

# Second-Party Opinion

## Metro Green Financing Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Metro Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds - Clean Transportation, Renewable Energy, Energy Efficiency, Sustainable Water and Wastewater Management, Circular Economy Adapted Products, Production Technologies and Processes, Climate Change Adaptation - are aligned with those recognized by the Green Bond Principles and Green Loan Principles. Sustainalytics considers that investments in the eligible categories will have a positive impact on the decarbonization of Santiago’s public transportation and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 11, 12 and 13.



**PROJECT EVALUATION AND SELECTION** Metro’s Sustainability Committee, which includes four members of its Board of Directors, will be responsible for identifying, evaluating and selecting eligible projects in line with the Framework’s eligibility criteria. In this process, the committee will also be supported by the Finance, Legal and Sustainability teams of Metro. The Sustainability Committee will also be responsible for providing the final approval for the selected eligible projects. Metro has adopted internal processes and policies to address environmental and social risks commonly associated with the financed projects. This is in line with market practice.



**MANAGEMENT OF PROCEEDS** Metro’s Area of Finance and Budget Control will be responsible for tracking and managing proceeds via an internal register. Metro intends to allocate proceeds within 36 months of issuance. Pending full allocation, unallocated proceeds will be invested in cash or cash equivalents, used to repay existing borrowings, or held in accordance with Metro’s general liquidity policy. Metro has confirmed that it will exclude temporary allocations towards carbon-intensive activities. This is in line with market practice.



**REPORTING** Metro commits to report on the allocation of proceeds in an annual report, which will be published on its website on an annual basis until full allocation. In addition, Metro intends to report on the environmental or social impact of the use of proceeds using relevant impact metrics. Sustainalytics views Metro’s allocation and impact reporting as aligned with market practice.

<b>Evaluation Date</b>	February 20, 2024
<b>Issuer Location</b>	Santiago, Chile

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## Introduction

Established in 1968, Empresa de Transporte de Pasajeros Metro S.A. (“Metro” or the “Company”), is a state-owned company, providing passenger transportation and related services in the city of Santiago.<sup>1</sup> Based in Santiago, Chile, the Company is the operator of Santiago’s subway system. As of December 2023, Metro operates seven train lines and 143 stations, covering 27 districts in the Santiago Metropolitan Region.<sup>2</sup> Metro administers the development and operation of the transportation system, and the continual improvement, maintenance and expansion of the city’s rail network.<sup>3</sup>

Metro has developed the Metro Green Financing Framework dated February 2024 (the “Framework”) under which Metro or its wholly-owned subsidiaries<sup>4</sup> may issue green bonds and obtain green loans, including senior unsecured notes, loans and commercial papers (collectively, the “Green Financing instruments”), and use the proceeds to finance or refinance, in whole or in part, existing and future eligible projects that are expected to have a positive impact on the decarbonization of Santiago’s public transportation sector. The Framework defines eligibility criteria in six green categories:

1. Clean Transportation
2. Renewable Energy
3. Energy Efficiency
4. Sustainable Water and Wastewater Management
5. Circular Economy Adapted Products, Production Technologies and Processes
6. Climate Change Adaptation

Metro engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>5</sup> and the Green Loan Principles 2023 (GLP)<sup>6</sup>. The Framework has been published in a separate document.<sup>7</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>8</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Metro’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Metro representatives have confirmed (1) they understand it is the sole responsibility of Metro to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

<sup>1</sup> Metro, “Memoria Integrada 2022”, at: [https://www.metro.cl/documentos/Memoria\\_Integrada\\_Metro\\_2022.pdf](https://www.metro.cl/documentos/Memoria_Integrada_Metro_2022.pdf)

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Metro has communicated to Sustainalytics that it will have operational control over any issuances of its subsidiaries under the Framework. Metro has further confirmed that it will be responsible for ensuring alignment of any issuances with the criteria defined in the Framework.

