Central American Bank for Economic Integration

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Engagement Team:
John-Paul Iamonaco, john-paul.iamonaco@sustainalytics.com, (+1) 416 861 0403
Sameen Ahmed, sameen.ahmed@sustainalytics.com

Introduction

In November 2021, Central American Bank for Economic Integration ("CABEI") issued the "2021 Swiss Green Bond" aimed at financing and refinancing projects that have a positive environmental impact and that contribute to the transition towards a low-carbon economy across Central America. In February 2023, CABEI engaged Sustainalytics to review the projects funded through the proceeds from the 2021 Swiss Green Bond and provide an assessment as to whether the projects met the Use of Proceeds criteria, and the Reporting commitments outlined in the (2019) CABEI Green Bond Framework (the "Framework"). Sustainalytics provided a Second-Party Opinion on the Framework in September 2019.[1]

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from the 2021 Swiss Green Bond based on whether the projects:

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one of the key performance indicators (KPIs) for each use of proceeds category outlined in the Framework.

Table 1: Use of Proceeds Category, Eligibility Criteria and Associated KPIs

Use of Proceeds	Eligibility Criteria[2]	Key Performance Indicators (KPIs)
Sustainable Land Use	• Forest plantations: Investments to finance acquisition, maintenance and sustainable management of certified forests certified by third-party certifications such as Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification systems (PEFC) or equivalent • Forest regeneration: Expenditures related to the restoration and conservation of existing native forests, forest plantations, and preservation and extension of indigenous resource rights • The financing of sustainable agriculture projects that uphold soil health through management practices including sustainable water, nutrient and vegetation application techniques and a compatibility with low-carbon agriculture practices (no tillage, diverse cover crops, no or minimal pesticides or synthetic fertilizers, and multiple crop rotation and managed grazing).	• Surface of FSC and/or PEFC certified forests (in ha) • Area of native forest restored (in ha) • Area covered by sustainable agriculture (km^2) • Approximate sequestrated and/or avoided GHG emissions (in tCO_2e/year)

[1] Sustainalytics' Second-Party Opinion on the 2019 CABEI Green Bond Framework is available at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/central-american-bank-for-economic-integration-cabei-green-bond-second-party-opinion.pdf?sfvrsn=dad9fdd3_1
[2] Refer to the footnotes noted in the Framework for specific criteria.

	Eligible projects may include: ▪ Sustainable farming: Technical assistance, incentives, grants and loans provided to sustainable farms certified by third-party such as UTZ, Rainforest Alliance, and GLOBALG.A.P. ▪ Protected Agriculture: Agroforestry & Agroecology: Technical assistance, incentives, grants and loans sustainable projects maintaining biodiversity for example, utilizing alley cropping, cover crops. Accepted third-party certifications for Agroforestry are: Forest Stewardship Council (FSC) and Rainforest Alliance; while accepted third-party certifications for Agroecology are: BSC-OEKO, BIOLATINA, Rainforest Alliance and Intercultural Federation of Organic Agriculture Movements (IFOAM) ▪ Integrated Production Systems: Improved moisture retention, biota of soil approach which combines crop-forestry-livestock, excluding beef and palm oil production. ▪ NAMA Projects: Grants and loans that support the expansion of Nationally Appropriate Mitigation Action (NAMA) projects aimed at coffee and cocoa farmers and mill operators that adopt low-carbon technologies and practices.	
Renewable Energy	Investments in renewable energy production including equipment, development, manufacturing, construction, operation, distribution and maintenance from sources including: • Onshore and offshore wind energy • Solar energy • Geothermal energy producing direct emissions <100g CO_2/kWh • Bioenergy with 80% GHG emission reduction compared to fossil fuels, and sourced from sustainable feedstock • Small run-of-river hydro plants (under 25 MW), as well as the maintenance, refurbishment or repowering of existing hydro facilities Investments into new transmission lines with >85% of energy dedicated in the distribution and transmission of renewable energy	• Installed capacity (GW or MW) • Energy production (MWh) • Reduced and/or avoided GHG emissions (tonnes CO_2e /year)
Sustainable Water and Wastewater Management	• Flood defenses systems protecting against inundations and construction of reservoirs for the control of water flows • Installation or upgrade of water efficient irrigation systems • Construction or upgrade of sustainable infrastructure for drinking water	• Volume of water treated • Number of facilities built • Reduction in water usage (%) • Increase in water reuse (in m^3/ year) • Volume of water produced

