

Second-Party Opinion

Coopeuch Social Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the Coopeuch Social Financing Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2021 and the Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories – Financial Inclusion and Affordable Housing are aligned with those recognized by the Social Bond Principles and Social Loan Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically, SDG 1, 8, 9, 10 and 11.



PROJECT EVALUATION AND SELECTION Coopeuch’s ESG committee will oversee the allocation and selection of eligible projects based on the Framework’s criteria. The committee is governed by the General Manager and comprises representatives from Coopeuch’s communications and sustainability, strategic planning, products and marketing and financial divisions. Coopeuch has in place an internal social and environmental risk management system to assess and manage risks associated with eligible projects. Sustainalytics considers the risk management system in place to be adequate and the project evaluation and selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Coopeuch’s financial division will be responsible for the management and allocation of proceeds and will track the proceeds using an internal tracking system. Coopeuch intends to achieve a full allocation of net proceeds within 24 months of issuance and will use a portfolio approach for the management of proceeds. Coopeuch will temporarily hold unallocated proceeds in cash, cash equivalents, or other forms of available liquid securities and investments. In the case of divestment or if a project no longer meets the eligibility criteria, the funds will be reallocated to other eligible projects within 12 months. Sustainalytics considers this to be in line with market practice.



REPORTING Coopeuch intends to report on allocation of proceeds and corresponding impact on its investor relations website on an annual basis until full allocation. Allocation reporting will include category-wide details on the allocation of proceeds, the unallocated amount and the proportion of proceeds used for financing and refinancing. In addition, Coopeuch intends to report on relevant impact metrics. Sustainalytics views Coopeuch’s allocation and impact reporting as aligned with market practice.



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Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	10

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Introduction

Cooperativa de Ahorro y Crédito Coopeuch (“Coopeuch” or the “Cooperative”) is a savings and credit cooperative headquartered in Santiago, Chile. Incorporated in 1967, Coopeuch offers financial products and services such as savings and sight accounts, time deposits, consumer loans, credit cards and mortgages. As of December 2022, Coopeuch operates through a network of 79 branches, and employs more than 1,900 staff.¹

Coopeuch has developed the Coopeuch Social Financing Framework dated June 2023 (the “Framework”) under which it intends to issue public and private bond placements and term loans^{2,3}, and use the proceeds to finance and refinance, in whole or in part existing and/or future projects that are expected to deliver positive social impacts in Chile. The Framework defines eligibility criteria in two areas:

1. Financial Inclusion
2. Affordable Housing

Coopeuch engaged Sustainalytics to review the Coopeuch Social Financing Framework, and provide a second-party opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2021 (SBP)⁴ and Social Loan Principles 2023 (SLP).⁵ The Framework has been published in a separate document.⁶

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁷ 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 Social Bond Principles 2021, as administered by ICMA, and the Social Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- 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 1.4 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 Coopeuch’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. Coopeuch’s representatives have confirmed (1) they understand it is the sole responsibility of Coopeuch to ensure that the information provided is complete, accurate and 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.

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

¹ Coopeuch, “Cooperative Social Balance Report 2022”, at: https://static.coopeuch.cl/media/UploadGeneral/file/BSC_COOP_110523.pdf.

² Sustainalytics has reviewed only the types of social loans that are specified under the Framework.

³ Coopeuch confirmed to Sustainalytics that it will not issue lines of credit under the Framework.

⁴ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>.

⁵ The Social 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/social-loan-principles-slp/>.

⁶ The Coopeuch Social Financing Framework will be published on Coopeuch’s investor relations website at: https://www.coopeuch.cl/investor_en/.

⁷ 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.

