

Pre-Issuance Verification Report

Limited Assurance Procedure based on Climate Bonds Standard version 3.0

By V.E for the Republic of Chile's 2021 Green Bond Issuance

Scope

The Republic of Chile is considering the issuance of its 2021 Green Bond (hereafter the "Bond"). For this purpose, its intention is to use the proceeds to finance or refinance the amounts certificated by CBI in 2019 and 2020 and not used in previous issuances, as well as an additional amount in projects related to the construction and operation of transportation, renewable energies and green buildings projects (the "Eligible Green Expenditures"). According to the Issuer, the potential issuances could be by an amount lower to the total.

In this context, V.E (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 Bond. This verification has been conducted in accordance with the Climate Bonds Standard (CBS) version 3.0 requirements [i.e. Part A: General requirements to be applied for all Climate Bonds, Part B: Climate Bonds Standard: Low Carbon Transport Criteria Version 2.0 (October 2020), Solar Standard Version 2.1 and Low Carbon Buildings (July 2020)].

The work undertaken by V.E to form this verification report included:

- ▶ - Planning and management of the verification.
- ▶ - Desk review of the Bond and associated documentation provided by the Issuer.
- ▶ - Assessment of evidences provided by the Republic of Chile against the Climate Bond Standard 3.0.
- ▶ - Internal quality control on the assurance report and conclusions.
- ▶ - Provision of V.E's Limited Assurance Report.

We have conducted our pre-issuance verification from December 23, 2020 to January 6, 2021. 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 V.E

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 V.E in good faith. V.E has not performed any 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, 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 2021 Green Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements (version 3.0) 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.

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VERIFICATION CRITERIA & FINDINGS

Context Note: The Republic of Chile has declared that the Net Proceeds of its 2021 Green Bonds will be allocated to the sectors associated to the bonds certificated in 2019 and 2020, and to the 3 CBI categories associated with the amounts certificated in 2021: Solar Energy, Low Carbon Land Transport, Buildings (Upgrades) as described in the Republic of Chile's Green Bond Framework.

The evidence, information and explanations supporting the Bond issuance provided by the Republic of Chile to V.E 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 Bond).

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 3.0

V.E has assessed Republic of Chile's 2021 Green Bond and the nominated projects and assets against criteria and requirements detailed within the Climate Bonds Standard version 3.0:

- Part A: Pre-Issuance Requirements

1. Use of Proceeds
2. Process for Evaluation and Selection of Projects & Assets
3. Management of Proceeds
4. Reporting Prior to Issuance

- Part B: Eligibility of Projects & Assets

1. Low Carbon Transport Criteria Version 2.0
2. Climate Bonds Initiative Solar Standard Version 2.1
3. Low Carbon Buildings (Upgrades) Projects



Part A: Assessment of Chile's 2021 Green Bond against Pre-Issuance Requirements of Climate Bonds Standards

1. Use of Proceeds

- 1.1. 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 provided a list of expenditures to be financed, namely:

- Financing of clean transport (electric buses and infrastructure to support the clean transportation, including for pedestrian, bicycles and electric transport).
- Financing of green buildings, according the Public Building Certification scheme ('Certificación Edificio Sustentable').
- Financing of Solar thermal and Photovoltaic systems for households of vulnerable population.

- 1.2. 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 which are owned by the Issuer.

The expected Net Proceeds of the Bond will be no greater than the Issuer's total investment exposure to the proposed Selected Expenditures. According to the Issuer, the issuance amount will be subject to the total amount certified.

- 1.3. Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds).

The Issuer has reported that the Selected Expenditures has never been nominated to other Climate Bonds or that the existing Green Bond is not being refinanced via another Climate Bond.

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 2021 Green Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements (version 3.0) stated in section 1 "Use of Proceeds".

2. Process for Evaluation and Selection of Projects & Assets

- 2.1. The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. The decision-making process shall include, without limitation:

- 2.1.1. A statement on the climate-related objectives of the Bond

The Selected Expenditures are intended to contribute to climate change mitigation, air quality improvement and energy savings. These objectives are formalised in the Framework.



2.1.2. How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability

A description of Chile's priorities and how they meet the international environmental challenges is included in the Framework.

2.1.3. The Issuer's rationale for issuing the Bond

The Republic of Chile has identified its main environmental challenges and priorities to tackle through public policies and expenditures. A description of Chile's priorities and how they meet the international environmental challenges is in the Framework

2.1.4. A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard.

The governance and process for the evaluation and selection of the Selected Expenditures are formalised in the Framework and is considered relevant.

2.2. The Issuer should include under Clause 2.1 further aspects of the decision-making process, including:

2.2.1. Related eligibility criteria, including, if applicable, exclusion criteria or another process, applied to identify and manage potentially material environmental, social or governance risks associated with the Nominated Projects & Assets.

A description of the selection and exclusion criteria is formalised in the Framework. In addition, potential ESG risks are addressed in an ex-ante evaluation of the projects to be financed. A periodic follow-up of the projects is carried out to the projects financed under the Framework.

