JAMAICA STOCK EXCHANGE

IDB Invest

JAMAICA

GREEN, SOCIAL, SUSTAINABILITY, AND SUSTAINABILITY LINKED (GSS+)

BOND GUIDE

AS PART OF ITS COMMITMENT TO SUSTAINABILITY

The Jamaica Stock Exchange (JSE) developed these guidelines for thematic bonds, including green bonds in Jamaica.

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Disclaimer

 This Guide was prepared as a result of a technical cooperation between the JSE and the Inter-American Investment Corporation ("IDB Invest") with technical support provided by sustainable finance consulting firm, HPL.LLC ("HPL").

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Acknowledgements

About the Jamaica Stock Exchange (JSE)

The Jamaica Stock Exchange (JSE) is the principal stock exchange in Jamaica, with its core business being listing securities, trading, settlement, and custody of securities. Established in 1968, the JSE has grown to become a key player in the region's financial landscape, providing a platform for both local and international investors to participate in Jamaica's vibrant economy. The JSE's principal mandate is the mobilization of capital to facilitate the growth and development of companies and by extension the economy. The JSE is well positioned to drive the issuance of thematic bonds.

About the Inter-American Investment Corporation (IDB Invest)

IDB Invest, a member of the Inter-American Development Bank Group (IDBG), is a leading multilateral development bank focused on promoting private sector development in Latin America and the Caribbean. With a mission to support sustainable economic growth, reduce poverty, and improve lives in the region, IDB Invest provides financing, advisory services, and innovative solutions to businesses and financial institutions. As part of its development mandate set forth in the Agreement Establishing the Inter-American Investment Corporation, IDB Invest may have engaged in or may engage in the future in the following activities: (a) making equity, debt, or other investments for its own account or on behalf of others in the international and local capital markets, including Jamaica, which may involve issuers listed on the Jamaican Stock Exchange; (b) coordinating the participation of the potential co-Investors in such investments; (c) entering into an advisory or other relationship with market participants or their affiliates, including issuers listed on the Jamaican Stock Exchange, and government agencies; and/or (d) issuing debt securities in the Jamaican market and potentially listing such securities on a voluntary basis on the Jamaica Stock Exchange, among other activities.

About the Ministry of Finance and Public Service (MOFPS)

Over the past decade, Jamaica has made significant strides in reducing public debt, controlling inflation, and bolstering its external position. This progress has been facilitated by the implementation of prudent macroeconomic policies, including the enactment of a fiscal responsibility law, the establishment of a fiscal council, the adoption of an inflation targeting framework, and enhancements in financial oversight. Consequently, Jamaica has been able to effectively manage external shocks and strengthen fiscal and external buffers. Recent policy initiatives have aimed at reinforcing fiscal responsibility, addressing distortions in public sector compensation, improving tax and customs administration, enhancing central bank autonomy, bolstering financial integrity and oversight, and enhancing resilience to climate change.

The establishment of the Green, Social, Sustainability, and Sustainability-Linked (GSS+) Bond Guide aligns with the objectives of the Government of Jamaica (GOJ), and the reporting target set by the International Monetary Fund (IMF) for June 2024. The efforts to make the financial sector more environmentally friendly are integral to the government's climate policies. Therefore, establishing a guidance document that provides information for potential GSS+ bond issuers is essential to fulfilling the objectives of the Ministry of Finance and the Public Service.

About HPL

HPL provides sustainable finance advisory to institutional clients with the mission to accelerate capital flows to support the sustainability agenda. HPL has over seven years of experience working with governments, corporations, investment funds as well as public, private and international financial institutions developing and implementing sustainable finance projects.

Abbreviations

CBI	Climate Bonds Initiative
CGI	Corporate Governance Index
ESG	Environmental, Social, and Governance
FSC	Financial Services Commission of Jamaica
GBP	Green Bond Principles
GOJ	Government of Jamaica
GSS+	Green, Social, Sustainable and Sustainability-Linked Bonds
HMB	Home Mortgage Bank
ICMA	International Capital Market Association
IDBG	Inter-American Development Bank
IFC	International Finance Corporation
IMF	International Monetary Fund
JSE	Jamaica Stock Exchange
KPI	Key Performance Indicator
LAC	Latin America and the Caribbean
MOFPS	Ministry of Finance and the Public Service
MSMEs	Micro, Small, and Medium Enterprises
NDC	Nationally Determined Contributions
RMOC	Regulatory and Market Oversight Committee
SBP	Social Bond Principles
SDG	Sustainable Development Goal
SGB	Sustainability Bond Guidelines
SIDS	Small Island Development State
SLB	Sustainability-Linked Bonds
SLBP	Sustainability-Linked Bonds Principles
SMEs	Small and Medium-sized Enterprises
SPT	Sustainability Performance Target
SSE	Sustainable Stock Exchange
UNEP	United Nations Environment Programme
UOP	Use of Proceeds

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Executive Summary

This guidance document is a result of a cooperation between the Jamaica Stock Exchange ("JSE") and the Inter-American Investment Corporation ("IDB Invest") with technical support provided by sustainable finance consulting firm, HPL.LLC ("HPL"). The purpose of the guide is to provide the Jamaican market with tools for the issuance of Green, Social, Sustainability, and Sustainability-Linked Bonds ("GSS+" or "thematic" bonds) and thus influence the advancement towards sustainable financing in the country.

The guide builds on the requirements for bond issuance regulation in Jamaica by providing additional information on what is needed for GSS+ bonds, clarifying the main components for issuing bonds in line with recognized market practices and providing recommendations on best practices in the market that have contributed to the transparency and integrity of the issuances (See Figure 1).

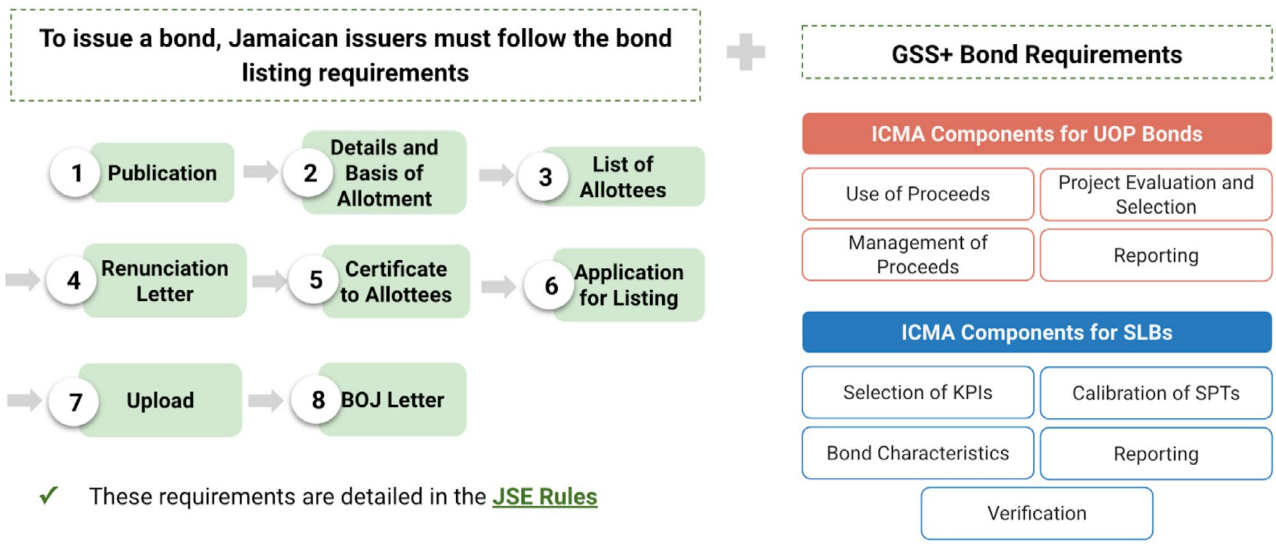

Figure 1. Issuing a GSS+ Bond in Jamaica

This guide builds on the International Capital Market Association (ICMA) Principles for the two types of thematic bond instruments, Use of Proceeds (UOP) and Sustainability-Linked Bonds (SLBs).

Use of Proceeds Bonds

The voluntary principles for UOP bonds include the Green Bond Principles (GBP)[1], Social Bond Principles (SBP)[2], and Sustainability Bond Guidelines (SBG)[3]. The principles highlight four Core Components for alignment, which are (1) Use of Proceeds, (2) Process for Project Evaluation and Selection, (3) Management of Proceeds, and (4) Reporting.

Sustainability-Linked Bonds

The voluntary principles for SLBs are the Sustainability-Linked Bond Principles (SLBP)[4]. The principles highlight five Core Components for alignment, which are (1) Selection of Key Performance Indicators (KPIs), (2) Calibration of Sustainability Performance Targets (SPTs), (3) Bond Characteristics, (4) Reporting, and (5) Verification.

The ICMA Principles are a collection of voluntary frameworks that seek to promote the role that the global debt capital markets can play in financing the sustainability agenda and are globally accepted as the main guidelines for GSS+ bonds.

The GSS+ Bond Guide for Jamaica is structured as follows (see Figure 2):

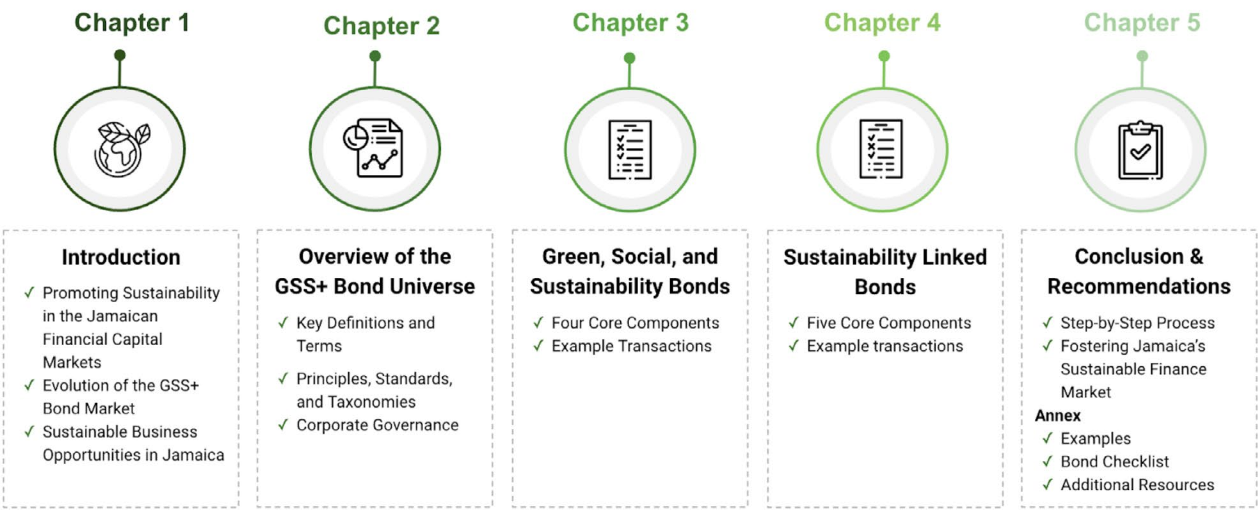

Figure 2. Content of the GSS+ Bond Guide for Jamaica

Beyond clarifying the principles for developing the financial market in Jamaica, this guide sets the necessary foundations to further catalyze the Jamaican market by representing an opportunity to attract investments with positive environmental and social impact in the country.

