

# Second-Party Opinion

## Williams Caribbean Capital Green Bond Framework

### Evaluation Summary

Sustainalytics is of the opinion that the Williams Caribbean Capital (WCC) Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds – Renewable Energy – is aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers the eligible category to have positive environmental impact and to advance the UN Sustainable Development Goals, specifically SDG7 (Affordable and Clean Energy).



**PROJECT EVALUATION / SELECTION** WCC's Executive Management, Williams Solar (as installation and maintenance partner), WCC's Trustee and fund-raising partner conduct project selection and evaluation process based on conformance with specific eligibility criteria. Sustainalytics considers project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** WCC's Trustee, acting on behalf of the bond holders, will track the use of proceeds. The private placement memorandum issued by the bond Trustee specifies the planned allocation of the proceeds that are collected by the Trustee and held in bank accounts until fully allocated. This is in line with market practice.



**REPORTING** WCC is obliged to publish quarterly updates and annual audited accounts to the bond Trustee. The quarterly updates provide comparisons against the private placement memorandum during the tenor of the bond notes. The quarterly reporting includes, but is not limited to, the planned allocations on project-basis with capital and operational expenditures, as well as relevant impact metrics such as size and locations of solar PV deployed. Sustainalytics views WCC's quarterly allocation and impact reporting as aligned with market best practice.

<b>Evaluation date</b>	May 2019
<b>Issuer Location</b>	St. Thomas, Barbados

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## Introduction

Williams Caribbean Capital (“WCC”, or “the company”) is an investment and business development company formed in 2017 as a joint venture between Williams Industries Inc., a diversified Caribbean corporation, and an investment business, New Caribbean Capital Partners. The company is headquartered in Barbados. The company’s primary focus is on the expansion (or deployment) of commercial solar photovoltaic (PV), and has created a special purpose entity, Williams Renewable Energy Limited (“WREL”), for the construction and operation of commercial rooftop solar installations in Barbados that were financed through two separate local bond issuances in 2018.

WCC has developed the Williams Caribbean Capital Green Bond Framework (the “Framework”) under which it intends to issue green bonds and to use the proceeds to finance or refinance, in whole or in part, existing or new solar PV projects on commercial rooftops and lands. The Framework defines eligibility criteria in the following area:

- Renewable Energy: solar PV deployment on commercial rooftops and land

WCC engaged Sustainalytics to review the Williams Caribbean Capital Green Bond Framework, dated May 2019, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).<sup>1</sup> This Framework has been published in a separate document.<sup>2</sup>

As part of this engagement, Sustainalytics held conversations with various members of WCC’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 WCC’s green bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Williams Caribbean Capital Green Bond Framework and should be read in conjunction with that Framework.

<sup>1</sup> 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/>

<sup>2</sup> The Williams Green Bond Framework is available on Williams Caribbean Capitals’s website at [www.williamscaribbeancapital.com](http://www.williamscaribbeancapital.com)

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Williams Caribbean Capital Green Bond Framework

Sustainalytics is of the opinion that the Williams Caribbean Capital Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of WCC's green bond framework:

