

INDEPENDENT LIMITED ASSURANCE REPORT

- ▶ **Banco Popular Dominicano**
- ▶ **Santo Domingo, Dominican Republic.**
- ▶ **August 2023**



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▶ **Verification details**

TYPE OF ENGAGEMENT: ASSURANCE ENGAGEMENT
 SOLAR AND WIND SECTOR CRITERIA OF THE CLIMATE BONDS INITIATIVE
 PERIOD ENGAGEMENT WAS CARRIED OUT: August 2023.
 APPROVED VERIFIER: PACIFIC CORPORATE SUSTAINABILITY – PACIFIC CREDIT RATING GROUP
 PRE-ISSUANCE ENGAGEMENT LEADER: DIANA VIA, DVIA@PCSLATAM.COM.



1. Introduction

This is an independent pre-issuance assurance report of the proposed US Dollar denominated securities aggregating up to RD\$ 2,500,000,000.00¹ (Green Framework) by BANCO POPULAR DOMINICANO (BPD), located in Av. F. Kennedy N°20 corner Av. Maximo Gomez, Popular Tower, Santo Domingo City, Dominican Republic (“Issuer”) in accordance with the pre-issuance requirements of “Limited Assurance” under Climate Bonds Standard Version 3.0.

2. Assurance Scope

The objective of this assurance engagement is to obtain a Limited Assurance level of the internal procedures generated by BPD to comply with the requirements of The Green Bonds Principles published by International Capital Market Association, the Climate Bonds Standard Version 3.0 and the Sector Criteria for Solar and Wind Energy projects published by Climate Bonds Initiative. The following principles have been included in the assessment:

1. Use of Proceeds.
2. Process for Project Evaluation and Selection.
3. Management of Proceeds.
4. Reporting.

3. Performed Procedures

Procedures undertaken for this verification included interviews with key staff and reviews of internal and public documents have been carried on the following aspects:

- PCS’s review included an examination of the relevant procedures, policies, and processes, as well as verification of the data provided by the issuer.
- The issuer provided an overview of the prospective nominated projects and the relevant processes and documentation regarding the proceeds (e.g., use of proceeds, management of proceeds) to PCS.
- The issuer filled in a questionnaire that covers all criteria of the Climate Bonds Standard V.3.
- The issuer provided background documents that elaborate further on the information mentioned in the questionnaire.
- Using the questionnaire and background documents, PCS carried out an assessment of the CBI criteria. In case any answers were unclear, PCS contacted the issuer for more details and clarification.

4. Conclusion

Based on the limited assurance procedures conducted and evidence obtained, PCS states the following conclusion about BPD Green Bond in relation to the wind and solar energy loan credit operations in Dominican Republic: Nothing has come to our attention that causes PCS to believe that BPD, in terms of use of proceeds, process or evaluation and selection, internal processes and controls for the management of proceeds and reporting prior to issuance, does not meet the requirements of The Green Bond Principles, the Climate Bonds Standard Version 3.0, published by Climate Bonds Initiative.

5. Limitations of Assurance Engagement

This assurance engagement was limited to the Pre-Issuance of BPD; therefore, our procedures did not constitute an examination or evaluation of the following:

- Data and information beyond the defined reporting boundary and period.
- Credit rating and financial performance and of the prospective issuer.

¹ The Issuance is in Dominican pesos that at the exchange rate of July 14th, 2023 is RD\$ 56.20 x US\$1.00 is US\$44,483,986.

- Environmental, social, or governance impact of the proposed projects/investments, except to the extent required for compliance with Climate Bonds Initiative Version 3.0.

6. Independence and Quality Control

As an approved verifier by the Climate Bonds Initiative, PCS ensures that the results of the independent Pre-Issuance Verification Report are of the highest quality and reflect an impartial review process of Climate Bonds Standards Version 3.0.

