

Empresa Nacional de Telecomunicaciones S.A.

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Introduction

In 2021, Empresa Nacional de Telecomunicaciones S.A. (Entel) issued sustainability bonds 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's Sustainable Financing Framework (the "Framework").¹ Sustainalytics provided a Second-Party Opinion on this Framework in September 2021.² In 2022, Entel engaged Sustainalytics to review the projects funded through the issued 2021 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 and assets funded with proceeds from the 2021 sustainability based on whether the projects and programmes:

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

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs while Table 2 lists the associated KPIs.

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

Use of Proceeds	Eligibility Criteria	KPIs
Affordable 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 	<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
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</p>	<ul style="list-style-type: none"> - Number of homes with fixed wireless broadband service - Growth of antennae/network infrastructure for fixed wireless broadband

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://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))

	areas without availability of wired services (known as “red zones”)	
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. 	<ul style="list-style-type: none"> - 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 - 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"> - 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 %) - 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) <p>Investments related to the purchase of electric vehicles and/ or for infrastructure projects associated with electric vehicles, including charging stations</p>	<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	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	<ul style="list-style-type: none"> - LEED, BREEAM, HQE or equivalent environmental certification scores

	<p>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"> - 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)

Issuing Entity's Responsibility

Entel 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 Entel's Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Entel employees and review of documentation to confirm the conformance with the Entel Sustainable Financing Framework.

Sustainalytics has relied on the information and the facts presented by Entel 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 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 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 Entel's Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Entel Sustainable Financing Framework. In this Annual Review, expenditures have been under three categories: Affordable Basic Infrastructure, Access to Essential Services, and Renewable Energy. Entel has disclosed to Sustainalytics that 52.7% of the proceeds of the sustainability bond were allocated as of December 31, 2021, with 100% of the allocated amount were used to refinance eligible projects.

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.

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 sustainability bond in 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Entel Sustainable Financing 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 sustainability bond in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Entel Sustainable Financing 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

Appendix

Appendix 1: Impact Reporting by Eligibility Criteria as of 31st of December 2021

Use of Proceeds Category	Project	Country	Environmental Impact Reported by Eligibility Criteria	Net Bond Proceeds Allocation (USD millions)
Affordable Basic Infrastructure	5G Network Initial Deployment ⁴	Chile	169 5G stations installed in eligible communities, representing 43% of total deployment.	106.5
	4G Network expansion ⁵	Chile	Through 2020 and 2021, 423 4G stations were installed in eligible communities. As a result, Data usage doubled and users grew by 25% in these communities.	112.82
	Residential Fiber Optic Expansion	Chile	The number of households with Fiber Optic service in eligible communities grew from by 467% from 3,955 in 2019 to 18,474 in 2021. Homes with technical feasibility of service (Home Pass) increased by 470%, reaching 133,565 homes among the target population.	71.14
	Operation of rural network sites ⁶	Chile	Operating more than 2,500 antennas in remote and rural locations.	27.6
	Operation of rural network sites	Perú	Between 2019 and 2021, 730 antennas were deployed to serve 7000 rural communities.	25.9
	5G and 4G deployment	Perú	650 rural locations (97% of 670 locations) were connected to Entel's 4G network. 76% of the investment in 5G and 4G in Perú benefits eligible communities.	61.56
	Emergency Network Expansion ⁷	Chile	Expanding network to serve more than 10,000 users in remote locations.	2.18
	Access to Essential Services	Wireless Broadband expansion in "Red Zones"	Chile	36,706 households with Fixed Wireless Broadband service in eligible communes.
Renewable Energy	Renewable Energy Purchase	Chile	An 8-year-long PPA agreement with Enel Chile contributed to Renewable energy use growing from 20% of total energy use in 2019, to 23% in 2020.	13.03
Total Allocated				421.83
Total Unallocated				387.17
Total fund raised				800

⁴ Entel has included in the CAPEX figures only the portion of the investment (69.4% of the total project) that targets underserved zones.

⁵ 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.

⁶ 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.

⁷ To respond to the Covid-19 pandemic, Entel expanded the network in remote/isolated locations where the increased traffic risked collapsing the service, including Easter Island, Puerto Williams and other similar locations.

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