



Green Bonds 2019

Allocation & Environmental Impact Report





The Green Bonds 2019 Allocation & Environmental Impact Report is in accordance with the Republic of Chile's Green Bond Framework.

This document is available in the Green Bonds section of the Ministry of Finance's website: <https://www.hacienda.cl/english/public-debt-office/green-bonds.html>

Publication of the Public Debt Office of the Ministry of Finance.

All rights reserved.

Content

**Foreword by the
Minister of Finance** Pag. 5

**Foreword by the Minister
of the Environment** Pag. 7

01 Introduction Pag. 9



02 Background
of the Reports Pag. 10



- a. The Government of Chile's Commitments..... Pag. 11
- b. Green Bond Framework..... Pag. 11
- c. Highlights of the 2019 Green Bond
issuances..... Pag. 12
- d. Awards and Recognitions..... Pag. 13

03 Project Selection
and Governance Pag. 14



04 Green Projects for
the 2019 Bonds Pag. 18



05 Allocation Report Pag. 26



- a. Allocation Report Summary and Analysis Pag. 27
- b. Notes to the Allocation Report Pag. 27

07 External Audit Report - EQA Pag. 39

08 Post-Issuance - Verifier Report - Vigeo Eiris Pag. 49

Contacts Pag. 59

06 Environmental Impact Report Pag. 34



Foreword by the Minister of Finance



Climate change implies important challenges for society, with concrete impacts on current and future generations. Studies suggest Chile is among the most vulnerable economies to climate change, caused by its widespread low-lying coastal area, drought and desertification, urban areas with air pollution and mountain ecosystems, among others.

In this context, the Ministry of Finance has taken on the fundamental task of finding ways to integrate environmental variables in its financial decisions since 2018. In line with international best practices, in 2019 the Ministry of Finance published its Green Bond Framework, which provided a structure for the green bonds issuances. Following the guidelines of this Framework, and with the international certification of the respective project portfolios, Green Bonds were issued in international markets in 2019 and 2020. The 2019 issuances were particularly relevant, and Chile became the first country in the Americas to issue bonds of this type. In addition, the issuances were characterized by financial out performance, including low yields and spreads, record levels of demand, and a significant diversification of

the investor base. Importantly, these issuances demonstrated that one can take concrete steps on climate action and, at the same time, achieve outstanding financial results.

Of course, Green Bond issuances are not an isolated effort, and they are integrated into a broader set of measures that the Ministry of Finance is promoting, aimed to mobilize the necessary resources to gradually adapt the country to new climate scenarios, mitigating at the same time the effects of global warming. The publication of the first Financial Strategy on Climate Change and the creation of a public-private Green Finance Roundtable, composed of the entire local financial sector - banks, investors, insurers and financial regulators- all reflect the high commitment and long term view related to the opportunities that the transition towards a low emission and climate resilient economy will bring. In addition, at the international level, Chile and Finland lead the Coalition of Ministers of Finance for Climate Action, an entity made up of more than 50 countries that seeks to share experiences and good practices to mitigate and adapt to climate change, among others.

According to the commitments established in the Framework, this report informs investors and the general public on the allocation of resources and the environmental impact of the green bonds issued in 2019.

The government expects that the green bonds issuances and the other measures represent best practices at a national level, and that these will be imitated by other market players, in order to promote a comprehensive strategy that allows us to face the challenges of climate change.

Foreword by the Minister of the Environment



The current COVID-19 pandemic has forced us to concentrate immediate actions on the proper management of the sanitary crisis in our country, prioritizing people's health as well as the means of subsistence necessary to face it, a situation that is repeated across the world. As a society, we face a complex scenario: we must worry about people's health, considering also the uncertainty about the socio-economic conditions as a consequence of this crisis, and the consequent impact it will have on the whole quality of citizen's life.

The urgency with which governments face COVID-19 and the way in which the recovery to the socio-economic crisis will be promoted, will directly affect the other serious global emergency we are experiencing: climate change. Like COVID-19, the climate crisis has a strong impact on people's lives; to face them with urgency and decidedly is an ethical imperative.

The increasing global warming generates concrete impacts that affect the population of our planet. Certainly, resources should not be spared to respond to the most immediate health problems. However, it also presents an opportunity to

design the post-crisis recovery scenario, promoting the incorporation of sustainability criteria in investment decisions that contribute to an economic and social recovery.

The sovereign green bonds issued by Chile in 2019 and 2020, the first to be issued in the Americas, clearly demonstrate that investing in green projects is a beneficial action, both from an economic and socio-environmental perspective. The low interest rates achieved by these bonds, together with the high demand, have allowed us to obtain low-cost sources of financing to promote an ambitious portfolio of sustainable projects, favouring, for example, the promotion of clean public transportation extensions and new metro lines, electric buses with better standards, as well as sustainable building projects (green buildings), generation of renewable energy and protection of water resources.

Currently, our National Congress is discussing the Climate Change Framework bill, which establishes carbon neutrality by 2050 as a long-term view, with clear objectives regarding the type of society we want to build. Likewise, our country presented the update of its Nationally

Determined Contribution related to the Paris Agreement (NDC 2020), in which we have established ambitious commitments on the path to neutrality, establishing as well specific contributions in terms of adaptation, oceans, peatlands, forests, circular economy and means of implementation. These commitments are framed within a social pillar of fair transition and sustainable development, in order to ensure that the commitments are implemented with a focus on people.

The Climate Change Framework bill and the update of the NDC, provide us with concrete tools to define Chile's priorities in climate action, where sovereign green bonds play a fundamental role, by contributing to achieve the climate objectives and commitments of our country, while allowing an economic and socio-environmental reactivation agenda to face the crisis due to COVID-19, with sustainability criteria in its design, marking a path towards a low carbon and climate resilient economy.

01

Introduction

The commitment with the environment has been one of Chile's main areas of attention in recent years. In line with this commitment, in 2018 the Ministry of Finance began its work preparing a green bond issuance. In particular, it began the preparation of the Green Bond Framework, supported by the Inter-American Development Bank (IDB). The final version of this document was published in May, 2019 and received a Second Party Opinion from Vigeo Eiris during the same month. Thus, in June, 2019 the Ministry of Finance was able to execute its first Green Bond issuance, which also obtained the certification of Climate Bonds Initiative (CBI) for the respective project portfolio.

In line with the Green Bond Framework, the Ministry of Finance, together with the Ministry of the Environment, committed to publish a Report on both the allocation of resources and their environmental impact, all of which would be published on an annual basis, covering all relevant information available until the end of the year prior to its publication. This document fulfils that commitment, containing in a consolidated way both an Allocation Report, as well as an Environmental Impact Report of each of the projects included in the Green Bonds issued in 2019.



02

Background of the Reports

a. The Government of Chile's Commitments

Chile has a strong commitment to climate change mitigation and environmental protection, assuming a global leadership role in these matters, particularly through the COP25 Presidency. At the same time, as part of the changing landscape and priorities, various ministries, including the Ministry of Finance, developed new specialized areas dedicated to tackling climate change, promoting public-private cooperation, including the consideration of climate change in international negotiations. The Ministry has taken on a global leading role on climate action, materialized in the current co-presidency of the Chilean Minister of Finance, Ignacio Briones, of the Coalition of Ministers of Finance for Climate Action.