PCS carried out Limited Assurance procedures in accordance with the International Standard on Assurance Engagements (ISAE 3000) established by the International Auditing and Assurance Board (IAASB) of the International Federation of Accountants (IFAC).

PCS nor any member of the verifier team is involved in any way in the issuance or management of the Green Bond. PCS has applied internal procedures to confirm no conflicts of interest for this verification engagement.

7. Issuers' Responsibility

BPD was responsible for providing information and preparing the Green Bond Framework relating to:

- The details concerning the selection process for prospective nominated projects.
- The details of prospective nominated projects and methodology applied.
- The management systems for internal processes and controls for prospective nominated projects.
- The details of commitments for reporting prior to issuance, including investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements.

8. Verifier's Responsibility

The work undertaken by PCS as part of this Limited Assurance Engagement of Climate Securities Certification Pre-Issuance Requirements included the assessment of the following:

- Conformance of BPD Green Bond Framework with the Climate Bonds Standard Version 3.0.
- Conformance with the Technical Criteria on Solar and Wind Energy.
- Conformance with the Internal Processes & Controls requirements.
- Conformance with Reporting Prior to Issuance requirements.



Diana Via Aronez

Head of Sustainability of Pacific Corporate Sustainability (PCS)
Pacific Credit Rating Group

Annex A: List of Nominated Projects & Assets

The proceeds are used to finance or refinancing and meeting expenses of capital expenditures of projects related to the solar and wind energy sector criteria.

The Commercial Business Manager, together with the Agency Service Department and the Investment Banking Business Manager, will create a positive list of credits that can be financed or refinanced with the resources available from the green issuance, according to the criteria of eligibility established in section III of the Green Framework. As of the date of preparation of the Green Bond Framework, the proportion of use of funds would be 60% dedicated to financing projects and 40% to refinancing projects.

Tabla 1: Criteria of Nominated Projects and Assets

Climate Bonds Initiative Taxonomy	Asset type	Asset specifics	Environmental objective	Screening indicator	KPI ²
Solar sector criteria	Generation facilities (power & heat)	Photovoltaic generation facilities (onshore)	Promote the diversification of the electricity generation park, with emphasis on the exploitation of renewable sources with less environmental impact.	Facilities shall have no more than 15% of electricity generated from non-renewable sources	<ul style="list-style-type: none"> Reduction of greenhouse gas emissions (CO2 or carbon dioxide). Reduction of fossil fuel consumption
Wind Sector Criteria	Generation facilities (power & heat)	Onshore wind farms			

Banco Popular will follow up on current and/or new credits the compliance with the eligibility criteria defined in this Green Framework, the environmental and social risk management system (SARAS), in addition to any other complementary that complements the process for the identification and monitoring of credits that meet the eligibility criteria under the Popular Green Framework.

² For example, not limited to, these key performance indicators

Annex B: Climate Bonds Standard Version 3.0 Pre-Issuance Certification Checklist

Item	Section	Clause	Assurance procedures	Compliance
1	USE OF PROCEEDS	1.1	The Issuer defined the criteria for selecting prospective projects and will present the list of nominated projects within the deadline they have estimated in their Green Bond Framework, within six months of placing each issue within the broadcast schedule. According to the Green Bond Framework, the net proceeds of the bond will be used for financing and refinancing Wind and Solar Energy projects, establishing a distribution of 60% for financing and 40% for refinancing projects. The Nominated Projects & Assets conform to the Eligible Sector Criteria of Wind and Solar generation facilities.	Meets
		1.2.	BDP confirmed that the foreseen net income of the issuance will not be greater than the total exposure of the issuer's investment to the proposed projects and Nominated Assets.	Meets
		1.3	Nominated Projects and Assets will not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans, or other labelled instruments.	Meets
		1.3.1		
		1.3.2		

