Guide to
issuance of securities
social, negotiable, green and sustainable

2019
version 1.0
1. Background

The Panama Stock Exchange of issue objective is to promote the interests of companies in a timely manner.

In 1989, when Panama was undergoing a political and economic crisis, entrepreneurs crystallized by the need to finance their operations. This privatization effort centralized the forces of supply and demand.
Guidelines for the issuance of social, green and sustainable negotiable securities

Each of the Values labels
Negotiable SVS is defined based on
of the benefits generated by
projects or activities to be financed.
Thus, “green” marketable securities
focus on projects or activities
with environmental benefits, the values
negotiable "social" projects
o activities with social benefits and
the securities "sustainable"
they pursue a combination of both.

2. Capital markets and sustainability

2.1 introduction

Qualified investors can be an important
source of capital to finance infrastructure development
sustainable in Panama. During the last 5 years it has
globally experienced an increase in the demand for
investment opportunities for adaptation and mitigation
of climate change, the generation of positive social impact
and sustainable development, mainly by
institutional investors from member countries
of the Organization for Cooperation and Development
Economic (OECD). This is reflected in the increase in
capitals engaged in initiatives such as the Principles
for Responsible Investment, the Global Declaration of
reaching emissions for an amount equivalent to USD 87,000
MM in 2016, USD 155,000 MM in 2017 and USD 167,000 MM in
2018, also with an increase in diversity with respect to
the issuer's base, geographies and projects.

The emergence of green marketable securities has been recognized
by the United Nations as “one of the developments
most important in financing opportunities
low-carbon investment and resilience
climatic”. In the same vein, the statement from the leaders of the
G20 (Group of 20 industrialized and emerging countries) in
September 2016 recognized that to support growth
environmentally sustainable around the world “it is necessary

Source: Climate Bonds
The BVP consider
effective way to m
priorities of Panar
3. International standards recognized by the BVP

At the international level, there are widely recognized standards for issuance of financial instruments for green, social or sustainable purposes that should be considered to label this type of assets.

- **Principles of Green Bonds (Green Bond Principles, GBP)**: were created in 2014 by the Association Capital Market International (International Capital Market Association, ICMA). These principles constitute procedural guides for the issuance of green bonds. Their main objective is to promote transparency and disclosure of information, promoting integrity in market development of green bonds. The four principles or components main on which the GBP are founded are the use income, project selection process, revenue management and reporting. They also recommend the use of external reviews to determine the alignment with the four components. In order to more information on the four principles of GBP, see ANNEX A of this document. In 2017 ICMA also developed the Principles of the Social bonds (Bond Social Principles, SBP) and Guide of the Sustainable Bonds (Sustainability Bond Guidelines, SBG). The former adopt the same pillars around transparency than GBP, and add new categories eligible for financing. For their part, the SBGs refer to eligible assets under the principles of GBP and SBP.

- **International standard for climate bonds (International Climate Bonds Standard, CBS)**: managed by Climate Bonds Initiative (CBI), refers to criteria and standards created to be used as tools for governments, investors and companies whose objective is to mitigate the adverse effects of the change climate. These standards establish prerequisites and subsequent to the issuance of the instrument and additionally they have a list of project categories. It fits note that CBS is aligned with GBP and therefore promote trust and transparency among investors.

The BVP recommends the adoption of the practices international referrals in order to obtain a greater harmonization with markets globally.

3.1 Social green and financial inst

The BVP adopts th Executive of ICMA/ Principles of Socia

- **Green Bonds**: th type of bond w intended to fina fully, new or ex as 'green projec are the use of it fund managem. The proceeds o finance activitits include intangi environmental l climate change, the conservatio air, water and so Greens can also. For more infor present docume

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- **Sustainable Bonds** combination of
3.2 Possible structures for SVS marketable securities

Financially, the SVS Marketable Securities are structured similarly to marketable securities traditional, with equivalent characteristics in terms of qualifications and structuring processes. In other words, these are instruments that can provide similar returns to a common debt instrument, with the distinction that the use of the resources obtained will be used exclusively to finance social and / or green activities or projects, which can be guaranteed by dedicated institutions exclusively to evaluate the transparency of this type of projects.

