

The Republic of Guatemala

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Introduction

In 2020, The Republic of Guatemala (or “the Republic”) issued 2032 Notes (or “Social Bond Tranche”) aimed at financing or refinancing, in whole or in part, the “Eligible Social Investments”, all of which are, directly or indirectly, related to the Republic’s COVID-19 prevention, containment and mitigation efforts and/or seek to achieve positive social outcomes in Guatemala within the context of the pandemic or otherwise. In 2021, the Republic engaged Sustainalytics to review the projects funded through the issued Social Bond Tranche and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Social Bond Language of the Offering Memorandum (the “Memorandum”).

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2020 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Social Bond Language of the Memorandum.

The Social Bond Language of the Memorandum does not impose any requirements for reporting of key performance indicators related to impact.

Table 1 lists the Use of Proceeds and Eligibility Criteria.

Table 1: Use of Proceeds and Eligibility Criteria

Use of Proceeds	Eligibility Criteria
COVID-19 Response	Investments to finance or refinance: • Certain 2020 budget-approved social-, education-, and health-related investments of the Ministry of Education (Ministerio de Educación) and the Ministry of Public Health and Social Assistance, which are expected to help Guatemala mitigate the spread of infections and the economic impact of COVID-19. These include programs to (i) provide medical insurance to students (seguro médico escolar), (ii) promote preventative health and medical practices (fomento de la salud y medicina preventiva), and (iii) support health recovery in hospitals (recuperación de la salud (Hospitales)); and • Certain other COVID-19 related investments approved under the Emergency Law to Protect Guatemalans from the Effects caused by the Coronavirus Pandemic COVID-19 (Ley de Emergencia para Proteger a los Guatemaltecos de los Efectos Causados por la Pandemia Coronavirus COVID-19) described under “Summary—Recent Developments,” for which funding has not previously been secured under another financing source.

Food Security	Investments to address and mitigate food insecurity, which is expected to increase as a result of the COVID-19 pandemic, including: • Certain 2020 budget-approved social- and health-related investments of the Ministry of Education, targeting the underserved population in Guatemala. These include programs that guarantee school meals and promote health and healthy eating (apoyo para el consumo adecuado de alimentos (Alimentación escolar)) for children and adolescents attending public or free private educational establishments; • Certain 2020 budget-approved social- and health-related investments of the Ministry of Public Health and Social Assistance, targeting the underserved population in Guatemala. These include programs that prevent child mortality and chronic malnutrition (Prevención de la mortalidad de la niñez y desnutrición crónica); and • Certain 2020 budget-approved social- and health-related investments of the Ministry of Social Development, targeting Guatemalan families living below the poverty line using the World Bank definitions of poverty and extreme poverty (which defines poverty as families receiving less than USD 3.10 per day and extreme poverty as those families receiving less than USD 1.90 per day). These include money transfers conditional on health and educational needs (transferencias monetarias condicionadas en necesidades de salud y educación), conditional money transfer for food (transferencias monetarias condicionadas para alimentos), establishments providing meals rooms (comedores), each of which provide food and/or monetary support to families in poverty and extreme poverty conditions.
Affordable Basic Infrastructure	Investments to address basic infrastructure needs, including certain 2020 budget-approved social-related investments of the Ministry of Social Development, targeting Guatemalans living below the poverty line, using the World Bank definitions of poverty and extreme poverty. These include the Fund for Social Development (Fondo de Desarrollo Social), which aims to provide equipment and infrastructure for social development to people and communities living under poverty or extreme poverty conditions.
Access to Essential Services	Investments to facilitate access to essential services, including certain 2020 budget-approved social- and health-related investments of the Ministry of Public Health and Social Assistance, targeting underserved Guatemalans. These include (i) a program to prevent maternal and infant birth mortality rate (prevención de la mortalidad materna y neonatal), (ii) a program to prevent and control STIs and HIV (prevención y control ITS/VIH SIDA), and (iii) the provision of other specialized health services (partidas no asignables a programas (aportes a instituciones de salud)).
Socioeconomic Advancement & Empowerment	Investments to advance initiatives, including certain 2020 budget-approved education-related investments of the Ministry of Education, targeting the undereducated population in Guatemala. These include the free education service program (programa de servicios educativos gratuitos), which ensures the continuation and operation of public education centers for pre-elementary, elementary, and middle schools.

Issuing Entity's Responsibility

The Republic is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects and the amounts allocated.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the Republic's Social Bond Tranche Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from the Republic employees and review of documentation to confirm the conformance with the Social Bond Language of the Memorandum.

Sustainalytics has relied on the information and the facts presented by the Republic with respect to the financed 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 the Republic.

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 the Republic's Social Bond Tranche, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Social Bond Language of the Memorandum. The Republic has disclosed to Sustainalytics that the proceeds of the Social Bond Tranche were fully allocated as of 29th December 2020.

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 Tranche in 2020 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Social Bond Language of the Memorandum and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria. ²	None
Reporting Criteria	The Social Bond Language of the Memorandum does not impose any specific requirements for reporting of key performance indicators related to impact, however, does note that "any additional information on highlighted Eligible Social Investments and related impact and/or results, if available, as the Ministry of Public Finance determines" will be provided.	No impact reporting information has been made available to date. Allocation reporting provided is in line with commitments of the Framework.	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.

² Sustainalytics has not assessed the Use of Proceeds for its alignment with the Social Bond Principles and the current market practice.

Appendix

Appendix 1: Allocation Reporting by Eligibility Criteria

Use of Proceeds Category ³	Financed projects/programmes reported by Eligibility Criteria ⁴	Associated Ministry	Net Bond Proceeds Allocation- USD ⁵ (Millions) ⁶	% of Net Bond Proceeds Allocation ⁶
COVID-19 Response	Support to hospitals	Public Health and Social Assistance	140.3	28.1%
Food Security	Money transfers conditional on health & educational needs, conditional money transfers for food	Social Development	7.8	1.6%
Affordable Basic Infrastructure	2020 budget-approved social-related investments of the Ministry of Social Development	Social Development	2.8	0.6%
Socioeconomic Advancement & Empowerment	Free education service program	Education	348.9	69.8%
Total bond proceeds allocated- USD (in Millions)	499.8			100%
Total bond proceeds raised- USD (in Millions)	499.8			100%
Balance of unallocated net proceeds- USD (in Millions)	0			0%

³ No proceed allocation was made under the "Access to Essential Services" category.

⁴ Sustainalytics considers this to be eligible under The Social Bond Language of the Memorandum, while making no comments regarding general suitability for social financing.

⁵ Conversion rate used by The Republic: 1 USD = 7.71 GTQ

⁶ The figures are rounded off to the nearest decimal point.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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The
Green Bond
Principles