



2021 GREEN BOND REPORT

DECEMBER 2021



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Independent Limited Assurance Report

1 INTRODUCTION

UEP Penonome II, S.A., (Issuer) and Tecnisol I, S. A., Tecnisol II, S. A., Tecnisol III, S. A. Tecnisol IV, S. A., (together as Tecnisol Group, S.A.) as jointed Guarantor of the Issuer, both as Interenergy Panama subsidiaries, are committed to generate renewable wind and photovoltaic energy with cutting-edge technology that allows a low impact, clean and safe operations, resulting in cost-effective energy, that not only ensures value to our investors but improves the environmental and socioeconomic status of the region.

UEP Penonome II, S.A.'s wind farm Laudato Si, located in Penonome, Coclé province, and is the largest wind farm in Central America. The farms (Marañón (17.5 MW), Rosa de los Vientos I (52.5MW), Rosa de los Vientos II (50 MW), Nuevo Chagres (62.5 MW) and Portobelo (32.5 MW) have a total installed capacity of 215 MW that has been operational since January 2015. Tecnisol Group solar project is based in David, Chiriquí province in western Panama and consists of four separate 10 MW single axis tracker photovoltaic power plants for a total capacity of 40 MW of generation. These solar farms began operations in august 2018 and currently supplies renewable energy to local large clients.

Our environmental and corporate social responsibility projects are strategically aligned with the United Nations Sustainable Development Goals, to create a positive impact and the creation of shared value that not only will benefit the company or the communities but create a more sustainable scheme of stronger and more resilient communities, while the environment and the natural resources that we depend on are thoroughly protected and conserved.

UEP PENONOME II, S.A. GREEN BOND SUMMARY

Issuer	UEP Penonome II, S. A.
Settlement Date	December 18, 2020
Issued Amount	US\$262,664,000
ISIN	USP9434RAA88 and US90363PAA49
Maturity Date	October 1, 2038

UN Sustainable Development Goal aligned with the project



2 TECHNICAL SUMMARY

Laudato Sí:

- Location: Cocle province, Republic of Panama.
- Wind turbine model: GW109/2500
- Turbine generation capacity per unit: 2.5 MW
- Quantity of turbines: 86
- Mean annual generation value: 480 GWh
- Rotor diameter: 107.50m
- Operational wind speed: 3-25 m/s
- Land footprint: 120 ha



Tecnisol Group:

- Location: Chiriqui province, Republic of Panama.
- Modules: Polycrystalline silicon PV modules Canadian Solar CS6U-330P MaxPower, with centralized inverter topology and single-axis tracker (horizontal axis with north-south orientation).
- Quantity of modules: 138,240 units
- Generation capacity: four separate 10MW single axis tracker photovoltaic power plants, for a total of 40MW generation capacity.
- Land footprint: 97.8 ha



3 SUMMARY OF GREEN BOND FRAMEWORK

This framework applies to Green Bonds issued by UEP Penonome II, S.A. in December 2020 in compliance with ICMA Harmonised Framework for Impact Reporting of June 2021:

1. Use of Proceeds

The Green Bonds issued by UEP Penonome II, S.A., will be directly allocated for the refinancing of new or existing Eligible Green Projects that meets the criteria of development and operation of renewable energy projects that minimize environmental and social impacts such as solar or wind generation, and energy optimization programs with our customers, aiding in the reduction of energy consumption and energy efficiency improvements.

2. Process for Project Evaluation and Selection

Project evaluation and selection is performed by UEP Penonome II, S.A. team, to ensure that all Projects to be financed by Green Bonds will meet positive environmental, sustainability and socioeconomical criteria.

The team responsible for project selection consists of members of Board of Directors, Treasury, Construction and Development, Finance, Operations, Health and Safety, Environment, Sustainability and Corporate Social Responsibility teams.

3. Management of Proceeds

UEP Penonome II, S.A. team will keep track of the allocations of Green Bond proceeds. Net proceeds will be used entirely for eligible green projects.

4. Reporting and Independent Review

Annual Green Bond reports will be published and available on the Green Bond Transparency Platform website, where data on allocations, proceeds and project impact goals and results will be visible.

4 MANAGEMENT ASSERTION

UEP Penonome II, S.A. management is responsible for the accuracy and validity of the Allocation of Proceeds information appearing on page 8 as of December 31, 2020. Management asserts that \$262,66 million, representing the net of proceeds from December 18, 2020, issuance due October 1, 2038, were allocated to refinance Eligible Green Projects as the previously defined criteria:

Eligible Green Projects Criteria:

- Renewable energy: The development, construction, and operation, as well as transmission infrastructure to support, facilities that generate solar energy or wind energy.
- Energy efficiency: Energy optimization programs that work to educate and provide our customers with tools to reduce energy usage and improve energy efficiency.

