GUIDE TO REPORTING AND VOLUNTARY DISCLOSURE OF ENVIRONMENTAL FACTORS , SOCIAL AND GOVERNMENT CORPORATE

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RECOGNITION

This Guide was developed by the consulting firm in finance sustainable, HPL, the Stock Market of Panama (BVP) and IDB-Invest in its Division of Environment, Social and Corporate Governance (SEG) directed by Gabriel Todt-Azevedo (SEG). The authors and contributors to this Guide were: Isabel Montojo (HPL), Kurt Vogt (HPL), Olga Cantillo (BVP) and Susana del Granado (IDB-Invest, SEG). Likewise, the Guide benefited from comments, reviews and discussions of the Guide Working Group, whose members are shown at the end of this document, to whom we thank your time and knowledge put into this effort that drives finances sustainable in Panama.

PREPARED BY:

DISCHARGE OF RESPONSIBILITY

relevant to particular circumstances.

FOREWORD BAG OF VALUES OF PANAMA, BVP

OLGA CANTILLO

VPE and General Manager, Bolsa of Panama Securities

L investors with a high commitment to an economy inclusive at constant Y pressure sustainable, this generating calls to action, more and more forceful, demanding to the companies in which they invest that incorporate, but above all act based on investment principles responsible, standards environmental, social and corporate governance (ESG), and the 17 Sustainable Development Goals of the ONU. Collaboration and consensus between responsible investors is so important, that their calls to action demand companies to act or, on the contrary, are face divestment or foreclosure.

In Panama, some companies have geared its efforts towards development sustainable, incorporating in its management identification of ESG risks, developing practices aimed at addressing the SDGs.

Despite these efforts, it is necessary accelerate the pace and incentivize companies Listed on the Panama Stock Exchange to manage and promote transparent disclosure that facilitate investors decision making responsible and impact investments, including environmental, social factors and corporate governance. It is because of that, one of the objectives of this Guide is to give know the best practices of the issuers and global standards for the elaboration of voluntary disclosure reports.

Likewise, the BVP has been the first exchange of Latin American and Caribbean securities in become a member of the Program Partners of the Climate Bonds Initiative and of the Sustainable Finance Working Group from Panama.

We thank IDB Invest for its constant interest and collaboration in the different initiatives to promote a market of sustainable Panamanian capital and, in special, for their support in the elaboration of this *Guide for Reporting and Disclosure ASG Factors Volunteer* , which promotes best practices and standards international for our market.

Stock exchanges, as a central point contact between issuers, investors and market intermediaries, we have been identified as important vectors in the transition to sustainable development. We facilitate investment in solutions climate, social and corporate governance making available to issuers a base of potential investors. In addition, We support these investors in carrying out responsible and impact investments.

In the Panama Stock Exchange we have a high commitment to promoting a sustainable Panamanian capital market and transparent. In 2018 we have reaffirmed this commitment to our adherence to the Sustainable Stock Exchanges Initiative of the United Nations (*UN SSE Initiative*), as signatories of the Principles for Empowerment of Covenant Women United Nations World Cup (WEP).

FOREWORD IDB INVEST

LUIZ GABRIEL TODT OF AZEVEDO

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IDB - Invest

integration from aspects

L environmental, social and government corporate (ASG) in the markets capital became a common goal in 2004 when the United Nations Secretary General, Kofi Annan, the report *Who Cares Wins* (who Interested Win), entrusted 18 intermediaries financial, outline recommendations for promote this integration. This initiative and others prompted a change in conception fiduciary duty, an orientation to short term and a maximizing interest returns for shareholders, at a long-term, generational orientation, comprehensive and inclusive that considers the interests of diverse groups of actors.

This common goal, in one world at a time more connected, it is compelling in the context current. The COVID-19 pandemic puts in evidence that the change in land use, the expansion / intensification of agriculture and wildlife trade / consumption are identified as the original causes of loss of biodiversity, deforestation and climate change. [1]

In the last two decades, the advances in dissemination of ESG issues. Of the 250 largest companies in the world 35% reported ESG issues in 1999, while 96% reported them in 2020 [2] . The importance of the disclosure of ESG aspects has been driven by both the public sector and by private. In Brazil, Peru and Paraguay, regulators require reporting include ESG factors [3] , considering climate risk. Recently, the Chilean Superintendency of Pensions incorporated risk inclusion guidelines climate and other ESG factors.

At IDB Invest we promote sustainability, transparency and broad access to information on all loans and sector initiatives, through a framework sustainability that includes our policy sustainability and access to information. On in 2019 we were the first development bank collaborate in the preparation of this Guide with the aim of contributing to the BVP become the sustainable finance *hub* of the region. HPL, finance consulting firm sustainable, supported the development of the Guide and designed a participatory process with main players in the capital market of Panama, which compiles and reflects the latest trends and advances in the dissemination of ESG aspects. Our intention is to support BVP in its objective of providing issuers of Panama of a clear and timely guideline by what, how, and what ESG aspects to report.

In these dark times of health crisis public and economic reconstruction, which will require the drive and commitment of the private company, the need for restore balance, with a long look term. The work of the Panama Stock Exchange to show its issuers that “whoever cares wins”, and you have our support.

from Latin America to join the Group Working Party on Financial Disclosure related to Climate (TCFD). In february 2021 IDB Invest issued a US $ 1 trillion bond following our sustainability framework debt whose report to investors includes detailed impact indicators.

In Panama, IDB Invest responded to the request for the Panama Stock Exchange (BVP) to

1. IPBES (2020) *Workshop Report on Biodiversity and Pandemics of the Intergovernmental Platform on Biodiversity and Ecosystem Services.* Online: https://ipbes.net/sites/default/files/2020-12/IPBES% 20Workshop% 20on% 20Biodiversity% 20and% 20 Pandemics% 20Report_0.pdf

2. KPMG. (2020). *The time has come: The KMG survey of sustainability Reporting 2020.* Online: https://tinyurl.com/4zhxxb6s

3. Frisari, G. *et. to the.* 2020. *Regulating climate related risk: a map of financial regulations and industry practices in LAC.*

Acronyms

ALC	Latin america and the caribbean
ASG	Environmental, social and corporate governance
IDB	Inter-American Development Bank
IDB Invest	Inter-American Investment Corporation
BVP	Panama Stock Exchange
CAPAMEC	Panamanian Chamber of Capital Markets
CBI	*Climate Bonds Initiative*
CDSB	*Climate Disclosure Standards Board*
CEO	*Chief Executive Officer*
COP	Communication of Progress
ETF	*Exchange Traded Fund*
GHG	Greenhouse gases
GIIN	*Global Impact Investing Network*
GLI	Investment with a gender perspective *Gender Lens Investing*
GRI	*Global Reporting Initiative*
HPL. LLC	Firm specialized in consulting in sustainable finance
IIRC	*International Integrated Reporting Council*
IFC	International Finance Corporation *International Finance Corporation*
IFRS	*International Financial Reporting Standards*
IOSCO	International Organization of Securities Commissions *International Organization of Securities Commission*

TO GO	*Integrated Reporting*
OECD	Organization for Economic Cooperation and Development *Organization for Economic Co-operation and Development*
SDG	Sustainable Development Goals
UN	United Nations
PRI	Principles of Responsible Investment *Principles for Responsible Investing*
SASB	*Sustainability Accounting Standards Board*
SBN	*Sustainable Banking Network*
SVS	Social, green and sustainable
TCFD	*Task Force on Climate-Related Financial Disclosures*
SUCH	Work absenteeism rate
TFA	Accident frequency rate
TIEP	Occupational disease incidence rate
TOP	Lost days rate
UNEP FI	Finance Initiative of the United Nations Environment Program Atmosphere *United Nations Environment Program Finance Initiative*
UNGC	United Nations Global Compact *United Nations Global Compact*
A SSE	United Nations Sustainable Stock Exchanges Initiative *United Nations Sustainable Stock Exchange*
WEPs	Principles for the Empowerment of Women *Women's Empowerment Principles*
WFE	*World Federation of Exchanges*

STRUCTURE FROM THE GUIDE

1. Introduction **Sustainability: concept and Benefits**	Introduction to the concepts of sustainability and ESG factors. Benefits of sustainability best practices and to report on progress towards goals and objectives set in the corporate strategy. Sustainability and reporting practices in Panama.
two. Implementation **Integrating the Sustainability: strategy and report**	Roadmap for integrating sustainability in business activity. Detailed explanation of how to carry out the process of preparing a report of disclosure of ESG factors. Tools that will help in the integration and disclosure of ESG factors.
3. Value of the information ASG for the investor **The role of investors**	Analysis of the incorporation of ESG factors in the investment strategies of investors in Panama. Responsible investment and the use of ESG information disclosed by companies.
ANNEXES **Resources Additional**	Resources and information to support integration of sustainability in your strategy and preparation of ESG disclosure reports.

01 INTRODUCTION

1.1. The need for disclosure voluntary ESG factors

The analysis of the financial statements has been the main tool for investors to evaluate performance, observe risk credit and build financial models to estimate the value of companies. Therefore, the timely publication of financial information standardized has been a necessary condition for globalization and the smooth running of capital markets.

Recently, the Business they have experienced a change in perspective due to the growing importance of environmental, social and governance factors corporate, known as ESG factors.

Environmental risks and opportunities (pollution, biodiversity and change climate), **social** (human rights, labor, gender equality, etc.) and **corporate governance** (transparency, controls internal and composition of boards of directors, among others), arise as an impulse for the comprehensive management of companies.

However, the management of ESG factors requires Investors to analyze non-information financial, with the same rigor as the information financial Given its relevance, the demand for disclosure of ESG factors and investors need to access this information, expected to be in formats standardized and published regularly, in the same way that investors get the financial information. About, and as evidenced in this Guide, the disclosure of ESG factors is in the process of evolution towards standardization.

Stock exchanges have boosted the exchange of relevant information between the actors of the capital markets, for what your role is key in **promoting sound corporate governance practices and implementation / disclosure of ESG factors from its issuers.**

According to the Stock Market Initiative Sustainable (UN SSE), which has 100 affiliated exchanges in the world, 56 exchanges have published guides to support to its issuers in the preparation of reports disclosure of ESG factors. [4] In America Latin America and the Caribbean, as of February 2021, the of values that have generated this type of guides are: B3 (Brazil) [5] , the Stock Exchange

4. UN SSE (2021). *Stock Exchange Database* . Online: https://tinyurl.com/yh92d4ha (accessed 2/17/21).

5. Brazil Bolsa Balcão, B3 SA

Santiago (Chile), the Stock Exchange of Colombia, the National Stock Exchange (Costa Rica), the Mexican Stock Exchange, and the Stock Exchange de Valores de Lima (Peru).

With such antecedents, the objective of this Guide is to assist Panamanian companies in the preparation of disclosure reports ESG factors, presenting the tools existing, explaining what they consist of and giving examples and recommendations on how they can be used. Similarly, the Guide aims to inform the reader about the latest trends and developments in the context of sustainability reports.

1.2. About this Guide

The Panama Stock Exchange (BVP) has promoted the development of this Guide with the intention to support companies in the development and implementation of their sustainability strategies and subsequent communication of its environmental performance, social and corporate governance.

Thus, the BVP is positioned as the nucleus of negotiation between issuers and investors local and foreign, providing actors capital market a mechanism centralized trading system under the principles of transparency, efficiency and equity. Aware of this, the BVP leads a series of initiatives that aim to promote sustainability among stakeholders financial market. Below, Figure 1 details some sustainability initiatives promoted by the Panama Stock Exchange.

For the preparation of this Guide, an investigation of reporting practices from a sample of 16 institutions that are stations through the BVP: four issuers of thematic bonds, ten frequent issuers fixed income, an equity issuer and a potential emitter. In this sample, the level of reporting practices is similar to what was found by the KPMG survey (see section 1.4 of this document), that is, 56% of issuers They have published some kind of ESG report.

This Guide facilitates market growth sustainable finance and promotes transparency on sustainability issues in the capital markets. With more than 219 issuers operating through the BVP, this Guide seeks:

1 **Support companies to simplify and standardize the development process** of sustainability **strategies**

2 **Guide issuers in the process of voluntary reporting disclosure of ESG factors**

3 Contribute to the **implementation and dissemination of best practices and standards global sustainability corporate** , and encourage issuers to follow the.

This Guide is aimed at issuing entities debt and equity listed in the BVP, and to Panamanian, regional and foreigners who participate or wish to participate in the Panama stock market.

Regarding the elaboration methodology of this Guide, with the support of IDB Invest, HPL ran an investigation and a process participatory with the main actors of the capital market.

Figure 1
Panama. Chronology of the initiatives led by the BVP

09 / 2018

October / 2018

01 / 2019

Principles of
Empowerment
of Women - UN

05 / 2019

09 / 2019

Stock Exchange
Sustainable -
Official Supporters

09 / 2019

06 / 2019

October / 2019

Launch
by SVS Guide

November / 2019

First Bootcamp
SVS of Central America

06 / 2020

Declaration of
commitment

Source: Panama Stock Exchange

For the preparation of this document: *i)* is conducted a comparative study of fourteen guides for the disclosure of ESG factors issued by stock exchanges in different areas geographical areas to identify best practices, *ii)* information needs were identified ASG of the main investors in Panama, *iii)* current practices in the field of

adopted the 2030 Agenda for Development Sustainable with **17 Development Goals Sustainable Development (SDG)** [8] and called for business leaders to adopt, support and implement values and principles of human rights, rights labor and environmental practices. [9]

Applied to the corporate sector, sustainability dissemination of sustainability issues in the Panamanian market and, *iv)* a Group of Work [6] in which representatives participated of the main sectors of the capital of Panama. In four sessions, the Group of Work contributed their comments, suggestions and interventions to improve quality and the content of this Guide, as well as its adaptation to characteristics and circumstances typical of the Panamanian market. The work of HPL reflected in this Guide, shows the latest trends / advances in the disclosure of ESG aspects.

