Responsible Business Conduct in the Financial Sector

PANAMA

Responsible Business Conduct in the Financial Sector in Panama

***Please cite this publication as**:*

OECD (2022), Responsible Business Conduct in the Financial Sector in Panama

Funded by the European Union

Foreword

This report analyses policies and practices around the integration of environmental, social and governance (ESG) issues in the institutional investment and commercial lending (banking) industries of Panama. It is published alongside two related reports: *Responsible Business Conduct in the Financial Sector in Latin America and the Caribbean,* and *Responsible Business Conduct in the Financial Sector in Costa Rica*.

The report opens with an overview of salient ESG risks for financial institutions that are investing or lending to corporate entities operating in Panama and provides an overview of financial sector regulatory actors in Panama. It then reviews the existing regulations and voluntary initiatives related to the integration of ESG issues into corporate lending and institutional investment. The report also analyses the sustainable finance practices of the top 10 corporate lenders and institutional investors in Panama.

The OECD is uniquely positioned to analyse the progress of institutional investors and corporate lenders in embedding key ESG risks including climate risk and responsibilities to mitigate adverse impacts on people, the environment and society. This report draws on the framework developed to drive responsible business conduct (RBC) in the corporate lending sector and in institutional investment, to take stock of current practices along with challenges and opportunities to further embed RBC in the Latin America and Caribbean (LAC) region.

This report was undertaken within the framework of the Responsible Business Conduct in Latin America and the Caribbean (RBCLAC) project, which promotes smart, sustainable and inclusive growth in the region by supporting responsible business practices in line with international instruments. The RBCLAC project is implemented by the OECD in partnership with the International Labour Organisation (ILO) and the United Nations Office of the High Commissioner for Human Rights (UNOHCHR). For the first time, these three organisations are joining forces, with the support of the European Union, to promote responsible business conduct within the framework of a joint regional project. The project includes a mix of regional and country-specific activities. The latter are implemented in nine countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama and Peru.

Acknowledgements

This report has been prepared by the OECD Centre for Responsible Business Conduct, led by Allan Jorgensen. The report was supervised by Froukje Boele, Manager for Latin America and the Caribbean at the Centre. It was drafted by Hughes Létourneau, Associate Director and Leader of Responsible Investment at SHARE. The report also benefitted from the guidance of Barbara Bijelic and Tyler Gillard from the OECD RBC Centre. The report benefitted from comments by representatives of the UN Office of the High Commissioner for Human Rights and the International Labour Organisation and by officials from Panama. Further contributions were received from Germán Zarama, Inmaculada Valencia, Jorge Gálvez Méndez, Duniya Dedeyn, Roxana Glavanov and Valeria Patiño, also at the OECD RBC Centre.

This report was produced with the financial support of the European Union in the context of the RBCLAC Project. The views expressed herein should in no way be taken to reflect the official opinion of the European Union.

Table of contents

Tables

Figures

Abbreviations and acronyms

ABP	Asociación Bancaria de Panamá
AFP	Administradoras de Fondos de Pensiones
AIOS	Asociación Internacional de Organismos de Supervisión de Fondos de Pensiones
ANCON	Asociación Nacional para la Conservación de la Naturaleza
ASBA	Asociación de Supervisores Bancarios de las Américas
AUM	Assets under management
BVP	Bolsa de Valores de Panamá
BNP	Banco Nacional de Panamá
CABEI	Central American Bank for Economic Integration
CAF	Development Bank of Latin America
CASIP	Cámara Panameña de Administradores de Sociedades de Inversión y Fondos de Pensiones
CCF	Consejo de Coordinación Financiera
CIFI	Corporación Interamericana para el Financiamiento de Infraestructura
COLAC	Confederación Latinoamericana de Cooperativas de Ahorro y Crédito
CSS	Caja de Seguro Social
DEG	Deutsche Investitions- und Entwicklungsgesellschaft (Germany)
EP	Equator Principles
ESG	Environmental, social and governance
FAP	Fondo de Ahorro de Panamá
GTFS	Grupo de Trabajo de Finanzas Sostenibles
Guidelines	OECD Guidelines for Multinational Enterprises
IAIS	International Association of Insurance Supervisors
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IOSCO	International Organisation of Securities Commissions
IPS	Investment Policy Statement
PRI	Principles for Responsible Investing
UNGC	United Nations Global Compact
UNEP-FI PRB	United National Environment Program – Finance Initiative Principles For Responsible Banking

SIACAP	Sistema de Ahorro y Capitalización de Pensiones de los Servidores Públicos
SBP	Superintendencia de Bancos de Panamá
SMV	Superintendencia del Mercado de Valores
SSRP	Superintendencia de Seguros y Reaseguros de Panamá
SWF	Sovereign wealth fund

Executive summary

This report analyses policies and practices around the integration of environmental, social and governance (ESG) issues in the institutional investment and commercial lending (banking) industries of Panama. The report uses the term “ESG” and “sustainable finance” to reference the integration of environmental, social and governance issues into both institutional investment and corporate lending practices. The analysis of the ten largest institutional investors and commercial lenders points to a sizeable gap between the integration of environmental and social risk in commercial lending, where practices are more mature, and institutional investment portfolios. This report draws upon the OECD Responsible Business Conduct Due Diligence Framework and the associated responsibilities of corporate lenders and institutional investors under the OECD Guidelines for Multinational Enterprises (MNEs).

Nine out of ten of the country’s largest commercial lenders have adopted an ESG risk management system and have disclosed how they identify and categorise those risks when they carry out due diligence. The existence of ESG risk management systems for corporate lending at financial institutions has not automatically translated into similar practices on the institutional investment side of their activities. This is demonstrated by the analysis of entities that figured among the two groups - largest lenders and largest institutional investors. In this respect the integration of ESG issues is limited among institutional investors, with only one asset owner excluding tobacco on the grounds of responsible investment and one asset manager which is building the capacity of its staff around ESG issues.

The gap between the development of ESG risk management in commercial lending and ESG integration in institutional investment may be explained in part by three factors: regulation, industry initiatives and a structural tilt toward fixed income and real estate – and consequently, a smaller role for public equity holdings – in asset allocation patterns across Panama’s institutional investment fund industry.

On regulation, the *Superintendencia de Bancos de Panamá* (SBP), or Superintendency of Banks of Panama, has codified ESG risks as legitimate risk factors to incorporate in lending practices. The government could also play a more active role in existing cross sector initiatives as a stepping stone for a more ambitious policy agenda. This could include the development of a green taxonomy to designate (and report on) lending activities according to their climate and ESG impacts or mandating ESG analysis as part of investor duties.

Secondly, on the banking side, the *Asociación Bancaria de Panamá* (ABP), or Panamanian Banking Association, has taken an active role in encouraging the adoption of ESG risk management among its membership through the *Protocolo de Finanzas Sostenibles* (sustainable finance protocol) and the creation of a sustainability committee. There are no similar initiatives for members of the asset managers trade association, the *Cámara Panameña de Administradores de Sociedades de Inversión y Fondos de Pensiones* (CASIP). Furthermore, institutional investor focused commitments have yet to be adopted by the *Grupo de Trabajo de Finanzas Sostenibles* (GTFS), a cross sector initiative on sustainable finance, since its creation in September 2018. An institutional investment sector wide initiative could have a positive impact on the adoption of ESG integration practices in investment portfolios.

Thirdly, fixed income and real estate investments play a significantly larger role than public equities in Panama's investment fund offering and pension fund manager portfolios. The most widespread responsible investment practice is the integration of ESG issues into the analysis of public equity. However, given the heavy exposure of Panama's largest asset owners and managers to fixed income and real estate, local investors may need to look past the most popular ESG integration tools and focus on ESG strategies in fixed income (e.g., screening, promoting sustainable bonds) and real estate (e.g., adopting explicit sustainability criteria in project due diligence and communicating this to investors).

The data and analysis set out in this report are based on desk research and interviews with Panamanian financial sector practitioners. The analysis of ESG practices at financial institutions is split into two sections: 1) the assessment of ESG integration in commercial loan portfolios of Panama's ten largest lenders and 2) the integration of ESG issues within the institutional investment portfolios of the five largest asset owners (e.g. pension funds, insurance firms, sovereign wealth funds) and the five largest asset managers.

1 Salient ESG Risks in Panama

Panama is an important regional financial centre and the sector plays a sizeable role in the country's economy. In 2020, financial intermediation accounted for 7.7% of the country's GDP (INEC, 2021[1]). Financial sector assets account for twice the size of the economy. The banking sector holds more than 90% of financial sector assets and this includes onshore (86% of banking sector assets) and offshore banks (14%).[1,2] Onshore banks form the domestic banking system and comprise both locally and foreign headquartered entities and provide banking services to local business and other clients (IMF, 2020, p. 27[2]). The impact of offshore banks on the domestic economy is "virtually null" (IMF, 2020, p. 27[2]). The rest of financial sector assets are held by the insurance sector (2.3% of total financial system assets), asset management and pension fund managers (1.7%) along with cooperatives (1.6%) (IMF, 2020, p. 27[2]).

The listings on the *Bolsa de Valores de Panamá* (BVP), the country's stock exchange, are dominated by fixed income products. This asset class represented 89% of the BVPs listed assets at the end of May 2021 (BVP, 2021[3]).

The country's investment fund management industry is second in importance in Central America, after Costa Rica. At the end of March 2021, Panama's 42 registered investment funds managed USD 2.8 billion, second only to Costa Rica (USD 6.6 billion[3]) in Central America (SMV, 2021[4]).

