

TITULO: Chile issues world's first sovereign sustainability-linked bonds				
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Chile issues world's first sovereign sustainability-linked bonds

Lily Squires
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Linklaters in New York and Morales & Besa in Santiago have helped the Republic of Chile become the world's first-ever nation to issue sustainability-linked bonds, raising US\$2 billion.

Cleary Gottlieb Steen & Hamilton LLP in New York and Buenos Aires and Garrigues (Chile) advised the underwriters.

The landmark issuance, which closed on 7 March, comes after the republic **published** its sustainability-linked framework at the end of February.

The notes have a 4.34% interest rate and are due in 2042.

As part of the transaction, the sovereign pledged to reduce its carbon dioxide emissions by more than 15% by 2030 based on 2018 levels. Chile also committed to producing half of its electricity from renewable sources by 2028 and 60% by 2032.

The debt's interest rate will increase by an undisclosed amount if Chile fails to meet the goals.

The first-of-its-kind transaction took place amid Russia's invasion of Ukraine, which has caused volatility on the financial markets worldwide, indicating investors' confidence in the Chilean market and economy. It also took place less than a week before President-elect Gabriel Boric takes office.

Chile is the biggest issuer of sustainable bonds in Latin America in terms of the amount raised, ahead of Mexico, Peru and Brazilian paper giant Suzano. The republic has already issued sustainable notes once this year, **raising** US\$4 billion in January. The sovereign **offered** its first-ever sustainable bonds back in April 2021, worth US\$1.5 billion.

The Andean country has also issued social bonds on numerous occasions, most recently in December when it **raised** US\$1.3 billion to support national recovery after the covid-19 pandemic. Linklaters, Cleary, Morales & Besa and Garrigues advised on all those deals.

Sustainability-linked offerings have become popular among Latin American issuers and the use of the instrument saw a massive rise worldwide during 2021, when global sustainability-linked bond transactions reached a combined value of US\$110 billion. That compares to US\$11 billion in the year prior.

So far in 2022, several Latin American companies have raised funds through sustainability-linked bond issuances. Last month, Brazilian pharmaceutical company Eurofarma Laboratorios **issued** 1 billion reais (US\$194 million) worth of sustainability-linked notes, while the Central America Bottling Corporation (CBC) **made** a US\$1.1 billion issuance. In January, Brazilian media group Globo **raised** US\$400 million in its inaugural sustainability-linked offering.

Counsel to the Republic of Chile

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