

Luxembourg, 05.12.2024

## Environmental and Social Data Sheet

### Overview

Project Name:	BANCO ESTADO - GLOBAL GATEWAY GREEN TRANSITION
Project Number:	2024-0305
Country:	Chile
Project Description:	Framework Loan to Chilean public bank BancoEstado to finance energy efficiency and renewable energy projects mainly for SMEs and Industries.
EIA required:	Some projects may require an ESIA.
Project included in Carbon Footprint Exercise <sup>1</sup> :	No

### Environmental and Social Assessment

#### Environmental Assessment

The proposed operation consists of a Framework Loan (FL) for USD 110 million to the Chile's public bank Banco Estado (the "Financial Intermediary", or "FI"). The multisector FL targets projects in Chile eligible for Climate Action and Environmental Sustainability (CA&ES). The primary sectors concerned with this operation are renewable energy and energy efficiency for Small and Medium Enterprises (SMEs) and Industries.

The environmental and social impact of most of the projects, if appropriately designed and operated, is likely to be limited, with no significant negative residual effects. Some key environmental and social (E&S) risks associated with the eligible projects include: i) emissions, effluents, land use, biodiversity and waste management issues related to the construction of certain projects; ii) community relations; iii) occupational health and safety.

Projects will vary considerably in size and nature and some of them may be subject to an Environmental and Social Impact Assessment process in line with national law or EIB's E&S standards.

Law No. 19,300 – the Environmental Law (*Ley de Bases Generales del Medio Ambiente – LBGMA in Spanish*) established the environmental assessment agency (*Servicio de Evaluación Ambiental – SEA*). The main function of the SEA is to administer the Environmental Impact Assessment System (SEIA for its acronym in Spanish).

For projects/activities listed in Article 10 of the LBGMA, which includes renewable energy power plants larger than 3 MW, the Promoter must submit to the authority – via the SEIA – either an Environmental Impact Statement (DIA for its acronym in Spanish) or an Environmental Impact Assessment (EIA)<sup>2</sup>.

If the project or activity generates or presents at least one of the effects, characteristics or circumstances indicated in Article 11 of the LBGMA, the Promoter must submit an EIA to the SEIA. Otherwise, the Promoter should submit a DIA via the SEIA. The Evaluation Commission

<sup>1</sup> Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO<sub>2</sub>e/year absolute (gross) or 20,000 tonnes CO<sub>2</sub>e/year relative (net) – both increases and savings.

<sup>2</sup> All documentation about a project EIA/DIA assessment is publicly available under <https://www.sea.gob.cl/> and on <https://www.bcn.cl/leychile/navegar?idNorma=30667>.



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of the respective region, or the executive director of the SEA, depending on the project characteristics, after evaluating the EIA or the DIA issues the Environmental Qualification Resolution (RCA). The RCA establishes if the project presented has been approved or rejected.

For investments subject to an EIA/ESIA and/or biodiversity assessment as defined by national legislation or in line with EIB E&S Standards, the FI shall ensure that the mitigation measures identified by the ESIA are carried out as required and the related public consultation is undertaken in accordance with national legislation.

The FI has a developed robust Environmental and Social Management System (ESMS), which comprises policies and procedures to identify, assess, manage, monitor and report E&S related risks and impacts, which incorporates the Equator Principles and Performance Standards in Environmental and Social Sustainability of the International Financial Corporation (IFC-PS) for project finance and corporate clients, when relevant.

Banco Estado has integrated the E&S risk assessment into its overall risk management procedures and decision-making process, with responsibilities for implementation assigned in different departments.

Based on the FI's methodology, for projects with higher-risk categories and sensitive sectors<sup>3</sup> an E&S risk report is provided to the respective credit committee to determine whether a due diligence will be performed by external environmental consultants, who will verify the correct compliance with national environmental regulations and compliance with international standards such as the Equator Principles and IFC-PS.

When applicable, the due diligence must propose an action plan for the fulfilment of eventual gaps found in the analysis, as long as they do not contravene those contained in the respective Environmental Qualification Resolution (RCA, by its Spanish acronym). When the financing of the project is authorized, E&S contractual requirements are established to monitor during the term of the credits, including Environmental and Social Action Plans (ESAPs).

EIB will support the operation to identify gaps between the E&S applicable legislations and Banco Estado's E&S risk management methodology vis-a-vis the requirements of EIB's E&S standards (Gap Analysis).