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Introduction

1.1 Promoting Sustainability in the Jamaican Financial Capital Markets

As other Small Island Development States (SIDS), Jamaica is particularly vulnerable to extreme weather events, which are increasingly common because of climate change, due to its geographical position and high dependence on natural resources. Hurricanes and floods are one of the greatest threats to economic sectors and livelihood activities. Water resources, agriculture, health, human settlements, and tourism have been increasingly threatened by the intensity of extreme weather events. This in turn exacerbates social issues such as poverty, living conditions, high-risk settlement areas, and poorly built infrastructure and housing in the country.[5]

Jamaica has been implementing various policies and initiatives to address these issues and promote sustainable development. The Government of Jamaica (GOJ) approved a **Climate Change Policy Framework** in 2015, focused on (1) strengthening Jamaica's adaptive capacity and resilience to reduce its vulnerability to climate change, (2) pursuing low-carbon development and enhancement of access to, and mobilization of, climate finance, and (3) promoting public education and awareness raising, research, and technology transfer towards ambitious climate action. The Policy Framework also includes actions to address social issues that arise as a result of climate change, including impacts on human health, poverty, gender and youth issues, amongst others.[6] The Policy Framework was updated in 2023 to reflect a number of developments in the country, such as the ratification of the Paris Agreement in 2017 and submission of the country's **Nationally Determined Contributions** (NDCs), updated in 2020, establishing commitments to reduce greenhouse gas (GHG) emissions in the energy, forestry, and land use sectors, and actions for agriculture and water management.[7] The total upfront investment needed for the sixteen commitments outlined in the NDCs is approximately USD 921.1 million, with about 76% of this funding coming from private sources.[8]

According to the Development Bank of Jamaica, it has been estimated that Jamaica needs to invest USD 5 billion to implement climate mitigation measures, and USD 1 billion for climate adaptation measures until 2050. Within the Caribbean as a whole, disaster risk reduction intervention cost has been estimated at USD 100 billion for this period.[9]

Given Jamaica's challenges related to climate change and social inequality, there is a need to unlock financial flows to support the Jamaican sustainability agenda and contribute to the transition to a low-carbon and just economy. Enabling the growth of the Green, Social, Sustainability, and Sustainability-linked ("GSS+" or "thematic") bond market in Jamaica is an opportunity to utilize the capital markets to help achieve national and global environmental and social objectives. These instruments, in addition to diversifying the sources of financing and the growth of the investor base, will allow issuers to further promote sustainable opportunities in the country.

1.2 Evolution of the GSS+ Bond Market in the Caribbean Region

While the GSS+ market has grown significantly in recent years in Latin America and the Caribbean (LAC), the same evolution has not been seen in the Caribbean. By the end of 2023 the GSS+ bond market accumulated a total of USD 176 billion in LAC.[10] Additionally, GSS+ bonds represented 21% of the region's debt in 2022, demonstrating the importance of thematic bonds within the debt capital markets.[11] In comparison, there have only been three GSS+ bond issuers in the English-speaking Caribbean to date, with a total cumulative issuance volume of USD 152.58 M (see Table 1).[12]

Year	Country	Label	Issuer	Type of Issuer	Volume (USD M equivalent)	Framework	SPO
2018 - 2021[13]	Barbados	Green	Williams Renewable Energy	Corporate	28.30	Green Bond Framework	Sustainalytics
2023	Trinidad & Tobago	Social	Home Mortgage Bank	Financial Institution	44.28	Social Bond Framework	S&P Global Ratings
2024	Grand Cayman	Green	Caribbean Utilities Company	Corporate	80	Green Bond Framework	Sustainable Fitch

Table 1. GSS+ Bond Issuance in the Caribbean

The modest growth in Caribbean markets can be attributed to several factors, including the absence of sovereign issuances, which are known to stimulate market activity. The size, depth, and liquidity of the Caribbean market(s) as well as the domestic investors' appetite for thematic bonds are also likely to be part of the explanation why there has been a modest growth in the market. However, these transactions serve as excellent examples of the types of issuances that could be most relevant for issuers within Jamaica, addressing some of the most pressing needs specific to their context.

Jamaica's energy system is highly dependent on imported fossil fuels (about 90%).[14] The GOJ has been promoting to increase by 20% the share of renewable energies in the country's energy mix by 2030 through the **National Energy Policy 2009-2030**.[15] Given Jamaica's high dependence on fossil fuels and associated energy costs, Green bonds and SLBs could be financial instruments that can be applied to increase renewable energy generation and installed capacity in the country. Social bonds are also good instruments to help close important social gaps, such as affordable housing.

While the thematic bond market is nascent in the Caribbean, there is an opportunity to promote their growth. In the Jamaican context, these instruments would bring many benefits to the country, issuers, and investors (See Figure 3).

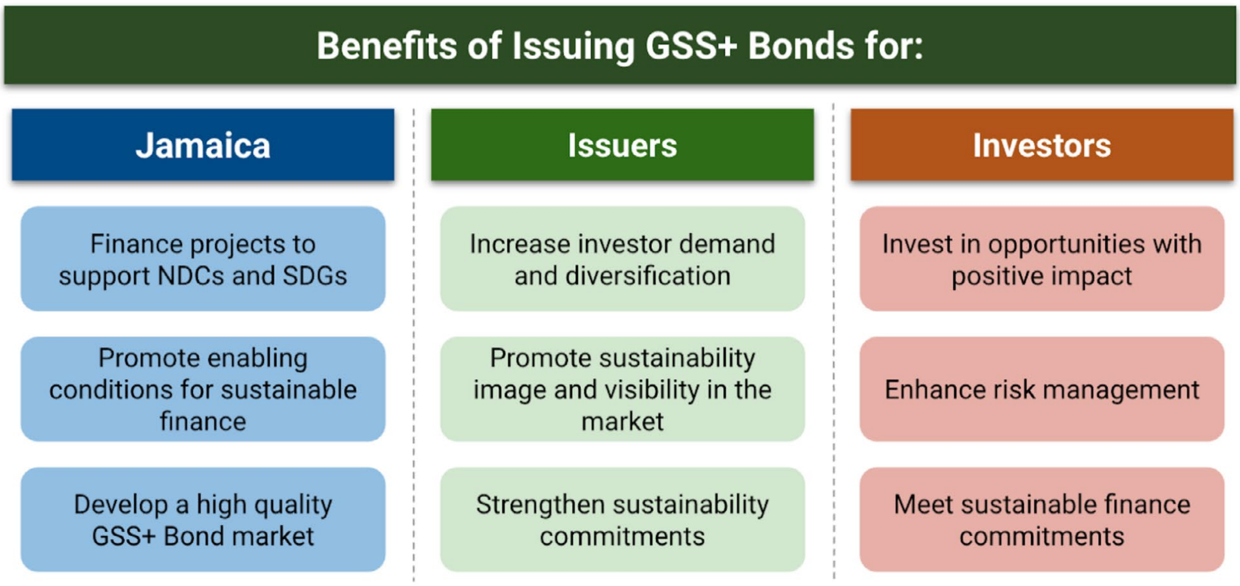


Figure 3. Benefits of Issuing GSS+ Bonds for Jamaica, Issuers, and Investors

For Jamaica, the issuance of GSS+ bonds represent an opportunity to achieve the commitments established in the NDCs and in the national plans with short- and long-term objectives. These bonds offer a way to promote the 2030 Global Sustainable Development Agenda and to develop a high-quality bond market.

From the Jamaican issuer's point of view, issuing a GSS+ bond can mean expanding and diversifying its investor base as well as reputational advantages by showing a commitment to positive social and environmental impact objectives.[16]

By driving the GSS+ bond market, Jamaican, and foreign investors in Jamaica, will have more opportunities to invest in impact, enhance risk management by investing in issuers that provide solid due diligence and transparency on the selection and impact of projects, and an opportunity for investors to meet their sustainability objectives.[17]

1.3 Sustainable Business Opportunities in Jamaica

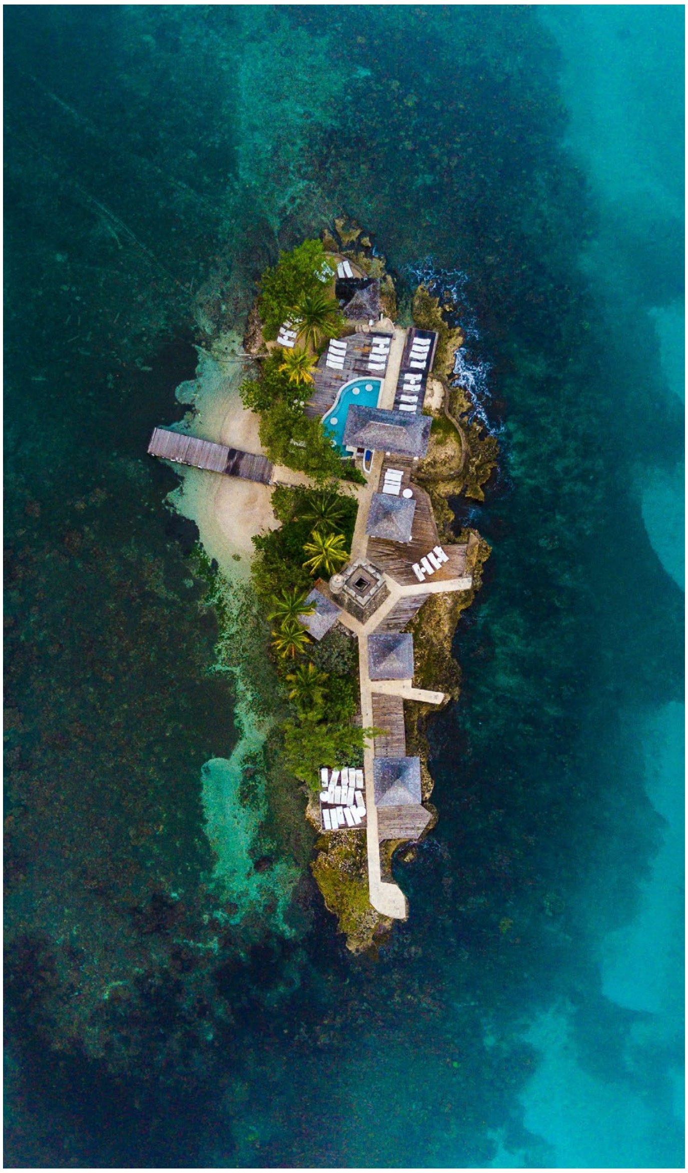
Jamaica's GDP is mainly composed of goods producing industries such as manufacturing, construction, mining and extraction, as well as agriculture, forestry and fishing, which are also the main sources of GHG emissions in the country.[18] Among the companies listed on the JSE there are several companies in the manufacturing, tourism, and financial sectors.[19] There is an opportunity to support companies in these sectors to prepare for the issuance of thematic bonds, which would help mobilize investments towards financing environmental and social objectives that contribute to the NDC target goals, such as emission reduction or alleviation of poverty.[20]

One sector of particular importance in Jamaica is the coastal and marine tourism sector, because it is a main driver of economic growth and job creation. A report prepared by the High-Level Panel for a Sustainable Ocean Economy, of which Jamaica is a member, concludes that this type of tourism constitutes at least 50% of global tourism, worth US$4.6 trillion (over 5% of global GDP), and opportunities exist to incentivize local companies to promote sustainable business practices.[21] One example of a sustainable tourism practice that was highlighted in this report within Jamaica is the case of Sandals Negril Resort, which established a new model for all-inclusive resorts to avoid economic leakage, including sourcing the majority of its produce locally, working with local communities to sell tours, reserving summer holiday jobs for local students, amongst others.[22] Boosting sustainable tourism practices through thematic funding can be a transformational tool for Jamaica.