The identification of salient ESG risks[4] are important for financial institutions that want to implement responsible business conduct practices. Under the OECD RBC Due Diligence Framework, corporate lenders and institutional investors are expected to identify and assess actual and potential adverse environmental and social impacts to effectively uphold their responsibilities under the OECD Guidelines for MNEs (see 5Annex B). Salient ESG risks in Panama for corporate lenders and institutional investors were identified based on a) the importance of the sectors in lending and institutional investment portfolios; b) the sector's footprint in the country's economy; and c) sectors cited by financial institutions (reports and interviews).

Agriculture and fisheries are high ESG risk sectors for lenders and investors. Agriculture and fisheries is the largest export sector (including bananas, meat, melons, shrimp, sugar, palm oil) and second largest sector of employment in the country (INEC, 2020[5]; INEC, 2019[6]). Agriculture and fisheries are the sectors where child labour is most prevalent (INEC, 2016[7]). Coffee and melons harvesting are also sectors where child labour has been reported (US DOL, 2020[8]).

In 2021, the Government of Panama ramped up its efforts to slow deforestation induced by the expansion of agricultural frontiers. While rainforests account for about 65% of the country's land, Panama has lost nearly 2% of its forest cover from 2012 to 2019 (Thomson Reuters Foundation, 2021[9]). Key causes driving rising deforestation rates in the country are the expansion of farming and cattle ranching along with illegal logging. The human rights of the country's indigenous populations, some of whom rely on forests to survive, have also been affected by deforestation (Thomson Reuters Foundation, 2016[10]). Panamanian environmental NGO ANCON published a guide on banking for sustainable livestock raising with a view to improving monitoring of labour practices and tackle deforestation (ANCON, 2017[11]).

The construction sector has the third largest employment footprint in the country and real estate is an infrastructure source of investment by the financial institutions analysed. An estimated 59% of workers operate in the informal sector (INEC, 2019[12]). This raises the risks of precarious working conditions and inadequate health and safety measures. Forced labour has been reported in the construction sector (US Department of State, 2020[13]). Infrastructure and construction were cited as high risk sectors by interviewees.

Finally, interviewees noted existing gaps in the Ministry of Environment's capacity to ensure that mitigation measures included in Environmental Impact Assessments are effectively followed. This can be particularly problematic in the mining sector. Some financial institutions have banned loans to the extractive sector altogether.

Corporate lenders and institutional investors are exposed to these ESG risks through their loans and investments, respectively.

2 Mapping of financial sector regulatory actors in Panama

The main financial sector regulators in Panama are the Superintendency of Banks of Panama (*Superintendencia de Bancos de Panamá, SBP*), the Superintendency of the Securities Market (*Superintendencia del Mercado de Valores, SMV*) and the Superintendence of Insurers and Reinsurers *(Superintendencia de Seguros y Reaseguros de Panamá, SSRP* (Table 2.1). The SBP oversees the activities of banks which are analysed in the commercial lending section of the report. The SMV regulates pension fund managers (Administradoras de Fondos de Pensiones, AFPs), investments funds and fund managers which are analysed in the section on ESG in institutional investment. The SSRP regulates insurers who operate in the country – those entities are also analysed in the section on ESG in institutional investment.

An umbrella body, the Financial Coordination Council *(Consejo de Coordinación Financiera, CCF)* was created in 2011 (Law No. 67 of 2011) to improve information sharing and co-operation among the entities mandated by government to oversee financial stability. In addition to the three regulators cited above, CCF membership also includes the *Instituto Panameño Autónomo Cooperativo*, the public employees pension fund (*Sistema de Ahorro y Capitalización de Pensiones de los Servidores Públicos*, SIACAP) and the Ministry of Commerce and Industries *(Ministerio de Comercio e Industrias)*.

Table 2.1. Financial Sector Regulators in Panama

Entity Name	Competency	Governance	Legal Reference	Memberships in key international entities
SMV	Regulate and supervise securities issuers, asset managers, pension fund managers, investment funds and brokers	Autonomous government agency; government appoints five board members, the SBP and SSRP appoint one each	The Texto Único de la Ley de Valores, which incorporates Decree Law No. 1 of 1999, Law No. 67 of 2011, Law No. 23 of 2015 and Law No. 66 of 2016	IOSCO, AIOS
SBP	Regulate and supervise banks and trusts authorised to operate in Panama	Autonomous government agency; government appoints five members, the SMV and SSRP appoint on each	Decree Law 9 of 1998 and Decree Law 2 of 2008	ASBA
SSRP	Regulate and supervise insurers and re-insurers authorised to operate in Panama	Autonomous government agency; government appoints five members; the SMV and SBP appoint one each	Law No. 60 of 1996, Law No. 63 of 1996, Law No. 12 of 2012 and Law No. 23 of 2015	IAIS

Source: (SMV, n.d.[14]); (SBP, n.d.[15]); (SSRP, n.d.[16])

The country does not have a central bank that sets monetary policy because it uses the US dollar as an official currency and primary means of payment (IMF, 2020[17]).[5] The *Banco Nacional de Panamá*, a state-owned entity, carries out some of the traditional central bank duties, including being the depository institution for government funds, providing clearing and settlements to other banks (IMF, 2017[18]). It is also a commercial bank.

Financial regulators across Latin America and the Caribbean are accelerating their adoption of ESG disclosure and due diligence requirements (see *Responsible Business Conduct in the Financial Sector in Latin America and the Caribbean)*. Financial regulators in Panama have been slower than regional peers in the adoption of such regulation, as described in the next section.

3 Sustainable finance regulation and initiatives in Panama

Progress behind the integration of ESG issues at financial institutions in Panama has been driven by light-touch regulation along with voluntary initiatives. In 2017, the SBP, the banking regulator, adopted a regulation to clarify how regulated entities can include ESG risk in the list of risk factors that banks can consider. The GTFS, the sustainable finance working group, which includes government and industry associations, was created in 2018 to accelerate the adoption of sustainable finance practices in the country. A banking sector sustainability protocol was also adopted that same year. Panama is also establishing itself as a regional centre for the emission of green and sustainability-linked bonds.

3.1. Regulatory initiatives aimed at driving ESG integration in the financial sector

To date, sustainable finance regulation has primarily been limited to the banking sector. The involvement of Panama's financial sector regulators and ministries has thus far focused on the development of voluntary sustainable finance practices. Three government ministries (*Ministerio de Economía y Finanzas, Ministerio de Ambiente* and *Ministerio de Desarrollo Social*) along with the three financial sector regulators are participating in the multi-stakeholder GTFS created in 2018 (GTFS, n.d.[19]).

3.1.1. ESG focused regulation for lending institutions

In 2017, the SBP amended a regulation on comprehensive risk management to include environmental and social risks to the list of risks that banks may consider. Rule No. 9-2017 amended Rule No. 8-2010 and defined ESG risk as follows:

> "the possibility that the bank will incur losses due to negative social and environmental impacts resulting from granting loans to fund projects, as well as from activities which significantly affect the economic, social, or environmental systems." (SBP, 2017[20])

The regulation did not however mandate banks to perform ESG risk analysis in lending activities. With respect to the governance of ESG risks, the SBP indicated that banks were free to assign roles and responsibilities to comply with the incorporation of ESG risks where they saw fit, as stipulated under Rule No.5-2011 (SBP, n.d.[21]).

3.1.2. ESG focused regulation for institutional investors

Panama does not have regulation requiring asset owners, asset managers or insurance firms to disclose how they incorporate ESG across individual investment products (e.g., fund prospectus) or portfolios.

3.1.3. ESG focused securities regulation

Panama's securities regulator, SMV, has not adopted regulation to require ESG reporting by corporate issuers or to set requirements related to the issuance of green bonds.

3.2. Voluntary and industry initiatives

There are two main voluntary and industry initiatives related to sustainable finance in Panama: the working group on sustainable finance (GTFS), whose membership cuts across financial industry sectors, and the banking sector's sustainable finance protocol.

The GTFS was created in 2018 and is the main hub to promote sustainable finance on a voluntary basis in the country. The objectives of the GTFS are to design a training programme on ESG risk management, draft a good practice guide on the analysis of ESG risk, elaborate a sustainable finance taxonomy and promote the adoption of sustainability principles and initiatives. GTFS participants include a broad coalition of government (finance, environment, social development), regulatory (SBP, SMV, SMRP), and industry actors (stock exchange; banking, investment, insurance and cooperative industry associations). The GTFS was created with the support of the *Asociación Nacional para la Conservación de la Naturaleza* (ANCON), a local environmental NGO, and is supported by multilateral development institutions (CABEI, IDB, CAF).[6]

3.2.1. ESG initiatives focusing on lending institutions

The banking sector's focused sustainability initiative is the *Protocolo de Finanzas Sostenibles*, a voluntary initiative launched in 2018 under the aegis of the banking association, the *Asociación Bancaria de Panamá* (ABP). As of March 2021, the initiative has been signed by 16 signatories (see Table 4.2.).[7] The banking and financial cooperative sector is also involved in the GTFS via the participation of the ABP and *the Confederación Latinoamericana de Cooperativas de Ahorro y Crédito* (COLAC).

Signatories to the sustainable finance protocol made a voluntary commitment to implement the following five principles: 1) embed sustainability issues within executive management; 2) establish a system of ESG risk analysis for project finance and other activities; 3) design and promote "green" financial products; 4) integrate eco-efficiency in internal activities; and 5) disclose on the implementation of these measures (ABP, 2018[22]).

Principles 1, 2, 3 and 5 are most closely aligned with the OECD RBC Due Diligence framework (an overview of the OECD Due Diligence framework and specific recommendations for the financial sector is provided in Annex B and discussed in more detail in the report *Responsible Business Conduct in Latin America and the Caribbean: The Financial Sector*). Principle 1 calls for embedding sustainability issues at high levels of governance while Principles 2 and 3 call for the adoption of a specific due diligence policies and impact products. This aligns with step 1 of the OECD Responsible Business Conduct (RBC) framework: embedding RBC into policies and management systems. Principle 5 calls for the communication of those measures – similar to step 5 of the OECD RBC framework which calls for enterprises to communicate how impacts are addressed.

