

Colegios Peruanos S.A.

Type of Engagement: Annual Review

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Introduction

In September 2019, Colegios Peruanos S.A. (Innova Schools) issued social bonds aimed at financing the construction of new and/or expansion of existing Innova Schools targeted to Peru’s emerging middle class. In 2020, Innova Schools engaged Sustainalytics to review the projects funded through the issued social bonds 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.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2019 based on whether the projects and programmes:

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 while Table 2 lists the 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	<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 enrolled students per year • Percentage of students in academic “Satisfactory” level • Percentage of students by Socioeconomic Status (SES) • 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, 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,¹ 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’s Social Bond, 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 social bond were fully allocated as of February 28th, 2020.

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 bond in 2019 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 bond in 2019 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 Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

¹ 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: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Impact Reported by Eligibility Criteria			KPIs for all projects in category meet Reporting Criteria
Access to Essential Services - Education	Number of schools built	New schools built	9	Yes
		Existing schools expanded	11	
	Number of students enrolled	2019	42,417	Yes
		2020	48,806	
	Percentage of students in academic "Satisfactory" level in 2019	Reading	63% ²	Yes
		Mathematics	67% ³	
	Price of tuition	2019	PEN 565	Yes
		2020	PEN 541.5 ⁴	
	Capital expenditure per year	New schools	PEN 106,000,000	Yes
		Expansion of existing schools	PEN 74,000,000	

² 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.

³ 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.

⁴ Because of the Covid-19 outbreak in 2020, the Peruvian government announced a strict quarantine from March to June 2020, and has suspended face-to-face school classes. Innova Schools decided to reduce the price of tuition after the launch of this policy. This number is an average of the pre- and post-pandemic tuition fee.

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