

Banco Santander Chile | Task Force on Climate-related Financial Disclosures (TCFD) Index [August 2023]

GOVERNANCE		
TCFD Pillar	Disclosure	Banco Santander Chile's management of this aspect
GOVERNANCE - the organization's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	<p>The Board of Directors participates in the strategic planning of the organization and ensures the timely fulfilment of the proposed commitments in the short, medium and long term. This includes overseeing the Bank's ESG impacts on the environment and the impacts that the environment may have on the Bank, as well as delegating responsibility for managing these to the Company's executives, including issues associated with climate change.</p> <p>The Integrated Risk Committee meets fortnightly and is the body responsible for defining the risk appetite that the business areas may assume and reviewing and monitoring all risks that may affect the Bank. Twice a year it monitors compliance with the Environmental, Social and Climate Change Risk Management Policy.</p> <p>The Board of Directors conducts a self-assessment of its ESG competencies, with the results disclosed in our Integrated Report.</p>
	(b) Describe management's role in assessing and managing climate-related risks and opportunities.	<p>In 2023, the Sustainable Finance and Climate Change Office was created, a unit that reports directly to the General Manager and is in charge of promoting and carrying forward for the Bank and our clients the transformation to a net zero carbon economy. This Office is responsible for integrating ESG and climate change issues across the organization and business, with the aim of increasing green business, defining a baseline in emissions, and setting decarbonization objectives.</p> <p>Within the Sustainable Finance and Climate Change Office, the Responsible Banking Area is responsible for the elaboration and interpretation of the General Sustainability Policy that defines the approach to long-term value creation and the management of social and environmental risks, such as climate change and resource scarcity, in addition to presenting environmental, social and climate change matters to the Board of Directors. During 2022, the Sub-Committee on Climate and Sustainable Finance was formed to promote these issues in a cross-cutting way within the organization. It periodically reports to the Responsible Banking, Sustainability and Culture Committee.</p> <p>The Responsible Banking, Sustainability and Culture Committee oversees the preparation and implementation of the General Sustainability Policy. Senior management attends and it is chaired by the Chief Executive Officer (CEO).</p> <p>The Risk Department is responsible for overseeing all risks, including risks associated with climate change, as well as supervising and advising lines of business on managing them. The areas of credit risk, market risk, non-financial risks, compliance and reputational risk depend on this division. It is led by the Chief Risk Officer (CRO) who reports directly to the CEO. They participate in the Risk Control Committee, a senior management committee that meets every month.</p> <p>Credit risk is the main climate-related risk in terms of exposure and capital consumption, and is governed by the Environmental, Social and Climate Change Risk Management Policy that establishes the criteria of Grupo Santander and Santander Chile for the identification, evaluation, monitoring and management of environmental and social risks. To monitor the Group's policies and regulations and control the impact of climate risks, the Bank has two strategies: (1) To have specialists in all relevant credit operations, who contribute with a complementary view, to ensure that the operations contribute to sustainability and do not represent ESG risks, and (2) Specialists in ESG Financing, which ensures the real concern and focus of the company in the care of the environment and the mitigation of the impacts produced, both by its operations and the customers with whom it works. During 2023, progress was made with the implementation of a dissemination plan with the BEI (Corporate and Institutional Banking) teams to raise awareness on issues associated with sustainable finance and climate change.</p>

		<p>Elsewhere, in 2023, the Credit Risk Area presented the first version of the climate risk materiality analysis (see Risk pillar) to the Risk Control Committee, where the CRO and a large part of the Bank's Management Committee participate. A cadence was established for the presentation of this report every six months for follow-up and control.</p> <p>We provide performance-related monetary incentives to executives (including the CEO), managers and teams relevant to the management of climate change issues. Incentivized aspects include the development of green finance and the progress of the climate change strategy.</p>
Public references	<ul style="list-style-type: none"> • Banco Santander Chile, Integrated Report 2022, p77 (structure and functioning of the Board of Directors), p58 (sustainability and climate change governance), p82-83 (Board self-assessment of ESG competencies), • General Sustainability Policy • Environmental, Social and Climate Change Risk Management Policy 	

