



Second-Party Opinion Interchile Green Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Interchile Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency and Climate Change Adaptation – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2021. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.



PROJECT EVALUATION / SELECTION Interchile will establish a Green Financing Working Committee, comprised of individuals from the Sustainability, Finance, and Project Management departments, to review and select projects for financing. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Interchile will use an internal tracking system to monitor an equal amount to the net bond proceeds. Interchile’s Green Financing Working Committee will be in charge of fund allocation to eligible projects. Pending allocation funds may be used for general corporate purposes, dividend payments and/or held in cash or cash equivalents. Interchile intends to fully allocate proceeds within 24 months of each respective issuance. This is in line with market practice.



REPORTING Interchile intends to report on the allocation and impact of proceeds on its website annually and until full allocation. Allocation reporting will include information such as amounts allocated towards eligible projects by category, a description of projects, and outstanding unallocated amounts. In addition, Interchile is committed to reporting on relevant impact metrics, where feasible. Sustainalytics views Interchile’s allocation and impact reporting as aligned with market practice.

Evaluation date	June 14, 2021
Issuer Location	Santiago, Chile

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For inquiries, contact the Sustainable Finance Solutions project team:

Daniel Sanchez (Toronto)
Project Manager
daniel.sanchez@sustainalytics.com
(+1) 647 264 6644

Andrew Johnson (Toronto)
Project Support

Paramjot Kaur (New York)
Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 9623

Introduction

Interchile S.A. (“Interchile”, or the “Company”) is an affiliate company of the ISA Group (the “Group”), focused on the construction, operation, and maintenance of electric power transportation, road concessions, telecommunications transportation and intelligent systems management in Chile. The Company operates approximately 1,954 km of transmission line circuits throughout Chile with a capacity to transmit up to 4,500 MVA.

Interchile has developed the Interchile Green Finance Framework (the “Framework”) under which it may issue green bonds and loans (the “Green Financial Instruments”) and use the proceeds to finance and/or refinance, in whole or in part, existing and future projects that support renewable energy integration by providing the essential infrastructure for its transmission and distribution. The Framework defines eligibility criteria in three areas:

1. Renewable Energy
2. Energy Efficiency
3. Climate Change Adaptation

Interchile engaged Sustainalytics to review the Interchile Green Finance Framework, dated June 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)¹ and the Green Loan Principles 2021 (GLP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA⁵;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.9, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Interchile’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Interchile representatives have confirmed (1) they understand it is the sole responsibility of Interchile to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>.

³ The Interchile Green Finance Framework is available on Interchile’s website at: <https://www.interchilesa.com/>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

⁵ In addition to the Loan Markets Association, the GLP are also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Interchile.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Interchile has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Interchile Green Finance Framework

Sustainalytics is of the opinion that the Interchile Green Finance Framework is credible and impactful and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Interchile's Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, and Climate Change Adaptation – are aligned with those recognized by the GBP and GLP.
 - Within the Renewable Energy category, Interchile intends to invest in electricity transmission infrastructure lines that support the integration of renewable energy and reduce the curtailment of existing renewable energy. The Company has identified the Encuentro-Lagunas and the Cardones-Polpaico transmission lines as eligible assets for refinancing under the Framework. Sustainalytics considers the refining of these transmission lines to be well-suited for inclusion in a green bond for the following reasons:
 - The development of the Encuentro-Lagunas and the Cardones-Polpaico lines was essential for connecting a fragmented electrical grid in Chile and for transmitting renewable energy from the northern regions with high renewable generation potential to large urban centres in the central region. It is estimated that in 2021 the Cardones-Polpaico line will avoid the curtailment of approximately 1,800 MW of renewable energy⁶ and power 5.7 million homes.⁷
 - Chile's renewable energy current and future expansion, particularly for wind and solar, has been constrained by insufficient transmission infrastructure. Chile has committed for all new energy investments (>95%) to be directed towards renewable energy.⁸ As of November 2020, 51% of Chile's installed electricity generation capacity consisted of renewable sources, and it is expected that the energy profile will increase to 70% by 2030.⁹ This represents a credible and climate-aligned transition.
 - New interconnections will include transmission lines that connect renewable energy sources, including solar, wind, hydro and geothermal energy. This is in line with market practice.