<sup>5</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at:

<https://www.icmagroup.org/greensocial-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>6</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>7</sup> The Metro Green Financing Framework is available on Metro’s website at: <https://www.metro.cl/metro-sostenible/marco-de-bonos-verdes>

<sup>8</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Metro.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Metro has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Metro Green Financing Framework

Sustainalytics is of the opinion that the Metro Green Financing Framework is credible and impactful and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories - Clean Transportation, Renewable Energy, Energy Efficiency, Sustainable Water and Wastewater Management, Circular Economy Adapted Products, Production Technologies and Processes, and Climate Change Adaptation - are aligned with those recognized by the GBP and GLP. Sustainalytics considers that the eligible projects are expected to have a positive impact on the decarbonization of Santiago's public transportation.
  - Metro has established a 24-month look-back period for refinancing activities, which Sustainalytics considers to be aligned with market practice.
  - Under the Clean Transportation category, Metro intends to finance or refinance the following expenditures:
    - Purchase of fully electric or hybrid rolling stock. The emissions threshold for hybrid passenger rail purchased will be below 50 gCO<sub>2e</sub>/pkm.
    - The Company also intends to finance operating and capital expenditure that support eligible low-carbon rail transportation assets. Examples of such expenditures include maintenance, renewal, renovation, replacement and expansion of metro line equipment including railcar movers, elevating platform for catenary, reprofiling machine, track lines and stations. Metro has confirmed that any passenger vehicle purchased will adhere to the low carbon transport criteria for emission threshold of below 75 gCO<sub>2</sub>/km.
    - In addition, Metro also intends to finance infrastructure to improve connectivity of its stations to other modes of public transport, including improving facilities for zero carbon last mile transport. Examples of expenditure under this category include pedestrian crossing, bicycle parking and other supporting infrastructure for active modes of transport. Metro has confirmed the exclusion of investments in private vehicle parking facilities.
    - Sustainalytics considers the expenditures under this category to be in line with market practice.
  - Under the Renewable Energy category, Metro intends to finance or refinance the installation of onsite Solar PV. Additionally, the Company also intends to enter into long-term (at least seven years) renewable energy power-purchase agreements (PPAs) or virtual PPAs (vPPAs). This is in line with market practice.
  - Under the Energy Efficiency category, Metro intends to finance or refinance expenditures related to improving energy efficiency of Metro buildings, rail stations and related infrastructure. Examples of expenditures include HVAC equipment upgrades and installation of LED lighting. Metro has confirmed that it will exclude financing of equipment

that is primarily powered by fossil fuel. The Company expects that retrofitting and refurbishment of infrastructure with higher energy efficiency equipment and technology that enable energy saving will result in a 20% improvement in energy efficiency per project or asset financed. The expenditures are in line with market practice and Sustainalytics notes positively Metro's intention to measure and track energy savings resulting from retrofitting and refurbishment projects.

