

Second-Party Opinion

Caribbean Development Bank's Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Caribbean Development Bank's Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Climate Change Adaptation; Energy Efficiency; Renewable Energy; Sustainable Water and Wastewater Management; Access, Quality and Equity of Public Education; Financing and Support for MSMEs; and Sustainable Food Systems and Food Security – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 2, 4, 5, 6, 7, 8, 11 and 13.



PROJECT EVALUATION / SELECTION Caribbean Development Bank's Adjudicatory Review Committee oversees project evaluation and selection and consists of the Vice President of Operations, the Director of the Projects Department, the Director of the Economics Department, the Director of Finance and Information Technology Solutions, General Counsel and the Chief Risk Officer. Caribbean Development Bank has adopted an internal procedure to address environmental and social risks associated with the projects financed under the Framework. This is in line with market practice.



MANAGEMENT OF PROCEEDS Caribbean Development Bank's Accounting Unit will be responsible for the management of proceeds. Caribbean Development Bank intends to reach full allocation within 24 months of the respective issuance date. Pending full allocation, net proceeds will be invested in liquid, highly rated, short-term securities or investments in line with Caribbean Development Bank's Ordinary Capital Resources Financial Policies and Operating Guidelines. This is in line with market practice.



REPORTING Caribbean Development Bank intends to report on the allocation and impact of proceeds in an Annual Sustainable Finance Report, on its website on an annual basis until full allocation. Allocation reporting will include a list of eligible green and social projects financed or refinanced through the instruments, a brief project description and the amounts allocated, the percentage of financing versus refinancing of the proceeds, the proceeds allocated per eligible category with information on the types of temporary investments and the remaining balance of unallocated proceeds at the reporting period end. Additionally, Caribbean Development Bank is committed to reporting on relevant impact metrics. Sustainalytics views Caribbean Development Bank's allocation and impact reporting as aligned with market practice.

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For inquiries, contact the Sustainable Finance Solutions project team:

Nadia Djinnit (Toronto)
Project Manager
Nadia.Djinnit@morningstar.com
(+1) 416 861 0403

Aishwarya Ramchandran (Toronto)
Project Support
Aishwarya.ramchandran@morningstar.com

Sameen Ahmed (Toronto)
Project Support
sameen.ahmed@morningstar.com

Taotao Yue (Amsterdam)
Project Support
taotao.yue@morningstar.com

Kay Tao (Amsterdam)
Project Support
Kay.tao@morningstar.com

Siina Matihaldi (Amsterdam)
Project Support
siina.matihaldi@morningstar.com

Guilherme Grunthal (Toronto)
Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 9623

Introduction

Caribbean Development Bank ("CDB", or the "Bank") is a regional financial institution that supports its borrowing member countries' (BMCs)¹ and other development partners' inclusive and sustainable economic growth and good governance.² The 19 BMCs borrow funds from the Bank and have voting rights that entitle them to be part of the decision-making process of CDB.³ The BMCs have 55.26% of the voting power in the Bank.⁴ The Bank was established in 1969 and it is currently headquartered in Bridgetown, Barbados. In 2021, CDB issued USD 71.2 million worth of loans and USD 51.4 million worth of grants.⁵

CDB has developed the Caribbean Development Bank's Sustainable Finance Framework (the "Framework") under which it intends to issue green, social and sustainability bonds and loans, and use the proceeds to finance and refinance, in whole or in part, existing and future projects that will support the sustainable development of the countries in the Caribbean. The Framework defines eligibility criteria in seven areas:

1. Climate Change Adaptation
2. Energy Efficiency
3. Renewable Energy
4. Sustainable Water and Wastewater Management
5. Access, Quality and Equity of Public Education
6. Financing and Support for MSMEs
7. Sustainable Food Systems and Food Security

CDB engaged Sustainalytics to review the Caribbean Development Bank's Sustainable Finance Framework, dated November 2022, and provide a Second-Party Opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP),⁶ Green Loan Principles 2021 (GLP) and Social Loan Principles 2021 (SLP).⁷ The Framework will be published in a separate document.⁸

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁹ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

¹ CDB has 19 Borrowing Member Countries, including Anguilla, Antigua and Barbuda, Barbados, Belize, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname, the Bahamas, Trinidad and Tobago, Turks and Caicos Islands.

² Caribbean Development Bank, "About us", at: <https://www.caribank.org/about-us>

³ Caribbean Development Bank, "Borrowing Members", at: <https://www.caribank.org/countries-and-members/borrowing-members>

⁴ Ibid.

⁵ Caribbean Development Bank, "Annual Report 2021", at: <https://www.caribank.org/publications-and-resources/resource-library/annual-reports/cdbs-annual-report-2021>

⁶ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁷ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁸ The Caribbean Development Bank's Sustainable Finance Framework is available on Caribbean Development Bank's website at: <https://www.caribank.org/publications-and-resources>

⁹ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.12, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of CDB's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. CDB representatives have confirmed (1) they understand it is the sole responsibility of CDB to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CDB.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, CDB is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CDB has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Caribbean Development Bank's Sustainable Finance Framework

Sustainalytics is of the opinion that the Caribbean Development Bank's Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP, and SLP. Sustainalytics highlights the following elements of CDB's Sustainability Finance Framework:

- Use of Proceeds:
 - The eligible categories – Climate Change Adaptation; Energy Efficiency; Renewable Energy; Sustainable Water and Wastewater Management; Access, Quality and Equity of Public Education; Financing and Support for MSMEs; and Sustainable Food Systems and Food Security – are aligned with those recognized by the GBP, SBP, GLP and SLP.
 - CDB has established a two-year lookback period for its refinancing activities, which Sustainalytics considers to be aligned with market practice.¹⁰
 - Under the Climate Change Adaptation category, the Bank aims to finance expenditures for building climate resilience and capacity for disaster risk management. Eligible projects included in this category will be based on a climate risk vulnerability assessment and related adaptation plan. The projects financed for this purpose may include:
 - Design, construction, maintenance or upgrades of infrastructure projects. These will include projects to rehabilitate and upgrade roads and related infrastructure in order to restore infrastructure damaged by extreme weather events and to increase resilience with respect to climate change.

