

Colegios Peruanos S.A.

Type of Engagement: Annual Review

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Engagement Team:

Daniel Sanchez, daniel.sanchez@sustainalytics.com, (+1) 647 264 6644

Udayakrishnan Azhakath, Udayakrishnan.azhakath@sustainalytics.com, (+91) 22 6121 7100

Introduction

In 2020 and 2021, Colegios Peruanos S.A. (“Innova Schools”) issued its second and third social bonds aimed to refinance to bonds (issued in 2015 and 2017) that financed the construction of new and/or the expansion of existing Innova Schools to provide quality education to Peru’s emerging middle class. In August 2021, Innova Schools engaged Sustainalytics to review the projects funded through the issued social bonds (second bond September 2020, and third bond July 2021) and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Innova Schools Social Bond Framework (the Framework)¹. Prior to this, Sustainalytics provided a Second Party Opinion² of the Framework in 2019 and an annual review for the first bond in 2020.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded between 2015 and 2021 based on whether the projects and programmes:

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

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

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

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Access to Essential Services - Education	Loans to finance the construction of new and/or expansion of existing Innova Schools targeted to Peru’s emerging middle class. <ul style="list-style-type: none"> The tuition fee of Innova Schools should remain affordable for the targeted population. 	<ul style="list-style-type: none"> Number of schools built Number of enrolled students per year Percentage of students by Socioeconomic Status (SES) Percentage of students in academic “Satisfactory” level Price of tuition Capital expenditure per year for new schools and expansion

¹ Innova Schools, “Innova Schools Social Bond Framework”, (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>

Issuing Entity’s Responsibility

Innova Schools is responsible for providing accurate information and 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.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Innova Schools’ Social Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Innova Schools employees and review of documentation to confirm the conformance with the Innova Schools Social Bond 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 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 Innova Schools’ social bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Innova Schools Social Bond Framework. Innova Schools has disclosed to Sustainalytics that the proceeds of the three social bonds were fully allocated as of August 2021.

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 by the social bonds between 2015 and 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Innova Schools Social Bond 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 social bonds between 2015 and 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Innova Schools Social Bond Framework and above in Table 1. For a list of KPIs reported please refer to the Appendix.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

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.

Appendices

Appendix 1: Allocated Amounts per Bond (by expenditure)

Expenditure	PEN million	USD million, equivalent ⁴
First Bond Issuance		
<ul style="list-style-type: none"> Construction of 9 new schools and expansion of 11 existing schools for the 2020 school year. 	106	32
<ul style="list-style-type: none"> Construction of 5 new schools and expansion of 22 existing schools for the 2019 school year (financed by a bridge loan in 2018). 	74	22
<ul style="list-style-type: none"> Bank loan pre-payment, granted in 2016, which served to finance the construction of 8 new schools and expansion of 33 existing schools for the 2017 school year. 	50	15
Second Bond Issuance		
<ul style="list-style-type: none"> Pre-payment of bond issued in 2014, which served to finance the construction of 6 new schools and expansion of 7 existing schools for the 2015 school year. 	62	17
Third Bond Issuance		
<ul style="list-style-type: none"> Pre-payment of bond issued in 2017, which served to finance the construction of 6 new schools and the expansion of 19 existing schools for the 2017 school year. 	61	16
Total allocation	366	102

⁴ According to the exchange rate on the date of issuance.

Appendix 2: Cumulative Impact Reporting as of July 2021⁵

Use of Proceeds Category	Impact Reported		
Access to Essential Services - Education	Total Number of schools built (2015-2021)	26	
	Total number of schools expanded (2015-2021) ⁶	92	
	Number of students enrolled	Mar 2020	48,806
		Dec 2020	36,112
		Mar 2021 ⁷	39,233
	Percentage of students in academic "Satisfactory" level in 2019 ⁸	Reading ⁹	63%
		Mathematics ¹⁰	67%
	Price of tuition	2020 ¹¹	PEN 493
		2021 ¹²	PEN 489
	Capital expenditure per year for new schools and for the expansion of existing schools	New schools (2020) ¹³	PEN 106,000,000
Expansion of existing schools (2020) ¹⁴		PEN 74,000,000	

⁵ The impact reporting includes information for all three social bonds (first bond September 2019, second bond September 2020, and third bond July 2021).

⁶ Total count includes facilities that could have been expanded more than once.

⁷ In March 2021 classes started with 63 schools and 39,233 students, which represents a 20% student body decrease compared to March 2020, due to Covid-19 restrictions. However, this represents 9% student body growth compared to December 2020.

⁸ Due to the health emergency and social distancing restrictions put in place due to Covid-19, the Ministry of Education (MINEDU) annulled Ministerial Resolution No. 031-2020-MINEDU, which ruled the execution of the Students National Evaluation Census (ECE 2020) and therefore the last available date comes from 2019.

⁹ Based on Innova Schools Social Bond Review 2020, the evaluation corresponds only to the 4th grade. The satisfactory level in Peru for the area of Reading is 35%, which is significantly lower than it is in Innova Schools.

¹⁰ Based on Innova Schools Social Bond Review 2020, the evaluation corresponds only to the 4th grade. The satisfactory level in Peru for the area of Mathematics is 34%, which is significantly lower than it is in Innova Schools.

¹¹ Because of the Covid-19 pandemic in 2020, the Peruvian government suspended face-to-face school classes. For this reason, Innova Schools decided to reduce the price of tuition by 20% for the initial level grades (Beginners, Pre-Kindergarten and Kindergarten) and 15% for the rest of the grades, a reduction that would apply throughout 2020 and 2021 as long as non-face-to-face classes are maintained. The average discount given is approximately 16.5% of the initially agreed rate.

¹² In 2021 none of the schools increased their tuitions and ten schools reduced their prices, from an average of PEN 493 in 2020 to PEN 489 in 2021 (-0.4%).

¹³ This capital expenditure includes nine new schools built, with a total cost of PEN 106 million (or USD 32 million equivalent). These schools have an initial capacity for 3,950 students. In 2021, no schools were built due to the impact caused by the quarantine decreed by the government.

¹⁴ In 2020, the funds from the First Bond were allocated to expanded eleven existing schools to enhance its capacity, with a total cost of PEN 74 million (or USD 22 million equivalent). These schools had a capacity for 7,934 students in 2019, and in 2020 they increased their capacity to 9,415 students (19% average growth). Due to Covid-19 restrictions in 2020 and 2021 Innova Schools halted any further expansion plans.

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