

Empresa Nacional de Telecomunicaciones S.A.

Type of Engagement: Annual Review

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Introduction

In September 2021, Empresa Nacional de Telecomunicaciones S.A. (Entel) issued a sustainability bond (the "2021 Sustainability Bond") aimed at financing and/or refinancing, in whole or in part, existing and/or future projects that reduce the carbon footprint of its operations and increase connectivity for underserved groups, guided by Entel Sustainable Financing Framework (the "Framework").¹ Sustainalytics provided a Second-Party Opinion on this Framework in September 2021.² In March 2023, Entel engaged Sustainalytics to review the projects financed with proceeds from the sustainability bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from the 2021 Sustainability Bond based on whether the projects:

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

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

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Access to Basic Infrastructure	<p>Expenditures related to funding the construction, improvement, acquisition, or maintenance and operation of facilities, networks, and equipment needed to expand basic technological resources, including wired and wireless internet access.</p> <p>Projects may include, but are not limited to:</p> <ul style="list-style-type: none"> - Investments in 5G Network Deployment - Investments in 4G Network Expansion - Investments in Fiber Optic expansion - Operation of rural network sites <p>Target Population: Inhabitants in secondary cities and smaller towns (population under 150,000); urban districts that have a majority of population within the bottom 2 quintiles; areas of low population density such as rural towns and settlements (even with populations below 150);</p>	<ul style="list-style-type: none"> - Number/share of wireless connections by type of technology - Network quality surveys/indexes - Number of homes passed (i.e., installed capacity) and/or homes actually connected with wired services - Number/names of locations that were provided additional network capacity

¹ Entel Sustainable Financing Framework is available on Empresa Nacional de Telecomunicaciones S.A. 's website at:

https://entel.modyocdn.com/uploads/cc21cbb3-2c4d-4783-8edd-4a4dcc6b4f58/original/Entel_Sustainable_Financing_Framework.pdf

² Entel Sustainable Financing Framework Second-Party opinion (2021), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/entel-sustainable-financing-framework-second-party-opinion.pdf?sfvrsn=658a454d_1

	and areas of high scientific value (as defined by Subtel) across the territories of Chile and Perú. ³	
Access to Essential Services (Digital Inclusion)	<p>Expenditures related to funding the construction, improvement, acquisition, or maintenance and operation of facilities and equipment needed to provide fixed wireless broadband service in areas without availability of wired services (known as “red zones”)</p> <p>Target Population: Inhabitants of lower socio-economic segments (bottom 2 quintiles) in urban zones with no availability of wired internet access.</p>	<ul style="list-style-type: none"> - Number of homes with fixed wireless broadband service - Growth of antennae/network infrastructure for fixed wireless broadband
Covid-19 Pandemic relief	<p>Expenditures related to funding programs or initiatives that:</p> <ul style="list-style-type: none"> - Provide supplementary health and safety measures for employees and customers, including PPE and separators for face-to-face operations. - Provide connectivity (including donation of devices and/or data plans) to vulnerable groups such as senior citizens or patients in hospitals. <p>Target Population: General population of communities impacted by the COVID-19 pandemic, including Entel employees, customers, and the surrounding communities.</p>	Number of beneficiaries of connectivity donations (devices and/or plans)
Renewable Energy	<p>Expenditures related to the construction, development, expansion, production, acquisition, maintenance, operation installation and/or sourcing of renewable energy to power our network, data centers and associated infrastructure.</p> <ul style="list-style-type: none"> - Renewable energy sources such as wind, solar and small scale (<25 MW) hydro energy generation operating at life cycle emissions lower than 100gCO₂e/kWh - Sourcing expenditures pursuant to long-term (≥ 5 years) power purchase agreements (PPAs), including those entered into prior to the issuance of our Sustainable Bonds as well as later extensions. 	<ul style="list-style-type: none"> - Renewable energy as % of total annual energy consumption - Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent (tCO₂e)
Energy Efficiency	<p>Expenditures related to projects that could result in increased energy efficiency, using best efforts basis to ensure all projects achieve at least a 30% energy efficiency improvement. Eligible Projects might include:</p> <ul style="list-style-type: none"> - Financing of electric powered machinery or incorporation of energy saving technologies, including LED lighting technology 	<ul style="list-style-type: none"> - Data centers weighted average PUE (Power Use Effectiveness) - Annual energy savings in GWh (electricity) and GJ (other energy savings) - Reduction in absolute/relative energy usage (in %)

³ Entel's 5G project includes providing coverage in 91% of the 345 communes across all of Chile, many of them with low population density, lower purchasing power, and in general underserved segments that will benefit from improved connectivity and quality. The project also covers 66 of a total of 80 special interest sites across the country, including aerodromes and maritime ports in remote zones, sites of scientific relevance and higher education centers; all of them are sites with multiple use cases for 5G, where this technology will have a significant social return.