¹⁰ CDB has communicated to Sustainalytics that expenditures will include only capex, while refinancing will account for 22% of projected disbursements for all eligible projects and financing will account for 88%.

- Implementation of preventive measures or infrastructure for resilience against flood-related disasters including drainage infrastructure, sea and river defence systems for resilience to coastal and riverine hazards, landslide protection and stabilization of road slope embankment.
- Under the Energy Efficiency category, the Bank may finance projects to improve energy performance by at least 20% through energy-efficient technologies or improvements in existing assets. Expenditures financed under this category will include the installation and retrofits of LED lights in street lighting including associated equipment, and applications to increase energy efficiency through motion and daylight control. These projects will primarily be funded in the Bahamas, Suriname and St. Vincent and the Grenadines. In Suriname, the financed investments may also include the installation of smart electricity meters for improved operational efficiency.
- For investments under the Renewable Energy category, CDB may finance expenditures related to the construction, installation and operation of renewable energy sources. Assets financed will meet one of the following criteria:
 - Solar projects may include solar photovoltaic power generation plants and battery storage projects.
 - With respect to wind energy, CDB may finance onshore and offshore wind projects
 - Hydropower facilities are limited to: i) plants with a power density of electricity generation above 10 W/m² or ii) plants with life cycle emissions lower than 50 gCO₂e/kWh. Pumped storage hydropower projects will contribute to a grid with at least a 20% share of intermittent renewables, and which is committed to increasing the share of renewable energy connected to the grid and will not be charged with carbon-intensive energy. Hydro and pumped storage projects will be subject to an environmental and social risk assessment according to international standards, such as the International Finance Corporation Performance standards.
 - Projects involving geothermal energy will have an emissions threshold below 100 gCO₂e/kWh.
 - Transmission and distribution systems that are connected to renewable energy sources or grids with an average grid emissions factor¹¹ below 100 gCO₂/kWh.
 - Sustainalytics considers these investments to be aligned with market practice.
- Under the Sustainable Water and Wastewater Management category, the Bank may finance projects intended to improve the access, reliability and quality of water and wastewater supply systems. CDB has confirmed to Sustainalytics that corresponding projects under this category will exclude systems and measures that provide water for fossil fuel operations, fracking, and nuclear and mining industries and operations. Investments under this category may include:
 - New or existing potable water systems or upgrades that improve efficiency – such as by reducing non-revenue water¹² – quality and capacity and reduce energy consumption and water losses. These projects may include reservoir replacement or refurbishments, and installation of new water supply intake, transmission and storage facilities.
 - Preservation of water bodies by reducing runoff.
 - New or existing sewerage systems that increase the volume of wastewater treated, improve system efficiency, or reduce water consumption through reuse.
 - Installation of climate monitoring or water quality monitoring instruments.
 - Sustainalytics considers the above projects to be aligned with market practice.
- Under the Access, Quality and Equity of Public Education category, CDB intends to invest in the construction and rehabilitation of education facilities, training, institutional and infrastructural enhancements, capacity strengthening for inclusive and gender responsive student engagement and technical vocational educational training (“TVET”) and digital transformation for increased access to virtual learning to improve the quality, access and equity of public pre-primary, primary, secondary, tertiary and vocational education for students. These projects will be primarily funded in Grenada, Suriname, St. Lucia, St. Vincent and the Grenadines, Belize and the West

¹¹ The average grid emissions factor is calculated by dividing the total annual emissions from power generation connected to the system by the total annual net electricity production in that system measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.

¹² Non-revenue water refers to water loss such as in municipal water systems; it occurs when water that is pumped or produced does not reach the end customer due to leakage; or is unaccounted for owing to theft, faulty metering etc.

Indies. CDB has communicated to Sustainalytics that educational services being financed will be available to all regardless of the ability to pay. Sustainalytics notes the following in particular for the project financed at the University of West Indies: CDB may finance a regional digital transformation project. Students at the university receive subsidies from the government for their education.¹³ The Bank has communicated that projects being financed will prioritize education where the subsidies provided are for historically marginalized students, such as those from low-income families.

- Based on the above, Sustainalytics considers the eligible projects to be aligned with market practice.
- Under the Financing and Support for MSMEs category, CDB may finance the provision of services supporting access to financing and lines of credit for under-resourced or vulnerable populations, technological adoption, training, and capacity building for increased operational productivity for the target populations. Services provided under this category may target micro, small and medium-sized enterprises (MSMEs)¹⁴ located in the Bank's BMCs; youth and women in business;¹⁵ agribusiness; tech entrepreneurship; the blue economy;¹⁶ and creative industries¹⁷. Sustainalytics is of the opinion that the Bank's lending to such target populations promotes equality and the economic advancement of target populations.
- For the Sustainable Food Systems and Food Security category, the Bank intends to finance expenditures that are intended to increase productivity and resource efficiency in the agricultural sector for smallholder farmers¹⁸ and disadvantaged or marginalized groups. CDB communicated to Sustainalytics that expenditures under this category will not include the provision of agrochemicals and will target regions that have been identified by the Caribbean Community (CARICOM) governments as those with deficiencies in food production, distribution and food security. Projects may include:
 - Provision of starter kits, tools or production inputs for farmers to enhance agricultural production.
 - Improvement in drip irrigation and drainage infrastructure for farmers, for sustainable agricultural operations.
 - Training for farmers on operations and management of irrigation system. CDB has communicated to Sustainalytics that training will be delivered free of cost either directly by project management units or government extension services. Furthermore, CDB intends to develop a digital extension service platform to complement government extension services.
 - Rehabilitation and climate proofing of drainage systems and agriculture and rural roads. CDB communicated to Sustainalytics that it aims to increase farmers' access to markets and improve connectivity in underdeveloped rural areas, or where road connectivity does not exist.
 - Implementation of climate smart agriculture,¹⁹ such as aquaponics, drip irrigation and climate resilient seeds. Sustainalytics recognizes the potential of these advanced technologies to reduce water and resource inputs, while noting that such farming methods may be energy intensive. To address this concern, the Bank has confirmed

¹³ This has been communicated by CDB. The University of West Indies is "owned" by regional governments. The university's highest decision-making body consists of Ministry of Education representatives from the CARICOM countries. In terms of subsidies, governments cover the economic costs – approximately 67% of the tuition cost – for students from their countries (except for Barbados, which covers 100% of the costs for its students). Overall, governments cover 50% of the University's costs. Regarding the target population, Governments in Barbados and Trinidad and Tobago cover the cost for all students, while in other countries, most of the students that receive government subsidies come from low-income families.

