

POST-ISSUANCE VERIFIER REPORT (LIMITED ASSURANCE REPORT)

By Vigeo Eiris

For Republic of Chile's 2019 Green Bond issuance

Based on Climate Bonds Standard version 2.1

June 2020

SCOPE

The Republic of Chile (hereafter "the Issuer" issued a Green Bond in May 2019 ("the Bond") intending to (re)finance the construction and operation of transportation, solar energy, green buildings, and water management projects (the "Nominated Projects and Assets").

In this context, Vigeo Eiris ("the Verifier") has been commissioned by the Issuer to perform the Post-Issuance Verification of this Bond under a Limited Assurance engagement, as an independent third party approved by the Climate Bonds Standard Board. The verification is based on the assessment of the compliance of the Bond with the Climate Bonds Standard version 2.1 for post-issuance requirements and with associated sector-specific technical criteria, as defined on the Climate Bonds Initiative (CBI)'s website.

We have conducted our verification between June 3rd and June 24th, 2020. The methodology, criteria, findings and assurances addressed by this Assurance Report are in accordance with relevant general principles & professional standards of independent auditing, and in line with the International Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000).

RESPONSIBILITIES OF THE ISSUER AND OF VIGEO EIRIS

This statement relies on the information provided by the Issuer to the Verifier: documentation and explanations presented during the assessment, based on the understanding that this information was provided to Vigeo Eiris in good faith. Vigeo Eiris has not performed an audit nor other tests to check the accuracy of the information provided by the Issuer.

The Issuer is fully responsible for attesting the compliance with its commitments as defined in its policies, for their implementation and their monitoring, and for the information provided.

POST-ISSUANCE VERIFICATION

Based on the supporting elements and explanations provided by the Issuer, nothing has come to our attention that causes us to believe that, in all material respects, the Republic of Chile 's Bond is not in conformance with the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) and with associated relevant sector-specific technical criteria. This level of assurance applies altogether to the Nominated Projects & Assets, the environmental benefits of the Bond, the evaluation and selection process of the assets, the proposed financial accounting system, and the monitoring & reporting system associated to the Bond, to be implemented over the term of the Bond. The details and areas covered by the verification are summarized in the following pages (see Detailed results section).

This Verifier Report is limited to the Republic of Chile's 2019 Green Bond. It is provided by Vigeo Eiris to the Issuer for later submission to the Climate Bonds Standard Secretariat.

Santiago, June 26th, 2020

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has conducted one pre-issuance verification of the 2019 Green Bond issued by the Republic of Chile. No established relationship (financial or other) exists between Vigeo Eiris and the Issuer.

Liability: this Assurance Report is a document prepared by the Verifier that conveys the Verifier's opinion on the Bond alignment with the relevant requirements of the Climate Bonds Standard, but it does not provide Climate Bonds Certification itself. Providing this opinion does not mean that Vigeo Eiris certifies the tangibility, the excellence or the irreversibility of the projects financed by the Bond. No assurance is provided by Vigeo Eiris regarding the financial performance of the Issuer nor of the Bond, nor the value of any investment in the Bond, nor of the environmental footprint of the Bond or the compliance with the commitments taken by the Issuer. Vigeo Eiris cannot be liable for any loss suffered as a result of information or data provided by the Issuer. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or any kind of business transaction. Restriction on Distribution and use of this Assurance Report: at the discretion of the Issuer.

DETAILED RESULTS

The evidence, information and explanations supporting the Bond issuance provided by the Republic of Chile to Vigeo Eiris were both historical (for assets evaluation and selection process, Nominated Projects & Assets), hypothetical or ex-ante estimated (for the expected environmental benefits, the time for proceeds allocation) and ex-post (for some reported indicators).