STRATEGY

TCFD Pillar	Disclosure	Banco Santander Chile's management of this aspect
STRATEGY – the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	<p>Environmental and climate-related risk drivers are considered as factors that could impact existing risks, such as credit, market, liquidity, operational, reputational, and strategic risk, among others, across different time horizons.</p> <p>The physical effects of climate change, generated by both one-off events and chronic changes in the environment, can affect business activities, the workforce, communities, markets, assets, investors, and others. The following drivers are considered when assessing potential physical risks:</p> <ul style="list-style-type: none"> • Acute: increased severity of extreme weather events, such as droughts or floods • Chronic: changes in precipitation patterns and extreme variability in weather patterns, rising average temperatures, chronic heat waves, or rising sea levels <p>On the other hand, transition risks arise from the transition to a low-carbon economy that includes changes in legislation, technology, or market trends. The following drivers are considered when assessing potential transition risks:</p> <ul style="list-style-type: none"> • Market sentiment: can manifest itself through changes in the supply and demand of certain commodities, products, and services, as climate-related risks and opportunities are considered, which can involve reputational issues, among others. • Policy action: such as implementing carbon pricing mechanisms to reduce GHG emissions, shifting energy use towards lower-emission sources, adopting energy efficiency solutions, encouraging greater water efficiency measures, and promoting more sustainable land-use practices. • Technology: It arises from the need to make improvements or innovations to support the transition to a lower-carbon and energy-efficient economic system that can have a significant impact on businesses to the extent that new technology displaces old systems and disrupts some parts of the existing economic system. <p>Climate change can also create opportunities for the Bank, as we move forward in working with clients to support their transition and reducing carbon emissions will be key to achieving our ambition to be net-zero emissions by 2050. The challenges of climate change have led Santander to develop a proposal of offers, solutions and opportunities to support inclusive growth, through financing products and services that incorporate environmental, social and governance variables, aimed at its different customer segments.</p>

<p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p>	<p>In line with our net-zero ambition, Banco Santander has a four-pronged climate strategy to support the green transition:</p> <ul style="list-style-type: none"> • Align our portfolio with the goals of the Paris Agreement: Align our portfolio with the goals of the Paris Agreement to help limit warming to an increase of 1.5°C above pre-industrial levels; and set sector portfolio alignment targets in line with the NZBA. • Support our clients in the transition: Helping our clients transition to a sustainable economy, with the goal of mobilizing \$1.5 billion of green finance between 2021 and 2025. • Reduce our environmental impact: Reduce our impact on the environment by implementing efficiency measures, sourcing all our electricity from renewable energy by 2025 and being carbon neutral in our operational footprint through the purchase of carbon credits. • Integrate climate into risk management: Integrating, understanding and managing the sources of climate change risks in our portfolios. <p>Banking plays an essential role in combating the climate emergency and developing a sustainable and inclusive economy. With this objective in mind, Banco Santander has focused its work on facilitating the mobilization of financial resources to promote sustainable investments and promote the actions of its clients in accordance with the environmental and social challenges of today. Grupo Santander is positioned as a global leader in the financing of renewable energy projects and the main driver of sustainable financing tools in Europe and Latin America. In Chile, this type of financing includes three main product areas:</p> <ul style="list-style-type: none"> • Sustainable financing products: In the form of credits, project finance and sustainable bonds, available for the local and international market • Supporting clients' sustainable transition: Through sustainable investments, ESG advice and green products • ESG bond structuring: Through sustainability-linked loan formats or sustainable bonds for corporations. <p>Santander Group is incorporating climate change risk management into one- and three-year budget planning, global strategic planning, the internal capital, and liquidity self-assessment process (ICAAP/ILAAP) and the Recovery and Resolution Plan.</p>
<p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>Globally, Banco Santander has performed several analyses to measure the physical and transition risk of our portfolios, including scenario analysis and stress tests, and Banco Santander Chile participates in these exercises.</p> <p>For commercial and corporate banking portfolios, Santander applies an integrated third-party vendor model (Planetrics) to quantify the financial impact of the transition and physical risks in different scenarios. The Planetrics model, based on basic credit risk metrics (loss on default, PDI; and probability of default, PI), estimates the direct and indirect impact of macroeconomic and climate variables, market trends and policy actions, including the cost of carbon, risks, and patterns of change in demand. Different time horizons (2030, 2040, 2050) and scenarios are analyzed including the "Orderly", "Disorderly" and "Hot House World" scenarios of the <i>Network for Greening the Financial System</i> (NGFS) and the <i>Representative Concentration Pathways</i> RCP2.6, RCP4.5 and RCP8.5. These scenarios are in the process of being tested and adapted to Chile.</p> <p>Grupo Santander has made progress in the development of a methodology for analysing sensitivity to climate risks – stress tests – which will mainly consider those economic activities that are most at risk from climate change. In 2022, Banco Santander Chile participated in the Santander Group's first climate stress test exercise, particularly in the stage of obtaining the necessary data for its execution, thus allowing the identification of existing necessary information, and for additional data to be made available for future needs. Currently in 2023, a local initiative is being developed aimed at the execution of a climate stress test, which will allow us to analyze sectoral information based on projections of relevant economic variables, such as GDP and unemployment. Regulators in Chile have not yet defined local guidelines for the implementation of climate stress tests; however, the Bank is attentive to any emerging requirements.</p>