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. Upon twenty-four (24) months following the evaluation date set stated herein, Coopeuch is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised 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 Coopeuch has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Coopeuch Social Financing Framework

Sustainalytics is of the opinion that the Coopeuch Social Financing Framework is credible and impactful, and aligns with the four core components of the SBP and SLP. Sustainalytics highlights the following elements of Coopeuch's Social Finance Framework:

- Use of Proceeds:
 - The eligible categories, Financial Inclusion and Affordable Housing, are aligned with those recognized by the SBP and SLP. Coopeuch has confirmed to Sustainalytics that it will direct the proceeds towards projects located in Chile.
 - Coopeuch has established a two-year look-back period for its refinancing activities, which Sustainalytics views to be in line with market practice.
 - Within the Financial Inclusion category, Coopeuch aims to provide access to responsible financial products and services for vulnerable or historically underserved populations. This includes members who are categorized as low and moderate income⁸, unbanked or underbanked individuals⁹, as well as low- and moderate-income members residing in rural and intermediate regions.¹⁰
 - Coopeuch commits to offering loans at interest rates that are lower than the average market rates of other banks as well as Cajas de Compensación in Chile.¹¹ Additionally, Coopeuch intends to provide lenient financing terms and requirements to its members such as loan extensions of up to 84 months with the option of refinancing after one year following the affordability process.
 - Coopeuch has implemented internal policies and procedures to promote financial inclusion and economic growth through consumer loans. This includes processes to assess various factors such as employment details, payment and delinquency behavior, as well as current debt levels.

⁸ Coopeuch identifies "low and moderate income" members as individuals with a wage below the average net monthly labour income of the employed population in Chile at 681,039 CLP, or 857.43 USD, as measured by the Statistics National Institute ("INE") in its annual National Supplementary Survey, at: [https://www.ine.gob.cl/sala-de-prensa/prensa/general/noticia/2022/07/21/el-ingreso-laboral-promedio-mensual-en-chile-fue-de-\\$681.039-en-2021](https://www.ine.gob.cl/sala-de-prensa/prensa/general/noticia/2022/07/21/el-ingreso-laboral-promedio-mensual-en-chile-fue-de-$681.039-en-2021).

⁹ Coopeuch identifies members who are "unbanked or underbanked" as those who lack access to regulated financing at traditional institutions or have faced previous financial hardships leading to limited access to credit or financing options.

¹⁰ Coopeuch identifies rural and intermediate regions according to the National Rural Development Policy (The Ministry of Interior and Public Security, Government of Chile) which classifies a region as rural if over 50% of its population resides in rural communities, while an intermediate region has a population living in rural communities between 25% and 50%. A community is deemed rural based on its population density, adhering to the OECD regional typology.

¹¹ Cajas de Compensación: Or "Compensation funds" are private law corporations whose purpose is the administration of social security benefits in Chile. These institutions provide credit to their members and, as Coopeuch, are entitled to make deductions from their member's payroll. They are regulated by the Social Security Superintendency (SUSESO).

- To mitigate potential risk associated with predatory lending, Coopeuch adheres to Chilean laws that regulate and monitor loan interest rates, and offers its members flexible loan repayment options. See Section 2.2 of this report for further details.
- For direct payroll deductions, Coopeuch communicated to Sustainalytics that it establishes agreements with public and private companies to facilitate repayment and limits such deductions to a maximum of 25% of the member's net income in line with the requirements of Chilean regulation DFL5.¹²
- Regarding the provision of consumer loans to individuals whose monthly income is below the national average in Chile, Sustainalytics notes that identifying target populations based on average net wages can be skewed due to the inclusion of only employed individuals, as opposed to the median income, which Sustainalytics considers to be a credible metric. However, Sustainalytics acknowledges that the average household net-adjusted disposable income per capita in Chile is significantly less than the average reported by the Organisation for Economic Co-operation and Development (OECD).¹³ Furthermore, the average net monthly income of 681,039 CLP in Chile represents only 94% of the Anker Gross Living Wage Reference Value for Chile in 2022 at 727,536 CLP.¹⁴
- Sustainalytics acknowledges the potential of providing financial inclusion through consumer loans to historically underserved, vulnerable members and regions to generate positive social impacts within the target populations in Chile.
- Under the Affordable Housing category, Coopeuch intends to finance or refinance loans for the purchase of new or existing homes or apartments for the defined target populations in accordance with the Chilean government's housing subsidy programme.
 - The Cooperative commits to granting mortgage loans with terms between 5 to 30 years and up-to 90% loan-to-value (LTV) financing with competitive rates.¹⁵
 - The target populations identified by Coopeuch under this category are low-and-moderate-income member households defined as per the qualification criteria established by the Ministry of Housing and Urbanism ("MINVU")¹⁶ where low and moderate income households are those that are registered in the Social Registry of Homes ("RSH")¹⁷ and do not exceed 90% in the socioeconomic qualification bracket.¹⁸ The socioeconomic qualification separates households into seven brackets (0-40%, 41-50%, 51-60%, 61-70%, 71-80%, 81-90%, 91-100%) based on family formation, educational attainment, housing conditions, total income, physical and mental health, and access to social security, with the lowest bracket representing the most socio-economically vulnerable populations.¹⁹
 - While acknowledging that the conventional practice for affordable housing is to target low-to-moderate income populations, Sustainalytics notes that the methodology adopted by the Social Registry of Homes looks at multiple socioeconomic metrics for defining the target populations and recognizes Coopeuch's holistic approach for targeting the vulnerable populations in a developing economy such as Chile.
- Project Evaluation and Selection:
 - Coopeuch's ESG committee ("the Committee") will oversee the allocation and selection of eligible projects in line with the eligibility criteria in the Framework. The committee is governed by the General Manager and consists of representatives from the Coopeuch's communications and sustainability, strategic planning, products and marketing and financial divisions.