Item	Section	Clause	Assurance procedures	Compliance
2	PROCESS FOR EVALUATION AND SELECTION OF PROJECTS AND ASSETS	2.1	The Issuer has a decision-making process that will be used to determine the eligibility of prospective projects and assets associated with this issuance based on environmental objectives and criteria, and compliant with relevant sector eligibility criteria of the Climate Bond Standards.	Meets
		2.1.1	The net proceeds of this public offering of BDP Green Bonds will be used to finance or refinance, in whole or in part, past, present, and future green projects that promote the transition to a low-carbon economy.	Meets
		2.1.2	This issuance contributes to the National Development Strategy Law No. 1-12 that proposes as a vision to 2030: that the Dominican Republic be a prosperous country that manages and takes advantage of its resources to develop in an innovative, sustainable way, inserting itself competitively in the global economy.	Meets
		2.1.3	Grupo Popular has established in its "Sustainable Vision", five commitments to 2030 in terms of sustainability, aligned with the 2030 Agenda, the Paris Climate Agreement, and the National Adaptation Plan for Climate Change in the Dominican Republic 2015-2030 PNACC. Within the framework of these commitments, BPD offers a catalogue of solutions and a portfolio of financial instruments that promote the sustainability strategies of its business clients. This commitment of BDP	Meets

			has materialized in the development of green credit portfolios under this issuance.	
		2.1.4	Processes to determine whether prospective Nominated Projects and Assets meet the eligibility requirements specified in Part C of the CBI Standards v.3.0. are in place. Once the cases have been identified, the corporate documentation file according to the guidelines established in the Regulation of Asset Valuation (REA), will be presented to the corresponding Credit Committee. Two members of Grupo Popular's Sustainability and Reputation Committee will identify and follow up on current credits and / or new systems that meet the eligibility criteria defined in this Green Bond Framework, the environmental and social risk management (SARAS), in addition to any other complementary process to identify and monitor credits that meet the eligibility criteria under the Green Bond Framework.	Meets
		2.2	The issuer includes aspects of the decision-making process as described in clauses 2.2.1, 2.2.2 and 2.2.3.	Meets
		2.2.1	BPD has established an Internal Sustainability and Reputation Committee that will ensure that the credits financed or refinanced with the available resources of the green issuance maintain the eligibility criteria, in addition to compliance with all the corresponding legal and regulatory requirements. The issuer will apply environmental, social, and governance criteria relying on the UNEP-FI Impact Analysis (IA) methodology.	Meets
		2.2.2	BPD establishes its Environmental Policy in accordance with the provisions of Law No. 64-00 on the Environment and Natural Resources, aiming to contribute to the conservation, protection, improvement, and restoration of the environment. The policy applies to all guidelines governing the granting of commercial credits, being exempt from the environmental study loan applications for working capital of already established companies. The Credit Analysis Division determines the type of environmental impact assessment according to the regulations established in the Law 64-00, which are classified into three categories according to the impact of the project on the environment.	Meets
		2.2.3	The issuer will assess that all proposed Projects and Nominee Assets meet the documented objectives set out in Clause 2.1.1 and are likely to meet the relevant eligibility requirements under Part C of the CBI.	Meets

Item	Section	Clause	Assurance procedures	Compliance
3	MANAGEMENT OF PROCEEDS	3.1	The net proceeds will be appropriately tracked by BPD and documented (see points 3.1.1, 3.1.2, and 3.1.3).	Meets
		3.1.1	Net Bond Proceeds may be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate and documented manner.	Meets
		3.1.2	The balance of Net Unallocated Revenue may be managed in accordance with the requirements of Clause 7.3.	Meets