3.2.2. ESG initiatives for institutional investors

Panama's asset management and insurance trade associations are participating in the GTFS, which groups actors from across the financial sector. The industry associations participating in the GTFS are the *Asociación Panameña de Aseguradores* and the CASIP.

3.2.3. ESG initiatives focused on securities and disclosure

The BVP, the country's stock exchange, is playing a role in the adoption of sustainable finance on the issuer side. In 2019, it published its voluntary Guidelines for the issuance of Social, Green and Sustainable Securities, a document targeted at bonds issuers (BVP, 2019[23]). The stock exchange does not require ESG reporting for listed issuers - nor has this been mandated by the SMV, the securities regulator. However, a sustainability reporting recommendation guide for issuers has been published by BVP.[8]

Panama is establishing itself as a regional centre for the issuance of sustainability/green bonds. In July 2019, Panamanian financial institution Banitsmo issued a USD 50 million social bond with a gender focus - a first in Latin America - on the BVP (IDB Invest, 2019[24]). This was followed by the issuance of the first green bond on the BVP in August 2019, a USD 200 million bond by the *Corporación Interamericana para el Financiamiento de Infraestructura* (CIFI) (BVP, 2019[25]). A USD 15.5 million green bond was also issued by Panasolar Generation, a solar energy generator in 2020 (BVP, 2020[26]). In 2021, Banco Promerica de Costa Rica issued a USD 10 million (part of a USD 50 million programme) sustainable bond with the backing of IDB Invest (IDB Invest, 2021[27]). Importantly, the Costa Rican financial institution (part of a Panama-headquartered group) chose the Panamanian stock exchange rather than the Costa Rican marketplace to issue a green bond (IDB Invest, 2021[27]).

Despite the clarification issued by the banking regulator on the integration of E&S risks, financial regulators in Panama lag regional peers such as Brazil, Peru, Chile and Colombia in the adoption of ESG due diligence and reporting regulations (see Section 4.4 in *Responsible Business Conduct in the Financial Sector in Latin America and the Caribbean)*. The financial sector, led by corporate lenders, has nonetheless followed regional peers in the creation of a voluntary sustainable finance protocol. While the sustainable finance working group (GTFS) includes the institutional investment sector, there is scope for a more structured ESG sector wide initiative (e.g. protocol, stewardship code) for institutional investors.

4 Sustainable finance policies and practices of financial institutions in Panama

The analysis of ESG integration in Panama's financial sector is divided in two parts: firstly, the integration of ESG risks[9] into the operations of the 10 largest commercial lending institutions in the country are reviewed. This is followed by an assessment of the integration of ESG issues into 10 of the country's largest institutional investors – which are further sub-divided between asset owners and asset managers. A key finding is that ESG risk analysis in commercial lending portfolios is a more mature practice than the integration of ESG into institutional investment portfolios within Panama's financial sector.

4.1. ESG risk management practices in commercial lending portfolios

The top 10 commercial lenders in Panama have lending portfolios ranging from USD 3.5 billion to USD 644 million. The lenders are regulated by SBP. The ranking is dominated by private sector banks (nine out of 10) - the Banco Nacional de Panamá (BNP) is the only state-owned bank (see Table 4.1). In trms of ownership, there are five Panama owned and controlled entities (including BNP) and six entities controlled by foreign parent organisations headquartered in Colombia (3), Canada (1) and Spain (1) (see Table 4.1).

4.1.1. ESG risk due diligence policies and practices in corporate lending

Nine out of 10 of the top largest lenders in Panama embed ESG risks in their commercial lending portfolios with systems that vary in their degree of maturity (see Table 4.2). There is evidence that some of the entities identify and assess adverse impacts, and make efforts to cease, prevent or mitigate such impacts through the categorisation of ESG risk and exclusion lists. Six of the top 10 commercial lenders provide quantitative indicators on the implementation of the ESG risk management activities, with some doing so for the first time in 2019 (e.g. Banesco). The banks' communication efforts could be improved by providing examples of addressing adverse impacts to which they may have contributed and sharing clear information on the existence and scope of grievance mechanisms.

The adoption of ESG risk management practices[10] has evolved steadily in Panama in recent years and this has been driven by the largest banks in the country. The adoption of those practices started in 2008 (e.g. Banco General) and have continued into 2019 (e.g. Capital Bank). A 2019 survey of 24 banks whose lending portfolios accounted for 63% of all loans in Panama, found that 57% percent of banks had an existing ESG risk management system (SBP, 2019[28]). Among the top 10 largest commercial lenders, the only entity that does not provide disclosure on its ESG practices is the state-owned *Banco Nacional de Panamá*.

Table 4.1. Top 10 commercial lenders in Panama

At end of April 2021

Name of entity	Type of entity	HQ country (parent)	Commercial loan portfolio (USD Mln)	Largest exposure sectors
Banco General, S.A.	Private sector bank, ultimately held by publicly listed local conglomerate	Panama (Empresa General de Inversiones)	3 469.9	corporate, construction
Banitsmo, S.A.	Private sector bank, local subsidiary of publicly listed foreign group	Colombia (Bancolombia)	3 216.8	corporate, construction
Global Bank Corporation	Private sector bank, ultimately held by publicly listed local conglomerate	Panama (G.B. Group Corporation)	2 499.8	corporate, construction, agriculture
Multibank Inc.	Private sector bank, local subsidiary of publicly listed foreign group	Colombia (Grupo Aval)	1 533.9	corporate, construction, agriculture
Banco Nacional de Panama	State-owned bank	Panama	1 284.5	Agriculture, industry, corporate
Banco Aliado, S.A.	Private sector bank, ultimately held by publicly listed local conglomerate	Panama (Grupo Aliado)	1 210.3	corporate, construction
The Bank of Nova Scotia	Private sector bank, local subsidiary of publicly listed foreign group	Canada (Scotiabank)	1 072.0	corporate, industry
BAC International Bank Inc.	Private sector bank, local subsidiary of publicly listed foreign group	Colombia (Grupo Aval)	952.6	corporate, industry
Banesco (Panama), S.A.	Private sector bank, local subsidiary of privately held foreign group	Spain (Banesco Holding)	725.2	corporate, construction
Capital Bank, Inc.	Local private sector bank	Panama	643.8	corporate, construction

Note: Commercial loan portfolio includes corporate, construction, industrial and agriculture sector loans as defined by SBP. Agriculture credit includes fruit and vegetable harvesting, cattle raising, fisheries and forestry; industry credit includes food products, clothing, electricity generation, iron and construction materials, oil & gas; construction credit includes residential, commercial and infrastructure construction; corporate credit includes free trade zone, retail and service sector credit. Largest exposure sectors defined as sectors that account for 15% or more of commercial credits.
Source: Adapted from (SBP, 2021[29]).

Some of the main reasons behind the adoption of ESG criteria in lending portfolios are 1) the 2017 codification of environmental and social risks in banking regulation; 2) the creation of the ABP's *Protocolo de Finanzas Sostenibles* in 2018 and, 3) improved access to financing from multilateral organisations (SBP, 2019[28]). For instance, in 2021, *Grupo Promerica de Costa Rica* issued a sustainable bond on the Panama Stock Exchange with the backing of IDB Invest (IDB Invest, 2021[27]). Furthermore, two recent adopters of ESG risk management systems received technical support from development finance institutions: Capital Bank relied on support from PROPARCO (France) and Banesco relied on support from *Deutsche Investitions- und Entwicklungsgesellschaft* (DEG, Germany) – both in 2018 (Capital Bank, 2019[30]; Banesco, 2020[31]).

The ESG risk management systems of the largest commercial lenders share similarities in their categorisation of risk. There is however a broad range of practices in the application of their policies and description of activities. Seven of the 10 lenders use a three tier rating system inspired by the International Finance Corporation (IFC) ESG Categorisation[11] to categorise loans from low, medium to high risk; *Banco Aliado* and Global Bank do not elaborate on their approach to risk categorisation. Four banks state that they have an exclusion policy. Commonly excluded activities include weapons manufacturing, casinos, commercial logging in primary tropical forests, activities that use forced and/or child labour and fishing using unsustainable methods (e.g.: use of nets over 2.5km long). *Banco General* also excludes the mining sector from its commercial loan portfolio.

The top 10 largest commercial lenders differ in their screening practices to prevent and mitigate actual and potential adverse ESG impacts for commercial loans. Six banks claim to apply a screen for all commercial transactions (e.g., loans, project finance and other transactions) while BAC International has a USD 1 million threshold to apply its ESG policy. Banks tend to use an initial screen to determine if further due diligence is required. For instance, Multibank draws from the IFC's Environmental and Social Categorisation to categorise risks. For loans above USD 1 million for companies operating in high risk sectors, Multibank includes ESG mitigation measures in contractual clauses and the recipient must hire an external expert to evaluate the adequacy of ESG mitigation measures at the outset and on an ongoing basis. Banco General reviews all commercial credit applications to determine whether they fall within the scope of the exclusion list. Secondly, the ESG risk department reviews whether the prospective clients operate in a sector where activities require an Environmental Impact Assessment under Panama's Law No. 41 of 1998. For commercial activities that fall within this scope, a risk rating is assigned, a form based on the IFC Performance Standards is filled and a recommendation is made.

Reporting on the application of ESG practices was highly variable among the top 10 commercial lenders. Four banks provided a breakdown of loans categorised according to ESG risk profile by economic sector: Banco General, Multibank, Capital Bank and BAC International.[12] Five lenders published standalone sustainability reports (dating from 2019 at the latest) and three lenders published (foreign) parent level sustainability reports. Two local lenders did not publish sustainability reports.