¹² Biblioteca del Congreso Nacional de Chile/BCN, "DFL5: Fixed Consolidated, Agreed And Systematized Text Of The General Law Of Cooperatives", at: <https://www.bcn.cl/leychile/navegar?idNorma=221322>

¹³ OECD Better Life Index, at: <https://www.oecdbetterlifeindex.org/countries/chile/>.

¹⁴ Anker Reference Value Update Non-metropolitan Urban Chile 2022 Living Wage, at: <https://www.globallivingwage.org/wp-content/uploads/2022/10/Chile-Urban-Living-Wage-Update-20220922-FINAL.pdf>.

¹⁵ Coopeuch offers 80% LTV for regular mortgages and up to 90% LTV for mortgages with government subsidies granted by MINVU.

¹⁶ Ministerio de Vivienda y Urbanismo, Gobierno de Chile, "About MINVU", at: <https://www.minvu.gob.cl/sobre-minvu/>.

¹⁷ Ministerio de Desarrollo Social y Familia, Gobierno de Chile, "Registro Social de Hogares (Social Registry of Homes)", at: <https://registrosocial.gob.cl/>

¹⁸ More information about the process is available on the website of the Registro Social de Hogares (Social Registry of Homes) at: <https://registrosocial.gob.cl/que-es#top>.

¹⁹ Ibid.

- Coopeuch has implemented a social and environmental management system to identify potential social and environmental risks in the portfolio. The system consists of identifying, evaluating and managing social and environmental risks through various internal processes and policies. Coopeuch has established a comprehensive credit risk management framework, overseen by the administration council, to assess and manage credit risks. Further, Coopeuch has a risk committee which provides advisory support and reviews its credit risk policies. For additional details, refer to Section 2.
- Based on the cross-functional oversight for project evaluation and selection, and the presence of social and environmental risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Coopeuch's financial division will be responsible for the management and allocation of proceeds using an internal tracking system through a portfolio approach.
 - Coopeuch intends to allocate all proceeds to eligible projects within 24 months following issuance. Pending allocation, proceeds will be temporarily held in cash, cash equivalents, or other forms of available liquid securities and investments. In the case of divestment or if a project no longer meets the eligibility criteria, the funds will be reallocated to other eligible projects within 12 months.
 - The Cooperative has confirmed to Sustainalytics that if multi-tranche loans are originated, only those tranches that finance the eligible projects under the Framework will be labelled as "social".
 - Based on the use of an internal tracking system and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Coopeuch intends to report on the allocation of proceeds and corresponding social impact on its investor relations website on an annual basis.²⁰
 - Allocation reporting will include the net proceeds raised from each social bond or loan; sample lists of projects financed by the net proceeds including a description of the project and corresponding allocated amount; total amounts of funds allocated to each of the eligible categories; allocated amount vs. the total amount (as a percentage), and the proportion of proceeds used for financing and refinancing.
 - Impact reporting will include metrics such as number of consumer loans and mortgages granted to recipients among the target populations.
 - Based on the intention to report on the allocation and impact of the financed projects, Sustainalytics considers this process to be in line with market practice.