			The pending allocation of Eligible Projects, or unallocated resources, will be held in cash (according to the accounts and sub-accounts designated in the Accounting Manual for Supervised Entities of the Superintendency of Banks of the Dominican Republic, such as accounts 111, 112, 113) or in short-term investments, in investment-grade risk rated counterparties with low-risk cash management by the treasury of Banco Popular Dominicano. During the term of the green bonds, the nominal and net profits of the operation; that is, the funds invested, and interest generated will be used to finance eligible green projects included in the Portfolio of Eligible Green Projects or to refinance existing transactions.	
		3.1.3	The issuer will maintain a process to manage and account for the funding of Projects and Assets and provide an estimation of the portion of Net Proceeds that are used for funding and refinancing.	Meets

Item	Section	Clause	Assurance procedures	Compliance
4	REPORTING PRIOR TO ISSUANCE	4.1	BDP Green Bond Framework will be found here: www.popularenlinea.com	Meets
		4.1.1	The issuer will base its management system on the ICMA Green Bond Principles and the Climate Bonds Standard version 3.0.	Meets
		4.1.2	PCS confirms that the BDP Green Bond Framework includes a summary of the expected use of proceeds' contribution to achieve the goals of the Paris Agreement.	Meets
		4.1.3	PCS confirms that the issuer includes a descriptive decision-making process to ensure a diligent project evaluation and selection process as stated in 2.1.	Meets
		4.1.4	PCS confirms that the BPD Green Bond Framework contains a description of the relevant Sector Eligibility Criteria and relevant impact metrics that BPD intends to report on.	Meets
		4.1.5	PCS confirms that the BPD Green Bond Framework clearly states the approach that will be used to manage unallocated net proceeds.	Meets
		4.1.6	The Issuer will prepare a report with the detail of the total allocation of proceeds, the use of revenues and the expected contribution of relevant sectors or subsectors to the rapid transition required to achieve the goals of the Paris Climate Agreement (including a breakdown by project category and revenue allocation). The company will annually publish a set of sustainability indicators to inform about the project's contributions to environmental development. The indicators are described in the Green Bond Framework.	Meets
		4.1.7	There are no limits specified on the amount of information that can be submitted for the nominated project.	Meets

Item	Section	Clause	Assurance procedures	Compliance
		4.1.8	According to the Green Bond Framework, the net proceeds will be used to finance and refinance loans for solar and wind energy. Both the percentage and the term of any refinancing will be established on a case-by-case basis, according to the bank's credit policies and best practices in the matter.	Meets
		4.2	BPD Disclosure Documentation meets the criteria defined by the CBI Standards Version 3.0.	Meets
		4.2.1	The Issuer includes the criteria for selecting prospective projects that it intends to associate and that have been evaluated as Eligible in the Green Bond Framework.	Meets
		4.2.2	Any balance of issuance proceeds not allocated to finance eligible loans will be held in cash or short-term investments, in investment-grade rated counterparties with low-risk cash management by the BPD treasury team.	Meets
		4.2.3	The BPD Green Bond Framework is backed by two external reviews to ensure maximum transparency and certainty for investors: - Verification by PCS and the CBI Certification.	Meets
		4.2.4	BPD will engage with an approved verifier to conduct post-issuance assurance of the updated reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding.	Meets
		4.2.5	BPD confirmed that the prospectus will include a CBI Disclaimer provided for in the Certification Agreement.	Meets



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About Pacific Corporate Sustainability (PCS)

PCS has the objective of integrating sustainability standards into business strategies, based on global trends with potential investors and society. PCS belongs to Pacific Credit Rating Group (PCR), the only rating group with a real and direct international presence in Latin America, with 27 years of experience providing quality service in the region.

The PCR Group is a signatory member of the Principles of Responsible Investment promoted by the United Nations, being the only Latin American rating group that is part of the Financial Rating Agencies Initiative at a global level. It has also been recognized as a supporting institution for the Financial Initiative of the United Nations Environment Program (UNEP FI) to promote sustainable finance.

PCR Group has been certified by the Climate Bonds Standard Board as an approved verifier organization since March 2020. This accreditation has reinforced its commitment to promote sustainable finance in the region, highlighting the generation of awareness and benchmarking of good practices.