A sovereign green bond is a clear sign of the country's commitment to promote sustainable financing and the development of a low-carbon, climate-resilient economy. With this, Chile seeks to further promote the development of a green asset class that can help attract foreign investment that supports the country's sustainable infrastructure needs. As the first issuer of sovereign green bonds in the Americas, Chile also intends to establish a benchmark for future sovereign issuances in the region. Likewise, Chile seeks to promote a broader regional dialogue, improve the consistency and uniformity of future green bonds in the region, and contribute to the development of this asset class by issuers and investors.

b. Green Bond Framework

This Report has been made in accordance with the provisions included in the Green Bond Framework¹. This document establishes the obligations that the government, through its Public Debt Office, fulfils as a Green Bonds issuer, in addition to the obligations established by its local regulation.

The Framework defines the eligible green expenses and establishes the valid objectives for the inclusion of projects in the portfolio of projects to be financed with this instrument. There are six green sectors:

- (i) Clean Transportation;
- (ii) Energy Efficiency;
- (iii) Renewable Energies;
- (iv) Living Natural Resources, Land Use and Marine Protected Areas;
- (v) Water Management;
- (vi) Green Buildings.

In accordance with the provisions included in the Framework, the Ministry of Finance is responsible for providing investors with an Impact and Allocation Report, considering the projects included in the previous year's issuances. Therefore, this Report complies with information for the projects included in the June 2019 issuances and will be updated annually until the funds of these issuances have been fully allocated.

¹ Available at <https://www.hacienda.cl/english/public-debt-office/green-bonds/green-bonds-framework.html>

c. Highlights of the 2019 Green Bond issuances

All projects related to the June 2019 green bond issuances are included in this report. The main financial characteristics of these issuances are highlighted in Table 1.

It is important to note that both issuances achieved the lowest rate obtained ever in the history of Chile in their respective currencies (3.53% for USD and 0.58% for EUR), low spread,

record market demands (12.8 times the amount offered in the case of USD, and 4.7 times for euros), and expanding also the investor base by the inclusion of those with “green” mandates. In addition, they were the first sovereign Green Bonds in the Americas and the first sovereign Green Bond in Euros to be issued by a non-European issuer. The dollar bond was the longest duration in the Green Bond market to date. Finally, it should be noted that for the transaction in euros, around 76% of ESG (Environmental, Social and Governance) investors participated, and 35% in the dollar transaction.

Table 1 | Financial characteristics of the 2019 Green Bond Issuances

Item	USD	EUR
Amount	USD1,418 million (<i>New Money</i> for 523 million and repurchase by 895 million)	€861 million
Pricing Date (T)	June 17, 2019	June 25, 2019
Settlement Date	June 25, 2019 (T+6)	July 2, 2019 (T+6)
Maturity	January 25, 2050	July 2, 2031
Coupon / Yield	3.500% / 3.530%	0.830% / 0.830%
Price	99.439%	100.00%
Spread ²	T + 95 pb	MS + 50 pb

² The spread is calculated against the reference yield. In the case of USD issuances (T), the reference is the US Treasury Bond with the closest maturity to the issued bond; in the case of the bond in Euros (MS), the reference is the Mid-Swap yield.



d. Awards & Recognitions.

The Ministry of Finance, in particular its Public Debt Office, has received various awards and recognitions for specific transactions, its strategy in public debt management and innovation in the development of financial instruments, in particular for the issuance of Green Bonds. The following is a list of recent awards and recognitions related to this type of instrument:

- *Green Finance 2019, The Banker.*
- *Green Bond of the Year Sovereign, Environmental Finance Bond Award 2019.*
- *Financing, Netexplo Smart Cities Accelerator UNESCO 2019.*
- *Sovereign Issuer of the Year, LatinFinance Awards 2019.*
- *Best Public Debt Office/Sovereign Debt Management Office in Latin America, GlobalMarkets Awards 2019.*
- *Green Bond of the Year for Latin America, GlobalCapital Sustainable and Responsible Capital Market Awards 2019.*
- *Recognition for innovation in sustainable finance 2019, Spanish Observatory of Sustainable Financing.*



03

Project Selection and Governance



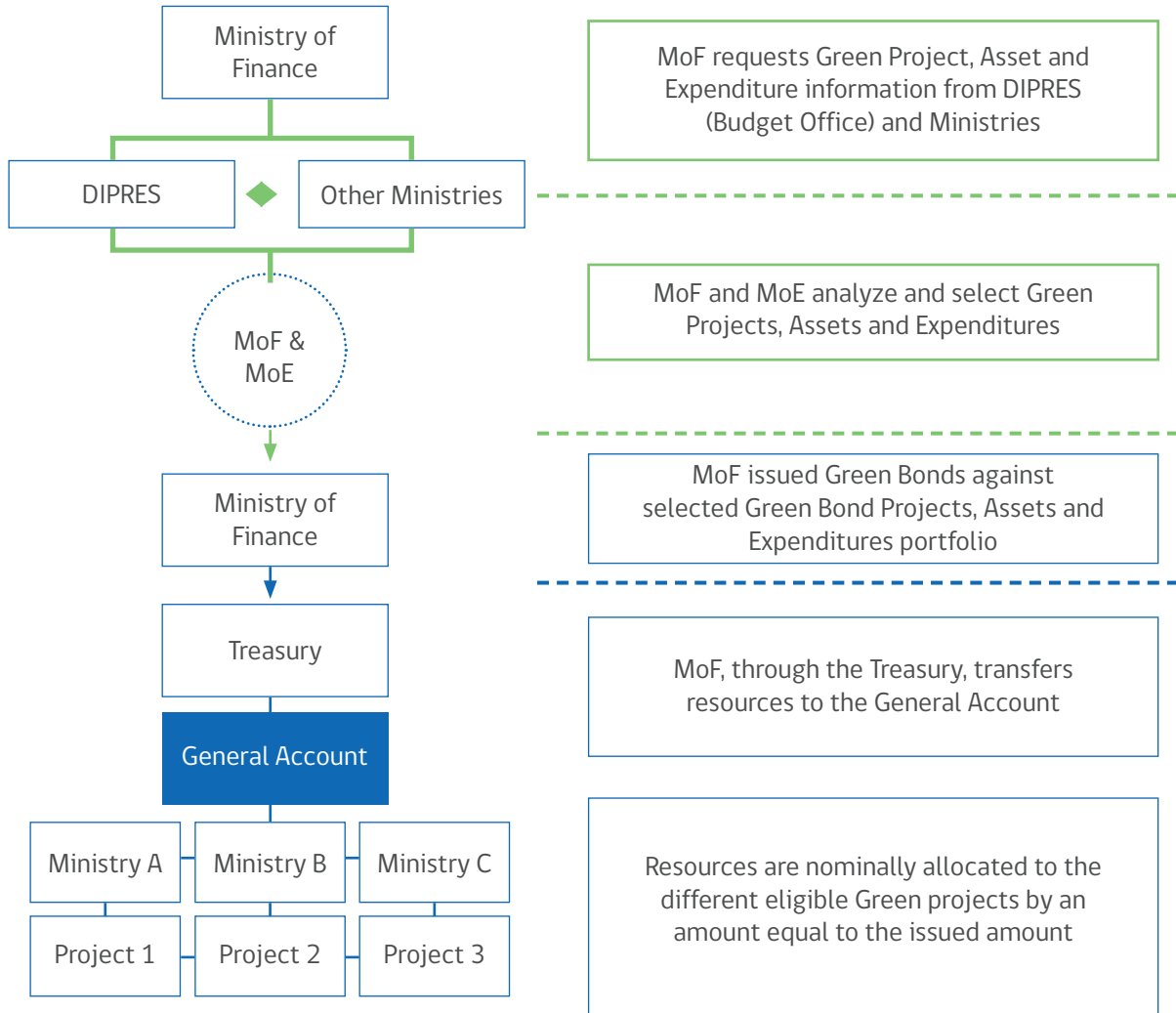
In accordance with the provisions included in the Green Bond Framework and as part of the process to determine the eligibility of projects, assets and expenditures (Figure 1), the Ministry of Finance (MoF), with the support of the Ministry of the Environment (MoE), led an inter-ministerial committee, called the “Green Bond Committee”, with the aim of overseeing the full implementation of this Framework.