Alignment with Social Bond Principles 2021 and Social Loan Principles 2023

Sustainalytics has determined that the Coopeuch Social Financing Framework aligns to the four core components of the SBP and SLP. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

Section 2: Sustainability Strategy of Coopeuch

Contribution to Cooperativa de Ahorro y Crédito Coopeuch 's sustainability strategy

Coopeuch has a sustainability strategy that focuses on three pillars: i) Promoting values and principles that are based on the needs of people and their community; ii) Proactive management of environmental impact and being an agent of change for different stakeholders; iii) Promoting a transparent, efficient, and sustainable operation under the highest standards and best practices. The Cooperative's business model places a strong emphasis on financial inclusion for people who have difficulty accessing credit, investment, or payment methods in the Chilean financial system.²¹

Coopeuch aims to promote financial inclusion, especially for those in the middle-low and low-income segments, as well as those residing in rural areas where the services of local banks are limited.^{22,23} In 2022, Coopeuch granted a total of 1,088 loans to its members, out of which around 40% were housing subsidies.²⁴

²⁰ Coopeuch's allocation and impact reporting will be published annually on its investor relations website at: https://www.coopeuch.cl/investor_en

²¹ The information is taken from Coopeuch's Social Financing Framework.

²² As per the guidelines of The National Rural Development Policy (The Ministry of Interior and Public Security, Government of Chile), a region is considered rural if more than 50% of its population lives in rural communities.

²³ Coopeuch, "Cooperative Social Balance Report 2022", at: https://static.coopeuch.cl/media/UploadGeneral/file/BSC_COOP_110523.pdf.

²⁴ Coopeuch shared this information directly with Sustainalytics.

As reported in the Cooperative's 2022 social audit, 73% of Coopeuch's members are based in regions located outside of the metropolitan area, with 47% located in regions with poverty rates of 10% or more.²⁵ In 2022, 67% of the loans advanced by Coopeuch were granted to women and 75.44% of them were granted in regions outside the metropolitan region.²⁶ Additionally, 29% of consumer loans transactions granted by Coopeuch in 2022 correspond to small and/or medium size credits.²⁷ As of 31 December 2022, Coopeuch also had approximately 40% of consumer loans granted to individuals with low income or lack of access to the banking system due to delinquency.²⁸

As a part of its environmental commitment, Coopeuch aims to be carbon neutral by 2025.²⁹ Coopeuch has been measuring its organizational carbon footprint since 2018 and has reduced its carbon footprint from 2.952 tCO₂e in 2018 to 1.115 tCO₂e in 2021. During 2022, the Cooperative also reduced its water consumption by 20% through the installation of timed faucet mixers in its offices. Further, Coopeuch reduced its paper consumption by 40% (14,000 reams of paper) between 2019 and 2022.³⁰

Coopeuch is a member of the International Cooperative Alliance (ICA) since 1996.³¹ Every year since 1998, Coopeuch has published its Social Balance Report where it reports on economic, social and environmental sustainability issues developed under the guidance and methodology recommended by the ICA and the Cooperativas de las Américas.^{32,33}

Sustainalytics is of the opinion that the Coopeuch Social Financing Framework is aligned with the company's overall sustainability strategy and initiatives and will further the Company's action on its key social priorities.

Approach to managing social and environmental risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the Framework will be directed towards eligible projects that are expected to have positive social impact, Sustainalytics is aware that such eligible projects could also lead to negative social and environmental outcomes. Some key social and environmental risks associated with the eligible projects may include issues involving predatory lending (rate of interest, repayment terms); bribery and corruption; business ethics; and occupational health and safety.