Throughout the text, different terms are referred to whose definitions can be found in the [Annex A](#) . **Glossary of Terms** .

1.3. Companies and ESG factors

The definition of sustainability derives from **sustainable development** concept , understood as a "process of change in which the use of natural resources, management of investments, development orientation technological and institutional changes are in harmony and enhance current potential and future to meet the needs and aspirations of humanity. [7]

The **United Nations** (UN)

is understood as the ability of a company to operate by weighing interests and expectations of its stakeholders, observing and managing the impact of **ESG** [10] factors on your activity. This Guide considers the term ESG covers the set of considerations **environmental, social, and government Corporate** affecting the ability of a company to execute its business strategy, track your performance and create long-term value term.

For the purpose of your better understanding, to a description is given below detailed information on each of the ESG factors, accompanied by illustrative examples:

ENVIRONMENTAL

The "A" in ASG refers to all **environmental** and **climatic factors** that relate to a company and its functioning.

The main **risks and opportunities** environmental factors are associated with climate change, the management of natural resources and contamination prevention. Handling inappropriate environmental risks may affect the financial performance of a company resulting, for example, in the possible imposition of sanctions and fines, the

6 For the composition of the Working Group, see the section on Acknowledgments and contact in the page 71 of this document.

7 *United Nations (1987). World Commission on Environment and Development (WCED), Our Common Future (Brundtland Report).* p.46.

8 More information on the United Nations 2030 Agenda and the 17 SDGs here: https://tinyurl.com/4d4kd8ua (accessed 2/17/21).

9 Annan, K. (1999). *Secretary-General Proposes Global Compact on Human Rights, Labor, Environment. [Speech]. World Economic Forum in Davos* . Online: https://tinyurl.com/2r79ue87 (access 2/17/21).

10 In this Guide, the acronym ASG is used with priority, commonly used by investors. However, eventually the concept of 'sustainability' will be used, with the that companies are more familiar with. In any In this case, both terms are synonymous in this document.

stoppage of operations by the environmental regulators, etc. Conversely, proper management of these risks can contribute to reducing company costs, through, for example, the use of the waste it generates in its operations, which would result in an increase in the value of the assets of the company.

Typical examples of environmental factors are:

- GHG emissions
- Air quality
- Energy management

SOCIAL

The "S" in ASG encompasses **social** factors that may pose risks and opportunities for companies and groups with which it is interrelate. Three are the main groups with whom the company interacts: **employees, customers, and communities in which it operates.**

Typical examples of social factors are:

- Labor rights
- Talent retention
- Occupational health and safety

Water and wastewater management

Waste and hazardous materials management

Ecological impact mitigation

Natural disasters

According to the World Economic Forum (*World Economic Forum*), climate change **is the biggest risk to the global community in terms of impact and probability** of occurrence [11] and has a financial impact on the companies.

Disclosure of financial information weather-related allows greater understanding of how climate impacts in the company, allowing better ways to assess, assess and manage risks climatic. To the extent that companies be more effective in measuring and disclosing these risks, investors will be better off informed to make decisions.

In **Annex B**. **Risks, opportunities climate conditions and their financial impacts** the risks, opportunities and impacts associated with climate change.

Relationship with clients
Community safety

The main elements to consider in relationship with employees of a company are diversity, compliance with standards working conditions and optimal and safe working conditions job. While these elements can generate risk areas for the company, also they represent opportunities. For example, the effective human resource management can improve the productivity of the company, in addition to ensure talent retention.

On the other hand, the proactive management of relationships with clients, consumers, or end users of the products or services offered by the company, provides opportunities for the development of a sustainable business in time. Thus, the application of high standards quality and safety systems production and the use of advanced technology and innovative can generate benefits such as

11 *World Economic Forum (2020). Global Risks Report 2020* . On line: https://tinyurl.com/5fbmhm5p (accessed 2/17/21).

brand loyalty and increased sales; to time they prevent litigation and reputational damage.

Also important is how the company manages its relationships with communities, observing their rights and needs and how the effects of the activity of the company affect those communities. Establish a strategic and continuous dialogue with they can strengthen and protect the reputation and the value of a company, in addition to obtaining the social license for its operations.

CORPORATE GOVERNANCE

The "G" in ASG refers to **corporate governance** of a company. According to the Organization for Economic Cooperation and Development (OECD), corporate governance implies the establishment of a set of **relations between the direction of the company, its board of directors, its shareholders and**

Effective corporate strategy

Care for values and business mission

Disclosure and transparency

On the other hand, the design of strategies that include codes of conduct and policies promotion of ethical business practices, inclusive, equitable and fair can contribute to an adequate decision-making. Will prevent and will also avoid reputational risks, sanctions and fines that may affect the financial performance of the company.

As seen so far, establish good practices from sustainability business, reflected in an adequate management and disclosure of ESG factors, is an excellent business decision, at least for the following three reasons:

First: good ESG practices are

other stakeholders . Corporate governance also provides **structure through which the objectives of the company are set and determines how to achieve them** and monitor their achievement. [12]

In **corporate governance it** is especially relevant a solid internal management of companies that ensure integrity, credibility and transparency. Good corporate governance can prevent and avoid scandals, corruption and other conflicts that affect the value of the company.

Some **examples of what to look for with a good corporate governance** are:

- Effective controls
- Diversity in the structure of the board of directors
- Adequate compensation of the management team
- Solid corporate culture

important to investors, such as establish various studies that show a **positive correlation between these practices** and a better valuation of the company (see Annex C. **Correlation between performance in ESG issues and cost of capital**).

Second: access to ESG information standardized and quality is beginning to be incorporated in regulations around of the world, starting with Europe, that heralds a macro trend that is important to consider as an entrepreneur. (See Annex D. **Regulatory overview on disclosure of ESG factors**).

Third: it is important to satisfy the interests of other groups as employees, consumers, users and communities, demonstrating the company's commitment with sustainability. A good reputation in sustainability helps attract and retain

12 OECD (2016), *Principles of Corporate Governance of the OECD and the G20, Éditions OECD* , Paris. Online: https://tinyurl.com/2e7tkj85 (p. 9) (accessed 2/17/21).

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talent. Likewise, consumers value more and better products and services social and environmentally sustainable.

1.4 Business Sustainability in Panama

Currently, the Panamanian business sector is in an initial state of evolution regarding the disclosure of ESG factors. To study ESG disclosure practices in 52 countries, KPMG, a global auditing firm and counseling, applied surveys in recent years in those countries, interviewing the 100 companies highest sales in each country. Survey 2020 indicates that 60% of the 100 companies Panamanians surveyed, published a report of sustainability. This is a great advance compared with 2017, in which none of these companies had a sustainability report. However, it continues being lower than in other countries in the region like Mexico (100%), Brazil (85%), Argentina (83%) Colombia (83%) and Peru (66%). [13]

According to the *International Integrated*

of ESG factors in Panama, namely : *i)* the additional costs involved in preparing this type of reports, *ii)* the perception that there is no explicit interest on the part of investors and, *iii)* lack of knowledge of the standards and tools available to disclose ESG information.

There is disparity in the entities studied regarding the content and format of this type of reports, being financial institutions the that showed better reporting practices.

On the other hand, an investigation was also made on the interest and information needs ASG, through interviews applied in three major investment funds in Panama and two regional institutional investors. Yes OK investors recognize the importance of consider ESG issues, there is no uniformity about the content they expect to see in the reports. Investors also showed disparate levels of sophistication and integration of ESG factor analysis into the investment process. All interviewees agreed on the importance they attribute to transparency in corporate governance.

Therefore, Panamanian companies are

Reporting Council (IIRC)
English) [14] , the number of companies that produce an integrated report is another way to evaluate the country's progress in incorporation of sustainability in the business model and ESG disclosure. To date, there is no a Panamanian company reporting under IIRC and none that is part of any sustainability index like the *Dow Jones Sustainability Index* (DJSI), FTSE4Good, *Business Social Compliance Initiative* (BSCI), o *Corporate Human Rights Benchmark.* [fifteen]

Through this research, they identified the main **barriers to disclosure**

at a good time to adopt better ESG disclosure practices.

13 KPMG. (2020). *The Time Has Come: The KPMG Survey of Sustainability Reporting 2020* . Online: https://tinyurl.com/bv7b9ke8

14 Elena Ruiz, Paula Ruiz (Forética) for the Government of the Republic of Panama (April 2019). *National Diagnosis of Situation of Social Responsibility in Panama* . Online: https://tinyurl.com/l44u6u5i

15 *Id.*

02 STEPS TO INTEGRATION AND DISCLOSURE OF ESG FACTORS

This section explains the steps to follow for the implementation of sustainability in the company. First, the integration of sustainability in the plane strategic. Second, the main existing tools for preparation of sustainability reports and, finally, recommendations are provided for voluntary disclosure of factors ASG.

Developing a strategy for sustainability for the company and processing of the ESG Factors Disclosure Report they feed back. Some actions in the designing your strategy, how to perform a materiality diagnosis or mapping to interest groups will be inputs for prepare the report. Likewise, the process of preparation of the report serves the company to measure your performance on ESG factors and your progress towards sustainability goals that you have determined in your strategy.

ASG in business activity. Some basic criteria can be applied to all companies that pursue this goal, regardless of the sector in which operate, their size, their geographic location, or their degree of progress in integrating the sustainability.

This section presents the main steps to integrate sustainability **into the operations of the company** , taking considering policies and practices suggesting the highest standards international standards on sustainability corporate

2.1.1. Involve senior managers and the Board of Directors

For the design and implementation of a sustainability agenda / strategy be effective and add value to the organization, **the guideline must come from the discharge**

2.1. Integration into the strategy

Design a sustainability strategy is essential to integrate the factors

management . Frequently, the adoption of a business strategy that incorporates sustainability implies **changes in the company culture** , therefore, so that that change is effective, it must be led and driven from the highest positions of the organization. According to the survey

Graph 2
Integration of sustainability and disclosure of ESG factors

Integration in the strategy

1 Involve Managers and Council of Administration

two Map Groups of interest

3 Diagnosis of Materiality

4 Identify Priorities

5 Set goals and Indicators

6 Identify Gaps

7 Develop Policy of Sustainability

8 Strategy Communication and Commitments Public

9 Process of Report

Divulgation

Identify Groups of Interest and its Needs 1

Identify ESG Topics to Report two

Define indicators and Monitor Results 3

Quality of Information 4

Format Presentation and Accessibility 5

Strategy Communication 6

TOOLS

Source: self made

made by the Global Compact of Nations United Nations (UNGC) in collaboration with Accenture (2019) [16] , **94% of top global CEOs state that sustainability issues are important for the future success of your business.**

Some initiatives to **achieve adoption of a culture of corporate sustainability They may be:**

- Create a sustainability committee in the Board of Directors.
- Appoint / hire a person responsible for sustainability and develop programs training, internal campaigns education and awareness on issues of sustainability.
- Include ESG factors in evaluations and objectives of executives and other positions of leadership.

2.1.2. Involve all stakeholders

The next step to successfully integrate sustainability in business activity consists of carrying out a **mapping process of all internal and external actors who interact with the company** . Mapping will allow to analyze the interests, needs and expectations of all stakeholders.
Thus, the company will have knowledge of how their activities impact the environment and the society. That knowledge is key to take mitigation or compensation measures of those impacts, when negative, or create products and / or services according to the needs and demands of the parties interested.

There are **different ways of involving the parties interested parties** . Some initiatives to **involve Create the internal organization** in the commitment of the company with sustainability consist of develop training programs, codes of professional conduct and codes of ethics, or internal communication campaigns, among others. For its part, to **involve stakeholders external companies** the company can use channels traditional communication such as meetings individual or group, workshops, conferences, au- public offices, creation of councils or teas, collective bargaining, customer service centers customer, etc. It is also necessary to consider the god of online communication as forums in the company website or social media.

Other forms of communication with the parties interested are the satisfaction surveys of the client, evaluation and qualification of suppliers, internal surveys and meetings regularly with investors and analysts.

With all these instruments the company establish a **dialogue** with all interested parties, which, it is recommended, be **transparent and open, constant and proactive, inclusive and effective** .

Finally, it is essential that the communication flows in two directions, that is, the company must inform its stakeholders about its management and performance on ESG issues materials. This is another reason for the importance of the ESG disclosure report, which it must be publicly accessible.

2.1.3. Carry out a materiality diagnosis of ESG factors

In the context of corporate sustainability, 16 *United Nations Global Compact, Accenture Strategy. (2019). United Nations Global Compact – Accenture Strategy CEO Study on Sustainability.* Online: https://tinyurl.com/v8khdmdt (accessed 2/19/21).

it is understood that **a subject is material when it has a significant impact on the business growth, cost and / or risks and, in addition, it is an important issue for their interest groups.**

Therefore, it is essential to identify ESG factors of relevance to company operations, classify them and set priorities. To do this, you have to take into consideration **two variables** :

Relevant ESG issues and aspects **tes for the business strategy of the company and its operating model** . For example, the risk of drought is a relevant environmental factor for a agricultural sector company (impact physical nature of climate change in its production capacity). To handle this financially material risk, the company could invest in equi- pos to optimize water resources cos (drip irrigation systems, by example).

Stakeholder priorities with whom the company **interacts** . For For example, to promote conciliation of the family and work life of their employees, a company can implement measures such as offer buses approaching the post work, provide childcare services for the children of your employees, etc.

Determine the most ESG factors important for the company and its groups of interest will **enable the design of a action plan** prioritizing fields of action and projects that will lead to organization to create shared value with its stakeholders at an economic level, social and environmental.

