



PRE-ISSUANCE VERIFICATION REPORT

Limited Assurance Procedure based on Climate Bond Standard version 2.1

By VIGEO EIRIS

For the Republic of Chile's 2020 Green Bonds issuances

January 7, 2020

SCOPE

The Republic of Chile is considering the issuance of its 2020 Green Bonds (hereafter the "Bonds" which is expected to consist of one or multiple bonds denominated in a single or different currencies, including possible taps) and intends to use the proceeds to finance or refinance the construction and operation of transportation projects (the "Eligible Green Expenditures").

In this context, Vigeo Eiris (the "Verifier") has been commissioned, as an independent third-party provider approved by the Climate Bonds Standard Board, by the Republic of Chile (the "Issuer") to perform the Pre-Issuance Verification of the Bonds. This verification has been conducted in accordance with the Climate Bonds Standard (CBS) version 2.1 requirements [i.e. Part A: General requirements to be applied for all Climate Bonds, Part B: Climate Bonds Standard: Low Carbon Land Transport Criteria Version 1.0 (February 2016)].

The work undertaken by Vigeo Eiris to form this verification report included:

- Planning and management of the verification.
- Desk review of the Bonds and associated documentation provided by the Issuer.
- Assessment of evidences provided by the Republic of Chile against the Climate Bond Standard 2.1.
- Internal quality control on the assurance report and conclusions.
- Provision of Vigeo Eiris' Limited Assurance Report.

We have conducted our pre-issuance verification from December 16, 2019 to January 7, 2020. The methodology, criteria, findings and assurances addressed by this Limited Assurance Procedure 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 test 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.

PRE-ISSUANCE VERIFICATION

Based on the supporting elements and explanations provided by the Issuer, nothing has come to our attention that cause us to believe that, in all material respects, the Republic of Chile's 2020 Green Bonds are not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements (version 2.1) and with associated relevant sector-specific technical criteria. This level of assurance applies altogether to the Eligible Green Expenditures, the environmental benefits of the Bonds, the evaluation and selection process of the assets, the proposed financial accounting system, and the monitoring & reporting system associated to the Bonds, to be implemented over the term of the Bonds.

This Report is valid as of the date of issuance limited to the Republic of Chile's 2020 Green Bonds. It is provided by Vigeo Eiris to the Issuer and the Climate Bond Initiative.

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed two missions for the Republic of Chile until so far and no established relationship (financial or other) exists between Vigeo Eiris and the Republic of Chile.

This Assurance Report is a document prepared by the Verifier that conveys the Verifier's opinion on the Bonds 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 Bonds. No assurance is provided by Vigeo Eiris regarding the financial performance of the Issuer nor of the Bonds, nor the value of any investment in the Bonds, nor of the environmental footprint of the Bonds 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 Limited Assurance Report: at the discretion of the Issuer.

VERIFICATION CRITERIA & FINDINGS

Context Note: The Republic of Chile has declared that the Net Proceeds of its 2020 Green Bonds will be allocated to 6 Eligible Green Expenditures all falling into the Low Carbon Land Transport CBI category.

The evidence, information and explanations supporting the Bonds issuances provided by the Republic of Chile to Vigeo Eiris were both historical (for projects selection process and nominated projects) and hypothetical or projected (for the expected environmental benefits, the proposed financial accounting system, and the monitoring & reporting system associated to the Bonds, to be implemented over the term of the Bonds).

The Issuer showed a high responsiveness in providing information to the Verifier. We believe that the procedures we have performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our findings.

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

Vigeo Eiris has assessed the Republic of Chile's 2020 Green Bonds and the nominated projects and assets against criteria and requirements detailed within the Climate Bonds Standard version 2.1:

- Part A: General requirements to be applied for all Climate Bonds
 1. Selection of Nominated Projects & Assets
 2. Internal Processes & Controls
 3. Reporting Prior to Issuance
- Part B: Climate Bonds Standard Low Carbon Land Transport Criteria Version 1.0 (February 2016).

Assessment of the Republic of Chile's 2020 Green Bonds against Pre-Issuance Requirements of Climate Bonds Standard

Part A: General Requirements

1. Selection of Nominated Projects & Assets

Clause 1.1

1.1. Check for proof of existence of documented decision-making process which is used to determine the eligibility of Nominated Projects and Assets:

The Issuer has established, documented and committed to maintain the decision-making process, which has been used to determine the eligibility of the Nominated Eligible Green Expenditures within its Green Bond Framework (the "Framework").