An action plan will be developed and agreed between the parties to remediate identified gaps to ensure alignment with EIB's E&S Standards to the satisfaction of the EIB. The FI will be required to check if companies implementing projects have environmental violations or infractions in the National Environmental Auditing Information System (SNIFA, by its Spanish acronym), especially in the case of companies operating in sensitive sectors.

Overall, the projects to be financed are expected to generate positive environmental benefits by contributing to resource efficiency and climate change mitigation. Therefore, the operation is considered to be Paris aligned and qualifies as 100% Climate Action in accordance with Climate Mitigation Action criteria.

## **EIB Paris Alignment for Counterparties (PATH) Framework**

Banco Estado's screened in for low carbon and screened out for resilience.

Banco Estado's climate-related framework and public disclosures do not currently meet the PATH requirements. Banco Estado is working on implementing the TCFD recommendations across the organisation and it has agreed to develop TCFD-aligned reporting within a reasonable timeframe following loan signature, which is in line with the requirements of the PATH framework, allowing flexibility in timing for counterparties located outside EU. The loan documentation will include appropriate contractual obligations.

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<sup>3</sup> Sensitive sectors such as energy, mining, forestry.



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Banco Estado's strategy includes climate change considerations. The FI is currently working on revising its risk management framework to include climate-related risks and on enhancing its climate-related public disclosures, in line with the requirements of the banking regulator in Chile (CMF).

### **Social Assessment, where applicable**

The FI will be required to undertake additional measures in case of concern to mitigate against the risk of forced labour in the supply chain of solar PVs. This will include enhanced due diligence, on a reasonable effort basis and commensurate to the risk and size of the project, ensuring that relevant obligations are passed on in supplier contracts.

When relevant, Banco Estado will be required to request promoters to establish an appropriate grievance redress mechanism ("GRM") at project level to align with the requirements of EIB's E&S standards. The GRM will be commensurate with the level of E&S impacts and risks of the underlying project and will be designed to ensure that any individual or community affected by a project is able to file a grievance or complaint using the grievance process.

### **Public Consultation and Stakeholder Engagement**

Public Consultation is ensured by the current legislation. The SEA has created the platform Citizen Participation and Indigenous Consultation, which is dedicated to ensure citizen can participate in the projects submitted to the SEIA.

## **Conclusions and Recommendations**

The social and environmental risks and impacts and mitigation measures for the projects to be financed with EIB resources will be assessed by the financial intermediary and, when relevant, will be reviewed by the Bank. Considering that Banco Estado's ESMS and its capacity to implement is deemed adequate, and that it will be required:

- BancoEstado will develop TCFD-aligned reporting within a reasonable timeframe following loan signature.
- BancoEstado will integrate E&S considerations into the financing decision-making and monitoring processes in compliance with: (i) EIB list of excluded activities, (ii) national legislation, and (iii) EIB E&S Standards, based on the jointly agreed action plan.
- Commit to implement the action plan jointly agreed to remediate the gaps identified.
- BancoEstado will integrate SNIFA information on environmental violations or infractions regarding companies or projects in its E&S risk management methodology as jointly agreed as part of the action plan
- For projects requiring an ESIA, require the promoters to establish an appropriate GRM commensurate with the level of E&S impacts and risks of the underlying project.
- Undertake reasonable efforts to mitigate in case of concern against the risk of forced labour in the supply chain.
- Exclude projects or companies with significant negative social or environmental impacts.
- Exclude projects that involve involuntary resettlement of persons or have a potentially adverse impact on indigenous or traditional communities and/or peoples.
- Not commit any EIB funds against projects that require an ESIA report or biodiversity assessment according to national law without, prior to commitment, receiving the consent from the competent authority, and the Non-Technical Summary of the ESIA having been made available to the public.
- Verify that the projects obtain, maintain and comply with the requirements of environmental and social permits or authorisations provided by competent authorities, including the mitigating measures resulting from the ESIA process.



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- Ensure access to the Bank to all relevant documents related to the sub-project upon request, including environmental and social studies and plans related to the ESIA process, as well as *DIAs and RCAs*, where applicable, such as Resettlement Action Plans (RAP), Livelihood Restorations Plans (LRPs) and Stakeholder Engagement Plans (SEP), E&S Risk Report and that those are in line with EIB's E&S standards.

Under these conditions, it is considered that the assessment, management and monitoring procedures carried out for individual projects will appropriately address E&S risks and impacts and ensure that the projects to be financed under this operation are implemented in accordance with the Bank's requirements. Subject to the conditions mentioned above, the operation is considered acceptable for the EIB in environmental and social terms.