The main initiatives and organizations dedicated to developing standards and frameworks for the development of factor disclosure reports ASG adopt **different concepts of materiality** , specified in Table 1.

Table 1
Materiality concepts adopted by the main organizations standards and frameworks developers

ORGANIZATION / INITIATIVE	CONCEPT OF MATERIALITY
***The Value Reporting Foundation* (SASB + IIRC)** [17]	SASB Standards and Reporting Framework IIRC integrators adopt a concept of materiality financial management of ESG factors, that is, of those that have a reasonable probability of affecting performance economic or operating performance of a company. [18] Audience: investors.
***Global Reporting Initiative* (GRI)**	The GRI standards adopt a concept of dual materiality: help companies identify material ESG issues based on 1) the impacts [19] generated by the company on the economy, society and the environment and, 2) the importance of ESG topics for your stakeholders. [twenty] Audience: investors + other stakeholders.
***Task Force on Climate-related Financial Disclosures* (TCFD)**	TCFD [21] Recommendations seek to support companies to improve the quality and content of the information general financial related to the possible effects of the climate in the company, now and in the future (risks and opportunities associated with climate change). They follow a concept of financial materiality of the weather related issues. Audience: investors.

Source: self made

17 *Integrated Reporting (2020). IIRC and SASB announce intent to merge in major step towards simplifying the corporate reporting system* . Online: https://tinyurl.com/2upfkrax (accessed 2/21/21).

18 *Sustainability Accounting Standards Board SASB (2021). Materiality Map. Why is Financial Materiality important?* Online: https://tinyurl.com/ka8xmsh7 (accessed 2/21/21).

19 'Impact', according to GRI, refers to the effect that a organization in the economy, the environment and / or society, which in turn can indicate its contribution (positive or negative) to the sustainable development. It does not refer to effects on an organization like, for example, the change in your reputation.

20 *Global Reporting Initiative (2021). Materiality and topic boundary* . Online: https://tinyurl.com/3j2etqwb (accessed 2/19/21).

21 *Task Force on Climate-related Financial Disclosures (2020). Final report, Recommendations of the working group on weather-related financial statements* . Online: https://tinyurl.com/572et8ud

2.1.4. Identification of priorities

Once the material ESG factors have been identified for the company, the next step is to sort them by topic and set priorities. A rigorous issue identification process priority can be done with the help of a materiality matrix. Then, a generic example of a matrix of materiality and another on the results of a diagnosis of a company's materiality of the production and distribution sector of consumer goods and food [22] :

Graph 3

Example of the results of a materiality diagnosis of a company in the sector consumer goods and food

LEVEL OF RELEVANCE FOR GROUPS OF INTEREST

TO
LT
TO

LOW IMPACT HIGH RELEVANCE

Tax Contribution and Economical

Biodiversity

Security and Privacy of data

HIGH IMPACT HIGH RELEVANCE

Climate change

Water

Packaging and Waste

LOW IMPACT LOW RELEVANCE

Testing and Animal Welfare

Advertising and marketing Responsable

HIGH IMPACT LOW RELEVANCE

Sustainable Innovation and Technology

Governance, Responsibility and Culture

Talent Development

TO

LOW

UNDER

HIGH

DEGREE OF IMPACT CURRENT OR POTENTIAL IN YOUR COMPANY

Source: self made

22 Unilever (2020). *Materiality Matrix 2019/2020 – Issues and Topics* . Online: https://tinyurl.com/9vxgplhf

Topics highly relevant to stakeholders and high impact groups environmental and social, will be what the company should place in the center of the agenda the *Global Reporting Initiative* (GRI, for its acronym in English) [25] .

sustainability, and will also mark the focus of the disclosure report ESG topics.

2.1.5. Set goals and define indicators

The next step is to establish a ample space for debate between the high directors and management of the company on the strategic priorities of the company and set the goals of the sustainability of the company, which are the center of a sustainability strategy effective. To ensure success, goals that are determined must be clear and achievable as well as measurable.

Once the goals of sustainability of the company, it is crucial **define the indicators that allow you measure your performance today, as well as its evolution** , and that **allow inform their stakeholders in a way clearly and effectively** what is your progress.

Currently, there are on the market **numerous benchmarks that can help companies choose what to measure for each material ESG factor identified** . As a frame of reference, in this Guide we recommend, consult the indicators established in the Guide developed by the Bag Initiative Sustainable Values of the United Nations (SSE) [23] , the Guide to the World Federation of Exchanges (WFE, for its acronym in English) [24] , and standards

2.1.6. Identify gaps in ESG issues

The materiality diagnosis will allow the company to identify the areas in which that the organization needs to implement new structures, processes and systems, as well like those others that must be kept because they are already adapted to the needs identified. As part of this process, it is recommended that the company carry out a study of its model of government corporate and environmental and social management of the company. It is recommended to establish a conversation / interview with managers of all areas of the company, consult stakeholders, and participate in forums and local groups whose approach be corporate sustainability.

There are consulting firms that specialize in this type of service, helping companies identify opportunities and areas for improvement. Without However, this exercise can also be done internally, through creation of a sustainability committee with representatives from different departments of the organization. But It is important to emphasize that for this exercise is effective you need the leadership and commitment of top management of the company.

2.1.7. Develop a sustainability policy

To advance the implementation of a sustainable agenda, it is convenient to design a

23 *Sustainable Stock Exchanges Initiative (2015). Model Guidance on Reporting ESG Information to Investors: a voluntary tool for stock exchanges to guide issuers.* Online: ht tps: //tinyurl.com/4khdh8l2 (accessed 2/19/21).

24 *WFE's Sustainability Working Group (2018). WFE's ESG Guidance & Metrics.* Online: https://www.world-exchanges.org/ our-work / articles / wfe-esg-guidance-june-2018

25 *Global Reporting Initiative (2020). GRI, Sustainability R eporting Standards.* Online: https://tinyurl.com/yhy7hk24

sustainability policy based on the current business strategy of the company, with a vision of the future and taking into consideration of all the resources of the you have. This is a key step to transform strategies and commitments of the company in terms of sustainability in clear objectives and efficient systems of handling of ESG matters.

A good sustainability policy must

supervision of the managers of the business.

2.1.8. Communication strategy and public commitments

Communication of the strategy sustainability to all stakeholders It is essential for them to have a criterion accurate about the sustainability profile of contain the basic instructions for manage sustainability in the company, facilitating planning and execution of actions in the different areas of the deal. The sustainability policy should serve to align the activity of the company to sustainability strategy.

It is advisable that the document of this policy be objective, brief, demonstrate a credible commitment and indicate how this commitment is integrated into priorities of the company. Also, this document should be distributed to all groups of interest, including internal members of the organization (employees, managers, counselors, etc.).

Some steps that can be taken to achieve the success of a policy of sustainability are:

Establish economic incentives / wages for compliance with concrete performance targets of ESG factors, associated with a variable remuneration, or to promotions of the staff.

Establish goals or objectives of sustainability for departments or business units, under the

the organization. Some of the items most important to consider in the design of the communication strategy are:

Define the main topics about of which you want to find out;

Involve stakeholders in the communication strategy of the company through processes of feedback;

Contemplate communication processes both financial information and results / non-financial information;

Define the content, scope and periodicity of communication with interested groups;

Choose formats for communication with each of the stakeholders. It must be culturally appropriate and take into account routine forms communication of each group.

On the other hand, it is important that the company publicly state (wheels and notes press, blogs, etc.) what are their commitments to sustainable development and the achievements that are proposed through the implementation of your strategy sustainability.

2.1.9. Establish a reporting process

Finally, one of the most powerful to demonstrate commitment of a company with the development sustainable consists of informing in a transparent, regular and reliable on the status and evolution of the implementation

2.2. Tools

Numerous initiatives and organizations International have developed tools for the preparation of reports of sustainability: principles, standards, frameworks reference and questionnaires. Nevertheless, there are differences between them since their purpose and utility is different, and it is recommended that are used in a complementary way [26], [27], to achieve better results in the ESG information disclosure.

of its sustainability strategy; with special attention in the dissemination of the management and performance of the company in ESG material issues identified.

Additionally, the periodic publication of factor disclosure reports ASG is an internal management tool, it helps to organize, monitor and analyze the information of the indicators previously selected performance benchmarks.

26 For example, in 2020, GRI and SASB released a plan for joint work on companies that applied both standards in the same report and thus share the lessons learned. Both organizations offer different standards, but compatible, to produce a sustainability report. The difference between the two lies in the audience they are looking for satisfy and the materiality concept / approach they adopt.

27 SASB (2020). *Promoting Clarity and Compatibility in the Sustainability Landscape.* Online: https://tinyurl.com/jbvhwc9t (accessed 5/3/21).

Table 2
Differences between sustainability principles, standards, frameworks and questionnaires (includes examples)

	PRINCIPLES OF SUSTAINABILITY	STANDARDS	FRAMES OF REFERENCE	QUESTIONNAIRES
Definition	Priorities, objec- global goals and targets bales in matter of sustainability. Usually used for choice of goals strategic.	They address the requirements and details are- specific about "What" infor- tion report about each ESG theme	Set of principles and guidelines wide coughs on how structure the report and present the information.	Generally focus fallen on a specific topic specific, they help companies to report detailed information through the res- put to a question- formalized nary.
Examples	Principles of In- Responsible version ble (PRI)	*The Value Reporting Foundation* (SASB + IIRC)		CDP (*the Carbon Disclosure* Project)
	goals of Sustainable Development nible (ODS)	*Global Reporting Initiative* (GRI)		

Global Compact of the United Nations days (Ten Principles pios of rights human, work, environment and anti-corruption)	-	*Task Force on Climate-related financial Disclosures* (TCFD)	*DJSI / Corporate Sustainability Assessment*

Source: self made

There are multiple actors that interact in the ecosystem of sustainability reports.
In Annex E. **Main Actors in the Ecosystem of Sustainability Reports** Examples of the main types are presented of actors interacting in the context of sustainability reports.

Each company must adopt the principles, standards, frameworks and questionnaires that best suit your business and the information they want report to your stakeholders. In order to decide what principles, standards and frameworks reference to follow it is important that each company value the preferences of its groups of interest, the geographic location of your investors, the existence or not of standards specific for the sector or industry in the company operates, and the concept of materiality that the company wishes to adopt strategic level.

The Annex F. **Principles, Standards, Frameworks Reference and Questionnaires** , details the characteristics of the principles, standards, frameworks and questionnaires mostly used worldwide.

As can be seen in the following graph, it does more than two decades that organizations and global initiatives work on development of public and free tools for the preparation of disclosure reports ESG topics.

Graph 4
Timeline of evolution of the ecosystem of standards and frameworks 1997-2020

1997	**2000**	**2007**
GRI Foundation	CDP Foundation	CDSB Foundation

Sep-Oct 2020

Declaration of GRI, CDP, CDSB, IRRC and SASB to get a report comprehensive corporate and positive responses from IOSCO

2011

SASB Foundation

2010

IRRC Foundation

Nov 2020

Merger Announcement SASB and IRRC

Sep-Dec 2020

IFRS public consultation to play a role

Dec 2020

Standard prototype information divulgation climate-related financial

Source: self made

As can be seen in Graph 4, at the end of the nineties began to emerge several standards developing organizations and frameworks, such as GRI, CDP, CDSB, SASB and IIRC, today known as the “group of the five". Each of these organizations developed different methodologies and criteria for report that companies use to disclose ASG information.

Recently, there is a notorious interest in these organizations in unifying standards and frames of reference, as well as significant progress towards information disclosure financial and sustainability form integrated. In particular, in September 2020 the IFRS Foundation published the document *Consultation of Information on Sustainability* [28] in order to inquire about the need of global sustainability standards and, be so, the role of IFRS in its development.

The answers they showed different definitions of some concepts key, and different positions about how information should be reported on sustainability. At the same time, the group of The five **announced their shared vision of a comprehensive corporate reporting system built-in** including accounting financial and information disclosure ASG. [29] In December 2020, the same group published a **standard disclosure prototype of financial information related to the weather** , which exemplifies your reporting vision integrated information disclosure associated with the weather. [30,31] Consequently, the most

2.3. Divulgation

This section details the steps and recommendations for preparing a report disclosure of ESG factors.

2.3.1. Identify stakeholders and their needs

The precondition for the elaboration of the ESG factors disclosure report, is that the company has a strategy of sustainability, which identifies the ESG material topics.

However, not all ESG aspects that are materials for strategy and management sustainability in the company will be also materials for inclusion in the report. Therefore, it is important that the company identify:

- Your stakeholders
- Interests, needs and expectations of information from such stakeholders. That is, the ESG topics they expect that the company reports, and the format and detail of the data in the report.

Identify stakeholders and their needs will help the company define the ESG aspects to include in the report. Below is an example of a mapping of the stakeholders of a company and its priorities:

It is probable that in the next few years extend **the unification of standards** and frameworks reference, as well as significant advances in the integrated disclosure of information financial and sustainability information.

28 *IFRS Foundation* (September 2020). Document from Consultation of Information on Sustainability. Online: https://tinyurl.com/59lzdv4v Open for comments until 31st of December 2021.

29 *World Economic Forum & Deloitte (2020). Statement of Intent to Work Together Towards Comprehensive Corporate Reporting.* On line: https://tinyurl.com/34b7qvbi

30 SASB (2020). *Global sustainability and integrated reporting organizations launch prototype climate-related financial disclosure standard.* Online: https://tinyurl.com/1vlz88i2

31 *World Economic Forum & Deloitte (2020). Reporting on enterprise value, illustrated with a prototype climate-related financial disclosure standard.* Online: https://tinyurl.com/13a6o8n5

Table 3
Example of stakeholders and their priorities

GROUP OF INTEREST	EXAMPLES OF EXPECTATIONS	HOW TO HAVE THE DIALOGUE?	EXAMPLES OF ACTIONS TO BE DEVELOPED BY BUSINESS
Investors	Report on climate risks Information about volume emissions of GHG	Meetings with investors Y analysts Presentations quarterly	Report about the emissions of GHG and communicate the reduction targets emissions Carry out due diligence about human rights
Customers	Prevention of corruption Safety of the products	Meetings with clients, seminars, channels from communication on line	Guide formulation of professional ethics Conduct surveys of customer satisfaction Participation in forums sectoral
Neighbours	Employment creation Minimize impacts negative like the traffic, noise or the emissions of GHG	Meetings with local residents Queries to associations from neighbours Doors days open	Hire residents local Analyze behaviors of traffic and implement measures to reduce the volume of noises and risk situations
Employees	To guarantee Y secure jobs Good atmosphere of job	Cooperation with unions of workers, unions	Provide information about strategy business and performance financial Perform polls satisfaction of workers

Source: self made

The Annex G . **Questions to guide preparation of the report** , you can guide the preparation of the sustainability report, especially in aspects of dialogue with the company's stakeholders.

2.3.2. Identify ESG issues to be want to report

It is quite possible that, on the strategic plane and implementation, the company discovers a long list of ESG material topics on which could disclose information. The information to be reported will be different for each business.

Although there is no uniformity about which are the minimum ESG topics on which should be reported, the different initiatives and standards developing organizations and reference frameworks for the elaboration of ESG reports (such as SASB and GRI), provide useful tools for the identification of ESG topics to include in the report.

Table 4
Example of ESG topics to report on according to GRI and SASB [32] standards

STANDARD	TOOL FOR IDENTIFY ESG TOPICS	SAMPLE ESG TOPICS
GRI	GRI has modular standards: a set of 'universal' standards (GRI 101, GRI 102 and GRI 103), which serve as a framework general reference for the elaboration of the report; and three sets of thematic standards divided into series: economic (GRI 200), environmental (GRI 300) and social (GRI 400). All sets detail the ESG factors to report and the indicators to follow.	Economic (GRI 200): GRI 201: Economic Performance Environmental (GRI 300) GRI 301: Materials GRI 302: Energy Social (GRI 400) GRI 401: Employment GRI 402: Worker-relations business
SASB	SASB standards **focus on the industry in which the company operates** that prepares the report, with sectoral standards that help companies inform about of ESG factors that have a high potential to generate financial impacts materials to companies belonging to that particular sector. SASB provides metrics to report about **26 general subject categories organized in five dimensions** : 1) Leadership and Corporate Governance; 2) Environmental Capital; 3) Human Capital; 4) Capital Stock and; 5) Business Model and Innovation.	Leadership and Corporate Governance: Business ethics Environmental Capital: GHG emissions Air quality Human capital: Labor practices Social capital: Human rights and relationships with communities Business and Innovation Model: Supply chain management

Source: own elaboration based on the GRI and SASB standards

32 For more information on the ESG aspects presented in SASB and GRI standards and others, see Annex G. **GRI, SASB and the United Nations Global Compact as tools for determine ESG issues to report on** .

Regardless of the decision to report multiple ESG factors or just a selection priority factors, the report should cover effectively form **ESG** issues **that are relevant for corporate sustainability strategy of the company** and illustrate, to the extent possible, the link of these factors with the value in the short and long term that the company is capable of to create.

The *Model Guidance on Reporting ESG Information to Investors* (2015) [33] suggests that companies reflect on each of the pieces that make up its value chain and the ESG issues that could have more influence in each one of them. Also, they consider the risks that the company has already identified in your annual financial reports.

Finally, the number of factors to be report will also depend on the **size** of the company, the **sector** in which it operates, its **niche market** and its **maturity** in the process of integration of sustainability into your strategy corporate In addition, **annually or biannual,** the materiality of the ESG issues identified as priorities for, for example, check the relevance of topics included in the report.

2.3.3. Define indicators and monitor results

Once the company has defined the topics ASG materials you will report on, the next step is to **select the performance indicators** to use to measure and monitor your progress in managing the risks and opportunities associated with the issues Selected ASGs.

Performance indicators can be **generic, industry-specific, or specially designed for the company who is reporting** . Best practice that we recommend in this Guide is to use indicators widely accepted by the market and designed by initiatives, platforms or global standards.

GRI developed reporting standards [34] what include specific metrics for disclosure of ESG impacts generated by Business. Companies around the world use broadly these standards in the preparation of your corporate sustainability reports. These standards are publicly accessible through of the GRI website, which also facilitates a detailed guide to applying your standards with their respective indicators.

For its part, SASB has pointed out the issues to report and metrics (key indicators of performance) to be used to measure the impact of the topics that are considered material for each industry. The metrics suggested by SASB for each industry varies depending on the sector in which the reporting entity is found and you can also find on the materiality map offered by SASB on its website [35] .

Similarly, the World Federation of Bags (WFE) has developed a public access guide, the *WFE's ESG Guidance & Metrics* [36] , prepared by the Sustainability Working Group of the WFE. First published in late 2015 (revised in 2018), this Guide provides a series of ESG metrics that can serve as reference for information exchange between issuers and investors about these topics. This guide can be downloaded in Excel and contains 10 examples of indicators performance key for 10 environmental topics,

33 *United Nations Sustainable Stock Exchanges (SSE) initiative (2015). Model Guidance on Reporting ESG Information to Investors* . Online: https://tinyurl.com/4khdh8l2

34 *Global Reporting Initiative Standards (2020). Global Reporting Initiative Standards.* Online: https://tinyurl.com/ycf8v9rw (accessed 2/19/21).

35 SASB (2020). *SASB's Materiality Map* . Online: https://materiality.sasb.org/ (accessed 2/19/21).

36 *World Federation of Exchanges (2018). WFE's ESG Guidance & Metrics.* Online: https://tinyurl.com/2omscvxm (access 2/19/21).

10 social issues and 10 government issues corporate.

For performance measurement and management of risks and opportunities associated **with climate change** , another useful resource is the Guide **TCFD** [37] implementation **plan** , designed to optimize the presentation of information related to climate risk.

In general, it is important to use metrics that provide quantitative information, since this type of information is what will allow investors to make comparisons in different time periods, or compare the data with those of other companies.

Table 5
Example of key performance indicators for some proposed ESG topics by different standards, frameworks and principles

Standard, Frame reference, beginning	ENVIRONMENTAL GHG emissions	SOCIAL Safety in the work environment	GOVERNMENT CORPORATE Ethics and anticorruption
GRI	Gross value of direct emissions GHG (Scope 1) in metric tons CO_2 equivalent	Types of accidents, rate accident frequency (TFA), incidence rate of occupational diseases (TIEP), lost days rate (TDP), absenteeism rate labor (TAL) and deaths due to work accident or disease professional for all employees, broken down by: (1) region; (2) sex.	Total number and percentage from operations evaluated in relation with the risks related to corruption.
SASB	Global emissions Gross Scope 1	(1) Rate total from incidents registrable, (2) Mortality rate, (3) Frequency rate of near misses	Description of management system for prevention of corruption and bribery in all the value chain
WFE	Total quantity, in equivalents from CO_2 , for the Scope 1 (If applicable)	Percentage: frequency injury events in relation to time total labor force	Does your company follow an Ethics policy and / or Anti-corruption? Otherwise
SDG	PRODUCTION AND CONSUMPTION RESPONSIBLE ACTION BY THE WEATHER LIFETIME SUBMARINE	DECENT JOB AND GROWTH ECONOMIC	DECENT JOB AND GROWTH ECONOMIC PEACE, JUSTICE AND INSTITUTIONS SOLID

Source: self made

37 SASB (2019). TCFD *Implementation Guide* . Online: https://tinyurl.com/ww3rbyyl (accessed 2/19/21).

Once the key indicators have been selected the reader of the report to assess the performance of performance that the company will use to report their management and performance in ESG issues identified as material, it is important to maximize the use of these indicators. To do this, some suggestions are:

1 Report on trends industry and company history in relation to those indicators

2 Clearly state the relationship between those indicators and the objectives of corporate sustainability of the company

3 Use performance indicators qualitative in support of the metrics of quantitative character

4 Explain the methodologies for data collection, along with reasons why they were used;

5 Relate the result of the indicators with the financial performance of the business

6 Explain why the indicators increased or decreased by one year to another, the perception of the company about this and how this could change in the future

7 Show relevant ranges and averages in the industry

8 Point out the challenges and achievements detected in the process of preparing the report.

2.3.4. Quality of the information

It is understood that the information presented in the report it is of quality when it allows the company in ESG factors in general, and especially those that are of interest to you.

In fact, the higher the quality of the information contained in the report, the bigger and better it will be their contribution to decision-making and valuation of the company by the interest groups.

First, the company should evaluate what are their capabilities and systems internal to collect ESG information accurate, reliable and comprehensive. Ideally, in instead of creating new collection channels information, companies make use of control verification systems existing data, risk and internal audit. If the internal systems are not sufficient, the companies may decide to invest in new forms of information collection.

When it comes to quality of disclosed information, we indicate that the information must be detailed and complete, comparable, compatible with needs of report users and relevant to these, timely or punctual, accessible and easy to use.

GRI: Principles for defining the quality of sustainability reports

1. Accuracy

The information communicated must be sufficiently precise and detailed as so that stakeholders can evaluate the performance of the organization informant.

2. Balance

The information communicated should reflect the positive and negative aspects of the reporting organization's performance to allow an assessment to be made reasoned evaluation of overall performance.

3. Clarity

The reporting organization must present the information in a manner understandable and accessible to stakeholders that use it.

4. Comparability

The reporting organization must select, collect and communicate the information consistently. The information communicated must be presented in a that allows stakeholders to analyze the changes that occur in the performance of the organization over time and that can support the analysis with respect to other organizations.

5. Reliability

The reporting organization must collect, record, compile, analyze and communicate the information and processes used for the preparation of the report so that can be subject to review and establish the quality and materiality of the information.

6. Punctuality

The reporting organization must prepare the reports in accordance with a periodic scheduling, so that information is available on time for stakeholders to make informed decisions.

Source: Global Reporting Initiative (GRI) (2016). GRI 101: Fundamentals. Available online at: https://www.globalreporting.org/standards/media/1439/spanish-gri-101-foundation-2016.pdf

2.3.5. Presentation format and information accessibility

It is understood that the information presented in Select an outreach channel adequate is key to ensuring that stakeholders receive the information that they consider relevant, in an easy way, comparable and timely. To adapt to different information needs and to the interests of its stakeholders, the companies can use **different channels of communication such** as your website, regular presentations for investors,

When a company has determined that there are certain ESG topics that are important to your business in a specific time horizon, you can decide to include this information in your financial reports (generally cover only some ESG topics).

An integrated report is a concise communication about how an organization's strategy, its corporate governance, performance and perspectives, in the context of your external environment, lead her to create the annual corporate sustainability report and other types of company reports.

Using more than one communication channel can be an effective way to ensure that the all stakeholders receive the ESG information. Similarly, in function of the profile of the stakeholders of the company, its needs and expectations information, the organization can include ESG information in reports annual financial statements, even though it is not a regulatory requirement in the jurisdiction in which that the company is located.

Three typical examples of channels communication that can be used by companies for the disclosure of the factors ASG are the independent ESG reports, financial reports with ESG themes materials, and integrated reports [38] .

Focused sustainability reports only in addressing the needs of access to ESG information of investors and sometimes other groups of interest such as consumers or the civil society.

value in the short, medium and long term.

These communication channels do not are exclusive and can be used complementary.

Regardless of the format that is select, we suggest companies follow the following practices:

If you choose to report the information ASG in a separate report of the annual reports of the company, recommends narrowing both reports at the same time period. This will allow investors to consider financial and non-financial information of the same cycle.

Establish cross references between information disclosure reports ASG and the annual financial report of the business.

Ensure consistency between different communication channels.

Access to the information reported must be **easy to locate,** therefore the company

38 *International Integrated Reporting Council ('the IIRC')* (January 2021). *International IR Framework* . Online: https://tinyurl.com/14gq086r

you can design a table of contents in line with hyperlinks to optimize the **digital accessibility to ESG information** . In general, reports are more effective when the language used, and the way that the information is presented is clear and relevant to stakeholders. Also when the report connects to the capacity of a company to create value in the short, medium and long term. To facilitate access to information for investors international companies can choose for spreading the report and the information also in a globally used language.

It is also necessary to consider the possibility that communication channels are determined by the regulatory context in the one where the company is located. In the case of Panama, for example, the Superintendency of

continued with stakeholders can be a source of innovation, new opportunities and alliances that push the business growth and implementation of its sustainability agenda. Through its participation, stakeholders can understand more clearly the way that the company is integrating the factors ASG in your business strategy. What's more, stakeholder participation contributes to improving the credibility of the organization and its positioning as a leader in terms of sustainability. The participation systematic stakeholder engagement ESG disclosure process improves the receptivity and usefulness of the ESG information disclosed.

Use the **report as a form of dialogue continuous** with stakeholders can

Stock Market requires that annually issuers complete a questionnaire corporate governance, attached to the report financial (**Form F5**) [39] , and present it to you through a digital tool in all three months after the close of the fiscal year. [40] See [Annex D](). **Regulatory overview on disclosure of ESG factors** .

2.3.6. Communication strategy

As noted in this Guide, involve to stakeholders in the discussion on which ESG topics are material and interesting for them, as well as on the information that interests them and how they prefer to obtain it, they are elements that can help the company to identify, mitigate and manage risks and opportunities associated with ESG factors.

Establish a **communication commitment** be a strategic instrument to improve understanding of the company from its partners strategies and what resources they can offer you. You can also strengthen relationships with stakeholders and encourage greater levels of confidence from external parties about the actions and reports of the company.

[39] Republic of Panama (2020). *F5-Government Questionnaire Issuer's Corporate* . Online: https://tinyurl.com/mfdtn24h (accessed 2/23/21).

[40] Republic of Panama, National Securities Commission (2003). Agreement No. 12-2003 of November 11, 2003. Online: https://tinyurl.com/4n3k5dtb

Table 6
Examples of ESG factor disclosure reports following different formats, principles, frameworks, standards and questionnaires

KIND OF REPORT	PRINCIPLES, STANDARDS, FRAMES AND QUESTIONNAIRES	QUALIFICATION	NOTES
Report sustainability	Contribution to the SDGs GRI standards (index of contained on pages 32 to 34) Communication of Progress (COP) [41] (pages 30 and 31)	general Bank (Panama) (2019). Report from Responsibility Social [42]	Includes external audit made by a firm audit Independent (pages 35 to 39) Contains a version condensed state of Financial Situation and Status of Activities of the company (pages 28 and 29)
Report Integrated (information financial and no financial)	Contribution to the SDGs GRI standards IFRS standards App from the *Task* recommendations *Force onClimate-related Financial Disclosures (TCFD)* (page 47 and 49) IIRC	Itaú (2019). *Integrated Annual Report* [43]	Includes external audit made by a firm audit Independent (pages 93 to 95) It includes report from financial results 2019 based on standards IFRS (pages 77 to 92) Itaú also prepares a separate report, only on ESG factors [44]
Report sustainability	Contribution to the SDGs (pages 12 to 15) GRI standards (index of contained on pages 379	Red Group Electric (2019). Report from Sustainability 2019 [45]	Includes external audit made by a firm audit Independent (page 393)

	to 391) Standards SASB in order to the sectors from Utilities Y generators Electrical and Services telecommunications (index of contents on page 392) App from the *Task* recommendations *Force on Climate-related Financial Disclosures (TCFD)* Communication of Progress (COP) (page 8) IIRC	It includes report from assurance Independent of GHG inventory (page 394) Includes executive report management of the code of ethics (pages 374 to 378) Separately, the business answer the CDP questionnaire
Questionnaire from CDP on climate change	CDP questionnaire on change climate Business	in order to CEMEX - *Climate Change* 2020 [46]

Source: self made

41 Communication of Progress (COP) is the report that the participants of the Global Compact of The United Nations must submit annually, communicating your progress in implementing the ten principles of the Global Compact on Human Rights, Labor Rights, environment and anti-corruption.

42 Banco General (2019). *Social Responsibility Report* . On line: https://tinyurl.com/rvbwewvc

43 Itaú (2019). *Integrated Annual Report 2019* . Online: https://tinyurl.com/mjbabnhy

44 Itaú (2019). *ESG Further Information 2019* . Online: https://tinyurl.com/247d9e8r

45 Red Eléctrica Group (2019). *Sustainability Report 2019* . Online: https://tinyurl.com/ca4crs3a

46 CEMEX (2020). *CEMEX-Climate Change 2020* . Online: https://tinyurl.com/4endku8y (accessed 2/19/21)

03

THE VALUE OF THE INFORMATION ASG FOR THE INVESTOR

3.1. Towards the integration of factors ESG in investment decisions in the capital market of Panama

As part of the process of preparing this Guide a **mapping of the current integration practices of ESG issues** of the investors operating through the Stock Exchange Panama values. Among other objectives, was to identify the **main barriers** to Investors find in their evaluation on how a company manages risks and opportunities associated with ESG issues. [47]

Investors interviewed indicated that **take into account some ESG issues** in their prior credit and risk analysis to investment. In particular, they **seek transparency in corporate governance matters** , and stated that depending on the sector in which invest more focus on some ESG issues than in others. Investors interviewed tend to **collect ESG information through direct conversations with the company** , and monitor the risks identified through regular follow-up meetings.

The following are the **main barriers** identified to access information about ESG factors:

- Limited information disclosed voluntarily by companies;
- The existing information is not comparable, it is not presented in an orderly way, or not it is included in official reports;
- The reporting cycles do not match the cycles evaluated by the investor;
- ESG information providers do not grant greater benefit in Panama already that since your databases are nurtured, mainly, of reported information

they have an exclusion list about the types of projects or topics in which they do not invest. In addition, to access information no financial claim to use, mainly, their direct relationship with the company (interviews with managers, thematic questionnaires focused on that company, etc.). The impression widespread is that, in the absence of information publicly reported, investors by companies.

Below is the degree of participation of local investors and regional initiatives internationally recognized that promote the integration of ESG factors:

47 The investment policies of three global funds were studied, three Panamanian funds and four institutional investors regional, including interviews with the three Panamanian funds and two regional institutional investors.

Table 7
Number of companies that participate globally, regionally and in Panama in the main global initiatives dedicated to promoting the integration of ESG factors [48]

INITIATIVE	DESCRIPTION	GLOBAL	LAC	PANAMA
Beginning investment Responsable of the UN [49, 50]	Principles developed by a coalition of institutional investors at the request of the Secretary General of the United Nations. **Objective:** engage investors and guide them in the integration of ESG factors.	3684	86	1
Beginning of Banking Responsible [51, 52]	Principles developed by a group of 30 banks through the Financial Initiative of the United Nations Program for the Environment (UNEP FI). **Objective** : to guide banks on how to align your strategy with the SDGs.	206	43	4
Principles for The sustainability in Insurance [53]	Principles developed by the Initiative Nations Program Finance United for the Environment (UNEP FI). **Objective** : to provide a framework for reference to the companies sector insurers to address risks and opportunities associated with ESG issues.	91	7	0
Sustainable Banking Network (SBN) [54]	Community of regulators and associations banks in emerging markets under the Secretariat of the Financial Corporation International (IFC). **Objective:** promote sustainability in the financial sector, improve the management of ESG risks and direct funds to projects with a positive impact on the environment.	58	18	0

48 Data as of February 1, 2021. Does not include Brazil

49 *Principles for Responsible Investment* (2019). Principles for responsible investment. Online: https://www.unpri.org/download?ac=109703 (accessed 1/3/21).

50 Directory of Signatories to the Investment Principles Responsible for the UN, consulted on January 29, 2021. Online: https://tinyurl.com/2nez2m44 (accessed 1/3/21).

51 UNEP. *Finance Initiative Principles for Responsible Banking* (2021). Online: https://tinyurl.com/jvfyvs (accessed 1/3/21).

52 UNEP. *Finance Initiative (2021). Signatories to the Principles for Responsible Banking* . Online: https://tinyurl.com/wwkkudry

53 Finance Initiative of the United Nations Program for the Environment (UNEP FI). *PSI Principles for Sustainability bility in Insurance (2012)* . Online: https://tinyurl.com/4u67wabr

54 *Sustainable Banking Network (SBN). An Innovation of IFC* (2020). Online: https://tinyurl.com/dvmjrbtv (accessed 1/3/21).

While the main investors institutions in Latin America and the Caribbean are effectively integrating the ESG issues in your investment strategies, the **Panamanian investors recognize that are still in an initial process.**

3.2. Responsible investment techniques to integrate ESG factors

To get started in the integration of ESG factors, investors can use different methodologies.

First of all, it is important to clarify the **concept responsible investment** , defined by the Principles of Responsible Investment of the UN as "a **strategy and practice** that incorporates environmental factors, social and corporate governance (ASG) in **investment decisions and asset management** . What's more, complements the traditional techniques of financial and construction analysis of briefcase." [55] For its part, the *CFA Institute* defines ESG investments as those in which investors apply the non-financial ESG factors as part of your analysis process for identification material risks and opportunities for increase. [56, 57]

Responsible investment techniques used by leading investors in the area of sustainable finance in the region are a **combination of the following methods** : *i)* evaluation to filter (positive screening or negative), *ii)* thematic investment, exercise asset owned or managed responsibly, *iii)* impact investing and *iv)* ESG integration. In Panama, the investors interviewed mainly use *screening* techniques negative, combined with active exercise of ownership and integration of ESG in the credit risk analysis plan. These methods are not mutually exclusive anymore they are often used in combination. [58]

3.2.1. Negative *screening*

It consists of defining a list of topics, sectors or countries in which it will not to invest. Each investor can elaborate a different list depending on the principles, standards and norms in which have based your investment policies. For example, the Finance Corporation International (IFC) has an exclusion list [59] what contains and details the types of projects that IFC has decided not to fund. The reasons not to finance such projects include from economic arguments to cultural

The application of an exclusion list is the oldest form of responsible investment. [60]

3.2.2. Positive *screening*

In this case the investor establishes a stock selection process or financial instruments issued by top rated companies in your industry or sector with respect to its performance

55 PRI. (2020). *What is responsible investing?* Online: https://www.unpri.org/download?ac=10233 (accessed 1/3/21).

56 *CFA Institute. (2020). CFA Institute.* Online:

58 *Id.*

59 IFC (2007). *Exclusion List* . Online: https://tinyurl.com/esvt9fnc (accessed 1/3/21).

https://tinyurl.com/ucy4fnja (accessed 1/3/21).
57 Usman Hayat, Matt Orsagh (2015). *Environmental, Social, and Governance Issues in Investing: A Guide for Investment Professionals.* Online: https://tinyurl.com/46ezajev (accessed 1/3/21).

60 *Id.*

in the management of ESG factors. In order to this relative ranking of companies selected in an investment portfolio responsible, investors can use ratings provided by entities specialized in ESG issues such as MSCI, Sustainalytics, Refinitiv, ISS, Vigeo Eiris, among others. Alternatively, some investors establish their own qualification criteria for identify the entities with the best practices in each sector.

Sustainability indices are a very useful tool for investors who opt for the investment methodology responsible based on positive selection. For example, the Dow Jones *Sustainability MILA Pacific Alliance Index* [61] , which covers the capital markets of Chile, Colombia, Mexico and Peru, measures the performance of companies that outperform their peers in sustainability matter. [62] This index can also be used as a reference (*benchmark*) to compare performance of funds that develop strategies positive selection. For example, IndexAmericas, created by the IDB group in collaboration with *S-Network Global Indexes,* is an index of corporate sustainability that seeks to promote sustainability in Latin America and the Caribbean. This index of sustainability identifies the 100 companies more sustainable publicly traded in Latin America and the Caribbean. [63]

3.2.3. Thematic investment

The **thematic investing is based on trends social, industrial, demographic, political or environmental** , among others.

There are some areas of investment that are based on ESG factors, such as renewable energy, gender equality, sustainable agriculture, education or health. Although thematic investment does not is limited to ESG topics only, in this Guide we consider as thematic investment the that invests in assets associated with any of the ESG topics most recognized by the society.

Investing with a gender perspective (GLI, for its acronym in English) is an example of this methodology that consists of promote investments that ensure both the generation of returns, as well as positive impacts for women.

3.2.4. Active exercise of ownership or responsible management

Through the active exercise of ownership (*engagement*), the investor makes prevail your position as a shareholder to influence decision making corporate. The active exercise of Ownership can take various forms. One of them consists of paying the proposals and resolutions in the assemblies annual shareholders. The investors institutional can be grouped into coalitions to make this pressure more effective.

Investors who invest in *Exchange* Green or Sustainable *Traded Funds* (ETFs, for its acronym in English), they will not be able to individual stock selection, but Yes, they can improve the performance of ESG factors of the companies included in the ETF through the active exercise of the

61 *Dow Jones Sustainability MILA Pacific Alliance Index. Methodology* . Online: https://tinyurl.com/4acr6d2x (access 6/3/21).

62 *Id.*

63 Inter-American Development Bank (2021). INDEXAMERICAS. Online: https://tinyurl.com/59kkkv93 (accessed 1/3/21).

property. However, get results through this methodology it entails time, a lot of dedication and is a cost series. [64]

In the context of the elaboration of this Guide, Panamanian investors interviewees indicated that they trust this methodology, mainly for the obtaining ESG information.

3.2.5. Impact investing

The **impact investment** is a investment methodology through which the investor publicly states your **intention to generate certain social or environmental impacts positive that translate into benefits measurable, while looking for returns of investments** .

According to *Global Impact Investing Network* [65] , impact investing brings together four essential features:

1 Investors intend to generate a social impact and / or environmental;

2 Investments are expected to generate a financial return on equity and, at least a return on capital,

3 The investments must generate returns whose rate varies from below market rate to risk-adjusted market rate and;

4 Investors commit to measure and report social impacts and generated environment. [66]

3.2.6. ASG integration

It consists of providing administrators portfolio tools and information needed to identify risks and opportunities related to financially material ESG factors, to make investment decisions. This improves the process of investment incorporating factors into the analysis non-financial.

64 Usman Hayat, *CFA Content Director (Islamic Finance and Environmental, Social, and Governance Issues in Investing) and* Matt Orsagh, CFA, CIPM *Director Capital Markets Policy (2015). Environmental, Social and Governance Issues in Investing: A Guide for Investment Professionals* . Online: https://tinyurl.com/46ezajev (accessed 1/3/21).

65 *Global Impact Investing Network (2021). What you need to know about impact investing* . Online: https://tinyurl.com/zzm6red8 (accessed 1/3/21).

66 Usman Hayat, *CFA Content Director (Islamic Finance and Environmental, Social, and Governance Issues in Investing) and* Matt Orsagh, CFA, CIPM *Director Capital Markets Policy (2015). Environmental, Social and Governance Issues in Investing: A Guide for Investment Professionals.* Online: https://tinyurl.com/46ezajev (accessed 1/3/21).

4 > CONCLUSION

04
CONCLUSION

In short, for the investor consider ESG factors in your intake decision making and target growing percentage of capital to investments that include social and environmental aspects and generate positive impacts, you need the information disclosed by companies.

