

INDEPENDENT LIMITED ASSURANCE REPORT



PANASOLAR

Panama city, Panama.

April 2020.

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► Verification details

TYPE OF ENGAGEMENT: ASSURANCE ENGAGEMENT
ELECTRICITY GENERATION FACILITIES CRITERIA OF THE CLIMATE BONDS STANDARD
PERIOD ENGAGEMENT WAS CARRIED OUT: ABRIL 2020.
APPROVED VERIFIER: PACIFIC CORPORATE SUSTAINABILITY – PACIFIC CREDIT RATING GROUP
PRE-ISSUANCE ENGAGEMENT LEADER: SANDRA CARRILLO SCARRILLO@PCSLATAM.COM.



1. Introduction

This is an independent pre-issuance assurance report of the proposed US Dollar denominated bonds aggregating up to US\$15,500,000.00 (“Green Bonds”) by Panasolar, Entrepiso 1 (EP1) Oficina 8 Avenida Samuel Lewis – Obarrio Panama City – Republic of Panamá (“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 Panasolar 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 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, under the following activities:
- The issuer provided an overview over the project nominated 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 the Green Bond of Panasolar in relation to the solar energy operations in Panama, much must be read in the subject matter and the limitations of our assurance engagement:

- Nothing has come to our attention that causes us to believe that the Panasolar Green Bond, 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 with the requirements of The Green Bond Principles, the Climate Bonds Standard Version 3 and the Sector Criteria for Solar v.2.1. published by Climate Bonds Initiative.

5. Limitations of Assurance Engagement

This assurance engagement was limited to the Pre-Issuance of the Panasolar's Green Bond; 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.
- 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 Green Bonds. PCS has applied internal procedures to confirm no conflicts of interest for this verification engagement.

7. Issuers' Responsibility

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

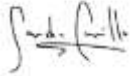
- The details concerning the selection process for the nominated projects.
- The details of the nominated projects and methodology applied.
- The management systems for internal processes and controls for nominated projects.
- The details of commitments for reporting prior to issuance, including investment 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 Bonds Certification Pre-Issuance Requirements included the assessment of the following:

- Conformance of Panasolar's green bond with the Climate Bonds Standard Version 3.0.

- Conformance with the Technical Criteria on Solar Energy.
- Conformance with the Internal Processes & Controls requirements.
- Conformance with Reporting Prior to Issuance requirements.



Sandra Carrillo

General Manager of Pacific Corporate Sustainability (PCS)

Pacific Credit Rating Group

Annex A: List of Nominated Projects & Assets

The proceeds of Green Bond are used for refinancing of existing long-term debt of the Issuer pertaining to “9.9 MW photovoltaic (PV) power plant with high-voltage three kilometers transmission line (34.5Kv) and other interconnection facilities. The project is in Aguadulce district, province of Coclé, Republic of Panama” and meeting expenses towards the capital expenditure of the project including related and ancillary expenditures.

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

Item	Section	Clause	Assurance procedures	Compliance
1	USE OF PROCEEDS	1.1	<p>According to the Green Bond Framework, the net proceeds of Green Bond will be used for refinancing of existing long-term debt of the Issuer pertaining to 9.9 MW photovoltaic (PV) power plant with high-voltage three kilometers transmission line (34.5Kv) and other interconnection facilities. The project is in Aguadulce district, province of Coclé, Republic of Panamá, and meeting expenses towards the capital expenditure of the project including related and ancillary expenditures.</p> <p>The Nominated Projects & Assets conform to Eligible Electricity and Heating Production Project for Photovoltaic generation facilities.</p>	Meets
		1.2.	<p>Panasolar confirmed that the foreseen net income of the bond will not be greater than the total exposure of the issuer's investment to the proposed projects and Nominated Assets.</p> <p>Resources obtained from this issuance will be assigned to the refinancing structure of the plant.</p>	Meets
		1.3	<p>Panasolar confirmed that the project has not been nominated for other climate finance tools: certificates, climate loans, certified climate debt instruments, green bonds, green loans, or other labeled instruments (such as social bonds or SDG bonds).</p>	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	Panasolar has established a documented process to nominate eligible projects and assets associated with this Bond based on environmental objectives and criteria, and compliant with relevant sector eligibility criteria of the Climate Bond Standards.	Meets
		2.1.1	Panasolar exhibits a strong commitment to mitigate climate change and achieve the Sustainable Development Goals. The project will result in emissions reductions of 10,322 tCO2e on average per year.	Meets
		2.1.2	Panasolar operations uses renewable solar energy, replacing other non-renewable energy sources in the Panamanian electricity grid, therefore contributing to diversifying the country energy matrix so it can advance on its objectives of greater access to energy efficiency, energy security and decarbonization of the system as central aspects of the Panamanian climate strategy. This issuance contributes to the Strategic Plan 2015-2020 that aims to generate electricity in 2050 by 70% from renewable sources.	Meets
		2.1.3	Panasolar maintains its commitment to climate change mitigation and sustainable development goals. The Issuer, Panasolar intends to use 100% of the proceeds for refinance the eligible Green Project (Solar and associated transmission infrastructure).	Meets
		2.1.4	Processes to determine whether the Nominate Projects and Assets meet the eligibility requirements specified in the Part C of the CBI Standards v.3. are in place.	Meets
		2.2	Panasolar aspects of the decision-making process are described in 2.2.1, 2.2.2 and 2.2.3.	
		2.2.1	To ensure a diligent project evaluation and selection process, Panasolar has identified renewable energy project criteria and compliance with good potential environmental and social risks associated with the project. Selection criteria is linked to a commitment, means of verification and Sustainable Development Goals (SDGs).	Meets
		2.2.2	Panasolar generates electrical energy under the highest environmental and social quality standards, holds certifications that guarantee the fight against climate change, through Gold Standard certifications and certified by International ERM-CVS. Additionally, it complies with the standards of the IFC (International Financial Corporation), the World Bank and the Equator Principles.	Meets
		2.2.3	Panasolar has assessed that all proposed Nominated Projects & Assets meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard, as PCS has put in place a diligent project evaluation and selection process. (See 2.2.1).	Meets