The oversight of ESG risk management is another area where practices varied. Among Panama-headquartered banks, the highest level of oversight on ESG risk in lending was found at the executive committee level. Banco General has an environmental, social and reputational risk committee which focuses explicitly on ESG risks in lending portfolios (distinct from the executive committee on social responsibility). Multibank has an executive committee on social and environmental responsibility with responsibility for the implementation of the social and environmental responsibility programme and with participation from the ESG risk manager.

Internal staff capacity and assignment of responsibilities around ESG risk management helps assess the rigour of an entity's practices. Among the top 10 lenders, the most common practice consisted in providing ESG training to credit analysts (e.g. lending to company which operates in a sector that features in the exclusion list) and have the ESG experts lend analytical capacity further along the evaluation process. The number of dedicated ESG experts ranged from 2 (at three banks) to one (at three banks); the remainder did not disclose how many ESG experts they have.

Table 4.2. ESG risk management practices of the top 10 commercial lenders in Panama

Bank name	ESG risk management system in commercial lending	Application criteria and thresholds of ESG risk management	Reporting on ESG risk due diligence	ESG integration in executive or board committee
Banco General, S.A.	Yes: loans ranked according to 3-tier ESG risk profile; exclusion policy	All commercial credits are screened, enhanced due diligence when loans are in at-risk sectors (drawn from Ley General de Ambiente (1998)) and construction	Yes: Loan breakdown by industry according to ranking system	Executive committee on ESG risk and reputation
Banistmo, S.A.	Yes: transactions ranked according to 3-tier ESG risk profile	All commercial credits are screened, added due diligence for loans above USD2.5M, EP screening for project finance above USD 10M	Yes: description of an EP-linked evaluation in Panama	Not disclosed
Global Bank Corporation	Yes	Not disclosed	Not disclosed	Not disclosed
Multibank, Inc.	Yes: loans ranked according to IFC-inspired 3-tier ESG risk profile	All commercial credits are screened, ESG mitigation included in contractual clauses for risky transactions, external	Yes: Loan breakdown by industry according to risk profile, ESG	Executive committee on ESG responsibility (includes manager of

Bank name	ESG risk management system in commercial lending	Application criteria and thresholds of ESG risk management	Reporting on ESG risk due diligence	ESG integration in executive or board committee
		ESG consultant for loans above USD 1M	capacity building for loan recipients	ESG risk)
Banco Nacional de Panamá	Not disclosed	Not disclosed	Not disclosed	Not disclosed
Banco Aliado, S.A.	Yes: project finance loans ranked according to ESG impact	ESG evaluation for all projects financed and tracking of risk mitigation compliance for medium and high risk projects	Not disclosed	Not disclosed
The Bank of Nova Scotia	Yes: environmental risk considered in credit evaluation, EP-eligible loans ranked accordingly	EPs apply to project finance (USD 10M+) and project related corporate loans; environmental risk associated with business of each borrower assessed	Yes: number of internal requests for technical advice, loans screened	Board oversees ESG, environmental and social risk team
BAC International Bank Inc.	Yes: loans ranked according to 3-tier ESG risk profile; exclusion policy	All commercial credits above USD 1M are screened, ESG risk mitigation included in contractual clauses for risky transactions	Yes: Loan breakdown according to ranking system	Social responsibility management system for BAC; no committee with ESG oversight at Grupo Aval
Banesco Panamá, S.A.	Yes: loans ranked according to 4-tier ESG risk profile, grievance mechanism, exclusion list	All commercial credits are screened; due diligence, ESG covenants and monitoring for risky projects	Yes: analysis of 12 credits by sector and rating during pilot year	ESG risk specialist is a member of the integral risk management unit
Capital Bank, Inc.	Yes: loans ranked according to 3-tier ESG risk profile; exclusion policy	All commercial credits are screened to determine level of due diligence; external consultants may be used	Yes: loan breakdown according to ranking system; ESG evaluations supported SME credit lines backed by Triodos Bank and PROPARCO	Not disclosed

Note: For each bank, information is sourced from publicly available sources including company website, financial statements, operational risk management reports, annual reports, sustainability reports and UNGC Communications on Progress available as of February 2021. In cases where entity representative were interviewed, interview findings supplemented public disclosures.
Sources: Adapted from company filings

4.1.2. Positive "impact" in corporate lending

During the Covid 19 pandemic, financial institutions across Latin America played an important role as providers of financial support and liquidity through guarantees, subsidies and refinancing plans. In Central America, local banks with development mandates, such as the *Caja de Ahorros* in Panama, injected more funds in their country's economy to respond to Covid-19 than regional and multilateral banks (CEPAL, 2021[32]). This is one of the ways in which local financial institutions demonstrated societal impact during the pandemic.

4.1.3. Participation in international initiatives and reference to international principles

1. The top 10 commercial lenders in Panama participate in a range of national and international initiatives. At the national level, the most popular initiative is the ABP's Protocolo de Finanzas Sostenibles, which has been signed by seven of the top 10 banks (see Table 4.3). The lenders were also assessed for their participation in the following international initiatives: The United Nations Global Compact (UNGC), the UNEP-FI Principles for Responsible Banking (UNEP-FI PRB) and the Equator Principles (EP).13 The UNGC is the most popular international initiative amongst banks analysed in Panama– it has been signed by four banks for Panama-based operations; two additional banks had a foreign parent who was signatory while BAC International's Costa Rican unit is a signatory. The UNEP-FI PRB is the second most popular

initiative: it has been signed by four local banks and one additional bank had a foreign parent signatory. Two foreign headquartered banks, Bancolombia and the Bank of Nova Scotia are EP signatories.

The top 10 entities also reference a range of international standards within their ESG risk management practices. The IFC Performance Standards are the most cited (4 mentions) and they are used, for instance, to inform the ESG risk evaluation forms and protocols. The OECD Guidelines for Multinational Enterprises (the Guidelines) are referenced at Bancolombia, parent organisation of Banistmo, and at Banesco. There is no explanation of how the Guidelines are incorporated in lending activities.

Table 4.3. Participation in international and national initiatives by top 10 lenders

	UNEP-FI PRB	UNGC	EP	Protocolo de Finanzas Sostenibles
Banco General, S.A.	Yes	Yes	No	Yes
Banitsmo, S.A.	Parent: Yes	Parent: Yes	Parent: yes	Yes
Global Bank Corporation	Yes	No	No	Yes
Multibank Inc.	Yes	Yes	No	Yes
Banco Nacional de Panama	No	No	No	Yes
Banco Aliado, S.A.	No	No	No	Yes
The Bank of Nova Scotia	No	Parent: yes	Parent: yes	No
BAC International Bank Inc.	No	Sister organisation (Costa Rica): yes	No	No
Capital Bank, Inc.	No	Yes	No	No
Banesco (Panama), S.A.	Yes	Yes	No	Yes

Note: For local subsidiaries of foreign headquartered parents, the information is provided for local subsidiaries unless otherwise noted. Current as of June 2021 expect for the category of Protocolo de Finanzas Sostenibles, which is current as of March 2021.
Source: (UNEP-FI, 2021[33]); (EP, 2021[34]); (ABP, 2018[22]); (UNGC, 2021[36]).

4.1.4. Challenges and opportunities to the integration of ESG risk management in corporate lending

Panamanian lending institutions are progressing in their adoption of ESG risk due diligence practices. The *Protocolo de Finanzas Sostenibles* and the clarification of ESG risk by SBP have accelerated the adoption of due diligence practices. The addition of time-bound targets related to ESG risk screening or positive impact products along with a reporting mechanism could be considered to elevate signatory accountability. The sustainability committee of the ABP can be an important information sharing platform as institutions start to gather better information around ESG risk from the systems they have (or are beginning to) set up.

A clearer leadership role from the government in financial sector initiatives such as the GTFS could also accelerate the development of taxonomies to designate lending activities according to their climate and ESG impacts.

4.2. ESG integration in institutional investment portfolios

The integration of ESG issues in institutional investment portfolios is at an early stage in Panama. Only one of the 10 largest institutional investors integrates ESG issues in investments; another investor is revising its policy and training investment management staff around ESG.

The integration of ESG issues into institutional investment portfolios was assessed for the largest asset owners and asset managers in Panama – for a combined total of 10. The asset owners that were within the scope of analysis were sovereign wealth funds (SWF), pension funds[14] and insurance firms. Asset managers in scope managed SMV-licensed investment funds.[15] The five entities with the largest assets under management in each category (asset owner and manager[16]) were retained for an in-depth analysis (see Table 4.4 and Table 4.5).

The country's top five asset owners hold USD 6.5 billion in assets[17] while the country's 42 registered investment managers managed a total of USD 2.8 billion in March 2021 (SMV, 2021[4]). This places Panama's investment fund industry behind Costa Rica, its Central American neighbour, whose investment fund industry managed USD 6.7 billion (SUGEVAL, 2021[37]).

Panama's institutional investors have a large exposure to fixed income and real estate. Fixed income products represented 89% of the BVPs listed assets at the end of May 2021 (BVP, 2021[3]). Investment fund managers invest 46% of the USD 2.8 billion assets that they manage into non financial assets (including real estate) while the remaining portion is invested in financial assets. The main exposure of the top five asset owners is domestic fixed income products while the top five asset managers invest 65% of their assets in fixed income and 32% in real estate (see Table 4.4 and Table 4.5).[18]

4.2.1. ESG integration practices of asset owners in Panama

Only one of the five largest asset owners in Panama has a policy that cover ESG issues. The *Fondo de Ahorro de Panamá* (FAP) is the country's sovereign wealth fund (SWF) and is the country's first PRI signatory. It was created in 2012 with the objective of providing a long-term savings vehicle for the country. Its USD 1,471 million portfolio is managed by three US asset managers: Goldman Sachs, Morgan Stanley and Blackrock. The fund's investment policy statement (IPS) has a responsible investment section which states a commitment of "investing ethically, including policies, standards and procedures to avoid prejudice to the reputation of the [Panamanian] State" (FAP, 2018[38]). The IPS enables the fund to exclude companies involved in tobacco manufacturing. With regards to investment stewardship, the IPS mentions that asset managers should use proxy voting advisors or their own guidelines to vote proxies – it does not have its own proxy voting guidelines. The remaining four asset owners do not incorporate ESG issues in investments according to public disclosures.