The Green Bonds Committee is composed of representatives of the main ministries responsible for the execution of the public budget, including, among others, the MoE, the Ministry of Public Works, the Ministry of Energy, the Ministry of Transport and the Ministry of Agriculture, among others.

The MoF, with the support of the MoE, was responsible for:

- Review and validate the selection of eligible green projects, assets, and expenditures, as defined in Section 3.1 (Use of Revenue) of the Framework;
- Supervise the allocation of resources to eligible green projects, assets and expenses;
- Manage any future updates to the Framework;
- Coordinate the preparation of reports, as described in the Framework.

Figure 1 | Evaluation and Green Eligible Expenditures Selection Process



Selection ■
Allocation ■

Source: The Republic of Chile's Green Bond Framework

Prior to the evaluation and pre-selection meetings carried out by the MoF together with the MoE, and the support of the IDB, several requests were made to the ministries of Public Works, Energy, Transport and Telecommunications and Agriculture, to deliver a portfolio of projects subject to evaluation of eligibility. Around 75 projects were evaluated during the process and 14 projects were selected, which were finally included in the final portfolio.

Among the main selection criteria, the most important was the feasibility to report the disbursement of funds and their traceability over time, the environmental impact of the projects and their quantification in relevant and clearly defined indicators, clarity in the description of the project, in addition to the existence and fulfilment of CBI and International Capital Market Association (ICMA) criteria, according to the corresponding sector of each project.

On this occasion, the development of the Green Bonds Framework was effected in parallel with the selection of projects, after an iterative work on the definitions of the Framework and the selection of projects. The process concluded with the selection of the final portfolio, consisting of 14 projects belonging to 4 out of the 6 green sectors defined in the Framework, which are indicated below:

- Clean Transportation
- Renewable Energies
- Water Management
- Green Building

The description of each Project is in the corresponding sections of the Allocation and Environmental Impact Reports.

In relation to the green rating of the issuance, the MoF decided to opt for a model of both verification and second-party opinion. Both - the opinion of the second parties and the verification report - were delivered by the external consultant Vigeo Eiris. In the case of the verification report, the work was specifically aimed at verifying that pre-selected projects were eligible for certification under the standards of CBI. Finally, the favourable opinion was obtained on April 26, 2019, for a portfolio that totalled approximately USD 4.3 billion. It should be noted that the chosen portfolio was greater than the potential issuance, in order to avoid the inclusion of new projects in case of delays or if a project is not effected. Thus, total issuances were USD 2,373 million.³

³The USD-EURO Exchange rate used for the calculation is 0.8932 (dollars per euros), corresponding to the average for 2019, published by the Central Bank of Chile.



04

Green projects for the 2019 Bonds



The following is a brief description of the portfolio of projects certified by CBI. The resources and environmental impact are reported in the following sections:

Clean Transportation

1. Line 3, Metro of Santiago

Description

This project includes the final part of the construction and design of Line nr. 3 of Metro of Santiago. This line has a 22 km route, which includes 18 underground stations, 6 of which are transfer stations with lines 1, 2, 4, 5 and 6. The route extends through 6 communes of Santiago.

2. Extension of Metro Line 3, Metro of Santiago

Description

Extension of Line nr. 3 of the Metro of Santiago, in 3.8 Km., building 3 new stations towards the Quilicura district. This will benefit about 200 thousand citizens.



3. Extension of Metro Line 2, Metro of Santiago.

Description

Extension of Line nr. 2 of Metro of Santiago in 5.1 Km., and 4 new stations towards the municipalities of El Bosque and San Bernardo. This work will benefit more than 400 thousand people and will facilitate access to the Metro for residents of La Cisterna, alleviating the influx of the La Cisterna Intermodal Station on lines 2 and 4A.

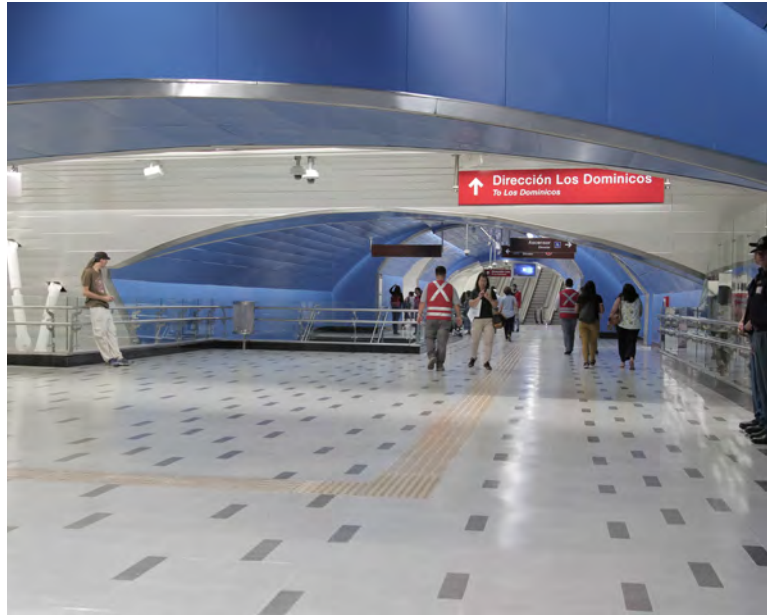


4. Line 7, Metro of Santiago.

Description

The route goes through 25.9 km between the communes of Renca and Las Condes.

The main benefits are the decongestion of line nr. 1, connection to lines 6 and 7 and increasing the Metro's participation in the Santiago transportation system.



5. Electromobility in metropolitan junetwork (RED)

Description

This Project considers 4 steps:

- i. Incorporation of 100 electric buses BYD brand to the Santiago Public Transport System (Transantiago), including an electric charging terminal and 40 smart bus stops (USB port, Wi-Fi, variable information panels and energy through solar panels).
- ii. Incorporation of 100 electric buses Yutong brand to the Santiago Public Transportation
- iii. Incorporation of 208 electric buses (183 BYD and 25 King Long) to the Santiago Public Transportation System, plus 1 terminal suitable for electric transport. In the preliminary stage, it was planned to incorporate 200 buses and bus stops.
- iv. Incorporation of 215 electric buses Foton brand to the Santiago Public Transportation System, plus terminals suitable for electric transport⁴.



⁴ In preliminary stage. Previously, it was planned to incorporate 200 buses and 3 terminals, but there is no certainty on the number of terminals.



6. Renewal of Rolling Stock

Description

Rolling stock renewal to cover the operation of the Santiago - Rancagua service, in order to improve energy efficiency and service standards.

7. Installation of Solar Thermal Systems

Description

The Program is created in response to the needs for housing reconstruction arising from the

damage caused by the north region earthquake and the Valparaíso fire in 2014. A subsidy was launched for the installation of Solar Thermal Systems, for the heating of sanitary water in the houses object of the program where it is technical feasible.

In total, it is intended to benefit 2,677 social homes located in the regions of Arica and Parinacota, Tarapacá and Valparaíso.