Public references	<ul style="list-style-type: none"> • Banco Santander Chile, Integrated Report 2022, p112-117 (Description of our offer of sustainable finance products and services), p107 (Summary of the analyses carried out), p30 (Description of training activities on sustainable finance issues) • Santander Group: Climate Finance Report 2022-June 2023, p10-12, 14 (More detail on the risks and opportunities identified), p5-6 (More detail on the Santander Group's climate change strategy), p25-26 (Description of the scenario analysis exercises, including details on the assumptions and scenarios analyzed).
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RISK MANAGEMENT

TCFD Pillar	Disclosure	Banco Santander Chile's management of this aspect
RISK MANAGEMENT - how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.	<p>Banco Santander has identified climate change as a catalysing factor that can affect the nature, severity and magnitude of the other key risks identified in the Bank's management framework. The identification, evaluation and management of potential climate risks are executed within each risk area, with the Risk Oversight Area in charge of coordinating and monitoring the degree of progress and compliance of these activities. Every 6 months this area coordinates an exercise to identify the Bank's <i>Top Risks</i>, revealing the most relevant emerging risks from 3 to 5 years, within which climate change has been identified as one of the most material. As part of this process, many different areas participate in the identification, quantification, and prioritization of risks.</p> <p>As part of Santander Global, the Credit Risk Area has carried out a materiality assessment of climate change risks within the credit risk area, following the alignments of the Task Force on Climate-related Financial Disclosures (TCFD) and the United Nations Environment Programme Finance Initiative (UNEP-FI).</p> <p>During 2022-23, Banco Santander Chile advanced this analysis, analysing the credit exposure of customers against heat maps that consider physical (acute, chronic) and transition (regulatory, market, technological) elements that can generate risk for different economic activities in different time horizons (short, medium, long). This analysis helps us determine material climate and environmental credit risk and is essential for making decisions and setting our strategic priorities for selected sectors, subsectors, industries, customers, and regions. In line with the global Group, we are in the process of improving materiality assessments with our internal tool Klima. This tool will allow us to detect, assess and manage exposure to climate and environmental risk in different time horizons (2023, 2040, 2050) and climate scenarios.</p> <p>Additionally, the Bank has made progress in the assessment and management of physical risk. In Chile, during 2022-23, the Credit Risk Area carried out a project to incorporate climate change into the analysis of real guarantees at the time of appraisal, applying a physical risk traffic light scale to assess risk exposure through loans secured with real estate in different sectors.</p> <p>In terms of reputational risks, the Reputational Risk Area participates in the ESG Panel that reviews and provides its perspective on project financing, considering the guidelines of these projects with the "green" criteria defined by the Bank within its Sustainable Finance Classification System (which adopts the guidelines of the European taxonomy in addition to Chile's own criteria). This monitoring also extends to the detection of potential risks or negative impacts associated with other activities linked to the climate strategy, for example, the selection of carbon offset projects in which the bank invests.</p> <p>The Operational Risk Area coordinates an annual risk self-assessment across all Bank divisions that includes climate change and ESG criteria. Through this process, operational risks and associated controls are documented and evaluated, considering a term of 1 to 10 years. This analysis allows the identification and sizing up of exposure to potential operational risks, and the detection of management gaps for their escalation. Climate risks include physical aspects, in addition to those related to other ESG factors, such as <i>greenwashing</i>, a scope that is being broadened to consider additional climate risks. On the other hand, analyses of climate</p>