	<ul style="list-style-type: none"> - Investments for optimization of energy consumption and reducing energy loss, such as energy management systems for POPs - Investments in energy consumption measurement and control systems, including industrial thermometers 	<ul style="list-style-type: none"> - Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent
Clean Transportation	<ul style="list-style-type: none"> - Expenditures related to the modernization in transport systems, including transportation with zero direct emissions (e.g., electric, hydrogen) - Investments related to the purchase of electric vehicles and/ or for infrastructure projects associated with electric vehicles, including charging stations 	<ul style="list-style-type: none"> - Annual GHG emissions reduced/avoided in tCO₂e p.a. - Annual Absolute (gross) GHG emissions in tCO₂e - Number of clean vehicles deployed (e.g., electric)
Green Buildings	<p>Expenditures related to the acquisition, financing, construction or retrofitting (20% or more emissions/energy performance improvements over baseline such as ASHRAE 90.1 2010 or equivalent) of buildings in line with Green Building Standards (planning and design, energy efficiency, green roofs, water efficiency and conservation, material conservation and resource efficiency, environmental quality; eligible standards outlined below)</p> <p>Investments for Certification Systems (LEED Gold certified or higher, BREEAM Excellent or higher, HQE Excellent or higher)</p>	<ul style="list-style-type: none"> - LEED, BREEAM, HQE or equivalent environmental certification scores - Annual energy savings in MWh (electricity) and GJ (other energy savings) - Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent vs local baseline/baseline certification level; and/or % of carbon emissions reduced/avoided vs local baseline/baseline certification level
Pollution Prevention & Control	<p>Expenditures aimed at:</p> <p>Waste prevention, waste reduction, segregation of waste and waste recycling, including recycling of electronic devices and network equipment, implemented under a robust Waste Management process and with certified third parties to ensure proper handling and mitigate risks</p>	<ul style="list-style-type: none"> - Waste that is prevented, minimized, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a. - Annual absolute (gross) amount of waste that is separated and/or collected, and treated (including composted) or disposed of (in tonnes p.a. and in % of total waste)

Issuer's Responsibility

Entel 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 the 2021 Sustainability Bond. The work undertaken as part of this engagement included collection of documentation from Entel and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Entel. 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 Entel.

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 Framework. Entel raised a total of USD 800 million through the 2021 Sustainability Bond and has disclosed to Sustainalytics that 75.76% of the proceeds were allocated as of 31 December 2022.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2021 Sustainability Bond 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 2021 Sustainability Bond 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, estimated and realized costs of projects, and project impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Impact Reporting by Eligibility Criteria as of 31 December 2022⁵

Entel has identified the following investments made between January 2020 and December 2022⁶ that are eligible for refinancing through the 2021 Sustainability Bond.

Use of Proceeds Category	Project	Country	Environmental Impact Reported by Eligibility Criteria	Net Bond Proceeds Allocation (USD million)
Access to Basic Infrastructure⁷	5G Network initial deployment ⁸	Chile	844 5G stations installed in eligible communities, representing 62% of total deployment.	181.30
	4G Network expansion ⁹	Chile	Through 2020-2022 period, 424 4G stations were installed in eligible communities. As a result, data usage more than quadrupled and users grew by 22% in these communities.	224.67
	Residential fiber optic expansion	Chile	The number of households with Fiber Optic service in eligible communities grew by 689% from 3,552 in 2019 to 28,033 in 2022. Homes with technical feasibility of service (Home Pass) increased by 500%, reaching 184,670 homes among the target population.	39.26
	Operation of rural network sites ¹⁰	Chile	Operating more than 2,500 antennas in remote and rural locations.	27.60
	Emergency network expansion ¹¹	Chile	Expanding network to serve more than 10,000 users in remote locations.	2.04 ¹²
	5G and 4G Deployment	Perú	Entel deployed 5G coverage in Lima, Ica, Lambayeque, Piura, Ancash and Cusco; accounting	104.53

⁵ Entel has disclosed to Sustainalytics that some investment figures for 2020-2021 have been restated due to improvement in its investment tracking process.

⁶ This falls within the lookback period of 24 months defined in the Framework.

⁷ Entel has communicated to Sustainalytics all investments under this category have met the criteria defined in the Framework for identifying target populations. In addition to these criteria, all investments in Perú are further required to be located in areas with an HDI of 0.7 or less.

⁸ Entel has included in the CAPEX figures only the portion of the investment that targets underserved zones.

⁹ Entel has been performing a 4G network expansion plan fully focused on social housing developments in the outskirts of the larger cities, smaller towns, and rural and other areas with lower connectivity.

¹⁰ Expenditures aimed at rural areas that lacked access to Internet and had potential for social and/or productive development that could be realized by providing this access.

¹¹ To respond to the COVID-19 pandemic, Entel expanded the network in remote/isolated locations that faced the risk of congestive collapse due to increased traffic, including Easter Island, Puerto Williams and other similar locations.

¹² Entel has communicated to Sustainalytics that as of the end of 2021, it allocated USD 2.18 million under this category. This included a provision made in 2021 for a network improvement project in Easter Island that was subsequently reversed in 2022 as the project was blocked due to regulatory reasons. Therefore, to account for this, USD 0.14 million was subtracted from the total allocation in 2022, to arrive at the current figure of USD 2.04 million.

			for 10% of base stations nationwide. By 2022, Entel Perú had a total of 5,745 4G points of presence nationwide.	
	Operation of rural network sites	Perú	More than 1,500 antennas were deployed to serve 11,000 rural communities.	25.90
Access to Essential Services (Digital Inclusion)	Wireless broadband expansion	Chile	23,214 households with fixed wireless broadband service in eligible communes.	0.74
Total funds raised (USD million)				800
Total allocated amount (USD million)				606.04
Total unallocated balance (USD million)				193.96
Percentage of allocated proceeds				75.76%
Share of refinancing				100%

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