- Use of Proceeds:
  - The eligible category, Renewable Energy, is recognized as impactful by the GBP 2018. Sustainalytics considers solar PV as an important investment for facilitating the transition to clean energy. WCC will use the proceeds to finance the deployment of solar PV systems on rooftops or land that are leased for a minimum of 20 years with an expected asset lifetime of 25 years.
  - Some proceeds will be used to finance operational expenditures (OPEX), such as the operation of rooftop PV assets for the generation of solar energy. Sustainalytics believes that such expenditures will be important to positively contribute to environmental impacts, especially by scaling the renewable energy. WCC confirmed that it is obliged to monitor such expenditures for the bond Trustee, verifying that OPEX is directly tied to eligible and impactful projects.
- Project Evaluation and Selection:
  - WCC's Executive Management, Williams Solar (as installation and maintenance partner), WCC's Trustee and fund-raising partner will conduct the project selection and evaluation process based on conformance with specific eligibility criteria:
    - Location that maximize the generation potential of PV solar project;
    - Whereby the landlord is willing to sign the appropriate lease agreement;
    - Where the necessary regulatory approvals can be obtained such as the Government Electrical Engineering Department (GEED) Certificate for installation approvals, and the Division of Energy Licenses;
    - Where the Barbados Electricity Utility, Barbados Light & Power (BL&P), will be willing to complete an inspection and approve the installation; and
    - Whereby the necessary Installation of a production meter is present.
  - Sustainalytics considers the project selection process, to be in line with market practice.
- Management of Proceeds:
  - WCC's Trustee acting on behalf of the bond holders will track the use of proceeds. The private placement memorandum issued by the bond Trustee to investors specifies the planned allocation of the funds and that such proceeds are collected by the Trustee and held in a designated bank accounts until fully allocated. This is in line with market practice.
- Reporting:
  - WCC is obliged to publish quarterly updates and annual audited accounts to the bond Trustee. The quarterly updates provide a comparisons against the private placement memorandum during the tenor of the bond notes. The quarterly reporting will include, but not be limited to, the planned allocations on project-basis with capital and operational expenditures. The reporting will also include relevant impact metrics, such as the size and location of solar PV projects deployed. Sustainalytics views WCC's quarterly allocation and impact reporting as aligned with market best practice.

#### Alignment with Green Bond Principles 2018

Sustainalytics has determined that the WCC's green bond aligns to the four core components of the GBP 2018. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Strategy of Williams Caribbean Capital

### Contribution of framework to Williams Caribbean Capital investment strategy

Sustainalytics is of the opinion that Williams Caribbean Capital has demonstrated a commitment to achieve positive environmental and social impacts by increasing the capacity for solar PV on the island of Barbados. Sustainalytics views WCC's Framework as well aligned with the company's overall sustainability efforts to advance renewable energy through solar power. The company has not released a publicly accessible sustainability strategy or targets, Sustainalytics notes the importance of expanding solar capacity, particularly in developing nations, but also encourages WCC to develop a sustainability strategy and transparent targets.

### Well positioned to address common environmental and social risks associated with the projects

Sustainalytics notes the overall positive impact of solar PV projects but recognizes that there are associated environmental and social risks. For example, in regard to environmental impacts, it is important to consider where solar will be developed in order to mitigate risks related to land-use change or other potential environmental damage. In order to mitigate environmental risks, WCC will obtain the necessary regulatory approvals, including: (i) planning permission from "Town and Planning" authority in Barbados who take environmental and social risks as key criteria prior to granting planning permission for PV Solar ground-mount installations. Based on environmental approvals and the necessary assessments at the project level, Sustainalytics is of the opinion that WCC is well-positioned to mitigate risks associated with the development and construction of the solar energy projects.

## Section 3: Impact of Use of Proceeds

Renewable energy as a use of proceeds category is recognized as impactful by GBP. Sustainalytics has highlighted below where the impact is specifically relevant in local context.

### Impact of expanding solar PV capacity in Barbados

Barbados Growth and Development Strategy (2013 – 2020), developed in conjunction with the Regional Observatory on Planning for Development in Latin America and the Caribbean outlines a strategic path for improving the social, economic and environmental welfare of the country through a number of developments and initiatives, including expanding the country's use of solar PV.<sup>3</sup> For example, Goal 4: Enhance Environmental Sustainability in the context of the green economy includes objective 4.1: Reduce dependence on fossil fuels, ensure environmental sustainability, combat climate change and build resilience to natural and man-made hazard.<sup>3</sup> Barbados hopes to be the first 100% green and carbon neutral island-state in the world by 2030.<sup>4</sup> This is an aggressive goal considering that the country relies heavily on imported fossil fuels, which account for 95% of the country's total energy.<sup>5</sup> In 2015, the country's installed electrical capacity was 248MW, of which renewables accounted for 20MW.<sup>6</sup> WCC has already installed over 4 MW capacity of solar panels in Barbados and, through the 12 MW of PV solar projects to be funded by this bond program, WCC will be able to have a significant additional impact on expanding the country's renewable energy capacity.

Based on the above, Sustainalytics notes the importance of renewable energy in Barbados and is of the opinion that WCC is well-positioned to potentially deliver a significant impact on the country's overall energy profile, thereby contributing to the national renewable energy goals as well as advancing the UN Sustainable Development Goal 7 (Affordable and Clean Energy).

