

Second-Party Opinion

Saint Lucia Blue Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Saint Lucia Blue Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The four eligible categories for the use of proceeds – Pollution Prevention and Control; Environmentally Sustainable Management of Natural Resources and Land Use; Sustainable Water and Wastewater Management; and Sustainable Coastal and Marine Tourism and Development – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 12, 14 and 15.



PROJECT EVALUATION AND SELECTION Saint Lucia's Ministry of Finance has established a Blue Bond Committee which is responsible for evaluating and selecting eligible projects in line with the Framework's eligibility criteria. The committee includes representatives from the Departments of Finance, Sustainable Development and Economic Development, as well as nominated representatives from the Attorney General's Chambers and the Performance Management and Delivery Unit of the Prime Minister's Office. The Blue Bond Committee is also responsible for identifying and mitigating environmental and social risks associated with the financed projects. Sustainalytics considers this to be in line with market practice.



MANAGEMENT OF PROCEEDS The Ministry of Finance will be responsible for the allocation and tracking of the proceeds, using a blue bond register. The Government of Saint Lucia intends to fully allocate net proceeds within twenty-four months of issuance, on a best-effort basis. Pending allocation, the proceeds will be managed by the Accountant General's Department in the Treasury General Account in accordance with Saint Lucia's regulatory framework and treasury policies. Sustainalytics considers this to be in line with market practice.



REPORTING The Government of Saint Lucia commits to report on the allocation and impact annually until full allocation published on its website. Allocation reporting may include the description of selected eligible projects and list of expenditures financed; allocated proceeds per category; share of financing and refinancing; and total allocated amount. Impact reporting will include relevant impact metrics for each category. Sustainalytics views Saint Lucia's allocation and impact commitments as aligned with market practice.

Evaluation Date	November 27, 2023
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Issuer Location	Castries, Saint Lucia
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Introduction

Saint Lucia (or the “Issuer”) is a sovereign island state in the West Indies in the eastern Caribbean Sea, with a total population of 179,857 and GDP of USD 2.07 billion, as of 2022.¹

The Government of Saint Lucia has developed the Saint Lucia Blue Bond Framework dated November 2023 (the “Framework”) under which it intends to issue blue bonds and use the proceeds to finance and refinance, in whole or in part, existing and future government expenditures, including subsidies, grants or loans; intervention expenditures (fiscal transfers or contributions), and capital and operational expenditures for federal government purposes or extended to government departments, state agencies or authorities or public entities. The Framework defines eligibility criteria in four areas:

1. Pollution Prevention and Control
2. Environmentally Sustainable Management of Living Natural Resources and Land Use
3. Sustainable Water and Wastewater Management
4. Sustainable Coastal and Marine Tourism and Development

Saint Lucia engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).² The Framework has been published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the 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 Green Bond Principles 2021, as administered by ICMA;
- 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.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, 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 Saint Lucia’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Saint Lucia representatives have confirmed that (1) they understand it is the sole responsibility of Saint Lucia to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information and (3) 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 Saint Lucia.

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 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.

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

¹ World Bank, “Saint Lucia”, at: <https://data.worldbank.org/country/st-lucia>

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

³ The Saint Lucia Blue Bond Framework is available on Saint Lucia’s website at: <https://www.finance.gov.lc/>

⁴ 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.

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 Saint Lucia has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Saint Lucia Blue Bond Framework