Another important topic for Jamaica is water use. Currently, the GOJ is making significant investments in Jamaica's water sector infrastructure to improve resilience. Improvements include initiatives focusing on the country's distribution network, irrigation capacity, decentralized storage at community levels, improving capacity and upgrading pumping stations. This has resulted in an improvement of non-revenue water source, which was at 72% in 2015, and has come down to 38% recently.[23]

While there have not yet been thematic bond issuances in Jamaica, there are examples of loans to Jamaican companies that have a strong sustainability focus. For example, in the energy sector, IDB Invest and Jamaica's leading energy service provider, Jamaica Public Service Company Limited (JPS), signed a USD 100 million equity investment program to modernize the country's electricity grid, improving its security and stability, as well as expanding access to electricity.[24] Another example is related to food security, where IDB Invest provided a USD 13 million loans to Derrimon, a leading Jamaican produce distributor and key player in boosting agricultural productivity, to modernize the company's storage structure and supply chain by increasing the efficiency of its processes, including the use of renewable energy, while reducing GHG emissions.[25] A third case worth mentioning is related to Jamaican small and medium-sized enterprises (SMEs), where IDB Invest provided a syndicated loan to JMMB Bank (Jamaica) Limited, which allowed access to USD 31 million from impact investors to increase the loan portfolio to SMEs in the country. This was the first investment in Jamaica by such investors.[26]

According to the Economic Vulnerability Index, islands are the most economically vulnerable of all developing country groups, especially when it comes to environmental issues. There is a climate finance gap of between USD 78 billion and USD 127 billion per year between now and 2030 in the Americas and the Caribbean, the largest global finance gap in absolute terms.[27] There is an important opportunity to close this gap by promoting the growth of GSS+ bonds in Jamaica, which can help address major challenges such as vulnerability to climate change and social inequality, amongst others.



Overview of the GSS+ Bond Universe

02

2.1 Key Definitions and Terms

Thematic bonds can help attract investment from the local and international investors to either finance projects with environmental and/or social benefits (Green, Social, and Sustainability Bonds), or invest in issuers sustainability strategies (SLBs).

Use of Proceeds Bonds UOP

Fixed Income Instruments: proceeds are exclusively applied to finance or refinance projects or assets that generate positive environmental and/or social impact.

The most common labels include:

- Green Bonds: proceeds are allocated to finance projects/assets with a positive environmental impact.[28]
- Social Bonds: proceeds are allocated to finance projects/assets with a positive social impact.[29]
- Sustainability Bonds: proceeds are allocated to finance a combination of projects/assets with positive environmental and social impact.[30]

There are other themes that have emerged, such as Blue Bonds, which are a subcategory of green bonds and are focused on preserving marine ecosystems,[31] Gender Bonds, which are a subcategory of social bonds and are focused on promoting gender equality,[32] and Climate Resilience Bonds which are a subcategory of green bonds aimed at enhancing resilience/adaptation to climate change.[33]

Sustainability Linked Bonds SLBs

Unlike UOP bonds, SLBs do not earmark proceeds for specific projects or expenditures. Instead, the issuer commits to predefined sustainability performance targets within a set timeline and the financial or structural characteristics of the bond vary according to the achievement of these objectives.[34]

These two types of instruments have different benefits for issuers. UOP bonds allow issuers to finance projects that have positive environmental or social impact. SLBs give issuers more flexibility with respect to the use of proceeds, and it has opened the thematic bond market for issuers that do not have enough green/social projects to issue UOP bonds and/or may not be perceived to be in sustainable industries. However, the SLB is a more complex instrument under increasing scrutiny for greenwashing, so it is important that it is structured correctly. For more specific definitions of these labels along with example transactions, refer to **Annex 1: Example Transactions.**

Secured GSS bonds (also known as sustainable securitizations) can be an effective way to aggregate smaller-scale projects to generate an attractive structure and size for institutional investors. This has been shown as an effective way for small-sized issuers to gain access to the capital markets, which may be an effective way to unlock capital for MSMEs in Jamaica that are looking to finance sustainable projects. Further information on sustainable securitizations are provided in the **ICMA Sustainable Securitizations FAQ**.

2.2 Principles, Standards and Taxonomies

Thematic bonds (which include both UOP and SLBs), like traditional bonds issued on the JSE, must follow the **JSE Rules and Regulations**, which govern JSE's operations and provide the platform for an efficient and transparent market. A checklist summarizing these regulatory requirements is provided in **Annex 2: Checklist of Listing Requirements for JSE.**

In addition to regulatory requirements, GSS+ bonds must follow the ICMA Principles which are sets of voluntary guidelines, to which over 95% of thematic bonds are aligned. Therefore, the market has globally accepted the Principles as the main guidelines for GSS+ bonds, and they are the foundation for regional and national guidelines.

GSS+ bond issuers are expected to prepare a Framework that describes the issuer's alignment with the Core Components defined by the ICMA Principles. The Framework does not have an expiration date; however, issuers are encouraged to update the Framework in line with material changes within the organization and if there are significant changes in sustainable finance guidelines and/or regulations. Additionally, issuers can use the same Framework for multiple issuances if it is still relevant. The Framework will include the following Core Components as presented in Figure 4.

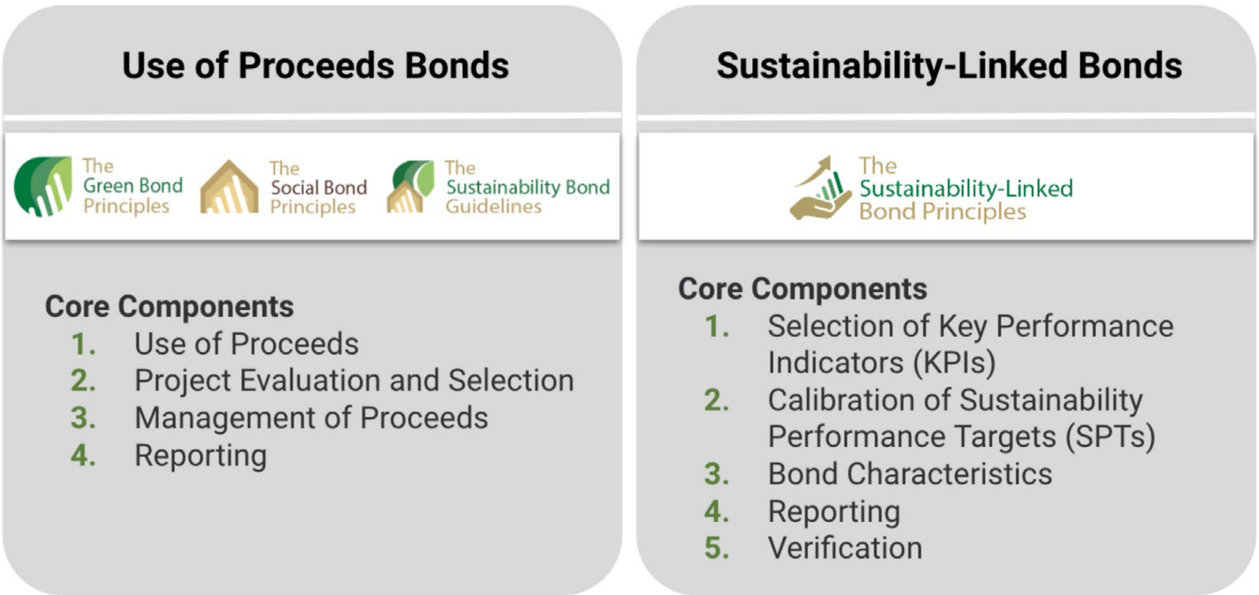


Figure 4. Core Components of UOP vs. SLBs

Further details on the Core Components of UOP bonds and SLBs are presented in Chapters 3 and 4, respectively.

To help define eligible use of proceeds for UOP bonds (Green, Social, and Sustainability Bonds), national and regional bodies have developed Sustainable Finance Taxonomies. The United Nations Environment Programme (UNEP) has developed a **Common Framework of Sustainable Finance Taxonomies for Latin America and the Caribbean**. This document serves as a regional guidance for how countries in LAC can develop Sustainable Finance Taxonomies, facilitating harmonization and interoperability between taxonomies across different countries.[35]

A taxonomy is a classification system that defines and categorizes economic activities based on their environmental, social characteristics and sustainability impacts. This way, a taxonomy provides a common language and framework for identifying and assessing sustainable investments, projects, and financial products.[36] The ICMA Principles encourage, to the extent possible, that GSS Bond issuers be transparent on the degree of alignment with official or market-based taxonomies. For a more comprehensive list of guidance documents with their links, refer to **Annex 3: Additional Resources of this document.**

2.3 The Importance of Robust Corporate Governance for GSS+ Bond Issuers

Effective corporate governance is important because it makes companies stronger, more accountable and supports the implementation of good practices related to environmental and social issues.[37] The JSE is committed to providing and efficient and transparent securities market, and because of this, all listed Jamaican companies in JSE take part in the **JSE Corporate Governance Index** (CGI).

The CGI is maintained by the JSE and managed by the managed by the Private Sector Organization of Jamaica (PSOJ) Corporate Governance Monitoring & Evaluation Committee – reflecting the regulations and standards of the JSE and other relevant practices. The index measures how well an entity conforms to various principles of corporate governance and to aggregate the corporate governance. The evaluation criteria are based on international standards (such as the **OECD Corporate Governance Principles**). Companies are evaluated based on a survey questionnaire of 101 corporate governance questions within (1) Rights of Shareholders, (2) Equitable Treatment of Shareholders (3) The Role of Stakeholders in Corporate Governance, (4) Disclosure and Transparency, (5) Responsibilities of the Board, and (6) JSE Requirements.[38]

GSS+ bond issuance risks are usually related to the alignment of the issuer's purpose and strategy with achieving long-term sustainability; and the company's internal capacity (governance structure, internal controls, risk management system) to monitor the performance and risks of the issuance. Because of this, it is important that issuers have robust corporate governance. Companies that have established strong governance are better positioned to issue thematic bonds, as they can effectively align the issuance with their overall business strategy. It is important for issuers to consider their sustainability policy, internal Environmental, Social, and Governance (ESG) risk management, stakeholder engagement, and alignment with national policies and objectives, because all these aspects will allow them to have a clearer objective when issuing thematic bonds.

03

Green, Social and Sustainability **Bonds**

Green, Social, and Sustainability Bonds are fixed-income securities issued in capital markets to exclusively finance projects with positive environmental and/or social impacts. These bonds are expected to follow the voluntary standards that ICMA established in close consultation with key market participants: **Green Bond Principles** (GBP), **Social Bond Principles** (SBP) and **Sustainability Bond Guidelines** (SBG).

The ICMA Principles are a collection of voluntary frameworks that describe the four Core Components and two Key Recommendations of these instruments (Figure 5):

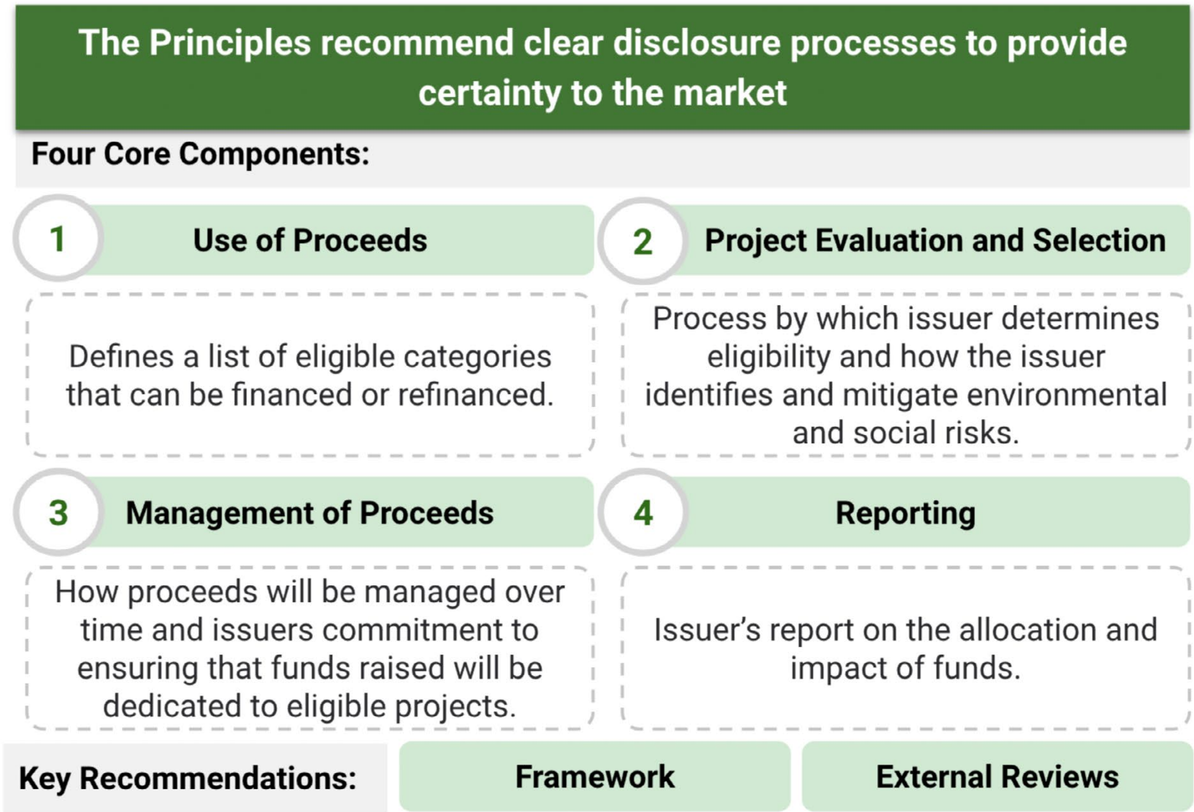


Figure 5. Core Components and Key Recommendations of GSS Bonds

The following subsections provide greater detail on what should be included within each of the four Core Components. Regarding the Key Recommendations, ICMA focuses on the Framework and External Reviews. Specifically, they outline that issuers should:

Develop a Framework that describes the issuance's alignment with the four Core Components listed above. This Framework is developed by the issuer. In some cases, issuers may obtain support from a third party (i.e., Development Finance Institution, consulting firm, etc.).