<sup>3</sup> Regional Observatory on Planning for Development, Barbados Growth and Development Strategy (2013 – 2020): <https://observatorioplanificacion.cepal.org/en/plans/barbados-growth-and-development-strategy-2013-2020>

<sup>4</sup> European Marine Energy Centre, Government of Barbados take in Orkney and Scotland marine renewable success: <http://www.emec.org.uk/press-release-government-of-barbados-take-in-orkney-and-scotland-marine-renewables-success/>

<sup>5</sup> REEEP, Barbados (2014): <https://www.reeep.org/barbados-2014>

<sup>6</sup> IndexMundi, Barbados Energy Profile 2018: [https://www.indexmundi.com/barbados/energy\\_profile.html](https://www.indexmundi.com/barbados/energy_profile.html)

## Williams Caribbean Capital Green Bond

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### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goal and target:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

### Conclusion

Williams Caribbean Capital (WCC) has developed the Williams Caribbean Capital Green Bond Framework under which it will issue green bonds and the use of proceeds to finance the deployment of solar PV on commercial rooftops and lands. Sustainalytics considers that the project funded by the green bond proceeds will provide positive environmental impact by enhancing access to renewable energy within several locations.

Sustainalytics believes that WCC's Framework is aligned with the overall sustainability strategy of the company and that the green use of proceed category will contribute to the advancement of UN Sustainable Development Goal 7 (Affordable and Clean Energy). Additionally, Sustainalytics is of the opinion that WCC has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Overall, Sustainalytics is of the opinion that the Williams Caribbean Capital Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

## Appendices

### Appendix 1: Green Bond / Green Bond Programme - External Review Form Section 1. Basic Information

<b>Issuer name:</b>	Williams Caribbean Capital
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>	Williams Caribbean Capital Green Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	May 2019
<b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></b>	

### 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 GBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> 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 category for the use of proceeds – Renewable Energy – is aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers the eligible category to have positive environmental impact and to advance the UN Sustainable Development Goals, specifically SDG7 (Affordable and Clean Energy).

#### Use of proceeds categories as per GBP:

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

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

#### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

WCC's Executive Management, Williams Solar (as installation and maintenance partner), WCC's Trustee and fund-raising partner will conduct project selection and evaluation process based on conformance with specific eligibility criteria. Sustainalytics considers project selection process in line with market practice.

#### Evaluation and selection

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> 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*):

WCC's Trustee acting on behalf of the bond holders will track the use of proceeds. The private placement memorandum issued by the bond Trustee specifies the planned allocation of the proceeds that are collected by the Trustee and held in bank accounts until fully allocated. This is in line with market practice.

#### Tracking of proceeds:

- Green 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*):

WCC is obliged to publish quarterly updates and annual audited accounts to the bond Trustee. The quarterly updates provide comparisons against the private placement memorandum during the tenor of the bond notes. The quarterly reporting includes, but not limited to, amount allocated on project-basis with capital and operational expenditures, as well as relevant impact metrics such as sizes and locations of solar PV deployed. Sustainalytics views WCC's allocation and impact reporting on a quarterly basis as aligned with market best 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
  Green Bond financed share of total investment  
 Other (*please specify*):

**Frequency:**

- Annual
  Semi-annual  
 Other (*please specify*): quarterly reporting

**Impact reporting:**

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

**Frequency:**

- Annual
  Semi-annual  
 Other (*please specify*): quarterly reporting

**Information reported (expected or ex-post):**

- GHG Emissions / Savings
  Energy Savings  
 Decrease in water use
  Other ESG indicators (*please specify*): MW of solar PV deployed and their locations.

**Means of Disclosure**

- Information published in financial report
  Information published in sustainability report  
 Information published in ad hoc documents
  Other (*please specify*): Private Placement Memorandum (PPM)  
 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.)

[www.williamscaribbeancapital.com/green-energy-projects](http://www.williamscaribbeancapital.com/green-energy-projects)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                                   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

**Review provider(s):****Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green 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 Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental 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 environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally 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 Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green 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 Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green 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 performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

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