Sustainalytics is of the opinion that the Saint Lucia Blue Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics notes that in addition to the GBP, the Government of Saint Lucia intends to align the Framework with the IFC Guidelines for Blue Finance,⁵ the Practitioner's Guide to Bonds to Finance the Sustainable Blue Economy,⁶ the United Nations Environment Programme Finance Initiative's Sustainable Blue Economy Finance Principles,⁷ and the Climate Bond Initiative's Climate Bonds Standard.⁸ Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Pollution Prevention and Control; Environmentally Sustainable Management of Living Natural Resources and Land Use; Sustainable Water and Wastewater Management; and Sustainable Coastal and Marine Tourism and Development – are aligned with those recognized by the GBP.
 - Saint Lucia has defined a 24-month look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
 - Under the Pollution Prevention and Control category, Saint Lucia may finance, or refinance expenditures related to the following:
 - Design, construction, operation and maintenance of infrastructure that enables the collection, with source segregation, of waste, scrapping and recycling activities of non-hazardous waste.
 - Operation of dedicated facilities for the sorting and processing of bio-waste through composting, with the resulting production and utilization of compost for agricultural, municipal and consumer usage. Sustainalytics notes that such projects will have zero measurable methane emissions and residuals will not be dumped in landfill.
 - Financing of sustainable agriculture programmes as per Saint Lucia's Sectoral Strategy and Action Plan for Agriculture⁹ to reduce the use of fertilizers and agrochemicals.
 - Reforestation and riparian zone protection in alignment with Saint Lucia's Resilient Ecosystems Adaptation Strategy and Action Plan¹⁰ to reduce soil erosion on rivers that flow to the ocean.
 - Installation of infrastructure for integrated solid waste management systems to prevent waste from flowing into marine ecosystems; restoration of coastal and riverside landfills to prevent contamination of marine environments; and improvements in the efficiency of stormwater management systems.
 - Financing of digital systems that enable data collection and processing for the evaluation of environmental and social risks and impact of Eligible projects in the Framework.

⁵ The IFC "Guidelines for Blue Finance" aim to provide a list of eligible use of proceeds to support private investments aligned with the GBP and GLP. IFC, "Guidelines Blue Finance: Guidance for financing the Blue Economy, building on the Green Bond Principles and the Green Loan Principles", (2022), at: <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-guidelines-for-blue-finance.pdf>

⁶ The "Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide" is jointly developed by the Asian Development Bank (ADB), International Capital Market Association (ICMA), International Finance Corporation (IFC), United Nations Environment Programme – Finance Initiative (UNEP FI), and United Nations Global Compact (UNGC).

ADB, "BONDS TO FINANCE THE SUSTAINABLE BLUE ECONOMY A PRACTITIONER'S GUIDE", (2023), at:

<https://www.icmagroup.org/assets/documents/Sustainable-finance/Bonds-to-Finance-the-Sustainable-Blue-Economy-a-Practitioners-Guide-September-2023.pdf>

⁷ United Nations Environment Programme, 'Sustainable Blue Economy Finance Principles', at: <https://www.unepfi.org/blue-finance/the-principles/>

⁸ Climate Bonds Initiative, 'Climate Bonds Standard Version 4', at: https://www.climatebonds.net/files/files/CBI_Standard_V4.pdf

⁹ Saint Lucia's Sectoral Adaptation Strategy and Action Plan for the Agriculture Sector (Agriculture SASAP) 2018-2028, (2018), at:

<https://www4.unfccc.int/sites/NAPC/Documents/Parties/Saint%20Lucia%E2%80%99s%20Sectoral%20Strategy%20and%20Action%20Plan%20for%20Agriculture.pdf>

¹⁰ Saint Lucia's Resilient Ecosystems Adaptation Strategy and Action Plan (REASAP) 2020–2028, (2020), at:

