

Inversiones La Construcción S.A.

Type of Engagement: Annual Review

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Engagement Team:

Jonathan Laski, jonathan.laski@sustainalytics.com, (+1) 647 264 6640

Daniel Sanchez, daniel.sanchez@sustainalytics.com, (+1) 647 264 6644

Introduction

In 2019, Inversiones La Construcción S.A. ("ILC" or the "Issuer") issued a social bond aimed at refinancing and capitalizing Banco Internacional's loans to small and medium-sized enterprises (SMEs). Banco Internacional is 67% owned by ILC. In November 2020, ILC engaged Sustainalytics to review the projects funded through the issued social bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in ILC's Social Bond Framework (the "Framework").¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded between 2019 and 2020 based on whether the loans provided, and companies financed:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Financing of Micro, Small and Medium Enterprises	Micro, small and medium-sized enterprises with annual sales up to CLP 2,800 million ²	<ul style="list-style-type: none">• Number of micro, small and medium-sized enterprises financed• Amount of loans to micro, small and medium-sized enterprises

Issuing Entity's Responsibility

ILC is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of ILC's Social Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from ILC employees and review of documentation to confirm the conformance with the Framework.

¹ ILC, "Social Bond Framework", (2019), at: http://s21.q4cdn.com/417792851/files/doc_downloads/bond_issuance/ILC-Social-Bond-Framework-Second-Party-Opinion.pdf.

² The SME definition is in line with what the Organization for Economic Co-operation and Development (OECD) defines as an SME in Chile. At: https://read.oecd-ilibrary.org/industry-and-services/financing-smes-and-entrepreneurs-2012/distribution-of-enterprises-in-chile-2010_9789264166769-table15-en#page1.

Sustainalytics has relied on the information and the facts presented by ILC with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by ILC.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of ILC's Social Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in ILC's Social Bond Framework. ILC has disclosed to Sustainalytics that it has disbursed 64% of bond proceeds of as of November 2020.⁴

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the social bond in 2019 and 2020 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the social bond in 2019 to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

⁴ ILC has communicated to Sustainalytics that as part of regulations it must maintain a solvency rate of 10%.

Appendix

Appendix 1: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Social Impact Reported by Eligibility Criteria	
Financing of Micro, Small and Medium Enterprises	Total number of loans to SMEs:	53,255
	Total number of SMEs financed:	2,091
	Total amount disbursed:	UF 1,280,323 (approximately USD 48,000,000)
	Average loan amount:	UF 24 (approximately USD 900)

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

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Named

2015: Best SRI or Green Bond Research or Rating Firm
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The
Green Bond
Principles