Item	Section	Clause	Assurance procedures	Compliance
		3.1	The net proceeds are appropriately tracked by Panasolar and documented (see points 3.1.1., 3.1.2., and 3.1.3.).	Meets

		3.1.1	The net proceeds will be appropriately tracked by Panasolar and documented.	Meets
		3.1.2	Unallocated Net Proceeds will be managed in compliance with the requirements in Clause 7.3. of CBI standards: Unallocated proceeds will be held in any form of cash, bank deposit or other form of available current financial asset.	Meets
		3.1.3	Panasolar has an earmarking process reflected in the management of a project list, which will be published in the annual Green Bond Impact Reporting.	Meets


Item	Section	Clause	Assurance procedures	Compliance
		4.1	Panasolar Green Bond Framework will be found here: https://www.panasolargroup.com/	Meets
		4.1.1	<ul style="list-style-type: none"> a. The issuer will base its management system on the ICMA (International Capital Market Association) green bond principles and the Climate Bonds Standard version 3.0 standards b. Panasolar holds a Gold Standard certification for the positive impact of reducing greenhouse gases. c. Panasolar complies with IFC (International Financial Corporation) standards linked to social and environmental sustainability, as well as World Bank standards and Principles of Ecuador. 	Meets
		4.1.2	PCS confirms that Panasolar’s 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 Panasolar Green Bond Framework 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 Panasolar Green Bond Framework includes a description of the relevant Sector Eligibility Criteria, as well as relevant impact metrics, on which Panasolar intends to report on.	Meets
		4.1.5	PCS confirms that Panasolar’s Green Bond Framework clearly states the approach used to managed unallocated net proceeds.	Meets
		4.1.6	For each bond and prior to issuance, Panasolar will prepare a report with the detail of the total allocation of proceeds (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 bonds project.	Meets
		4.1.8	According to the informative prospectus, the net proceeds will be invested during the term of the green bond issuance and will be used to refinance current debt, redeem preferred shares, finance project costs and working capital.	Meets
		4.2	Panasolar Disclosure Documentation meets the criteria defined by the CBI Standards Version 3.	Meets

Item	Section	Clause	Assurance procedures	Compliance
		4.2.1	Panasolar indicated that it seeks to promote sustainable development and Investments in non-fossil renewable energy sources projects, such as: Biorefinery, solar project - phase II.	Meets
		4.2.2	Panasolar’s Prospectus will state the intended types of temporary investment instruments for the management of unallocated Net Proceeds.	Meets
		4.2.3	Panasolar’s Prospectus will state that issuances are backed by two layers of external reviews to ensure maximum transparency and certainty for investors: - Layer one, Second Party Opinion by PCS - Layer two, CBI Verification	Meets
		4.2.4	Panasolar’s Reports will state that Panasolar will reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding and will be available onto their website.	Meets
		4.2.5	Panasolar confirmed that the prospectus or final terms will include a CBI disclaimer provided in the Certification Agreement.	Meets

Annex C: Detailed findings on solar power

The emission prospectus is aligned to the taxonomy of renewable¹ energy projects that includes the construction, operation, and maintenance of solar projects, as detailed in Table 1:

Table 1. Eligible Project Categories-Electricity and Heating Production- Climate Bonds Taxonomy 2019 (CBT).

TYPE OF ASSET	ASSET DETAILS	EVALUATION INDICATOR	2 DEGREE COMPLIANT	CBI CERTIFIABLE
<ul style="list-style-type: none"> Electricity generation facilities (heat and energy) 	<ul style="list-style-type: none"> Photovoltaic generation facilities (on shore) 	The facilities must have exceed 15% of the electricity generated from non-renewable sources		X
	<ul style="list-style-type: none"> Solar energy installations (concentrated) 			X

 The asset is considered compatible if meets the evaluation indicator.

The project complies with the requirements of the Green Bond Principles for solar generation facilities (energy and heating), considering that the facilities have 100% of the electricity generated from renewable sources.²

¹ The Climate Bonds Initiative (CBI) Taxonomy identifies the assets and projects needed to provide a low-carbon economy and provides assessment criteria for greenhouse gas (GHG) emissions that are consistent with the global warming target of 2 degrees set by the Paris Agreement at the XXI Conference on Climate Change (COP 21). It has been developed based on the latest climate science, including research by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), and has included the contribution of hundreds of technical experts from around the world. It can be used by any entity seeking to identify which assets and activities, and associated financial instruments, are consistent with a 2-degree path.

² Certificación Gold Standard Validation Report, por el cual se ha verificado que ha verificado que el total instalado la capacidad de la actividad del proyecto será de 9,9 MW, no implica ningún uso de combustible fósil.



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The client is fully accountable for certifying and safeguarding its commitments' fulfillment, execution, and monitoring.

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.

