

Colegios Peruanos S. A.

Type of Engagement: Social Bond Pre-Issuance Review

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Introduction

In 2019, Colegios Peruanos S. A. (Innova Schools) developed the Innova Schools Social Bond Framework¹ under which it issued social bonds aimed at financing or refinancing the construction of new and/ the expansion of existing Innova Schools to provide quality education to Peru's emerging middle class. Sustainalytics provided a Second Party Opinion of the Framework in May 2019.²

In June 2022, Innova Schools engaged Sustainalytics to review the projects (the "Nominated Projects") that will be funded through the new bond issuance (herein referred to as the "2022 Fourth Bond Issuance") which is expected to be issued in July 2022 and provide an assessment as to whether the projects would comply with the Use of Proceeds, Project Selection, Management of Proceeds and Reporting sections of the Framework.

Evaluation Criteria

Sustainalytics evaluated the underlying projects that will be funded through the 2022 Fourth Bond Issuance for compliance based on whether:

1. The Nominated Projects are aligned with the Use of Proceeds Eligibility Criteria outlined in the Innova Schools Social Bond Framework; and
2. The commitments to select projects, manage proceeds, and report on allocation and impact in order to ensure that these commitments are aligned with the ones described in the Framework.

The Use of Proceeds Eligibility Criteria is summarized in Appendix 1, the Nominated projects that will be funded by the 2022 Fourth Bond Issuance are listed in Appendix 2 and Sustainalytics' findings are summarized in Appendix 3.

Issuing Entity's Responsibility

Innova Schools is responsible for providing accurate information and documentation relating to the details of the projects funded, including a description of the eligible projects within each eligible category. This information was provided to Sustainalytics to support its review. Innova Schools is also responsible for confirming to Sustainalytics that the project selection was done as per the Framework, and management of proceeds and reporting for the 2022 issuance will remain aligned with the commitments described in the Framework.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Innova Schools' 2022 social bond issuance. The work undertaken as part of this engagement included verification of the Nominated Projects and confirmation from relevant employees of Innova Schools that the use of proceeds, processes for project selection, management of proceeds, and

¹ Innova schools, 'Social Bond Framework Colegios Peruanos S.A. – Innova Schools', (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>

reporting for the upcoming social bond issuance will remain aligned with the commitments described in the Framework.

Sustainalytics has relied on the information and the facts presented by Innova Schools 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 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 over the assessment of the pre-issuance 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, Innova Schools 2022 Fourth Bond Issuance is not aligned with their existing Innova Schools Social Bond Framework.

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.

Appendix 1: Innova Schools Use of Proceeds Eligibility Criteria

Innova Schools developed the Social Bond Framework 2019 under which it plans to issue social bonds and use the proceeds to finance, or refinance, in whole or in part, new and/or existing social assets. The Nominated Projects are expected to meet the eligibility criteria defined in the Framework, which are listed in Table 1.

Use of Proceeds	Eligible Criteria
Access to Essential Services	<p>Loans to finance the construction of new and/or expansion of existing Innova Schools targeted towards Peru's emerging middle class</p> <ul style="list-style-type: none">• Innova's target population is Socioeconomic Levels B2, C1 and C2 which are considered Peruvian emerging middle-class• The tuition fee of Innova Schools should remain affordable for the targeted population.

Appendix 2: Summary of the Nominated Projects to be financed through 2022 Fourth Bond Issuance

Innova Schools has identified 19 schools across districts and regions of Peru that are eligible for funding through the 2022 Fourth Bond Issuance.

Sustainalytics notes that the capital expenditures mentioned in Table 2 will be utilised for construction of 167 new classrooms in existing schools to allow 5,010 new seats for new students for the year 2023. The schools that will be funded by the 2022 Fourth Bond Issuance are primarily for a targeted student population that belong to middle-class families in Peru with a Socioeconomic Status (SES) C. The schools are in regions and districts where 37% on an average, of its total population belongs to middle-class families.⁴

Innova schools has confirmed to Sustainalytics that their tuition fee is significantly lower than other private schools in Peru as of 2022. The average monthly income of families within SES C is around USD 844 as of 2020.^{5,6} The tuition fees at the identified 19 schools fall in the range of 14-25% of this average monthly income. Innova Schools tracks the ratio between tuition cost and average household spending of families of each school in order to confirm that schools remain affordable for the targeted population.

Table 2 mentions the total funding for the 2022 Fourth Bond Issuance:

Expenditure	PEN million	USD million equivalent
Fourth Bond Issuance (July 2022)		
Construction of 167 classrooms in existing schools to allow 5,000 new seats for new students for the incoming 2023 school year.	Up to 70	Up to 18

⁴ The proportion of population by SES levels is derived from Apeim, Niveles Socioeconomicos 2020, at: <http://apeim.com.pe/wp-content/uploads/2020/10/APEIM-NSE-2020.pdf>

⁵ The average monthly spending of a SEL C family is PEN 3,123. This data is derived from Apeim, Niveles Socioeconomicos 2020, Page no. 60, at: <http://apeim.com.pe/wp-content/uploads/2020/10/APEIM-NSE-2020.pdf>

⁶ Exchange Rate: PEN 3.70 per USD.

Table 3 lists the Nominated Projects that will be funded by Innova Schools:

No. of Schools	School Name	Region/ District	No. of Classrooms	No. of Students
1	Trujillo - Golf	La Libertad	8	240
2	Arequipa - Miraflores	Arequipa	13	390
3	Callao - Santa Rosa	Callao	10	300
4	Trujillo - San Isidro	La Libertad	15	450
5	Huanuco - Amarilis	Huanuco	8	240
6	Tarapoto 1 - Fonavi	San Martin	5	150
7	Pucallpa 1 - Centenario	Ucayali	5	150
8	Moquegua 1 - Fundo El Gramadal	Moquegua	15	450
9	Chiclayo	Lambayeque	3	90
10	Piura 2 - Progreso	Piura	12	360
11	Trujillo - Santa	La Libertad	3	90
12	Surco 1 - Ambrosio	Surco	10	300
13	Mayorazgo	Ate Vitarte	10	300
14	Los Olivos 2 - Santa Ana	Los Olivos	10	300
15	San Juan de Miraflores	San Juan de Miraflores	12	360
16	SJL 4 - El Sol	San Juan de Lurigancho	3	90
17	Villa El Salvador 2 – Vallejo	Villa El Salvador	10	300
18	Carabayllo 2 - San Antonio	Carabayllo	10	300
19	Ate 4 - Santa Maria	Ate Vitarte	5	150
Total			167	5,010

Appendix 3: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the social bond issuance in 2022 (Appendix 2) to determine if the projects aligned with the Use of Proceeds Eligibility Criteria outlined in Colegios Peruanos's Innova Schools Social Bond Framework (Appendix 1).	All projects reviewed (Appendix 2) complied with the Use of Proceeds Eligibility Criteria.	None
Project Selection and Management of Proceeds Criteria	Verification of the projects funded by the social bond in 2022 to determine if the commitments under processes for project selection and management of proceeds were consistent with Colegios Peruanos's Innova Schools Social Bond Framework.	Colegios Peruanos has also confirmed to Sustainalytics that the processes for project selection and management of proceeds for the 2022 issuance are consistent with the commitments described in the Framework.	None

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