<https://faolex.fao.org/docs/pdf/stl202063.pdf>

- Education and vocational training for the delivery of eligible projects under the category. The training will support the functioning of waste separation and recycling processes and information systems that enable the tracking, monitoring and reporting on pollution data.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, Saint Lucia may finance or refinance expenditures related to the following:
 - Development of marine spatial planning for the protection of coastal and marine ecosystems and restoration of natural resources, such as coral reefs, mangroves, coastal wetlands, salt marshes, river embankments and seagrasses.
 - The Government of Saint Lucia has confirmed that the plant and tree species used for afforestation or reforestation will be native or well adapted to local conditions.
 - Activities related to the eradication or control of invasive species to prevent environmental harm. The Government of Saint Lucia has confirmed that these activities will not include the use of synthetic or chemical herbicides or pesticides.¹¹
 - Financing of sustainable fisheries management, including ecosystem-based fisheries management that mandates enhancement of i) cold storage and processing; ii) acquisition of certification schemes (see below the discussion on eligible certifications); iii) incorporation of bycatch exclusion devices and upgrade of fishing gears; iv) traceability of seafood supply chains through technology build-up along with policy implementation.
 - Development of new or upgrades to existing infrastructure for aquaculture, algaculture and mariculture; development of sustainable feeds for aquaculture excluding wild-caught.
 - Research, studies and training programmes conducted by the government or a third-party to enhance technical knowledge for protection and oversight of protected marine areas to build resiliency against the impacts of climate change. Financing may also include evaluation, monitoring and enforcement of current management systems and improvements in marine management areas to meet international standards.
 - Financing of information systems to support sustainable fisheries, aquaculture management, marine ecosystem restoration and disaster resilience, including technology and instruments for measuring, tracking and reporting of physical and chemical parameters of the waterbodies. Such technologies and instruments may include autonomous sailing vessels, autonomous underwater vehicles, and ocean buoys.
 - Sustainalytics notes that such vessels and vehicles will not be powered by fossil fuels, and expenditures will be supported by a vulnerability assessment and adaptation plan to identify, substantiate, and responsibly manage the identified climate risks.
 - Education and vocational training required for the implementation, monitoring, and evaluation of the projects related to fisheries, agricultural practices and aquaculture management; and the use of information systems for effective tracking and reporting of such activities.
 - Sustainalytics notes that relevant financed expenditures under the category are restricted to those that are certified by the Marine Stewardship Council,¹² Best Aquaculture Practices (2 stars and above),¹³ Seafood Watch Standard for Aquaculture (Best Choice Level or above)¹⁴ and the Aquaculture Stewardship Council.¹⁵
 - Sustainalytics considers expenditures under this category to be aligned with market expectation.
- Under the Sustainable Water and Wastewater Management category, Saint Lucia may finance or refinance expenditures related to the following:

¹¹ Government of Saint Lucia, "Saint Lucia National Invasive Species Strategy", at: <https://caribbeaninvasives.org/wp-content/uploads/2021/01/NISS-SLU-final-2012-2021.pdf>

¹² Marine Stewardship Council: <https://www.msc.org/standards-and-certification/fisheries-standard>

¹³ Best Aquaculture Practice: <https://www.bapcertification.org/>

¹⁴ Monterey Bay Aquarium Seafood Watch: <https://www.seafoodwatch.org/recommendations/our-standards/standard-for-aquaculture>

¹⁵ Aquaculture Stewardship Council: <https://www.asc-aqua.org/what-we-do/our-standards/>