As of December 2019, 2,141 Solar Thermal Systems (STS) have been installed in the same number of homes. The program advance is 77.4%. The remaining 536 STS are pending installation in 2020 and 2021.



8. Installation of Photovoltaic Panels

Description

Construction of 151 individual self-generation systems consisting of a 2.76 kWp PV plant and a 25 kWh battery bank. All systems are located on Huapi Island, Futrono commune, Los Lagos region.

9. Installation of Solar Panels in Public Buildings

Description

The Public Solar Roof Program is an initiative of the

Ministry of Energy inserted in the Energy Agenda, aimed at installing photovoltaic systems on the roofs of public buildings, in order to contribute to the consolidation of the photovoltaic market for self-consumption, and to reduce spending on electricity consumption. Eight high schools were benefited in 2018 and 17 high schools in 2019.

10. Public Green Buildings

Descripción

This project includes a set of buildings and works from the Architecture division of the Ministry of Public Works that consider Sustainable Building Certification. Below in Table 2 is the detail of the buildings included:

Table 2 | Detail of Buildings included in the Project Portfolio

Project	Type of Project	Certification Status
Projects auctioned during 2018		
Construction of Liceo Politécnico C-20 school, Taltal	Design	Signed up
Police headquarters, Vallenar	Design	Precertified
Teletón facilities Coquimbo	PAR ⁵	Precertified
Carabineros training school, Ovalle	PAR	Precertified
Police department in Limache	Design	Signed up
Vocational institute, Chillan	Design	Signed up
Fresia Müller school, Lebu	Design	Signed up
Construction of the regional library of La Araucanía, Temuco	Design	Precertified
Licancura primary school, Curarrehue	Design	Precertified
Health facilities in Lautaro	Design	Signed up
Construction of the Municipal Library of Nueva Imperial	Design	Signed up
Construction of the Local Prosecutor's Office of Castro	Design	Signed up
Construction of Police complex, Punta Arenas	Design	Precertified
Replacement of the 4th Croatian Fire Company Barracks, Punta Arenas	Design	Precertified
Replacement of the Fire Station for the 2nd Valdivia Company	Design	Signed up
Restoration and Enabling Regional Library, former Railways Arica La Paz	Design	No signed up
Construction of the Regional Prosecutor and Local Prosecutor's Office of Arica - Parinacota	Design	Signed up
Replacement and Expansion of the Pampa Algodonal School, Arica.	Design	Signed up
Projects Auctioned during 2019		
Alberto Gallardo Lorca School, Punitaqui	PAR	No signed up
Miguel Huentelén school, Collipulli	Design	Signed up
Salvador Allende of Pailahueque School, Ercilla	Design	No signed up
Primary Health facilities in Huiscaqui, Loncoche	Design	Signed up
Collín Alto school, Vilcún	Construction	Precertified
Construction of the Local Prosecutor's Office of Pucón	Construction	Precertified
República Argentina school, Coyhaique	Design	Signed up
Provincial office of Public Works division, Chacabuco	Design	Precertified

⁵ Payment against reception.

11. Analysis and Conservation of Water Resources

Description

This project compiles 20 sub-projects of monitoring, analysis, diagnosis and studies of

water resources, of basin master plans and strategies for the conservation of water resources, analysis of water resources against extreme events and climate change. The following Table 3 is a list of the initiatives included:

Table 3 | Detail of Water Managements projects included in the Project Portfolio

Initiatives included
Analysis for the development of a national plan for water resources
Analysis for the implementation of the national plan of water research
Analysis for the implementation of basin plans for water resources management
Conservation measurement network of glaciological parameters
Diagnosis of the integrated water management model in Copiapó basin
Conservation and maintenance of the national hydrometric network
Conservation/construction of fluviometric stations and repairs
Hydrometric replacement in the Huasco river basin
Conservation of inventory of water rights affected to payment taxes for non-use
Conservation of public inventory of effective use of underground and surface water
Conservation of the national water resources protection network
Conservation of the hydrometeorological network
Conservation of the water network and hydrogeology
Construction of an alert network for extreme hydrometeorological events
Updating the national water balance
Conservation of the groundwater network
Conservation of the data collection network through third parties
Lake network conservation
Conservation of the data transmission network in real time
Conservation of the sedimentometric network



05

Allocation Report

This allocation report considers all the disbursement performed since January 1, 2018, until December 31, 2019. It is important to note that 100% of the allocated funds were spent on financing new green expenditures or for refinancing green expenditures.

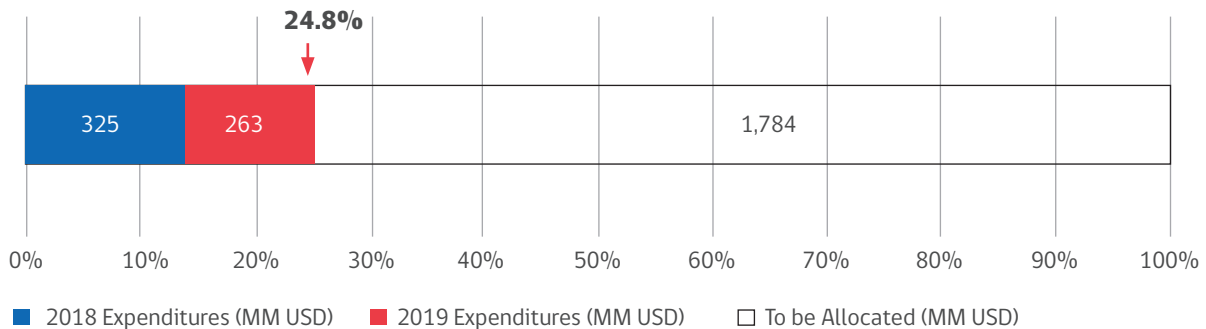
Allocation Report Summary and Analysis

The sources of this report were provided by each respective ministry. Given that the information is produced for budget purposes, and that the Budget Law is annual, the information is provided by year. Therefore, for this report, all 2018 expenses are accounted as refinancing (considering that the issuance was in 2019) and the rest as new financing.

In aggregated terms, from the USD2,373 million raised in green bonds, USD325 million were disbursed during 2018 (refinancing), which corresponds to 13.7% of total committed disbursement. In 2019, the expense amounted to USD263 million, corresponding to 11.1% of the commitment.

Thus, USD 589 million have already been spent, equivalent to 24.8% of the Green Bonds 2019⁶. With this, 75.2% of the amounts committed in the issuance, equivalent to USD 1,784 million, are expected to be fully allocated in the next 5 years and will be informed in the next reports until fully allocated. Figure 2 presents the total amounts spent and to be spent by green sector.