The *Caja de Seguro Social* (CSS) is the social security fund and is the country's largest asset owner. Its portfolio of USD 3.3 billion is invested in government bonds (93%) and other fixed income products (7%) in the country's banking system. The investment policy laid out in Resolution No.39, 609-2007 has a domestic fixed income tilt as it rules out investments in public equities and caps international exposure to 15% (CSS, 2020[39]). The investment policy does enable CSS to invest in financial institution products that promote the development of the country.[19] The CSS is also mandated to manage a distinct USD 562 million portfolio composed of investment mandates from SIACAP, the government employees' pension fund and an early retirement fund (*Plan de Retiro Anticipado Autofinanciable*).

The SIACAP, the government employees' pension fund, has a USD 809 million portfolio which is heavily exposed to domestic fixed income products (98% of AUM). The funds are managed externally through three asset management mandates: 1) *Consorcio Aliados* (consortium between Banco Aliado and Geneva Asset Management, two local institutions), *Consorcio Multibank/Multisecurities* (two local institutions) and the CSS, the social security fund of Panama (SIACAP, 2021[40]). There is no mention of ESG issues in the SIACAP's investment policy (in Law No. 8 of 1997), nor does it require the three managers to incorporate ESG issues.[20]

Table 4.4. ESG integration of the top 5 asset owners in Panama

Name of entity (HQ country)	Type of entity	AUM (USD Mln)	Description of portfolio	Description of ESG Integration	Signatory to PRI

CSS	Social security fund	3,335.9 (Dec 2019)	Panama government bonds (93%), short duration instruments (7%)	No description	No
Fondo de Ahorro de Panamá (Panamá)	Sovereign wealth fund	1,471.5 (Dec 2020)	Three asset managers (Goldman Sachs, Morgan Stanley, Blackrock) oversee investments in global fixed income (60%), inflation indexed fixed income (4%), short duration liquid assets (17%), public equities (18%) and private markets (0.03%)	IPS authorises fund to exclude tobacco producers and to invest as to prevent prejudice against the reputation of the State. Proxy voting is entrusted with asset managers who should use voting agency recommendations or their own guidelines	Yes
SIACAP (Panama)	Public sector pension fund	809.3 (Feb 2021)	Three asset managers (Aliados (36%), Multibank (32%), CSS (31%) oversee investments in Panama government issued fixed income instruments (36%), locally issued bank fixed income instruments (47%), Panama corporate fixed income (18%), Panama public equity (0.30%) and multilateral banks fixed income instruments (0.41%)	No mention of ESG issues in the IPS; ESG issues are not incorporated in fund activities (see Law No.8 of 1996 and Law No. 60 of 2010)	No
ASSA Compañía de seguros (Panamá)	Insurance firm	529.5 (Mar 2021)	Investments in Panama government issued bonds (9%), local corporate bonds and equities (25%), bank deposits (22%), international equities and bonds (30%), real estate (9%), other (5%)	No description	No
Profuturo AFP – Banco General (Panamá)	Pension fund manager	404.4 (Mar 2021)	Deposits (67%), corporate bonds (14%), Panama government issued bonds (1%), public equity and mutual funds (17%)	No description	No

Note: Includes data available as of June 2021. For each investor, company website, financial statements, annual reports, sustainability reports were reviewed to identify examples of ESG practices or policies. AUM = Assets under management.
Source: (CSS, 2020[41]) ; (SIACAP, 2021[40]); (SSRP, 2021[42]); (SMV, 2021[43]); (PROFUTURO, 2021[44]); (FAP, 2021[45]).

ProFuturo AFP, a pension entity of Banco General, is the largest pension fund manager in the country. ProFuturo AFP's USD 398 million portfolio has exposure to corporate bonds (14%), public equities and mutual funds (17%) (see Table 4.3). While the investment parameters for pension fund managers – set out in Law No. 10 of 1993 – enable investments in fixed income and public equities, exposure to foreign markets is more constrained (SMV, n.d.[46]). Investments in foreign issuers cannot account for more than 15% of the portfolio. In practice, this means ProFuturo and the other two AFPs have a heavy domestic market exposure that is dominated by fixed income products (i.e. bonds) issued by financial institutions (SMV, 2021[47]).

Grupo ASSA is the largest insurer in Panama. Its USD 530 million portfolio is invested in equities, fixed income at the national and international levels and domestic real estate (see Table 4.3). According to Law No.12 (2012) which regulates insurance activities in Panama, 50% of regulated entities must be invested in Panama (SSRP, 2012[48]).

4.2.2. ESG integration practices of asset managers in Panama

The top five asset managers' portfolios are mainly invested in two asset classes: fixed income and real estate. Three entities are SMV licensed investment managers while the other two are SMV-licensed real estate investment companies (*Sociedades de inversión inmobiliaria*). Out of the 12 funds managed by the top five managers, 65% of assets are held in fixed income focused funds and 32% of assets are held in real estate funds. The remainder of assets are held in funds of funds and equities (Table 4.5).[21]

The integration of ESG issues among Panama's five largest asset managers is limited. One asset manager, MMG, has indicated that it would develop an ESG policy and train its investment management staff on ESG integration in the second half of 2020. The other asset managers do not explicitly integrate ESG issues in their fund prospectus nor do they list salient ESG risk factors, such as climate risk, in their regulatory filings.

As of July 2021, there were no Panamanian PRI signatory asset managers.

Table 4.5. ESG integration of the top 5 asset managers in Panama

Name of entity	HQ country (parent)	AUM (USD Mln)	Description of activities	Description of ESG integration	Signatory to PRI
BG Investment Co., Inc.	Panama (Banco General)	582.0 (Sept 2020)	Manages 2 funds (fund of fund and fixed income)	No description	No
Prival Securities, Inc. (Panama)	Panama (Prival Bank, S.A.)	356.2 (Feb 2021)	Manages 5 funds (fund of fund, fixed income, equity, private equity and real estate)	No description	No
Los Castillos Real Estate, Inc.	Panama	244.5 (Dec 2020)	Real estate investment company; owns more than 25 commercial properties	No description	No
Bayport Enterprise	Panama	206.9 (Dec 2020)	Real estate investment company; owns 4 commercial properties in Panama city	No description	No
MMG Asset Management Corp.	Panama (MMG Bank Corp.)	200.7 (Jan 2021)	Manages 3 funds (fixed income, 2 diversified)	No disclosure; ESG policy under development and staff training in H2 of 2020	No

Note: The AUM figures are drawn from the fund fact sheets available on asset manager websites; for real estate investment companies, figures are drawn from 2020 financial statements. Real estate investment funds managed by an independent *Sociedad de Inversión Inmobiliaria* are not included in the total of funds managed by MMG Asset Management. AUM = Assets under management.
Source: Adapted from company filings

4.2.3. Challenges and opportunities to the integration of ESG in Panama's institutional investment sector

While Panama's lending institutions are making progress in their adoption of ESG risk management and the stock exchange attracts a growing number of sustainable bond issuances, the integration of ESG issues in institutional investments is still largely absent.

For asset managers that are part of larger financial groups (e.g. BG, MMG), there is an opportunity to draw on expertise from their ESG risk management systems. Indeed, some of the good practices from ESG due diligence in lending portfolios could be translated into the development of such practices in institutional investment, particularly where there is a commitment to sustainability in lending and investments at high levels of governance (e.g. BG).

Given the important portfolio tilt of asset owners to domestic fixed income, investment policies could be modified to explicitly favour green or sustainable bonds. This could feed into the continued growth of the stock exchange's issuance of such bonds and its consolidation as a regional centre for sustainable finance.

For real estate investors, the integration of ESG issues into real estate investment due diligence and project development could be a step forward. Real estate managers could adopt positions to favour investments in assets that rely on sustainability designations such as LEED. They could also look to join initiatives such as GRESB. Integrating ESG issues into the prospectus of real estate and project development funds could be an initial step.

Existing structures such as the GTFS – which relies on a broad base of participants – or CASIP could be leveraged to drive a set of baseline ESG principles for the institutional investment industry or indeed, to let the sector participate in the development of a green taxonomy.

The government could play an important role in accelerating sustainable finance in the institutional investment sector because the investment policies of many entities rely of laws or regulations. A government-led strategy on sustainable finance thus be instrumental in lifting barriers to ESG integration across institutional investment.

5 Conclusion

The ESG integration practices of financial institutions in Panama rest on the voluntary commitments and initiatives adopted by institutional investors and corporate lenders; the country's financial regulators have not mandated ESG reporting or due diligence requirements. ESG practices are most advanced in the corporate lending sector, where nine out of ten of the largest commercial lenders have adopted an ESG risk management system and have disclosed how they identify and categorise those risks when they carry out due diligence. This builds from the voluntary sustainable finance protocol adopted in 2018, a document which shares similar principles to those adopted in other LAC countries (see Section 4.4 in *Responsible Business Conduct in the Financial Sector in Latin America and the Caribbean)*.The protocol's are partly aligned with the OECD RBC Due Diligence framework. Nonetheless, the voluntary initiative lacks a clear accountability and public reporting mechanism.

