e-waste use.	1.643	63%
3. Upstream cargo transportation	It is consistent with the corporation's line of business according to the movement of securities between the head office, branches and the rest of the financial institutions.	1.467	99%



2. Climate Strategy

During the last few years BancoEstado has been gradually and progressively incorporating and analyzing various environmental variables related to its activities, which have enriched assessment of corporate management. The weighting of these factors, in turn, has driven a sustained cultural change in the Bank and a growing concern in relation to corporate responsibility to promote environmental sustainability, both in relation to its internal operations, as well as in relation to the management of the supply chain and the creation of green financial products for its clients

2.1 Task Force on Climate-Related (TCFD)

It is expected that by 2024 BancoEstado will have fully integrated the TCFD framework in the management of climate-related risks and opportunities.

2.2 Physical Risks

The physical risks that are considered relevant for BancoEstado are water stress and drought that could affect different industries resulting in:

- (1) Non-payment of loans due to drought.
- (2) Closing of customer service offices due to drought and non-customer service.

An analysis was made of the impact of the drought on the quality of the agricultural portfolio of clients located between regions III (Atacama) and VII (Maule), including around 2,400 clients. They were identified through a survey, in which a representative sample of debtors was asked about their water availability. They were classified by categories based on the "Impact of the Drought" in relation to their level of deterioration in their credit quality (portfolio classification). A total of 182 clients were sampled, representing 63% of the total portfolio (Regions III to VII), allowing us to determine a level of additional provisions of \$ 5,925 million CLP; which accounts for 2.3% of the total agricultural loans for the area evaluated (III - VII Regions). This credit risk has been applied to all agricultural clients.

Currently there is a water efficiency plan that is contemplated in the operational decarbonization route that includes the following measures: timed water shut-off valves, double discharge tanks, guidelines for the intervention of green areas with low water consumption in offices and/or branches of the bank. Regarding water savings in the BancoEstado corporation during 2019 was 8.4% compared to the previous year and 4.6% in 2020.

2.3 Transition Risks

The companies financed could be affected by regulatory changes aimed at reducing GHG emissions. These impacts could be reflected as a reduced cash flow; hurting the ability to repay loans (Credit Risk) or also impacting the value of the companies' assets. Regarding the Transition Risk, specifically as regulatory risk, the Electric Generation Industry is expected to have a greater impact, mainly coal-fired generation, due to the Decarbonization Agreement to which the generators have voluntarily subjected themselves in coordination with the Chilean Government, (for compliance with the NDC) and estimates the closure of coal plants by 2040. This could increase if the Decarbonization Law is approved, which would bring forward the closure of coal plants by 2025. The incoming Climate Change Law could have an impact on various industries, mainly affecting the life cycle of the Mining Industry.

