

SECOND PARTY OPINION

Vigeo Eiris is of the opinion that the Sustainable Bond Framework of the **Republic of Chile** is **aligned** with the four core components of the **Green Bond Principles 2018**, **Social Bond Principles 2020** and the **Sustainability Bond Guidelines 2018**, and adopts **best market practices** identified by VE.



Sustainable Bond Framework

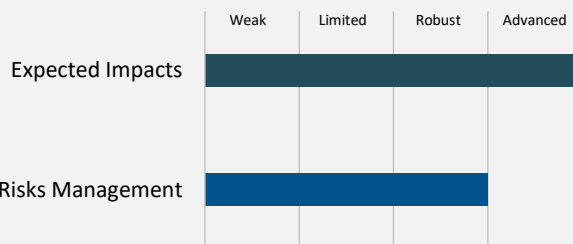
Contribution to Sustainability



Advanced Limited

Robust Weak

SDG Mapping



Framework Characteristics

Eligible categories	<ul style="list-style-type: none"> • 6 Green Categories • 9 Social Categories
Target Population	Identified for each Eligible Social Expenditure
Project Locations	Chile
Share of refinancing	Will be communicated before each issuance
Look back period	Less than 24 months

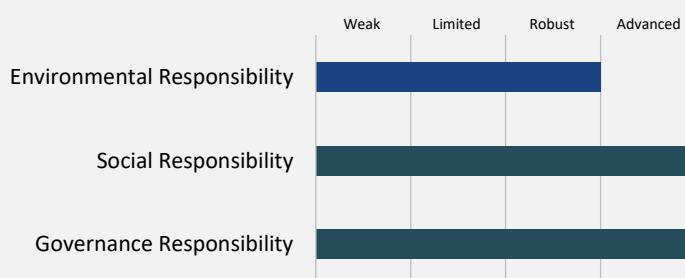
Issuer

Sustainability Performance as of June 2020



Advanced Limited

Robust Weak



Coherence

Coherent

Partially coherent

Not coherent

We are of the opinion that the Sustainable Bond Framework of the Republic of Chile is coherent with the country's strategic sustainability priorities, and that it contributes to the realization of its commitments and targets in terms of climate change mitigation, social progress and sustainable development.

Key Findings

Vigeo Eiris is of the opinion that the Sustainable Bond Framework of the Republic of Chile is aligned with the four core components of the GBP, SBP & SBG and adopts best market practices identified by VE

Use of Proceeds

- The **Eligible Categories** are clearly defined and detailed. The Issuer has communicated on the nature and description of the expenditures, the eligibility criteria (selection and exclusion), the target population of the Eligible Social Expenditures, and has communicated on the location at country level of the Eligible Expenditures.
- The **Environmental and Social Objectives** are clearly defined for all Eligible Expenditures and are set in coherence with sustainability objectives defined in international standards.
- The **Expected Environmental and Social Benefits** are clear, relevant, measurable and will be quantified for all Eligible Expenditures by the Issuer in the post-issuance report.
- The issuer has committed to transparently communicate the **estimated percentage of refinancing** of each Bond before its issuance. The **look back period** for refinanced Eligible Expenditures will be equal or less than 24 months from the issuance date, in line with best market practices.

Evaluation and Selection Process

- The **Process for the Evaluation and Selection of Eligible Expenditures** has been clearly defined and detailed, and it is considered well-structured in all the evaluation and selection steps (including the evaluation, selection, verification and monitoring of the Eligible Expenditures). The roles and responsibilities are clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework.
- The **Eligibility Criteria (selection and exclusion)** have been clearly defined and detailed by the Issuer for all the Eligible Expenditures.
- The process applied to identify and manage potentially material **Environmental and Social Risks associated with the Eligible Expenditures** is publicly disclosed in this SPO. The process is considered robust and combines monitoring, identification and corrective measures for most of the Eligible Expenditures.

Management of Proceeds

- The **process for the management and allocation of proceeds** is clearly defined and will be publicly disclosed in the Framework.
- The **allocation period** of the proceeds will be communicated before the issuance of each Bond.
- The **net proceeds of the Bonds will be placed in the “General Account of Chile”** and will be **tracked** by the Issuer in an appropriate manner and **attested to in a formal internal process**.
- The intended types of **temporary placements for the balance of the unallocated** net proceeds are publicly disclosed in the Framework. These will be kept in General Resources of the Nation in different high liquidity and low risk instruments.
- The Issuer has committed that as long as the Bond is outstanding, the balance of the tracked net proceeds will be **periodically adjusted** to match allocations to Eligible Expenditures made during that period.
- The Issuer has provided information on the procedure that will be applied in case of **project divestment or postponement** of the Eligible Expenditures and it has committed to reallocate the proceeds to projects that are compliant with the Framework.

Reporting

- The Issuer has committed to **report annually until full allocation of the Bonds' proceeds** and in case of any **material changes**. The report will be publicly disclosed on the Issuer's website until Bond maturity.
- The report will cover relevant **information related to the allocation of proceeds and to the expected environmental and social benefits** at each Eligible Expenditure level. The Issuer has also committed to communicate on material changes and potential ESG controversies associated with the Eligible Expenditures.
- The reporting **methodology and assumptions** used to report on environmental and social benefits of the Eligible Expenditures will be publicly disclosed in the Bond reports.
- An **external auditor will verify the tracking and allocation of funds** to Eligible Expenditures until full allocation of proceeds and in case of material changes.
- Indicators used to report on environmental and social benefits of the Eligible Expenditures will be **verified internally** by the Issuer.

Contact

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SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of Sustainable Bonds (“Bonds”) to be issued by the Republic of Chile (the “Issuer” or “Chile”) in compliance with the Sustainable Bond Framework (the “Framework”) created to govern their issuances.

Our opinion is established according to Vigeo Eiris’ Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the ICMA’s Green Bond Principles 2018 (“GBP”), the Social Bond Principles 2020 (“SBP”) and the Sustainability Bond Guidelines 2018.

Our opinion is built on the review of the following components:

- 1) **Framework:** We have evaluated the coherence of the strategy in terms of the Issuer's sustainability, the Framework's contribution to sustainability and its alignment with the Principles of Green and Social Bonds.
- 2) **Issuer:** we have assessed the sustainability performance of the Issuer (*Sovereign Sustainability Rating®*).

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from Vigeo Eiris’ exclusive ESG rating database, and (iii) information provided from the Issuer, through documents and interviews conducted with officials of the Chilean Government through a teleconference system.

We carried out our due diligence assessment from 1 September 2020 to 30 September 2020. We consider that we were provided with access to all appropriate documents and interviewees we solicited. To this purpose, we used our reasonable efforts to verify such data accuracy.

Scope of External Reviews

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

COHERENCE

Coherent
Partially coherent
Not coherent

We are of the opinion that the Sustainable Bond Framework of the Republic of Chile is **coherent** with the country's strategic sustainability priorities, and that it contributes to the realization of its commitments and targets in terms of climate change mitigation, social progress and sustainable development.

In 2015, all United Nations Member States adopted the 2030 Agenda for Sustainable Development, which includes the 17 Sustainable Development Goals (SDGs). With 10 years left to achieve the SDGs, world leaders called for a “Decade of Action” at the SDG Summit in September 2019. Achieving sustainable development requires the transition of all economic sectors towards sustainable development models, and the immediate action of all public and private actors. In particular, national governments must mobilise to achieve sustainable development goals, through regional and global leadership, integrating sustainability in policies, budgets, institutions and regulatory frameworks, and working with all stakeholders.

National governments must lead climate action to limit global warming and protect the environment, and at the same time lead action to reduce inequality through the establishment of national policies and action plans that guarantee sustainable and inclusive growth.

