

Colegios Peruanos S.A.

Type of Engagement: Annual Review

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Introduction

In September 2019, September 2020 and July 2021, Colegios Peruanos S.A. ("Innova Schools") issued its first, second and third social bonds aimed at financing or refinancing the construction of new and/or the expansion of existing Innova Schools to provide quality education to Peru's emerging middle class. In August 2022, Innova Schools engaged Sustainalytics to review the projects funded through the three social bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in Innova Schools' Social Bond Framework (the "Framework").¹ Sustainalytics provided a Second-Party Opinion² on the Framework in May 2019.

Evaluation Criteria

Sustainalytics evaluated the projects funded between 2019 and 2022 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Innova Schools Social Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Innova Schools Social Bond 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	KPIs
Access to Essential Services - Education	<p>Loans to finance the construction of new and/or expansion of existing Innova Schools targeted to Peru's emerging middle class.</p> <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 students enrolled 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

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, amounts allocated, and project impact.

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-pdff>

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 Framework.

Sustainalytics has relied on the information and the facts presented by Innova Schools with respect to the funded 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 Framework. Innova Schools has disclosed to Sustainalytics that the proceeds of the first, second and third social bonds were fully allocated as of September 10, 2019, September 17, 2020, and July 23, 2021, respectively.

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 social bonds between 2019 and 2022 to determine if projects aligned with the Use of Proceeds Criteria outlined in the 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 2019 and 2022 to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported, please refer to Appendix 2.	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 ⁴	PEN million	USD million, equivalent ⁵
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 bond⁶ 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 bond⁷ 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 Sustainalytics notes that Innova Schools refinanced expenditures and transactions from 2014 onwards and considers it to be aligned with the Framework criteria which do not include a look-back period for refinancing activities.

⁵ According to the exchange rate on the date of issuance.

⁶ Innova Schools has communicated that the existing bonds refinanced by the social bonds were not Green, Social and Sustainability (GSS) bonds.

⁷ Ibid.

Appendix 2: Cumulative Impact Reporting as of August 2022⁸

Use of Proceeds Category	Impact Reported ⁹		
Access to Essential Services - Education	Total number of schools built (2015-2021)	26	
	Total number of schools expanded (2015-2021) ¹⁰	47	
	Number of students enrolled	Mar 2021 ¹¹	39,233
		Dec 2021 ¹²	38,646
		Mar 2022 ¹³	50,830
	Percentage of students in academic "Satisfactory" level in 2019 ¹⁴	Reading ¹⁵	63%
		Mathematics ¹⁶	67%
	Price of tuition	2020 Pre Covid-19 ¹⁷	PEN 590
		2020 Post Covid-19 ¹⁸	PEN 493
		2021 ¹⁹	PEN 489
		2022 ²⁰	PEN 583
	Capital expenditure per year for new schools and for the expansion of existing schools	New schools (2020) ²¹	PEN 106,000,000
		Expansion of existing schools (2021) ²²	PEN 3,360,000

⁸ The impact reporting includes information for all three social bonds (first bond September 2019, second bond September 2020, and third bond July 2021).

⁹ Innova Schools has communicated that due to COVID-19, it has not collected the household income data of the students to determine the socioeconomic status in 2020 and 2021. Therefore, the percentage of students by Socioeconomic Status (SES) has not been reported.

¹⁰ The total count includes facilities that have been expanded more than once (some with more than one expansion until 2021).

¹¹ In March 2021, classes started with 39,233 students, which represents a 20% student body decrease compared to March 2020, due to COVID-19 restrictions.

¹² In December 2021, classes started with 38,646 students, reporting a marginal decrease of approximately 1.5% due to the continued COVID-19 restrictions.

¹³ In March 2022, classes started with 63 schools and 50,830 students, representing a 30% increase in enrollment compared to March 2021 and a 32% increase compared to December 2021, due to the return of face-to-face classes in 2022.

¹⁴ In 2021, the Ministry of Education (MINEDU) did not issue a Ministerial Resolution for the Students National Evaluation Census (ECE 2021). The next census is anticipated to begin in late 2022. Therefore, the last available date comes from 2019.

¹⁵ 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.

¹⁶ 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.

¹⁷ Prior to the COVID19 outbreak, the price of tuition had been increasing at a compound annual growth rate of 6% every year until the beginning of 2020. Consequently, tuition fees increased from PEN 565 in 2019 to PEN 590 at the beginning of 2020.

¹⁸ 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. After Innova Schools implemented discounts, tuition fees for 2020 post-COVID-19 were decreased from PEN 590 in early 2020 to PEN 493.

¹⁹ In 2021, there was a marginal decrease in tuition fees compared to 2020 post-COVID-19 fees since face-to-face school classes remained suspended and tuition fee reductions were implemented throughout the year.

²⁰ In 2022, regular face-to-face classes resumed, and discounts were eliminated. Consequently, tuition fees in 2022 are 19% higher than in 2021. Nonetheless, 14 schools reduced their prices, decreasing the average from PEN 590 in 2020 to PEN 583 in 2022.

²¹ Due to the nationwide economic effects of COVID-19, Innova Schools chose to suspend its expansion plan in 2020, and no new schools were constructed in 2021, 2022, or the subsequent year of 2023. Therefore, the last available data is for 2020, when nine new schools were built with a total cost of PEN 106 million (or USD 32 million equivalent). These schools have an initial capacity of 3,950 students.

²² With an investment of PEN 3.36 million (or USD 0.9 million equivalent), three existing schools were expanded in 2021, adding a total of 18 classrooms to accommodate an additional 450 students.

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