For this information to comply with the goal of meeting the needs investor information and others stakeholders, it is important that stakeholders reports of the companies are adapted to the main recommendations offered in this Guide and, in particular:

1 That the senior managers of the company **lead the process of sustainability integration** and ensure the development of a sustainable business culture as well as a process of disclosure of solid and effective information.

2 Let the company **consider the point from the view** of investors and others stakeholders in your planning strategic.

3 That the company implement a **identification process of your material ESG topics** , through conducting a diagnosis of materiality.

4 That the company **define and communicate** clearly and publicly your goals and objectives regarding sustainability at a strategic level.

5 That the content of the report of ESG disclosure covers the **topics that are materials** for the investor and their groups of interest. Likewise, that the report is build with **preferred metrics** by investors and groups of interest.

6 That the ESG information disclosed is of **quality, comparable and accessible** .

7 That the report always covers a **same period of time** (for example, the fiscal year).

8 That **communication channels** chosen are appropriate for the interest groups and investors.

On the other hand, to make the most of the information disclosed by the companies,

We advise investors to follow the following recommendations:

1 Establish a transparent dialogue with the reporting entity, and express clearly ESG topics that are important to your strategy investment.

2 Point out the topics you want to see reflected in the report and, if applicable, your preference for some standard of dissemination of ESG issues.

3 Indicate if you have a preference for some indicators with respect to others.

4 Indicate the best periodicity to access the results of performance indicators selected.

5 Indicate your preferences on the report form (reports of independent sustainability or built-in reports, for example).

We hope that with this Guide issuers can advance and improve their practices disclosure of ESG information for benefit of all stakeholders with whom it relates. At the same time that these stakeholders can take informed decisions that contribute to sustainable development of Panama.

ANNEXES

Annex A
Glossary of terms

Environmental	The A in ESG refers to the environmental and climatic factors that are they interrelate with a company and its operation.
ASG	It refers to environmental risks and opportunities (pollution, biodiversity and climate change), social (human rights, labor, gender equality, etc.) and those of corporate governance (transparency, internal controls, and composition of boards of directors, among others) that arise as an impetus to the more comprehensive management of Business.
Questionnaire	Tool generally focused on a specific topic. The Questionnaire helps companies to report detailed information.
Developing Sustainable	"A process of change in which the use of natural resources, the direction of investments, orientation of technological development and institutional changes are in harmony and enhance potential current and future to meet the needs and aspirations of the humanity". [67]
Engagement	Responsible investment technique where through the active exercise of ownership (*engagemen* t), the investor makes his position prevail as a shareholder to influence corporate decision making.
Standards	They address specific requirements and details about "what" Report information about each ESG topic.
Strategy adaptation	Investments to have financial assets or risks more resilient to effects of climate change.
Strategy mitigation	Investments for the net reduction of greenhouse gas emissions greenhouse (GHG) to combat global warming.

67 *United Nations (1987). World Commission on Environment and Development (WCED), Our Common Future (Brundtland Report).* p. 46.

Societies of Investment in Panama	Equivalent to Investment Funds (FI). Includes: Open Funds, Funds Mutuals, Closed Funds, Investment Funds, Investment Companies, Investment Trusts and, in general, all investment products collective public offering, regulated in the Panama stock market. It does not include retirement, retirement or pension funds. [68]
Greenhouse gases greenhouse	The gaseous components of the atmosphere that absorb and emit radiation and causes the greenhouse effect, reflected in warming global.
government corporate	According to the Organization for Economic Cooperation and Development (OECD), the corporate governance of a company "involves the establishment of a set of relationships between the direction of the company, its board of directors, its shareholders and other stakeholders. Corporate governance also provides the structure through which sets the objectives of the company and determines the form of achieve them and monitor their achievement. " [69]

Interest groups	Actors who interact with the company both internally and external.
ESG investment	Investments in which investors apply ESG factors not financial statements as part of your analysis process to identify of material risks and growth opportunities. [70, 71]
Investment with focus of gender	It is an example of thematic investment that consists of carrying out a investment analysis that ensures not only the generation of returns, but also also of positive impacts for women.
Investment of impact	Investment methodology through which the investor manifests publicly its intention to generate certain social impacts or positive environmental benefits that translate into measurable benefits, while seeking positive returns on investments.
Investment responsable	Investment methodology that "incorporates ESG factors in the investment decisions and asset management. What's more, complements the traditional techniques of financial analysis and construction of portfolios. " [72]
Investment thematic	Investment based on social, industrial, demographic trends, political, environmental, among others.

68 Republic of Panama (1999). Decree-Law No. 1 of July 8, 1999 (modified by Laws 42 of 2000, 29 of 2001, 11 of 2002, 45 of 2003 and 6 of 2005), by which the National Commission of Securities and the securities market is regulated in the Republic of Panama. Online: https://tinyurl.com/3mjf2x5w

69 OECD (2016). *Principles of Corporate Governance of the OECD and G20, Éditions OECD* , Paris. Online: http: //dx.doi. org / 10.1787 / 9789264259171-en (p. 9)

70 *CFA Institute. (2020). CFA Institute* . Online at: https://tinyurl.com/ucy4fnja (accessed 2/3/21).

71 Usman Hayat, Matt Orsagh (2015). *Environmental, Social, and Governance Issues in Investing: A Guide for Investment Professionals* . Online: https://tinyurl.com/46ezajev (accessed 2/3/21).

72 PRI. (2020). *What is responsible investing?* Online: https://www.unpri.org/download?ac=10233

Integration ASG	It consists of providing portfolio managers with the tools and information necessary to identify risks and opportunities related to financially material ESG factors for make investment decisions.
Frames of reference	A set of broad principles and guidelines on how to structure the report and how to present the information.
Materiality dual	A topic is material when it has a significant impact on the business in terms of growth, cost or risk and, on the other hand, it is an issue important to your stakeholders.
Materiality financial	An issue is financially material when it could have an impact significant, both positive and negative, in the business model of a company and value drivers, such as growth in income, required capital and risk.
Risk of transition	Risks derived from the regulation and expectations of the transition, associated with climate change.
Physical risk acute	It refers to the physical risks associated with climate change as hurricanes, droughts and other natural disasters caused by change climate.

Physical risk chronic	It refers to the physical risks associated with climate change such as sea level rise, the destruction of coral and marine fauna or the melting glaciers.
Screening negative	Responsible investment technique that consists of defining a list of topics, sectors or countries in which it is not going to invest.
Screening positive	Responsible investment technique that consists of the investor establishes a selection process for stocks or financial instruments issued by the highest rated companies in your industry or sector with respect to its performance in managing ESG factors.
Social	The S in ASG encompasses the social factors that can lead to risks and opportunities for companies and groups with which they interrelate. The three main groups are: employees, customers, and communities in which it operates.

Annex B

Climate risks and opportunities and their financial impacts

The TCFD designed a set of recommendations on the disclosure of climate-related financial information, with focus on risks and opportunities related to climate change. Those risks and opportunities are explained graphically in the following figure of the *Task Force on Climate-related Financial Disclosures (TCFD).* [73, 74, 75, 76]

Graph 5
Climate risks and opportunities and their financial impacts

TRANSITION RISKS

REGULATORY AND LEGAL
TECHNOLOGICAL
MARKET
REPUTATION

PHYSICAL RISKS

TREBLE
CHRONICLES

RISKS

OPPORTUNITIES

Strategic planning and risk management

Financial impact

OPPORTUNITIES

RESOURCE EFFICIENCY
ENERGETIC RESOURCES
PRODUCTS AND SERVICES
MARKET
RESILIENCE

INCOME

COSTS

Losses and Profits

Flow of box

Balance

ACTIVES AND PASIVES

CAPITAL AND

The risks associated with climate change
They are of two types:

Physical risk: derived from the effects direct from the climate, which in turn can be:

1 chronic physical risks, such as rising sea levels, destruction of coral and fauna marine or melting glaciers.

two acute physical hazards, such as hurricanes, droughts and other disasters

73 *Task Force on Climate-Related Financial Disclosures* (June 2017). *Final Report, Recommendations of the working group on climate-related financial statements.* Online: https://tinyurl.com/t2jh8v6d

74 Moreno, Julia; Ruiz, Paula (Forética) (2018). *The risks, the opportunities and financial impact of climate change: Guide for Practitioners on the Task's recommendations Force on Climate-related Financial Disclosures* (TCFD). Online: https://tinyurl.com/8kd8xy8h

75 *Task Force on Climate-Related Financial Disclosures (June 2017). Final Report, Recommendations of the working group on climate-related financial statements.* Online: https://tinyurl.com/t2jh8v6d

76 Moreno, Julia; Ruiz, Paula (Forética) *(2018). The risks, the opportunities and financial impact of climate change: Guide for Practitioners on the Task's recommendations Force on Climate-related Financial Disclosures* (TCFD). Online: https://tinyurl.com/8kd8xy8h

natural caused by change climate. Physical risk has economic repercussions on companies, which vary by industry to industry. For example, a drought can impair the operation of the Panama Canal and affect financially to the company operator. That same drought will possibly have an impact minor in a fishing fleet. For on the contrary, the destruction of marine fauna, which is also a consequence of climate change, will have an effect on the fleet fishery.

Transition risk : derived from regulations and expectations of the transition associated with climate change or from the stoppage and blocking of assets to cause of that transition. A good example of the transition risk is the industry automotive, which has to adapt to produce more efficient cars energy to meet new efficiency regulations energy (miles / gallon). In this same industry also impacts the effect of new technologies. For example, Tesla has had a disruptive effect on the industry automotive when introducing in the market high-efficiency electric vehicles now competitive costs.

are more aware of the effects of GHG emissions related to the cattle raising. Generically, the reputation of high-emission companies and that do not seek to reduce them, can be damaged and promote the search for improvements in the management of future emissions.

The risks associated with climate change are managed through **two strategies** :

Adaptation strategy: involves make investments to have assets or financial risks more resilient to effects of climate change. A good example of resilience is investment under construction of infrastructure more resistant and / or the purchase of hurricane damage insurance. Likewise, the efficient management of water resources is another example adaptation strategy since many impacts of climate change are related to changes in the water cycle (water shortage, floods, droughts and others).

Mitigation strategy: refers to the net reduction in gas emissions greenhouse effect (GHG) for fight global warming. It involves a global effort of each country, including Panama, which has committed to reducing emissions of GHG at the national level, in the context of the Paris Agreement [77] . That commitment

The market for many products may change as consumers begin to have preferences for alternatives more sustainable. A good example is the reduced demand for meat in some markets where consumers

seeks to reduce net emissions of GHG by 45% by 2030 compared to 2010, and bring them to zero in 2050. [78] Each and more companies join this commitment, announcing the goal

77 Paris Agreement (2015). Online: https://tinyurl.com/mwu38c9u

78 llen, MR, OP Dube, W. Solecki, F. Aragón-Durand, W. Cramer, S. Humphreys, M. Kainuma, J. Kala, N. Mahowald, Y. Mulugetta, R. Perez, M.Wairiu, and K. Zickfeld (2018). *Framing and Context. In: Global Warming of 1.5 ° C. An IPCC Special Report on the impacts of global warming of 1.5 ° C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, PR Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, JBR Matthews, Y. Chen, X. Zhou, MI Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. *In Press.*

tangible to achieve the neutrality of Carbon (*Net Zero Target*) in 2050. For example, in May 2020, 155 companies signed a statement press release [79] , urging the governments to make a recovery post-pandemic neutral economy in carbon. The signatory companies already have set reduction targets emissions, or have committed To do it.

There are also related opportunities with the weather.

Climate change also represents a important opportunity for actors economic. The financial sector has a large opportunity to finance the transformation of the current economy in an economy of low carbon. According to Morgan Stanley, an investment of 50 trillion is required dollars to achieve neutrality of carbon (*Net Zero Target*) by 2050. [80]

For companies investing in equipment with greater energy efficiency, the reduction of GHG is accompanied by reductions of costs.

There are also opportunities for new companies offering products disruptive that displace models of unsustainable and / or high-emissions business carbon. In the production industry of electric power, companies that invest in renewable energy sources are displacing traditional companies that have a production infrastructure to carbon base. For example, companies technology, such as ZOOM, are replacing physical workspaces by spaces virtual, displacing the need for travel business, thereby reducing the footprint carbon.

All these innovations mean efficiency energy, lower emissions and reduction of costs, and are opportunities for entrepreneurs of the future.

Some actors are concerned about the risk that can pose to a company publish the partial or total breach of the recommendations of the TCFD (known as *liability risk*). However, try to adopt those recommendations, although initially it is partially, will help companies assess and manage climate risk. [81]

79 Joint *Science* Initiative Press Release *Based Targets, UN Global Compact* and the *We Mean* Coalition *Business* (May 2020). Online: https://tinyurl.com/584xwhx7

80 Morgan Stanley (November 2019). *Decarbonization: The Race to Zero Emissions* . Online: https://tinyurl.com/se37t6jc (access 1/3/21).

81 In Latin America and the Caribbean, around 60 organizations have expressed their support for the TCFD, being the Stock Exchange of Panama, the only Panamanian organization that, until today, has expressed support for TCFD

Annex C

Correlation between ESG performance and cost of capital

Some entrepreneurs perceive that the cost to achieve better performance on topics environmental and social reduces performance financial company. However, companies with good ESG management focus their investments on the factors that They are materials for their industries and, therefore, avoid risks or identify opportunities with impact on financial performance of the company. Observed trends in recent years they show that a good corporate performance on ESG issues is positively correlated with a better cost of capital of the company. Numerous studies support this thesis and suggest that companies that have a good management of material ESG factors so far outweigh significant to other competitors in your sector with poor performance and handling on these issues.