In accordance with the regulations of Panama, the structures Possible for SVS emissions are as follows:

- **Bonds**: representative title-value of a company, can be public or private. Through this class of titles the companies or the state receive funds from the public in general to finance their projects and in return the bonds will earn interest for their holder.

- **Investment funds**: investment instrument for the that an investor or participant contributes or subscribes a amount of money that entitles you to the property of a percentage of the fund's portfolio (participation). This portfolio is made up of various assets and is managed by a management company.

- **Treasury bills**: fixed income securities issued by the Government, with maturities of up to one year.

- **Treasury notes**: fixed income securities issued by the Government, with maturities between one and up to ten years.

- **Treasury bonds**: fixed income securities issued by the Government with maturities from ten years onwards.

- **Securities**: any bond, negotiable commercial value or other debt security, securities law recognized in a custody account, participation fee, certificate of participation, certificate of entitlement, certificate trustee, certificate of deposit, mortgage certificate, option and any other title, instrument or right commonly recognized as a value or that the The Superintendency determines what constitutes a security. For the purposes of this guide, they have been excluded from this definition of shares (including treasury shares).

- **VCN (Negotiable Commercial Securities)**: they are known in the international financial market as commercial paper. They are short-term fixed income securities term with a term of less than 365 days. Are issued mainly to finance capital requirements of work.

Since or because the SVS Negotiable Securities will not differentiate in structure from other instruments traditional financial instruments, the issuance requirements will be those that are established for the issuance of the marketable securities mentioned (bonds, funds investment, treasury bills, treasury notes, treasury, securities, VCNs) in Decree Law 1 of July 8, 1999, modified by Law 67 of September 1, 2011, that establishes the coordination and cooperation system interinstitutional between the financial control entities, creates the Superintendency of the Securities Market, reforms Decree Law 1 of 1999 and Law 10 of 1993 and that dictates other provisions.

3.3 Benefits of issuing securities negotiable SVS

SVS Marketable Securities offer different benefits, for issuers and the investing public, as summarized in the table below.

The main benefits reported by issuers have been expanding investor base, improving its reputation and project financing to through mutual funds, investors qualified and stakeholders interested in projects social and / or environmental. Also exists preliminary evidence of rate benefits for some issuers, driven by a strong demand from investors and a limited offer. In fact, as international background, oversubscription has been the norm for bonds for environmental purposes.

**Benefits**

- **Get financial comparison**
- **Contributes national, public, e others.**
- **Satisfy E Social as of their ;**
- **Allow diversified sectors ;**
- **Increase of accou income.**


10 Green Bond Pricing in the Primary Market H1 2019, Climate Bonds Initiative 2019 (see the link [https://www.climatebonds.net/resources/reports/green-bond-pricing-primary-market-h1-2019](https://www.climatebonds.net/resources/reports/green-bond-pricing-primary-market-h1-2019))
3.4 International practices for awarding SVS labels

Thematic asset markets first developed voluntarily turn to the first green asset, called Climate Awareness Bonus (Clim) of the European Investment Bank in 2007, followed by the World Bank green bond in 2008. Subsequently, best practices have been developed internationally to guide issuers and offer standardized markets to maintain investor confidence and avoid greenwashing.12

Worldwide, different tools have emerged to provide security to investors about the environmental and / or social credentials of the instruments finances used, among which are the reviews of external. These are suggested to issuers for the purposes of reinforce the credibility of the marketable security label used as a vehicle to finance green projects and / or social. The most common forms of external reviews are:

I Second opinion: an institution with experience in environmental and / or social matters, regardless of the issuer, may give a second opinion and must be independent of the negotiable security structuring processes.

Usually the review consists of an evaluation of the alignment of the marketable security with the GBP / SBP. In particular, may include an assessment of the overall objectives of the issuer, strategy, policy and / or processes related to the environmental and / or social sustainability, and an assessment of the environmental characteristics of the type of projects to which the funds will be allocated.

II Verification: an issuer may obtain a verification independent through comparison with a set of criteria related to business processes and / or environmental and / or social criteria. This verification can focus on alignment with internal standards or external, or statements made by the issuer. Also you will be able to have a verification on the processes internal issues of the issuer regarding the use and management of the funds, impact reports and alignment with the principles of green and / or social bonds.