- Installation and upgrade of wastewater management systems such as transport, treatment and disposal infrastructure, including industrial, agri-business, commercial, residential and city facilities. Saint Lucia has confirmed to Sustainalytics that eligible wastewater treatment facilities will exclude the treatment of wastewater from fossil fuel operations.
 - Water storage systems, such as rainwater harvesting systems, stormwater management systems, filtration ponds, aquifer storage, groundwater recharge systems, sewer systems, pumps and sand dams.
 - Water distribution systems including rainwater harvesting systems, gravity-fed canal systems, pumped canal or water distribution systems and terracing systems.
 - Investment in water treatment systems such as drinking water treatment, seawater desalination plants, water recycling systems, wastewater treatment plants and sewage.
 - All desalination facilities financed under the Framework will have appropriate waste management plans for brine disposal and will adhere to the following criteria: i) powered by low-carbon sources, such as renewables; and ii) use electricity with an average carbon intensity lower than 100 gCO₂e/kWh. Additionally, desalination facilities will be located away from sensitive habitats and intact coastal ecosystems.
 - Investments in the conservation of water resources such as the protection of water catchments and prevention of pollution affecting water supplies.
 - Building climate resiliency infrastructure such as reservoirs to control water flows, relocation of assets from floodplains, surge barriers, pumping stations, levees and flood gates.
 - Sustainalytics notes that flood mitigation and defense systems will be supported by a vulnerability assessment and adaptation plan to identify and responsibly manage the identified risks.
 - Financing of stormwater management systems such as permeable surfaces, evapotranspiration systems, groundwater recharge, rainwater harvesting, constructed ecological retention ponds and erosion control systems.
 - Monitoring systems including smart networks, early warning systems for droughts and floods, and water quality monitoring processes.
 - Training or ancillary education for the implementation, tracking and evaluation of eligible projects related to wastewater management processes and information systems that enable effective monitoring and reporting of the financed activities.
 - Sustainalytics considers expenditures under this category to be aligned with market expectation.
- Under the Sustainable Coastal and Marine Tourism and Development category, Saint Lucia may finance the research, design, development and implementation of sustainable coastal and marine tourism and transport infrastructure. The financed assets or activities under the category may include:
- Promoting sustainable tourism in marine management areas such as the Soufriere Marine Management Area, through: i) programmes for energy and water efficiency at coastal tourism facilities; ii) development of policies, plans and regulations to promote sustainable tourism; iii) campaigns and initiatives to promote awareness of the importance of marine biodiversity amongst visitors; iv) visitor centres for promoting knowledge of freshwater, marine and aquatic ecosystems, including procurement of recycled and resource-efficient building materials, and other structural components for the development of visitor centres; and v) use of marine spatial planning for sustainable tourism development.
 - Sustainalytics acknowledges the potential benefits that some tourist activities may offer, such as through improved public awareness and protection of certain natural habitats. It is Sustainalytics opinion, however, that tourism activities offer limited potential for net environmental benefit given the overall impacts associated with such activities.
 - Investments related to shipping and ports infrastructure, such as: i) renewable energy generation; ii) waste reduction and recycling of port waste; iii) integration of maritime transportation with marine spatial planning and zone management, which include a sustainable management plan; iv) maritime transport vessels that

- are powered by low-carbon fuels; and v) renewable electricity generation from solar, wind or geothermal renewable sources.¹⁶
- Financing may include the generation of renewable energy from marine renewables, such as offshore wind, tidal, wave or ocean thermal energy. With regard to ocean thermal, Saint Lucia Government commits to limit fossil fuel backup to power monitoring, operating and maintenance equipment, and resilience or protection measures and restart capabilities.
 - Financed vessels may include electric ferries and fishing fleets. Saint Lucia has confirmed that the primary purpose of any financed bulk carrier or cargo ship will not be the transportation of fossil fuel freight.¹⁷
 - Investments in transmission infrastructure and equipment for electric power generation systems dedicated to marine renewables under the Framework; and carbon capture and storage using marine-based solutions and technologies.
- Sustainalytics notes that the Framework provides for exclusionary criteria that apply to all categories and exclude the following:
- Projects related to the exploration, production, transportation or storage of fossil fuels and energy production based on solid or liquid fossil fuels.
 - Shipping vessels that use conventional heavy fuel oil or bunker fuel, low-sulphur heavy fuel oil, marine diesel oil; cargo ships and tank containers that transport coal, oil, petrochemicals, and fossil fuels blended with alternative fuels or not; and R&D related to ineligible ships.
 - Development of infrastructure or projects: i) in ecologically sensitive areas; ii) that displace local communities or are prejudicial to indigenous people; iii) result in deforestation; iv) that are highly polluting or carbon-intensive such as building airports or new roads; and v) deep sea mining or mineral extraction.
 - Destination development with adverse ESG impacts in protected areas, critical habitats for endangered, threatened, and protected species, or areas providing vital ecosystem services such as coastal flood defense.
 - Agricultural projects involving the development, dissemination and production of genetically modified organisms that are not approved by Saint Lucia's Ministry of Agriculture, Fisheries, Food Security and Rural Development.
 - Territorial rehabilitation and development projects resulting in the displacement of more than 100 persons without prior consultation or financial indemnification.
 - Production and trade of illegal products and activities.
 - Activities related to or in the following sectors: gambling, alcohol, tobacco, military, radioactive materials, unbonded asbestos fibres, media communications related to adult entertainment or politics; ozone depletion.
 - Refinancing of existing climate adaptation and mitigation projects.
 - Bioenergy transactions related to biofuels from land with high biodiversity or high carbon stock.
 - Hydrogen, other than produced from water electrolysis or 100% renewable energy.
 - Transportation projects involving: i) deployment of CNG or fossil fuel based vehicles; and ii) financial support for private ownership of vehicles.
- Project Evaluation and Selection:
 - Saint Lucia has established a Blue Bond Committee that is responsible for evaluating and selecting eligible projects in line with the Framework's eligibility criteria. The Blue Bond Committee has been established under the coordination of Saint Lucia's Ministry of Finance and includes representatives from the Department of Finance, the Department of Sustainable Development, the Department of Economic Development and nominated representatives from the Attorney General's Chambers and the Performance Management and Delivery Unit of the Office of the Prime Minister.
 - The Framework requires that all eligible projects comply with relevant national legislation and policies and be evaluated for potential environmental and social (E&S) risks and risk mitigation. The Blue Bond Committee oversees the E&S risk assessment process for all financed projects.