The Government of Chile seems to recognize its key role in providing solutions to address the challenges of sustainability. In line with its commitment to the 2030 Agenda, in 2016 through the Supreme Decree No. 49, Chile created the "National Council for the implementation of the 2030 Agenda" in order to coordinate the follow-up and implementation work of the Agenda at the national level¹. In accordance with this commitment and with the Sustainable Development Goals, Chile has formalized several policies and action plans based on the integration of environmental and social elements.

The Government Plan 2018 - 2022 "Construyamos Tiempos Mejores para Chile"² defines the challenges at country level for the coming years and intends to promote four fundamental principles: freedom, justice, progress and solidarity. This plan covers different environmental and social objectives which are linked to the international commitments assumed by the country and in particular with the SDGs.

Regarding environmental commitments and actions, Chile ratified the Paris Agreement in February 2017 and through its National Determined Contribution (“NDC”), Chile established commitments in five areas: mitigation, adaptation, construction and capacity building, development and transfer of technology and financing. Chile committed to reducing its PIN CO₂ emissions by 30% by 2030, compared to the level reached in 2007 through the establishment of quantitative targets. The NDC was updated in 2020 by increasing the ambition in the five areas mentioned, thus reflecting the national commitment to take action against climate change. In the update of the NDC, the following goal was proposed regarding climate change mitigation: absolute emissions (reach 97 MtCO₂eq in 2030), reach a maximum of emissions by 2025, and a GHG emissions budget that will not exceed 1,100 MtCO₂eq for the period 2020-2030. This goal is designed in such a way as to align international climate commitments with national guidelines and is considered an intermediate point of the national goal of carbon neutrality by 2050 established in the Draft Bill “Climate Change Framework”. In addition, Chile has several national plans in conjunction with this goal, such as the Long-Term Climate Strategy, the National Action Plan for Climate Change 2017-2022 and the Climate Change Mitigation and Adaptation Plan for Infrastructure Services, which have helped define national environmental priorities.

Regarding social matters, Chile adheres to the SDGs and reports on its contributions through the “Voluntary National Report”, presented by the National Council for the Implementation of the 2030 Agenda, which at the same time recognizes the country's main social challenges, including inequality, housing, gender, education and health, among others. Within the update of the NDC, Chile also recognizes the importance of social issues by incorporating the “social pillar of just transition and sustainable development” as an essential factor towards a path towards carbon neutrality. This social pillar takes into consideration different criteria for implementing the NDC that ensure equal opportunities in the process and minimize the possible negative impacts of policies adopted to combat climate change in the most vulnerable groups. In addition, it should be noted that in 1966, Chile ratified the Universal Declaration of Human Rights, signed the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights, ratified the 1989 Convention on the Rights of the Child and is part of the Ibero-American Social Security Agreement.

¹ Chile Agenda 2030 - <http://www.chileagenda2030.gob.cl/agenda-2030/consejo-nacional-secretaria-tecnica>

² Comisión Económica para América Latina y el Caribe (CEPAL) - <https://observatorioplanificacion.cepal.org/es/planes/programa-de-gobierno-de-chile-2018-2022>

Vigeo Eiris is of the opinion that the Sustainable Bond Framework to issue bonds that will finance and refinance Eligible Green and Social Expenditures, coherently aligns with the Issuer's strategic sustainability priorities and contributes to the realization of its environmental and social commitments and goals, as well as addresses the main challenges in terms of sustainable development for national governments.

ISSUANCE

The Republic of Chile has described the main characteristics of the Green, Social and Sustainable Bonds within a formalized Sustainable Bond Framework which covers the four core components of the GBP 2018 and SPB 2020 (the last updated version was provided to Vigeo Eiris on September 28, 2020). The Issuer has committed to make this document publicly available on its website, in line with best market practices.

Alignment with the Green Bond Principles and the Social Bond Principles

Use of Proceeds



The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, expenditures falling under 15 Eligible Categories (Eligible Expenditures or Green and/or Social Eligible Expenditures) as indicated in Tables 1 and 2.

- The **Eligible Categories** are clearly defined and detailed. The issuer has communicated on the nature and description of the Expenditures, the eligibility criteria (selection and exclusion), the target population of the eligible social expenditures, and has communicated on the location at country level of the Eligible Expenditures.
- The **Environmental and Social Objectives** are clearly defined for all Eligible Expenditures and are set in coherence with sustainability objectives defined in international standards.
- The **Expected Environmental and Social Benefits** are clear, relevant, measurable and will be quantified for all Eligible Expenditures by the Issuer in the post-issuance report.
- The issuer has committed to transparently communicate the **estimated percentage of refinancing** of each Bond before its issuance. The **look back period** for refinanced Eligible Expenditures will be equal to or less than 24 months from the issuance date, in line with best market practices.

Resource targeting instruments for the vulnerable population

The mechanism to identify the target population is adequate, relevant and covers the majority of Social Expenditures.

The Government of Chile uses the Social Household Registry (RSH by its Spanish Initials) to identify the beneficiaries of different social policies. Each family fills out this registry, either remotely (through the internet) or in the municipality of the districts where they reside. After the families complete this registry, the municipalities conduct home visits to verify that the information is reliable. In addition, a cross-check is made with different administrative records to verify the information based on the possession of real estate, vehicles, or high-value health plans, which are pertinent to circumstances at the national level. Once this information is collected, it is integrated into the national registry which allows for the identification of different level of family vulnerability at a national level.

The creation of socioeconomic groups is based on the autonomous income that each household generates as a whole. Income is adjusted according to household members (based on age and disability grounds), a figure known as the 'needs index'. Although this is the main resource targeting instrument, there are other instruments that allow for collecting complementary information, such as the National Socioeconomic Characterization Survey (CASEN), the Census, unemployment surveys, among others.

Table 1: Vigeo Eiris' analysis of Green Eligible Categories, Sustainability Objectives and Expected Benefits

GREEN ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	VIGEO EIRIS' ANALYSIS
Clean Transport	<p>The Green Eligible Expenditures include:</p> <ul style="list-style-type: none"> - Investment in public infrastructure and assets that improve modal transfer, public electric passenger transport: - Electrified metro lines: new lines, expansion and renovation - Electric buses, charging stations for electric vehicles - Other means of public transport such as trams and trains - Intermodal infrastructure to connect different means of clean public transport, surveillance and control systems, security infrastructure and protection of passengers and bicycle lanes and parking lots - Subsidies or incentives to promote public transport 	<p>Climate Change Mitigation</p> <p>Air Quality Improvement</p> <p>GHG emission reduction</p>	<p>The definition of this category is clear.</p> <p>The Green Eligible Expenditure intends to contribute to two clear and relevant environmental objectives.</p> <p>The Issuer has identified expected environmental benefits that are relevant and measurable. The expected benefits will be quantified in the post-issuance reporting.</p> <p>The Issuer commits to estimate the expected environmental impacts, ex ante.</p>
Energy Efficiency	<p>The Green Eligible Expenditures include:</p> <ul style="list-style-type: none"> - Energy efficiency investment in public buildings that results in savings of more than 20%: including (but not limited to) rehabilitation, thermal insulation and / or improvements to the air conditioning system. - Subsidies aimed at improving the energy efficiency of homes: including thermal insulation of homes, solar thermal systems, photovoltaic systems, among others. - Improvements in public lighting (for example, replacement with LEDs). 	<p>Climate Change Mitigation</p> <p>GHG emission reduction</p> <p>Energy Savings</p>	<p>The definition of this category is clear.</p> <p>The Green Eligible Expenditure intends to contribute to one clear and relevant environmental objective.</p> <p>The Issuer has identified expected environmental benefits that are relevant and measurable. The expected benefits will be quantified in post-issuance reporting.</p> <p>The Issuer commits to estimate the expected environmental impacts, ex ante.</p>