¹⁴ CDB employs a regional definition of MSMEs, using the number of employees as a criterion for defining MSMEs, where micro, small and medium-sized enterprises are defined as those with one to five, six to 15, and 16 to 50 employees, respectively. However, the Bank may apply the definition of MSME from the financial intermediary that is implementing the project on a project-by-project basis.

¹⁵ CDB defines youth as individuals between the ages of 18 and 35.

¹⁶ CDB defines blue economy per the UN's definition: "sustainable use of ocean resources for economic growth, improved livelihoods and jobs while preserving the health of ocean systems".

¹⁷ CDB defines creative industries as related to art and heritage (visual arts, performing arts, tourism and cultural heritage), cultural industries (publishing, audiovisual, recordings) and functional creations (digital media, design, advertising).

¹⁸ CDB has confirmed that smallholder farmers will be defined as per regional definitions of MSMEs, which is based on the number of employees: micro (one to five employees), small (six to 15 employees) and medium (16-50 employees).

¹⁹ CDB employs the UN Food and Agriculture Organization's definition of climate smart agriculture, which is considered an approach that helps guide actions to transform agri-food systems into green and climate resilient practices. FAO, "Climate-Smart Agriculture", at: <https://www.fao.org/climate-smart-agriculture/overview/en/>

that the projects financed will primarily utilize solar or other renewable energy sources. Therefore, Sustainalytics views this to be in line with market expectation.

- Sustainalytics notes that the Framework includes exclusionary criteria that apply to all categories and exclude financing the following:
 - Projects with significant irreversible, or otherwise adverse environment and social impacts or risks where comprehensive formal analyses is required.
 - Activities that involve ammunition and weapons, military and police equipment or infrastructure, radioactive materials.
 - Projects that limit individual rights and freedoms or violate human rights.
 - Projects deemed unacceptable in environmental and social terms.
 - Activities that do not comply with national legislation, regulations or ratified international conventions.
 - Activities that are ethically or morally controversial.
- Project Evaluation and Selection:
 - CDB's Adjudicatory Review Committee, which comprises the Vice President of Operations, the Director of the Projects Department, the Director of the Economics Department, the Director of Finance and Information Technology Solutions, General Counsel and the Chief Risk Officer, will be responsible for the evaluation and selection of eligible projects per the criteria defined in the Framework.
 - CDB has adopted an internal procedure to address environmental and social risks associated with the projects being financed. For additional details, refer to Section 2.
 - Based on a well-defined project selection and CDB's risk management process, Sustainalytics considers this to be in line with market practice.
- Management of Proceeds:
 - CDB's Accounting Unit (the "Unit") will be responsible for overseeing the allocation and tracking of proceeds to eligible projects. The Unit will manage a dedicated sub-account, established by CDB, which will receive the net proceeds.
 - CDB intends to achieve full allocation of net proceeds to eligible projects within 24 months of the respective issuance date.
 - Pending full allocation, net proceeds will be temporarily invested in liquid, highly rated, short-term securities or investments in line with CDB's Ordinary Capital Resources Financial Policies and Operating Guidelines.
 - Based on these elements, Sustainalytics considers this process to be aligned with market practice.
- Reporting:
 - CDB intends to report on the allocation and impact of proceeds in an Annual Sustainable Finance Report on its website, on an annual basis until full allocation.
 - Allocation reporting will include a list of eligible green and social projects financed or refinanced through the instruments, a brief project description and the amounts allocated, the percentage of financing versus refinancing, the proceeds allocated per eligible category, with information on the types of temporary investments and the remaining balance of unallocated proceeds at the reporting period end.
 - Impact reporting is expected to be based on category-level quantitative indicators including: i) roads constructed, rehabilitated or upgraded (measured in km); ii) energy savings as a result of energy efficiency interventions (measured in MWh/year); iii) the number of classrooms, workshops or laboratories built or upgraded according to minimum standards; and iv) the value of credits made available to MSMEs (measured in millions of USD and disaggregated by sector). For a full list of impact indicators, please refer to Appendix 1.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Caribbean Development Bank's Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP, and SLP. For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Caribbean Development Bank

Contribution to Caribbean Development Bank's sustainability strategy

Sustainalytics is of the opinion that CDB demonstrates a commitment to sustainability with a focus on the following key environmental and social strategic objectives: i) social resilience by building adaptive, coping, and transformative capacities of individuals, communities and institutions to sustain well-being and improve quality of life; ii) production resilience by fostering inclusive and sustainable growth and development; and iii) environmental resilience by promoting environmental sustainability. CDB has established the Strategic Plan 2020-2024²⁰ and published an updated version in 2021 to address the impacts of the COVID-19 pandemic and a new vision based on innovation and knowledge creation.²¹ Compared to the Strategic Plan 2015-2019,²² the Strategic Plan 2020-2024 and its updated version set out holistic strategic directions, areas of focus, and operational priorities in alignment with the UN SDGs.

Regarding social resilience, the Bank's investments in education focus on: i) improving access to quality early childhood development; ii) ensuring training for increased workforce participation, particularly for unemployed youth and at-risk individuals; iii) promoting gender-equitable access to non-traditional occupational areas; and (iv) improving the quality of teaching.²³ Furthermore, the Strategic Plan Update 2022-2024 highlights the Bank's plan to support a model of resilience-building in the education sector, including ubiquitous access to education, increased digital access, expanded ICT coverage, improved device availability and connectivity, and training and certification of teachers and principals. Regarding food and nutrition security, the Bank has developed the Agriculture Sector Policy & Strategy Paper 2020-2025, with the aim to reduce the region's dependence on food imports by increasing the production of key current foods and improving food and nutrition security outcomes.²⁴

Regarding production resilience, the Strategic Plan Update 2022-2024 sets out the Bank's commitment to addressing constraints in MSME development and competitiveness, including ease of doing business, access to finance, financial inclusion and transition from the informal economy to the formal economy for female and male entrepreneurs. CDB has also set up a Private Sector Development Strategy, according to which the Bank will support MSMEs by improving access to finance, building capacity and facilitating trade, especially for women and youth that face significant barriers which impede their participation in economic activities.²⁵ For example, the Bank's support for MSMEs will especially target the improvement of women's access to finance and the economic empowerment of women.

Regarding environmental resilience, CDB aims to allocate 25-30% of its resources to climate change adaptation and mitigation projects by 2024 compared to a 15% average allocation in the 2017-20 period.²⁶ In particular, the Bank has in place the Climate Resilience Strategy 2019-2024, which intends to: i) mobilize increased levels of concessionary resources; ii) improve climate resilience in vulnerable sectors; iii) strengthen enabling environments to support resilient climate actions; and iv) improve CDB's capacity to effectively and efficiently deliver climate change actions.²⁷ As part of the Climate Resilience Strategy, CDB intends to support investments that improve water security and the water sector's climate resilience, including sustainable management of critical watersheds, water infrastructure, and access to sanitation and potable water. Moreover, the Bank published its Energy Sector Policy and Strategy in 2015,²⁸ in which it commits to not funding fossil fuel projects and applying energy efficiency standards across the portfolio. Furthermore, it focuses on building the BMCs' capacity for energy sector governance, promoting renewable energy and energy efficiency investments and supporting capital investments that target wind, solar and geothermal energy.

²⁰ Caribbean Development Bank, "Strategic Plan 2020-2024: Transforming Lives", at: <https://www.caribank.org/sites/default/files/2020-10/Strategic%20Plan%202020-2024-Popular%20Version.pdf>

²¹ Caribbean Development Bank, "Strategic Plan Update 2022 - 2024: Repositioning for Resilience", (2021), at: https://www.caribank.org/sites/default/files/publication-resources/CDBStrategicPlan_2022-2024_Update%28redacted%29.pdf

²² Caribbean Development Bank, "Strategic Plan 2015-2019", (2014), at: <https://www.caribank.org/about-us/policies-and-strategies/strategic-plan-2015-2019>

²³ Caribbean Development Bank, "Education", at: <https://www.caribank.org/our-work/sectors/education>

²⁴ Caribbean Development Bank, "Agriculture Sector Policy & Strategy Paper 2020-2025", (2020), at: <https://www.caribank.org/sites/default/files/publication-resources/CDBAgricultural%20Sector%20Policy%20and%20Strategy-Final.pdf>

²⁵ Caribbean Development Bank, "Private Sector Development Policy and Strategy", (2017), at: https://www.caribank.org/sites/default/files/publication-resources/CDBPrivateSectorPolicyandStrategyFinalVersion_%20July2017_0.pdf

²⁶ Ibid.

²⁷ Caribbean Development Bank, "Climate Resilience Strategy 2019-2024", (2018), at: https://www.caribank.org/sites/default/files/publication-resources/CDB_ClimateResilienceStrategy_2019-2024.pdf

²⁸ Caribbean Development Bank, "Energy Sector Policy & Strategy", (2015), at: <https://www.caribank.org/sites/default/files/publication-resources/EnergySectorPolicyandStrategy.pdf>

Sustainalytics is of the opinion that the Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key social and environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks commonly associated with the eligible projects could include issues related to land use and biodiversity risks associated with large-scale infrastructure development; emissions, effluents, and waste generated in construction; occupational health and safety; community relations; responsible lending and business ethics; and stakeholder participation. Social assets in particular are subject to risks of increasing inequality if not targeted well at the relevant population group.

Sustainalytics is of the opinion that CDB is able to manage or mitigate potential risks through the implementation of the following:

- CDB has in place an Environmental and Social Review Procedure (ESRP) for the appraisal of environmental and social risks of proposed investment projects. The ESRP aims to assess all direct, indirect, transboundary and cumulative risks and impacts that may be caused by the proposed projects, and the possible avoidance or mitigation measures. This includes an appraisal of environmental, disaster, or climate change risks, including issues related to land use, biodiversity, pollution and waste management, as well as social and gender risks, including worker health and safety, and community, with the specific scope determined by an initial screening and risk categorization on a case-by-case basis.²⁹
- In addition, CDB has adopted the Projects Complaint Mechanism Policy³⁰ to minimize adverse environmental and social impacts arising from the financed projects. The policy establishes accountability and procedures for the Projects Complaints Mechanism (PCM), an independent mechanism in the Office of Integrity, Compliance and Accountability (OICA), to ensure compliance with the Bank's policy on environmental and social safeguards, including the environmental and social impacts identified in the ESRP.
- Moreover, CDB has in place an Evaluation Policy that provides the institutional commitments and guiding principles for evaluating CDB's financed projects, programmes, policies and other development activities. The evaluation system requires the Bank to conduct both self and independent evaluations of the project's performance, impacts, effectiveness, and contribution to the BMCs' economic and social development. The Bank has established a Head of Evaluation to oversee the evaluation system.³¹
- To ensure business ethics and integrity in its lending decisions, CDB has introduced a Strategic Framework for Integrity, Compliance and Accountability³² and mandated the OICA to implement the framework. The framework articulates policies and procedures for institutional integrity, ethics, whistleblowing, regulatory compliance, and project accountability. In addition, the CDB has issued the Integrity and Ethics Policy,³³ Whistleblower Policy³⁴ and Compliance Policy³⁵ for the operationalization of the framework.
- Regarding business ethics, CDB has adopted a Code of Conduct for all its employees.³⁶ The Code of Conduct provides general principles and rules of conduct regarding honesty, integrity, non-discrimination, client relations, compliance, conflict of interest, corruption, transparency,

²⁹ Caribbean Development Bank, "Environmental and Social Review Procedures", (2014), at: <https://www.caribank.org/sites/default/files/publication-resources/EnvironmentalandSocialReviewProcedures.pdf>

³⁰ Caribbean Development Bank, "Projects Complaint Mechanism Policy", (2015), at: <https://www.caribank.org/sites/default/files/publication-resources/PCM-Policy-BdAppr18.6.15.pdf>

³¹ Caribbean Development Bank, "Evaluation Policy", (2011), at: https://www.caribank.org/sites/default/files/publication-resources/BD126_11EvaluationPolicyforCDB_FINAL_0.pdf

³² Caribbean Development Bank, "Strategic Framework for Integrity, Compliance & Accountability", (2015), at: <https://www.caribank.org/sites/default/files/publication-resources/Strategic-Framework-BdAppr18.6.15..pdf>

³³ Caribbean Development Bank, "Integrity & Ethics Policy", (2015), at: <https://www.caribank.org/sites/default/files/publication-resources/Integrity-and-Ethics-Policy-BdAppr18.6.15.pdf>

³⁴ Caribbean Development Bank, "Whistleblower Policy", (2015), at: <https://www.caribank.org/sites/default/files/publication-resources/Whistleblower-Policy-BdAppr18.6.15.pdf>

³⁵ Caribbean Development Bank, "Compliance Policy", (2015), at: <https://www.caribank.org/sites/default/files/publication-resources/Compliance-Policy-BdAppr18.6.15.pdf>

³⁶ Caribbean Development Bank, "Code of Conduct", (2009), at: https://www.caribank.org/sites/default/files/publication-resources/CDB_Staff_CodeofConduct_Booklet_Dec2009.pdf

confidentiality, accountability and compliance. The Bank has also issued a Code of Conduct for the Board of Directors, in particular, to formalize fundamental principles and practices for avoiding conflicts of interest and upholding ethical conduct.³⁷

- CDB's Lending Policies set forth the investments that will be prioritized and establish rules on eligibility, size of loans, and lending terms for public and private borrowers.³⁸ According to the policy, CDB prioritizes sustainable financing in areas such as economic and social infrastructure, education, agriculture and rural development, environmental management, and climate resilience.
- Regarding stakeholder participation, CDB has in place an Information Disclosure Policy to increase the transparency of its operations and meet the public interest in its activities.³⁹ Under the policy, the Bank commits to making information that is collected and generated about its development programming activities and projects accessible to the broadest external stakeholders, so as to increase public exposure and access to information and generate an open and strengthened engagement between CDB and its stakeholders.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that CDB has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP and SLP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

Importance of financing climate resilience infrastructure in the Caribbean

Marginalized populations in Caribbean countries⁴⁰ face heightened climate vulnerability and impacts from climate change.⁴¹ Despite only a 0.3% contribution to global carbon emissions as of 2019, the region is already facing a multitude of physical and economic risks due to climate change.⁴² Since 1970, small island developing states (SIDS) have lost an estimated USD 153 million to climate-related events.^{43,44,45} In addition, Caribbean countries suffer storm damages worth an annual 17% of their GDP on average.⁴⁶ In the absence of action, the costs related to climate change impact are predicted to rise to USD 22 billion annually by 2050, or approximately 10% of the region's economy.⁴⁷ However, international climate financing is currently failing to meet the needs of Caribbean countries to build climate-resilient infrastructure.⁴⁸ For example, SIDS accessed only USD 1.5 billion compared to the approximately USD 92 billion needed for the SIDS' Paris Agreement Nationally Determined Contributions.⁴⁹

The CARICOM established the Caribbean Community Climate Change Centre (CCCCC) in 2005 to coordinate the region's response to climate change, work on solutions to address the environmental impact of climate change and provide policy advice and guidelines to the CARICOM.⁵⁰ CCCCC aims to increase access to technical assistance to member states by providing capacity-strengthening opportunities to at least 100

³⁷ Caribbean Development Bank, "Board of Directors Code of Conduct", (2015), at:

https://www.caribank.org/sites/default/files/publication-resources/CDB_BoardOfDirectors_CodeofConduct_Booklet_Oct2015.pdf

³⁸ Caribbean Development Bank, "Lending Policies", (2016), at:

https://www.caribank.org/sites/default/files/publication-resources/Lending-policies_Dec2016.pdf

³⁹ Caribbean Development Bank, "Information Disclosure Policy", (2011), at: https://www.caribank.org/sites/default/files/publication-resources/BD54_11-Rev1_InfoDisclosurePolicy_FINAL_OCTOBER2011.pdf

⁴⁰ Caribbean Development Bank, "Borrowing Members", at: <https://www.caribank.org/countries-and-members/borrowing-members>

⁴¹ IPCC, "Climate Change 2022: Impacts, Adaptation and Vulnerability – Small Islands", (2022), at:

https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_Chapter15.pdf

⁴² Ibid.

⁴³ UN, "Small Island Developing States", at: <https://sustainabledevelopment.un.org/topics/sids/list>

⁴⁴ Small island developing states (SIDS) are a group of 38 UN member states, 20 non-UN members and associate members of UN regional commissions in the Caribbean, the Pacific, and the Atlantic, Indian Ocean and South China Sea (AIS). All of CDB's BMCs are considered SIDS.

UN, "About Small Island Developing States", at: <https://www.un.org/ohrrls/content/about-small-island-developing-states>

⁴⁵ Meddeb, R. (2020), "Small island developing states do not have the luxury of time", UNDP, at: <https://www.undp.org/blog/small-island-developing-states-do-not-have-luxury-time>

⁴⁶ UNDP, "After the Rain: The Lasting Effects of Storms in the Caribbean", at: <https://www.undp.org/latin-america/after-rain-lasting-effects-storms-caribbean>

⁴⁷ Inter-American Development Bank, "Small island states", at: <https://www.iadb.org/en/ove/climate-change-caribbean-small-island-states#:~:text=Projections%20indicate%20that%20losses%20could,of%20the%20current%20Caribbean%20economy>

⁴⁸ UN, "Accessing Climate Finance: Challenges and Opportunities for Small Island Developing States", (2022), at:

https://www.un.org/ohrrls/sites/www.un.org.ohrrls/files/accessing_climate_finance_challenges_sids_report.pdf

⁴⁹ Ibid.

⁵⁰ CCCCC, "About us", at: <https://www.caribbeanclimate.bz/about-us/>

climate researchers and technicians by 2025.⁵¹ For this target, the CCCCC has identified and prioritized areas for capacity development, including strategic leadership, resource mobilization and financial management.⁵² It also aims to mobilize USD 100 million annually and increase member states' access to climate financing.⁵³ Currently, the CCCCC has budgeted approximately USD 27 million for its Strategic and Implementation Plan 2021-2025.⁵⁴ However, it calls for further substantial financial resources to scale up the region's climate resilience.⁵⁵

Based on the above, Sustainalytics is of the opinion that CDB's allocation of proceeds to projects that improve the Caribbean's climate resiliency is expected to reduce the immediate and long-term multidimensional effects of climate change in Caribbean countries.

Importance of financing renewable energy projects to reduce GHG emissions in the Caribbean

Countries in the Caribbean depend on expensive and volatile fossil fuel imports, with nine countries sourcing more than 80% of their electricity from imported fuels and another five sourcing 90% of their electricity.⁵⁶ In 2021, renewable energy accounted for an average 14% of the total electricity capacity in Caribbean countries.⁵⁷ The energy transition brings opportunities for building resilient and independent energy infrastructure in the context of great disruption risks, including hurricanes, floods and earthquakes.⁵⁸ In fact, Hurricane Maria caused USD 33 million worth of damage to Dominica's electricity infrastructure and USD 34 million worth of utility losses due to major disruptions in electricity services in 2017.⁵⁹

The CARICOM aims to transform the national power system to make it resistant and rapidly recoverable from natural disasters.⁶⁰ Additionally, CARICOM commits to reducing power sector-related CO₂ emissions by 46% by 2027.⁶¹ In order to achieve this target, the region has set renewable energy, energy efficiency and resilient systems as climate action priorities. CARICOM set a regional target of achieving 28% renewable energy of total electricity generation by 2022 and 47% by 2027.⁶² The Caribbean could avoid 41 million tonnes of CO₂ by 2040 through renewable energy investments.⁶³ Countries have also set their national targets aligned with regional ones.⁶⁴ For instance, Barbados has committed to sourcing 29% of its energy from clean sources by 2029 and Jamaica has committed to sourcing 30% by 2030.⁶⁵ The key investments for resilient renewable energy infrastructure include building underground distribution lines and strengthening solar power and wind assets.⁶⁶ CARICOM has predicted that the energy transition will require an estimated USD 11 billion in investments over the next 10 years.⁶⁷

Sustainalytics is of the opinion that CDB's investments in renewable energy projects are expected to accelerate the use of renewable sources for energy, reduce GHG emissions and help Caribbean countries achieve their emission reduction targets.

⁵¹ CCCCC, "The Caribbean Community Climate Change Centre Strategic & Implementation Plan 2021-2025: Empowering People To Act On Climate Change", (2021), at: https://cccccbbze-my.sharepoint.com/:b/g/personal/weblink_caribbeanclimate_bz/Ebz9FWpbMpBEsZk7_JrvocBns2tSkMskGA0awOaGLZJlQ?download=1s

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Ibid.

⁵⁵ Ibid.

⁵⁶ Burunciuc, L. (2021), "Clean energy in the Caribbean: a triple win", World Bank Blogs, at: <https://blogs.worldbank.org/latinamerica/clean-energy-caribbean-triple-win>

⁵⁷ IRENA, "Renewable Energy Statistics", (2021), at: <https://www.irena.org/publications/2022/Jul/Renewable-Energy-Statistics-2022>

⁵⁸ Masson, M. et al. (2020), "Sustainable Energy Paths for the Caribbean", Inter-American development Bank, at:

<https://publications.iadb.org/en/sustainable-energy-paths-caribbean>

⁵⁹ Ibid.

⁶⁰ CCREEE, "Integrated Resource and Resilience Plans", at: <https://www.ccreee.org/irrp/>

⁶¹ CARICOM, "Caribbean Sustainable Energy Roadmap and Strategy", (2015), at: <https://tapsec.org/wp-content/uploads/2021/05/C-SERMS.pdf>

⁶² Caribbean Centre for Renewable Energy & Energy Efficiency, "Policy implementation", at: <https://www.ccreee.org/our-work/policy-implementation/>

⁶³ Masson, M. et al. (2020), "Sustainable Energy Paths for the Caribbean", Inter-American Development Bank, at:

<https://publications.iadb.org/en/sustainable-energy-paths-caribbean>

⁶⁴ Ibid.

⁶⁵ CCCCC, "Caribbean Needs \$30 Billion Of Investment To Cut Fossil-Fuel Use", at: <https://www.caribbeanclimate.bz/blog/2014/08/11/caribbean-needs-30-billion-of-investment-to-cut-fossil-fuel-use/>

⁶⁶ Masson, M. et al. (2020), "Sustainable Energy Paths for the Caribbean", Inter-American Development Bank, at:

<https://publications.iadb.org/en/sustainable-energy-paths-caribbean>

⁶⁷ Ibid.