In the institutional investment sector, there is no investor focused ESG initiative or best practices code and ESG practices amongst the country's top asset owners and managers are weak. Amongst the top 10 investors, only one asset owner excluded tobacco on the grounds of responsible investment and one asset manager was building the capacity of its staff around ESG issues. The country's main asset owners and managers could benefit from a voluntary sector focussed ESG due diligence code or protocol.

Panama's financial regulators can draw from voluntary protocols and codes to design ESG reporting and due diligence regulation. They can also draw on practice from regional peers (including Peru and Brazil) to incorporate the responsibilities of financial institutions to mitigate adverse environmental and social impacts, alongside the mitigation of climate risk, in potential regulation. In this regard, the OECD RBC due diligence framework for institutional investors and corporate lending institutions could be useful reference tools.

Annex A. Methodology

The analysis and findings of this report are based on publicly available disclosures and interviews. The research began with a review of the financial sector's role in Panama's broader economy, mapping of key financial sector regulatory actors along with industry associations on the banking and institutional investment side.

The analysis of ESG practices at financial institutions is split into two sections: 1) the assessment of ESG integration in commercial loan portfolios; and 2) the integration of ESG issues in institutional investment portfolios. Ten organisations were isolated for in-depth analysis in both sectors. On the commercial lending side, the 10 largest lenders were identified using the SBP's statistical reports. The outstanding loan portfolios (at the end of June 2021) of individual entities were added up in the agricultural, retail, construction, and industry sectors to come up with the largest commercial lenders.[22]

On the institutional investment side, the analysis was further sub-divided between asset owners and asset managers. The asset owners that were within the scope of analysis were SWF, pension funds[23], social security funds and insurance firms. Asset managers in scope managed SMV-licensed investment funds.[24] The five entities with the largest assets under management in each category (asset owner and manager[25]) were retained for an in-depth analysis (see Table 4.4 and Table 4.5).

The 20 entities that were subject to in-depth analysis included locally and foreign headquartered groups. In cases where the entity had a foreign parent organisation, the local (Panama) disclosures along with the foreign parent's disclosures were analysed. This provided further clarity around the application (or not) of parent organisation policies (e.g. application of the EP) to the Panama unit operations of a given entity.

The research focussed primarily on the ESG policies and RBC due diligence practices associated with the human rights, employment and environment chapters of the OECD Guidelines for MNEs. Information on climate risk was also considered. The OECD's *Due Diligence for Responsible Corporate Lending and Securities Underwriting* was a key reference document in analysing the maturity of practices in corporate lending activities while the OECD's *Responsible Business Conduct for Institutional Investors* played a similar role in the research on institutional investment (See Annex B).

Six interviews were completed out of 19 requests that were sent over the course of June and July 2020. Five interviews were conducted with representatives of the following entities: SIACAP, Banco General, Banistmo, the GTFS and the PRI; written interview answers were forwarded by MMG. Three interviews directly informed the analysis of ESG integration in the institutional investment sector while two interviews directly informed the analysis of ESG integration in commercial lending activities. The information obtained through interviews were used to supplement the analysis of public disclosures and they informed the overall analysis.

Annex B. OECD Standards on Responsible Business Conduct

The OECD Guidelines for Multinational Enterprises (the Guidelines) are the most comprehensive international standard on RBC. The Guidelines reflect the expectation from governments to businesses on how to act responsibly. They cover all key areas of business responsibility, including human rights, labour rights, environment, bribery, consumer interests, as well as information disclosure, science and technology, competition, and taxation. The Guidelines were adopted in 1976 and last updated in 2011. To date, 50 countries have adhered to the Guidelines. In Latin America, there are three OECD member countries and eight adherents to the Guidelines. The member countries are Mexico, Chile and Colombia; Costa Rica is an OECD candidate and Brazil is a key partner. The countries that have adhered to the Guidelines are Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru and Uruguay.

A key element of RBC is risk-based due diligence – a process through which businesses should carry out to identify, prevent and mitigate their actual and potential adverse impacts and account for how those impacts are addressed. This process should be an integral part of business decision-making and risk management systems. It concerns adverse impacts caused or contributed to by enterprises as well as those adverse impacts that are directly linked to their operations, products or services through a business relationship.

The OECD RBC framework calls on companies to identify and mitigate their adverse impacts on people (e.g. workers, communities, indigenous communities) and the environment (e.g. biodiversity, climate change). Under this approach, RBC risk is considered independently of its financial or commercial impact (OECD, 2019[49]). The financial relevance and impact of environmental and social factors is dynamic and evolving. Many environmental materiality issues will become financially material over time and contribute to long-term (financial) value, as the physical impacts of climate change become more widespread, damaging and costly, and as climate regulation becomes more ambitious. With respect to social issues, one example of dynamic materiality could be a company's reliance on suppliers that rely on forced labour to manufacture goods and export them around the world. In this instance, the purchasing multinational company would be causing an adverse human rights impact. If the company's largest export market was to adopt and enforce legislation prohibiting the import of products that are manufactured using forced labour, or mandate due diligence, this could cause a material social risk for the company.

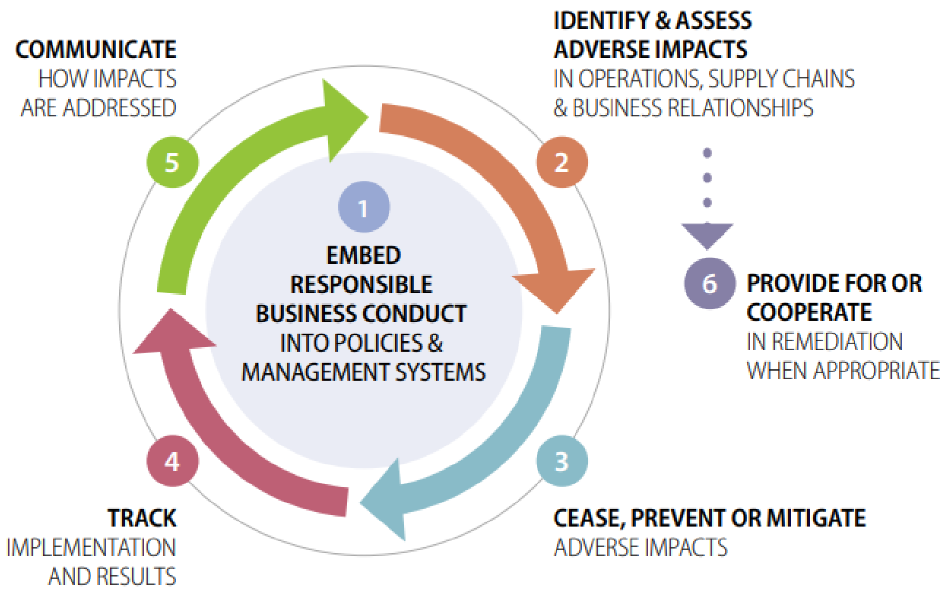
RBC due diligence involves a 6-step process:

1. Embed RBC into the enterprise's policies, management systems and business relationships
2. Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services
3. Cease, prevent and mitigate adverse impacts
4. Track implementation and results
5. Communicate how impacts are addressed
6. Provide for/cooperate in remediation, when appropriate (see also Figure A.B.1.)

These steps are all inter-related, dynamic and iterative; learnings from each element feed and build into one another. RBC due diligence is also defined by key characteristics of due diligence. In this respect due diligence should:

- Be preventative
- Involve multiple processes and objectives
- Be commensurate with risk (risk-based)
- Involve risk-based prioritisation
- Be dynamic (i.e., ongoing, responsive and changing)
- Avoid shifting responsibilities
- Concern internationally recognised RBC standards
- Be appropriate to an enterprise's circumstances
- Be adapted to deal with the limitations of working with business relationships
- Be informed by engagement with stakeholders
- Involve ongoing communication

Figure A B.1. Due Diligence Process and Supporting Measures



Source: (OECD, 2018[50])

The OECD Due Diligence Guidance for Responsible Business Conduct (OECD, 2018[50]) provides practical support to enterprises on the implementation of the Guidelines by providing plain language explanations of its due diligence recommendations and associated provisions. Like the Guidelines, it covers all sectors of the economy, addressing a range of risks in business operations, supply chains and value chains, including labour, the environment and integrity. The Guidance includes additional explanations, tips and illustrative examples of due diligence which may be of use to companies, including those in operating in the financial sector.

Additionally, the OECD has also developed sector specific guidances on due diligence for the financial sector, namely:

- Responsible Business Conduct for Institutional Investors (OECD, 2017[51])
- OECD Due Diligence Guidance for Responsible Corporate Lending and Securities Underwriting (OECD, 2019[49]).

These guidances reflect the core expectations of the OECD RBC framework but included practical guidance adapted to the specific activities and contextual circumstances of commercial banks and institutional investors (see Table 4.5). They have been approved by 50 governments and developed in partnership with business, trade unions and civil society through a multi-stakeholder advisory group.

Table A B.1. Due Diligence Process: Application in Corporate Lending and Institutional Investment

Due Diligence Step	Application in corporate lending	Application in institutional investment
Embed RBC into policies and management systems	Describe approaches to due diligence and assign roles to relevant business units	Adopt a policy which includes a commitment to relevant RBC standards and maintain management systems which enable investors to consider RBC risks in investments
Identify actual and potential adverse RBC impacts	Develop a *first* screen and *second* screen for enhanced identification, and develop a process for assessing a bank's involvement with an adverse impact.	Integrate RBC risk identification into existing processes to inform risk evaluation prior to investment and screen investment portfolios
Cease, prevent or mitigate adverse impacts	Incorporate RBC expectations in contractual documents or written agreements, engaging with clients, and well as collaborating to address systemic issues.	Integrate RBC requirements in investment mandates and decisions and engage with a company to exert leverage to mitigate adverse impacts
Track implementation and results	Request clients to report on issues and in high risk cases, require third party review of compliance.	Track investee and own performance against RBC commitments
Communicate how impacts are addressed	Publicly communicate on RBC policies and number of corporate lending transactions subjected to enhanced due diligence.	Publicly communicate on RBC policies, engagements, and proxy votes to prevent and mitigate or remediate actual or potential impacts at investee companies
Provide for or cooperate in remediation when appropriate	Seek to use leverage to encourage clients to provide for or cooperate in remediation and enable access to remediation by establishing a bank-level grievance mechanism.	Establish operational-level grievance mechanism and cooperate with judicial or state-based non-judicial mechanisms

Source: (OECD, 2019[49]) and (OECD, 2017[51]).

