

Central American Bank for Economic Integration

Type of Engagement: Annual Review

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Introduction

In 2022, the Central American Bank for Economic Integration (“CABEI”) issued its fifth social bond, raising USD 50.40 million in the Japanese market (the “2022 Japanese Social Bond”) to finance projects intended to support rural electrification in Nicaragua. In 2024, CABEI engaged Sustainalytics to review the projects financed with proceeds from the 2022 Japanese Social Bond (the “Nominated Expenditures”) and provide an assessment as to whether the Nominated Expenditures meet the use of proceeds criteria and whether CABEI complied with the reporting commitments in the CABEI Social Bond Framework (the “Framework”).¹ Sustainalytics provided a Second-Party Opinion on the Framework in January 2021.² This is Sustainalytics’ second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in July 2023.³

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and CABEI’s reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs⁴

Use of Proceeds Category	Sub-category	Eligibility Criteria	Key Performance Indicators
Affordable Basic Infrastructure	Rural development (Electrification)	<ul style="list-style-type: none"> – Creation, expansion and/or maintenance of public access for electrical interconnectivity in rural areas. 	<ul style="list-style-type: none"> – Installed capacity of rural electrification projects (MW or GW) – New population with access to energy (number of inhabitants)

Issuer’s Responsibility

CABEI is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

¹ CABEI, “CABEI Social Bond Framework”, (2020), at:

https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Final_SBF_CABEI_FINAL.pdf

² Sustainalytics, “Second-Party Opinion, CABEI Social Bond Framework”, (2021), at:

https://www.bcie.org/fileadmin/bcie/espanol/archivos/novedades/publicaciones/institucionales/Central_American_Bank_for_Economic_Integration_SPO_FINAL-1.pdf

³ Sustainalytics, “Annual Review, Central American Bank for Economic Integration”, (2023), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/cabei_japan-social-bond-2022_annual-review-2023.pdf

⁴ The Nominated Expenditures are all in the Affordable Basic Infrastructure category.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from CABEL's 2022 Japanese Social Bond. The work undertaken as part of this engagement included collection of documentation from CABEL and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by CABEL. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by CABEL.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria (with one exception identified) and reporting commitments in the Framework. CABEL has disclosed to Sustainalytics that the proceeds from the 2022 Japanese Social Bond were fully allocated as of April 2023.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of projects to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria with one exception. ⁶	Exception identified
Reporting Criteria	Verification of projects or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	CABEL reported on at least one KPI per use of proceeds category.	None

⁵ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

⁶ Sustainalytics notes that in addition to financing rural electrification projects, CABEL has also financed electrification projects in small vulnerable urban settlements in underserved municipalities or associated semi-urban vulnerable areas with existing yet unregulated electricity access.

Appendix

Appendix 1: Allocation and Reported Impact

100% of the proceeds of the 2022 Japanese Social Bond were allocated to new disbursements.

Table 3: Allocation Reporting and Reported Impact for the 2022 Japanese Social Bond⁷

Use of Proceeds Category	Sub-category	Project Description	Social Impact Reported ⁸	Allocation (USD million)
Affordable Basic Infrastructure	Rural development (Electrification)	Extension of the PNESER Program Section C in Nicaragua - Increase national electricity coverage through rural electrification and improve the quality of electricity service in small settlements in underserved municipalities or the associated semi-urban vulnerable areas. ⁹	<ul style="list-style-type: none"> – 3,465 km of electric distribution lines – 114,050 households with new connections to the grid – 114,050 beneficiary families – 62,088 MWh/year in non-technical losses reduction 	50.40
Total Net Proceeds Allocated (USD million)				50.40
Total Unallocated Amount (USD million)				0
Total Net Proceeds Raised (USD million)				50.40

⁷ The reporting period is May 2023 to August 2024.

⁸ Expected impact. CABEL intends to report on actual impact once the projects are complete.

⁹ CABEL has communicated to Sustainalytics that this project consists of two components: a) providing electricity in rural areas (approximately 70% of the allocated proceeds); and b) improving connectivity between underserved and vulnerable urban settlements (approximately 30% of the allocated proceeds). The latter component consists of the provision of public street lighting and energy meters for settlements with existing yet unregulated electricity access. CABEL has further communicated to Sustainalytics that vulnerable urban settlements refer to small settlements in underserved municipalities or the associated semi-urban vulnerable areas.

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