Ministry of Finance

Government of Chile

Case Study:
Republic of Chile's 2020 Social Bonds

Ministry of Finance, Government of Chile

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2020 Republic of Chile's Social Bonds - CLP tranche (2.300% CLP$1,040,000 million in new 8yr bond and 2.800% CLP%560,000 million in new 13yr bond)

After the publication of the Sustainable Bond Framework in early November-20, Chile issued euroclearable social bonds denominated in pesos, becoming the first social bond issuances in local currency in the Americas.

Transaction Summary

Issuer	:	**Republic of Chile "Chile"**
Issuer Ratings	:	A1 / A+ / A- *Moody's / S&P / Fitch, with negative perspective, negative and stable, respectively*
Ranking / Distribution	:	Senior, Unsecured / SEC Registered
Listing / Law	:	Santiago Stock Exchange / Chilean Law
Use of Proceeds	:	General governmental purposes
Proceeds Intentions Language	:	**In addition, Chile has the intention of investing an amount equal to the proceeds from the sale of the notes into projects that may qualify as "eligible sustainable expenditures", as described in its Sustainable Bond Framework**

Bond	:	**BTP-2028**	**BTP-2033**
Size	:	CLP$1,040,000 million	CLP$560,000 million
Pricing Date (T)	:	November 19, 2020	
Settlement Date	:	November 23, 2020 (T+2)	
Maturity Date	:	October 1, 2028	October 1, 2033
Coupon / Yield	:	2.300% / 2.500%	2.800% / 3.400%
Issue Price		98.68%	94.08%

Distribution and Book Building

- The inaugural social bonds under the new Sustainable Bond Framework, were the first issued in local currency in the Americas, providing a broader development of Chile's ESG instruments.

- Chile was proactive in conducting investor update meetings, performing a net non-deal roadshow that aimed to make known and spread the new Sustainable Bond Framework; and during November 17th and 18th, a deal roadshow meeting with more than 75 top global accounts.

- In this transaction Chile achieved the lowest coupons and yields for a syndicated peso operation.

- Overall, more than US$1.1 billion were received from offshore investors, which represents the highest demand ever reached by a peso transaction.

- Offshore investors were allocated 48% of the total, overcoming the highest historical allocation for offshore investors of 24% in 2019.

- Chile announced the transaction in the New York opening with indicative pricing thoughts (IPTs). The orderbook grew at a strong pace after the announcement, anchored in local and regional investors, complemented by a strong participation of offshore investors.

- In its peak, the orderbook reached more than CLP$4,520 billion (~US$5.7bn.) of total orders in both maturities.

BTP-2028	BTP-2033
- IPT of "High 2%"	- IPT of "High 3%"
- Launch at 2.500%	- Launch at 3.400%

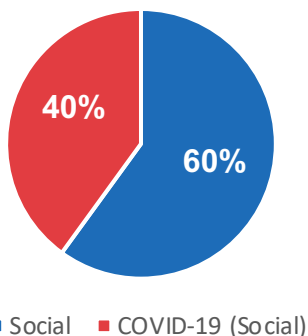# Chile's Social Bonds - A new financing alternative for Sustainable Development

Chile becomes the first **sovereign in the Americas** to issue **Social Bonds in local currency.** These issuances will fund social projects in line with the Sustainable Bond Framework, recently published by the Republic of Chile.

Innovation Highlights

- The Sustainable Bond Framework was developed by the Ministry of Finance with the valuable guidance of the Inter-American Development Bank.
- These are the first bonds issued under the new framework, that provide a framework to also issue green and sustainable bonds.
- In this particular issuance the portfolio included projects from the following sectors: support for the elderly or people with special needs in vulnerable situation; support for low-income families; support for human rights victims; support for the community through job creation; access to affordable housing; access to education; food security; access to essential health services; social programs designed to prevent and/or alleviate unemployment derived from socioeconomic crises.

2020 Project Portfolio

- Around 60% of the expenditures included in the social project portfolio are related to social projects as described in the Sustainable Bond Framework.
- The 40% remaining of expenditures include specific expenditures related to COVID-19 (Social) pandemic economic consequences, as established in the category of the framework that considers the consequences of a pandemic.

40%

60%

■ Social   ■ COVID-19 (Social)

Social Components from the Sustainable Bond Framework

USE OF PROCEEDS	• Support for the elderly or people with special needs in vulnerable situation; support for low-income families; support for human rights victims; support for the community through job creation; access to affordable housing; access to education; food security; access to essential health services; social programs designed to prevent and/or alleviate unemployment derived from socioeconomic crisis, including through the potential effect of financing SMEs and micro finances.
SELECTION & EVALUATION	• Selection of eligible social projects through a decision-making process led by the Ministry of Finance
MANAGEMENT OF PROCEEDS	• Net proceeds to be transferred to the general account of Chile and each specific bond issuance to be linked to a specific pool of eligible projects on a notional basis • Total value of eligible projects to be higher than the amount of issuance, to avoid the necessity to include new projects in event of projects no longer eligible. Possibility to include previous year and current year expenditures and, if necessary, future expenditures • Until full allocation, unallocated proceeds managed in line with the liquidity management policy

REPORTING	• Annual reporting on:
	  • Proceeds Allocation (per category)
	  • Eligibility
	  • Results indicators

EXTERNAL REVIEW	• Second Party Opinion from Vigeo Eiris on the Framework • Annual Assurance Report by an external auditor on the allocation report and its conformity with the Framework

External Review

V.E

- Framework was verified according SPO model by Vigeo Eiris in 2020.

Key Contacts at Issuer and Arrangers

Investor Relations Office
Ministry of Finance

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Case Study prepared by:

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Bookrunner banks: