

POST ISSUANCE VERIFICATION REPORT - ICE

- ▶ INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE)
- ▶ San José, Costa Rica
- ▶ February 2023

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▶ Verification details

TYPE OF ENGAGEMENT: POST ISSUANCE VERIFICATION
HIDROPOWER CRITERIA OF THE CLIMATE BONDS STANDARD
PERIOD ENGAGEMENT WAS CARRIED OUT: FEBRUARY 2023.
APPROVED VERIFIER: PACIFIC CORPORATE SUSTAINABILITY – PACIFIC CREDIT RATING GROUP
POST-ISSUANCE ENGAGEMENT LEADER: SANDRA CARRILLO SCARRILLO@PCSLATAM.COM.

1. Introduction

This is an independent post-issuance assurance report of the proposed US Dollar denominated bonds aggregating up to ₡14,443,000,000.00 (“Green Bond”) by INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE), located in Limon, Costa Rica (“Issuer”) in accordance with the post-issuance requirements of “Limited Assurance” under Climate Bonds Standard Version 3.0.

All Bonds received Pre-Issuance Certification by the Climate Bonds Initiative (“CBI”) Standard Board under the Hydropower Criteria.

2. Assurance Scope and Objectives

ICE engaged Pacific Corporate Sustainability to provide an independent verification on the alignment of green bonds issued under Green Bonds certification with the Climate Bonds Standard Post-Issuance Requirements.

This Post Issuance Verification Report is intended to address ICE issuance that have been placed in ₡14,627,973,507.00 from the placement of green bonds that includes ₡184,973,507.00 of accrued interest.

3. Performed Procedures

Procedures undertaken for this verification included interviews with key staff and reviews of internal and public documents have been carried out on the following aspects:

- PCS’s review included an examination of the relevant procedures, policies, and processes, as well as verification of the data provided by the issuer.
- The issuer provided an overview of the project nominated and the relevant processes and documentation regarding the proceeds (e.g., use of proceeds, management of proceeds) to PCS.
- The issuer filled in a questionnaire that covers all criteria of the Climate Bonds Standard 3.0.
- The issuer provided background documents that elaborate further on the information mentioned in the questionnaire.
- Using the questionnaire and background documents, PCS assessed the CBI criteria. In case any answers were unclear, PCS contacted the issuer for more details and clarification.

4. Conformance with Climate Bonds Standard and Sector Criteria

4.1 Use of Proceeds and Conformance with Sector Criteria

In November 2021, the resources obtained through the Issuance Program were used to refinance Renewable Energy Projects through hydroelectric energy and contributing to the mitigation of climate change, equivalent to ₡14,443,000,000.00 by by INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE), placing its first public offering of green bonds through the capital market, being the maximum amount to be issued approved by the General Superintendency. of Securities of ₡30 000 000 000.00 in the G3V series.

4.2 Reporting Status

ICE has provided information on the impacts of the Bonds-financed activities in the 2021 Fiscal Year Annual Report, which is available on ICE’s website: [Informes \(grupoice.com\)](https://www.grupoice.com/informes)

The Green Bonds Impact Report details ICE’s reporting on allocation, eligibility, and impact of Bonds-financed activities. Impact metrics and key performance indicators on Bonds-financed activities reported include but are not limited to:

- Annual electricity production of the PHR.
- Plant factor of the PHR.
- Intensity of emissions avoided per amount of energy produced (Tons of GHG avoided per amount of energy produced).
- GHG emission factor of the PHR reservoir.
- Annual reduction of greenhouse gas (GHG) emissions at the PHR plant facilities (Scope 1 and 2)

ICE reports all impact metrics on a deal-by-deal basis and makes all data publicly available. Assumptions and methodologies for impact quantification are available in the 2021 report green bond issuance.

Performance Indicators

The amount assigned to ICE has contributed to financing the production of renewable electricity, grossly obtaining 12,537 GWh in 2021 and 12,500 GWh in 2022 from the SEN and ICE has obtained 8,212 GWh in 2021 and 8,470 GWh in 2022.

PHR's annual electricity production generated 1,108 GWh for 2021 and 1,094 GWh for 2022 with a factor of 41.2% and 40.7% respectively. For 2021, the quantification of the intensity of the emissions avoided by the energy produced in tons of GHG avoided was not scheduled. For 2022 there is a reduction action plan between 2022-2024.

The GHG emission factor of the PHR reservoir was 24.76 Ton of CO₂ eq per GWh, approximately 25 Ton of CO₂ eq in 2021. The annual reduction of greenhouse gas (GHG) emissions at the facilities has not been planned. in the PHR plant in Scope 1 and 2 in 2021. The GHG emission factor of the PHR reservoir in 2022 and the annual reduction of greenhouse gas (GHG) emissions Scope 1 and 2 in 2022 in not available¹.

5. Conclusion

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that in all material respects the Bonds issued under the Green Bond Framework conform, with the Post-Issuance Verification Requirements of the Climate Bonds Standard Version 3.0, and the Bond's financed activities are aligned with the Hydropower Criteria.

6. Limitations of Assurance Engagement

This assurance engagement was limited to the Post-Issuance of the INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE), Green Bonds; therefore, our procedures did not constitute an examination or evaluation of the following:

- Data and information beyond the defined reporting boundary and period.
- Credit rating and financial performance of the prospective issuer.
- Environmental, social, or governance impact of the proposed projects/investments, except to the extent required for compliance with Climate Bonds Initiative Version 3.0.