	• Construction of desalination plants and other water treatment facilities to provide inhabitants with drinkable water • Construction and upgrade of sewerage systems to improve wastewater management	• Area under irrigation (ha) • Number of upgraded facilities • Number of new connections to drinking water • Number of new connections to the sewerage system • Number of people with access to drinking water
Clean Transportation	Investment in clean vehicles, infrastructure and services, including: • Private Transport: ▪ Electric vehicles ▪ Hybrid and fuel cell vehicles with CO_2 emission threshold of <75gCO_2/p-km • Public Transport: ▪ Train: rolling stock and vehicles for electrified public transport, such as electrified rail, trams, and trolleybuses ▪ Buses with no direct emissions (electric or hydrogen). Hybrid and fuel cell buses with CO_2 emission threshold of <75gCO_2/p-km ▪ Transportation infrastructure such as charging station for electric vehicles, expansion of metro/train network, station upgrades ▪ Multimodal infrastructure supporting clean public transportation including system monitoring and control, passenger safety and security infrastructure and bicycle paths	• Number of clean transportation systems financed by type • Number of kilometres of rail constructed or maintained • Reduced and/or avoided GHG emissions (in tCO_2e /year)

Issuer's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of use of proceeds from the 2021 Swiss Green Bond issuance. The work undertaken as part of this engagement included collection of documentation from CABEI and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by CABEI. 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 CABEI.

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,[3] nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. CABEI has disclosed to Sustainalytics that the proceeds from the 2021 Swiss Green Bond were fully allocated as of August 26, 2022.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2021 Swiss Green Bond to determine if projects aligned with the Use of Proceeds criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2021 Swiss Green Bond to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported, please refer to Appendix 1.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

[3] Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Project Description	Location	Environmental Impact Reported by Eligibility Criteria[4]	Allocation (USD – Million)
Renewable Energy	Proyecto Bósforo: Construction of solar photovoltaic power plants	El Salvador	▪ Installed capacity (MW): 100 ▪ Power Energy production (MWh): 204,360 ▪ Avoided GHG emissions (in tCO2e /year): 64,523.17	22.66
Sustainable Water and Waste Management	Proyecto de Saneamiento de Bluefields: Construction of sanitary sewage system for the city of Bluefields, Autonomous region of the South Caribbean Coast.	Nicaragua	▪ New connections to the sewerage system: 5,591 ▪ Volume of wastewater treated: 106,407,599 m3/year ▪ Installed capacity: 0.06 m3/s	17.80
	Programa de Saneamiento Ambiental del Lago de Managua en la Ribera Sur: Execution of the Environmental Sanitation Program for the Lake of Managua which includes installation of three wastewater treatment plants and the construction of two water reservoirs	Nicaragua	▪ New connections to the sewerage system: 18,716 ▪ New connections to the drinking water system: 3,944 ▪ Volume of wastewater treated: 8,712,451 m3/year ▪ Installed capacity: 112.38 m3/s ▪ Volume of water produced 51,806,710 m3/year	44.35
	Proyecto de Abastecimiento de agua para la cuenca media del Rio Tempisque y comunidades costeras PAACUME: Construction of four water reservoirs and distribution network in the Piedras River area to enable water supply for irrigation and drinking purposes.	Costa Rica	▪ New connections to the drinking water system: 142,009 ▪ Irrigation area: 18,800 ha	152.26
Total Allocation (USD – Million)				237.07
Total Bond Proceeds Raised (USD – Million)				237.07
Allocation (%)[5]				100%

[4] Impact reporting data refer to data from November 2021 to October 2022.
[5] While CABEI has achieved full allocation of bond proceeds to eligible projects, it has communicated to Sustainalytics that USD 196.6 (~83% of the bond proceeds) are pending for disbursement and that it intends to disburse them by the bond's maturity date (December 15, 2028).

Disclaimer

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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