		scenarios are also carried out, considering the effect of <i>tail events</i> , on the Bank's critical infrastructures and activities (direct and key suppliers, such as Data Centres). These analyses evaluate the potential impact of more severe but less likely events on aspects such as operational continuity, contingency plans, and insurance adequacy.
b) Describe the organization's processes for managing climate-related risks.		<p>Responsible management of environmental and social risks, including climate change, ensures long-term sustainable and inclusive economic development, as well as the well-being of people and the environment. Along these lines, Santander has positioned it at the centre of its relationship with its customers and investments. In order to mitigate the impacts of industrial operations and priority sectors that may present high ESG risks, Banco Santander has been responsible for continuously promoting and accompanying its clients with compliance with these criteria. Thus, it detects, limits, and prevents possible negative impacts and maintains an ethical and responsible investment with its clients and projects.</p> <p>The Environmental, Social and Climate Change Risks Policy establishes the criteria of Grupo Santander and Santander Chile for the identification, evaluation, monitoring and management of environmental and social risks, applying international guidelines, as well as specific standards for each sector. It is applied in the oil and gas, energy, mining and metallurgy, and soft commodities business derivatives sectors, defining sensitive activities that require additional analysis, as well as exclusions for some activities related to climate change, including new coal-fired power plants and coal mines; unconventional oil or gas exploration; and, from 2030, any entity in which coal-fired power generation represents more than 10% of its revenues in consolidated terms.</p> <p>In addition, the Bank has a procedure for evaluating transactions with ESG potential, in which the client's background and the destination of the funds are reviewed. Two main elements are considered for the evaluation of each operation: first, the alignment with the Sustainable Finance Classification System of Banco Santander (SFCS), which is based on the Green Bond Principles proposed by the International Capital Markets Association and, secondly, the technical aspects of the project that certify the necessary criteria to be considered as green or social financing. For large financing projects, the Bank adheres to the Equator Principles, a set of standards that serve to identify, evaluate, and manage the social and environmental risks of these projects.</p> <p>In the case of operational risks, the Bank's operations have contingency plans and controls to maintain management and work on a contingency basis in the face of climatic and other events. The robustness of these plans is assessed through the activities described above.</p>
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.		<p>The risk management and control model is based on a set of common principles, an integrated risk culture throughout the Bank, a strong governance structure, and advanced risk management processes and tools. Within the integrated system, all identified risks should therefore be associated with risk categories to organise their management, control and related information. Climate change has been recognized as a risk that could aggravate existing risks in the medium and long term. For this reason, the Bank has incorporated into its risk management model several initiatives to manage it in an integrated manner with the other existing risks.</p> <p>Santander has positioned climate-related risks at an essential level within the ESG criteria with which it works on a daily basis, advancing in the integration of climate and environmental aspects into our risk management cycle. One of the elements that helped us integrate environmental and climate change factors into our strategy is the incorporation of these factors into the lending process, with credit risk central in terms of exposure and capital consumption.</p> <p>In 2023, the Risk Oversight Area defined a roadmap aligned with the global Group to advance in the incorporation and monitoring of ESG and climate change issues in the different risk management activities, towards an integrated management and governance model. Additionally, the credit risk area has defined a work plan called Target Operating Model (TOM) that establishes a series of</p>

		guidelines for the integration of climate change and environmental risks in all stages of the credit granting process, including actions associated with risk analysis, data improvement, and governance.
Public references	<ul style="list-style-type: none"> • Banco Santander Chile, Integrated Report 2022, p189-192 (Description of the integrated risk management model), p109-111 (Summary of credit risk management policies and activities associated with climate change and environmental factors) • Environmental, Social and Climate Change Risk Management Policy • Santander Group: Climate Finance Report 2022-June 2023, p20-24 (More detail on the materiality assessment of climate risks and analysis of physical risks), p29 (Description of the "Target Operating Model" approach) 	