- Under the Sustainable Water and Wastewater Management category, the Company intends to finance or refinance infrastructure, systems and technologies to reduce water consumption and wastage such as through installation of water smart meters to measure pressure and detect leaks, and water optimization and consumption efficiency programmes in its stations and buildings. Examples of water optimization technologies include train washing equipment that recirculate water, gardens with low-water consumption and water flow meters. Metro has confirmed that the financed systems under this category will not be dependent on fossil fuels and will not provide water to fossil fuel operations. This is in line with market practice.
- Under Circular Economy Adapted Products, Technologies and Processes, the Company intends to finance or refinance initiatives to minimize the amount of industrial, hazardous and non-hazardous waste generated by its operations. Such initiatives include recycling and recovery programmes for solid waste from its operations as well as recycling and recovery of materials from its outdated rollingstock infrastructure. Examples of industrial and hazardous waste include tires, metals, steel, glass, used oil, used solvents, fabric contaminated with grease or oils, electronic components and batteries. Metro has communicated to Sustainalytics that it has internal processes in place for the treatment of electronic waste, and that it ensures that the procedures recommended or required by the relevant sanitary authorities are followed internally and by external contractors involved in recycling activities. This is in line with market practice.
- Under the Climate Change Adaptation category, Metro intends to finance or refinance measures to improve resilience of its assets and infrastructure to natural hazards such as flooding, extreme heat events and forest fires. The Company has communicated to Sustainalytics that it intends to finance projects supported by a climate change vulnerability assessment and an adaptation plan to identify and responsibly manage the identified risks. This is in line with market practice.
- Project Evaluation and Selection:
  - Metro's Sustainability Committee, which includes four members of its Board of Directors, led by the Communications and Sustainability Chief Officer and CEO, will be responsible for identifying, evaluating and selecting eligible projects in line with the Framework's eligibility criteria. In this process, the Committee will also be supported by Metro's Finance, Legal and Sustainability teams. The committee will also be responsible for providing the final approval for the selected eligible projects.
  - Metro has adopted internal processes and policies to address environmental and social risks commonly associated with the financed projects. For additional detail, refer to Section 2.
  - Based on the allocation of responsibilities and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Metro's Area of Finance and Budget Control at Metro will be responsible for tracking and managing proceeds via an internal register.
  - Metro intends to allocate the proceeds within 36 months of issuance. Pending full allocation, unallocated proceeds will be invested in cash or cash equivalents, used to repay existing borrowings or held in accordance with Metro's general liquidity policy. Metro has confirmed that it will exclude temporary allocation towards carbon-intensive activities.
  - Metro has communicated to Sustainalytics that Green Financing Instruments issued under the Framework may include multi-tranche loan facilities. Metro intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework.
  - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Metro commits to report on the allocation of proceeds in an annual report, which will be published on its website on an annual basis until full allocation. Sustainalytics notes that

- that if Metro obtains revolving credit facilities under the Framework, it will report on allocation until loan maturity.
- Allocation reporting will include information such as: i) total net proceeds allocated to one or more eligible projects, either individually or by category, and a brief description of certain representative projects within each category; ii) amount of net proceeds allocated to refinancing existing eligible projects, if applicable; iii) outstanding amount of net proceeds yet to be allocated to eligible projects at the end of a reporting period; and iv) description of the qualitative environmental impacts of the projects financed.
  - In addition, Metro is committed to reporting on the estimated environmental and social impacts of the use of proceeds, using relevant impact metrics. This includes: estimated annual reduction in tCO<sub>2</sub>e emissions in operations; percentage of use of electric energy coming from renewable sources; improvements in energy efficiency; amount of potable water consumed; and amount of waste recovered, diverted or recycled in tonnes.
  - Sustainalytics views Metro's allocation and impact reporting as aligned with market practice.

### **Alignment with Green Bond Principles 2021 and Green Loan Principles 2023**

Sustainalytics has determined that the Metro Green Financing Framework aligns with the four core components of the GBP and GLP.

## **Section 2: Sustainability Strategy of Metro**

### **Contribution to Metro's sustainability strategy**

Sustainalytics is of the opinion that Metro demonstrates a commitment to sustainability by integrating ESG considerations into its business and operations. In 2022, the Company updated its Sustainability Policy, which focuses on: i) contributing to a cleaner city; ii) development of the people and neighbourhoods; iii) responsibly managing its resources and promoting ethical conduct; iv) fostering a work environment that promotes safety and well-being; v) providing a good quality travel and service experience to users; and vi) incorporating continual improvement processes.<sup>9</sup>