External reviews provide credibility to the bond prior to issuance as they evaluate the issuer's compliance regarding the use of proceeds, process of project selection, management of proceeds, and reporting. The external review must be done by an independent and qualified third party.

3.1 Use of Proceeds

The first step is to define what green and or social assets will be financed or refinanced by the bond. The use of proceeds must be properly described in the bond framework, specifying the assets to which the funds will be allocated, the environmental and social benefits and the indicators that will report the impact and result of their destination. Where relevant, issuers are recommended to disclose the share of financing versus refinancing, the assets that are refinanced, and the expected lookback period.

Green, Social and Sustainability bonds can be utilized for the indicative list of projects presented in Figure 6.

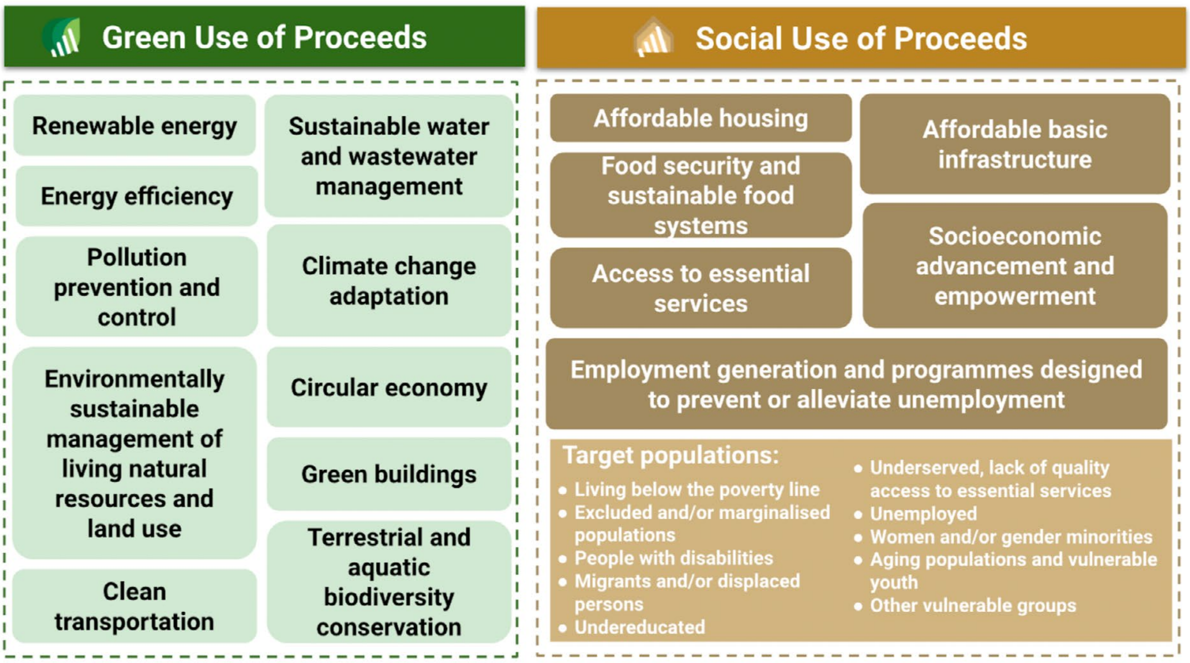


Figure 6. Project Categories for Green, Social, and Sustainability Bonds

These categories provide high-level descriptions of the types of assets that can be financed through a thematic bond transaction. Issuers are encouraged to use sustainable finance taxonomies to help determine eligibility criteria. In the absence of a Jamaican Taxonomy, issuers should refer to other market taxonomies. A list of market taxonomies is provided in Annex 3: Additional Resources.

Where issuers wish to finance projects aligned with a net-zero strategy aligned with the goals of the Paris Agreement, guidance on issuer level disclosures and climate transition strategies can be found in the **Climate Transition Finance Handbook.**

Social use of proceeds should address or mitigate a specific social issue or achieve a positive social outcome especially (but not exclusively) for a target population. Issuers should identify the target population(s) that will benefit from the use of proceeds financed. This notion of a target population is context-specific, so one population that may be considered vulnerable (or not vulnerable) in Jamaica may be different than in other parts of the world. Issuers are encouraged to provide information to further contextualize these points for investors. There are also cases where the social project will impact the general population (such as a public health issue, for example). In these cases, issuers can provide further detail on how the issue will be addressed, any safeguards to ensure that particularly vulnerable people are not excluded from the project, and, to the extent possible, identify segments of the general population that are expected to especially benefit from the project.

There are many ways that issuers in Jamaica can clearly define target populations. For example, issuers can consult national statistics, or the country's methodologies to assess socioeconomic strata to identify vulnerable populations. Table 2 provides a non-exhaustive list of sources that could be utilized to identify a target population.

Target Population	**Example of Methodology**
Micro, Small and Medium Enterprise (MSMEs)	According to the Ministry of Industry, Investment, and Commerce, MSMEs are defined based on their total annual sales/turnover and number of employees. The definition is found **here**.
Low-income population	The low-income population can be defined in multiple ways. One metric could be the population that receives less than the minimum wage (As of March 2024, minimum wage in Jamaica is J$15,000 per week, found **here**). Another metric that can be applied is the percentage of Jamaicans that are in poverty, which can be found based on data from the **Statistical Institute of Jamaica**.
Victims of Natural Disasters	Victims of natural disasters in Jamaica can be a target population for programs looking to provide relief because of hurricanes, floods, or other natural disasters. Victims of natural disasters can be identified through a report from the relevant Municipalities Disaster Management Committee or the **Office of Disaster Preparedness and Emergency Management.**

Table 2. Example of Methodologies to Identify Target Populations

It is important to note that while there may be green assets that have social benefits and, conversely, social assets that have environmental benefits, ICMA recommends that the issuer determine just one designation (either green or social category), as well as indicators that can be reported on, based on the primary objectives of the project.[39] For a bond to be considered a Sustainability Bond, it should finance both green and social assets, as described in the ICMA Sustainability Bond Guidelines (SBG).

According to Jamaica's economic, social, and geographic context, as well as the commitments set out in its NDC, the following environmental and social categories (shown in Figure 7 and Figure 8) were identified as particularly relevant to Jamaican issuers:

Category	Example
Renewable energy	Expenditures related to the design, development, construction, operation, upgrade and/or maintenance of renewable energy projects and infrastructure
Environmentally sustainable management of living natural resources and land use	Financing for projects that promote care in land use, preservation of biodiversity and marine protected areas
Climate Adaptation	Financing for climate adaptation and capacity to manage disaster risk and climate change such as design and construction of resilient infrastructure projects

Figure 7. Examples of Green Eligibility Criteria for Jamaica

Given that Jamaica's energy sector is highly dependent on imported fossil fuels and only 14% of power generation projects are renewable energy[40], the first category is highly relevant for the introduction of projects that help transition to clean energy sources that reduce carbon emissions and push the decarbonization targets set out in its NDC.[41] On the other hand, Jamaica's NDC targets land preservation and appropriate land use[42] due to the importance of the agricultural sector on the island. The second category of land use is relevant to promote sustainable agricultural practices to meet emission reduction commitments. Finally, due to the island's natural exposure to the effects of climate change, it is important to include categories for adaptation that enable investment in resilient infrastructure projects.

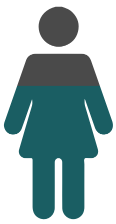
Figure 8 below shows three examples of potential projects that could be financed under a social bond issuance for Jamaica:

Category	Example	Vulnerable Groups
Socioeconomic Advancement and Empowerment	Financing for the development of women-led and owned businesses, when: (i) greater than or equal to 51% of the shareholding is held by women, or (ii) greater than or equal to 25% of the shareholding is held by women and holds a hierarchical position.	Population that has some specific characteristics that make it at higher risk. Some examples can be: • Living below the poverty line • Undereducated • Underserved • Unemployed • Women and/or gender minorities • Among others
Access to essential services	Financing of programs and projects aimed at improving and/or increasing access to education, housing and health services for vulnerable groups.	
Employment generation and programmes designed to prevent or alleviate unemployment	Financing for projects that aim to generate employment in, for example, the regions with the highest unemployment rate and vulnerability.	

Figure 8. Examples of Social Eligibility Criteria for Jamaica

Single Parent: 50%

In Jamaica, more than 50% of households are headed by single mothers who in turn work to support their families.



Below Poverty Line: 70%

And more than 70% of households below the poverty line are also female headed.[43]

Therefore, it is important to promote opportunities through the socioeconomic advancement & empowerment category that support entrepreneurial women to obtain well-paying jobs and enable them to reach executive and high-level positions. To address school drop-out problems, it is necessary to invest in essential services for vulnerable populations to prevent financial problems from causing them to quit education.[44] The second category seeks to direct resources to schools and projects that improve the quality of education and services to meet these basic needs. Finally, poverty eradication is a priority for the country and is one of the commitments acquired in its NDC[45], so the third category is relevant to direct resources to the generation of formal employment for target populations.

3.2 Project Evaluation and Selection

The second core component of ICMA describes the process that the issuer should put in place to evaluate and select eligible assets to be financed by the GSS bond issuance. This section of the Framework is an opportunity to demonstrate the robust corporate governance practices established by the issuer through the processes established to determine project eligibility and to manage and mitigateenvironmental and social risks.

The Principles guide issuers to clearly communicate to investors:

01

The environmental and social objectives pursued by the eligible projects to be financed by the bond.

02

The process by which the issuer will determine such projects as eligible within the social and environmental categories exemplified above.

03

The eligibility criteria to be used in the determination process and any supplementary information on the identification and management of perceived social and environmental risks.

Additional Guidance

- **Contextualization:** Information in the Framework should be contextualized to the issuer's overall objectives, strategy, policy and/or processes in relation to social and environmental sustainability.
- **Criteria:** Issuers should describe eligibility criteria, exclusionary criteria, and any norms, standards or certifications included in the selection of projects.
- **ESG Risk Management:** Issuers should describe the process in place to mitigate material risks of negative social and/or environmental impact related to the projects.

Figure 9. Additional Guidance for Project Evaluation and Selection

3.3 Management of Proceeds

The third ICMA principle stipulates that the net proceeds of GSS bonds, or an amount equal to these net proceeds, should be credited to a sub-account, transferred to a sub-portfolio, or otherwise be tracked by the issuer in an appropriate manner. The issuer shall attest to the formal internal process that is linked to the bond's investment operations for eligible social and environmental projects. This section of the Framework is an opportunity to demonstrate the robust corporate governance practices established by the issuer to promote greater transparency in internal processes.