Summary criteria for assertions of compliance with the post issuance requirements of Climate Bonds Standard version 2.1

Vigeo Eiris has assessed the Bond and the Nominated Assets against requirements that apply to all Certified Climate Bonds after the issuance of the Bond, as set out within the Climate Bonds Standard version 2.1:

- Part A: requirements that shall be met to be eligible for post-issuance certification.
- Part B: requirements that shall be met based on the projects & assets associated with the Bond and the specified eligibility criteria.
 - *Solar Sector Eligibility Criteria (Version 2.0, June 2018)*
 - *Low Carbon Land transport Criteria (Version 1.0, February 2016)*
 - *Low Carbon Buildings Criteria (September 2018)*
 - *Water Infrastructure Criteria (April 2018)*
- Part C: requirements that shall be met to be eligible for post-issuance certification and that are used selectively, depending on the type of Bond in question.
 - *Use of Proceeds Bond*

Part A: General Requirements

Clause 4. Nominated Projects & Assets

- 4.1. The Issuer shall maintain a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects & Assets

The Nominated Projects & Assets were identified by the Issuer prior to the issuance, and the compliance with the Eligibility Criteria has been assessed by a third party prior to the issuance. The issuer reports the Ministry of Finance will verify annually that all Eligible Green Expenditures in the Green Portfolio continue to meet the eligibility criteria. The traceability of decisions will be ensured by the creation of minutes of each of the meetings of the Ministry of Finance and the Green Bond Committee.

- 4.1.1. A statement on the environmental objectives of the bond

The Bond's environmental objectives have been defined in the Republic of Chile's Green Bond Framework. These stated environmental objectives are:

- Reduction and/or avoidance of greenhouse gas (GHG) emissions
- Improvement of air quality (reduction and/or avoidance)
- Conservation and sustainable use of water resources
- Energy savings

- 4.2. All Nominated Projects & Assets funded by the bond's proceeds shall meet the bond's documented objectives as stated under Clause 1.1, and shall be in conformance with the requirements of Part B of the Climate Bonds Standard.

All Nominated Projects & Assets funded by the Bond's proceeds meet the Bond's documented objectives and are in conformance with the requirements of Part B (Eligible Projects & Assets) of the Climate Bonds Standard as they fall in four of the Climate Bonds Taxonomy¹ categories, namely:

- Energy: Solar
- Transport: public passenger transport
- Buildings: Public Buildings
- Water: water monitoring

- 4.3. Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds or that the existing Certified Climate Bond is being refinanced via another Certified Climate Bond.

The Issuer maintains its commitment that Nominated Projects & Assets will not be nominated to other Certified Climate Bonds.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 4 "Nominated Projects & Assets".

Clause 5. Use of Proceeds

- 5.1. The Net Proceeds of the bond shall be allocated to the Nominated Projects & Assets.

All the Net Proceeds have been allocated to reimburse investments and finance new investments made in the Nominated Projects & Assets.

- 5.2. The Issuer shall allocate funds to Nominated Projects & Assets within 24 months of issuance of the bond. Funds may be reallocated to other Nominated Projects & Assets at any time during the term of the bond.

The Issuer allocated 24.8% of the Net Proceeds to the Nominated Projects & Assets within a year after the issuance of the Bond, therefore there are outstanding unallocated funds. The Issuer expects that the outstanding will be allocated by 2024 due to the public infrastructure nature of the projects and that their allocation will be reported until full allocation.

- 5.3. Where a proportion of the Net Proceeds of the bond are used for refinancing, the Issuer shall provide an estimate of the share of the Net Proceeds used for financing and re-financing, and identify which Nominated Projects & Assets may be refinanced.

The Issuer states that 7% of the proceeds were used for refinancing the Nominated Projects & Assets.

- 5.4. The Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process as disclosed to the Verifier by the Issuer under Clause 2.1.

There is a Green Bonds Committee with representatives from the main ministries involved in the Nominated Projects & Assets, namely the Ministry of Environment, Ministry of Public Works, Ministry of Energy, Ministry of Transport and Ministry of Agriculture. This committee along with the Ministry of Finance is in charge of reviewing the allocation of proceeds, as well as reviewing and validating the selection of nominated projects & assets.