GREEN ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	VIGEO EIRIS' ANALYSIS
Renewable Energy	<p>The Green Eligible Expenditures include</p> <ul style="list-style-type: none"> - Investments in projects of non-fossil fuel, renewable sources such as: <ul style="list-style-type: none"> - Wind energy (onshore) - Solar energy (onshore) - Small hydroelectric plants (capacity <25MW) <p>Wind and solar energy installations shall not have more than 15% of the electricity generated from non-renewable sources.</p> <ul style="list-style-type: none"> - Investments in solar and wind energy projects (onshore) that integrate energy generation and storage (batteries). - Training programmes to increase technical knowledge in professional training centres related to the installation of renewable energy 	<p>Climate Change Mitigation</p> <p>GHG emission reduction</p>	<p>The definition of this category is clear.</p> <p>The Green Eligible Expenditure intends to contribute to one clear and relevant environmental objective.</p> <p>The Issuer has identified expected environmental benefits that are relevant and measurable. The expected benefits will be quantified in post-issuance reporting.</p> <p>The Issuer commits to estimate the expected environmental impacts, ex ante.</p>
Living Natural Resources, Land Use and Marine Protected Areas	<p>The Green Eligible Expenditures include:</p> <ul style="list-style-type: none"> - Forestry projects: <ul style="list-style-type: none"> - Programmes for the conservation and restoration of native and exotic forests - Management and maintenance of National Parks and Conservation Areas - Protection and surveillance of marine protected areas (including research 	<p>Terrestrial and marine ecosystems Conservation</p> <p>Promote the protection of terrestrial and marine ecosystems, and the preservation of biodiversity</p>	<p>The definition of this category is clear.</p> <p>The Green Eligible Expenditures intend to contribute to one clear and relevant environmental objective.</p> <p>The Issuer has identified expected environmental benefits that are relevant and measurable. The expected benefits will be quantified in post-issuance reporting.</p> <p>The Issuer commits to estimate the expected environmental impacts, ex ante.</p>

GREEN ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	VIGEO EIRIS' ANALYSIS
Water Management	<p>The Green Eligible Expenditures include:</p> <ul style="list-style-type: none"> - Water distribution: Installation or upgrade of water efficient irrigation systems, construction or improvement of sustainable drinking water infrastructure (including research or studies). - Wastewater management: Installation or upgrade of wastewater infrastructure, including transport, treatment and disposal systems. - Conservation of water resources: including the protection of hydrographic basins and the prevention of pollution that affects the water supply. - Defence systems against river floods: including the construction of reservoirs to control water flows. 	<p>Conservation and sustainable use of water resources</p> <p>Promote sustainable water management to guarantee water supply</p> <p>Reduction of water consumption</p> <p>Climate Change Adaptation</p> <p>Strengthen the resilience of infrastructure in severe weather conditions</p>	<p>The definition of this category is clear.</p> <p>The Green Eligible Expenditure intends to contribute to two clear and relevant environmental objectives.</p> <p>The Issuer has identified expected environmental benefits that are relevant and measurable. The expected benefits will be quantified in post-issuance reporting.</p> <p>The Issuer commits to estimate the expected environmental impacts, ex ante.</p>
Green Buildings	<p>The Green Eligible Expenditures include:</p> <ul style="list-style-type: none"> - Construction and remodelling of Green Buildings that are close to obtaining or have the "Sustainable Building Certification" and comply with a minimum of 30% carbon reduction in line with the CBI standard. - Design and construction of public buildings certified under the "National Certification System for Environmental Quality and Energy Efficiency for Buildings for Public Use". - Costs associated with the rehabilitation of existing public buildings to comply with the "Sustainable Building Certification" or improve the current certification level. 	<p>Climate Change Mitigation</p> <p>GHG emission reduction</p> <p>Energy Savings</p>	<p>The definition of this category is clear.</p> <p>The Green Eligible Expenditure intends to contribute to one clear and relevant environmental objective.</p> <p>The Issuer has identified expected environmental benefits that are relevant and measurable. The expected benefits will be quantified in post-issuance reporting.</p> <p>The Issuer commits to estimate the expected environmental impacts, ex ante.</p>

Table 2: Vigeo Eiris' analysis of Social Eligible Categories, Sustainability Objectives and Expected Benefits

SOCIAL ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	VIGEO EIRIS' ANALYSIS
Support for the elderly or people with special needs from vulnerable sectors	Finance basic pensions for the most vulnerable people*. * It is required that the beneficiaries belong to the 60% of the population with the lowest income according to the Social Registry of Households.	Social inclusion and poverty reduction Increase the income of the identified vulnerable population	The definition of this category is clear. The target population has been clearly defined. The intended social objective is clearly defined. The Issuer has identified relevant and measurable social benefits for the eligible category. The expected benefits will be quantified in the post-issuance reporting. The Issuer commits to estimate the expected social benefits, ex ante.
Support for low-income families	Finance actions and measures aimed at the most vulnerable families in the country * with subsidies or contributions to low-income families, through Government programmes. * It is required that the beneficiaries belong to the 60% of the population with the lowest income according to the Social Registry of Households.	Social inclusion and poverty reduction Increase the income of the identified vulnerable population	The definition of this category is clear. The target population has been clearly defined. The intended social objective is clearly defined. The Issuer has identified relevant and measurable social benefits for the eligible category. The expected benefits will be quantified in the post-issuance reporting. The Issuer commits to estimate the expected social benefits, ex ante.
Support for human rights victims	Monetary benefits granted by the State through the Reparatory Human Rights Laws for victims directly affected by Human Rights violations, politically exonerated people and relatives of the victims of Human Rights violations or political violence between the years 1973 -1990.	Social Inclusion Improve social inclusion and cohesion	The definition of this category is clear. The target population has been clearly defined. The intended social objective is clearly defined. The Issuer has identified relevant and measurable social benefits for the eligible category. The expected benefits will be quantified in the post-issuance reporting. The Issuer commits to estimate the expected social benefits, ex ante.





SOCIAL ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	VIGEO EIRIS' ANALYSIS
Community support through job creation	Financing projects with the objective of generating employment, for example, in regions with the highest unemployment rates (regions with higher unemployment than the national average), by financing labour-intensive projects	Socioeconomic development Generate jobs in areas with relatively high unemployment rates	The definition of this category is clear. The target population has been clearly defined. The intended social objective is clearly defined. The Issuer has identified relevant and measurable social benefits for the eligible category. The expected benefits will be quantified in the post-issuance reporting. The Issuer commits to estimate the expected social benefits, ex ante.
Access to basic housing	Provide financing to families from vulnerable sectors of the population which have fewer resources for the acquisition, repair, expansion, improvement and conditioning of homes. Depending on the programme, the beneficiaries are required to belong to 40% or 60% of the population with the lowest incomes according to the Social Registry of Households.	Access to Housing Guarantee access of the most vulnerable people to decent housing	The definition of this category is clear. The target population has been clearly defined. The intended social objective is clearly defined. The Issuer has identified relevant and measurable social benefits for the eligible category. The expected benefits will be quantified in the post-issuance reporting. The Issuer commits to estimate the expected social benefits, ex ante.
Access to education	Finance programmes that aim to improve the quality and access to preschool, basic, secondary and higher education for vulnerable children and young people or youths with special needs. Students are required to be considered as a priority student according to the definition of the National Board of School Assistance and Scholarships (JUNAEB), or belong to the 60% of the population with the lowest income according to the Unique Form of Socioeconomic Accreditation (FUAS) or Social Registry of Households.	Access to Education Increase access to preschool, elementary, middle and high-school and university education. Promote programmes that improve the quality of education at all levels.	The definition of this category is clear. The target population has been clearly defined. The intended social objectives are clearly defined. The Issuer has identified relevant and measurable social benefits for the eligible category. The expected benefits will be quantified in the post-issuance reporting. The Issuer commits to estimate the expected social benefits, ex ante.