References

ABP (2018), *Protocolo de finanzas sostenibles de Panama*, https://www.superbancos.gob.pa/superbancos/documentos/riesgo/Protocolo.pdf. [22]

ANCON (2017), *Memoria de sostenibilidad*, https://ancon.org/wp-content/uploads/2017/08/ANCON_-_Memoria-de-Sostenibilidad-2017_Final.pdf (accessed on 9 March 2021). [11]

Banesco (2020), *Informe de sostenibilidad 2019*, https://paprodpwebstordata.blob.core.windows.net/filesbanesco/informe_sostenibilidad_banesco_panama_2019.pdf (accessed on 6 March 2021). [31]

BID Invest/BVP (2021), *Guía para el Reporte y Divulgación Voluntaria de Factores ASG*, https://www.panabolsa.com/biblioteca/Sostenibilidad/Guias_Sostenibilidad/Guia_para_el_Reporte_y_Divulgacion_Voluntaria_de_Factores_ASG_v1.pdf (accessed on 3 July 2021). [60]

BVP (2021), *Cifras mensuales - mayo 2020*, https://www.latinexbolsa.com/biblioteca/Two%20Pager%20_Cifras%20Mensuales/2021/May2pager.pdf (accessed on 3 July 2021). [3]

BVP (2020), *Prospectivo Informativo: Panasolar Generation S.A.*, https://www.panabolsa.com/PDFs/Prospecto_Informativo//PGSA/Prospecto%20Informativo%20Definitivo%20Panasolar%20Generation%20SA.pdf (accessed on 8 March 2021). [26]

BVP (2019), *CIFI emite el primer Bono Verde en el mercado panameño*, https://www.panabolsa.com/biblioteca/Noticias/2NP%20primer%20bono%20verde%20FINAL.pdf (accessed on 8 March 2021). [25]

BVP (2019), *Guía para la emisión de valores negociables sociales, verdes y sostenibles*, https://www.panabolsa.com/es/wp-content/uploads/2019/10/Guia-para-Emision-de-Valores-Negociables-SVS.pdf (accessed on 8 March 2021). [23]

Capital Bank (2019), *Informe Corporativo 2018-2019*, https://s3-us-west-2.amazonaws.com/ungc-production/attachments/cop_2019/478758/original/INFORME_CORPORATIVO_PACTO_GLOBAL_2018-2019.pdf?1569081127 (accessed on 9 March 2021). [30]

CASIP (2020), *Estadisticas de la Industria*, http://www.casip-panama.org/wp- [52]

content/uploads/2020/06/estadistica_de_la_industria_casip.pdf (accessed on 24 July 2020).

CEPAL (2021), *Financiamiento para el desarrollo en la era de la pandemia de COVID-19 y después*, CEPAL, http://hdl.handle.net/11362/46710 (accessed on 17 June 2021). [32]

Consejo de Coordinación Financiera (n.d.), *Reseña del sistema financiero panameño*, https://www.ccf.gob.pa/resena.html (accessed on 26 June 2020). [51]

CSS (2020), *Memoria 2020*, http://transparencia.css.gob.pa/memorias/. [40]

CSS (2020), *Reglamento para la Inversión de los Fondos de la Caja de Seguro Social*, http://www.css.gob.pa/Reglamento%20para%20la%20Inversion%20de%20los%20Fondos%20de%20Reserva%20de%20la%20CSS.pdf (accessed on 11 March 2021). [38]

EP (2021), *EP Association Members and Reporting*, https://equator-principles.com/members-reporting/. [34]

FAP (2021), *Informe trimestral 4T2020*, https://www.fondoahorropanama.com/22-feb-2021-informe-de-resultados-preliminares-no-auditados-para-el-cuarto-trimestre-2020. [44]

FAP (2018), *Políticas de Inversión y Estándares*, https://www.fondoahorropanama.com/s/Acuerdo-19-Politicas-de-Inversion-y-Estandares-Cuarta-Version-31-de-mayo-de-2018-firmado.pdf (accessed on 31 July 2020). [37]

FIAFIN (2020), *Investment Fund Statistics*, http://www.fiafin.org/estadistica/showPaisTipo (accessed on 31 July 2020). [54]

GTFS (n.d.), *Organizaciones Participantes e Instituciones de Apoyo*, https://finanzassostenibles.org/?page_id=506 (accessed on 8 March 2021). [19]

IDB Invest (2021), *BID Invest y Banco Promerica de Costa Rica se unen para la emisión de bonos sostenibles en Panamá*, https://idbinvest.org/es/medios-y-prensa/bid-invest-y-banco-promerica-de-costa-rica-se-unen-para-la-emision-de-bonos-sostenibles-en (accessed on 8 March 2021). [27]

IDB Invest (2019), *BID Invest y Banistmo anuncian el primer bono de género en América Latina*, https://www.prnewswire.com/es/comunicados-de-prensa/bid-invest-y-banistmo-anuncian-el-primer-bono-de-genero-en-america-latina-837130370.html (accessed on 7 March 2021). [24]

IMF (2020), *Panama : 2020 Article IV Consultation-Press Release; and Staff Report*, https://www.imf.org/en/Publications/CR/Issues/2020/04/21/Panama-2020-Article-IV-Consultation-Press-Release-and-Staff-Report-49354 (accessed on 26 June 2020). [17]

IMF (2020), *Panama : Selected Issues*, https://www.imf.org/en/Publications/CR/Issues/2020/04/21/Panama-Selected-Issues-49355 (accessed on 26 February 2021). [2]

IMF (2017), *Panama: Selected Issues*, https://www.imf.org/en/Publications/CR/Issues/2017/05/04/Panama-Selected-Issues-44876 (accessed on 26 June 2020). [18]

INEC (2021), *Producto Interno Bruto (PIB) Anual y Trimestral: 2020*, https://www.inec.gob.pa/publicaciones/Default3.aspx?ID_PUBLICACION=1052&ID_CATEGORIA=4&ID_SUBCATEGORIA=26 (accessed on 3 July 2021). [1]

INEC (2020), *Exportación de principales mercaderías de la República, por peso y valor FOB, según descripción arancelaria: enero a marzo de 2020*, https://www.inec.gob.pa/archivos/A030194820200626134033Exp_PrincMerc_EneMar_A%C3%B1o_2020%20(P).pdf (accessed on 2 August 2020). [5]

INEC (2019), *Empleo informal en la República, por sector en el empleo, según sector de la categoría en la actividad económica y año: Encuesta de mercado laboral, agosto 2018-19*, https://www.inec.gob.pa/archivos/P053342420191127134922Cuadro%209.pdf (accessed on 2 August 2020). [12]

INEC (2019), *Población de 15 y más años de edad ocupada en la República, por categoría en la ocupación, según provincia, comarca indígena, sexo y categoría en la actividad económica: Encuesta de mercado laboral, agosto 2019*, https://www.inec.gob.pa/archivos/P0579518620191127130530Cuadro%2014.pdf (accessed on 2 August 2020). [6]

INEC (2016), *Encuesta de trabajo infantil*, https://www.inec.gob.pa/archivos/P8031441-04.pdf (accessed on 5 May 2021). [7]

OECD (2019), *Due Diligence for Responsible Corporate Lending and Securities Underwriting*, https://mneguidelines.oecd.org/rbc-financial-sector.htm. [48]

OECD (2018), *OECD Due Diligence Guidance for Responsible Business Conduct*, https://mneguidelines.oecd.org/due-diligence-guidance-for-responsible-business-conduct.htm. [49]

OECD (2017), *Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises*, https://mneguidelines.oecd.org/rbc-financial-sector.htm. [50]

PRI (2016), *A Practical Guide to ESG Integration For Equity Investing*, https://www.unpri.org/download?ac=10 (accessed on 31 July 2020). [58]

PROFUTURO (2021), *Estados Financieros Diciembre 2020*, https://www.supervalores.gob.pa/informacion-del-mercado/estados-financieros-de-los-entes. [43]

SBP (2021), *Cartera de créditos - abril 2021*, https://www.superbancos.gob.pa/es/fin-y-est/reportes-estadisticos (accessed on 3 July 2021). [29]

SBP (2019), *Evaluación en el grado de avance para la gestión del riesgo social y ambiental en el Sistema Bancario Panameño*, https://superbancos.gob.pa/superbancos/documentos/riesgo/Informe_Seminario2.pdf (accessed on 29 July 2020). [28]

SBP (2019), *Memoria 2018*, https://www.superbancos.gob.pa/superbancos/documentos/institucional/IA18/Memoria_2018.pdf (accessed on 26 June 2020). [53]

SBP (2017), *Rule No. 9-2017*, https://www.superbancos.gob.pa/superbancos/documents/laws_regulations/rules/2017/rule_9-2017.pdf. [20]

SBP (n.d.), *Gestión de Riesgos Socio-Ambientales*, https://www.superbancos.gob.pa/en/node/1801 (accessed on 3 July 2021). [21]

SBP (n.d.), *Superintendencia de Bancos de Panamá*, https://www.superbancos.gob.pa. [15]

