

Banco Santander Chile

ISIN CODE: CLP1506A1070

Overall score 35/100

Sector: Retail & Specialised Banks
Emerging Market

Information rate: 63% (Sector average: 55%)
Company cooperation level: Not responsive *

General information

Headquartered in Santiago, Chile, Banco Santander Chile (Santander Chile) was founded in 1977 and is a subsidiary of the Spanish Banco Santander S.A. The bank offers commercial and retail banking services, loans, trade foreign currency forward contracts and credit lines, and retail banking services, including mortgage financing. Banco Santander Chile also provides financial leasing, financial advisory services, mutual fund management, securities brokerage, insurance brokerage and investment management. The company operates 474 total branches, which include 273 under the Santander brand name, 67 Banefe, 51 Select (BancaPrime), 78 as auxiliary and payment centers and 5 for the Middle Market.

Main Economic Segment	Turnover 2016
Individual and SME	73.2 %
Company and institutional Banking	19.1 %
Global Corporate Banking	7.7 %

CORPORATE GOVERNANCE				
	2013	2013	2015	2017
Score				35
Allegations				No
Rating				=
Risk management				Limited

Key issues

Sound corporate governance is required to oversee a company's strategic direction, including the CSR strategy. Directors are notably evaluated on their level of diversity and experience with operational, financial, and CSR topics (CGV1.1). The audit and internal controls system is examined regarding the efficiency and reach of its risk management (CGV2.1). Executive remuneration is assessed for transparency and alignment with the interests of company's shareholders and other stakeholders (CGV4.1).

Company performance

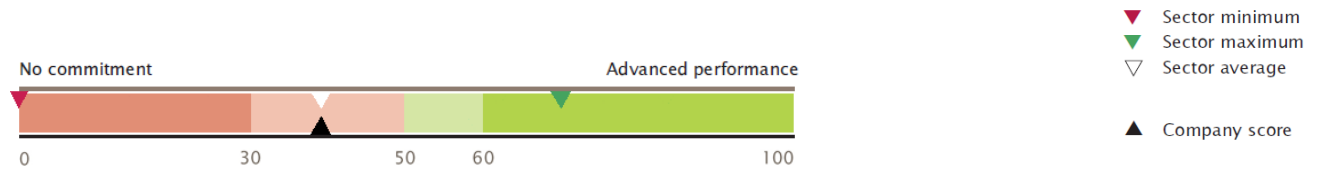
- The Company's performance in the Corporate Governance domain is limited in absolute terms represent an improvement compared to the previous review.
- The Board is 27,3% independent, which is less than the recommended level. The Company shows weak information on guiding executive remunerations and a lack of safeguards in place to monitor relations with Santander Spain. On a positive side, Santander Chile respects the one share-one vote principle, describes efficient audit and internal control systems in place, which includes some CSR topics.
- Overall, the company ranks in line with its peers

Corporate Governance

Score : 35

CGV1.1 Board of Directors

(score: 39, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

No specific committee is in charge of director nomination, which might raise concerns.

Independence of the Board Chairman

The roles of Chairman and CEO are separated, but the chairman is not considered independent.

Responsibility allocated over CSR issues

There is a CSR committee that is part of the Board. In addition the Head of CSR department makes regular reports to the committee.
Sustainability Committee proposes general policies in order to submit them for approval of the Board of Directors at Santander Group level at least once a year.

Share of independent shareholder-elected Board members

The Board is 27,3% independent, which is less than the recommended level. Three members of the 11-member Board are considered independent.

Diversity of the skills and backgrounds of the Board

The Board of Directors diversity appears to be partial:

- At least 30% of directors are women
- At least 40% of directors are women
- Employee representative(s) sitting on the Board
- Board members with demonstrated professional experience in the company's sector of activities
- Board members with demonstrated expertise on CSR issues

Training and expertise provided to board members

Information obtained from company and public sources regarding training provided to board members is insufficient.

Regular election of Board members

Board members are eligible for re-election following three-year terms.

Evaluation of Board's functioning and performance

Performance is evaluated regularly, but with no disclosure on the results.
Each year, the Company conducts a self-evaluation at the level of Board of Directors.

Review of CSR issues at Board meeting

The formal CSR reporting has been signed by CEO/Chairman/Board, but there is no evidence that relevant CSR issues are reviewed at Board meetings.