METRICS AND TARGETS

TCFD Pillar	Disclosure	Banco Santander Chile's management of this aspect
METRICS AND TARGETS – the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	<p>Banco Santander Chile monitors and discloses in its annual reports a wide range of metrics that capture our management of climate-related risks and opportunities. As we move forward in the sophistication of our climate risk analysis and implementation of our net-zero emissions strategy by 2050, we will assess the need to extend these metrics to additional aspects of our climate-related exposure, alignment, and performance.</p> <p>Exposure (risks)</p> <ul style="list-style-type: none"> • Loans MM\$ in sectors covered by the Environmental, Social and Climate Change Risk Management Policy • Number and % of projects evaluated under ESG criteria, including the Equator Principles <p>Alignment (opportunities)</p> <ul style="list-style-type: none"> • Green and Social Financing Granted, \$ total and as ESG Linked Loans • Green credits for retail customers, total \$ and % of segment • GHG emissions offset through customer initiatives, tCO2e. <p>Eco-efficiency</p> <ul style="list-style-type: none"> • Energy – absolute consumption and intensity, % from renewable sources • Water – absolute consumption and intensity • Waste – generation and % recovery • Materials – paper consumption
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	<p>Banco Santander Chile has been measuring and publishing the Scope 1, 2, and 3 carbon footprints associated with its operations for several years (not including financed emissions). This measurement follows the guidelines of the GHG Protocol (WRI/WBCSD), and we disclose absolute emissions in addition to emission intensity per branch.</p> <p>During 2022-23, the Bank made progress in assessing financed emissions in line with the Standard of the Partnership for Carbon Accounting Financials (PCAF). This first analysis has evaluated our portfolio of loans granted to corporate clients in the areas of Corporate and Institutional Banking (BEI) and Corporate & Investment Banking (CIB), using assumptions to estimate emissions based on the client's sector.</p> <p>The results are in the process of dissemination and validation within the Bank to define the next steps in terms of refining the analysis for future disclosure and management of these metrics.</p>

	<p>(c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>	<p>Grupo Santander and Santander Chile have committed to achieving net zero carbon emissions by 2050, aligning with the objectives of the Paris Agreement, as well as defining intermediate reduction targets in certain sectors by 2030. Santander Group is a founding member of the Net-Zero Banking Alliance (NZBA).</p> <p>Our Responsible Banking Strategy defines 10 Commitments, both for our direct operations and financing activities, including the following related to climate change:</p> <ul style="list-style-type: none"> • Achieve net-zero emissions by 2050, including emissions financed and without the purchase of carbon credits. • Provide green financing to clients mobilizing 1,500 million dollars between 2021 and 2025. • Remain carbon neutral in operations through the purchase of carbon credits to offset our operational (unfunded) emissions. • Achieve 100% of energy from renewable sources by 2025. • Eliminate single-use plastic in corporate buildings and branch offices (achieved by 2022). <p>This aligns with the Sustainable Development Goals we have identified as priorities, including SDG 13 Climate Action.</p> <p>During 2022, we continued with the implementation of eco-efficiency activities within the Bank to manage our consumption of energy, water and materials, as well as to reduce waste and emissions. We closed an agreement for the construction of the first of six plants that will inject some 3,600 MWh per year into the national electricity grid, equivalent to the consumption of 72 Bank offices. In addition, we announced our new corporate building, Santander Campus, a new headquarters that aspires to set milestones in terms of environmental sustainability, incorporating the highest principles of sustainable construction, energy efficiency and care for the environment.</p>
Public references	<ul style="list-style-type: none"> • Banco Santander Chile, Integrated Report 2022, p62 (Responsible Banking Commitments and progress in 2022), p9, 113-114 (Green financing metrics), p116 (Customer emissions compensation metrics), p110-111 (ESG and climate customer evaluation metrics), p119 (Scope 1, 2 and 3 carbon footprint), p9, p120-122 (Eco-efficiency metrics) 	