¹⁶ The Government of Saint Lucia has confirmed that financed geothermal energy generation will have a direct emissions threshold of 100 gCO₂/kWh or lower.

¹⁷ The Government of Saint Lucia intends to have maritime transport vessel expenditures align with the 2023 International Marine Organization's Strategy on Reduction of Greenhouse Gas Emissions from Ships.

Government of Saint Lucia, "ANNEX 1: RESOLUTION MEPC.377(80) Adopted on 7 July 2023: 2023 IMO STRATEGY ON REDUCTION OF GHG EMISSIONS FROM SHIPS" at:

<https://wwwcdn.imo.org/localresources/en/MediaCentre/PressBriefings/Documents/Clean%20version%20of%20Annex%201.pdf>

- Based on the defined process to identify and mitigate E&S risks associated with the financed projects, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Saint Lucia's Ministry of Finance will be responsible for the distribution, monitoring and tracking of proceeds on an annual basis until full allocation, and will establish a Blue Bond Register for recording and monitoring the net proceeds.
 - The Government of Saint Lucia intends to fully allocate proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be managed by the Accountant General's Department in the Treasury General Account, in accordance with the government's regulatory framework and treasury policies.
 - Based on the use of a tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Saint Lucia commits to report on the allocation of proceeds and its corresponding impact in a combined report annually, until full allocation. The report will be published on a designated website of the government.
 - The allocation report will include a list and description of financed projects, the amount of proceeds allocated to each category, the share of financing versus refinancing, the share of allocated versus unallocated amount, and the total signed amount.
 - Impact reporting may include, subject to data availability, relevant impact metrics such as volume of waste collected, treated or disposed; annual GHG emissions reduction (in tCO₂e/year); and percentage reduction in CO₂ emissions of fishing fleet. For a complete list of impact indicators, refer to Table 4 of the Framework.
 - Based on the annual allocation and impact reporting commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Saint Lucia Blue Bond Framework aligns with the four core components of the GBP.

