

Colegios Peruanos S.A.

Type of Engagement: Annual Review

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Engagement Team:

Hrithik Sharma, hrithik.sharma@sustainalytics.com, (+1) 647 951 3309

Han Xing, han.xing@sustainalytics.com

Introduction

In September 2019, September 2020 and July 2021, Colegios Peruanos S.A. ("Innova Schools") issued its first, second and third social bonds aimed to finance or refinance the construction of new and the expansion of existing schools. In August 2023, Innova Schools engaged Sustainalytics to review the projects financed with proceeds from the three social bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Innova Schools Social Bond Framework (the "Framework").¹ Sustainalytics provided a Second-Party Opinion on the Framework in May 2019.² This is Sustainalytics' fourth annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in August 2022.³

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the three social bonds based on whether the projects:

1. Met the use of proceeds and eligibility criteria defined in the Innova Schools Social Bond Framework;
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Innova Schools Social Bond Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Access to Essential Services - Education	<p>Capital expenditures related to the construction of new and/or expansion of existing Innova Schools targeted to Peru's emerging middle class:</p> <ul style="list-style-type: none"> The tuition fee of Innova Schools should remain affordable for the targeted population. 	<ul style="list-style-type: none"> Number of schools built Number of students enrolled per year Percentage of students by Socioeconomic Status (SES) Percentage of students in academic "Satisfactory" level Price of tuition Capital expenditure per year for new schools and expansion

¹ Innova Schools, "Innova Schools Social Bond Framework", (2019), at: <https://www.innovaschools.edu.pe/pdf/Innova%20Schools%20Social%20Bond%20Framework.pdf>

² Sustainalytics, "Innova Schools Social Bond Framework Second-Party Opinion", (2019), at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/colegios-peruanos-s-a/innova-schools-social-bond-framework-second-party-opinion/innova-schools-social-bond-second-party-opinion-05092019-pdf>

³ Sustainalytics, "Innova Schools Social Bond Annual Review 2022", (2022), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/colegios-peruanos-s-a/innova-schools-social-bond-annual-review-\(2022\)/innova-schools-social-bond-annual-review-\(2022\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/colegios-peruanos-s-a/innova-schools-social-bond-annual-review-(2022)/innova-schools-social-bond-annual-review-(2022))

Issuer’s Responsibility

Innova Schools is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Innova Schools’ social bonds. The work undertaken as part of this engagement included collection of documentation from Innova Schools and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Innova Schools. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Innova Schools.

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 of the review.

Conclusion

Based on the limited assurance procedures conducted,⁴ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Innova Schools Social Bond Framework. Innova Schools has disclosed to Sustainalytics that the proceeds of the first, second and third social bonds were fully allocated as of 10 September 2019, 17 September 2020 and 23 July 2021, respectively.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the social bonds to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the social bonds to determine if impact of projects was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁴ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Allocated Amounts per Bond (by expenditure)

Expenditure ^{5,6}	PEN million	USD million, equivalent ⁷
First Bond Issuance		
<ul style="list-style-type: none"> Construction of 9 new schools and expansion of 11 existing schools for the 2020 school year. 	106	32
<ul style="list-style-type: none"> Construction of 5 new schools and expansion of 22 existing schools for the 2019 school year (financed by a bridge loan in 2018). 	74	22
<ul style="list-style-type: none"> Bank loan pre-payment, granted in 2016, which served to finance the construction of 8 new schools and expansion of 33 existing schools for the 2017 school year. 	50	15
Second Bond Issuance		
<ul style="list-style-type: none"> Pre-payment of bond⁸ issued in 2014, which served to finance the construction of 6 new schools and expansion of 7 existing schools for the 2015 school year. 	62	17
Third Bond Issuance		
<ul style="list-style-type: none"> Pre-payment of bond⁹ issued in 2017, which served to finance the construction of 6 new schools and the expansion of 19 existing schools for the 2017 school year. 	61	16
Total allocation	353	102

⁵ Sustainalytics notes that Innova Schools refinanced expenditures and transactions from 2014 onwards and considers it to be aligned with the Framework criteria. The Framework did not define a look-back period for refinancing activities.

⁶ Innova Schools has communicated to Sustainalytics that all schools financed through the social bonds aim to provide education for the Peruvian emerging middle-class and that the tuition fees for these schools remain affordable for the targeted populations.

⁷ According to the exchange rate on the date of issuance.

⁸ Innova Schools has communicated to Sustainalytics that the existing bonds refinanced by the social bonds were not Green, Social and Sustainability (GSS) bonds.