Importance of expanded and equal access to quality education in the Caribbean

The education systems in the Caribbean reflect the highly unequal societies in which they are situated.⁶⁸ Children who belong to vulnerable groups, including members of remote, migrant or Indigenous communities and disabled students are less likely to attend school.^{69,70} At the primary school level, a third of the region's youth did not manage to complete secondary education.⁷¹ There are also significant differences in education results between boys and girls. In the eastern Caribbean, 32% of boys drop out of school between grades 7 and 11, which is twice that of girls, whose rate is 15%.^{72,73} In addition, the COVID-19 pandemic exacerbated the issue. UNICEF estimates that the pandemic has hindered the ability to access quality education for 137 million children in Latin America and the Caribbean.⁷⁴

Additionally, countries have actively set mitigation policies to respond to educational gaps caused by the pandemic.⁷⁵ The most common mitigation measure has been the distribution of digital devices implemented by 90% of the countries.⁷⁶ To effectively support expanded access to quality education, UNESCO suggests bringing education expenditures to 15-20% of public expenditure.⁷⁷ On average, a Caribbean country spent 14.4% of its public spending on education in 2019, which is close to the global average of 14.1%.^{78,79} The CARICOM has facilitated youth development in member countries through its Youth Development Action Plan, launched in 2012.⁸⁰ The plan develops a multisectoral institutional framework to coordinate national youth policy and integrated planning.⁸¹

Sustainalytics is of the opinion that CDB's investments in education and training projects will positively contribute to increasing access to quality education in the Caribbean.

Contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the UN General Assembly and form an agenda for achieving sustainable development by the year 2030. The financial instruments issued under the Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Climate Change Adaptation	1. No poverty 13. Climate action	1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Energy Efficiency	7. Affordable clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency

⁶⁸ UNESCO, "Inclusion and education in the Caribbean", (2021), at: <https://unesdoc.unesco.org/ark:/48223/pf0000375407>

⁶⁹ Ibid.

⁷⁰ ECLAC, "Education in Latin America and the Caribbean at a crossroads", (2022), at: https://repositorio.cepal.org/bitstream/handle/11362/48154/3/S2200833_en.pdf

⁷¹ ECLAC, "Education in Latin America and the Caribbean at a crossroads", (2022), at: https://repositorio.cepal.org/bitstream/handle/11362/48154/3/S2200833_en.pdf

⁷² The eastern Caribbean refers to Antigua and Barbuda, Barbados, the Commonwealth of Dominica, Grenada, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines and three British Overseas Territories: Anguilla, the British Virgin Islands and Montserrat.

UN, "About the United Nations in Multi-Country Office (MCO) Barbados and the Eastern Caribbean", at: <https://easterncaribbean.un.org/en/about/about-the-un>

⁷³ UNESCO, "Inclusion and education in the Caribbean", (2021), at: <https://unesdoc.unesco.org/ark:/48223/pf0000375407>

⁷⁴ UNICEF, "COVID-19: over 97 per cent of students still out of the classrooms in Latin America and the Caribbean", (2020), at: <https://www.unicef.org/lac/en/press-releases/covid-19-over-97-cent-of-students-still-out-of-the-classrooms-in-lac>

⁷⁵ ECLAC, "Education during the COVID-19 pandemic: Access, inclusion and psychosocial support", (2022), at: https://repositorio.cepal.org/bitstream/handle/11362/47741/3/S2101017_en.pdf

⁷⁶ Ibid.

⁷⁷ ECLAC, "Education in Latin America and the Caribbean at a crossroads", (2022), at: https://repositorio.cepal.org/bitstream/handle/11362/48154/3/S2200833_en.pdf

⁷⁸ ECLAC, "Education in Latin America and the Caribbean at a crossroads", (2022), at: https://repositorio.cepal.org/bitstream/handle/11362/48154/3/S2200833_en.pdf

⁷⁹ The World Bank, "Government expenditure on education, total (% of government expenditure)", (2022), at: <https://data.worldbank.org/indicator/SE.XPD.TOTL.GB.ZS>

⁸⁰ CARICOM, "The Caricom Youth Development Action Plan (CYDAP) 2012–2017", (2012), at: https://caricom.org/documents/13930-caricom_youth_development_action_plan.pdf

⁸¹ Ibid.

Renewable Energy	7. Affordable clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Sustainable Water and Wastewater Management	6. Clean water and sanitation 11. Sustainable cities and communities	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Access, Quality and Equity of Public Education	4. Quality education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes 4.4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
Financing and Support for MSMEs	5. Gender equality 8. Decent work and economic growth	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors
Sustainable Food Systems and Food Security	2. Zero hunger	2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment 2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality

Conclusion

Caribbean Development Bank has developed the Caribbean Development Bank's Sustainable Finance Framework under which it intends to issue sustainability bonds and loans and use the proceeds to finance projects related to: i) Climate Change Adaptation; ii) Energy Efficiency; iii) Renewable Energy; iv) Sustainable Water and Wastewater Management; v) Access, Quality and Equity of Public Education; vi) Financing and Support for MSMEs; and vii) Sustainable Food Systems and Food Security. Sustainalytics considers that the projects funded by the bond proceeds are expected to support the sustainable development of the countries in the Caribbean.

The Caribbean Development Bank's Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Bank and that the environmental and social use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 1, 2, 4, 5, 6, 7, 8, 11 and 13. Additionally, Sustainalytics is of the opinion that Caribbean Development Bank has adequate

measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Caribbean Development Bank is well positioned to issue sustainability bonds and loans and that the Caribbean Development Bank's Sustainable Finance Framework is robust, transparent, and in alignment with the core components of the Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021.

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Caribbean Development Bank
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Caribbean Development Bank's Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 02, 2022
Publication date of review publication:	
Original publication date <i>[please fill this out for updates]</i> :	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.
The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Climate Change Adaptation; Energy Efficiency; Renewable Energy; Sustainable Water and Wastewater Management; Access, Quality and Equity of Public Education; Financing and Support for MSMEs; and Sustainable Food Systems and Food Security – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 2, 4, 5, 6, 7, 8, 11 and 13.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| ☒ Renewable energy | ☒ Energy efficiency |
| ☐ Pollution prevention and control | ☐ Environmentally sustainable management of living natural resources and land use |
| ☐ Terrestrial and aquatic biodiversity conservation | ☐ Clean transportation |
| ☒ Sustainable water and wastewater management | ☒ Climate change adaptation |
| ☐ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☐ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | ☐ Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| ☐ Affordable basic infrastructure | ☐ Access to essential services |
| ☐ Affordable housing | ☒ Employment generation (through SME financing and microfinance) |
| ☒ Food security | ☒ Socioeconomic advancement and empowerment |
| ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | ☐ Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Caribbean Development Bank's Adjudicatory Review Committee oversees project evaluation and selection and consists of the Vice President of Operations, the Director of the Projects Department, the Director of the Economics Department, the Director of Finance and Information Technology Solutions, General Counsel and the Chief Risk Officer. Caribbean Development Bank has adopted an internal procedure to address environmental and social risks associated with the projects financed under the Framework. This is in line with market practice.