As part of the Company's 2032 Strategic Plan, Metro will implement 31 commitments by 2027 through a range of initiatives such as reducing its carbon footprint, promoting circular economy, reducing water use, ensuring responsible sourcing, and upholding ethical standards.<sup>10</sup> The Company's targets related to these commitments include: i) achieving carbon neutrality in its operations by 2025; ii) recovering 87% of the solid waste generated from its operations by 2027; and iii) achieving 20% savings in water consumption by 2027.<sup>11</sup> Metro has also committed to contributing to the recovery of biodiversity and nature, and achieving net zero emissions by 2050.<sup>12</sup> In 2022, as a milestone in achieving carbon neutrality, 95% of Metro's energy consumption was from certified renewable sources.<sup>13</sup> In relation to solid waste recovery, as of 2022, 46% of the Company's waste was recovered through reuse, recovery and recycling processes.<sup>14</sup> Sustainalytics notes that the sustainability strategy of the Company also applies to its subsidiaries.

Sustainalytics is of the opinion that the Metro Green Financing Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's actions on its key environmental priorities.

### **Approach to managing environmental and social risks associated with the projects**

Sustainalytics recognizes that the proceeds from the green financing instruments issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects may include issues involving emissions, effluents and waste generation during construction, land use and biodiversity issues associated with large-scale infrastructure development, occupational health and safety of workers, and community relations and stakeholder participation.

Sustainalytics notes that the environmental and social risk management and mitigation policies of Metro also apply to its subsidiaries. Sustainalytics is of the opinion that Metro is able to manage or mitigate potential risks through implementation of the following:

<sup>9</sup> Metro, "Política Sostenibilidad" (2022), at: [https://www.metro.cl/documentos/politica\\_sostenibilidad\\_2022.pdf](https://www.metro.cl/documentos/politica_sostenibilidad_2022.pdf)

<sup>10</sup> Metro, "Memoria Integrada 2022", at: [https://www.metro.cl/documentos/Memoria\\_Integrada\\_Metro\\_2022.pdf](https://www.metro.cl/documentos/Memoria_Integrada_Metro_2022.pdf)

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.



- Metro has communicated to Sustainalytics that it complies with relevant local laws and regulations such as Law 19.300<sup>15</sup> which requires approval from the environmental authority prior to the construction, based on environmental impact assessments which consider, for example, impacts to biodiversity caused by pollution. Metro also employs an Environmental Management System certified under ISO 14001:2015, which aims to provide organizations with a long-term environmental management framework integrating social and economic needs.<sup>16,17</sup> In addition, the Company's Environmental Policy outlines commitments to evaluate and address the impact of its actions on the environment and requires its contractors to adopt practices that comply with its environmental commitments.<sup>18</sup>
- Metro addresses risks related to occupational health and safety through an internal Health and Safety at Work Policy that aims to identify risks, take preventative actions and ensure compliance with the relevant Chilean laws and regulations related to occupational health and safety.<sup>19</sup> Such laws and regulations include the law on work accidents and occupational diseases,<sup>20</sup> qualification and evaluation of work accidents and diseases,<sup>21</sup> basic sanitary and environmental conditions in workplaces,<sup>22</sup> and safety of workers in situations of risk and emergency.<sup>23</sup> Metro must follow Chile's Labor Code,<sup>24</sup> which establishes labour rights and requirements on health and safety in the country. Metro's Occupational Health and Safety Management system is modeled after the OHSAS 18001 standards.<sup>25</sup> In addition, Metro's Code of Conduct and People Policy lay out commitments on providing safety at work and a healthy work environment.<sup>26,27</sup> Finally, Metro's Code of Conduct for Third Parties (suppliers, contractors, subcontractors and business partners) requires these third parties to respect the human rights of workers, strict compliance with labour, social security benefits for workers, and protections of health and safety at work.<sup>28</sup>
- To mitigate risks associated with community and stakeholder relations, Metro's Sustainability Policy outlines a commitment to generating shared value and contributing to the development of the people living in the areas surrounding Metro's operations.<sup>29</sup> Additionally, Metro fosters community relations and manages the impact of its operations on local communities through satisfaction surveys, engagements, and participation meetings to gather feedback from the affected community and stakeholders.<sup>30</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Metro has implemented adequate measures, and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