While the bond is outstanding, the balance of the tracked net proceeds should be periodically adjusted to match allocations to eligible social and green projects made during that period. The issuer must disclose to investors the expected timing of placement for the balance of the unallocated net proceeds. To encourage a high level of transparency, it is recommended that the management of the issuer's proceeds be complemented by the services of an external reviewer to evaluate the internal monitoring method and proper allocation of the bond's funds.

3.4 Reporting

In accordance with the fourth pillar of ICMA, the issuer shall provide and maintain updated information on the use of proceeds allocated to eligible projects.

The report should be publicly available and easy to find on the issuer's website. Such information shall be renewed annually until full allocation of funds and/or when significant events occur. Issuers should at least report until full allocation, but it is recommended to report on impact until the maturity of the bond to align with best market practices.

The annual report shall include:

The allocation of proceeds

Annual reporting to investors on the allocation of funds from the bond to a list of eligible projects, the amount assigned and the expected impact.

Impact reporting

This includes the expected environmental and social impact of the projects financed by the bond. The information will be disclosed to investors on an annual basis with qualitative and quantitative indicators.

Reporting is important because it demonstrates how the funds were allocated and their corresponding impact. Additionally, investors need this information to report to their beneficiaries on the impact of their investments. Therefore, it is essential that reporting follows good practices, that the data is comparable, and that the methodology to describe the reporting is described so investors can recalibrate the data for their purposes. ICMA has developed guidance reports for determining impact indicators of Green (**Harmonized Framework for Impact Reporting for Green Bonds**) and Social (**Harmonized Framework for Impact Reporting for Social Bonds**) Bonds, which describes non-exhaustive illustrative lists of indicators for each eligible category.

3.5 External Review

It is common and recommended practice that prior to issuance issuers engage the services of one or more external reviewer to assess the alignment of the Framework with the core components of the ICMA Principles. After the issuance of the bond, it is common and recommended practice that the issuer's management of proceeds is complemented by the services of an external auditor or other third party to verify the correct allocation of funds and the internal allocation procedure.

Issuers have a variety of ways to obtain independent external review as there are different types, levels, and approaches of verification. While the external reviews are not required, it is a Key Recommendation of the GBP and SBP that issuers:

- Use a pre-issuance external review to assess the alignment of their issuance, bond program and/or their framework with the Core Components of the GBP or SBP, and
- Post issuance that an issuer's management of proceeds be supplemented using an external auditor, or other third party, to verify the internal tracking and the allocation of funds to eligible Green and/or Social Projects.[46]

Table 3 outlines the types of external reviews that exist in the market.

External review	Characteristics	Pre or Post Issuance
Second Party Opinion (SPO)	An institution with environmental/ social/ sustainability expertise that is independent from the issuer for its bond framework or climate transition strategy. The reviewer will also typically review the issuer's overall sustainability strategy and policy.	Pre-Issuance
Verification	An issuer can obtain independent verification against a designated set of criteria, typically pertaining to environmental/social/sustainability impact.	Pre- or post-issuance
Certification	An issuer can have its bond framework or Use of Proceeds certified against a recognized external standard or label that defines specific criteria and alignment.	Pre-issuance
Green, Social, Sustainability Bond Scoring/Rating	An issuer can have its bond framework or Use of Proceeds evaluated or assessed by third parties, such as specialized research providers or rating agencies, according to an established scoring/ rating methodology.	Pre-issuance

Table 3. Types of External Review

The most common external review is the Second Party Opinion (SPO). The SPO assesses the alignment of the Framework to the core components of the ICMA principles. The SPO may also include an overall assessment of the issuer's strategy and objectives. In addition, some external review providers sometimes evaluate the issuer's ESG performance, corporate governance practices and overall business reputation. As with the Framework, the SPO does not have a specific expiration date, however, issuers are encouraged to update the SPO if there are material changes in the organization, assets financed, or sustainable finance market guidelines and/or regulations.

For UOP bonds, external verifiers evaluate:
- The environmental and/or social characteristics of the projects to which the proceeds are directed.
- The environmental and/or social benefits and impacts of the eligible projects to be financed by the bond.
- The potential material environmental and/or social risks associated with the projects.

During the SPO, the external reviewer will request to review the Framework and other relevant documents to verify alignment with ICMA principles. Subsequently, a series of interviews and questionnaires will be conducted with the issuer to obtain further information. As a result of this, the external verification provider will prepare a document containing the information evaluated and the score obtained for the alignment. Figure 10 provides an illustration of this process.

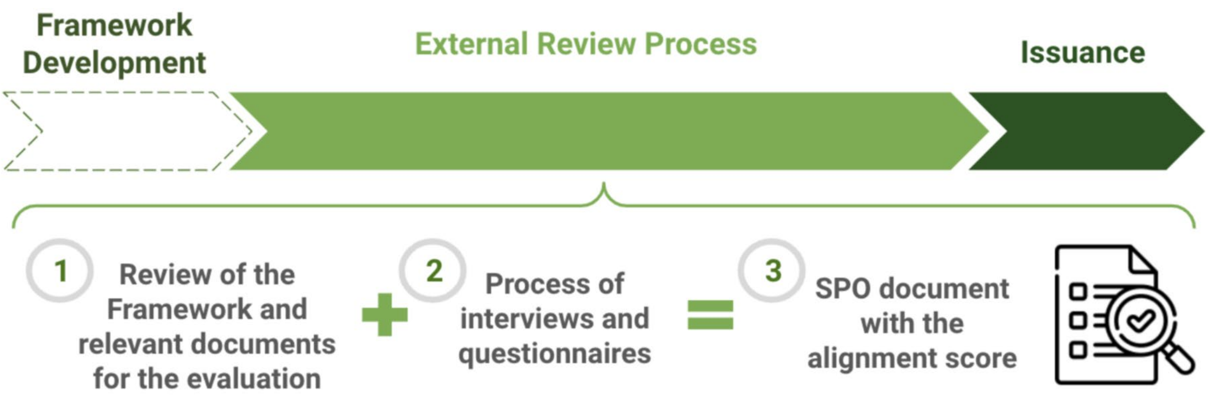


Figure 10. Second Party Opinion (SPO) Process

3.6 Example Transactions

In January 2023, Home Mortgage Bank issued the first social bond in the country and in the Caribbean for US$44.28M in Trinidad & Tobago. The bond aimed to support mortgage financing to low and middle-income families. The proceeds of the bond were used to finance the purchase of mortgages in the secondary market that were residential mortgages originated under the government of Trinidad and Tobago subsidy programs, were under TT$1.5 million, and destined to permanent residents and first-time homeowners. **The Social Bond Framework** was developed in partnership with IDB Invest in September 2022.[48] **The Second Party Opinion** was done by S&P Global Ratings, who verified the alignment of the Framework with ICMA principles. The SDGs targeted were: 1) No Poverty, 10) Reduce Inequalities, and 11) Sustainable Cities and Communities. The figure below shows further details regarding this issuance.

HOME MORTGAGE BANK
INVESTMENTS | MORTGAGES

Social Bond Issuance

Date	January 2023	**Size**	US$ 44.28 M	**Country**	Trinidad & Tobago
Type of instrument	Social Bond	**Tenor**	5 years	**Market**	International

Framework UoP	Affordable housing mortgages in the secondary market	**UoP Category**	Affordable Housing
SPO	S&P Global Ratings ✓ Aligned	**SDG**	1 No Poverty; 10 Reduced Inequalities; 11 Sustainable Cities and Communities

Figure 11. Home Mortgage Bank Social Bond

This issuance is an example of a social bond that allocates resources to specific projects for the needs of the population. A social bond issuance with these characteristics and resources destined to affordable housing in Jamaica could help boost the 2030 **Jamaican Housing Sector Plan** and address householding needs particularly for the population with low and moderate incomes.

Another example is the issuance of the first green bond in the Caribbean by Williams Caribbean Capital in Barbados. The bond was issued in January 2021 for USD 17 M and its proceeds were allocated to renewable energy projects such as solar energy. Since then, the company has issued various bonds under their green bond program. These issuances benefit the island of Barbados in allocating resources to reduce imports of fossil fuels and increase the use of renewable energy. **The Green Bond Framework** obtained a **Second Party Opinion** by Sustainalytics who verified alignment with ICMA. The SDG it targets is: 7) Affordable and Clean Energy.

The issuer also uploaded information on their bond issuance program in the Green Bond Transparency Platform, which includes information on the allocation and impact of the use of proceeds. Additionally, Williams Caribbean Capital obtained a **Post-Issuance Verification** from Sustainalytics, which evaluated the allocation of funds to the eligible use of proceeds categories. The figure below shows further details regarding this issuance.

Williams Caribbean Capital

Green Bond Issuance

Dates	2018 - 2021	**Size**	US$ 28.5 M	**Country**	Barbados
Type of instrument	Green Bonds	**Tenor**	2, 4, 12 years	**Market**	Local

Framework UoP	PV Solar green projects on rooftops and land	**UoP Category**	Renewable Energy
SPO	SUSTAINALYTICS ✓ Aligned	**SDG**	Affordable and Clean energy

Figure 12. Williams Caribbean Capital Green Bond

Given Jamaica's energy sector's high dependency on imported fossil fuels, issuing a green bond with these characteristics represents an opportunity to allocate funds to renewable energy generation and thus advance the commitments assumed in its NDC.

Another noteworthy example is from another SIDS outside of the Caribbean region, namely Fiji, which issued its historic first-ever Sovereign Blue Bond in November 2023. The bond was issued in two tranches, the first for USD 5M and the second for USD 15M in the international market. The issuance seeks to allocate resources for transformative ocean activities and for the conservation and protection of Fiji's marine ecosystem. For the country, the bond represents a step forward in achieving its commitments to sustainable ocean management and economic resilience.[49]

Fiji's **Sustainable Bond Framework** was published in 2022. **The Second Party Opinion** was provided by Sustainalytics who verified the alignment of the Framework with ICMA's GBP and SBP. The Framework includes 11 green and blue categories such as: renewable energy, energy efficiency, aquatic biodiversity conservation, zero-carbon transportation, among others. It also includes 6 social categories such as: affordable basic infrastructure, access to essential services, affordable housing, employment generation, among others. The SDGs targeted are 8) Decent Work and Economic Growth, 9) Industry Innovation and Infrastructure, and 11) Sustainable Cities and Communities. The figure below shows further details regarding this issuance.

Blue Bond Sovereign Issuance

Date	November 2023	**Size**	Tranche 1: US$ 5M Tranche 2: US$ 15M	**Country**	Fiji
Type of instrument	Sovereign Blue Bond	**Tenor**	Tranche 1: 3 years Tranche 2: 15 years	**Market**	International

Green/Blue Categories		**Social Categories**	
	• Renewable Energy • Energy Efficiency • Aquatic Biodiversity Conservation • Zero-carbon Transportation		• Affordable Basic Infrastructure • Access to Essential Services • Affordable Housing • Employment Generation

Figure 13. Fiji Blue Bond

In the Jamaican context, this example is relevant because it highlights a sovereign bond specifically tailored to the needs of an island nation. The issuance of a sustainability-focused blue bond presents an opportunity for Jamaica to allocate resources towards projects that address environmental and social concerns, with a particular emphasis on marine and ocean conservation. Given Jamaica's vulnerability to climate change impacts that directly affect its population, a bond incorporating social, environmental, and ocean conservation initiatives could pave the way for building a more resilient Jamaican economy.

Sustainability Linked
Bonds

04

A Sustainability-linked bond (SLB) includes:

Financial or structural incentives or penalties linked to the issuer's ability to meet predefined Sustainability Performance Targets (SPTs) within an established period. SLBs are useful to reinforce the issuer's commitment to sustainability and set a clear roadmap for the implementation of this strategy. These bonds are expected to follow the voluntary standards that ICMA established in close consultation with key market participants: **Sustainability-Linked Bond Principles** (SLBP).