Section 2: Sustainability Strategy of Saint Lucia

Contribution to Saint Lucia's sustainability mandate

Saint Lucia's National Adaptation Plan 2018-2028 (NAP)¹⁸ outlines a medium-term plan for integrating climate change adaptation measures into the country's national development plan and relevant policies. The NAP is complemented by several Sectoral Adaptation Strategy and Action Plans (SASAPs)¹⁹ for eight key priority sectors, including: i) agriculture; ii) fisheries; iii) water; iv) natural resource management (terrestrial, coastal and marine); v) infrastructure and spatial planning; vi) education; vii) health; and viii) tourism. The creation of the NAP and the SASAPs is mandated by Saint Lucia's Climate Change Adaptation Policy (CCAP),²⁰ which was initially approved by the Country's Cabinet of Ministers in 2002 and revised in 2015. The CCAP provides the strategic direction for driving climate adaptation and building resilience by enabling relevant legislation and sustainable development plans within the country.

Saint Lucia also committed to the UN 2030 Agenda for Sustainable Development adopted in 2015.²¹ In 2020, the Government of Saint Lucia also launched the Country Financing Roadmap for SDGs²² initiative together with the World Economic Forum's Sustainable Development Investment Partnership (SDIP), to develop an action plan for enabling green financing for achieving SDGs through public-private collaboration. Furthermore, in 2021, the Government of Saint Lucia submitted its Nationally Determined Contribution (NDC) under the United Nations Framework Convention on Climate Change, setting a target for reducing energy sector GHG emissions by 7% by 2030 versus a 2010 baseline.²³

¹⁸ Government of Saint Lucia, "Saint Lucia's National Adaptation Plan (NAP) 2018-2028", at: <https://www4.unfccc.int/sites/NAPC/Documents/Parties/SLU-NAP-May-2018.pdf>

¹⁹ Ibid.

²⁰ Government of Saint Lucia, Ministry of Sustainable Development, Energy, Science and Technology, "The Saint Lucia Climate Change Adaptation Policy", (2015), at: <https://faolex.fao.org/docs/pdf/stl192161.pdf>

²¹ United Nations Department of Economic and Social Affairs, "Transforming our world: the 2030 Agenda for Sustainable Development", at: <https://sdgs.un.org/2030agenda>

²² World Economic Forum, "Country Financing Roadmap for the SDGs: Saint Lucia", at: <https://www.weforum.org/publications/country-financing-roadmap-for-the-sdgs-saint-lucia/>

²³ Government of Saint Lucia, "Saint Lucia's Updated Nationally Determined Contribution communicated to the United Nations Framework Convention on Climate Change", (2021) at: <https://unfccc.int/sites/default/files/NDC/2022-06/Saint%20Lucia%20First%20NDC%20%28Updated%20submission%29.pdf>

Based on the above, Sustainalytics is of the opinion that the expenditures outlined in the Saint Lucia Blue Bond Framework are aligned with Saint Lucia's sustainability mandate and initiatives, and that the Framework will further the country's actions on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects may include issues involving land use and loss of biodiversity related to the construction of large-scale infrastructure projects; worker health and safety; community relations and stakeholder participation; and emissions, effluents and waste generated in construction and operations.

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

- Regarding land use and biodiversity issues related to large-scale infrastructure projects, Saint Lucia's National Environmental Policy²⁴ and the National Land Policy²⁵ establish the regulatory framework that supports biological diversity, protects environmental quality and natural biophysical processes, and sets capability and conservation requirements for land. The implementation of the National Land Policy entails the monitoring of land use and vegetation cover, and the processing of planning applications and permissions. Other policy instruments and programmes intended for land use and protection of biodiversity include: i) the National Biodiversity Strategy and Action Plan; ii) the National Climate Change Policy and Adaptation Plan; and iii) the Coastal Zone Management Policy.²⁶
- To manage occupational health and safety risks, the Saint Lucian government has established regulatory standards under the Employees (Occupational Health and Safety) Act.²⁷ This act mandates that employers take necessary measures to prevent occupational health and safety risks. The act also requires employers to provide essential safety training, information and tools, and to conduct safety inspections, supervision and robust site maintenance programmes to ensure employees' health and safety at the workplace.
- Saint Lucia's Climate Change Communications Strategy²⁸ requires social participation to build consensus regarding climate change mitigation measures. The strategy includes active consultations with stakeholders, such as farmers, homeowners, residents of coastal areas, fishers, diving operators and youth, through multiple channels such as in-person meetings, digital platforms and surveys. In addition, Saint Lucia's National Land Policy²⁹ and the NAP 2018–2028³⁰ require stakeholder participation and the involvement of various sectors of Saint Lucia's civil society.
- Regarding waste management, the Government of Saint Lucia has established the National Environment Policy and National Environmental Management Strategy,³¹ which mandates the Saint Lucia Solid Waste Management Authority to provide coordinated systems for the collection, treatment, recycling, and disposal of solid and hazardous waste.³²