#### Importance of clean transportation investments in Chile

The transport sector is the second largest emitter of CO<sub>2</sub> in Chile, responsible for one-third of the country's total CO<sub>2</sub> emissions.<sup>31</sup> On a per capita basis, Chile's transport CO<sub>2</sub> emissions are also well above the regional and global averages at 1.37 tonnes.<sup>32</sup>

Chile's 2020 update to its Nationally Determined Contribution sets a target for the country to reduce absolute CO<sub>2</sub> emissions to 95 MtCO<sub>2</sub>e by 2030 and achieve carbon neutrality by 2050, versus 2016

<sup>15</sup> Biblioteca del Congreso de Nacional de Chile, Law 19.300, (1994) at: <https://www.bcn.cl/leychile/navegar?idNorma=30667>

<sup>16</sup> Metro, "Memoria Integrada 2022", at: [https://www.metro.cl/documentos/Memoria\\_Integrada\\_Metro\\_2022.pdf](https://www.metro.cl/documentos/Memoria_Integrada_Metro_2022.pdf)

<sup>17</sup> ISO, "14001:2015", (2021), at: <https://www.iso.org/standard/60857.html>

<sup>18</sup> Metro shared its Environmental Policy confidentially with Sustainalytics.

<sup>19</sup> Metro, "Memoria Integrada 2022", at: [https://www.metro.cl/documentos/Memoria\\_Integrada\\_Metro\\_2022.pdf](https://www.metro.cl/documentos/Memoria_Integrada_Metro_2022.pdf)

<sup>20</sup> Biblioteca del Congreso de Nacional de Chile, Law 16.744, (1968), at: <https://www.bcn.cl/leychile/navegar?idNorma=28650>

<sup>21</sup> Ibid.

<sup>22</sup> Ministry of Health, Decree No. 594, (1999), at: <https://www.bcn.cl/leychile/navegar?idNorma=167766>

<sup>23</sup> Biblioteca del Congreso de Nacional de Chile, Law 21.012, (2017), at: <https://www.bcn.cl/leychile/navegar?idNorma=1103798>

<sup>24</sup> Ministry of Labour and Social Protection, "Labour Code", at: <https://www.bcn.cl/leychile/navegar?idNorma=207436&idParte=0>

<sup>25</sup> Metro, "Memoria Integrada 2022", at: [https://www.metro.cl/documentos/Memoria\\_Integrada\\_Metro\\_2022.pdf](https://www.metro.cl/documentos/Memoria_Integrada_Metro_2022.pdf)

<sup>26</sup> Metro, "Condigo de Conducta", (2021), at: [https://www.metro.cl/documentos/codigo\\_de\\_conducta\\_2021.pdf](https://www.metro.cl/documentos/codigo_de_conducta_2021.pdf)

<sup>27</sup> Metro, "Politica de Personas" (2023), at: [https://www.metro.cl/documentos/politica\\_de\\_personas\\_ago\\_2023.pdf](https://www.metro.cl/documentos/politica_de_personas_ago_2023.pdf)

<sup>28</sup> Metro, "Condigo de Conducta", (2021), at: [https://www.metro.cl/documentos/codigo\\_de\\_conducta\\_2021.pdf](https://www.metro.cl/documentos/codigo_de_conducta_2021.pdf)

<sup>29</sup> Metro, "Politica Sostenibilidad" (2022), at: [https://www.metro.cl/documentos/politica\\_sostenibilidad\\_2022.pdf](https://www.metro.cl/documentos/politica_sostenibilidad_2022.pdf)

<sup>30</sup> Metro, "Memoria Integrada 2022", at: [https://www.metro.cl/documentos/Memoria\\_Integrada\\_Metro\\_2022.pdf](https://www.metro.cl/documentos/Memoria_Integrada_Metro_2022.pdf)

<sup>31</sup> SLOCAT Partnership, "Transport, Climate and Sustainability Global Status Report, 3<sup>rd</sup> edition", (2023), at: <https://tcc-gsr.com/wp-content/uploads/2023/08/Chile.pdf>