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

- Regarding predatory lending, Coopeuch adheres to the Chilean national regulation Law 18010 which regulates credit operations of financial institutions by limiting the maximum rate of interest that is applicable to loans.³⁴ The regulation also mandates the Financial Market Commission, Chile's Financial Regulator and Supervisor to calculate and report on the monthly average interest rates of loans offered by financial institutions to prevent predatory lending by monitoring abusive rates.³⁵ Coopeuch also complies with the Chilean Law of Cooperatives DFL5 which applies to all types of cooperatives and Law 20555 which protects consumer rights when accessing financial products and services.^{36,37} Lastly, Coopeuch communicated to Sustainalytics that it has a flexible loan repayment period for consumer loans, including up to 90 days for first payment, and the possibility of a loan extension up to 84 months with re-financing after 1 year.
- Regarding bribery and corruption, Coopeuch has established a Committee for the Prevention of Money Laundering and Financing of Terrorism and Bribery which is responsible for oversight on bribery and corruption matters. The Cooperative has a Compliance Officer who ensures compliance with government policies and procedures pertaining to the prevention of money laundering.

²⁵ Coopeuch, "Cooperative Social Balance Report 2022", at: https://static.coopeuch.cl/media/UploadGeneral/file/BSC_COOP_110523.pdf.

²⁶ Ibid.

²⁷ Small and medium size credits refers to loans up to CLF50 which is equivalent to USD 2,058.55 as at December, 2022.

²⁸ Coopeuch shared this information directly with Sustainalytics.

²⁹ Coopeuch, "Cooperative Social Balance Report 2022", at: https://static.coopeuch.cl/media/UploadGeneral/file/BSC_COOP_110523.pdf.

³⁰ Ibid.

³¹ The International Cooperative Alliance serves as a forum for knowledge, expertise, and coordinated action for and about cooperatives. It is the apex body which represents all cooperative organizations worldwide. More details at: <https://www.ica.coop/en/about-us/international-cooperative-alliance>

³² Cooperativas de las Américas is the regional arm of the International Cooperative Alliance for the Americas.

³³ Coopeuch, "Cooperative Social Balance Report 2022", at: https://static.coopeuch.cl/media/UploadGeneral/file/BSC_COOP_110523.pdf.

³⁴ Biblioteca del Congreso Nacional de Chile/BCN, "Law 18010: Rules For Credit Transactions And Other Money Obligations Indicated", at: <https://www.bcn.cl/leychile/navegar?idNorma=29438>.

³⁵ Ibid.

³⁶ Biblioteca del Congreso Nacional de Chile/BCN, "DFL5: Fixed Consolidated, Agreed And Systematized Text Of The General Law Of Cooperatives", at: <https://www.bcn.cl/leychile/navegar?idNorma=221322>.

³⁷ Biblioteca del Congreso Nacional de Chile/BCN, "Law 20555: Amends Law No. 19,496, On The Protection Of Consumer Rights, To Provide Powers In Financial Matters, Among Others, To The National Consumer Service", at: <https://www.bcn.cl/leychile/navegar?idNorma=1032865&idParte=9210247&idVersion=>.

Coopeuch has also developed a Money Laundering Prevention Manual that contains a regulatory framework to prevent and mitigate money laundering risks. Furthermore, Coopeuch has established an online platform for monitoring, detecting, and reporting suspicious operations. Coopeuch also conducts training programs for its employees related to policies and procedures for the prevention of money laundering.³⁸

- Regarding business ethics, Coopeuch's has developed its codes of conduct which provide direction and guidelines to regulate the ethical and professional behavior of its general employees, employees engaged in financial markets and suppliers.³⁹ The Cooperative also conducts periodic internal audits to assess and verify compliance with its codes of conduct.⁴⁰
- Regarding occupational health and safety, Chile has a National Policy on Safety and Health at Work that details responsibilities and commitments of employers and employees at the work place, including guiding principles, objectives, and areas of action.⁴¹ Further, Chile has a National Commission for Safety at Work that evaluates safety and hygiene conditions at work, recommends improvements in the regulations, monitors compliance with legal requirements and proposes the applicable sanctions, wherever required.⁴² In accordance with Chile's labour laws, Coopeuch has also prepared an Internal Regulation of Order, Hygiene, and Safety which provides guidance on internal working conditions, standards of hygiene and safety.⁴³

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Coopeuch has implemented adequate measures and is well positioned to manage and mitigate social and environmental risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

The use of proceeds categories are aligned with those recognized by the SBP and SLP. Sustainalytics has focused on both below where the impact is specifically relevant in the local context.