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

²⁴ Government of Saint Lucia, "National Environment Policy", (2004), at: https://cdn.climatepolicyradar.org/navigator/LCA/2019/national-environment-policy-nep-and-national-environmental-management-strategy-2004-revised-2014_b597bc07953906ef12c6ddb4be3479f6.pdf

²⁵ Government of Saint Lucia, "National Land Policy", (2007), at: <https://archive.stlucia.gov.lc/docs/NationalLandPolicy.pdf>

²⁶ Ibid.

²⁷ Government of Saint Lucia, "Employees (Occupational Health And Safety) Act", (2005), at: <https://www.govt.lc/media.govt.lc/www/resources/legislation/EmployeesOccupationalHealthandSafetyAct.pdf>

²⁸ Government of Saint Lucia, "Saint Lucia's Climate Change Communications Strategy", (2018), at: <https://www4.unfccc.int/sites/NAPC/Documents/Parties/Saint%20Lucia%20Climate%20Change%20Communications%20Strategy.pdf>

²⁹ Government of Saint Lucia, "National Land Policy", (2007), at: <https://archive.stlucia.gov.lc/docs/NationalLandPolicy.pdf>

³⁰ Government of Saint Lucia, "Saint Lucia's National Adaptation Plan (NAP) 2018–2028", (2018), at: <https://www4.unfccc.int/sites/NAPC/Documents/Parties/SLU-NAP-May-2018.pdf>

³¹ Government of Saint Lucia, "National Environment Policy", (2004), at: https://cdn.climatepolicyradar.org/navigator/LCA/2019/national-environment-policy-nep-and-national-environmental-management-strategy-2004-revised-2014_b597bc07953906ef12c6ddb4be3479f6.pdf

³² Government of Saint Lucia, "Saint Lucia's First Biennial Update Report", (2021), at: <https://unfccc.int/sites/default/files/resource/Saint%20Lucia%27s%20Final%20BUR%20revised%20Dec%202021.pdf>

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of climate change resilience in Saint Lucia

As a small island state, Saint Lucia is highly susceptible to climate change impacts, such as rising sea levels, increasing temperatures and extreme weather events like floods, droughts and cyclones.³³ The majority of Saint Lucia’s population and economic activities are concentrated along the coast of the island, increasing its vulnerability to the effects of climate change.³⁴ Saint Lucia’s vulnerability to climate change is amplified by various factors that include: i) a small geographical area that may result in country-wide impacts in case of climatic disasters; ii) a highest-risk location, with Saint Lucia ranking in the top 10% of 182 countries in the Climate Risk Index;³⁵ and iii) the country’s dependence on a limited number of economic activities for most of its GDP, mainly in the agriculture and tourism sectors.³⁶ The Saint Lucian Government estimates that the lack of measures for climate change adaptation could cost 12.1% of the country’s GDP by 2025, rising to 24.5% by 2050 and 49.1% by 2100.³⁷