SIACAP (2021), *Patrimonio y portafolio de inversiones - February 2021*, https://www.siacap.gob.pa/wp-content/uploads/2021/03/1-.-Cuadro-del-Patrimonio-febrero-de-2021.pdf (accessed on 10 March 2021). [39]

SMV (2021), *Cartera Administrada y Composición Año 2021*, https://www.supervalores.gob.pa/files/Estadisticas_generales/pensiones/Cartera-Administrada-Composicion-Cartera-2021.pdf (accessed on 10 March 2021). [46]

SMV (2021), *Informativo de Sociedades de Inversión*, https://www.supervalores.gob.pa/files/emisores/Informativo-Sociedades-Inversion.pdf (accessed on 3 July 2021). [59]

SMV (2021), *Mercado de Valores - Marzo 2021*, https://supervalores.gob.pa/wp-content/uploads/2021/05/Inf-Mensual-Valores-Mar-2021.pdf (accessed on 3 July 2021). [4]

SMV (2021), *Mercado de Valores Enero 2021*, https://www.supervalores.gob.pa/files/Estadisticas_generales/Inf-Mensual-Valores-Ene-2021.pdf (accessed on 10 March 2021). [56]

SMV (2021), *Patrimonio Administrado de los fondos de pensiones*, https://supervalores.gob.pa/files/pensiones/estadisticas/historico_patrimonio_2021.pdf (accessed on 3 July 2021). [42]

SMV (n.d.), *Ley 10 (del 16 de abril de 1993)*, https://www.supervalores.gob.pa/files/pensiones/L-1993-10-TEXTO_UNICO.pdf (accessed on 10 March 2021). [45]

SMV (n.d.), *Superintendencia del Mercado de Valores de Panamá*, https://www.supervalores.gob.pa. [14]

SSRP (2021), *I Trimestre 2021*, https://superseguros.gob.pa/wp-content/uploads/Inv-1t-2021.pdf (accessed on 3 July 2021). [41]

SSRP (2012), *Ley 12 (del 3 abril de 2012)*, https://superseguros.gob.pa/wp-content/uploads/2019/09/Leyes-ley-2012-012.pdf (accessed on 10 March 2021). [47]

SSRP (n.d.), *Superintendencia de Seguros y Reaseguros de Panamá*, https://superseguros.gob.pa. [16]

SUGEVAL (2021), *Boletín Fondos Inversión, Quincena 2 – Junio 2021*, https://aplicaciones.sugeval.fi.cr/InformesEstadisticas/BoletinFondosInversion (accessed on 3 July 2021). [36]

Superintendencia de Bancos de Panamá (n.d.), , https://www.superbancos.gob.pa. [57]

Thomson Reuters Foundation (2021), *Panama boosts action to protect forests, drought-hit canal*, https://news.trust.org/item/20210420155452-ohdhu/ (accessed on 18 June 2021). [9]

Thomson Reuters Foundation (2016), *Panama's indigenous tribes launch drones to fight deforestation*, https://news.trust.org/item/20160602044149-rs799 (accessed on 18 June 2021). [10]

UNEP-FI (2021), *Signatories to the PRB*,, https://www.unepfi.org/banking/bankingprinciples/prbsignatories/. [33]

UNGC (2021), *Our participants*, https://www.unglobalcompact.org/what-is-gc/participants. [35]

US Department of State (2020), *PANAMA 2019 HUMAN RIGHTS REPORT*, https://www.state.gov/wp-content/uploads/2020/02/PANAMA-2019-HUMAN-RIGHTS-REPORT.pdf (accessed on 2 August 2020). [13]

US DOL (2020), *2020 List of Goods Produced by Child labor or Forced Labor*, https://www.dol.gov/sites/dolgov/files/ILAB/child_labor_reports/tda2019/2020_TVPRA_List_Online_Final.pdf (accessed on 18 June 221). [8]

US DOL (2018), *Findings on the Worst Forms of Child Labor: Panama*, https://www.dol.gov/agencies/ilab/resources/reports/child-labor/panama (accessed on 2 August 2020). [55]

Notes

[1] Offshore banks either have an international license to conduct business only with non-residents or a representative license which enables them to carry out promotion activities. For more information see: https://www.imf.org/en/Publications/CR/Issues/2020/04/21/Panama-Selected-Issues-49355.

[2] Offshore banks are beyond the scope of analysis in this report due to their virtually null impact on the domestic economy.

[3] Costa Rica data from SUGEVAL's Boletín Fondos Inversión, Quincena 1 – January 2021 (Available here: https://aplicaciones.sugeval.fi.cr/InformesEstadisticas/BoletinFondosInversion); Panama data from the Superintendencia del Mercado de Valores de Panamá, December 2020 Report (Available here: https://www.supervalores.gob.pa/files/Estadisticas_generales/Inf-Mensual-Valores-Dic-2020.pdf)

[4] The scope of RBC and ESG/ESR criteria are highly related. Both relate to understanding and quantifying the impacts of business activities on environmental and social issues. However, RBC is specific to the standards and recommendations set out in the OECD Guidelines for Multinational Enterprises and pertains primarily to impacts to the environment and society, independent of financial materiality. While no formal, widespread definition exists for "ESG" and "ESR" and its diversity with respect to how these concepts are instrumentalised by financial institutions and intermediaries, they often pertain primarily to environmental and social risks which also pose financial risks.

[5] The Balboa is second official currency and it is pegged to the US dollar. The Balboa is only available in the form of coins. This arrangement exists since 1904.

[6] Full membership list available here: https://finanzassostenibles.org/?page_id=506.

[7] Signatories as of February 2021: Banco Aliado, Banco Davivienda, BG, Banco International de Costa Rica, Banco La Hipotecaria, BNP, Bancolombia, Banesco, Banistmo, Unibank, St Georges, Multibank, MMG Bank Corp., Metrobank, BCT Bank and Global Bank.

[8]See
https://www.panabolsa.com/biblioteca/Sostenibilidad/Guias_Sostenibilidad/Guia_para_el_Reporte_y_Divulgacion_Voluntaria_de_Factores_ASG_v1.pdf

[9] The term Environmental & Social (E&S) is often used to describe sustainability issues in the banking sector while environmental, social and governance (ESG) is commonly used in institutional investment. In this paper, E&S and ESG are used interchangeably.

[10] Commonly referred to as SARAS (Sistema de Administración y gestión de riesgos ambientales y sociales), or environmental and social risk management systems, in Panama.

[11] See https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/es-categorization

[12] In the case of BAC International, the information dates from 2016.

[13] These initiatives were selected for analysis because a) their scopes cover financial institution lending practices (i.e. banks reported on their ESG risk management systems under the UNGC Commitment on Progress statements, the PRBs and EP commit signatories to improved ESG risk management in lending portfolios); and b) they require participants to become signatories. This is not the case with other frameworks, like the OECD Guidelines for Multinational Enterprises and the UN Sustainable Development Goals.

[14] Occupational pension funds (e.g., SIACAP) and pension fund managers, regulated entities known as *Administradoras de Fondos de Pensiones* (AFP), are considered asset owners for the purposes of this analysis. There are three licensed AFPs in Panama: Profuturo (part of Banco General), Progreso (part of Global Bank) and Quantia (part of MMG). The unemployment funds (*fondos de cesantias*) managed by financial groups were not included in the determination of assets under management figures and hence, the development of the top 10 institutional investors.

[15] Includes real estate manager (*Sociedades de Inversión Inmobiliaria*) and (general) investment manager funds licensed by the SMV. For a full list of funds, see https://www.supervalores.gob.pa/files/emisores/Informativo-Sociedades-Inversion.pdf.

[16] The top five asset managers were identified based on the cumulative tally of assets managed in SMV-licensed funds for a given investment fund manager.

[17] Sum of the assets under management held by the top five asset owners – as listed in Table 4.4.

[18] Figure drawn from tallying the sum of individual fund assets as provided in annual reports and fund fact sheets.

[19] The investment policy says: “La Institución podrá canalizar las reservas destinadas a inversiones para la promoción del desarrollo del país, a través de la banca de Segundo piso”. See Article 9: http://www.css.gob.pa/Reglamento%20para%20la%20Inversion%20de%20los%20Fondos%20de%20Reserva%20de%20la%20CSS.pdf.

[20] Funds must be invested with the duty of care of a good father (*buen padre de familia*). See details in articles 16, 18 and 19 in Law No.8 of 1997: https://www.siacap.gob.pa/wp-content/uploads/2017/02/Ley-8-de-1997.pdf.

[21] Figure drawn from tallying the sum of individual fund assets as provided in annual reports and fund fact sheets.

[22] The SBP divides loan portfolios statistics in seven sectors which are added together to rank the largest lenders. This report isolates the sectors which relate to commercial lending; it excludes mortgage, consumption and households related lending.

[23] Occupational pension funds (e.g. SIACAP) and pension fund managers, regulated entities known as *Administradoras de Fondos de Pensiones* (AFP), are considered asset owners for the purposes of this analysis. There are three licensed AFPs in Panama: Profuturo (part of Banco General), Progreso (part of Global Bank) and Quantia (part of MMG). The unemployment funds (*fondos de cesantias*) managed by financial groups were not included in the determination of assets under management figures and hence, the development of the top 10 institutional investors.

[24] Includes real estate manager (*Sociedades de Inversión Inmobiliaria*) and (general) investment manager funds licensed by the SMV. For a full list of funds, see https://www.supervalores.gob.pa/files/emisores/Informativo-Sociedades-Inversion.pdf.

[25] The top five asset managers were identified based on the cumulative tally of assets managed in SMV-licensed funds for a given investment fund manager.

oe.cd/rbc-lac

Funded by
the European Union

OECD