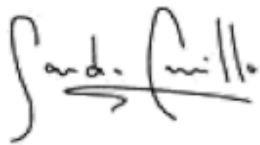
¹ The accounting of greenhouse gas emissions is carried out per year ended, given that the national regulations of the Carbon Neutral Country Program establish that inventories must include the emissions of an entire calendar year, in addition after preparing them, they are reviewed internally by verifiers and subjected to external verification with an accredited entity, in order to validate them and be able to demonstrate accuracy of the results. For the December 2023 report, the data of the 2022 inventories will be reported, this was clarified in the relevant fact statement.

7. Independence and Quality Control

As an approved verifier by the Climate Bonds Initiative, PCS ensures that the results of the independent Pre-Issuance Verification Report are of the highest quality and reflect an impartial review process of Climate Bonds Standards Version 3.0.

PCS carried out Limited Assurance procedures by the International Standard on Assurance Engagements (ISAE 3000) established by the International Auditing and Assurance Board (IAASB) of the International Federation of Accountants (IFAC).

PCS nor any member of the verifier team is involved in any way in the issuance or management of Green Bonds. PCS has applied internal procedures to confirm no conflicts of interest for this verification engagement.

A handwritten signature in black ink that reads "Sandra Carrillo". The signature is written in a cursive style with a horizontal line underlining the name.

Sandra Carrillo

General Manager of Pacific Corporate Sustainability (PCS)

Pacific Credit Rating Group

Annex A: Climate Bonds Standard Version 3.0 Post-Issuance Certification Checklist

5. Use of Proceeds		
Climate Bonds Standard Requirement	Findings	Requirement Met
5.1. Proceeds allocation	The allocation of the Net Proceeds of the Bonds to the Nominated Project.	Meets
5.2. Eligibility Criteria	The alignment of Nominated Projects with Sector Criteria and the overarching climate objectives of Green Bonds.	Meets
5.3. Allocation Timeline	Allocation within 24 months of issuance or discloses the timeline for allocation to Nominated Projects.	Meets
5.4. Multiple Nominations for Certified Debt Instruments	PCS reviewed Nominated Projects for previous nominations to other Certified Climate Debt Instruments, green Bonds, or other designated instruments, including whether certain portions are being financed by separately designated Certified Debt Instruments and/or whether Nominated Projects have been refinanced by other Certified Debt Instruments or Bonds under assessment have refinanced existing Certified Debt Instruments.	Meets
5.5. Refinancing	PCS confirms appropriate tracking of Net Proceeds for refinancing.	Meets
5.6. Proceed Management	PCS confirms procedures for appropriate tracking of allocation of proceeds and tracking unallocated funds	Meets
5.7. Valuation	PCS reviewed the Net Proceeds of the Bonds to ensure they are not greater than the value of the Nominated Projects.	Meets
5.8. Nominated Project Modifications (5.8.1)	PCS confirms that ICE will inform modifications or alterations to the Nominated Projects and determine the requirement to engage a Verifier to perform a Pre-Issuance or Post-Issuance Verification.	Meets

6. Process for Evaluation and Selection of Projects & Assets		
Climate Bonds Standard Requirement	Findings	Requirement Met
6.1. Decision-making Process for Determining Eligibility (6.1.1 - 6.1.5)	<p>PCS reviewed continued documentation of the decision-making process used to determine eligibility, including conformance with climate-related objectives, and review of alignment of the Nominated Projects with Sector Criteria.</p> <p>ICE's Strategy Committee will annually evaluate and select all projects eligible for issuance financing and ensure compliance. This selection includes environmental, social, financial, and economic criteria.</p>	Meets

E7. Management of Proceeds		
Climate Bonds Standard Requirement	Findings	Requirement Met
7.1. Proceeds Held in Subaccount	PCS confirms the allocation of proceeds to a subaccount, sub-portfolio, or alternative accounting to appropriately track the allocation of proceeds to Nominated Projects.	Meets
7.2. Earmarking of Proceeds	PCS reviewed and confirmed the earmarking process to track the flow of funds and uses of proceeds.	Meets
7.3. Temporary Investment Instruments (7.3.1) – (7.3.3)	PCS reviewed the management of unallocated proceeds, including temporary investments, and confirm non-contamination of proceeds.	Meets

8. Reporting		
Climate Bonds Standard Requirement	Findings	Requirement Met
8.1. Reporting Approach	PCS confirms the disclosure and execution of procedures to provide Update Reports and/or procedures to undertake periodic Assurance Engagements during the term of the Bonds to reaffirm conformance with the Climate Bonds Standard. Confirm availability of the Update Reports for investors and reporting in case of material developments.	Meets
8.1.2. The Update Report shall be made available to holders of the Bond and the Climate Bonds Standard Board.		Meets
8.1.3. The Issuer should provide an Update Report to holders of the Bond on a timely basis in case of material developments		Meets

Disclaimer

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

About Pacific Corporate Sustainability (PCS)

PCS has the objective of integrating sustainability standards into business strategies, based on global trends with potential investors and society. PCS belongs to Pacific Credit Rating Group (PCR), the only rating group with a real and direct international presence in Latin America, with 27 years of experience providing quality service in the region.

The PCR Group is a signatory member of the Principles of Responsible Investment promoted by the United Nations, being the only Latin American rating group that is part of the Financial Rating Agencies Initiative at a global level. It has also been recognized as a supporting institution for the Financial Initiative of the United Nations Environment Program (UNEP FI) to promote sustainable finance

PCR Group has been certified by the Climate Bonds Standard Board as an approved verifier organization since March 2020. This accreditation has reinforced its commitment to promote sustainable finance in the region, highlighting the generation of awareness and benchmarking of good practices.