⁶ Valgesta and ISA, "Análisis Beneficios Proyecto Cardones-^Polpaico", (2018), at: <https://www.interchilesa.com/wp-content/uploads/2021/pdfs/LTCPResultados-Resumen-Ejecutivo.pdf>

⁷ Interchile, "ANÁLISIS DE LOS BENEFICIOS DE LA LÍNEA CARDONES – POLPAICO 500 KV AL SISTEMA ELÉCTRICO CHILENO", (2018), at: <https://www.interchilesa.com/wp-content/uploads/2021/pdfs/Beneficios-LTCP-Informe-Final-1.pdf>

⁸ Ministerio de Energía, "Planificación Energética de Largo Plazo - Capacidad y Generación Eléctrica", (2020), at: <https://energia.gob.cl/planificacion-energetica-de-largo-plazo-capacidad-y-generacion-electrica>

⁹ Ministerio de Energía, "PLANIFICACIÓN ENERGÉTICA DE LARGO PLAZO (PELP), Ministerio de Energía", (2020), at: https://energia.gob.cl/sites/default/files/documentos/20201230_actualizacion_pelp_-_iaa_2020_1.pdf

- In the Energy Efficiency Category, Interchile intends to finance infrastructure that improves the energy efficiency of transmission lines by reducing energy loss, greenhouse gas (GHG) emissions from transmission equipment, and investments in energy storage systems.
 - Sustainalytics notes Interchile’s Framework allows for allocation to “smart grid projects.” While noting the variety of definitions and applications of “smart grid” technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages Interchile to select projects that are clearly anticipated to deliver tangible efficiency improvements.
 - To reduce GHG emissions, Interchile intends to finance equipment such as leak monitoring systems for sulfur hexafluoride, which is highly potent greenhouse gas. Sustainalytics notes the importance of integrating release monitoring equipment for sulfur hexafluoride, a chemical critical to the operation of switchgears and circuit breakers.
 - Interchile intends to finance battery storage systems to support the management of peak demand. This is aligned with market practice.
- Within the Climate Change Adaptation Category, Interchile intends to upgrade and improve transmission infrastructure to mitigate adverse impacts and increase resiliency to climate change-related weather events. Interchile has confirmed to Sustainalytics that projects financed will be subject to a climate change vulnerability assessment, in addition to incorporating Chile’s National Climate Change Adaptation Plan¹⁰ for the energy sector once it is finalized.¹¹ This is in line with market practice.
- Project Evaluation and Selection:
 - Interchile’s Green Financing Working Committee (the “Committee”) will assess and select eligible projects (the “Eligible Green Projects”). The Committee will be initially comprised of representatives from the Company’s Sustainability, Project Management and Finance departments.
 - Based on the establishment of a dedicated committee and involvement from different departments, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Interchile will establish an internal tracking system to monitor and account for bond proceeds and maintain a record of all allocations made from any Green Financing Instrument. The Committee will be ultimately responsible for the allocation of proceeds.
 - The Company intends to fully allocate bond proceeds within 24 months of issuance. Pending allocation, unallocated proceeds will be used for general corporate purposes, dividend payments, and/or held in cash or cash equivalents. In addition, Interchile has defined a look-back period of five years for its refinancing activities. While Sustainalytics notes that the market expectation is to consider a maximum of three-year look-back period, it recognizes that the bond proceeds will be used to finance physical assets such as transmission lines where the average useful life may extend beyond 50 years¹² and therefore considers this to be in line with market expectations.
 - Based on Interchile’s tracking process and the disclosure around the management of unallocated proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Interchile intends to publish a green bond report to its website on an annual basis and until full allocation. The report will include details of (i) the amount of net proceeds allocated to Eligible Green Projects, (ii) project descriptions, (iii) expected impact metrics, if available, (iv) unallocated amounts, and (v) an assertion by management with respect to the amount of proceeds that have been or will be allocated to Eligible Green Projects.
 - The Company intends to include impact reporting, where feasible, and provide information such as the renewable energy sources connected to Chile’s grid (MW), and annual CO₂ emissions avoided (tCO₂e).