Evaluation and selection

- | | |
|---|---|
| ☒ Credentials on the issuer's social and green objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |
| ☒ Summary criteria for project evaluation and selection publicly available | ☐ Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| ☒ Evaluation / Selection criteria subject to external advice or verification | ☐ In-house assessment |
| ☐ Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Caribbean Development Bank's Accounting Unit will be responsible for the management of proceeds. Caribbean Development Bank intends to reach full allocation within 24 months of the respective issuance date. Pending full allocation, net proceeds will be invested in liquid, highly rated, short-term securities or investments in line with Caribbean Development Bank's Ordinary Capital Resources Financial Policies and Operating Guidelines. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| ☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| ☐ Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| ☐ Allocations to future investments only | ☒ Allocations to both existing and future investments |
|---|---|

- | | |
|--|---|
| ☐ Allocation to individual disbursements | ☐ Allocation to a portfolio of disbursements |
| ☐ Disclosure of portfolio balance of unallocated proceeds | ☐ Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Caribbean Development Bank intends to report on the allocation and impact of proceeds in an Annual Sustainable Finance Report, on its website on an annual basis until full allocation. Allocation reporting will include a list of eligible green and social projects financed or refinanced through the instruments, a brief project description and the amounts allocated, the percentage of financing versus refinancing of the proceeds, the proceeds allocated per eligible category with information on the types of temporary investments and the remaining balance of unallocated proceeds at the reporting period end. Additionally, Caribbean Development Bank is committed to reporting on relevant impact metrics. Sustainalytics views Caribbean Development Bank's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|---|
| ☒ Project-by-project | ☐ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (please specify): |

Information reported:

- | | |
|--|--|
| ☒ Allocated amounts | ☒ Sustainability Bond financed share of total investment |
| ☒ Other (please specify): a list of eligible green and/or social projects finance or refinanced through the instrument, a brief project description, proceeds allocated per eligible category, with information on types of temporary investments and remaining balance of unallocated proceeds at the reporting period end. | |

Frequency:

- | | |
|--|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (please specify): | |

Impact reporting:

- | | |
|--|---|
| ☒ Project-by-project | ☐ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|--|
| ☒ GHG Emissions / Savings | ☒ Energy Savings |
| ☒ Decrease in water use | ☒ Number of beneficiaries |
| ☐ Target populations | ☒ Other ESG indicators (please specify): |

Category	Environmental Impact Indicator
Climate Change Adaptation	- Roads constructed / rehabilitated / upgraded (km) - Infrastructure constructed / rehabilitated / upgraded (#) - River / Sea defenses built (km) - Landslip protection implemented (km) - Urban drainage implemented (km) - Direct beneficiaries of resilient infrastructure construction / enhancement projects (#) - Capacity sessions delivered (#)
Energy Efficiency	- Energy savings as a result of energy efficiency interventions (MWh/year) - Greenhouse gas emissions avoided (t CO₂ eq/year) - Smart meters installed (#) - Average reduction in number of meter reading trips per customer per year (%)
Renewable Energy	- Greenhouse gas emissions reduction (t CO₂ eq/year) - Energy savings from Renewable Energy substitution for fossil fuel generated electricity (MWh/year) - Installed Renewable Energy Capacity (MW) - Transmission or distribution lines installed or upgraded (length in km)
Sustainable Water and Wastewater Management	- Supply lines installed or upgraded (length of network in km) - Of which urban (km) - Of which rural (km) - Number of households with access to improved sanitation and water supply - Of which urban (#) - Of which rural (#) - Installed Water capacity (m³/day) - Of which urban (#) - Of which rural (#) - Reductions in non-revenue water in the water system (%) - Reduction in the annual number of days with disruption in water supply (#) - Watershed forest lands restored (ha) - Additional volume of wastewater treated in m³/year - Additional volume of wastewater treated in m³/year

Category	Social Impact Indicator
Access, Quality and Equity of Public Education	- Number of classrooms/workshops/laboratories built or upgraded according to minimum standards (#) - Of which pre-primary (#) - Of which basic (primary and secondary) (#) - Of which post-secondary/tertiary (#) - Number of teachers trained/certified (#) - Of whom female (#) - Number of students benefiting from improved physical classroom conditions and/or enhanced teacher competence (#)

Category	Social Impact Indicator
	• Of whom female (#) • Of whom PWD (#) • Schools fully accessible to PWDs – (physically challenged) (#) • Services⁸² fully accessible in the cloud (#)
Financing and Support for MSMEs	• Value of credit made available to MSMEs (\$'mn) (disaggregated by sector) • MSMEs benefiting from credit (#) • Of which female owned • Beneficiaries of TA interventions targeted at MSMEs • Of whom female beneficiaries • Business climate and competitiveness enhancement initiatives completed (#)
Sustainable Food Systems and Food Security	• Agriculture-stakeholders trained in improved production technology (#) • Of whom female • Land improved through irrigation, drainage, and flood management (ha) • Beneficiaries of improved agriculture, land management and land conservation and climate smart agricultural practices (#) • Number of starter kits provided (#)

Frequency:☒ Annual☐ Semi-annual☐ Other (please specify):**Means of Disclosure**☐ Information published in financial report☒ Information published in sustainability report☐ Information published in ad hoc documents☐ Other (please specify):☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**☐ Consultancy (incl. 2nd opinion)☐ Certification☐ Verification / Audit☐ Rating⁸² Services include things like: E-learning Platform, customer relationship management, single domains, websites, etc.

☐ Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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