For example, in an analysis published by Invesco in July 2020, reports the results of a comparative analysis of the performance of the components of the S&P 500 Index of companies with the best ESG rating versus to companies with the worst ESG rating of the 12 months prior to June 30, 2020. The results indicate that the companies with the best ASG scores outperformed the other groups. In particular, these companies presented lower volatility during the months from March to April 2020, which contributed to the best overall performance. [82, 83]

Another study by *Mirae Asset Investment Team* [84] concluded that, in the last decade, the MSCI Emerging Markets ESG Index Leaders Index, which includes companies with a high performance in ESG metrics relative to with its peers, surpassed *MSCI Emerging Markets Index* , with annualized returns 6.30% versus 2.87%, respectively. [85]

These and other studies [86] show that the commitment to sustainability translates into financial returns and, consequently, in better capital costs of the company. [87, 88, 89]

82 Nathan Miller (July 2020). *ESG Investing Stands out during COVID-19 Volatility. Expert Investment Views Invesco Blog* .

83 *Factset and Sustainalytics (equal number of securities in each quintile) Sustainalytics' ESG Rating is a proprietary rating system that offers investors in-depth and timely ratings and analyzes of corporate ESG performance. Investors use their research for various applications, including corporate engagement, enhanced risk analysis, due diligence, exclusionary screens, best-in-class analysis and portfolio management. For more information on Sustainalytic's ESG ratings, please visit their website at sustainalytics.com/esg-research-ratings. Past performance does not guarantee future results. An investment cannot be made directly into an index.*

84 *Mirae Asset Investment Team (2020). The Case for ESG Integration in Emerging Markets.* Online: https://tinyurl.com/27d42f9t

85 Data as of September 30, 2020.

86 See, for example: *i)* Inter-American Development Bank (2020). Do sovereign wealth funds and pension funds sacrifice the financial profitability by following environmental investment strategies, social and governance? Online: https://tinyurl.com/35wfxkb9 and *ii)* Mbugua, H. and Rourke, D. (2020). *How Corporate Governance factors can influence financial performance.* Calvert Institute.

87 Gunnar Friede, Timo Busch & Alexander Bassen (2015). *ESG and financial performance: aggregated evidence from more than 2000 empirical studies. Journal of Sustainable Finance & Investment.* On line: https://tinyurl.com/zkw3thms (accessed 3/3/21).

88 Gordon L. Clark, Andreas Feiner, Michael Viehs, *co-authored by the Smith School of Enterprise and the Environment at the University of Oxford and Arabesque Asset Management* (2015). *From the stockholder to the stakeholder: How sustainability can drive financial outperformance.* Online: https://tinyurl.com/2jduxxte (accessed 3/3/21).

89 Pageant Medi, (2019). *Foundations of ESG Investing: How ESG Affects Equity Valuation, Risk, and Performance. Republished with permission of IPR Journal.* Guido Giese, Linda-Eling Lee, Dimitris Melas, Zoltan Nagy, and Laura Nishikawa. Vol. 45, No. 5, 2019. In line: https://tinyurl.com/3ummxpnu (accessed 3/3/21).

Annex D

Regulatory landscape on ESG disclosure

More and more governments and regulators around the world that respond to the demand from investors and other groups of interest to access information in ESG matter of companies.

In Europe, Directive (2014/95 / EU) [90] demands that large companies with more than 500 employees report information of a non-financial nature. The Directive, which is currently under review, includes voluntary guidelines for disclosure of non-financial issues in a way consistent and comparable. [91, 92] On the other hand, Regulation (EU) 2019/2088 [93] (SFDR, for its acronym in English) on the disclosure of information related to sustainability in the financial services sector, requires to disclose information in relation to integration of sustainability risks and the analysis of adverse incidents in sustainability in its processes and information on sustainability regarding financial products.

In Chile, the Superintendency of Pensions published a standard [94,95] in November 2020 that obliges fund managers of pensions (AFP) and to the Administrator of Unemployment Funds (AFC) to be incorporated climate risk and ESG factors in investment and risk management policies.

In Peru, the Resolution of the Superintendency of the Stock Market approved in 2015 a rule [96] that requires issuers to present a sustainability report corporate as an annex to its annual report.

For their part, there are at least 39 governments all over the world they have established some type of ESG disclosure mandatory for issuers. [97] In Latin America and the Caribbean, there are currently 80 instruments aimed at promote the dissemination of ESG issues (43 of them voluntary, and 37 of Mandatory character). [98,99]

Through the integration of ESG factors in the corporate strategy of a company, and especially **through the publication of factor disclosure reports ESG on a regular basis, companies can prepare to meet the present and future rules and regulations, and avoid the penalties derived from your non-compliance** . Regulation **on the matter ESG factor disclosure issued by government agencies at the global has grown by 74%** in 4 years (2016-2020), especially on related topics with climate change, human rights, labor and anti-corruption.

90 Directive 2014/95 / EU of the European Parliament and of the Council, of October 22, 2014 amending the Directive 2013/34 / EU regarding the disclosure of non-financial information and information on diversity by certain large companies and certain groups Relevant text for the purposes of EEE. Online: https://tinyurl.com/y35jubfw (accessed 3/3/21).

91 European Commission (2019). *Communication from the Commission— Guidelines on Non-Financial Reporting: Supplement on weather-related information* . Online: https://tinyurl.com/9dv3c39z

92 European Commission (2017). *Communication from the Commission— Guidelines on Non-Financial Reporting* *(Methodology for the presentation of non-financial information)* . Online: https://tinyurl.com/3vnpz7dj

93 Regulation (EU) 2019/2088 of the European Parliament and of the Council, of November 27, 2019, on disclosure of information regarding sustainability in the service sector (Text with EEA relevance) Text with relevance to effects of the EEA. Online: https://tinyurl.com/3fhyuam7

94 Superintendency of Pensions (2020). Standard of ca- General character No. 276, of November 23, 2020. Online: https://tinyurl.com/47uwufxf

95 Superintendency of Pensions (2020). Resolution N ° 43, of November 23, 2020. Online: https://tinyurl.com/3xd6wyat

96 Superintendency of the Securities Market (2015). Resolution SMV No. 033-2015-SMV / 01, of December 15, 2015. Online: https://www.smv.gob.pe/sil/rgg0211199800000007.pdf

97 PRI (2020). *Responsible Investment Regulation Database* . On line: https://www.unpri.org/policy/regulation-database

98 *Carrots & Sticks (2021). Reporting Instruments* . Online: https://tinyurl.com/3fp8fy37 (accessed 3/3/21).

99 Number of instruments per country: Mexico (10), Argentina (16), Bolivia (3), Brazil (16), Chile (8), Colombia (18), Costa Rica (3), Guatemala (1), Peru (4), Venezuela (1).

Table 8

Republic of Panama. Current regulations regarding the disclosure of information from corporate governance 2003-2011

INSTITUTION	YEAR	QUALIFICATION	CONTENTS
Superintendence from the market of values (before National comission de Valores, CNV)	2003	Agreement N ° 12-2003 of 11 of November 2003 by which guides are recommended and principles of good governance corporate by companies registered in the CNV [100]	Disclosure of information relative to the absence, partial or total adoption of corporate procedures, must be done in the registry of the offer and in the reports yearly
SMV	2010	Agreement N ° 2-2010 of 16 April 2010) by which repeals Agreement N ° 6-2000 May 19, 2000 and adopts the procedure for submission of applications register of values and completion of registration in the CNV [101]	Minimal disclosures on the matter of identity of directors / dignitaries, key executives and their compensation, rules of corporate governance.
SMV	2018	Agreement N ° 2-2018 of 9 May 2018, whereby forms are adopted and report content about the issuer and companies investment, its operations, businesses and securities that they are registered before the Superintendency of Stock Market [102]	Inclusion in reports Issuers newspapers Report "F5" Values: Annual Government Questionnaire Corporate.

100 Republic of Panama. National Securities Commission (now Superintendency of the Securities Market) (2003). Agreement N ° 12-2003 of November 11, 2003 For which guidelines are recommended and principles of good corporate governance by companies registered with the National Securities Commission. Online: https: // tinyurl.com/dwmjmpr7

101 Republic of Panama. National Securities Commission (now Superintendency of the Securities Market) (2010). Agreement No. 2-2010 of April 16, 2010) by which Agreement No. 6-2000 May 19, 2000 and the procedure for the filing of applications for the registration of securities and termination registration with the National Securities Commission. Online: https: // tinyurl.com/hmmau4xw (accessed 3/3/21).

102 Republic of Panama. Market Superintendence Values (2018). Agreement N ° 2-2018 of May 9, 2018. Online: https://www.gacetaoficial.gob.pa/pdfTemp/28528_A/67426.pdf

INSTITUTION	YEAR	QUALIFICATION	CONTENTS
SMV	2018	Agreement N ° 6-2018 of 10 October 2018, by the which rules are adopted and principles of Good Governance Corporate to follow licensed subjects (Casas of Securities, Administrators Investment, Organizations Self-regulated, among others) [103]	
Superintendence of banks	2011	Agreement No. 005-2011 (of 20 September 2011) By means of which a new Agreement that updates the provisions on Corporate Governance [104]	Provisions on governance mandatory for official banks, licensed general and international. They must disclose information updated concerning to your business profile and your organizational structure, to through the electronic portal of the superintendency and by other means at the choice of the Bank.

103 Republic of Panama. Market Superintendence Values (2018). Agreement N ° 6-2018 of October 10, 2018, by the which rules and principles of Good Corporate Governance are adopted. Online: https://tinyurl.com/kb4xudjt

104 Republic of Panama. Superintendency of Banks (2011). Agreement N ° 005-20111 (of September 20, 2011) "By means of of which a new Agreement is issued that updates the provisions on Corporate Governance ". Online: https://tinyurl.com/2tz4vnsy

Annex E

Main actors in the sustainability reporting ecosystem

Sustainability principles inform about
the determination of framework standards and

questionnaires that are used by entities to prepare your disclosure reports ESG factors. The reports, in turn, can be reviewed by consultants, auditors or independent external verifiers, which is a good practice. On the other hand, investors and other stakeholders, this is, the final recipients of the information contained in the reports, they can also use other tools to satisfy your information needs such as For example, ESG information providers, the *ratings* ASG and sustainability indices.

The following graph shows the interaction of these different actors and some of the main actors that interact in the context of sustainability reports.

Graph 6
Interaction between the actors of the ecosystem of sustainability reports and examples of the main players

PRINCIPLES OF SUSTAINABILITY

REPORT

STANDARDS, FRAMES REPORTING AND QUESTIONNAIRES

Investment Principles Responsable

Development Goals Sustainable (ODS)

Ten Principles of

The Value Reporting Foundation (formerly SASB and IIRC)

Global Reporting Initiative (GRI)

Global Compact of United Nations

Guiding Principles about Companies and Human Rights of The United Nations

Task Force on Climate -related Financial Disclosures (TCFD)

Carbon Disclosure Project (CDP)

Used by entities informants for elaboration

AGGREGATORS OF INFORMATION

Bloomberg
Refinitv
MSCI
Sustainalytics

REPORTS FROM DISCLOSURE OF ESG FACTORS

OTHER INFORMATION OF DOMAIN PUBLIC

ANALYSTS AND *RATINGS*

Moody's
S&P
Fitch

USERS OF THE INFORMATION

Consumers and users
General public
Investors
Employees
Communities neighbors

AN

REVIEW

RATES OF SUSTAINABILITY

Dow Jones Sustainability Index (DJSI);

MSCI ESG Indexes;

AUDITORS, CONSULTANTS AND CHECKERS

KPMG
PwC
Deloitte
Ernst & Young

Source: self made

Annex F

Principles, standards, frameworks and questionnaires

Table 9

Principles, standards, frameworks and questionnaires used mostly globally

BEGINNING

Intended for investors. [105]

Principles of Responsible Investment that are translated into a series of commitments for investors.

They also provide a framework for the annual activity report in terms of responsible investment. [106]

17 Sustainable Development Goals aimed at the global community.

Each SDG contains specific targets and indicators to measure its Advance.

Companies must contribute with actions aimed at guaranteeing that those objectives are met.

The Practical Guide for the Integration of the SDGs in Reports Corporate [107] of the United Nations Global Compact proposes that the specific definition of the SDG targets is taken into account as input for the elaboration of the materiality diagnosis.

The *SDG Compass* [108] is a tool developed with the aim of help companies align their strategies with the SDGs, measure and manage your contribution to its achievement.

Largest global initiative for corporate sustainability. [109]

It calls on companies and organizations to align their strategies and operations with Ten Universal Principles [110] on human rights, labor standards, the environment and the fight against the corruption.

105 For more information about the Investment Principles Responsible party, please go to heading 3: THE VALUE OF THE ASG INFORMATION FOR THE INVESTOR, in the page 41 of this document

106 PRI (2020). *Reporting and Assessment* . Online: https://tinyurl.com/2avd7nnf

107 *Global Reporting Initiative* (GRI) and the Global Compact for United Nations (June, 2019). *Integrating the SDGs in Reports Corporate: A Practical Guide* . Online: https://tinyurl.com/4zp448z3

108 *GRI, UN Global Compact and the WBCSD (2015). SDG Compass: the guide for business action on the SDGs* . Online: https://tinyurl.com/xs5tzk8d

109 *United Nations Global Compact* (2021). Online: https://www.unglobalcompact.org/

110 Global Compact, Spanish Network (2021). *Ten Principles* . Online: https://www.pactomundial.org/category/aprendizaje/10-principios/

STANDARDS AND REFERENCE FRAMES

International Integrated Reporting Council (IIRC) , a global coalition of regulators, investors, companies, standards developers, accountants, academics and NGOs. At the end of 2020 IIRC and SASB will merged, giving rise to *The Value Reporting Foundation* .