¹⁰ Chile’s National Climate Change Adaptation Plan is expected to provide the institutional structure through which Sectoral Plans will be developed to establish a coordinated approach for climate change adaptation. Ministerio del Medio Ambiente, “Plan Nacional de Adaptación al Cambio Climático y Planes Sectoriales”, at: <https://mma.gob.cl/cambio-climatico/plan-nacional-de-adaptacion-al-cambio-climatico-y-planes-sectoriales/>

¹¹ Grupo ISA, “Estrategia Climática del Grupo ISA para el negocio de Transporte de Energía”, (2019) at: <https://www.interchile.com/wp-content/uploads/2021/pdfs/estrategia-de-cambio-climatico.pdf>

¹² ASCE, “Infrastructure Report Card”, (2017) at: <https://www.infrastructurereportcard.org/wp-content/uploads/2017/01/Energy-Final.pdf>

- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018 and Green Loan Principles 2021

Sustainalytics has determined that the Interchile Green Finance Framework aligns with the four core components of the GBP and GLP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Interchile

Contribution of Framework to Interchile’s sustainability strategy

As an operating company under ISA Group, Interchile had adopted ISA’s 2030 Strategy. Through this strategy, ISA commits to the “mitigation and adaptation to climate change, the rational use of resources, the development of programs that generate a positive impact on the environment, [and] the comprehensive development of the communities where it operates”¹³ In alignment with ISA’s strategy, Interchile further demonstrates a commitment to sustainability by focusing on three key environmental areas:¹⁴

- Biodiversity – Interchile evaluates the potential impacts on biodiversity through the asset life cycle. The Company aims to create “Sustainable Transmission Line Corridors,” and it has entered into a partnership with the Institute of Agricultural Research (Spanish acronym “INIA”) to develop a flora and vegetation biological plan with the goal of reintroducing 190,000 individuals of 21 native species to the Atacama and Metropolitan regions. Furthermore, Interchile is working with multiple environmental institutions to develop and implement its “Conexión Jaguar Program” which in Chile focuses on the protection of pumas (*puma concolor*).¹⁵
- Climate change – As part of the ISA strategy, Interchile is committed to measuring, reducing and compensating for GHG emissions generated by its business. At the group level, ISA had committed to reduce 533 tonnes of CO₂e in 2020. This target was surpassed, and the Group managed to reduce 952 tonnes CO₂e. This is part of the Group’s long term commitment to avoid and reduce an estimated 11 million tonnes of CO₂e by 2030 from the average base years 2015-2018, to be achieved through forest restoration and conservation projects and renewable energy projects that contribute to the decarbonization of the energy mix.¹⁶ At the company level, Interchile has set a target to reduce and offset 1.2 million tCO₂e by 2030, by incorporating renewable energy and through forestry initiatives such as the Sustainable Transmission Line Corridors and the Conexión Jaguar Program.
- Ecoefficiency – The Group aims to use the latest equipment and technology to reduce its environmental footprint. ISA Group set a group-wide target to reduce by 1% its water consumption, energy usage, and solid waste generation in 2020 against the average from 2015-2017. To this end, the Group is focused on installing LED lights, incentivizing employee carpooling, and installing water-saving technologies.¹⁷

In addition to the above, Interchile has tied executive variable compensation to environmental, social and governance (“ESG”) targets, such as increasing renewable energy integration, investing in large-scale energy storage and reducing GHG emissions. The Company has a dedicated Sustainability Team that reports to the company’s Board of Directors, and the Director of Sustainability reports on the company’s sustainability programmes and targets to the Group’s Sustainability Committee.

Sustainalytics is of the opinion that the Interchile Green Finance Framework is aligned with the company’s overall sustainability strategy and initiatives and will further the Company’s action on its key environmental priorities.

Well-positioned to address common environmental and social risks associated with the projects

While the net proceeds from the bonds and/or loans issued under the Framework are recognized to be directed towards eligible projects that are anticipated to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and

¹³ ISA Group, “Integrated Management Report 2020”, at: <https://www.interchile.com/wp-content/uploads/2021/pdfs/INTEGRATED-MANAGEMENT-REPORT-ISA-2020-1.pdf>

¹⁴ Interchile, “Estrategia Ambiental”, at: <https://www.interchile.com/estrategia-ambiental/>

¹⁵ ISA, “Reporte Integrado de Gestión 2020”, at: <https://www.interchile.com/wp-content/uploads/2021/pdfs/Reporte-de-Gestion-ISA-2020-3.pdf>

¹⁶ ISA, “Reporte Integrado de Gestión 2020”, at: <https://www.interchile.com/wp-content/uploads/2021/pdfs/Reporte-de-Gestion-ISA-2020-3.pdf>

¹⁷ ISA, “Reporte Integrado de Gestión 2020”, at: <https://www.interchile.com/wp-content/uploads/2021/pdfs/Reporte-de-Gestion-ISA-2020-3.pdf>

safety, community relations/stakeholder participation, land use and biodiversity issues associated with large-scale infrastructure development, and emissions, effluents, and waste.

