

INDEPENDENT LIMITED ASSURANCE REPORT

- ▶ **Parque Eólico Toabré**
- ▶ **Panama City, Panama**
- ▶ **July 2023**



TABLE OF CONTENTS

1. Introduction
2. Assurance Scope
3. Performed Procedures
4. Conclusion
5. Limitations of Assurance Engagement
6. Independence and Quality Control
7. Annex A: List of Nominated Projects & Assets
8. Annex B: Climate Bonds Standard Version 3.0 Pre-Issuance

▶ **Verification details**

TYPE OF ENGAGEMENT: ASSURANCE ENGAGEMENT
WIND ENERGY FACILITIES CRITERIA OF THE CLIMATE BONDS STANDARD
PERIOD ENGAGEMENT WAS CARRIED OUT: JULY 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 bonds aggregating up to US\$ 200,000,000.00 (“Green Bond”) by PARQUE EOLICO TOABRE, S.A. (PET), located in corregimiento de Toabré, Penonome District, Coclé Province, Panama (“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 PET 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 Wind 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 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 Version 3.0.
- 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 PET’s Green Bond in relation to the wind energy operations in Panama, and the limitations of our assurance engagement:

Nothing has come to our attention that causes us to believe that PET’s 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 the requirements of The Green Bond Principles, the Climate Bonds Standard Version 3.0 and the Wind Sector Eligibility Criteria (Version 1.3) published by Climate Bonds Initiative.

5. Limitations of Assurance Engagement

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

7. Issuers' Responsibility

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

- The details concerning the selection process for the nominated project.
- The details of the nominated project and methodology applied.
- The management systems for internal process and control for nominated project.
- 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 PET's Green Bond with the Climate Bonds Standard Version 3.0.
- Conformance with the Technical Criteria on Wind Energy.
- Conformance with the Internal Processes & Controls requirements.
- Conformance with Reporting Prior to Issuance requirements.



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Pacific Credit Rating Group

Annex A: List of Nominated Projects & Assets

The proceeds of the Green Bond will be used for refinancing existing debt of the Issuer and finance the future stages of the project development. The Toabré Wind Farm (PET) is the first wind energy project in the mountains of Panama and the second of its kind in the country. It is located in the corregimiento of Toabré, district of Penonomé, province of Coclé and will be executed in three phases with a total of 110 MW of installed power. The project has a definitive license for the operation, maintenance, generation, and sale of electricity with a capacity of 110 MW of which 66MW have been installed generating a total of 240 GWh / year. PET plans to develop the following phases II and III to reach 110 MW of licensed capacity, which contributes to SDGs 7, 9 and 13, as well as to Panama's energy transition. In 2022 the project contributed to the reduction of 43,824 TonCO₂eq.

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

Item	Section	Clause	Assurance procedures	Compliance
1	USE OF PROCEEDS	1.1	According to PET's Green Bond Framework, the net proceeds will be used for refinancing an existing syndicated loan agreement for the construction and commissioning of Toabré Wind Farm Project and finance the development and start-up of the following phases of the wind project, established in the definitive generation license. The Nominated Project & Asset conform to Eligible Sector Criteria of Wind generation facilities. The issuance is up to US\$ 200,000,000.00 and will be distributed as follows: 62% for refinancing and 38% to financing the future stages of the project. This distribution will be showed within annual reports.	Meets
		1.2.	PET 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	PET 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).	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	PET has established a documented process to nominate eligible 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 objective of the issuance of PET's Green Bonds is to contribute to the generation of renewable energy and thus promote Panama's energy transition. PET exhibits a strong commitment to mitigate climate change and achieve the Sustainable Development Goals. During its first year the project resulted in emissions reductions of at least 43,824 tCO ₂ eq.	Meets
		2.1.2	PET operations generate a wind energy, replacing other non-renewable energy sources in the Panama electricity grid, therefore	Meets