¹ <https://www.climatebonds.net/standard/taxonomy>

- 5.5. The Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects & Assets or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance

The portfolio of Nominated Projects & Assets identified by the Issuer prior to the issuance is 1.78 times higher than the Net Proceeds of the Bond (USD 2.373 bn). Thereby, the Net Proceeds of the Bond are no greater than the total investment in the Nominated Projects & Assets or the total Fair Market Value of the Nominated Projects & Assets. According to the 2019 report, the issuer has allocated a total of USD 589 m, which represents 24.8% of the Net Proceeds of the Bond. This means that there are 75,2% of Net Proceeds of the Bond to be allocated, equivalent to USD 1.784bn, while there are USD 3.634bn still available in the portfolio of Nominated Projects & Assets.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 5 "Use of Proceeds".

Clause 6. Non-Contamination of Proceeds

- 6.1. The Net Proceeds of the bond shall be credited to a sub-account, moved to a sub-portfolio or otherwise identified by the Issuer in an appropriate manner, and documented.

The Net proceeds are transferred by the Treasury to a General Account which is managed by the Ministry of Finance until these are allocated to the nominated and selected projects.

- 6.2. While the bond remains outstanding, the balance of the tracked proceeds shall be reduced by amounts matching eligible investments or loan disbursements made. Pending such investments or disbursements to Nominated Projects & Assets, the balance of unallocated proceeds shall be held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.

The Issuer reports that the unallocated proceeds will be held in the General Account of Chile in instruments issued by the Central Bank of Chile, repurchase agreements, bank term deposits, mutual funds investing in short-term debt instruments, sovereign titles, among others.

- 6.3. In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period. During the extension period the balance of unallocated proceeds shall be deemed to be conforming to Clause 5.2.

The Issuer wants to apply to an extension of the asset allocation period as it estimates that the total amount of the Net Proceeds of the 2019 Bond will be completely allocated in 2024, this is due to the public infrastructure nature (i.e. Clean Transports) of its Nominated Projects & Assets. The Issuer commits to report on the allocation of proceeds each year until full allocation. The Issuer's commitment regarding unallocated proceeds management remains applicable after the extension and until full allocation.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 6 "Non-Contamination of Proceeds".

Clause 7. Confidentiality

- 7.1. Information about the Nominated Projects & Assets shall be provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.

Information about the Nominated Projects & Assets has been provided to the Verifier and shall be provided to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.

- 7.2. The Issuer should disclose information about the bond and the Nominated Projects & Assets to the market.

The Issuer has disclosed the list of Nominated Projects & Assets to all investors through the Green Bonds 2019 Allocation and Environmental Impact Report.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 7 "Confidentiality".

8. Reporting

- 8.1. The Issuer shall provide to bond holders and to the Climate Bonds Standard Secretariat at least annually a report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated (or reallocated). The report shall include a brief description of the projects and the amounts disbursed, as well as the expected impact of the Nominated Projects & Assets.

The list of Nominated Projects & Assets (including a brief description and amounts disbursed) is in the Green Bonds 2019 Allocation and Environmental Impact Report which is publicly available in the Finance Ministry website.

This report includes an environmental impact assessment of the Nominated Projects & Assets, with the calculation methods of indicators for the projects developed under the Transport and Telecommunications Ministry, the Public Works Ministry and the Energy Ministry.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 8 "Reporting".

Part B. Eligible Projects & Assets

Clause 9. Climate Bonds Taxonomy

- 9.1. Nominated Projects & Assets, as identified by the Issuer under Clauses 1.3 and 4.2, shall fall into one or more of the investment areas contained in the latest version of the Climate Bonds Taxonomy (see Annex A).