Sustainalytics is of the opinion that Interchile is able to manage and/or mitigate potential risks through implementation of the following:

- The Group has an Occupation Health and Safety Policy that aims to ensure a safe work environment. This policy seeks to reduce any potential risks, and the Group monitors the accident rate across its affiliates. As part of this policy, the Group performs “awareness campaigns” and applies on-site corrective measures.¹⁸
- The Group is committed to establishing dialogues with stakeholders such as affected communities, and at the Group level, there are multiple methods to identify and reach stakeholders who might be impacted by its projects or operations by doing community outreach, setting up public meetings and online tools for communication.
- Interchile is integrated into the Group’s global risk management programme. This programme follows the Group’s Environmental Policy,¹⁹ which relies on the principle of environmental protection by taking preemptive action on protecting the environment and on the responsible use of natural resources.²⁰
- The Group has in place a policy for the “Integral Management of Biodiversity by the Energy Transmission Business Unit”, which covers Interchile. This policy details the process by which the Groups and its affiliates mitigate environmental impacts, such as by “performing an analysis of environmental constraints and expansion plans, environmental diagnosis of alternatives, environmental impact studies and their respective management plans.”²¹
- In regards to emissions, Interchile has an SF₆ management programme in place and is committed to complying with the International Electrotechnical Commission standard to prevent releases greater than 0.5% of the total installed SF₆ inventory.

In addition to the above, Interchile is a signatory of the UN Global Compact and is committed to upholding human rights, labour conditions, environmental protection and anti-corruption practices. Based on these policies, standards and assessments, Sustainalytics is of the opinion that Interchile has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All three use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of energy-efficient infrastructure for renewable energy transmission in Chile

In 2019, the Chilean Government announced the closure of eight coal power plants by 2024, with the target of closing all coal power plants by 2040.²² In the same year, the Chilean Government announced its intention to become carbon neutral by 2050.²³ In 2021, Chile’s renewable energy capacity (including hydropower) reached over 47% capacity.²⁴ Despite the fact that Chile still relies on fossil fuels to meet most of its energy needs, the country’s geography including the Atacama Desert with perfect conditions for solar energy and the favorable wind conditions along its coastline, make it an excellent destination for renewable energy generation.²⁵ As part of the Chilean Energy Policy published in 2018, the country identified solar and wind power as having the greatest potential impact for reaching the country’s climate change goals.²⁶

¹⁸ ISA Group, “Integrated Management Report 2020”, at: <https://www.interchilesa.com/wp-content/uploads/2021/pdfs/INTEGRATED-MANAGEMENT-REPORT-ISA-2020-1.pdf>

¹⁹ ISA Group, “ISA Group’s Integral Management of Biodiversity by the Energy Transmission Business Unit”, (2019), at: <https://www.interchilesa.com/wp-content/uploads/2021/pdfs/Biodiversity-management.pdf>

²⁰ ISA Group, “Política Ambiental”, (2020), at: <https://www.interchilesa.com/wp-content/uploads/2021/pdfs/politica-ambiental.pdf>

²¹ ISA Group, “ISA Group’s Integral Management of Biodiversity by the Energy Transmission Business Unit”, (2019), at: <https://www.interchilesa.com/wp-content/uploads/2021/pdfs/Biodiversity-management.pdf>

²² Gobierno de Chile, “President Piñera presented plan to close all coal-fired power plants to make Chile carbon neutral”, (2019), at:

<https://www.gob.cl/noticias/presidente-pinera-presento-plan-para-cerrar-todas-las-centrales-energeticas-carbono-para-que-chile-sea-carbono-neutral/>

²³ Gobierno de Chile, “Chile’s Nationally Determined Contribution Update”, (2020), at:

https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Chile%20First/Chile%27s_NDC_2020_english.pdf