- Business ethics
- Human capital
- Responsible customers relations
- Climate change
- Social and environmental considerations in lending and investments
- Tax policy
- Financial inclusion

Regularity of and attendance at Board meetings

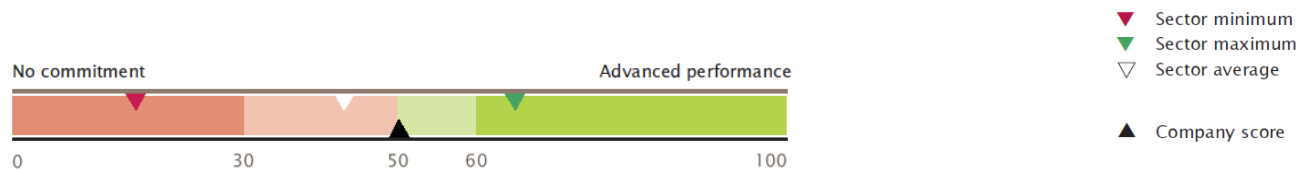
Regular meetings are held, but no attendance rates are disclosed.
At least, 12 Board meetings were held during 2016.

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	> 9 years on Board	Stock options	Paid > 1/2 executive salary	Represent > 3% company's shares	Other	Independency
Vittorio Corbo Lioi	Chairman		X						X					
Roberto Méndez	Member of Risk Committee		X			X		X					He is a former member of the Board of Old Santander-Chile	
Oscar Von Chrismar	President of Risk Committee		X					X					Chief Executive Officer of Santander-Chile since August 2003 until 2010.	
Roberto Zahler	Member of Risk Committee		X					X						
Orlando Poblete	Chairman of Audit Committee		X			X								X
Juan P Santa Maria	Member of Risk Committee		X					X					He served as Corporate Legal Director for Grupo Santander Chile and Legal Counsel for Santander-Chile since 2002.	
Lucia Santa Cruz			X						X					
Ana Dorrego			X					X					She has been working at the Santander Group in the Financial Planning and Corporate Development department for the last 11 years	
Andreu Plaza			X											X
Blanca Bustamante			X			X								X

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	> 9 years on Board	Stock options	Paid > 1/2 executive salary	Represent > 3% company's shares	Other	Independence
Raimundo Monge	Member of Risk Committee		X						X			X	CEO of Santander Holding S.A.	

CGV2.1 Audit & Internal Controls

(score: 50, weight: 3)



[LISTED COMPANIES] Existence and independence of Audit Committee

All members are non-executive directors, and the majority, including the committee's chair, are independent.
Two members of the three-member Audit Committee are considered independent

Skills and backgrounds of Audit Committee members

Members appear to have financial and relevant operational experience.

Operational and CSR risks covered by the company's internal controls system

The internal control system covers the standard issues related to financial, operational, and legal risks. In addition, the system covers some of the CSR risks inherent to the company's business operations.

- Business ethics: non-compliance, tax avoidance, corruption
- Consumer privacy & data security
- Environmental & climate change risks in credit decisions & other banking activities
- Social & human right risks in credit decisions & other banking activities
- Inclusion, retention & development of staff
- Tax avoidance/evasion

- Business ethics: In addition to the standard issues related to financial, operational, and legal risks, the Integral Risk Committee is in charge of reviewing and monitoring all the risks that may affect the company such as compliance and reputational risks.

Governance of risks

The company adopted only some of the recommended measures for a sound risk management:

- No executive is part of the Board Risk Committee
- The Board Risk Committee is composed by a majority of independent members
- The Chairman of the Audit Committee is a member of the Risk Committee
- The Chief Risk Officer (CRO) is at par level of Chief Financial Officer (CFO)
- The CRO has direct access to the Board Risk Committee (including attending committee meetings)

Role of the Audit Committee in overseeing internal and external controls

The Audit Committee has a comprehensive role that includes:

- Oversee internal audit and internal controls
- Review accounting policies and be responsible for updates
- Nominate the statutory auditor
- Oversee the work of the external auditor
- Approve the type of audit and non-audit services provided and fees paid to the external auditor

Management of the CSR risks

Although the company has set up some measures, it has not gone beyond that to integrate CSR risks in its overall strategy.

- Balanced scorecard*
- Risk-related training*
- Monitoring of key risk indicators*
- Reporting system to the Board*
- Risk mapping/materiality assessment*
- A board committee (with no executive part of it) overseeing CSR risks*

Supervision of material risk-takers

Information disclosed on this subject is insufficient or not relevant.