SOCIAL ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	VIGEO EIRIS' ANALYSIS
Food Security	<p>Finance programmes that provide access to a healthy and nutritious food service for the most vulnerable users of the education system.</p> <p>Students must belong to the 60% most vulnerable or those with the greatest socioeconomic disadvantage according to the Social Registry of Households, who attend municipal educational establishments, subsidized private schools (attached to the PAE) and universities.</p>	<p>Food Security</p> <p>Guarantee access to sufficient, healthy and adequate food.</p> <p>Avoid malnutrition.</p>	<p>The definition of this category is clear.</p> <p>The target population has been clearly defined.</p> <p>The intended social objectives are clearly defined.</p> <p>The Issuer has identified relevant and measurable social benefits for the eligible category. The expected benefits will be quantified in the post-issuance reporting.</p> <p>The Issuer commits to estimate the expected social benefits, ex ante.</p>
Access to Essential Health Services	<p>Financing for the development of the health network for both preventive and curative purposes associated with locally declared states of emergency as a result of health events, including pandemics (e.g.: COVID-19).</p> <p>The Eligible Expenditures include:</p> <ul style="list-style-type: none"> - Construction and / or expansion of medical centres, laboratories and medical support infrastructure - Purchase of medical supplies to face the pandemic (personal protection elements (PPE), installation of modular beds, monitors, ventilators, diagnostic equipment, etc.) - Expenditures that allow access to and affordability of diagnoses (e.g.: free examination for Fonasa beneficiaries, setting a maximum price in private systems) - Expenditures that allow for the enhancement of home care - Reuse and / or conversion of healthcare services / facilities in response to the pandemic - Other Expenditures related to preventive care, treatment, and public health in relation to the pandemic 	<p>Access to Health</p> <p>Strengthen the response of the health system to health emergencies</p>	<p>The definition of this category is clear.</p> <p>The target population has been clearly defined.</p> <p>The intended social objective is clearly defined.</p> <p>The Issuer has identified relevant and measurable social benefits for the eligible category. The expected benefits will be quantified in the post-issuance reporting.</p> <p>The Issuer commits to estimate the expected social benefits, ex ante.</p>
Programmes designed to prevent and / or alleviate unemployment derived from socioeconomic crises	<p>Financing programmes aimed at supporting people whose income is severely affected as a result of socioeconomic crises which lead to the declaration of a State of Catastrophe by national authorities (e.g.: pandemics, earthquakes, etc.).</p>	<p>Social Inclusion</p> <p>Increase the income of the identified vulnerable population</p>	<p>The definition of this category is clear.</p> <p>The target population has been clearly defined.</p> <p>The intended social objectives are clearly defined.</p>

(including SME financing and microfinance)	Loans or other financial support to MSMEs facing financial stress as a result of socioeconomic crises which lead to the declaration of a State of Catastrophe by national authorities (e.g.: pandemics, earthquakes, etc.).	Employment Generation Mitigate unemployment as a result of health emergencies.	The Issuer has identified relevant and measurable social benefits for the eligible category. The expected benefits will be quantified in the post-issuance reporting. The Issuer commits to estimate the expected social benefits, ex ante.
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SDG Contribution

The Green and Social Eligible Categories are likely to contribute to 14 of the United Nations' Sustainable Development Goals ("SDGs"), namely: SDG 1, SDG 2, SDG 3, SDG 4, SDG 6, SDG 7, SDG 8, SDG 9, SDG 10, SDG 11, SDG 13, SDG 14, SDG 15, and SDG 16.

ELIGIBLE CATEGORIES	SDG	SDG TARGETS
Support for the elderly or people with special needs from vulnerable sectors Support for low-income families Programmes designed to prevent and / or alleviate unemployment derived from socioeconomic crises (including SME financing and microfinance)	 1 No Poverty	1.3 Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable. 1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance. 1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.
Food Security	 2 Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.
Clean Transport	 3 Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
Access to Essential Health Services		3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.
Access to Education	 4 Quality Education	4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education. 4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations. 4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy.
Water Management	 6 Clean Water and Sanitation	6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.
Energy Efficiency	 7 Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Renewable Energy		7.3 By 2030, double the global rate of improvement in energy efficiency.
Green Buildings		
Community support through job creation Programmes designed to prevent and / or alleviate unemployment derived from socioeconomic	 8 Decent Work and Economic Growth	8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

ELIGIBLE CATEGORIES	SDG	SDG TARGETS
crises (including SME financing and microfinance)		
Clean Transport Programmes designed to prevent and / or alleviate unemployment derived from socioeconomic crises (including SME financing and microfinance)	 9 Industry, Innovation and Infrastructure	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets. 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Support for the elderly or people with special needs from vulnerable sectors Support for low-income families Support for human rights victims Access to Education	 10 Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. 10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard. 10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.
Clean Transport Access to basic housing	 11 Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums. 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons. 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
Clean Transport Energy Efficiency Renewable Energy Green Buildings	 13 Climate Action	UN SDG 13 consists of taking urgent action to combat climate change and its impacts. States can contribute to this goal by investing in renewable energy, green buildings, and reducing greenhouse gas emissions from transport operations through the transition towards electric vehicles.
Living Natural Resources, Land Use and Marine Protected Areas	 14 Life Below Water	14.5 By 2020, conserve at least 10 per cent of coastal and marine areas, consistent with national and international law and based on the best available scientific information.
Living Natural Resources, Land Use and Marine Protected Areas	 15 Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.
Support for human rights victims	 16 Peace, Justice & Strong Institutions	16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all.

BEST PRACTICES

- ⇒ The content, eligibility criteria and exclusion are clear and are in line with international standards for all Eligible Expenditures.
- ⇒ The environmental and social benefits are relevant and measurable for all projects. The expected environmental and social benefits will be estimated ex ante with clear baselines for all Eligible Categories.
- ⇒ The Issuer has committed to transparently communicate on the refinancing share of each Bond.
- ⇒ In the event of refinancing, the look-back period will be equal to or less than 24 months, in line with good market practices.

Evaluation and Selection of Eligible Expenditures



The governance and process for the evaluation and selection of Eligible Expenditures are formalized in the Framework and in internal documentation.

- The **Process for the Evaluation and Selection of Eligible Expenditures** has been clearly defined and detailed, and it is considered structured in all its stages (including the evaluation, selection, verification and monitoring of the Eligible Expenditures. The roles and responsibilities are clear and include relevant expertise. The Process will be publicly disclosed in the Framework.
- The **Eligibility Criteria (selection and exclusion)** have been clearly defined and detailed by the Issuer for all Eligible Expenditures.
- The process applied to identify and manage potentially material **Environmental and Social Risks associated with the Eligible Expenditures** is publicly disclosed in this SPO. The process is considered robust and combines monitoring, identification and corrective measures for most of Eligible Expenditures.

Process for Project Evaluation and Selection of Eligible Expenditures

The Issuer has created a Sustainable Bond Committee, composed of different ministries. This committee is led by the Ministry of Finance. The committee in charge of Eligible Green Expenditures is composed of the Ministry of the Environment, the Ministry of Public Works, the Ministry of Energy or any other relevant ministry in charge of Eligible Green Expenditures. For Eligible Social Expenditures, the committee is composed of the department of social policies of the Ministry of Finance together with the Public Debt Office. If necessary, support will be requested from the Ministries involved for the delivery of information on Eligible Social Expenditures in order to verify the eligibility of projects in the portfolio.

The Sustainable Bond Committee is responsible for evaluating, approving and supervising that the projects to be financed meet the eligibility criteria established in the Framework and for managing potential changes to the Framework.

The evaluation and selection process for Eligible Expenditures consists of the following steps:

- The Sustainable Bond Committee meets at least once a year, with interim meetings if deemed necessary.
- Depending on the nature of the Eligible Expenditures (Green or Social), the members of the Sustainable Bond Committee determine the relevance and allocation of funds to the projects that they identify and that meet the established Eligibility criteria.
- Finally, the Ministry of Finance reviews and approves the selection of Eligible Expenditures established in the Committee.