Impact of financing affordable housing in Chile

A variety of socio-economic factors in the Chilean market have contributed to a continued rise in prices, a housing shortage, as well as increasing socio-economic disparity, segregation and exclusion. According to a survey published in 2022, the housing deficit in Chile reached 641,421 units.⁴⁴ Low-income families accounted for 72% of the total housing deficit, followed by middle-income families at 25% and high-income families at 3%.⁴⁵ The sustained increase in housing prices means that housing costs continue to make up a large share of a family's total budget. Particularly for low- to middle-income families, housing costs earmark an average of 40% of their income, as per OECD.⁴⁶ Moreover, increasing land prices tend to force people living on low incomes away from established metropolitan areas towards locations that lack urban infrastructure, services and amenities.

In an effort to expand affordable housing, the Chilean government established the Housing Choice Solidarity Fund Programme known as Subsidio D.S. No. 49 in 2011.⁴⁷ This initiative includes grants to promote homeownership and subsidies directed at households in the lowest income quintile, covering nearly the entire cost of the dwelling.⁴⁸ Additionally, the government developed the Integrated Housing Subsidy System known

³⁸ Coopeuch, "Cooperative Social Balance Report 2022", at: https://static.coopeuch.cl/media/UploadGeneral/file/BSC_COOP_110523.pdf.

³⁹ Coopeuch shared its codes of conduct with Sustainalytics confidentially.

⁴⁰ Coopeuch, "Cooperative Social Balance Report 2022", at: https://static.coopeuch.cl/media/UploadGeneral/file/BSC_COOP_110523.pdf.

⁴¹ ILO, "Chile—Occupational safety and health: Decree No. 47 of 4 August 2016 approving the National Policy on Safety and Health at Work", at: https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=112458&p_country=CHL&p_classification=14.

⁴² ILO, "Chile – Occupational safety and health: Decree no. 28 that creates the National Commission for Safety at Work.", at: https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=85394&p_country=CHL&p_classification=14.

⁴³ Coopeuch shared its Internal Regulation of Order, Hygiene, and Safety with Sustainalytics confidentially.

⁴⁴ Africa Equity, "Chile's Housing Crisis Has a Hidden Face: Domestic Violence", (2022) at: <https://africaequity.net/chiles-housing-crisis-has-a-hidden-face-domestic-violence/>.

⁴⁵ Chilean Chamber of Commerce, "Deficit housing: A challenge earring", at: <https://cchc.cl/2019/deficit-habitacional>.

⁴⁶ Havana Times, "Housing in Chile: From a Dream to a Constitutional Right", (2022) at: <https://havanatimes.org/features/housing-in-chile-from-a-dream-to-a-constitutional-right/>.

⁴⁷ Ministerio de Vivienda y Urbanismo, Gobierno de Chile, "DS. No. 49. (V. and U.), 2011", at: https://www.minvu.gob.cl/elementos-tecnicos/decretos/ds-n-49-v-y-u-de-2011-act_21-06-2017/.

⁴⁸ OECD, "Housing policy in Chile", at: <https://www.oecd-ilibrary.org/docserver/5jm2hzbnnq33-en.pdf?expires=1638169480&id=id&accname=quest&checksum=B54BBE85748BE673AFA2368292D37B67> <https://www.oecd-ilibrary.org/docserver/5jm2hzbnnq33-en.pdf?expires=1638169480&id=id&accname=quest&checksum=B54BBE85748BE673AFA2368292D37B67>.

as DS. No. 1, which is targeted toward low- to middle-income households.⁴⁹ The funds from the subsidy programmes are distributed depending on an applicant's vulnerability score.⁵⁰

Considering the above, Sustainalytics believes that Coopeuch's investments in affordable housing projects, facilitated through their mortgage loan program for member households, will have a positive social impact. These investments are expected to improve housing accessibility in Chile, enhance living conditions, and contribute to housing security for the Chilean population.