Provides a framework for reporting on issues ASG. [111]

It promotes the elaboration of integrated reports, that is, financial and of sustainability.

It can be used in a complementary way together with standards such as those of GRI or SASB.

Climate Disclosure Standards Board (CDSB);

Provides a framework for reporting integrated with an environmental focus. [112]

Promotes the integration of information related to change climate in general financial information.

Task Force on Climate-related Financial Disclosures , an initiative created in

2015 at the request of the G20 in order to avoid potential impacts negative effects of climate change on market stability financial
Promotes the disclosure of information on financial risks associated with climate as input for decision making informed of financial actors and other stakeholders.
It can be used as a complement to any standard that is find it aligned with these recommendations as GRI or SASB.
Provides a framework for information disclosure climate-related finance, applicable to organizations of all sectors and jurisdictions. [113]

111 *International Integrated Reporting Council (2021). International <IR> Framework* . Online: https://tinyurl.com/14gq086r

112 *Climate Disclosure Standards Board (CDSB) (2019). CDSB Framework for reporting environmental & climate change information: Advancing and aligning disclosure of environmental information in mainstream reports.* Online: https://tinyurl.com/wm73p7ef

113 *Task Force on Climate-related Financial Disclosures (2020). Final report, Recommendations of the working group on weather-related financial statements.* Online: https://tinyurl.com/572et8ud

STANDARDS AND REFERENCE FRAMES

The *Global Reporting Initiative* (GRI) is an international organization

independent that helps companies communicate their impact on sustainability issues.
Provides a framework and standards for the development of sustainability reports.
GRI standards are grouped by subject: economic (GRI 200), environmental (GRI 300), and social (GRI 400) that provide explanation detailed factors and indicators to include. In addition, GRI provides a set of 'universal' standards (GRI 101, GRI 102 and GRI 103), which serve as a general frame of reference for the preparation of the report.
GRI standards can be used in a complementary way along with SASB standards. [114]

Sustainability Accounting Standards Board is an organization independent, not-for-profit, focused on creating standards of sustainability.
Identify ESG factors that can have a significant effect on the financial condition, operating performance or risk profile of companies companies within an industry.
The standards developed by SASB focus on the industry in which the company that prepares the report operates. SASB has designed standards for the different sectors belonging to the same industry. With Based on this, SASB has standards for 77 sectors within 11 [115] industries that are publicly available for free. [116]
Provides metrics to report on 26 subject categories general organized under five dimensions: 1) leadership and government

corporate; 2) environmental capital; 3) human capital; 4) share capital and; 5) business model and innovation.
Focus on financially material ESG issues.

114 *Sustainability Accounting Standards Board SASB (2021). GRI and SASB announce collaboration* . Online: https://tinyurl.com/jbvhwc9t (accessed 3/3/21).

115 The sectors covered by the SASB standards are: Consumer Goods, Food and Beverages, Services, Extractives and Minerals, Renewable resources and clean energy, Infrastructure, Transportation, Resource transformation, Health, Finance, Technology and Communications.

116 SASB standards are available for download in English at the following link: https://www.sasb.org/standards/download/

QUESTIONNAIRES

CDP (*formerly the Carbon Disclosure Project*) is an organization international non-profit.
Promotes the measurement of the environmental impact of actions and policies of private and public entities.
Provides questionnaires with specific questions for companies with activities in sectors with high impact on climate change, like forests and water. [117]

Source: own elaboration based on publicly available information of the initiatives and organizations referenced

117 CDP (2021). *CDP* . Online: https://www.cdp.net/es

Annex G

Questions to guide the preparation of the report

Below is a list of questions developed by the Initiative Sustainable Stock Exchanges of Nations United to guide those responsible for prepare the factor disclosure report ASG of the company. [118]

GENERAL

1 In what phase is the company in the development and implementation of a corporate sustainability strategy?

2 How can ESG factors contribute within the scope of the strategic objectives of the company?

3 What are the disclosure requirements of ESG factors existing in the market (s) where the company operates?

RESPONSIBILITY AND CONTROL

1 How can the company use the disclosure of ESG factors for involve the board of directors, senior directors and executives of the company and your employees in the establishment of a corporate sustainability culture?

2 What are the ESG themes and objectives keys from the CEO's perspective?

3 How does the company involve the board board of directors, senior managers and executives, and employees in decision-making associated with the management, monitoring and performance of ESG factors?

MISSION AND RESPONSIBILITY

1 What are the main objectives the company aims to achieve through transparency and disclosure of ESG factors?

2 What are the key ESG factors for the company in terms of risks and opportunities they present for the development of your business strategy?

3 What are the public commitments of the company with sustainable development and corporate responsibility?

4 What are the priority stakeholders for the company? What is the process of identification to determine them and with what mechanisms are frequently renewed ID? What system does the company follow to identify what ESG issues are priority for your stakeholders?

5 Which ESG factors are the most relevant for current investors and potential of the company?

6 How much does the company know about its current investor base and its information needs of these?

7 What aspirations does the company have about diversification and expansion of its base investors in the next five years?

8 How much does the company know about information needs of investors you want to attract?

118 *Sustainable Stock Exchanges Initiative (2015). Model Guidance on Reporting ESG Information to Investors: a voluntary tool for stock exchanges to guide issuers* . Online: https://tinyurl.com/4khdh8l2

RELEVANCE AND MATERIALITY

1 What is the process of preparing a diagnosis of the company's materiality on ESG matters?

2 How do ESG factors fit into the materiality diagnosis process?

3 Which ESG factors have the greatest impact in creating long-term value?

4 What ESG factors directly affect the short-term financial performance of the company?

5 Has the company identified the information What do your investors need?

6 How does the company maintain and improve its investor relations?

7 How does the company compare to its peers regarding handling and performance in ESG issues?

8 What ESG factors are related with current and future regulations that affect the company?

CREDIBILITY AND SUSTAINABILITY

1 How useful is the disclosure report of the company's ESG factors for its investors and other stakeholders?

2 How can the company take advantage of disclosure of ESG factors to deepen the relationship with its investors?

3 How can the company carry out a feedback process with your groups of interest to improve their performance and transparency on ESG issues?

4 What initiatives has the company to involve its investors on ESG topics?

5 What alternative methods do you need explore the company to engage your investors?

6 How does the company use and incorporate the suggestions, comments Y recommendations from your stakeholders in the decision-making process?

7 How are controls and controls applied? financial disclosure obligations to the disclosure of ESG factors?

Annex H

GRI, SASB and the united nations global compact as tools for determine ESG issues to report on

GRI

GRI standards are grouped by topic: economic (GRI 200), environmental (GRI 300), and social (GRI 400) that provide explanation detailed information on the factors and indicators that include. In addition, GRI provides a set of 'universal' standards (GRI 101, GRI 102 and GRI 103), which serve as a general framework for reference for the preparation of the report.

The following table presents the list of GRI standards.

Table 10
List of GRI standards

UNIVERSAL STANDARDS
(applicable to any organization)

GRI 101: Fundamentals	**GRI 102:** General Contents	**GRI 103:** Management Approach

THEMATIC STANDARDS

Economical (GRI 200)	Environmental (GRI 300)	Social (GRI 400)
GRI 201: Performance Economic	**GRI 301:** Materials	**GRI 401:** Employment
GRI 202: Presence in the market	**GRI 302:** Energy	**GRI 402:** Relationships worker-company
GRI 203: Impacts Indirect Economic	**GRI 303:** Water and effluents	**GRI 403:** Health and work safety
GRI 204: Practices of Acquisition	**GRI 304:** Biodiversity	**GRI 404:** Training and Teaching
GRI 205: Anti-corruption	**GRI 305:** Emissions	**GRI 405:** Diversity and Equality of Opportunities
GRI 206: Competence Unfair	**GRI 306** (2016): Effluents and waste	**GRI 406:** No discrimination
GRI 207: Taxation	**GRI 306** (20120): Waste	**GRI 407:** Freedom of association and negotiation collective
	GRI 307: Compliance Environmental	**GRI 408:** Child Labor
	GRI 308: Evaluation Environmental Suppliers	

GRI 409: Forced Labor u Mandatory
GRI 410: Internships in Safety matter
GRI 411: Rights of the Indigenous villages
GRI 412: Evaluation of human rights
GRI 413: Communities local
GRI 414: Social Assessment Suppliers
GRI 415: Public Policy
GRI 416: Health and Clients Security
GRI 417: Marketing and Labelled
GRI 418: Privacy of Client
GRI 419: Compliance Socioeconomic

Source: Own elaboration with data from the *Global Reporting Initiative* (GRI) 2021

SASB

Standards developed by SASB focus on the industry in which the company operates company preparing the report. SASB has designed a standard for the different sectors belonging to the same industry. Each of the industry standards helps companies to inform about the ESG factors that have high potential to generate material financial impacts to companies belonging to that sector. On In that sense, SASB has standards for 77 sectors within 11 industries [119] that are public disposition for free [120] .

SASB provides metrics to report about 26 general subject categories organized under five dimensions: 1) Leadership and Corporate Governance; two) Environmental Capital; 3) Human Capital; 4) Social capital; and 5) Business Model and Innovation. These standards can be a good source for identifying ESG issues about which to report.

119 The sectors covered by the SASB standards are: Consumer Goods, Food and Beverages, Services, Extractives and Minerals, Renewable resources and clean energy, Infrastructure, Transportation, Resource transformation, Health, Finance, Technology and Communications.

120 SASB standards are available for download at English at the following link: https://www.sasb.org/standards-overview / download-current-standards /

Graph 7
Dimensions and subject categories that make up the SASB standards

Business ethics
Behaviour
competitive
Environment management
legal and regulatory
Risk management
critical incidents
Risk management
systemic

Leadership
and Government
Corporate

Capital
Environmental

Effect emissions
greenhouse
Air quality
Energy management
Water management and
sewage water
Waste and toxic materials
Biodiversity and
ecological impacts

Model of
Business and
Innovation

Capital
Social

Design and life cycle
of the products
Model resilience
business before
ESG trends
Chain management
supply
Supply of
raw Materials
Physical impacts of
climate change

Capital
Human

Human rights and
relations with communities
Consumer privacy
Data security
Access and affordability
Quality and safety of
the products
Consumer welfare
Sales practices and
product labeling

Labor practices
Health and security
of employees
Commitment, diversity
and inclusion of
employees

Source: Rodríguez Trejo, Arturo (*South / Latin America Outreach Director* , SASB) (2020). *Presentation for the Panama Stock Exchange and its working group for the development of ESG outreach guides* (p. 14).

United Nations Global Compact

The Practical Guide for the Integration of the SDGs in the Corporate Reports (June 2019) [121] , proposes that the definition be taken into account specific to the SDG targets as input for the identification of ESG issues on which to report. This document is a practical guide on integrating the SDGs in the preparation of corporate reports conducted in accordance with the Guiding Principles on Business and Human Rights of the United Nations [122] , the Ten Principles of the United Nations Global Compact and the Reporting Framework of the *Global Reporting Initiative* (GRI). The document details the process that companies can continue to "identify and prioritize your SDG goals, take measures and report on their progress ". Likewise, the Global Compact of Nations United offers a series of tools for great utility for companies in the area of the preparation of corporate reports linked to the SDGs. [123, 124, 125]

121 *Global Reporting Initiative* (GRI) and the Global Compact for United Nations (June, 2019). *Integrating the SDGs in Reports Corporate: A Practical Guide* . Online: https://tinyurl.com/4zp448z3

122 United Nations (2011). *Guiding Principles on Business and Human Rights: Putting the Framework into Practice of the United Nations to protect, respect and remedy* . Online: https://tinyurl.com/fy8etnxe

123 United Nations Global Compact, PwC and GRI (2017). *Business Reporting on the SDGs: An Analysis of the Goals and Targets* . Online: https://tinyurl.com/cxrkw8yw

124 *Global Reporting Initiative (GRI), UN Global Compact and PRI (2018). In Focus: Addressing Investor needs in Business Reporting on the SDGs* . Online: https://tinyurl.com/549mxbe7

125 *SDG Compass (2020). The Steps* . Online: https://sdgcompass.org/

Annex I
Other tools and references

The following is a list of the main existing organizations and initiatives global level in terms of disclosure of ASG information.

1 Sustainable Development Goals (United Nations United). There are different tools to guide organizations in the inclusion of the SDGs in their sustainability reports. We recommend consulting them for a

7 *Natural Capital Protocol*

8 *Tripartite Declaration of principles concerning multinational enterprises and social policy of the International Labor Organization*

9 *GRESB (ESG reporting standards for real assets).*

10 *UNEP Finance Initiative. Principles of*

better incorporation of this approach into reports:
to. SDG Compass (The SDG Compass)
b. Integrating the SDGs into reports corporate: a practical guide
c. Investor needs in the business report of contribution to the SDGs
d. Linking the SDGs and Standards GRI

2 United Nations Global Compact.

3 Guiding Principles on Business and human rights. Put into practice of the United Nations framework for "Protect, respect and remedy."

4 *Guidance for Responsible Agricultural Supply Chains of FAO-OECD*

5 *Guidelines for Multinational Enterprises of the Organization for Economic Cooperation and Development*

6 *ISO Standards*

Responsible Banking:
to. Principles Signature Document
b. Reporting and Self-Assessment Template
c. PRB Guidance Document

11 *GRESB and ESG Benchmarking*

Composition of the guide's working group

For the preparation of this document, a working group (Guidelines Task Force Group) in which representatives of the main sectors of the capital market from Panama. The working group contributed your interventions, comments and suggestions to improve the quality and content of this Guide, as well as to reflect the characteristics and circumstances of the Panamanian market. In particular, we greatly appreciate the comments and contributions of the following institutions and their representatives:

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