Nominated Projects & Assets, as identified by the Issuer under Clauses 4.2., fall into four investment area contained in the latest version of the Climate Bonds Taxonomy, namely: Solar, Public Passenger Transport, Low Carbon Buildings, and Water Monitoring.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 9 "Climate Bonds Taxonomy".

Clause 10. Technical Criteria (Solar Sector Eligibility Criteria - Version 2.0)

- 10.1. Nominated Projects & Assets shall meet the specific eligibility criteria provided in the latest version of the relevant Sector Specific Criteria document.

The Nominated Projects & Assets meet the specific eligibility criteria provided in the relevant Sector-Specific Criteria document, namely:

- **Solar Projects** - Sector Criteria for Solar (version 2.1): Eligible Green Expenditures falling in this category will not have more than 15% of electricity generated from non-renewable sources.
- **Public Passenger Transport Projects** - Low Carbon Land Transport (Version 1.0): Eligible Green Expenditures falling in this category are automatically eligible for Certification.
- **Public Building certification Projects** - Low Carbon Buildings Criteria (September 2018): Eligible Green Expenditures falling in this category will only cover Green Building construction and retrofits with an associated 30% carbon reduction target based on the Chilean national building certification scheme "Certificación Edificio Sustentable".
- **Water monitoring Projects** - Water Infrastructure Criteria (April 2018): Eligible Green Expenditures falling in this category are automatically eligible for Certification.

10.2. Where the proceeds of a bond are allocated to Nominated Projects & Assets that are covered by more than one Sector-Specific Criteria, then each of the Nominated Projects & Assets shall meet the specific eligibility criteria provided in the Sector-Specific Criteria relevant to that Nominated Project & Asset.

The Net Proceeds of the Bond are allocated to Nominated Projects & Assets that are covered only by four Sector-Specific Criteria (Solar, Low Carbon Transport, Low Carbon Building, Water Monitoring).²

Investment area	Eligibility Criteria Assets	Comments
Solar	<p>Climate Bonds Initiative Solar Standard (Version 2.1)</p> <p>Eligible Project & Assets relating to solar energy generation shall be projects or assets that operate or are under construction to operate in one or more of the following activities:</p> <ul style="list-style-type: none"> • Generation Facilities (power & heat) • Supply chain facilities • Infrastructure 	<p>Based on the supporting elements and explanations provided by the Issuer, Nominated Assets operate in the following activity:</p> <ul style="list-style-type: none"> • Photovoltaic generation facilities (onshore, installations in public buildings and solar heating water systems for households). <p>The Issuer confirms that facilities have no more than 15% of electricity generated from non-renewable sources.</p>
Low Carbon Transport	<p>Climate bonds initiative Low Carbon Land Transport (Version 1.0)</p> <p>Eligible Project & Assets operate or are under construction to operate in one or more of the following activities:</p> <ul style="list-style-type: none"> • Trains • Buses • Supply chain facilities • Infrastructure 	<p>Based on the supporting elements and explanations provided by the Issuer, Nominated Assets operate in the following activity:</p> <ul style="list-style-type: none"> • Public passenger electric transport (metro-train, metro lines and electric buses) • Dedicated infrastructure for electric public buses <p>The issuer confirms the passenger transport projects are 100% electric.</p>