Importance of financial inclusion for underserved populations in Chile

With respect to bank account ownership, Chile lags behind the OECD average.^{51,52} According to the World Bank's Global Findex, Chile's bank account ownership in 2017 was 74.3%, which was higher than the Brazil (70%), Argentina (48.7%), and Latin American and Caribbean average (55.1%), but lower than the average among OECD countries (94.7%).⁵³ As reported by the World Bank, financial inclusion in Chile has not entirely reached its underserved populations. In order to meet the needs of Chile's underserved consumers, including low-income individuals, financial products should be made more accessible with easier account opening processes and more flexible withdrawal options.⁵⁴

As of 2021, the underbanked population in Chile accounted for 26%⁵⁵, with women facing greater challenges with loan approval rates 18.3% lower than men.⁵⁶ Additionally, low-income individuals who comprised 10.8% of Chile's population in 2020, have limited access to financial services due to poor credit scores and delinquency.^{57,58} Lack of access to financing further impairs one's ability to secure other vital services, such as non-subsidized affordable housing, education and healthcare.⁵⁹ According to a report by the OECD, there is a significant disparity in university enrollment in Chile based on financial status. As of 2016, university participation stood at 62.7% for individuals in the highest quintile, with only 27.4% in the lowest quintile.⁶⁰ Chile has also enacted the Fintech Law in 2023 to encourage the development of new products and services and to reach segments of the population which are currently under-served, among other objectives.⁶¹

Given this context, Sustainalytics recognizes the alignment between Coopeuch's emphasis on extending financial access to the target populations under the Framework and the Chilean government's endeavors to enhance access to essential services for marginalized and underserved groups. Sustainalytics also emphasizes the significance of offering low-rate social loans to these targeted groups, highlighting their potential positive effects on fostering financial inclusion and bolstering financial security in Chile.

Alignment with/contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The bonds and loans issued under the Cooperativa de Ahorro y Crédito Coopeuch Social Financing Framework are expected to help advance the following SDGs and targets:

⁴⁹ Ministerio de Vivienda y Urbanismo, Gobierno de Chile, "D.S.1 / Tranche 1: Housing subsidy to buy a home of up to 1,100 UF", at: <https://www.minvu.gob.cl/beneficio/vivienda/subsidio-habitacional-comprar-una-vivienda-de-hasta-1100-uf-ds1/#:~:text=D.S.1%20%2F%20Tramo%201%3A%20Subsidio%20habitacional%20para%20comprar,valor%20m%C3%A1ximo%20de%20A1.100%20Unidades%20de%20Fomento%20%28UF%29>.

⁵⁰ Jiménez, D. et al. (2021), "The Social Housing Crisis and the Barriers to Developing Dementia-Friendly Communities in Chile", *Frontiers in Public Health*, at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8421564/>.

⁵¹ The World Bank Group, "Chile - Financial sector assessment program", at: <https://documents1.worldbank.org/curated/en/099440107152219110/pdf/P17202003745650ea0811e02f3df054d83c.pdf>.

⁵² Bank account ownership measures the percentage of individuals aged over 15 who have an account at a bank or other type of financial institution.

⁵³ The World Bank Group, "Chile - Financial sector assessment program", at: <https://documents1.worldbank.org/curated/en/099440107152219110/pdf/P17202003745650ea0811e02f3df054d83c.pdf>.

⁵⁴ Ibid.

⁵⁵ Global Finance, "World's Most Unbanked Countries 2021", at: <https://www.gfmag.com/global-data/economic-data/worlds-most-unbanked-countries>.

⁵⁶ Inter-American Development Bank, "Bad taste: Gender Discrimination in the Consumer Credit Market", at: <https://publications.iadb.org/publications/english/document/Bad-Taste-Gender-Discrimination-in-the-Consumer-Credit-Market.pdf>.

⁵⁷ The World Bank, "Poverty headcount ratio at national poverty lines (% of population) - Chile", at: <https://data.worldbank.org/indicator/SI.POV.NAHC?locations=CL>.

⁵⁸ Cooperativa de Ahorro y Crédito Coopeuch Social Financing Framework.

⁵⁹ HousingWorks Inc., "Affordable Housing: Barriers to Equal Opportunity and Access", at: <https://www.infoweb.org/Marketing/barriers.pdf>.