The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:

- The Sustainable Bond Committee will verify compliance annually with the eligibility criteria of the selected Eligible Expenditures and affirms that projects that do not meet the eligibility criteria will not be accounted for as allocation of Bond funds.
- The Sustainable Bond Committee will be in charge of identifying controversies associated with projects or projects that may no longer meet the eligibility criteria for Green or Social Expenditures. This identification process is supported by the Budget Office (DIPRES) of the Ministry of Finance, which prepares annual reports of Eligible Expenditures that identify compliance with the environmental or social objectives established for each project and their involvement in potential controversies. Once a controversy is identified, the Issuer commits not to count the Eligible Expenditures as an allocation of Bond funds and to manage these controversies by modifying or cancelling the project.
- The traceability of the decisions is ensured throughout the process, through minutes of the meetings that will be compiled for each meeting of the Sustainable Bond Committee.

Eligibility Selection Criteria

The process relies on explicit eligibility criteria, relevant to the environmental and social objectives defined for the Eligible Categories.

- The selection criteria are based on definitions in the Eligible Categories in the Use of Proceeds section (Please refer to Tables 1 and 2).
- All Eligible Expenditures will be located in Chile and are expenditures considered in the Budget of the Central Government of Chile.
- Eligible Expenditures may include:
 - Tax expenditures (subsidies and tax exemptions)
 - Operational expenditures
 - Investments in real assets (land, infrastructure, etc.) and public infrastructure maintenance costs
 - Intangible Assets (research and innovation, human capital and organization)
 - Capital transfers to public or private entities
- In addition, the Government of Chile applies exclusionary criteria for certain controversial activities on social and environmental issues. The list of these activities is in the Framework. We consider that the exclusionary criteria are relevant, since they cover the main issues related to environmental and social responsibility, in line with good market practices.

BEST PRACTICES

- ⇒ The eligibility and exclusionary criteria for Eligible Expenditures are clearly defined and detailed for all Eligible Categories.
- ⇒ The Issuer reports that it will monitor compliance of selected Eligible Expenditures with eligibility and exclusionary criteria specified in the Framework throughout the life of the Bond.
- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with its Eligible Expenditures throughout the life of the Bond and has provided details on the frequency, content and procedures in case a controversy is found related to the projects.

Management of Proceeds

Not Aligned	Partially Aligned	Aligned	Best Practices
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- The **process for the management and allocation of proceeds** is clearly defined and will be publicly disclosed in the Framework.
- The **allocation period** of the proceeds will be communicated before the issuance of each Bond.
- The **net proceeds of the Bonds will be placed in the “General Account of Chile”** and will be **tracked** by the Issuer in an appropriate manner and **attested to in a formal internal process**.
- The intended types of **temporary placements for the balance of the unallocated** net proceeds are publicly disclosed in the Framework. These will be kept in General Resources of the Nation in different high liquidity and low risk instruments.
- The Issuer has committed that as long as the Bond is outstanding the balance of the tracked net proceeds will be **periodically adjusted** to match allocations to Eligible Expenditures made during that period.
- The Issuer has provided information on the procedure that will be applied in case of **project divestment or postponement** of the Eligible Expenditures and it has committed to reallocate the proceeds to projects that are compliant with the Framework.

Process and Traceability of the Management of Proceeds

- The net proceeds of the contemplated issuances will be placed in the General Account of Chile. The proceeds will be managed on a nominal basis
- The Sustainable Bonds Committee and the Ministry of Finance will verify annually that the Eligible Green and Social Expenditures in the portfolio continue to meet the eligibility criteria until Bond maturity.
- The Issuer has agreed to publish prior to each Bond Issuance the estimated allocation period of most of the funds of each Bond. The allocation proceeds for Eligible Green Expenditures is expected to be longer (estimated 3-5 years depending on the project to be financed) while for Eligible Social Expenditures the allocation period is expected to be within 12 months
- Regarding the types of temporary placements, the Ministry of Finance will manage the proceeds in accordance with the article of the "Fiscal Responsibility Law"³. Unallocated funds will be held in the General Resources of the Nation⁴ in financial instruments issued by the Central Bank of Chile, retro-purchase agreements, bank term deposits, mutual funds for investment in short-term debt instruments, sovereign securities, among others.
- The Ministry of Finance will appropriately manage the balance of the tracked net proceeds by ensuring that an amount at least equal to the net proceeds of the Bond issuances will be allocated to the financing or refinancing of expenditures that meet the eligibility criteria.
- In case of project divestment or cancellation due to non-compliance with the eligibility criteria, the Issuer has committed to remove this expenditure from the Green Portfolio or Social Portfolio and to not consider it in the allocation of funds indicators. The Issuer commits to publicly communicate any changes in the Portfolios in its annual reports. The Issuer commits to reallocate the divested proceeds immediately.

BEST PRACTICES

- ⇒ The allocation period of the proceeds is less than or equal to 24 months.
- ⇒ The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the Framework in less than 24 months.

³ Law 12 No. 20.128 establishes that the investment of resources will be arranged by the Ministry of Finance, in accordance with the regulation contained in Article 3 of Decree Law No. 1.056.

⁴ The investment of the General Resources of the Nation is regulated by article 12 of Law No. 20.128 on Fiscal Responsibility, which establishes that the investment of resources will be ordered by the Minister of Finance, in accordance with the powers and regulations that regulate the investment of resources, contained in Article 3 of Decree Law No. 1.056, of 1975, and its subsequent amendments.

Monitoring and Reporting



- The Issuer has committed to **report annually until full allocation of the Bonds proceeds** and in case of any material changes. The report will be publicly disclosed on the Issuer's website until Bond maturity.
- The report will cover relevant **information related to the allocation of proceeds and to the expected environmental and social benefits** at each Eligible Expenditure level. The Issuer has also committed to communicate on material changes and potential ESG controversies associated with the Eligible Expenditures.
- The **reporting methodology and assumptions** used to report on environmental and social benefits of the Eligible Expenditures will be publicly disclosed in Bond reports.
- An **external auditor will verify the tracking and allocation of funds** to Eligible Expenditures until full allocation of proceeds and in case of material changes.
- Indicators used to report on environmental and social benefits of the Eligible Expenditures will be **verified internally** by the Issuer.

Reporting process

The processes for monitoring, data collection, consolidation, validation and reporting are clearly defined by the Issuer in the Framework.

The processes are structured and based on relevant internal expertise and involve relevant departments of the Issuer.

- The Ministry of Finance will provide an Allocation Report, an Eligibility Report and an Impact Report for all bonds issued under the Sustainable Bond Framework.
- The Ministry of Finance will request the necessary information from the Treasury and the Budget Office on the allocation of funds of the bonds.
- The Ministry of Finance will publish the Eligibility Report with information on the compliance of the projects with the eligibility criteria described in the Framework on an annual basis.
- Regarding the Impact Report, if Green Expenditures are involved, the Ministry of the Environment will collect information on the environmental indicators of the different Ministries in charge of implementing the Eligible Green Expenditures.
- As for the Impact Report associated with the Social Expenditures, the Ministry of Finance through its Social Policies area will be responsible for consolidating information on social indicators.
- The Ministry of Finance will be responsible for preparing, consolidating and publishing the reports of the Bonds.

The environmental and social benefits will be verified internally. The Ministry of the Environment will be in charge of verifying the environmental benefit indicators. Eventual external certifications of Green Bonds will be evaluated on a case by case basis. The internal social policy area of the Ministry of Finance will verify the social benefit indicators.

Indicators

The Issuer has committed to transparently communicate at the Eligible Expenditure level the following:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive.