Additionally, the information on the issuance of this Green Bond, will be publicly available at the Green Bond Transparency Platform website:



GREEN BOND TRANSPARENCY PLATFORM

[Bonds](#) [Portfolio](#) [FAQ](#) [About Us](#) [Resources](#)

Issuer profile

\$ 262.7M **1**

Issuance

Published bonds

0

Externally reviewed bonds

UEP Penonome II, S.A.

Non-Financial Corporate



TICKER

COUNTRY

ISSUER & TYPE

US90363PAA49
ISIN

 **Panama**

**UEP Penonome II,
S.A.**
Non-Financial Corporate

262.7MUSD

01 Oct 38
18 Dec 20

5 ALLOCATION OF BOND PROCEEDS AND IMPACT

Our eligible green bond projects funded prior the issue date, include the scope of renewable energy through construction, operation, and transmission infrastructure to generate clean solar and wind energy. We also strive to provide our large clients and customers with clear information on their clean energy consumption, helping them in the next steps and decision making on the sustainability of their daily operations. For this purpose, we are aligned with the United Nations Sustainability Development Goals 7, 11 and 13, creating a platform for others to maintain sustainable operations through affordable and 100% clean energy and leading the efforts fighting against climate change

The total proceeds allocated to the renewable projects of UEP Penonome II, S.A. was for a total of USD 262,664,000.00 issued, consisting of a wind and a solar farm.

Laudato Si:

Laudato Si wind generation farm, located in Penonome, Cocle in Panama. This project has been operational since January 2015 and has a total generation capacity of 215 MW. The farm is divided as follows:

- Marañón: 17.5 MW
- Rosa de los Vientos I: 52.5 MW
- Rosa de los Vientos II: 50 MW
- Nuevo Chagres: 62.5 MW
- Portobelo: 32.5 MW

Tecnisol Group:

Tecnisol Group consists of four solar farms situated next to each other and located in David Chiriqui, Panama, with a combined capacity of 40 MW of power generation (10MW for each farm).

UEP Penonome II, S.A. and Tecnisol Group projects sum up for a total combined generation capacity of 255 MW of solar and wind 100% renewable energy.



BACKGROUND OF THE PROJECT FINANCING

On December 2014, the International Finance Corporation (IFC) as administrative agent and the Lenders (described below), executed the Common Terms Agreement pursuant to which the parties agreed to certain terms and conditions in common, to each of the following loans (IFC Loans) for the purpose of financing the development of UEP Penonome II, S.A. Wind Farm.

A senior Debt of US\$250 million was financed by International Finance Corporation (IFC); The Netherlands Development Finance Company (FMO); French Development Institution (Proparco); Development Bank of the Austrian Republic (OeEB); Central American Bank for Economic Integration (CABEI); Banco Nacional de Panama (the "Tranche A"):

- Tenor: 17-years door to door. Tailored amortization scheduled stepping up from 2.4% in average for the first 22 semesters (53% of total amount); 3.66% for the following 6 semesters (22% of total amount) and 6.27% for the last 4 semesters (25% of total amount).
- Priced at LIBOR + 4.75%.
- On March 9, 2015, the issuer contracted a receive-floating interest rate swaps by which the Company agrees to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts for US\$180,000,000. Such contract enables the Company to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt.

A senior Debt of US\$34 million financed by Banco General, S. A. and Corporación Interamericana para el Financiamiento de Infraestructura, S. A. (CIFI) (the "Tranche B"):

- Tenor: 15-years door to door. Tailored amortization scheduled stepping up from 2.91% in average for the first 16 semesters (47% of total amount) and 4.45% for the following 12 semesters (53% of total amount).
- Priced at LIBOR + 4.50%.

The Company entered into a subordinated C-Loan of US\$16 million agreement, as borrower, with the IFC, as lender (the "Subordinated Loan"):

- Tenor: 17-years door to door. Tailored amortization scheduled stepping up from 2.17% in average for the first 18 semesters (39% of total amount); 3.50% for the following 10 semesters (35% of total amount) and 6.5% for the last 4 semesters (26% of total amount).
- Fix rate at 12%. 13% per annum at any time following the occurrence and during the continuance of a C-Loan deficiency.

Subordination: in the event that a deficiency of a C-Loan payment date occurs, IFC agrees in not exercising any remedies regarding any outstanding due and payable amount of principal arising from such C-Loan Deficiency Refinancing.

ALLOCATION OF PROCEEDS

The Company used the proceeds of the issuance of the Senior Secured Notes to fully repay: (a) the repayment in full of the IFC loan and unwinding of the IFC hedge agreement, and (b) grant intercompany loans to the Guarantors to provide the Guarantors with sufficient cash to fund the repayment of the Tecnisol Shareholders Loan.