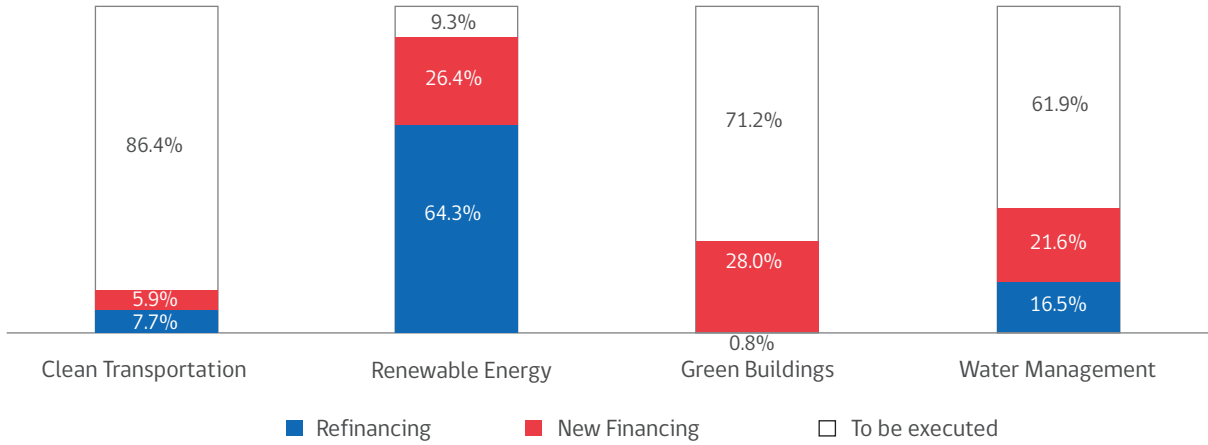
Figure 2 | Total allocated and pending resources



From the project portfolio, there is still space for USD3,634 million to be allocated, equivalent to 86.1% of the current value of the total project portfolio. Figure 3 describes amounts pending to be allocated for each green sector below. It should be noted that the projects in the

Renewable Energies green sector have already been 90.7% executed, being the only sector that has the majority of the resources already assigned. In the other 3 sectors included, most of the space remains to be allocated as green spending in the coming years.

⁶ This is equivalent to the 13.9% of the total certified project portfolio.

Figure 3 | Refinancing, Financing and space available by Green Sector

As noted above, according to Chile's Green Bond Framework and to prevent eventual delays or reassignments in green projects, the certified project portfolio reached USD4,354 million, above the issued amount. In effect, the amount of the portfolio has undergone slight changes to those originally projected⁷. Currently, the value of the portfolio is USD 4,222 million. However, the commitment established in the Framework document is up to the total allocation of resources from the issuance of the Green Bonds 2019, which reaches USD 2,373 million.

According to the financial projection of the projects included, it is expected that within the next

4 years the total amount pending to allocate will be completed. Pursuant to the provisions of the Framework, pending the full allocation of the proceeds of the issued Green Bond to Eligible Green Expenditures, the MoF will manage the proceeds according to the article 12 of Law No. 20,128 ("Fiscal Responsibility Law"), which establishes that the investment of resources will be disposed by the MoF, according to regulation contained in article 3 of Decree Law No. 1,056.

Table 4 presents the summary of allocations by year in each project included in the Green Bond Portfolio 2019. Subsequently, the detail of each project is developed in the corresponding note.

⁷In the notes to the projects corresponding to the allocation report, we have included the details of these changes, particularly in the Green Buildings and Water Resources Analysis and Conservation projects. The change in value of projects in the Clean Transportation and Renewable Energy sector is explained by expected changes in the execution.

Table 4 | Allocation Report Summary

Green Sector	Note	Project	2018 Expenditure (US\$ MM)	2019 Expenditure (US\$ MM)	Accumulated Expense 2018-2019 (US\$ MM)	Total Project (US\$ MM)	Re-financing (% of total)	Co-financing ⁸ (% of total)
Clean Transportation	1	Line 3 of Metro	236.7	123.7	360.5	346.6	62.2%	0.0%
Clean Transportation		Extension of Metro Line 3	70.2	40.2	110.4	370.9	17.2%	0.0%
Clean Transportation		Extension of Metro Line 2	7.7	50.7	58.4	407.1	1.7%	0.0%
Clean Transportation		Line 7 of Metro	3.8	20.7	24.5	2,661.7	0.1%	0.0%
Clean Transportation	2	Electromobility in RED	0.2	5.2	5.4	326.2	0.0%	About, 50.0%
Clean Transportation		Renewal of Train Parts	0	5.0	5.0	40.0	0.0%	0.0%
Renewable Energy		Solar Thermal Energy Panel son Houses	0.1	0.1	0.2	0.2	60.1%	0.0%
Renewable Energy		Construction of Photovoltaic System	0.8	0	0.8	0.8	100.0%	0.0%
Renewable Energy		Technical Assistance for Photovoltaic Systems	0.5	0.5	1.1	1.4	35.2%	0.0%
Green Buildings	3	Sustainable Public Buildings	0.3	10.5	10.8	37.6	0.7%	0.0%
Water Management	4	Analysis and Conservation of Water Resources	4.9	6.5	11.4	29.9	15.0%	0.0%
Total			325.4	263.2	588.6	4,222.4	7.0%	0.1%

⁸The co-financing factor varies each year and it is calculated according to the data reported by the Metropolitan Public Transport Directorate (DTPM) in its Financial Report. For year 2018, the subsidised proportion was of 48% while in year 2019 it was of 51%. It is expected that this factor is around 50% each year.

Notes to the Projects

1. Line 3 of Metro

Explanatory Note about the disbursement amount and the total cost of the project

According to the calculation methodology used, in which the 2018 expenses are calculated using the exchange rate as of the end of 2018, and 2019 expenses are accounted using the exchange rate as of the end of 2019, the value

spent on the project is greater than the value of the project (which is accounted using the exchange rate as of the end of 2019). This is due to the strong variation experienced by the exchange rate and the advanced progress of the projects.

2. Electromobility in RED

Progress, re-financing and co-financing per stage

Table 5 | Electromobility projects' summary

Project	2018 Expenditure (US\$ MM)	2019 Expenditure (US\$ MM)	Accumulated Expense 2018-2019 (US\$ MM)	Total Project (US\$ MM)	Re-financing (% of total)	Co-financing ⁷ (% of total)
Electromobility I	0.2	3.2	3.4	61.9	0.1%	About, 50.0%
Electromobility II	-	1.6	1.6	57.8	-	About, 50.0%
Electromobility III	-	0.4	0.4	104.5	-	About, 50.0%
Electromobility IV	-	-	-	102.0	-	About, 50.0%
Total	0.2	5.2	5.4	326.2	0.0%	About, 50.0%

3. Sustainable Public Buildings

Change in the total cost of the Project Portfolio

The drop in the cost of Green Building projects is due to two reasons: first, in this report we

are only considering the value of Design, Payment Against Reception (PCR) and Construction that the contractors have requested from the Division of Architecture (of the Ministry of Public Works-MPW). The original value of the certified portfolio additionally included an estimate of the construction value of the mandated design

projects. Second, during the bidding process they produced invalidations, reversals, cancellations or void auctions of the original projects. Below in

Table 6 is the original list of buildings included and the current state in which they are.⁹

Table 6 | Green Building Projects' status

Project	Status
Projects Auctioned during 2018	
Construction of Liceo Politécnico C-20 school, Taltal	Valid
Police Headquarters, Vallenar	Valid
MOP Building Extension, Atacama	Lack of Information
Teletón facilities, Coquimbo	Valid
Replenishment of the 5th Police Station of Vicuña	Invalid or void tender
Carabineros Training School, Ovalle	Valid
Police departament, Limache	Valid
Vocational institute, Chillán	Valid
Fresia Muller school, Lebu	Valid
Replenishment of the Police Complex, Concepción	Invalid or void tender
Replacement with Relocation and Equipment Police Station, Lota	Deserted Tender
Construction of the Regional Library of La Araucanía, Temuco	Valid
Licanura primary school, Curarrehue	Valid
Health facilities, Lautaro	Valid
Construction of the Municipal Library of Nueva Imperial	Valid
Construction of the Local Prosecutor's Office of Castro	Valid
Construction of the Police Complex, Punta Arenas	Valid

⁹It is important to note that the disbursement of resources is mainly paid by the contractors that request the Design, Payment Against Reception (PAR) or/and Construction to the Division of Architecture of the MPW.