² https://www.climatebonds.net/files/files/CBI_Taxonomy_Tables_January_20.pdf

Investment area	Eligibility Criteria Assets	Comments
Low Carbon Buildings	<p>Low Carbon Buildings Criteria (September 2018)</p> <p>Eligible Project & Assets operate or are under construction to operate in one or more of the following activities:</p> <ul style="list-style-type: none"> Commercial buildings (including offices, hotels, retail, buildings, public buildings, educational buildings, healthcare buildings etc.) Residential buildings Other buildings 	<p>Based on the supporting elements and explanations provided by the Issuer, Nominated Assets operate in the following activity:</p> <ul style="list-style-type: none"> Public buildings construction and retrofits with an associated 30% carbon reduction target based on the Chilean national building certification scheme "Certificación Edificio Sustentable" <p>The Issuer confirms the environmental impact of its green building projects include a reduction of 60.09% CO₂ eq. in 2018 and 54.63% in 2019.</p>
Water Infrastructure	<p>Water Infrastructure Criteria (April 2018)</p> <p>Eligible Project & Assets operate or are under construction to operate in one or more of the following activities:</p> <ul style="list-style-type: none"> Water monitoring 	<p>Based on the supporting elements and explanations provided by the Issuer, Nominated Assets operate in the following activity:</p> <ul style="list-style-type: none"> Projects for monitoring, analysis, diagnosis and studies of water resources, of basin master plans and strategies for the conservation of water resources, analysis of water resources in the face of extreme events and climate change

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 10 "Technical Criteria".

Part C: Requirements for Specific Bond Types

Bond Type is a "Use of Proceeds Bond".

Clause 11. Project Holding

- 11.1. The Issuer of the bond shall continue to hold Nominated Projects & Assets which have Fair Market Value at least equal to the original principal amount of the bond at the time of issuance.

At the moment of the issuance, the Issuer identified a portfolio of Green Eligible Projects (Nominated Project & Assets) equal to USD 4.222bn, 1.78 times bigger than the amount issued (USD 2.373 bn).

- 11.1.1. Additional Nominated Project & Assets may be added to, or used to substitute or replenish, the portfolio of Nominated Project & Assets as long as the additional Nominated Project & Assets are eligible under Part B of the Climate Bonds Standard and the bond's environmental objective as set out in Clause 1.1.

No Additional Nominated Project & Asset has been added to, or used to substitute or replenish, the portfolio of Nominated Projects & Assets since the Pre-issuance verification.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 11 "Project Holding".

Clause 12. Settlement Period

- 12.1. Issuers shall demonstrate that the Net Proceeds of the bond have been distributed to the Nominated Projects & Assets within 24 months of the issuance of the bond

The Issuer reports 24.8% of the Net proceeds have been invested in the nominated projects.

The issuer also reports the percentage of undistributed funds for each category of projects and states they expect to complete these investments by 2024.

12.2. Where full distribution of the Net Proceeds is not achieved within 24 months of the issuance of the bond, the Issuer shall demonstrate that: The surplus or undistributed funds have been invested in Eligible Projects & Assets not otherwise nominated for a specific Climate Bond or the Issuer has made temporary investments of surplus or undistributed funds in conformance with the provisions of Clause 6.

The Issuer has identified a portfolio of Nominated Projects & Assets and this have not been financed by other Climate Bonds. As reported under clause 6, the unallocated funds are held in cash within the General Account.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 12 "Settlement Period".

13. Earmarking

- 13.1. The Issuer of the bond shall maintain the earmarking process to manage and account for funding to the Nominated Projects & Assets as disclosed under Clauses 2.1 and 2.1.3.

The issuer has an internal process to track and manage the allocation of funds. In addition, it publicly reports that 13.7% of the Net Proceeds of the Bond were used for refinancing Nominated Projects & Assets of 2018 and 11.1% of the Net Proceeds of the Bond have been invested in Nominated Projects & Assets of 2019.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 13 "Earmarking".

List of supporting elements provided by the Issuer:

- Supporting documents provided for Post-issuance verification and confirmed by the Issuer:
 - Answers to the Verifier's Post-Issuance questionnaire
 - Vigeo Eiris' pre-issuance Report of Factual Findings (dated March 29, 2019)
 - Issuers Green Bonds 2019 Allocation and Environmental Impact Report.



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organisations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organisations.

Vigeo Eiris offers a wide range of services:

- **For investors:** decision-making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more)
- **For companies & organisations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

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With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Casablanca, Hong Kong, Milan, New York, Rabat, and Santiago.

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