The proceeds were allocated as follows:

Allocation of proceeds (USD)	
Repayment IFC Loan	228,436,514.14
Repayment IFC Swap	18,049,401.00
Transaction fees	7,000,302.61
Repayment of Tecnisol Shareholder's Loan	9,177,782.25
Total	262,664,000.00

IMPACT

Projection analyses of 5 years of renewable energy generation for these projects were conducted to assess the potential beneficial impacts in clean energy generation and tons of CO_{2eq} avoided:

Project	Green Bond Category	Location	Generation (GWh)					Projection of avoided emissions tCO _{2e}
			2021	2022	2023	2024	2025	
Laudato Sí	Wind	Penonome, Cocle	425.13	425.13	425.13	425.13	425.13	1,170,416.55
Tecnisol	Solar	David, Chiriqui	80.05	79.51	81.95	81.40	80.83	222,306.02
Total			2,529,416.00					1,392,723.00

6 METHODOLOGY

The projection of avoided emissions in tons of CO₂e was estimated using a ratio of conversion of 0.551 tCO₂/MWh and the calculations methodology of the Clean Development Mechanism (CDM) of the United Nations Climate Change Secretariat. This method calculates the ratio of emissions depending on the energy sector scope and the type of mitigation activities such as renewable energy generation, energy efficiency measures implemented, and emissions avoided.

Since our assets generate intermittent energy (solar, wind, tidal) thus the Combined Margin Grid Emission Factor calculated by the CDM methodology must be updated every two years.



UEP Penonome II, S.A.

**Independent Limited Assurance Report
December 31, 2020**



Independent Limited Assurance Report

To the Board of Directors of
UEP Penonome II, S.A.

The Board of Directors of UEP Penonome II, S.A. (the “Company”) engaged us to provide limited assurance on the Selected Information described below for the year ended December 31, 2020.

Our Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended December 31, 2020 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

Selected Information

The scope of our work was limited to assurance over the allocation of the proceeds from the “*Senior Secured Notes issued by the Company in the Panama Stock Exchange for US\$262,664,000 with reference ISIN USP9434RAA88 and US90363PAA49*”, which is part of the information included in the 2021 Green Bond Report (the “Selected Information”). The Selected Information is summarized in Appendix 1.

Our assurance relates specifically to the Selected Information summarized in Appendix 1 and does not extend to information in respect of earlier periods or to any other information included in the 2021 Green Bond Report.

Reporting Criteria

The criteria used by the Company to prepare the Selected Information is set out under the heading “Management Assertion” on page 6 of the 2021 Green Bond Report and as appended to this report (the “Appendix 2 - Reporting Criteria”).

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘*Assurance Engagements other than Audits or Reviews of Historical Financial Information*’ issued by the International Auditing and Assurance Standards Board (IAASB).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



To the Board of Directors of
UEP Penonome II, S.A.
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Our Independence and Quality Control

We complied with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control 1 ‘*Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagement*’ and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria which the Company is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at December 31, 2020.

Summary of the work done as basis for our conclusion

We planned and performed our work considering the risk of material misstatement of the Selected Information. The procedures performed are based in our professional judgment. In performing our limited assurance engagement, we:

- made inquiries to the Company's management.
- calculated the arithmetic accuracy of the allocation of the proceeds included in the 2021 Green Bond Report table called “Allocation of proceeds”.
- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded and reported.
- Considered the disclosure and presentation of the selected information.

Director’s Responsibilities

The Directors of the Company are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria; and
- the content of the 2021 Green Bond Report.



To the Board of Directors of
UEP Penonome II, S.A.
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Our Responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of the Company.

Restriction of use

This report, including our conclusions, has been prepared solely for the Board of Directors of the Company and the holders of the Senior Secured Notes, in order to assist the Directors of Company in reporting the 2021 Green Bond Report. We permit this report to be disclosed in the 2021 Green Bond Report for the year ended December 31, 2020, to assist the Management in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information.

A stylized, handwritten-style signature of "PricewaterhouseCoopers" in black ink.

December 9, 2021
Panama, Republic of Panama



To the Board of Directors of
UEP Penonome II, S.A.
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Appendix 1: Selected Information subject to limited assurance procedures

The Selected Information, expressed in United States Dollars, subject to limited assurance procedures are set out below. The Reporting Criteria is disclosed in the Appendix 2:

Allocation of proceeds (Expressed in US\$)

Repayment IFC Loan	228,436,514
Repayment IFC Swap	18,049,401
Transaction fees	7,000,303
Repayment of Tecnisol Shareholder's Loan	<u>9,177,782</u>
Total	<u>262,664,000</u>

Appendix 2: Reporting Criteria

Management Assertion

UEP Penonome II, S.A. management is responsible for the accuracy and validity of the Allocation of Proceeds information appearing on page 8 as of December 31, 2020 in the 2021 Green Bond Report. Management asserts that US\$262,66 million, representing the net of proceeds from December 18, 2020, issuance due October 1, 2038, were allocated to refinance Eligible Green Projects as the previously defined criteria:

Eligible Green Projects Criteria

- Renewable energy: The development, construction, and operation, as well as transmission infrastructure to support, facilities that generate solar energy or wind energy.
- Energy efficiency: Energy optimization programs that work to educate and provide our customers with tools to reduce energy usage and improve energy efficiency.



UEP Penonome II, S.A.
and Tecnisol Group

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