Replacement of the 4th Croatian Fire Company Barracks, Punta Arenas	Valid
Police Station Construction Design Consulting, South Providencia	Void tender
Replacement of the Fire Station for the 2nd Valdivia Company	Valid
Restoration and Enabling Regional Library, former Railways Arica La Paz	Valid
Construction of the Regional Prosecutor and Local Prosecutor's Office of Arica - Parinacota	Valid
Replacement and Expansion of the Pampa Algodonal School, Arica.	Valid
Projects Auctioned during 2019	
Construction of the Regional Comptroller's Office, Tarapacá Region	Void tender
Alberto Gallardo Lorca school, Punitaqui	Valid
Replacement Fire Station 2nd Company, Marchigue	Void tender
Replacement with Relocation and Equipment Lota Police Station, 2nd call	Void tender
Miguel Huentelen school, Collipulli	Valid
Replacement Salvador Allende of Pailahueque school, Ercilla	Valid
Primary Health facilities in Huiscaqui, Loncoche	Valid
Collín Alto school, Vilcún	Valid
Construction of the Local Prosecutor's Office of Pucón	Valid
República Argentina school, Coyhaique	Valid
Provincial office of Public Works division, Chacabuco	Valid

4. Water Management Analysis and Conservation

Change in the total cost of the Project Portfolio

The following Table 7 includes the original list of included projects and the current state in which

they are found. The reasons for the increase in the value of the portfolio are recasts or due to budgetary extensions or suspensions of the original projects.

Table 7 | Water Management Projects' status

Project	Status
Analysis for the development of a national plan for water resources	Valid
Analysis for the implementation of the national plan of water research	Renamed as "Analysis for the implementation of the national basin plan"
Analysis for the implementation of basin plans for water resources management	Renamed as "Analysis for the implementation of the national basin plan"
Analysis for the implementation of the national basin plan	Valid
Conservation measurement network of glaciological parameters	Valid
Diagnosis of the integrated water management model in Copiapó basin	Not included in 2020's Budget
Conservation and maintenance of the national hydrometric network	Valid
Conservation/construction of fluviometric stations and repairs	Renamed as "Fluviometric stations conservation and major national repairs"
Fluviometric stations conservation and major national repairs	Valid
Hydrometric replacement in the Huasco river basin	Finished in 2019
Conservation of inventory of water rights affected to payment taxes for non-use	Valid
Conservation of public inventory of effective use of underground and surface water	Valid
Conservation of the national water resources protection network	Valid
Conservation of the hydrometeorological network	Valid
Conservation of the water network and hydrogeology	Valid
Construction of an alert network for extreme hydrometeorological events	Not included in 2020's Budget
Updating the national water balance	Not included in 2020's Budget
Conservation of the groundwater network	Valid
Conservation of the data collection network through third parties	Valid
Lake network conservation	Valid
Conservation of the data transmission network in real time	Valid
Conservation of the sedimentometric network	Valid



06

Environmental Impact Report

This Report informs on the progress and the impact in environmental terms of the projects financed through the issuance of the 2019 Republic of Chile's Green Bonds. The information contained herein was made in accordance with the requirements established in the Green Bond Framework.

The Ministry of the Environment, together with the Ministry of Finance, requested the sectoral ministries in charge of implementing the projects financed through the bonds, to report on progress of the projects under their responsibility, both in financial and environmental terms. The ministries that participated in this first report were: Public Works; Transport and Telecommunications; and Energy, which are detailed in section IV, indicating the projects that are the subject of this report, together with a brief description of their objectives.

For the projects previously identified, each ministry sent a report with qualitative and / or quantitative information, corresponding to the 2018-2019 period, according to the effective availability of data, regarding the progress in the implementation of said projects, which is presented to continuation for each sector.

It should be noted that the methodology to prepare the information published in this report was developed on an ad-hoc basis per each type of project. In general terms, this report contains

all the information available until December 31, 2019, to complete the indicators elaborated per each sector. The main reported aspects, according to each sector and subject to the availability of information, are mainly related to the activity carried out, emission reductions (pollutants and / or greenhouse gases), reduction of energy consumption, and compliance of institutional objectives and targets, related to the activity carried out.

Projects reported by the Ministry of Transport and Telecommunications

Table 8 was prepared from the information provided by the Ministry of Transport and Telecommunications¹⁰ (MTT). The information was built from the studies required for the environmental impact assessment process for each of the projects presented, in which the public company Metro requested the collaboration of the Transportation Planning Secretariat (SECTRA) of the MTT.

The emissions evaluation correspond to projections calculated from transport simulations (base situation and project), provided by Metro for future temporary outages. Once the calculations of the emission levels have been obtained for the baseline scenario and the project, a comparison is made of the emissions of pollutants, including greenhouse gases (GHG).

¹⁰Progress report on the implementation of projects presented by the Ministry of Transport and Telecommunications, dated March 16, 2020.

Table 8 | Environmental Impact of Ministry of Transport’s Projects¹¹

Project	Indicator	Result
Line 3 of Metro	New kilometres built	22.0
	Users quantity	660,000
	Annual reduced GHG emissions (tCO _{2e})	170,300
	Air pollution avoided (tonPM2.5)	7.4

Projects reported by the Ministry of Public Works (MPW)

Table 9 was prepared with the information provided by the Ministry of Public Works¹² (MPW). To carry out the energy saving calculations, the “Evaluation

and Qualification Manual, Version 1 (2014)” of the National System of Certification of Environmental Quality and Energy Efficiency for Buildings for Public Use was used. The energy consumption reduction estimates were carried out by the Construction Institute, in accordance with the process defined for Sustainable Building Certification (CES).



¹¹The New Metro Line 7 and the extension of Line 3 and 2 are will not be included in this report until they begin to operate. The Line 3 extension is expected to be operational by the end of 2023, as will the Line 2 and Line 7 extension in late 2028.

¹²Progress report on the implementation of projects presented by the MPW, dated April 9, and complemented in April 24, 2020.

Table 9 | Environmental Impact of Ministry of Public Works' Projects

Project 's name and environmental measures	Indicator	Methodology	Result
<p>Sustainable Public Buildings (SPB)</p> <p>Corresponds to architectural projects and works that consider Sustainable Building Certification (CES).</p>	<p>Percentage of energy savings in SPB projects.</p> <p>Note: a total of 18 SPB Program projects were considered, reporting 7 of them that had information available at the time of closing the report, according to the CES process.</p>	Percentage of reduction in real energy consumption in relation to reference levels.	<p>Year 2019: 77.61%</p> <p>Year 2018: 68.87%</p>
Water Resources Management through the General Water Directorate (DGA)	Environmental pronouncements and audits	Percentage of environmental audits carried out, with respect to the total of environmental audits requested by the Superintendency of the Environment	<p>Year 2019: 100%</p> <p>Year 2018: 118.4%</p>
	Investigations and evaluations of the Water Resource.	Percentage of studies completed in year t compared to studies scheduled to end in year t for the management of aquifers or new water sources.	<p>Year 2019: 100%</p> <p>Year 2018: 83%</p>
	Operational Hydrometeorological Stations	Percentage of stations in the Hydrometeorological network, which remain operational during year t, with respect to the total of Stations that make up the Hydrometeorological network.	<p>Year 2019: 100.1%</p> <p>Year 2018: 99.58%</p>

Projects Reported by the Ministry of Energy (MoE)

Table 10 was prepared with the information provided by the Ministry of Energy¹³. The assumptions used to carry out the calculations were as follows:

1. Reduced emissions parameters: IPCC 2006 sources for LPG and NG and Open Energy for electricity emission factors;
2. Contributions of the Solar Technical Systems (SST): FChart algorithm;
3. Average performance of standard hot water (DHW) equipment = 80%.