There are a few key differences between SLBs and Green, Social, and Sustainability bonds. First, the use of proceeds of SLBs can be used for general corporate purposes. Second, an external verification by an independent third party is required at a post-issuance phase, to verify the performance of the SPTs. The ICMA Sustainability-Linked Bond Principles define five core components of SLBs (Figure 14).

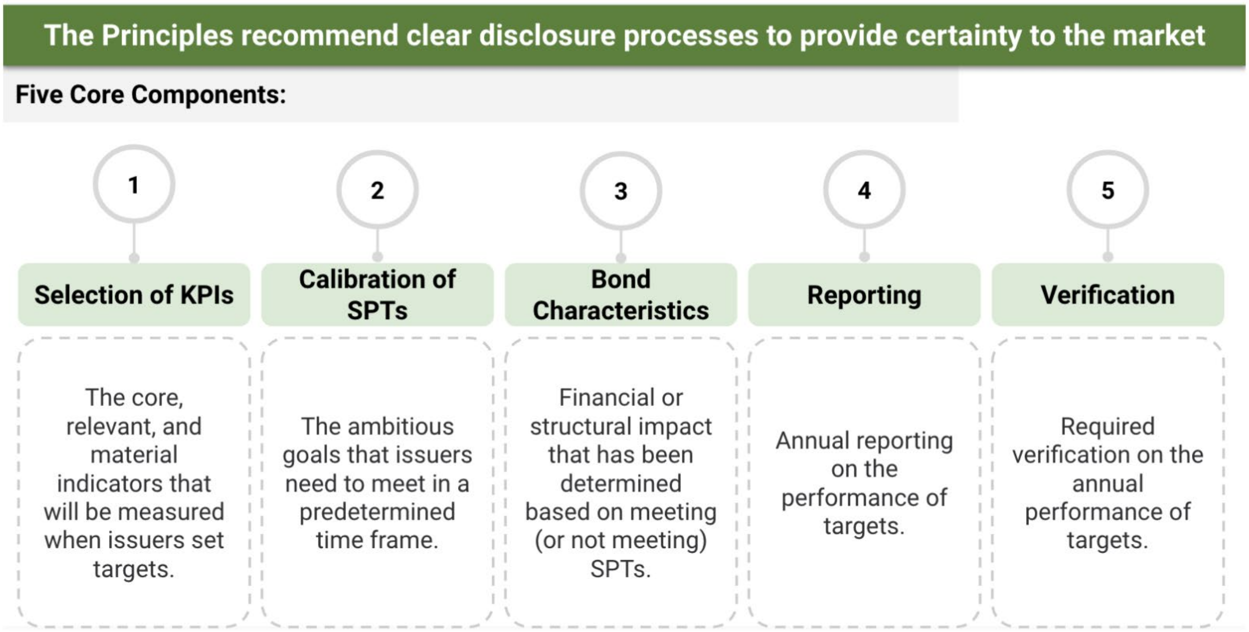


Figure 14. Five Core Components of SLBs from the SLBP

Issuers are expected to develop a Framework that describes the issuance's alignment with the five Core Components. The following subsections provide greater detail on what should be included within each component.

4.1 External Review

According to the first component of the SLBP, issuers should select one or more Key Performance Indicators (KPIs) which will be measured. In general, most issuers choose between 1 and 3 KPIs. The KPIs should be:

- Relevant, core, and material to the business strategy and operations of the issuer.
- Of high strategic significance to the issuer's operations.
- Measurable or quantifiable based on a consistent methodology.
- Externally verifiable by an independent third party.
- Able to be benchmarked, to facilitate the assessment of the Sustainability Performance Targets (SPTs) level of ambition.

ICMA has developed an **Illustrative KPI Registry**, which is an excel spreadsheet that includes high-level recommendations and illustrative examples for the selection of KPIs for SLBs. While this is not an exhaustive list of KPIs, this is a valuable tool that Jamaican issuers can use to help identify core, material, and relevant KPIs.

Additional Guidance

- **Historical Performance:** Select KPIs that were previously included in public reports so investors can evaluate historical performance. If not available, issuers should provide externally verified KPIs for the past three years.

- **Justification:** The rationale as to why the KPIs have been selected should be communicated. Ensure that the selected KPIs align with the overall sustainability strategy and priorities of the organization.

- **Clear Definition:** Provide a clear definition of the KPIs and include the applicable scope, the calculation methodology, the baseline used and benchmarking with other useful data. Avoid qualitative KPIs that are difficult to measure or track objectively.

Figure 15. Additional Guidance for Selection of KPIs

4.2 Calibration of Sustainability Performance Targets

Sustainability Performance Targets (SPTs), provide a mechanism for aligning the issuer's financial activities with broader sustainability objectives. They should be ambitious, meaning they should meet the following criteria:

- Incentivize material performance improvement and be beyond "Business as Usual" behavior.
- Be scienced-based or benchmarked against an external reference.
- Be consistent with the issuers' sustainability and business strategy.
- Be determined on a predefined timeline.

The principles further state that the targets need to be benchmarked on a combination of the following approaches (1) the issuer's own performance over at least three years, (2) the issuer's peers (which could include references to industry or sector standards), and/or (3) references to the science. In addition, information related to target setting should make clear reference to the timelines for the target achievement, the verified baseline, recalculation situations of the baseline, how issuers intend to achieve the objectives, as well as any other factors outside the issuer's direct control that may compromise the scope of the SPTs.

Additional Guidance

- **Contextualization:** Information in the Framework should be contextualized to the issuer's overall objectives, strategy, policy and/or processes in relation to social and environmental sustainability.
- **Criteria:** Issuers should describe eligibility criteria, exclusionary criteria, and any norms, standards or certifications included in the selection of projects.
- **ESG Risk Management:** Issuers should describe the process in place to mitigate material risks of negative social and/or environmental impact related to the projects.

Figure 16. Additional Guidance for the Calibration of SPTs

4.3 Bond Characteristics

The bond characteristics in SLBs should be carefully designed to align incentives with sustainability goals. An SLB includes a financial and/or structural characteristic, which will depend on whether the selected KPIs reach the predefined SPTs.

The ICMA Principles do not define a specific financial structure or characteristic that should be applied. However, the most used characteristic is tying the coupon rate of the bond with the targets. The coupon rate on the bond refers to the annual interest rate paid on the bond, paid from the issue date through maturity. Coupon rates are set based on the prevalent market interest rates at the time of issuance, amongst other factors. As an example, if the issuer meets the predefined sustainability targets, the coupon rate may be reduced as a reward (coupon step-down). Conversely, if targets are not met, the coupon rate may increase as a penalty (coupon step-up).

The potential variation of the SLB financial and/or structural characteristics (along with KPI and SPT definition and methodologies) must be included within the bond documentation (Prospectus).

ICMA provides some recommendations on the factors that issuers may consider when designing incentive mechanisms such as (1) the absolute value of the penalty and proportion to the issuer's overall borrowing costs, (2) the ability to present penalties in context of other corporate benchmarking criteria (3) the ability to benchmark against proposed adjustments made by other issuers, and (4) non-financial incentives if the SPTs are missed.[50]

Additional Guidance

- **Materiality:** The variation of the bond characteristics should be meaningful relative to the issuer's original bond financial/structural characteristics. The bond characteristics should be aligned with the material sustainability issues and priorities of the issuer and its stakeholders.

- **Exceptional events:** Any fallback mechanisms including specific language to be considered in potential exceptional events should be explained. Additional language could be included within the bond documentation on this point.

Figure 17. Additional Guidance for Bond Characteristics

4.4 Reporting

Issuers of SLBs are required to provide transparent reporting on their sustainability performance, progress towards achieving SPTs and any information that enables monitoring the level of ambition of the predefined targets. The data should be available and easily accessible.

Additional Guidance

- **Frequency:** Issuers must report at least annually, at any relevant date or period in the assessment of the SPT performance or in case of an adjustment of the structural or financial characteristics of the bond is required. If quantitative data is not available every year, issuers should publish a report explaining the main factors involved in the evolution of each KPI.

- **Disclosure:** It is recommended to follow the disclosure checklist from the SLBP. Ensure that reports contain clear, concise and easily understandable information for investors, stakeholders and the general public. Provide detailed information on methodology, data sources and calculation techniques to enhance transparency and credibility.

- **Verification:** Engage independent third-party verifiers to verify that targets have been met and assess accuracy and reliability of information.

- **Comparability:** Compare the results obtained with historical information to demonstrate progress and improvement over time.

Figure 18. Additional Guidance for SLB Reporting

4.5 Verification

It is recommended that pre-issuance external review is utilized to review and assess the alignment of the bond with the ICMA Principles. Meanwhile, post-issuance verification is a required element for SLBs. Issuers should seek independent, external verification of SPT performance for each KPI, by a qualified external reviewer according to the timing deemed relevant for the specific bond. This verification should be made public.

4.6 Example SLB Transactions

In October 2021, the energy company Ege Haina published its **Sustainability-Linked Financing Framework** to issue a USD$300 M 7-year SLB in the Dominican Republic, which obtained a 3x oversubscription, making it the first SLB and the most competitive issuance achieved in the international markets by a company in the Dominican Republic.[51]

The SLB Framework outlined the strategy by which Ege Haina will measure the KPI of installed renewable capacity and seeks to reach a capacity of 526.5 MW by December 31, 2026, which is equivalent to a 200% increase over the 2020 baseline, an SPT described as ambitious in the **SPO** conducted by Sustainalytics.[52] Ege Haina reported on the performance on these KPIs in their **Annual Sustainability Report.**

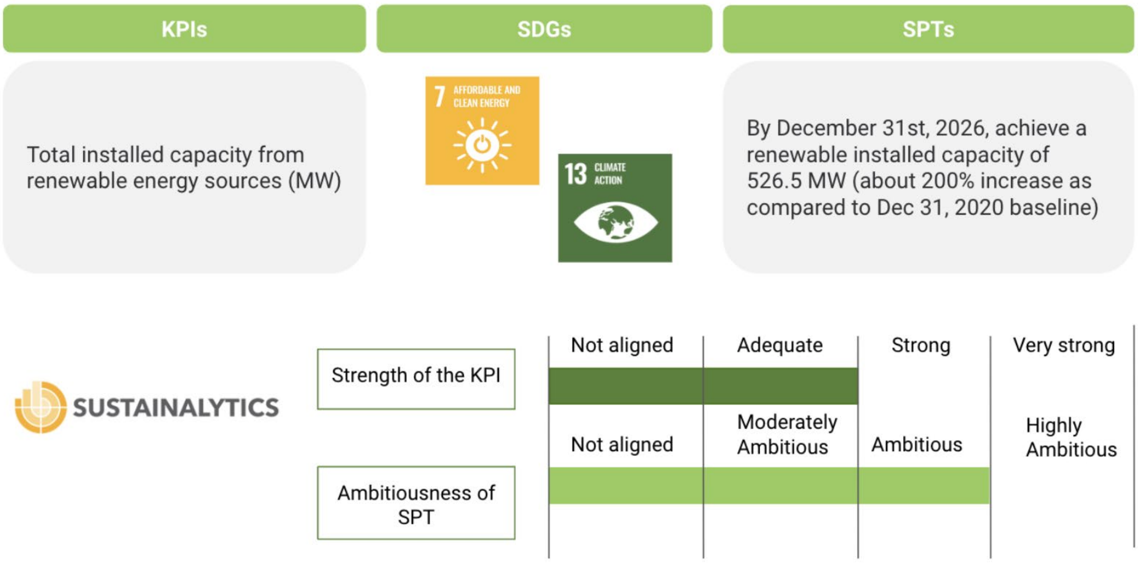


Figure 19. KPIs & SPTs from Ege Haina's 2021 SLB Framework

Ege Haina's SLB is relevant to Jamaica given the country's high dependence on fossil fuels, this instrument, which may be replicable in Jamaica by another issuer, can serve as a solution to the need to implement alternative renewable energy sources and meet the goals established in the National Energy Policy 2009-2030.