III Certification: includes an expert review of the marketable security and its processes and controls for financial instruments that will be obliged to comply with the guidelines that promote the creation of a thematic marketable Security (SVS). The Guide is intended to guide issuers, a guide to channel the development of social, green and / or sustainable bonds.

Therefore, the issuer can certify its negotiable value green against an internationally recognized standard and publicly available, such as the Standard Climate Bonds (Climate Bonds Standard)15.

IV Rating / score: consists of an evaluation of the SVS Negotiable Securities and its processes and controls for financial instruments that will be obliged to comply with the guidelines that promote the creation of a thematic marketable Security (SVS). The Guide is intended to guide issuers, a guide to channel the development of social, green and / or sustainable bonds.

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4.6 Choice of projects

The issuer must define the project(s) that will be (are) financed (s), describing in the issuance prospectus the estimated impacts based on their measurability, or in accordance with the provisions of the green negotiable security and / or social partner of the issuer. According to the principles of green and social bonds, issuers must establish, document and maintain a decision-making process to determine project eligibility including:

I A statement on environmental objectives and / or of the chosen financial instrument.

II Processes to determine the eligibility of the project.

III The eligibility criteria, the exclusion criteria, or any other process used to identify and manage the environmental and / or social risks associated with the projects.

4.7 Fund management

In order to ensure that the resources from this type of emissions are used in accordance with the principles agreed upon at the time of issuance, these assets should be assigned to specific accounts, or other reliable mechanisms that guarantee traceability and transparency in the use of funds.

In this way, the issuer must have a process formal to monitor the funds obtained until their total allocation, distinguishing between invested resources and those that have not been assigned. The resources still

4.8 External review

The development of external reviews is suggested to reinforce the credibility of the green, social or sustainable label. It is one of the world’s best practices to provide transparency and certainty to investors.

The reviews approved by ICMA are those described in the section 3.4. Additionally, it is recommended that:

I The review is carried out by an external reviewer Independent.

II The independent reviewer may be one of those approved by Climate Bonds Initiative or others of a local or international nature that may also be chosen among others of a local or international nature that may be developed in the future.

III The independent reviewer has experience in the analysis of technical characteristics and performance of projects with green and / or social benefits.

IV The credentials of the independent reviewer and the scope of the review carried out are available to the public investor on the issuer’s website and are informed at the time of requesting authorization to process the label if:

- Does not comply with the requirements in section 3.2 or an application for extension to the BVP.

For green adoption of projects or the category Climate B green bond

4.9 Exclusion

The exchanges may not do not meet the requirements and the current regulations in this sense, an SVS label if:

- You do not meet the requirements in section 3.2 or an application for extension to the BVP.

4.10 Post

The issuer of SVS in accordance with the requirements in section 3.2 or an application for extension to the BVP.

For green adoption of projects or the category Climate B green bond
In order to create a harmonized framework for the publication of reports on the impact of projects Green, the Impact Reporting Working Group of the ICMA Green Bond Principles developed guidelines volunteers that include recommendations for the creation of impact reports, especially for related projects with energy efficiency, renewable energy, water and water waste and waste management.

Some of the main recommendations are:

I Define and disclose the period and the process to include projects in your report.
II Indicate the total issued and the amount of funds allocated to green projects.
III It is recommended that issuers provide a list of projects to which the funds have been allocated.
IV The impact report must illustrate the environmental impact expected as the result of the projects to which allocated the funds.
V It is recommended to report shelf life results estimates and/or the economic life of the project (in years) to understand the impact of the project throughout its useful life.
VI The Working Group proposes four basic indicators to report results on related projects with (1) energy efficiency (EE) and renewable energy (ER), (2) greenhouse gas (GHG) emissions reduced or avoided (EE and RE), (3) renewable energy annual produced (RE), and (4) the capacity of the renewable energy built or rehabilitated (RE).

In the same sense, the Working Group on Reports of Impact of ICMA Social Bonds developed its guide voluntary in order to harmonize the practices of

4.12 Fund management not assigned

It is recommended that income not allocated to projects specific:

I Can be kept in investment instruments temporary or applied temporarily to reduce the indebtedness.
II Green and sustainable projects do not include - in the temporary investments - projects that are inconsistent with a low carbon economy and resilient to climate or with climate change policies from Panama.
Annex A:

The Green Bond (English), and the (acronym) are a set to the processes of and / or social. The promoted by ICMA green and / or social funds in green and / or social issues characteristics.