Table 10 | Environmental Impact of Ministry of Energy's Projects

Project 's name and environmental measures	Indicator	Methodology	Result
Reconstruction program for houses affected by natural disasters that occurred in 2014 and 2015. Said houses incorporate Solar Thermal Systems (SST) for the heating of sanitary water, in the selected houses.	Annual Greenhouse Gas (GHG) emissions avoided (tCO _{2e})	The estimate of mitigated emissions (CO ₂) in a year t is calculated as the level of energy saved in a year t by the average emission factor of year t. The level of savings in a year t corresponds to the number of SST projects implemented multiplied by the annual energy production that an SST would have in a given region.	981 tCO _{2e} avoided 2,141 houses with SST implemented.
Construction of a home photovoltaic system in Isla Huapi, Futrono, Los Ríos region.	Annual Greenhouse Gas (GHG) emissions avoided (tCO _{2e})	Annual renewable energy generation (MWh) multiplied by the Emission Factor of the National Electric System.	Year 2019 = 61.74 tCO _{2eq} Year 2018 = 58.45 tCO _{2eq}
Technical assistance program for the development and implementation of photovoltaic projects in public institutions.	Annual renewable energy generation (MWh)	Minimum monthly design generation, multiplied by 12 months and by the number of operating systems, divided by one thousand.	Year 2019 = 152,208 MWh Year 2018 = 139,608 MWh

¹³Progress report on the implementation of projects presented by the Ministry of Energy, dated April 8, 2020.

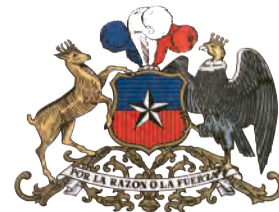
07

External Audit
Report - EQA



Sovereign Green Bonds of the Republic of Chile

Limited Assurance Report regarding the 2019 Allocation Report issued by Chile's Ministry of Finance



Type of engagement: Annual review

Date: 22 June 2020

Verifier: EQA (European Quality Assurance)

Project leader: María Cristina Romero Medina, mariacristina.romero@eqa.es

Context

In June 2019, the Republic of Chile, hereinafter, the “Issuer”, issued green bonds in US dollars and euros for the first time to finance and/or refinance, in part or in full, green projects. The green bonds obtained the CBI (Climate Bonds Initiative) certification.

Chile has developed a local and international green bond market as a fundamental tool to finance the country's sustainable development needs. This is consistent with its long-term climate strategy, promoting new and profitable methods to accelerate emission-reduction initiatives and align financial flows towards a low carbon, climate-resilient and environmentally sustainable economy.

The financed and/or refinanced projects respond to six Green Sectors contained in Chile's Green Bond Framework¹, hereinafter, the “Framework”:

- Clean transport
- Energy efficiency
- Renewable energy
- Living natural resources, land use and marine protected areas
- Water management
- Green buildings

In this context, in April 2020, the Issuer, through the Ministry of Finance, engaged EQA, a verifier approved by CBI (hereinafter, the “Verifier”) as an independent third party to provide a limited assurance report regarding the allocations to the green projects.

Scope

In compliance with the engagement entrusted to us, we hereby provide limited assurance on the allocation at 31 December 2019 of proceeds from the green bonds issued by the Republic of Chile, in accordance with the information included in Section V of the 2019 Green Bond Allocation and Impact Report drafted by Chile's Ministry of Finance (hereinafter, the “Selected Information”).

¹ Chile's Green Bond Framework: <https://www.hacienda.cl/oficina-de-la-deuda-publica/bonos-verdes/marco-para-bonos-verdes-de-la-republica-985266.html>





The green bonds issued by the Republic of Chile, which funds were subject to allocation, are:

Amount	USD 1,418 million
Pricing Date (T):	17 June 2019



Amount	EUR 861 million
Pricing Date (T):	25 June 2019

EQA evaluated the allocations related to the green bond projects of the Republic of Chile according to the provisions contained in the Framework².

The eligible green projects contained in Section 3.1 (Use of revenues) of the Framework are:

Green sectors	Eligible Green Expenses/Projects
<p>Clean transport</p> 	<ul style="list-style-type: none"> Investment in public infrastructure, assets related to intermodal stations and electric public transport: <ul style="list-style-type: none"> - Subway lines: new lines, extensions and refurbishment. - Electric buses, charging stations for electric vehicles. - Other public transport, such as tramways and trains. - Intermodal infrastructure that connects different means of clean transport, monitoring and control systems, and passenger, infrastructure, bicycle track and bicycle parking lot safety systems. Grants or incentives to promote public transport.
<p>Energy efficiency</p> 	<ul style="list-style-type: none"> Investments in energy efficiency in public buildings that yield savings over 20%. Grants earmarked for energy efficiency improvements in households. Public lighting improvements.
<p>Renewable energy</p> 	<ul style="list-style-type: none"> Investments in projects involving non fossil renewable energies: <ul style="list-style-type: none"> - Wind energy. - Solar energy. - Small hydropower stations. Investments in solar/wind energy projects that integrate energy generation and storage. Training programmes to enhance technical expertise in centres of professional training in renewable energy installation.
<p>Living natural resources, land use and marine protected areas</p> 	<ul style="list-style-type: none"> Forestry <ul style="list-style-type: none"> - Programmes to preserve and restore native and exotics forests. - Management of national parks and conservation areas. Protection and surveillance of protected marine areas (including research).

² EQA's limited assurance process comprises reviewing the documentation related to the details of the projects financed/refinanced, including the project description and estimated and incurred costs of the projects provided by the Issuer. The Issuer is responsible for providing accurate information. EQA did not perform any onsite visits to the projects being assessed.

<p>Water management</p> 	<ul style="list-style-type: none"> • Water distribution: installation or adjustment of water-efficient irrigation systems, construction or improvement of sustainable drinking water infrastructure (including research or studies). • Residual water management: installation or improvement of wastewater infrastructure, including transportation, treatment and disposal systems. • Maintenance of water resources, including the protection of water intake areas and the prevention of contamination that affects water supplies. • Rain flooding defences, including the construction of reservoirs to control water flows.
<p>Green buildings</p> 	<ul style="list-style-type: none"> • Design and construction of public buildings certified under the Chilean System for the Environmental Quality and Energy Efficiency Certification of Public Buildings (CES, by its Spanish acronym). • The costs related to the modernisation of existing public buildings to meet the Sustainable Building Certification or upgrade the current certification level.

Verification procedure

EQA has performed the review of the Selected Information in accordance with the International Standard ISAE 3000 (Assurance Engagements Other Than Audits or Reviews of Historical Financial Information), to express a conclusion providing limited assurance.

The verification procedures for a limited assurance engagement are aimed at providing certain level of assurance with respect to whether the Selected Information contains material misstatements. Given the nature of the engagement, the procedures are less thorough than reasonable assurance procedures.

Our limited assurance engagement on the Selected Information consists of making inquiries, primarily of persons responsible for the preparation of the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These verification procedures include:

- Analysing and evaluating the Selected Information included in the 2019 Green Bond Allocation and Impact Report drafted and provided by the Issuer.
- Identifying the areas more prone to error or fraud and implementing limited assurance verifications over these areas.
- Gaining an understanding of the Issuer's expense monitoring and control systems and processes.
- Gathering and evaluating proper and sufficient evidence.
- Analysing the documentation related to green bond issuance.