- The evaluation and selection of Eligible Green Expenditures are based on relevant internal and external expertise with well-defined roles and responsibilities and is reasonably structured. The Issuer has created an inter- ministry committee, the Green Bond Committee, led by the Ministry of Finance with the support of the Ministry of Environment and composed of representatives responsible for the execution of the public budget of the Ministry of Environment, the Ministry of Public Works, the Ministry of Energy, the Ministry of Transport, the Ministry of Agriculture, and any other relevant ministry in charge of an Eligible Green Expenditure. The Committee is responsible for selecting the Eligible Green Expenditures to be (re)financed by the Bonds and to ensure the respect of the eligibility criteria defined in the Framework.

1.1.1. a statement on the environmental objectives of the bond

Measurable and relevant environmental objectives have been identified by the Issuer in its Framework and in the Green Portfolio:

- Reduction and/or avoidance of greenhouse gas (GHG) emissions
- Improvement of air quality (reduction and/or avoidance)

1.1.2. a process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part B (Eligibility) of the Climate Bond Standard

The Issuer has stated that 100% of the net proceeds from its 2020 Bonds will be used to finance and refinance a Green Portfolio comprised of existing and future Eligible Green Expenditures corresponding to one of the six categories defined in the Green Bond Framework, namely:

- Clean Transportation

All selected Eligible Green Expenditures to be (re)financed by the Bonds meet the eligibility requirements of the following Climate Bonds Standard Sector Criteria:

- Public Passenger Transport Projects - Low Carbon Land Transport (Version 1.0): Eligible Green Expenditures falling in this category are automatically eligible for Certification.

Clause 1.2 The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the bond meet the bond's documented objectives as stated under Clause 1.1 and are compliant under Part B of the Climate Bond Standard.

The Issuer has committed to assess all proposed Nominated Projects & Assets (Eligible Green Expenditures) to be associated with the Bonds' Green Portfolio and to calculate the estimated climate benefits as stated under 1.1.

The Green Bond Framework states that the Green Bond Committee will review the compliance of Eligible Green Expenditures with the eligibility criteria. In addition, the Republic of Chile has an Environmental Impact Evaluation System (SEIA, in Spanish) setting common criteria for evaluating all projects and activities carried out in the country (both in the public and private sectors), with the reported objective of ensuring the protection of the environment.

Clause 1.3 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the bond.

The Issuer has transparently provided Vigeo Eiris with a list of 6 Eligible Green Expenditures corresponding to one of the six categories defined in the Green Bond Framework and commits to maintain updated the list throughout the life of the Bonds.

Clause 1.4 Nominated Projects & Assets shall not be nominated to other Climate Bonds unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects & Assets are being funded by different Climate Bonds or that the existing Climate Bond is being refinanced via another Climate Bond.

According to the Issuer, Eligible Green Expenditures have never been nominated to other Climate Bonds or that the existing Climate Bonds are being refinanced via another Climate Bond. This can be confirmed through the absence of the Eligible Green Expenditures within the Climate Bonds Initiative's database.

Of note, the Issuer may include liability management operations to buy back outstanding conventional bonds.

Clause 1.5 The expected Net Proceeds of the bond shall be no greater than the Issuer's debt obligation to the proposed Nominated Projects & Assets, or the Fair Market Value of the proposed Nominated Projects & Assets.

The expected Net Proceeds of the Bonds will not be greater than the Issuer's debt obligation to the proposed Eligible Green Expenditures, or the Fair Market Value of the proposed Eligible Green Expenditures. The issuer has identified a Green Portfolio composed by 6 Eligible Green Expenditures. The total net proceeds from the Bonds are expected to represent approximately 95% of the total Green Bond Portfolio.

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, in all material respects, the Republic of Chile's 2020 Green Bonds are not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements (version 2.1) stated in section 1 "Selection of Nominated Projects & Assets".

Of note, the Issuer may include liability management operations to buy back outstanding conventional bonds.

2. Internal Processes & Controls

Clause 2.1: The systems, policies and processes to be used for management of bond funds and investments made shall be documented by the Issuer and disclosed to the Verifier and shall include arrangements for the following activities.

The Issuer has described the systems, policies and processes to be used for the management of the Bonds' funds and investments in its Green Bond Framework.

2.1.1. Tracking of proceeds: The Net Proceeds of the bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.

The Issuer reports that the Net Proceeds of the Bonds will be managed by the Ministry of Finance, which will verify that the allocation of the Bonds' net funds coincides nominally with the disbursements made to the Eligible Green Expenditures, until the total allocation of funds.