REPORTING INDICATORS

- ⇒ Brief description of the Eligible Green and / or Social Expenditures and the disbursed amounts;
- ⇒ Percentage of allocated proceeds to each Eligible Green or Social Expenditure or programme;
- ⇒ Percentage of allocated proceeds for financing and refinancing;
- ⇒ Remaining balance of unallocated proceeds;

⇒ Percentage of co-financing by Eligible Green or Social Expenditure or programme

- Environmental Benefits: The indicators selected by the Issuer to report on the environmental benefits of the Green Eligible Expenditures are clear, relevant and exhaustive.

GREEN ELIGIBLE EXPENDITURES	ENVIRONMENTAL BENEFIT INDICATORS	
	OUTCOME & OUTPUT INDICATORS	IMPACT INDICATORS
Clean Transport	Number of km of new electric train lines created / maintained Number of km of new electric bus lines created / maintained Number of people using the new clean public transport	Annual GHG emissions reduced / avoided (tCO ₂ e) Tons of particulate matter avoided PM 2.5
Energy Efficiency	Number of homes / private buildings benefiting from energy efficiencies Number of private buildings benefiting from energy efficiencies Number of public lights benefiting from energy efficiency.	% annual energy savings kWh of annual energy savings. Annual GHG emissions reduced / avoided (tCO ₂ e)
Renewable Energy	Installed Capacity (MW) Annual generation of renewable energy (MWh) Number of people benefited by training programmes	Annual GHG emissions reduced / avoided (tCO ₂ e)
Living Natural Resources, Land Use and Marine Protected Areas	Area of land or ocean preserved / recovered (km ²) Area (km ²) of marine / forest reserves under active monitoring Number of installed climate observation stations (for gradual and extreme changes)	Protected areas and reserves: CO ₂ captured (per year)
Water Management	Number of efficient pumps installed Km of new wastewater pipes installed Number of new reservoirs / flood defences built Number of studies (research) Annual absolute (gross) amount of Wastewater treated, reused or avoided before and after the project (m ³ / a) Annual volume of clean drinking water in m ³ / a supplied for human consumption	Water consumption reduction in %

GREEN ELIGIBLE EXPENDITURES	ENVIRONMENTAL BENEFIT INDICATORS	
	OUTCOME & OUTPUT INDICATORS	IMPACT INDICATORS
Green Buildings	Number of buildings with green certification, indicating the specific level of certification obtained	% annual energy savings Annual GHG emissions reduced / avoided

- Social Benefits: The indicators selected by the Issuer to report on the social benefits of the Social Eligible Expenditures are clear and relevant.

SOCIAL ELIGIBLE EXPENDITURES	SOCIAL BENEFITS INDICATORS
Support for the elderly or people with special needs from vulnerable sectors	Number of elderly/ people benefitted
Support for low-income families	Number of low-income beneficiaries
Support for human rights victims	Number of victims of Human Rights violations who have benefitted
Community support through job creation	Number of jobs created
Access to basic housing	Number of homes (breakdown by built or improved homes)
Access to education	Number of vulnerable students who have benefitted (breakdown by level of education)
Food Security	Number of beneficiaries by level of education
Access to Essential Health Services	Number and / or value of medical supplies and equipment financed Number of new hospital beds Number of people who have benefited
Programmes designed to prevent and / or alleviate unemployment derived from socioeconomic crises (including SME financing and microfinance)	Number of people who have benefited Loans to MSMEs (by amount and number of loans)

BEST PRACTICES
<p>⇒ The Issuer will report annually and publicly on the allocation of funds until total allocation and in the event of material changes, and on the environmental and social benefits until the maturity of the Bonds.</p> <p>⇒ The reports will cover relevant information related to the allocation of funds and the expected sustainable benefits of Eligible Expenditures. The Issuer also commits to report on material development related to the projects, including ESG controversies.</p> <p>⇒ The Issuer will report on allocation of proceeds and on environmental and social benefits at Eligible Expenditure level.</p> <p>⇒ The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive.</p> <p>⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Expenditures.</p> <p>⇒ The reporting methodology and assumptions used to report on environmental benefits of the Eligible Expenditures will be disclosed</p>

publicly.

Contribution to Sustainability

Expected impacts

The potential positive impact of the Eligible Expenditures on environmental and social objectives is considered to be **advanced**.

GREEN ELIGIBLE EXPENDITURES	EXPECTED IMPACT	ANALYSIS
Clean Transport	Advanced	Projects with a long-term approach in line with international standards, with evident environmental benefits for the contribution to mitigation of climate change.
Energy Efficiency	Advanced	Projects with a long-term approach in line with international standards, with evident environmental benefits for the contribution to mitigation of climate change.
Renewable Energy	Advanced	Projects with a long-term approach in line with international standards, with evident environmental benefits for the contribution to mitigation of climate change.
Living Natural Resources, Land Use and Marine Protected Areas	Advanced	Projects with a long-term approach that seek to contribute to the conservation of terrestrial and aquatic biodiversity in specific areas of the country.
Water Management	Advanced	Nationwide programmes that seek to efficiently manage water and face potential risks related to climate change and adverse weather conditions.
Green Buildings	Advanced	Projects with a long-term approach in line with international standards regarding the reduction of carbon footprints, with evident environmental benefits for the contribution to mitigation of climate change.

SOCIAL ELIGIBLE EXPENDITURES	EXPECTED IMPACT	ANALYSIS
Support for the elderly or people with special needs from vulnerable sectors	Robust	Long-term support of the vulnerable population is identified, with programmes focused on solutions at the State level, which transcend the terms of office of the various governments.
Support for low-income families	Robust	A continuous support of the vulnerable population is identified, with programmes that seek to supplement the economic income of the most vulnerable families.
Support for human rights victims	Advanced	Programmes that seek to financially compensate for Human Rights violations are identified. This compensation is not only for the direct victims, but also for their families.
Community support through job creation	Limited	Short-term programmes are identified to solve specific unemployment problems. No programmes are identified that structurally support unemployment alleviation in the targeted areas.
Access to basic housing	Advanced	Long-term support for vulnerable families is identified, with empowerment characteristics and improvement in the quality of life of beneficiary families.
Access to education	Advanced	Long-term support of the vulnerable population is identified, in order to empower a greater share of the population through education at all levels.
Food Security	Advanced	Long-term support programmes are identified for vulnerable students. The programmes support these vulnerable students at all education levels.
Access to Essential Health Services	Robust	Programmes are identified to respond to specific health emergencies. The programmes are focused on universal health insurance. The acquisition of equipment can be considered a long-term benefit.
Programmes designed to prevent and / or alleviate unemployment derived from socioeconomic crises (including SME financing and microfinance)	Robust	Programmes are identified to respond to specific emergencies. The programmes are focused on the target population affected by these emergencies to mitigate the negative effects.

ESG Risks Identification and Management systems in place at project level

ESG risks Materiality and Management

The identification and management of the environmental and social risks associated with the Eligible Expenditures are considered **robust**.

	GREEN AND SOCIAL ELIGIBLE EXPENDITURES
Environmental risks	ROBUST
Social risks	ROBUST
Ethical risks	ROBUST
Overall	ROBUST

Environmental Risks

Chile has created the Environmental Assessment Service (SEA), a decentralized public body with its own legal personality and patrimony. The central function of the SEA is to administer and manage the environmental management instrument known as “Environmental Impact Assessment System” (SEIA). The SEIA has established common criteria to evaluate all projects and activities carried out in the country, both in the public and private sectors in which the State has interference, with the aim of ensuring the protection of the environment.

The SEIA is considered transparent and relevant, and all the processes and documents related to the SEIA are digitized and publicly available on the SEA website, including sector guides for environmental assessment, criteria, requirements, conditions, background records, certificates, procedures, requirements techniques and procedures with an environmental nature established by the ministries and other State agencies. Furthermore, all Environmental Qualification Resolutions (RCA) issued by the SEIA as of 2013 can be consulted by the general public through the SEA website.