²⁴ IEA, “Chile”, (2019), at: <https://www.iea.org/countries/chile>

²⁵ Gobierno de Chile, “Energy Policies Beyond IEA”, (2018), at: <https://energia.gob.cl/sites/default/files/documentos/energy-policies-beyond-iea-countries-chile-2018-review.pdf>

²⁶ Gobierno de Chile, “Energy Policies Beyond IEA”, (2018), at: <https://energia.gob.cl/sites/default/files/documentos/energy-policies-beyond-iea-countries-chile-2018-review.pdf>

Although Chile's geography provides opportunities for renewable energy generation, the country has faced significant challenges with integrating its fragmented electricity grids.²⁷ Projects such as the Cardones-Polpaico ("CP") line completed in 2019, have integrated the Chilean electricity grid and have created opportunities for greater investment in Chile's renewable energy market.²⁸ Prior to the construction of the CP line, Chile's solar and wind power potential was often curtailed,²⁹ a process in which an operator is told not to inject energy into the grid that would otherwise be produced because there is no available capacity to transport it through the transmission system.³⁰ The CP Line drastically reduced curtailment in Chile. In October 2017, the overall curtailment of solar and wind reached 22%; two years later, in 2019, the percentage fell to 1%.³¹ As a result of Interchile's investments in the CP Line and its intention to support energy efficiency and climate change adaptation in Chile's energy transmission sector, Sustainalytics is of the opinion that projects financed under the Framework will contribute to the country's decarbonization efforts.

Alignment with/contribution to SDGs

The Sustainable Development Goals ("SDGs") were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds and loans issued under the Interchile Green Finance Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Climate Change Adaptation	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

Conclusion

Interchile has developed the Interchile Green Finance Framework under which it may issue green bonds and loans and use the proceeds to finance transmission-related infrastructure to support renewable energy integration and climate change adaptation efforts in Chile. Sustainalytics considers that the projects funded by the green bonds and loans proceeds are expected to provide a positive environmental impact.

The Interchile Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Interchile Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceed categories will contribute to the advancement of the UN Sustainable Development Goals 7 and 11. Additionally, Sustainalytics is of the opinion that Interchile has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Interchile is well-positioned to issue green bonds and loans, and that the Interchile Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2021.

²⁷ MaRS Market Insights, "Market Information Report: Chiles", (2016), at: https://www.marsdd.com/wp-content/uploads/2019/03/AEC_GG_CHILE_REPORT_FINAL_Dec2016.pdf

²⁸ Invest Chile, "President Piñera inaugurates Cardones-Polpaico power transmission line: project represented foreign investment of US\$1,000 million", (2019), at: <https://investchile.gob.cl/president-pinera-inaugurates-cardones-polpaico-power-transmission-line-project-represented-foreign-investment-of-us1000-million/>

²⁹ PV-Tech, "Curtailment of solar power in northern Chile 'no surprise to developers", (2016), at: <https://www.pv-tech.org/curtailment-of-solar-power-in-northern-chile-no-surprise-to-developers/>

³⁰ BNA Americas, "Chile Renewables Watch: Installed Capacity Surpasses 25%", (2020), at: <https://www.bnamericas.com/en/news/chile-renewables-watch-installed-capacity-surpasses-25>

³¹ Renewable Energy Institute, "Innovative Decarbonization Policies: Chile", (2020), at: <https://www.renewable-ei.org/en/activities/column/REupdate/20201224.php>

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Interchile S.A.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Interchile Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 14, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency and Climate Change Adaptation – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2021. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Interchile will establish a Green Financing Working Committee, comprised of individuals from the Sustainability, Finance, and Project Management departments, to review and select projects for financing. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Interchile will use an internal tracking system to monitor an equal amount to the net bond proceeds. Interchile's Green Financing Working Committee will be in charge of fund allocation to eligible projects. Pending allocation funds may be used for general corporate purposes, dividend payments and/or held in cash or cash equivalents. Interchile intends to fully allocate proceeds within 24 months of each respective issuance. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Interchile intends to report on the allocation and impact of proceeds on its website annually and until full allocation. Allocation reporting will include information such as amounts allocated towards eligible projects by category, a description of projects, and outstanding unallocated amounts. In addition, Interchile is committed to reporting on relevant impact metrics, where feasible. Sustainalytics views Interchile's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis

- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (please specify): Renewable energy sources connected to the line

Frequency

- Annual Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE
Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):
Date of publication:
ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognized external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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