<sup>32</sup> Ibid.

levels.<sup>33</sup> In support of its commitment to carbon neutrality, the Chilean government has taken several initiatives to reduce emissions, including specific initiatives targeting the transport sector. In 2021, the Chilean government launched a National Strategy for Sustainable Mobility (ENMS) which establishes a roadmap for sustainable mobility in the country.<sup>34</sup> The government has also set medium- and long-term targets for the electrification of private and public transport in Chile through the National Electromobility Strategy, introduced in 2021.<sup>35</sup> The strategy calls for 100% of sales of light, medium vehicles and public transport vehicles (buses, taxis and shared taxis) to be zero-emission vehicles by 2035, and 100% of sales of freight transport and intercity buses to be zero-emission vehicles by 2045.<sup>36</sup> Other initiatives taken by the Chilean government in support of sustainable transport include an electromobility bill that promotes investments in energy storage for electric vehicles and provides financial incentives for electric vehicles in the shape of road tax exemption for two years.<sup>37</sup> Chile’s Energy Efficiency Law of 2021 also establishes climate goals to help the country achieve carbon neutrality, including setting mandatory energy efficiency or fuel economy standards for new light-, medium- and heavy-duty vehicles, and regulating the interoperability of the EV charging system to facilitate the connection of electric vehicles to the charging network.<sup>38</sup>

Based on the above, Sustainalytics recognizes the importance of financing low-carbon passenger transport in Chile and its impact on reducing carbon emissions from the country’s transport sector. Sustainalytics is of the opinion that Metro’s financing of low-carbon transport projects is expected to contribute positively to Chile’s national commitments and its transition to a decarbonized economy.

**Alignment with/contribution to SDGs**

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Green Financing Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of

<sup>33</sup> UNFCCC, “Chile’s Nationally Determined Contribution – Update 2020”, at: [https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Chile%20First/Chile%27s\\_NDC\\_2020\\_english.pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Chile%20First/Chile%27s_NDC_2020_english.pdf)

<sup>34</sup> EuroClima, “Chile launches its National Strategy for Sustainable Mobility”, (2021), at: <https://www.euroclima.org/en/recent-events-urban/news-urban/1506-chile-launches-its-national-strategy-for-sustainable-mobility>

<sup>35</sup> Government of Chile, “National Electromobility Strategy Launch: Government announces that only electric vehicles will be sold in Chile by 2035”, (2021), at: <https://www.gob.cl/en/news/national-electromobility-strategy-launch-government-announces-only-electric-vehicles-will-be-sold-chile-2035/>

<sup>36</sup> Ibid.

<sup>37</sup> E. Russel, 2022, “Chile Passes Energy Storage, Electromobility Bill”, Argus Media, at: <https://www.argusmedia.com/es/news/2382343-chile-passes-energy-storage-electromobility-bill>

<sup>38</sup> S. Pettigrew, 2022, “Fuel economy standards and zero-emission vehicle targets in Chile”, International Council on Clean Transportation, at: <https://theicct.org/wp-content/uploads/2022/08/lat-am-lvs-hvs-chile-EN-aug22.pdf>

		freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Circular Economy Adapted Products, Production Technologies and Processes	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

## Conclusion

Metro has developed the Metro Green Financing Framework under which it may issue green bonds and obtain green loans, including senior unsecured notes, loans and commercial papers, and use the proceeds to finance or refinance projects that are intended to contribute to the decarbonization of Santiago’s public transportation sector. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Metro Green Financing Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for Metro to report on allocation and impact. Sustainalytics considers that the Metro Green Financing Framework is aligned with Metro's overall sustainability strategy and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9, 11, 12 and 13. Additionally, Sustainalytics considers that Metro has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Metro is well positioned to issue green bonds or obtain green loans, and that the Metro Green Financing Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.



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