⁶⁰ University of Chile, "Access to Higher Education in Chile: A Literature Review", at: https://www.researchgate.net/publication/340141999_Access_to_Higher_Education_in_Chile_A_Literature_Review.

⁶¹ De La Republica De Chile – Ministerio del Interior y Seguridad Pública, "Promueve La Competencia E Inclusión Financiera A Través De La Innovación Y Tecnología En La Prestación De Servicios Financieros, Ley Fintec", at: <https://www.diariooficial.interior.gob.cl/publicaciones/2023/01/04/43442/01/2246446.pdf>.

Use of Proceeds Category	SDG	SDG target
Financial Inclusion	8. Decent work and economic growth	8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
	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.
	10. Reduce inequality within and among countries	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.
Affordable Housing	1. End poverty in all its forms everywhere	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.
	11. Sustainable Cities and Communities	11.1 Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

Conclusion

Coopeuch has developed the Coopeuch Social Financing Framework, under which it may issue social bonds and/or loans and use the proceeds to finance or refinance, in whole or in part, existing and future projects in eligible social categories, namely Financial Inclusion and Affordable Housing. Sustainalytics considers that the projects funded by the social bond proceeds are expected to deliver positive social impact in Chile.

The Coopeuch Social Financing Framework outlines a process for tracking, allocating and managing proceeds and makes commitments for reporting on their allocation and impact. Sustainalytics believes that the Coopeuch Social Financing Framework is aligned with the overall sustainability strategy of the cooperative and that the social use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 1, 8, 9, 10 and 11. Additionally, Sustainalytics is of the opinion that Coopeuch has adequate measures to identify, manage and mitigate social and environmental risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Cooperativa de Ahorro y Crédito Coopeuch is well positioned to issue social bonds and/or loans and that the Coopeuch Social Financing Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2021 and Social Loan Principles 2023.

Appendix

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

Section 1. Basic Information

Issuer name:	Cooperativa de Ahorro y Crédito Coopeuch
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Coopeuch Social Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 09, 2023
Publication date of review publication:	
Original publication date [please fill this out for updates]:	

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 SBP:

- | | |
|--|--|
| <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 (please specify): | |

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 – Financial Inclusion and Affordable Housing are aligned with those recognized by the Social Bond Principles and Social Loan Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically, SDG 1, 8, 9, 10 and 11.

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Financial Inclusion |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Coopeuch's ESG committee will oversee the allocation and selection of eligible projects based on the Framework's criteria. The committee is governed by the General Manager and comprises representatives from Coopeuch's communications and sustainability, strategic planning, products and marketing and financial divisions. Coopeuch has in place an internal social and environmental risk management system to assess and manage risks associated with eligible projects. Sustainalytics considers the risk management system in place to be adequate and the project evaluation and selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social 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 Social 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):

Coopeuch's financial division will be responsible for the management and allocation of proceeds and will track the proceeds using an internal tracking system. Coopeuch intends to achieve a full allocation of net proceeds within 24 months of issuance and will use a portfolio approach for the management of proceeds. Coopeuch will temporarily hold unallocated proceeds in cash, cash equivalents, or other forms of available liquid securities and investments. In the case of divestment or if a project no longer meets the eligibility criteria, the funds will be reallocated to other eligible projects within 12 months. Sustainalytics considers this to be in line with market practice.

Tracking of proceeds:

- Social 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):

Coopeuch intends to report on allocation of proceeds and corresponding impact on its investor relations website on an annual basis until full allocation. Allocation reporting will include category-wide details on the allocation of proceeds, the unallocated amount and the proportion of proceeds used for financing and refinancing. In addition, Coopeuch intends to report on relevant impact metrics. Sustainalytics views Coopeuch'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 Social 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):

- Number of beneficiaries Target populations
- Other ESG indicators:
Number of consumer loans
Number of mortgages

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): Standalone annual report published on the Issuer's investor relations website
- 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:

- Consultancy (incl. 2nd opinion) Certification
- Verification / Audit Rating

Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP

- i. **Second-Party Opinion:** An institution with social 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 Social 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 Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social 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 social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially 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 Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social 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. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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

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For more information, visit www.sustainalytics.com

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