			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 Panama climate strategy. This issuance contributes to the Energetic Plan of The Panama Government 2015-2050.	
		2.1.3	PET maintains its commitment to climate change mitigation and sustainable development goals. The Issuer, PET intends to use 100% of the proceeds for financing and refinance eligible Green Project.	Meets
		2.1.4	Processes to determine whether the Nominate Projects and Assets meet the eligibility requirements specified in Part C of the CBI Standards v.3. are in place. The project is focused on ensuring compliance with the social and environmental goals of the project, including compliance with the Equator Principles that establish guidelines for the management of environmental and social risks. The Nominated Projects & Assets fall into the “Wind” as included in the Climate Bonds Taxonomy and meet the specific eligibility requirements provided in the Wind Sector Eligibility Criteria document.	Meets
		2.2	PET 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, PET has identified renewable energy project criteria and potential environmental and social risks associated with the project.	Meets
		2.2.2	The projects do not have any green standards or certifications.	Does not Meet
		2.2.3	PET has assessed that the proposed Nominated Project & Asset 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	MANAGEMENT OF PROCEEDS	3.1	The net proceeds are appropriately tracked by PET 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 PET and documented. A Guarantee Trust has been established with the objective of guaranteeing the Series A and any other series that is thus determined of the Bond Program. PET has appointed PRIVAL TRUST, S.A., to function as trustee for the purposes of administering the assets and rights contributed and that are transferred to the Trustee by the Issuer or by third parties, so that they are subject to the Public Offering of the Revolving Program of Corporate Green Bonds.	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 used for the development and start-up of the following phases of the Wind Project, established in the definitive generation license.	Meets
		3.1.3	PET has an earmarking process reflected in the management the nominated project, which will be published in the annual Green Bond Impact Reporting.	Meets

Item	Section	Clause	Assurance procedures	Compliance
4	REPORTING PRIOR TO ISSUANCE	4.1	PET Green Bond Framework will be found here: https://petoabre.com/	Meets
		4.1.1	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. Likewise, PET has certifications of emission reductions in a total of 43,824 tCo2e avoided in that period.	Meets
		4.1.2	PCS confirms that PET’s Green Bond Framework includes a summary of the expected use of proceeds’ contribution to achieve the Sustainable Development Goals (SDGs). The Green Bond will be allocated to cancel the entire Syndicated Loan Agreement used for the construction and commissioning of the Toabré Wind Farm Project and for the financing of future stages of development, located in Penonomé, province of Coclé, Panama. The eligible projects will increase in 110 MW the installed capacity of renewable energy in the Panamanian power mix and, consequently, the reduction of at least 43,824 TonCO2eq.	Meets
		4.1.3	PCS confirms that PET Green Bond Framework includes a descriptive decision-making process to ensure a diligent project evaluation and selection process as stated in 2.1. The selection process of eligible projects will fall on the management of the company and its Board of Directors. The company has functional support areas that are responsible for complying with the Environmental Management and Adaptation Programs and ensuring compliance with the Sustainable Development Goals (SDGs). The eligible projects will be those that generally contribute to the expansion of Panama's energy matrix through wind energy. The projects include Occupational Health and Risk Plans, Contingency and Emergency Plans and Traffic Management Programs, prepared based on the World Bank’s General Guidelines on Environment, Health and Safety. PET has explicit and relevant technical eligibility criteria for the type of eligible asset, such as the following: Monthly and annual environmental and social management reports based on international standards, such as the IFC Environmental and Social Sustainability Performance Standards.	Meets
		4.1.4	PCS confirms that PET’s Green Bond Framework includes a description of the relevant Sector Eligibility Criteria, as well as relevant impact metrics, on which PET intends to report on.	Meets
		4.1.5	PCS confirms that PET’s Green Bond Framework clearly states the approach used to managed unallocated net proceeds.	Meets
		4.1.6	PET will prepare a report with the details 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	The Green Bond Framework specifies that the bond will finance	Meets

Item	Section	Clause	Assurance procedures	Compliance
			and refinance the implementation and future stages of Toabré Wind Farm (PET). There are no limits specified on the amount of information that can be submitted for the nominated project.	
		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, finance project of the following phases of the wind project. The issuance will be distributed as follows: 62% for refinancing and 38% to financing the future stages of the project.	Meets
		4.2	PET Disclosure Documentation meets the criteria defined by the CBI Standards Version 3.	Meets
		4.2.1	PET indicated that it seeks to promote the establishment, acquisition, expansion and / or ongoing management of an onshore wind energy facility.	Meets
		4.2.2	PET's Prospectus will state the intended types of temporary investment instruments for the management of unallocated Net Proceeds, which will be used for the development and start-up of the following phases of the Project, established in the definitive generation license	Meets
		4.2.3	PET'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	PET's Reports will state that PET will reaffirm conformance with the Climate Bonds Standard while the Green Bond remains outstanding and will be available onto their website.	Meets
		4.2.5	PET confirmed that the prospectus or final terms will include a CBI disclaimer provided 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.