In 2018, the Government of Saint Lucia established the NAP, a ten-year plan to guide its efforts and initiatives to manage and mitigate the impacts of climate change.³⁸ In 2021, the government submitted its NDC, which includes a focus on both climate mitigation and adaptation measures. The Saint Lucian government estimates that achieving its climate mitigation targets by 2030 will require a total cumulative investment of approximately USD 368 million.³⁹ Additionally, Saint Lucia prepared, in collaboration with the United Nations Office for Project Services and the University of Oxford-led Infrastructure Transitions Research Consortium, a long-term infrastructure development plan with a key focus on the energy, water supply, wastewater and solid waste sectors.⁴⁰ As part of its strategic planning for infrastructure development, the Government of Saint Lucia focuses on: i) transitioning to a renewable energy mix, particularly from solar and geothermal sources; ii) improving water transmission efficiencies to 80%-90% to reduce non-revenue water or water theft, which is as high as 56%; iii) improving the wastewater treatment rate to 61% by 2030 and 80% by 2045; and iv) reducing emissions from the solid waste sector by 16% by 2025 and 23% by 2030.⁴¹

Based on the above, Sustainalytics is of the opinion that Saint Lucia’s investments in projects intended to reduce GHG emissions and improve climate resiliency and adaptation are expected to contribute to reducing the immediate and long-term multidimensional effects of climate change in Saint Lucia.

Alignment with/contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Saint Lucia Blue Bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Environmentally Sustainable Management of Living Natural Resources and Land Use	12. Responsible Consumption and Production 15. Life on land	12.2 By 2030, achieve the sustainable management and efficient use of natural resources 15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems

³³ Government of Saint Lucia, Ministry of Health and Wellness, Government of Saint Lucia, “Health and Climate Change: Country Profile 2020”, at: <https://iris.who.int/bitstream/handle/10665/336268/WHO-HEP-ECH-CCH-20.01.01-eng.pdf?sequence=1>

³⁴ Ibid.

³⁵ Ibid.

³⁶ Saint Lucia, “Saint Lucia’s Updated Nationally Determined Contribution communicated to the United Nations Framework Convention on Climate Change”, (2021) at: <https://unfccc.int/sites/default/files/NDC/2022-06/Saint%20Lucia%20First%20NDC%20%28Updated%20submission%29.pdf>

³⁷ Ibid.

³⁸ Government of Saint Lucia, “Saint Lucia’s National Adaptation Plan (NAP) 2018-2028”, at:

<https://www4.unfccc.int/sites/NAPC/Documents/Parties/SLU-NAP-May-2018.pdf>

³⁹ Saint Lucia, “Saint Lucia’s Updated Nationally Determined Contribution communicated to the United Nations Framework Convention on Climate Change”, (2021) at: <https://unfccc.int/sites/default/files/NDC/2022-06/Saint%20Lucia%20First%20NDC%20%28Updated%20submission%29.pdf>

⁴⁰ UNOPS, “Saint Lucia: National Infrastructure Assessment”, (2020), at: <https://content.unops.org/publications/Saint-Lucia-National-Infrastructure-Assessment.pdf>

⁴¹ Ibid.

Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Sustainable Coastal and Marine Tourism and Development	14. Life below water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans

Conclusion

The Government of Saint Lucia has developed the Saint Lucia Blue Bond Framework under which it may issue bonds and use the proceeds to finance and refinance projects related to the protection and stewardship of hydrological resources in the island nation of Saint Lucia. Sustainalytics considers that the projects funded by the bond proceeds are expected to provide positive environmental impacts by increasing access to sustainable clean water supply, managing the effects of harmful chemicals and plastics in its coastal areas, promoting sustainable fisheries, and directly conserving marine ecosystems.

The Saint Lucia Blue Bond Framework outlines processes for tracking, allocation, and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Saint Lucia Blue Bond Framework is aligned with the overall sustainability strategy of the Issuer and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 12, 14 and 15. Additionally, Sustainalytics is of the opinion that Saint Lucia has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is of the opinion that Saint Lucia is well-positioned to issue blue bonds, and that that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021.

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