

Empresa Nacional de Telecomunicaciones S.A.

Type of Engagement: Annual Review

Date: 27 February 2024

Engagement Team:

Akshay Chandrapure, akshay.chandrapure@morningstar.com

Nachiket Goli, nachiket.goli@morningstar.com

Introduction

In September 2021, Empresa Nacional de Telecomunicaciones S.A. (“Entel”) issued a sustainability bond (the “2021 Sustainability Bond”) to finance and/or refinance projects that reduce the carbon footprint of its operations and increase connectivity for the underserved groups. In 2024, Entel engaged Sustainalytics to review the projects financed with proceeds from the 2021 Sustainability Bond (the “Nominated Projects”) and provide an assessment as to whether the projects meet the use of proceeds criteria and the reporting commitments outlined in the Entel Sustainable Financing Framework (the “Framework”).¹ Sustainalytics provided a Second-Party Opinion on the Framework in September 2021.² This is Sustainalytics’ third annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in April 2022³ and March 2023.⁴

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Meet the use of proceeds and eligibility criteria defined 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 Categories, 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> <ol style="list-style-type: none"> i. Investments in 5G Network Deployment ii. Investments in 4G Network Expansion iii. Investments in Fiber Optic expansion 	<ol style="list-style-type: none"> i. Number/share of wireless connections by type of technology ii. Network quality surveys/indexes iii. Number of homes passed (i.e. installed capacity) and/or homes actually connected with wired services iv. Number/names of locations that were provided additional network capacity

¹ Entel, “Sustainable Financing Framework”, 2021, at: https://entel.modyocdn.com/uploads/cc21cbb3-2c4d-4783-8edd-4a4dcc6b4f58/original/Entel_Sustainable_Financing_Framework.pdf

² Sustainalytics, “Second-Party Opinion, Entel”, (2021), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/empresa-nacional-de-telecomunicaciones-s.a/entel-sustainable-financing-framework-second-party-opinion-\(2021\)/entel-sustainable-financing-framework-second-party-opinion-\(2021\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/empresa-nacional-de-telecomunicaciones-s.a/entel-sustainable-financing-framework-second-party-opinion-(2021)/entel-sustainable-financing-framework-second-party-opinion-(2021))

³ Sustainalytics, “Annual Review”, 2022, at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/empresa-nacional-de-telecomunicaciones-s.a\(entel\)/entel-sustainability-bond-annual-review-\(2022\)/entel-sustainability-bond-annual-review-\(2022\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/empresa-nacional-de-telecomunicaciones-s.a(entel)/entel-sustainability-bond-annual-review-(2022)/entel-sustainability-bond-annual-review-(2022))

⁴ Sustainalytics, “Annual Review”, 2023, at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/empresa-nacional-de-telecomunicaciones-s.a/empresa-nacional-de-telecomunicaciones-s.a-annual-review-\(2023\)/empresa-nacional-de-telecomunicaciones-s.a-annual-review-\(2023\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/empresa-nacional-de-telecomunicaciones-s.a/empresa-nacional-de-telecomunicaciones-s.a-annual-review-(2023)/empresa-nacional-de-telecomunicaciones-s.a-annual-review-(2023))

	<p>iv. Operation of rural network sites</p> <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); and areas of high scientific value (as defined by Subtel) across the territories of Chile and Peru.⁵</p>	
Access to Essential Services	<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>	<p>i. Number of homes with fixed wireless broadband service</p> <p>ii. Growth of antennae/network infrastructure for fixed wireless broadband</p>

Issuer’s Responsibility

Entel is responsible for providing accurate information and documentation relating to the details of the funded projects, including descriptions 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 Entel’s 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,⁶ 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 has disclosed to Sustainalytics that the proceeds from the 2021 Sustainability Bond were fully allocated as of December 2023.

⁵ 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.

⁶ Sustainalytics’ limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine alignment 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 Nominated Projects to determine if impact 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

Appendix

In September 2021, Entel issued a sustainability bond, and raised USD 800 million. As of December 2023, 100% of the proceeds were allocated to the following projects.

Table 3: Allocation and Reported Impact by the 2021 Sustainability Bond.

Use of Proceeds Category	Projects	Country	Impact Reported	Net Proceeds Allocated (USD million)
Access to Basic Infrastructure⁷	5G Network Initial Deployment	Chile	1,393 5G stations installed in eligible communities representing 55% of total deployment.	248.59
	4G Network Expansion	Chile	793 4G stations were installed in eligible communities	294.58
	Residential Fiber Optic Expansion	Chile	The number of households with Fiber Optic service in eligible communes grew from only 3,552 in 2019 to 49,247 in 2023. The homes with the technical feasibility of service increased by a factor of 10x, reaching 308,832 homes among the target population.	48.85
	Emergency Network Expansion	Chile	Expanding network which benefited more than 10,000 users in remote locations.	2.13
	Operation of rural sites ⁸	Chile	Operating more than 2,500 antennas in remote and rural locations.	27.60
	5G and 4G Networks	Peru	Entel deployed 5G coverage in Lima, Ica, Lambayeque, Piura, Cusco and other departments, counting 593 5G sites. It has also strengthened and expanded the 4G network, with particular focus on vulnerable communities. In 2023, 314 rural sectors were connected with 4G.	162.01
	Operation of rural sites	Peru	Operated more than 730 antennas across seven thousand rural communities that provide 4G access to a population of around one million people.	25.90
Access to Essential Services	Fixed Wireless Broadband Expansion	Chile	The users of this service peaked in 2021 at over 63k. The number has declined since then, Entel has continued to offer this service in urban zones with no availability of wired internet access.	0.74
Net Proceeds Allocated (USD million)				810.40

⁷ Entel has communicated to Sustainalytics that all investments under this category have met the criteria defined in the Framework for identifying target populations.

⁸ 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.

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