Issuer's responsibility

For the purposes of this report, Chile, through the Ministry of Finance, is responsible for the preparation of the 2019 Green Bond Allocation and Impact Report, in which the Selected Information is included, as established in pages 13 and 14, Section 3.4 of the Framework, using the methods and procedures needed to ensure that the information is free from material misstatements, either due to fraud or error.

Verifier's responsibility

Our responsibility is to conduct a limited assurance engagement and express a conclusion on whether the Selected Information contains material misstatements based on the work performed. We perform our engagement in agreement with ISAE 3000 (Assurance Engagements Other Than Audits or Reviews of Historical Financial Information). This standard requires that we plan and perform our procedures to gather proper and sufficient evidence to draft a report providing limited assurance.

We are not responsible for issuing an opinion on:

- The environmental impact of the funds allocated to eligible green projects.
- The relevance of eligible green projects according to the climate goals of green bonds.
- Fund management before their allocation or their use after allocation.

Independence and quality control

As a verifying and certification entity, EQA employs a management system to ensure the impartiality, objectivity and technical expertise in its management and verification activities. EQA is a verification body under ISO 14065. Its evaluation method follows ISO 17020, ISO 17021 and ISO 17065.

EQA has exercised its professional judgment and maintained professional scepticism throughout the verification pursuant to ISAE 3000. Our limited assurance conclusion is only related to the Selected Information included in the 2019 Green Bond Allocation and Impact Report.

EQA bases its verification on the documentation and information submitted by Chile's Ministry of Finance related to funds allocation to the green projects included in the Framework. EQA is not, and will not be, responsible should any of the opinions, findings or conclusions contained herein not be correct due to incorrect or incomplete data provided by Chile's Ministry of Finance.

Conclusion

Based on the procedures applied and the evidence collected, no issues have come to our attention that lead us to think that the amounts allocated to the green bond projects of the Republic of Chile, according to the information included in the 2019 Green Bond Allocation and Impact Report, is not presented fairly, in all material respects, in agreement with the criteria set forth in Section 3 of the Framework, dated 25 April 2019.



Ignacio Martínez
Managing Director EQA

Detailed findings

Eligibility Criteria	Procedure performed	Factual findings	Errors or exceptions identified
<p>Use of Proceeds</p>	<p>Verification of the projects financed or refinanced with funds from the 2019 issuance of green bonds to determine whether they meet the use of proceeds criteria set forth in the Green Bond Framework.</p>	<p>All the reviewed projects fulfil the use of proceeds criteria established in the Framework.</p>	<p>None</p>
<p>Report</p>	<p>Review and verification of the Selected Information included in the 2019 Green Bond Allocation and Impact Report. Evidence on the green projects was collected and assessed to verify the allocation of funds³. Furthermore, key personnel engaged in expense management and control were interviewed⁴. The Republic of Chile has not undertaken to verify the Impact Report; therefore, it is not included within the scope of this report.</p>	<p>The Selected Information included in the 2019 Green Bond Allocation and Impact Report includes no material misstatements.</p>	<p>None</p>

³ EQA requested additional evidence concerning the following projects: Construction of Line 3 Subway, Addition of Electromobility in Santiago's Public Transportation, "Electromobility II Santiago" subproject and Green Buildings, "Extension of Ovalle Group Police Officers Training School" subproject.

⁴ The following Chilean institutions were interviewed: Ministry of Finance, Budget Office, General Treasury of the Republic, Ministry of Transport and Telecommunications, Department of Metropolitan Public Transport, Santiago Subway and Ministry of Public Works.

Appendix 1: Amounts allocated per project

The Section V of the 2019 Green Bond Allocation and Impact Report shows that funds from the issuance of green bonds in June 2019 were allocated to the following green projects:

Green sector	Expense/Eligible Green Project	Project value (USD m)	Amount allocated 2018-2019 Green Bonds (USD m)
Clean transport	Construction of Line 3 Subway	346,6	360,5
	Construction of Line 3 Subway Extension	370,9	110,4
	Construction of Line 2 Subway Extension	407,1	58,4
	Construction of Line 7 Subway	2.661,7	24,5
	Addition of Electromobility in Santiago's Public Transportation	326,2	5,4
	Renewal of the trains used in Metrotren Rancagua	40,0	5,0
Renewable energy	Installation of Solar Thermal Power Systems	0,2	0,2
	Installation of PV Panels	0,8	0,8
	Solar Panels in Public Buildings	1,4	1,1
Green buildings	Sustainable Public Buildings	37,6	10,8
Water management	Water Resources Analysis and Conservation	29,9	11,4
Total USD m		4.222,4	588,6



Disclaimer

Transparent relationship between EQA and the Issuer: EQA has performed no consulting or audit activity for the Republic of Chile to date, and there is no (financial or other) relationship forged between EQA and Chile.

This report prepared by EQA provides a limited assurance opinion regarding the Selected Information included in the 2019 Green Bond Allocation and Impact Report drafted by Chile's Ministry of Finance; therefore, it is based on information furnished by the Issuer. EQA does not ensure that the information included herein is complete, accurate or updated, and does not assume any type of liability for errors or omissions.

Providing this opinion does not mean that EQA certifies the tangibility, excellence or irreversibility of the projects financed or refinanced by green bonds. EQA does not offer any assurance regarding the financial performance of the Issuer or bond, the environmental footprint of the bonds or compliance with the commitments assumed by the Issuer. The content of this report will not be interpreted as an express or implied statement or warranty by EQA regarding the suitability for making investment decisions or any other type of business transaction. Consequently, it should not be understood as investment advice or recommendation (as defined in the applicable jurisdiction).

EQA is not liable for any loss whatsoever suffered as a result of reliance by any party on the information or data provided herein, to the extent that it is based on information provided by the Issuer.

The Issuer is fully responsible for certifying and ensuring compliance, implementation and oversight of its commitments.

In the event of any discrepancy between the english and spanish versions of this report, the spanish version prevails.

Restriction on the distribution and use of this Limited Assurance Report: at the Issuer's discretion.



EQA (European Quality Assurance) is an international **environmental, social and corporate governance (ESG) certification and verification** body, which purpose is to instil trust on the market regarding the integration of the sustainability factors in the strategy and operation of organizations.

EQA is the first Spanish verifier approved by CBI (Climate Bonds Initiative).

The entity operates globally and provides external opinion services for green, sustainable and social frameworks, environmental and corporate social responsibility verifications and evaluations, as well as compliance, management system, information security and data protection, and innovation and R&D&I certifications.

EQA's policies and procedures support excellence, quality and independence. It undertakes to provide its customers with high value-added products and services for stakeholders as a result of its technical expertise and scientific research in collaboration with a great network of scientific experts, universities and research centres across the world.

For more information, please visit: <https://eqa.es/>

08

Post-Issuance
Verifier Report
- Vigeo Eiris

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

Project team

Adriana Cruz Félix
Research Manager
Project Leader

Maximiliano León
Sustainability Consultant



Emilie Beral
Executive Director

For more information, contact:

Sustainable Finance Team
VESustainablefinance@vigeo-eiris.com

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)

Vigeo Eiris methodology and rating services adhere to the highest quality standards.

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.

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

For more information: www.vigeo-eiris.com

Contacts

Investor Relations Office, Ministry of Finance
Iro@hacienda.cl
+56 2 28282000

The content of this Report was prepared by the Ministry of Finance in collaboration with the Ministry of the Environment for the Impact Report.

We appreciate the collaboration of the Inter-American Development Bank for the support in the design and layout of this document.