2.1.2. Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 6.2.

The Issuer reports that the unallocated proceeds will be held in the General Account of Chile¹ 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.

2.1.3. Earmarking funds to Nominated Projects & Assets: An earmarking process that can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.

The estimated share of refinancing is expected to represent approximately 12% of the Net Proceeds being used for financing and refinancing.

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, in all material respects, the Republic of Chile's 2020 Green Bonds are not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements (version 2.1) stated in section 2 "Internal Processes & Controls".

¹ The investment of the Chile's General Account (Recursos Generales de la Nación) is regulated by article 12 of the Law No. 20,128 on Fiscal Responsibility, which establishes that the investment of the resources shall be defined by the Minister of Finance, in accordance with the powers and rules regulating the investment of resources, contained in article 3 of Decree-Law No. 1,056 of 1975, and subsequent amendments.

3. Reporting prior to issuance

Clause 3.1. The Issuer shall disclose in the Bond Disclosure Documentation:

3.1.1. The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall.

The Issuer has stated that 100% of the net proceeds from its 2020 Bonds will be used to finance and refinance a Green Portfolio comprised of existing and future Eligible Green Expenditures corresponding to one of the six categories defined in the Green Bond Framework, namely:

- Clean Transportation

All selected Eligible Green Expenditures to be (re)financed by the Bonds meet the eligibility requirements of the following Climate Bonds Standard Sector Criteria:

- Public Passenger Transport Projects - Low Carbon Land Transport (Version 1.0): Eligible Green Expenditures falling in this category are automatically eligible for Certification.

3.1.2. The intended types of temporary investment instruments for the management of unallocated proceeds in accordance with Clause 2.1.2.

The Issuer reports that the unallocated proceeds will be held in the General Account of Chile² 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.

3.1.3. The approach the Verifier has taken to pre-issuance procedures (i.e., whether an Assurance Engagement or an Agreed-Upon Procedures Engagement was undertaken).

The Issuer has appointed Vigeo Eiris as an approved CBI Verifier for the review of the Republic of Chile's 2020 issuances and conformance with the Climate Bonds Standard. The Pre-Issuance review is conducted following a Limited Assurance procedure.

3.1.4. Whether periodic Assurance Engagements will be undertaken during the term of the bond to reaffirm conformance with the Climate Bonds Standard, and the expected frequency of any periodic Assurance.

The Issuer commits to appoint an approved CBI Verifier to conduct the Post-Issuance compliance review within a period of one year after the issuances, in conformance with the Climate Bonds Standard requirement.

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, in all material respects, the Republic of Chile's 2020 Green Bonds are not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements (version 2.1) stated in section 3 "Reporting to issuance".

² The investment of the Chile's General Account (Recursos Generales de la Nación) is regulated by article 12 of the Law No. 20,128 on Fiscal Responsibility, which establishes that the investment of the resources shall be defined by the Minister of Finance, in accordance with the powers and rules regulating the investment of resources, contained in article 3 of Decree-Law No. 1,056 of 1975, and subsequent amendments.

PART B: Climate Bonds Standard Sector Specific Criteria

1. Technical criteria for Eligible Projects & Assets: Low Carbon Land Transport Criteria Version 1.0 (February 2016)

As indicated in the Framework selected Eligible Green Expenditures fall under the following sector specific technical criteria of the Climate Bonds Standard:

1.1 Public Passenger Transport – Sector Criteria for Low Carbon Land Transport (Version 1.0)

- Electric Public trains: Eligible Green Expenditures falling in this sub-category are automatically eligible for Certification under Low Carbon Land (Version 1.0).
- Dedicated infrastructure for electrified public transport: Eligible Green Expenditures falling in this sub- category are automatically eligible for Certification under Low Carbon Land Transport (Version 1.0).

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, in all material respects, the Republic of Chile’s 2020 Green Bonds are not in conformance with the Climate Bonds Standard’s Pre-Issuance Requirements (version 2.1) stated in section “Technical criteria for Eligible Projects & Assets”.

List of supporting elements provided by the Issuer and interview plan:

- Supporting documents provided for Pre-issuance verification and confirmed by the Issuer:
 - Green Bond Framework (dated 8th May 2019)
 - List of Eligible Green Expenditures for the 2020 Green Bonds (the “Green Portfolio”).
 - Answers to Vigeo Eiris’ questionnaire



Vigeo Eiris is a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors into organisations' strategy and operations and undertakes a risk assessment to assist investors and companies' decision-making.

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).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

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

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany and Japan.

For more information: www.vigeo-eiris.com