The Government of Uruguay issued its first SLB in October 0f 2022 for USD$1,500 M, with two KPIs: one related to emissions reductions and another related to maintaining forest cover. This transaction provides a good example of an innovative pricing structure embedded within the bond characteristics. The **SLB Framework** describes how the financial characteristics of the instruments will be individually linked to each of the KPIs, so that meeting, or failure to meet, each SPT is independent of the other SPTs. Additionally, the government applied a two-way pricing structure to incentivize overachievement and penalize underachievement. The magnitude of the step-up or step down is determined on the outcome of the scenario. Table 4 below provides a summary of this structure.

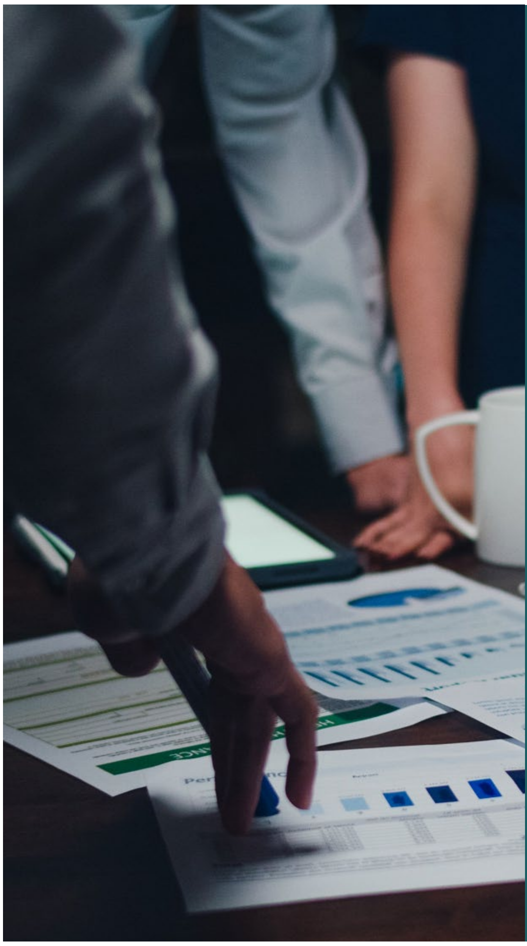
		KPI 2 – Maintenance of Native Forest Area		
		Less than 100%	Between 100% and 103%	More than 103%
KPI 1: GHG Emissions Reduction	Less than 50%	+ (2X) bps	+ X bps	No change
	Between 50% and 52%	+ X bps	No change	- X bps
	More than 52%	No change	- X bps	- (2X) bps

Table 4. Example of Financial Characteristics in the Government of Uruguay's SLB

As demonstrated by the table above, the penalty and/or incentive is based on the level of the performance of the issuer on the SPTs.

05

Conclusions & Recommendations



5.1 Step-by-Step Process for Issuance

Thematic bonds (which include both UOP and SLBs), like traditional bonds issued on the JSE, must follow the JSE Rules and Regulations.[53] A checklist summarizing these regulatory requirements is provided in Annex 2: Checklist of Listing Requirements for JSE. In addition, thematic bond issuers should follow the ICMA principles for GSS+ specific processes. Prior to issuance, it is also important to engage with potential investors, which can be often facilitated by the underwriting bank, which can provide advice on the market appetite and expectations and support issuers on the roadshow.

UOP bonds are debt instruments where financing is allocated to investments with positive environmental and/or social benefits. Issuers are encouraged to review ICMA's **Pre-Issuance Checklist for Green Bonds** and **Pre-Issuance Checklist for Social Bonds** for further guidance. Figure 20 provides a step-by-step process for issuing these types of instruments. For more detailed information on this 5-step process, issuers can refer to IDB Invest's **Practitioners Guide and Toolkit for Thematic Bonds.**

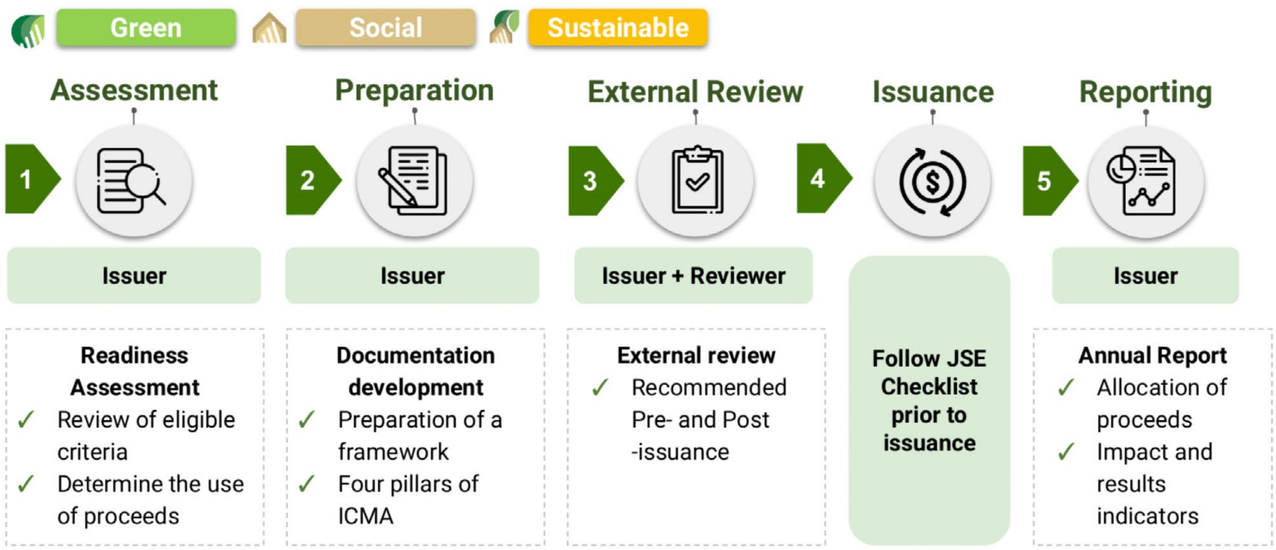


Figure 20. Use of Proceeds Bonds Step-by-Step Process

Assessment

The first step in issuing a Green, Social, or Sustainability Bond is to evaluate the preparedness of the organization to issue these types of instruments. Through this self-assessment, an issuer can evaluate both their capacity as an organization and the issuance itself, including a review of the eligibility criteria and the definition of the use of proceeds. A Self-Assessment template is provided in IDB Invest's **Practitioners Guide and Toolkit for Thematic Bonds** (see page 36). Within this step, Issuers are urged to ensure that they have established robust corporate governance practices within the organization.

Preparation of Documentation

The next step is the preparation of the Framework, which is a detailed document describing how the issuance is aligned with the ICMA Principles. The Framework will define the decision-making process involved in defining the (1) eligible use of proceeds (2) selecting eligible projects, (3) the management of funds, and (4) reporting on impact and allocation of the use of proceeds.

External Review

The third step is to obtain an external verification, which will determine the level of alignment of the framework with international principles and standards. The most common type of external review at this stage is the SPO.

Issuance

The fourth step is to issue the bond. Prior to issuance, the issuers must follow the JSE Rules and Regulations. A summarized description of these steps is described in **Annex 2: Checklist of Listing Requirements for JSE.**

Reporting

One year after issuance, the issuer reports the impact and results indicators of the resources allocated by the bond on an annual basis. Refer to Chapter 3 of this guidance document for more details on this process.

SLBs are performance-based debt instruments that raise capital for general corporate purposes and whose financial or structural characteristics are adjusted based on the achievement of a predefined sustainability target. Figure 21 provides a step-by-step process for issuing SLBs.

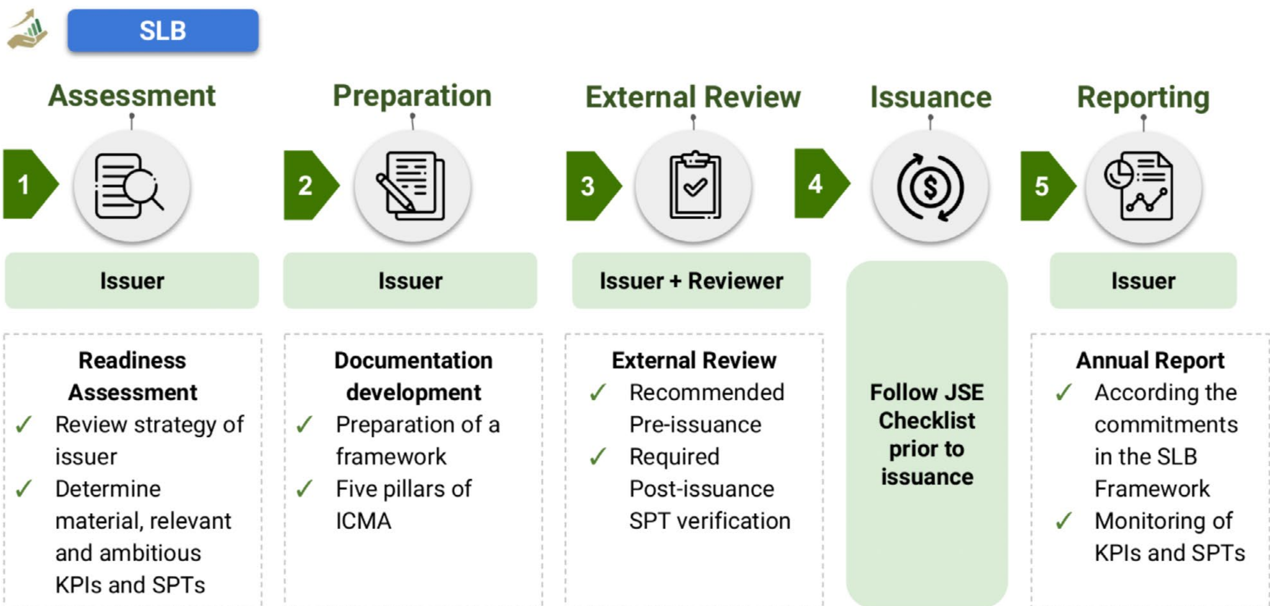


Figure 21. Sustainability-Linked Bonds Step-by-Step Process

Assessment

The first step in issuing an SLB is to evaluate the preparedness of the organization to issue these types of instruments. Through this self-assessment, an issuer can evaluate both their capacity as an organization and the issuance itself, in which the issuer's strategy is reviewed and relevant and material KPIs and ambitious SPTs are determined. As with UOP thematic bonds, strong corporate governance is also important for SLB issuers, and the same guidelines should be applied.

Preparation

Subsequently, the Sustainability-Linked Bond Framework is developed in line with the ICMA Principles, detailing the five core components: (1) selection of KPIs (2) calibration of SPTs, (3) bond characteristics, (4) reporting and (5) verification.

External Review

Once the Framework is prepared, it is recommended that an external reviewer or SPO verifies the alignment of the framework with the principles prior to issuance and it is a requirement that the issuer obtain a post-issuance verification on the progress towards the SPTs.

Issuance

The fourth step is to issue the bond. Prior to issuance, the issuers must follow the JSE Rules and Regulations. A summarized description of these steps is described in Annex 2: Checklist of Listing Requirements for JSE.

Reporting

as a final step, the issuer will report annually on the monitoring of the KPIs and SPTs according to the commitments acquired in the framework. Refer to Chapter 4 for more details on this process.

5.2 Fostering Jamaica's Sustainable Finance Market

Although it will take some time for Jamaica to have a consolidated sustainable finance market, the publication of this guide represents an important step to advance on that path, as it helps to raise awareness and share knowledge on how to structure and place thematic bonds. The publication of this guide involved a comprehensive stakeholder engagement process with both public and private sector actors, which has been shown to be a successful way to promote the growth of thematic bond markets in other countries.