- The Issuer has confirmed that all Eligible Expenditures included in the Green and/or Social Portfolio, which are pertinent to the provisions of the Law, have been or will be subject to the environmental evaluation process carried out by the SEIA. This process is considered reasonably structured and is carried out by representatives of the different ministries and agencies of the State with relevant experience in environmental issues:
 - The Law N 19.300 on General Bases of the Environment and the SEIA Regulations have formalized the list of projects/activities that must be submitted to the SEIA, either through the presentation of an Environmental Impact Statement (DIA) or a Study of Environmental Impact (EIA), in accordance with additional criteria established by the regulations.
 - The SEIA includes field visits to verify the information provided by the project owners in the DIA / EIA, however, there is no evidence that these visits are carried out on all projects.
 - The ministries’ representatives or state bodies involved in the environmental assessment must declare before the Law at the time of their admission to government positions in order to inform about any potential conflicts of interest.
 - The SEA collects the information and prepares an evaluation report or, if necessary, a report requesting clarifications, rectifications or additional information from the project owner/activity. In the event that adequate information is not obtained, the SEA issues a Resolution of early termination, which explains why the information presented is not sufficient to carry out the environmental evaluation, consequently leading the project to be disapproved.
 - The SEA proposes the environmental qualification of the project/activity to the Evaluation Commission or to the Executive Directorate of the SEA, who approves or rejects the project/activity and issues an RCA.
- Regarding the control of the SEIA, there is an internal audit process that checks that the evaluation processes comply with regulatory provisions. In addition, the Comptroller's Office and the Environmental Courts can intervene in the process if necessary.
- The Superintendence of Environment is responsible for monitoring and controlling projects/activities. If it detects the non-compliance of a project/activity with national regulation, the Superintendence is responsible for establishing compliance plans, warnings or even cancelling projects/activities. It is worth mentioning that the

Superintendence does not monitor and control all projects/activities; this decision is made according to the characteristics of the project/activity, capacity and available budget.

Social Risks associated with Green Eligible Expenditures

In the case of Eligible Expenditures that must be approved by the SEIA, some aspects related to the social responsibility of the projects/activities are considered, namely, health risks to the local population, the resettlement of communities and impact on local and indigenous communities. The SEIA has a citizen participation mechanism that must be activated if the project/activity represents an “environmental burden” as established in the SEIA Law and Regulations. Additionally, any person, natural or legal, can present an appeal or complaint about any project / activity to the SEA. The SEA has a digital platform for the submission of citizen observations and is responsible for following up and responding to these, and which can also be included in the RCA if deemed pertinent.

The areas for improvement include: i) the integration of social responsibility issues in the evaluation and selection of the contractors/suppliers in charge of the construction and/or operation of the projects through minimum selection criteria in terms of respect for human and labour rights, working conditions and health and safety measures at work; and ii) the monitoring and control of the performance of contractors/suppliers in these criteria throughout the life of the projects.

Social Risks associated with the subsidy programmes

In order to provide adequate information regarding people’s rights to existing subsidies in the country, the Government of Chile, through its ministries, uses the mass media, websites dedicated to each programme and social networks to advertise the social programmes that seek to benefit the most vulnerable population. The Government also works together with municipalities (local governments independent of the central government) to reach out to the vulnerable population of the different communes of the country in order to identify those that may be eligible for benefits, especially through information collection from the Social Household Registry.

In addition, Chile is governed by the Non-Discrimination Law, which establishes sanctions and penalties for any act of discrimination, including the non-granting of benefits based on arbitrary criteria. The criteria for targeting public policies are transparent, measured by objective and quantifiable criteria. The Budget Office of the Ministry of Finance is responsible for verifying that the subsidies are correctly targeted and meet the objectives of reaching the identified vulnerable population.

Each ministry has its own complaint channels available to all of the population. These complaints can be raised through the Information, Complaints and Suggestions Offices (OIRS). Each subsidy may have its own appeal rules, and if they do not exist, the supplementary framework of Law No. 19,880 is available. There is also the possibility to file complaints with the Office of the Comptroller General of the Republic, an independent body that is in charge of ensuring the correct use of public funds of the State and the legality of the operation of the state administrative bodies.

In cases of granting housing subsidies, the General Construction Planning Law considers that all housing to be inhabited must be received and approved by the Municipal Works Directorate of each commune. For this process to be approved, it is required to have the relevant certificates that ensure minimum safety standards and access to basic services, such as access to gas, electricity, security, drinking water, sewerage, among others. In addition, the building permit, which is required to be able to obtain the final reception, considers the road accessibility of homes.

Social Risks associated with employment support programmes

For employment programmes, the generation of employment will be considered for dependent workers, which ensures access to social security (health contributions, occupational accidents, pension funds, unemployment insurance, among others). The jobs created will be under the surveillance of the “Mutuales de Seguridad”, which are workplace health and safety organizations that base their work on the Safety Act Work, which sets work security parameters where potential risks are identified depending on the nature of each job. These workplace health and safety organizations are subjected to the Superintendence of Social Security, who oversees their operations.

Issues related to the protection of violations of human and labour rights are safeguarded by the Labour Code. The Labour Directorate is the institution that monitors compliance with the Labour Code, and where complaints of violations of the code can be submitted. In addition, the Labour Directorate has the power to make visits to company facilities to verify compliance with labour laws. The Issuer commits to assign Bond proceeds to companies that have not been fined by the Labour Directorate.

As for the SME loans, to avoid risks related to over-indebtedness, both the Bank and the Government of Chile carry out financial evaluations of the borrowers' solvency. If the Government or the Bank considers that the SMEs that meet the eligibility criteria to obtain the loans do not meet the established solvency criteria, the Government would not grant the guarantees to access the credit.

Ethical Risks

In terms of business ethics, some of the Green and/or Social Eligible Expenditures are subject to public procurement, which includes mandatory evaluation criteria, namely economic, technical and administrative. The administrative criteria include the presentation of administrative and statutory background, which are considered as application requirements and the breach of any of these would lead the offer to be withdrawn.

In addition, in order to be a supplier/contractor of the State, it is necessary to be registered in the Registry of Suppliers of the Directorate of Public Procurement and Contracting, and if necessary, also in the relevant registry of the ministry in charge of the project. The evaluation process of the Suppliers Registry verifies the veracity of the documents presented and intends to determine if there is any cause of inability to contract with the State. Among the causes for an offer withdrawal are: conviction for bribery crimes or anti-union practices, registering tax debts or social security or health debts for more than 12 months for their dependent workers, presentation of false documents, having been declared bankrupt or eliminated from the Registration, for the violation of workers' fundamental rights, and for crimes involving money laundering and financing of terrorism.

Furthermore, article 125 of the Administrative Statute (Law No. 18,834), establishes the sanction of dismissal for events that seriously violate administrative integrity. Additionally, officials of the State administration are obliged to report suspicious operations that they notice in the exercise of their functions, as established in Article 3 of Law No. 19,913. Through the Office of the Comptroller of the Republic, complaints can be made on issues that involve misuse of public funds or violations of the principle of probity on behalf of State officials. The audits of the Comptroller's Office work by complaints or by random reviews. The complaint procedures that are carried out in the comptroller's office are simple for any citizen as no lawyers or other intermediaries are required in order for the complaint procedures to be carried out.

ISSUER

According to the *Sovereign Sustainability Rating* © last updated by Vigeo Eiris in June 2020, Chile received a rating of 71/100 which indicates an overall advanced sustainability performance. Chile ranks 36th out of 178 countries rated in our global sovereign sustainability index, and 27th out of 37 OECD ⁵ countries rated by Vigeo Eiris ⁶.

By sustainability pillar, Chile has a robust performance in Environmental Responsibility (59/100), and an advanced performance in Social Responsibility (64/100) and Governance Responsibility (89/100).