GBP was launched to annual reviews, publication of this ICMA launched the Both principles on establishment of as for the use of the f transparency and c independent review green and / or social Both GBP and SBI that highlight infor four areas:

I Use of funds: the bonds should b Eligible "and / / be adequately d instrument. GB generic eligibili and / or Social i environmental i

II Project selectio the selection of clear form: (i) t and / or social t issuer determin the categories o and (ii) the rel another process environmental i

III Fund manage Social, Green o
Annex B: Project categories according to GBP and SBP criteria

The following lists of projects are illustrative and indicative in nature and include the types of projects accepted by GBP and SBP. In this sense, they do not exclude other categories or types of projects that may arise post-Guide.

Social Bonuses:
The funds obtained from a social bond may be used in any of the following project categories:

- Affordable basic infrastructure (eg water drinking, sewerage, sanitation, transportation).
- Access to essential services (eg health, education and vocational training, health care, financing and financial services).
- Affordable housing.
- Generation of employment, including through the potential effect financing of SMEs and microfinance.
- Food safety.
- Advancement and socioeconomic empowerment.
- Gender equality.

The Social Bond Principles provide examples of populations, which may be the object of the social project financed by social bonds. They include, among others, the following:

- Population below the poverty line;
- Excluded and / or marginalized populations and / or communities;
- Vulnerable groups, including as a result of natural disasters;
- People with disabilities;
- Migrants and / or displaced people;
- People without education;
- Underserved population;
- Unemployed people.

Green Bones:
The funds obtained from a green bond may be used in any of the following project categories:

- **Renewable energy**: generation, production, transmission of energy from renewable sources, devices and products;
- **Energy efficiency**: new and restored buildings, energy storage, thermal insulation in buildings, district heating, efficient heaters, water, solar heaters, smart grids, household appliances and products, etc.;
- **Prevention and control of pollution**: treatment wastewater, reduction of atmospheric emissions, control of greenhouse gases, remediation of soils, waste prevention, waste reduction, waste and energy recycling, emissions waste energy efficient, value-added products of waste and remanufacturing, associated environmental monitoring, etc.;
- **Environmentally sustainable management of resources natural living and land use**: agriculture environmentally sustainable, environmentally friendly animal husbandry, sustainable, climate-smart agricultural inputs, biological protection of crops, drip irrigation, environmentally sustainable fishing and aquaculture, environmentally sustainable forestry,
- **Conservation of terrestrial and aquatic biodiversity**: protection of coastal, marine and watershed environments hydrographic, etc.;
- **Clean transport**: electric, hybrid, public transport, rail, non-motorized, multimodal, infrastructure for clean energy vehicles (bike lanes or bicycle lanes) and reduction of harmful emissions, etc.;
- **Sustainable management of water and wastewater**: sustainable infrastructure for clean drinking water, sewage treatment, drainage systems sustainable urban development and training in rivers and other forms of flood mitigation, etc.;
- **Adaptation to climate change**: support systems for information, weather observation and warning systems early, etc.;
- **Products, production technologies and processes adapted to the ecological and / or economic economy circular**: product development and introduction respectful with the environment, with ecological label of environmental certification, efficient packaging and distribution in terms of resources, etc.;
- **Green buildings that meet standards or regional, national or international certifications**.
1 Issuer: decide to obtain financing and allocate it to a social, green or sustainable project (SVS)

2 Independent review: verify compliance with the principles of the category that corresponds (SVS)

3 Organizer: coordinate the terms and conditions of the structuring with your advisor financial (type, amount, term, etc.)

4 BVP and LC: complete the registration requirements of the Panama Stock Exchange and the Latin American Central of Values

5 SMV: obtain the pertinent authorization from the Superintendency of the Securities Market Panama

6 Public offer: disclose the informative prospectus and the terms and conditions of the offer

7 Placement: issue the security on the market through the BVP

8 Resources: allocate the issuance resources to the project(s)

9 Transparency: comply with disclosure and transparency requirements
Guidelines for the issuance of social, green and sustainable negotiable securities

Stock market committed to finance sustainable in Latin America and the Caribbean

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