⁹ Ibid.

Appendix 2: Cumulative Reported Impact as of August 2023¹⁰

Use of Proceeds Category	Impact Reported ¹¹		
Access to Essential Services - Education	Total number of schools built (2015-2023)		63
	Total number of schools expanded (2015-2023) ¹²		63
	Number of students enrolled	Mar 2022	50,830
		Dec 2022	49,742
		Mar 2023 ¹³	57,224
	Percentage of students in academic "Satisfactory" level in 2019 ¹⁴	Reading ¹⁵	63%
		Mathematics ¹⁶	67%
	Price of tuition	2020 Pre Covid-19 ¹⁷	PEN 590
		2020 Post Covid-19 ¹⁸	PEN 493
		2021 ¹⁹	PEN 489
		2022 ²⁰	PEN 583
		2023 ²¹	PEN 619 ²²
	Capital expenditure per year for new schools and for the expansion of existing schools	New schools (2020) ²³	PEN 106,000,000
Expansion of 17 existing schools (2023) ²⁴		PEN 45,000,000	

¹⁰ The impact reporting includes information for all three social bonds (first bond September 2019, second bond September 2020, and third bond July 2021).

¹¹ Innova Schools has communicated to Sustainalytics that due to COVID -19, it has not collected the household income data of the students to determine their socio-economic status in 2020 and 2022. Therefore, the percentage of students by socio-economic status (SES) has not been reported.

¹² The total count includes facilities that have been expanded more than once (some with more than one expansion until 2021).

¹³ In March 2023, classes started with 63 schools and 57,224 students, representing a 13% increase in enrollment compared to March 2022 and a 15% increase compared to December 2022, with student attendance at 100% post pandemic.

¹⁴ In 2022, the Peruvian Ministry of Education (MINEDU) did not issue a Ministerial Resolution for the execution of the Students National Evaluation Census (ECE 2022). The next census is anticipated to begin at the end of 2023. Therefore, the last available date comes from 2019.

¹⁵ Based on Innova Schools Social Bond Review 2020, the evaluation corresponds only to the 4th grade. The satisfactory level in Peru for the area of Reading was 35% in 2019, which was significantly lower than it was in Innova Schools in that year.

¹⁶ Based on Innova Schools Social Bond Review 2020, the evaluation corresponds only to the 4th grade. The satisfactory level in Peru for the area of Mathematics was 34% in 2019, which was significantly lower than it was in Innova Schools in that year.

¹⁷ Prior to the COVID-19 pandemic, the price of tuition had been increasing at a compound annual growth rate of 6% every year until the beginning of 2020. Consequently, tuition fees increased from PEN 565 in 2019 to PEN 590 at the beginning of 2020.

¹⁸ Because of the COVID-19 pandemic in 2020, the Peruvian government suspended face-to-face school classes. For this reason, Innova Schools decided to reduce the price of tuition by 20% for the initial level grades (beginners, pre-kindergarten and kindergarten) and 15% for the rest of the grades, a reduction that would apply throughout 2020 and 2021 as long as non-face-to-face classes are maintained. The average discount given is approximately 16.5% of the initially agreed rate. After Innova Schools implemented discounts, tuition fees for 2020 post-COVID-19 were decreased from PEN 590 in early 2020 to PEN 493.

¹⁹ In 2021, there was a marginal decrease in tuition fees compared to 2020 post-COVID-19 fees since face-to-face school classes remained suspended and tuition fee reductions were implemented throughout the year.

²⁰ In 2022, regular face-to-face classes resumed, and discounts were eliminated. Consequently, tuition fees in 2022 are 19% higher than in 2021. Nonetheless, 14 schools reduced their prices, decreasing the average fees from PEN 590 in 2020 to PEN 583 in 2022.

²¹ In 2023, Innova Schools increased its average tuition fees from PEN 583 in 2022 to PEN 619 in 2023 due to national inflation rate.

²² PEN 619 was equivalent to USD 151 according to the exchange rate (PEN 4.09/USD) on 31 March 2023.

²³ Due to the nationwide economic effects of COVID-19, Innova Schools chose to suspend its expansion plan in 2020, and no new schools were constructed in 2021, 2022 or 2023. Therefore, the last available data is for 2020, when nine new schools were built at a total cost of PEN 106 million (USD 32 million). These schools have an initial capacity of 3,950 students.

²⁴ With an investment of PEN 45 million (USD 11 million), 17 existing schools were expanded in 2023, adding a total of 99 classrooms to accommodate an additional 3,000 students.

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