PILLAR	COMMENTS	OPINION
Environmental Responsibility	Chile's performance in the Environmental Responsibility pillar is considered robust and almost advanced with a score of 59/100, placing the country in the second quartile of Vigeo Eiris' rated sovereign universe (81st out of 178).	Advanced
	At the time of the evaluation, Chile has ratified most relevant international environmental conventions, including the Paris Agreement, the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity, the United Nations Framework Convention to Combat Desertification and the Stockholm Convention on persistent organic pollutants.	Robust
	Chile pledged to reduce its carbon emissions by 35% to 45% by 2030, compared to 2007 levels ⁷ . The carbon intensity of GDP follows the OECD average (CO2 emissions of 0.20 kg per PPP dollar of GDP in 2014), while consumption-based emissions are lower compared to most OECD peers (CO2 emissions per capita of 4.68 metric tons in 2014). Electricity production from renewable sources (excluding hydropower) represents 11.93% of total production (2015) ⁸ , which is below the OECD average (15%). However, Chile continues to provide after-tax subsidies to fossil fuels (equivalent to around 3.31% of its GDP according to the IMF methodology ⁹).	Limited
	Some areas of improvement include the promotion of green taxes, protection of threatened species and development of sustainable agriculture.	Weak

⁵ There are 37 countries that are members of the Organization for Economic Cooperation and Development (OECD): Australia, Austria, Belgium, Canada, Chile, Colombia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. Source <https://www.oecd.org/about/members-and-partners/>. All these countries are covered by Vigeo Eiris (VE) in the Sovereign Sustainability Rating.

⁶ Note: The Issuer has not been subject to a review of its ability to mitigate sustainability risks based on the review of stakeholder opinion.

⁷ Chile's INDC <https://www4.unfccc.int/sites/submissions/INDC/Published%20Documents/Chile/1/INDC%20Chile%20english%20version.pdf>.

⁸ Source: <https://data.worldbank.org/indicator/EG.ELC.RNWX.ZS?locations=CL>

⁹ After-tax energy subsidies, which arise when consumer prices are below supply costs plus a tax to reflect environmental damage and an additional tax applied to all consumer goods to increase government revenue. Source: <https://www.imf.org/external/pubs/ft/wp/2015/wp15105.pdf>

Social Responsibility	<p>Chile's performance in the Social Responsibility pillar is considered advanced with a score of 64/100, placing the country at the bottom of the first quartile of Vigeo Eiris' rated sovereign universe (42nd out of 178).</p> <p>Chile shows a good performance in promoting workers' rights (union density rate, minimum wage), unemployment rates and benefits (percentage of unemployed who receive regular periodic social security benefits), in the promotion of primary education and in higher spending on education compared to GDP, in the reduction of malnutrition and in access to electricity.</p> <p>Nevertheless, the Gini coefficient of 0.46 (2017), the second highest within the OECD economies, suggests that the country faces high levels of inequality.</p>	Advanced
		Robust
		Limited
		Weak
Governance Responsibility	<p>Chile's performance in the Governance Responsibility pillar is considered advanced with a score of 89/100, placing the country in the top quartile in Vigeo Eiris' rated sovereign universe (15th out of 178).</p> <p>Chile has ratified all the fundamental conventions related to human rights including non-discrimination based on race and gender, children's rights, and workers' rights including forced labour, freedom of association and collective bargaining. The country retains the death penalty only for serious crimes, such as those committed during times of war¹⁰.</p> <p>Chile scores well in areas related to the promotion of the rule of law, public governance and democratic accountability.</p> <p>Chile is not considered an uncooperative tax haven by the IMF or the OECD and, according to the Tax Justice Network, the level of financial secrecy is average in a global context.</p> <p>Chile's Global Peace Index has deteriorated in 2020, from 1.634 in 2019 to 1.804 in 2020; – the deterioration was a result of the mass-protests against inequality and the high cost of living that erupted in 2019¹¹.</p>	Advanced
		Robust
		Limited
		Weak

¹⁰ Source: <https://www.amnesty.org/en/countries/americas/chile/>

¹¹ The Global Peace Index rates countries on a scale of 1 to 5, with 1 being the most peaceful and 5 being the least peaceful. Source: <http://visionofhumanity.org/indexes/global-peace-index/>

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's sustainability performance, and on the Issuance's objectives, management and reporting of the expenditures or results and environmental impacts of the projects (re)financed by this transaction.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Project Manager, Quality Reviewer and final review and validation by a Senior Supervisor) complemented by a final review and validation by the Director of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the Issuer; then the Executive Director in charge of Methods, Innovation & Quality; and finally, Vigeo Eiris' Scientific Council. All employees are signatories of Vigeo Eiris' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

ISSUANCE

Alignment with the Green and Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by Vigeo Eiris according to the ICMA's Green Bond Principles - June 2018 ("GBP") and the Social Bond Principles - June 2020 ("SBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of Proceeds

The definition of the Eligible Categories and their sustainable objectives and benefits are a core element of Sustainable Bonds standards. Vigeo Eiris evaluates the clarity of the definition of the Eligible Expenditures, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Expenditures to the United Nations Sustainable Development Goals' targets.

Evaluation and Selection Process

The evaluation and selection process is assessed by Vigeo Eiris on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Categories.

Management of Proceeds

The process and rules for the management and the allocation of proceeds are assessed by Vigeo Eiris on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Fund are assessed by Vigeo Eiris on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

Vigeo Eiris' assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and social objectives

The expected positive impact of activities on environmental and social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;

iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);

iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

ESG Risk Management

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of Vigeo Eiris' ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment

ISSUER

Level of the Issuer's sustainability performance

Vigeo Eiris has reviewed its Sustainability Sovereign Rating®, resulting from a continuous improvement process and is based on a permanent monitoring of international normative developments as well as stakeholder expectations and debates. This enhanced version includes 69 new factors to meet market needs. The 172 indicators are put into perspective with the UN Sustainable Development Goals and are organized into 56 criteria, 17 sub-domains and 3 rating domains. Of note, the new methodology leads to a decrease in the absolute scores of the majority of countries.

Vigeo Eiris' the Sustainability Sovereign Rating® methodology, measures and compares the levels of integration of international public law and soft law frameworks, including for the recent period the Sustainable Development Goals (SDGs), and the action programmes of Agenda 21, adopted by 178 countries at the Rio Earth Summit in 1992. We pay particular attention to the commitments, policies and impacts of public policies in terms of respect of fundamental human rights, access to economic, social, cultural and environmental rights, quality of governance, as well as international solidarity and cooperation. Based on the analysis of a universe composed of 178 countries, the results provide a comparative view of risks and performances, with regard to universally acknowledged sustainability objectives.

The sustainability performance of the Republic of Chile was most recently assessed by Vigeo Eiris in June 2020 based on three rating domains, all equally weighted in the model: Environment (i.e. environmental protection), Social (i.e. social protection and solidarity) and Institutions (i.e. rule of law and governance):

- Commitment indicators: reflecting the state's level of commitment to the goals and principles set by major international agreements: Conventions, recommendations and statements of the ILO; UN Charters and treaties; guiding principles of the OECD; regional instruments (assuming their full compliance with the United Nations Charter); the Universal Declaration of Human Rights and its related protocols and treaties.

- Result indicators: measuring the efficiency of the country's sustainable development actions. Vigeo Eiris gathers information from diversified sources including international organisations such as intergovernmental organisations, international trade unions and NGOs.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

VIGEO EIRIS' ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and Social Bond	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. Reasonable level of risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and Social Bond Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and Social Bond Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and Social Bond Principles, but not all of them.
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of assurance of risk management is weak to very weak.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and Social Bond Principles.

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Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has carried out 2 audit mission or consultancy activity for the Government of Chile. No established relation (financial or commercial) exists between Vigeo Eiris and the Issuer. Vigeo Eiris' conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>.

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

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