To conclude, this document provides a detailed description and guideline for issuers in Jamaica to follow to prepare for a thematic bond issuance. By providing dedicated guidance to the market, this document seeks to help promote enabling conditions to promote the growth of Green, Social, Sustainability, and Sustainability-Linked Bonds in Jamaica.

Annex 1: Example Transactions

The following table provides definitions of the different thematic bond labels with corresponding example transactions that are relevant to the Jamaican market as they target relevant use of proceeds or are issued by Caribbean issuers or issuers in SIDS.

Label	Sub-label	Definition	Example Transactions
Green		Bond proceeds are allocated to projects with environmental benefits.	Williams Renewable Energy BBD 14 M2021 ,
Green	Climate resilience	Bond proceeds are allocated to projects related to enhancing resilience/ adaptation to climate change.	EBRD USD 700 $M2019 ,
Green	Blue	Bond proceeds are allocated to projects aimed at the preservation of the ocean ,water ,and responsible management of these resources.	Republic of Fiji FJD 20 M2023 ,
Social		Bond proceeds are allocated to projects that address social problems of a target population[1].	Home Mortgage Bank TTD 300 M2023 ,
Social	Gender	Bond proceeds are allocated to new or existing projects that support the advancement, empowerment ,and equality of women.	Banco Adopem USD 15 $M 2024 ,

Social	Covid/ Pandemic bond	Bond proceeds are allocated to projects that address the mitigation of the impacts of the COVID 19-Pandemic.	Central American Bank for Economic Integration (CABEI) MXN 5,000 $M, 2021	
Sustainability		Bond proceeds are allocated to projects with a mix of environmental and social benefits.	Vinte MXN 1500 $M, 2023	
Sustainability-Linked		Issuer commits to sustainability performance targets and characteristics are tied to meeting) or not meeting (said targets .	Ege Haina USD 300 $M, 2021	

Annex 2: Checklist of Listing Requirements for JSE

To issue a bond, Jamaican issuers must follow the bond listing requirements. These requirements are detailed in the JSE Rules. The JSE Rules governs JSE's operations and provides the platform for an efficient and transparent market. Against this background new rules or amendments are subject to a process of rigorous review to ensure their adequacy before adoption. The review process involves the JSE's Regulatory and Market Oversight Committee (RMOC) and the JSE's Rules Committee and the Financial Services Commission (FSC) who are required to issue a no-objection to rule amendments of the Exchange.

The following checklist summarizes the Bond Market Listing Requirements in the JSE.

Publication:

- Offer published in a daily newspaper at least (7) days before the list opened for subscription and sufficient copies made available to the public.

Details and Basis of Allotment:

- Within six (6) business days after closing of the list, the company shall deliver to the Exchange a signed statement setting out the details and basis of allotment.

List of Allottees:

- Within ten (10) days after allotment, a list of allottees must be forwarded to the Exchange.

Renunciation Letter /Certificate of Allotment:

- Within ten days (10) days after the closing of the list, renunciation letters/certificates of allotment accompanied by the refund of all monies received in excess of shares allotted, if any, must be forwarded to all allottees.

Certificate to Allottees:

- Within thirty (30) days of expiration of renunciation, definitive certificates must be ready for delivery of allottees.

Application for Listing:

- Two completed copies of the Form of Application for Listing (**Appendix 2**).
- Two completed copies of the Listing Agreement (**Appendix 3**).
- The initial listing fee.
- Certified copy of Articles of Association and Memorandum of Association.
- Board Resolution authorizing the Application for Listing.
- A letter from the Company's Counsel certifying that the Company has been legally and properly organized.
- A letter from the Secretary of the Company certifying that:
- The securities to be listed have been duly and properly authorized and issued according to the law.
- All calls on the securities to be listed are fully paid.
- A current list of shareholders/stockholders who are the recipient of the shares.
- A full description of the company's operation that is provided in the prospectus.
- Basis of Allotment.
- Specimen of the Share certificate.
- Audited Financial Statements.
- Description of Operations.
- Share Register.
- Prospectus and other documents of offer.
- Financial Services Commission Registration Letter.
- Companies Office of Jamaica Registration Letter.
- Does the company have an Audit Committee?
- Closure Notice.
- RMOD regulatory issues satisfied.
- Does the company have a broker? (Rule 403A)

Upload

- Publish Prospectus in Jamaica by uploading to the JSE's and Company's Websites.

Annex 3: Additional Resources

ICMA provides the leading guiding principles related to thematic bonds. The following figure summarizes the guidance documents updated by ICMA's executive committee in the most recent guidance update in 2023.

Figure 22. ICMA Guidance for Thematic Bonds

In addition to the ICMA principles, standards and taxonomies mentioned throughout the document, there are other useful market guidelines (Table 6) and Sustainable Finance Taxonomies (Table 7) to complement GSS+ bond issuance. The resources mentioned below are not an exhaustive list of guidelines, but rather a representative indication of what is available in the market.

Topic	Resource	Description
ICMA		
General Guidance	Climate Transition Finance Handbook	Additional guidance for issuers seeking to use GSS+ instruments towards the achievement of their climate transition strategy.
	Guidance Handbook and Q&A	Information that aims to clarify ICMA guidance documents.

General Guidance	Mapping to the Sustainable Development Goals	The document aims to be a tool that helps to evaluate the financing objectives of a GSS bond against the SDGs.
GSS+ Guidelines	Green Bond Principles	Voluntary process guidelines for issuing green bonds.
	Social Bond Principles	Voluntary process guidelines for issuing social bonds.
	Sustainability Bond Guidelines	Voluntary guidelines that outline best practices when issuing bonds serving social and/or environmental purposes.
	Sustainability-Linked Bond Principles	Voluntary process guidelines that recommend structuring features, disclosure and reporting for SLBs.
	Bonds to finance the sustainable blue economy. A practitioners guide	Voluntary guidance that provides market participants with criteria, practices, and examples for "blue bond" lending and issuances.
	Guidelines for Blue Finance	Guidance document that provides a list of eligible blue use of proceeds to support private investments aligned with the GBP (core components of ICMA principles adaptable to blue finance).
	Bonds to Bridge the Gender Gap	Describes types of gender projects that can be financed through sustainable bonds and provides examples of gender-based targets for issuers of SLBs.
IDB Invest		
Green, Social and Sustainability Bonds	Financing Sustainability Through Capital Markets	The guide provides a practical roadmap for issuers by outlining the key steps for structuring and issuing thematic bonds. It is currently being updated with a 2024 release.

Table 6. Additional Market Guidance Documents

Entity	Taxonomy	Summary
Climate Bond Initiative	CBI Taxonomy	The taxonomy focuses on climate change mitigation and adaptation. It also provides detailed requirements for 19 sectors with non-exhaustive use-of-proceeds examples.
EU Commission	EU Sustainable Finance Taxonomy	The taxonomy is a classification system for sustainable activities to support investment flows to these activities. Develops six environmental objectives.
Colombia	Colombia Green Taxonomy	The taxonomy provides a classification of sustainable activities and a framework to support environmental agreements. It focuses on the environment but includes some social protection clauses.
Mexico	Mexican Sustainable Taxonomy	The taxonomy provides guidelines and definitions for green investments with mitigation and adaptation goals. It also includes a chapter dedicated to gender equality.
Panama	Panama Sustainable Finance Taxonomy	The taxonomy provides credibility, integrity and transparency to the market and promotes mobilization of capital towards a sustainable, resilient, and inclusive economy.

Table 7. Sustainable Finance Taxonomies

[1] ICMA (2021 with June 2022 Appendix). Green Bond Principles. Available online **here.**
[2] ICMA (2023). Social Bond Principles. Available online **here.**
[3] ICMA (2021). Sustainability Bond Guidelines. Available online **here.**
[4] ICMA (2023). Sustainability Linked Bond Principles. Available online **here.**
[5] Government of Jamaica (2023). Climate Change Policy Framework for Jamaica. Available online **here.**
[6] Government of Jamaica (2023). Climate Change Policy Framework for Jamaica. Available online **here.**
[7]UNFCCC (2020). Jamaica's Updated Nationally Determined Contributions. Available online **here.**
[8] World Bank (2021). Jamaica's NDC Implementation Plan. Available online **here.**
[9] The Gleaner (2024). Jamaica needs US$5 billion for green investments. Available online **here.**
[10] HPL (2024). HPL's Proprietary Database.
[11] CBI (2023). Latin America and the Caribbean Sustainable Debt State of the Market. Available online **here.**
[12] HPL (2024). HPL's Proprietary Database.
[13] This volume takes into consideration the nine bonds issued by Williams Renewable Energy between 2018 and 2021
[14] MSET (s.f.) Invest in Energy. Available **here.**
[15] The Ministry of Energy and Mining (2009). Jamaica's Energy Policy 2009-2030. Available **here.**
[16] OECD (2023). Green, Social and Sustainability Bonds. Available online **here.**
[17] IDB Invest (2021). Financing Sustainability through the Capital Markets. Available online **here.**
[18] PIOJ (2020). Review of Economic Performance, October–December 2020. Available online **here.**
[19] JSE (s.f.). Listed Companies. Available online **here.**
[20] Government of Jamaica (2020). NDC of Jamaica. Available online **here**.
[21] ISSD (2022). Charting a More Sustainable Course for the Tourism Industry. Available online **here.**
[22] Northrop et. al (2020). Opportunities for Transforming Coastal and Marine Tourism. Available online **here**.
[23] Jamaica Information Service (2023). Gov't Investing in Improving Water Sector's Resilience. Available online **here.**
[24] IDB Invest (2024). IDB Invest Partners with JPS to Support Jamaica's Green Energy Transformation. Available online **here.**
[25] IDB Invest (2024). IDB Invest Partners with Derrimon to Support Food Security through Sustainable Operations in Jamaica. Available online **here.**
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[27] KPMG (2023). Blue bonds and climate finance in island economies. Available online **here.**
[28] ICMA (2021 with June 2022 Appendix I). Green Bond Principles. Available online **here.**
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[31] ICMA (2023). Bonds to Finance the Sustainable Blue Economy. Available online **here.**
[32] ICMA (2021). Bonds to Bridge the Gender Gap: A Practitioner's Guide to Using Sustainable Debt for Gender Equality. Available online **here.**
[33] CBI (2019). Climate Resilience Principles. Available online **here.**
[34] ICMA (2023). Sustainability Linked Bond Principles. Available online **here.**
[35] UNEP (2023). Common Framework of Sustainable Finance Taxonomies for Latin America and the Caribbean. Available online **here.**
[36] UNEP (2023). Common Framework of Sustainable Finance Taxonomies for Latin America and the Caribbean. Available online **here.**
[37] CGDF (n.d.). Collaboration on Corporate Governance. Available online **here.**
[38] JSE (n.d.) Corporate Governance Index. Available online **here.**
[39] ICMA (2022). The Principles Guidance Handbook. Available online **here.**
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[41] Jamaica (2020). Nationally Determined Contribution of Jamaica. Available online **here.**
[42] Jamaica (2020). Nationally Determined Contribution of Jamaica. Available online **here.**
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[49] UNDP (2023). Launch of Fiji's first-ever Sovereign Blue Bond. Available online **here.**
[50] ICMA (2023). Sustainability-Linked Bond Principles Related Questions. Available online **here.**
[51] BN Americas (2021). EGE Haina placed an international bond of USD 300 million linked to Sustainability. Available online **here.**
[52] Sustainalytics (2021). Second-Party Opinion EGE Haina Sustainability-Linked Financing Framework. Available online **here.**
[53] JSE (n.d.). Rules and Regulations. Available online **here.**
[54] In the example transaction proceeds were used to improve the access to finance for first time low- and middle-income homeowners in the Trinidad and Tobago housing sector through the issuance of the social bond in the domestic capital markets

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GREEN, SOCIAL, SUSTAINABILITY, AND SUSTAINABILITY LINKED (GSS+)

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