Leverage ratio of the bank

The leverage ratio of the bank is above 7%.
At December 2016, the unweighted leverage ratio of the bank ((Equity - goodwill and less tangible assets)/ Total assets) was 7.67%

Independence of the firm's external auditors

The audit firm receives non-audit fees, but these represent 50% or less of total fees (although more than 25%).
Non-audit fees represented 39.5% of total fees paid to PricewaterhouseCoopers in 2016.

Inclusion of CSR issues in the company's reporting

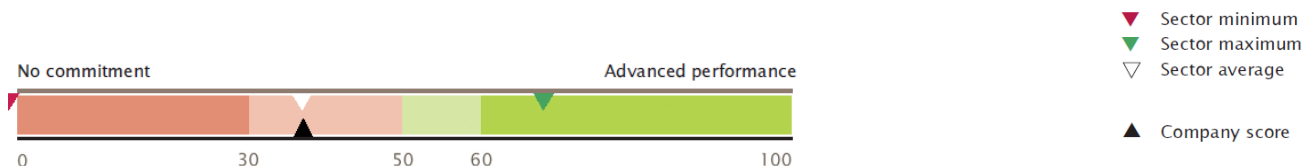
The company publishes significant CSR reporting on key material issues.

Stakeholders' feedback

As of 11/2017, Banco Santander Chile did not appear to be involved in any controversy related to this sustainability driver.

CGV3.1 Shareholders

(score: 37, weight: 2)



Nonexistence of voting rights restrictions

The company respects the "one share - one vote" principle.

Safeguards on transactions with major shareholder(s) No safeguards appear to be in place, which might raise concerns with regard to the fairness of any such transaction.

Ability to add items to the agenda of the AGM and to convene an EGM Major restrictions have been identified to convene an EGM.
The level required of share ownership to call an EGM is at least 10%, which is considered an unreasonable.

Access to voting at General Meetings There are no major restrictions on shareholders' ability to vote, however there is no possibility of voting through online services.

Ability to vote on relevant issues in separate resolutions at AGM Not all major items are put to a shareholder vote.
The following items are not put to a vote at the AGM:
- Executive remuneration

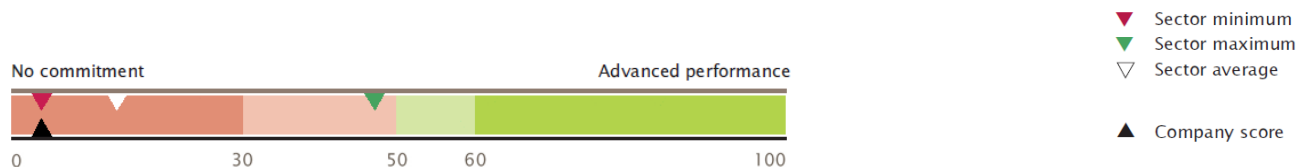
Presentation of CSR strategy to shareholders and investors Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.

- Climate change
- HRT and ENV issues in lending and investments
- Human capital
- Responsible customer relations
- Business ethics
- Tax policy
- Financial inclusion

Stakeholders' feedback A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral
As of 12/2017, Banco Santander Chile did not appear to be involved in any controversy related to this sustainability driver.

CGV4.1 Executive Remuneration

(score: 4, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee No specific committee is in charge of executive remuneration, which might raise concerns.

Disclosure of senior executives' individual remuneration *Executive remuneration is disclosed, but on a collective rather than on an individual basis.*

Link between Short Term Incentive Plans and the performance of the company

There is no disclosure on what rules guide the company in allocating bonuses and other short-term incentives to senior executives.

Link between the main Long Term Incentive Plan and the performance of the company

Information on the rules and performance conditions guiding the allocation of long-term incentives to senior executives is insufficient.

Link between variable remuneration and CSR performance of the company

There is no disclosure on the links between variable remuneration of executive and the CSR performance of the company.

- Business ethics*
- Customer relations*
- Contribution to social development & financial inclusion*
- Indirect environmental and human right impacts*
- Human resources development*

Severance pay for senior executives

Information obtained from company and public sources regarding severance pay for senior executives is insufficient.

Risk alignment of remuneration of top senior executives

Information on risk adjustments of remuneration is insufficient or not relevant.

Risk alignment of remuneration of material risk takers

Information on risk adjustments of remuneration is insufficient or not relevant.

Evolution of CEO-to-employee compensation ratio

Information obtained from company and public sources regarding the compensation of CEO and the average employee salary is insufficient.
The information about the CEO remuneration is not disclosed.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral
As of 12/2017, Banco Santander Chile did not appear to be involved in any controversy related to this sustainability driver

Contacts

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