2.2.2. Any green standards or certifications referenced in the selection of Nominated Projects & Assets.

NA

2.2.3. The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.

An ex-ante evaluation (including ESG topics) is carried out to all the projects financed by the Bonds under the Framework. In this evaluation, the expected environmental impacts are assessed. The Sustainable Bonds Committee will review the compliance of the projects with the eligibility Criteria. The projects are periodically reviewed to gauge the environmental impacts and compare them with the initially expected.

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 2021 Green Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements (version 3.0) stated in section 2 "Process for Evaluation and Selection of Projects & Assets".



3. Management of Proceeds

- 3.1. The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:

3.1.1. 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.

3.1.2. Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.2.

Unallocated proceeds will be managed by the Ministry of Finance according to the 'Fiscal Responsibility Law'. These will be kept in General Resources of the Nation in different high liquidity and low risk instruments.

3.1.3. Earmarking funds to Nominated Projects & Assets: The earmarking process 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 Issuer states that proceeds for refinancing will not be higher than 35%.

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 2021 Green Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements (version 3.0) stated in section 3 "Management of Proceeds".

4. Reporting prior to issuance

- 4.1. The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. The Green Bond Framework shall include, without limitation:

4.1.1. Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc.;

The Issuer has reported to follow the International Capital Market Association (ICMA) and its Sustainable Bonds Framework is aligned with the Green Bond Principles (GBP).



- 4.1.2. A summary of the expected use of proceeds, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement.

The Framework includes a description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2.

- 4.1.3. A description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2.

The Framework includes a description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2.

- 4.1.4. Information on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard; and any other additional impact metrics that the Issuer will define.

The Issuer has committed to disclose in the reporting documentation the methodology and assumptions to be used for the calculation of impact reporting indicators.

- 4.1.5. A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause 3.1.

The Republic of Chile will report Remaining balance of unallocated revenue in its annual Report.

- 4.1.6. The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Loan remains outstanding.

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

- 4.1.7. The list of proposed Nominated Projects & Assets associated with the Loan and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, as provided in Clause 9.1, and the Issuer shall provide an explanation of why detail on Nominated Projects & Assets is limited.

A list of Eligible Projects will be published in the Ministry of Finance's website prior to the issuance.



4.1.8. Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and refinancing, and the relevant Nominated Projects & Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.

The share of refinancing will be communicated to investors prior to the issuance in the Ministry of Finance's website.

4.2. The Issuer shall include in the Disclosure Documentation:

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

The selected Expenditures falls in the 'Solar', 'Public passenger transport' and 'Buildings' categories of Climate Bonds Taxonomy.

4.2.2. The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3.

Republic of Chile states in its Framework that unallocated proceeds will be managed by the Ministry of Finance according to the 'Fiscal Responsibility Law'. These will be held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function.

4.2.3. The Verifier engaged by the Issuer for the mandatory verification engagements.

The Issuer has commissioned V.E (the "Verifier") as an independent third-party provider approved by the Climate Bonds Standards Board to perform the Pre-Issuance Verification of the Bond.

4.2.4. The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents.

The rules about the reporting are disclosed in the Framework. The report will be published in the Ministry of Finance's website.

4.2.5. The Climate Bonds Initiative Disclaimer provided in the Certification Agreement.

The Issuer states that they will provide the CBI's disclaimer in the certification agreement.

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 2021 Green Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements (version 3.0) stated in section 4 "Reporting prior to issuance".

Part B: Climate Bonds Standards Sector Specific Criteria

Technical criteria for Selected Projects & Assets:

1. Low Carbon Transport Criteria Version 2.0
2. Solar Standard Version 2.1
3. Low Carbon Buildings (Upgrades) Projects

| CBI REQUIREMENTS | V.E'S FACTUAL FINDINGS | GAP ANALYSIS |
|------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Part B: Climate Bonds Taxonomy and Sector-Specific Standards | | |
| 1. Technical Criteria for Eligible Projects and Assets : Low Carbon Transport | | |
| Electric Buses | Eligible Green Expenditures falling in this sub- category are automatically eligible for Certification under Low Carbon Transport (Version 2.0). | None |
| Dedicated infrastructure for electrified public transport, bicycles and pedestrians. | Eligible Green Expenditures falling in this sub- category are automatically eligible for Certification under Low Carbon Transport (Version 2.0). | None |
| 2. Technical Criteria for Eligible Projects and Assets : Solar | | |
| Solar residential building systems, such as thermal facilities for hot water and solar PV installations for households | Eligible Green Expenditures will not have more than 15% of electricity generated from non-renewable sources. | None |

3. Technical Criteria for Eligible Projects and Assets: Low Carbon Buildings

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|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| Public Building certification | 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". | None |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|

List of supporting elements provided by the Issuer for Pre-Issuance verification:

- Chile's Sustainable Bonds Framework
- Answer to V.E's Questionnaire
- Environmental Quality and Energy Efficiency National Certification System for Public Buildings: Manual Evaluation and Qualification Version 1, May 2014



DISCLAIMER

Transparency on the relation between V.E and the Issuer: V.E has executed five audit mission for the Republic of Chile until so far. No established relation (financial or commercial) exists between V.E and the Issuer. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>.

This opinion aims at providing a post-issuance independent review on the sustainability credentials and management of the Bonds based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. Providing this review does not mean that V.E certifies the effectiveness, the excellence or the irreversibility of the assets financed by the Bonds. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bonds, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

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