

Central American Bank for Economic Integration

Type of Engagement: Annual Review

Date: 30 January 2025

Engagement Team:

Tomya Sardana, tomya.sardana@morningstar.com

Bhakti Chikhalikar, bhakti.chikhalikar@morningstar.com

Introduction

In 2021, the Central American Bank for Economic Integration (“CABEI” or the “Bank”) issued a social bond in the Swiss market (the “2021 Swiss Social Bond”) and raised USD 218.29 million to finance or refinance projects aimed at providing access to essential services, employment generation, affordable basic infrastructure, and food security and sustainable food systems. In January 2025, CABEI engaged Sustainalytics to review the projects financed or refinanced with proceeds from the 2021 Swiss Social Bond (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and whether CABEI complied with the reporting commitments in the CABEI Social Bond Framework 2020 (the “Framework”).¹ Sustainalytics provided a Second-Party Opinion on the Framework in January 2021.² This is Sustainalytics’ third annual review of allocation and reporting of the 2021 Swiss Social Bond issued under the Framework, following a previous review in October 2023.

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 KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Access to Essential Services: Health System Developments	Investments to finance operation, maintenance, improvement and development of healthcare institutions, this may include healthcare attention equipment and/or services, healthcare prevention equipment and/or services. Proceeds under this category should be destined to public healthcare institutions and/or private healthcare institutions located in municipalities with Human Development Index (HDI) below the country’s average and that offer free or subsidized healthcare services to vulnerable communities.	<ul style="list-style-type: none"> • Number of hospitals, clinics and other healthcare facilities built/upgraded • Number of hospital beds financed • Annual hospitalization and inpatient care capacity • Annual capacity of surgical care • Annual capacity of outpatient care • Annual amount of non-patented medicines and vaccines produced and distributed • Number of patients reached

¹ CABEI, “CABEI - Social Bond Framework 2020”, (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

		<ul style="list-style-type: none"> • Number of public beds/total beds financed (public and non-public) in percentage
Employment Generation: Micro, Small, and Medium Enterprises Financing	<p>Proceeds under this category will be targeted at micro, small and medium enterprises (MSMEs) in order to generate employment and reduce inequalities. Productive activities should be located in areas with HDI below the country's average and/or impacted by natural disasters and/or pandemics and developed by MSMEs (including agricultural ones), according to CABEL's definition shown in the table below:</p> <ul style="list-style-type: none"> • Micro enterprises represent ≤ 10 employees • Small enterprises represent $> 10; \leq 50$ employees • Medium enterprises represent $> 50; \leq 200$ employees 	<ul style="list-style-type: none"> • Number of financed small and micro enterprises • Estimated number of jobs created or maintained
Affordable Basic Infrastructure: Social Housing	<p>Supporting investments with the goal of increasing the supply of housing to people living without adequate housing, and support people living in social and economic difficulties as a result of decrease of economic activity, natural or human disasters, pandemics, etc.</p>	<ul style="list-style-type: none"> • Number of housing units developed • New population with access to social housing
Food Security and Sustainable Food Systems: Access to Adequate Food for Low-Income Populations	<p>Investments and financing in the agricultural sector and food systems to end hunger, achieve food security and significantly enhance nutrition.</p>	<ul style="list-style-type: none"> • Food produced in tonnes • Irrigated agricultural area in hectares or km² • Population with access to adequate food

Issuer's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the 2021 Swiss 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,³ 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 and reporting commitments in the Framework. CABEL has disclosed to Sustainalytics that the proceeds from the 2021 Swiss Social Bond were fully allocated as of December 2021.

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.	None
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

³ 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.

Appendices

Appendix 1: Allocation of Proceeds

Table 3: Allocation of Proceeds from the 2021 Swiss Social Bond

Use of Proceeds Category	Nominated Expenditure	Description	Location	Allocated Amount (USD million)
Access to Essential Services: Health System Developments	Infrastructure investment program and hospital equipment	This project aims to improve hospitals in Alta Verapaz, Jutiapa, and Suchitepéquez by designing, building, and equipping new facilities, adding a total of 670 beds. Additionally, this project is expected to upgrade the national hospitals in Chiquimula and Sololá by enhancing current infrastructure and constructing new sections, increasing their capacity to 1,040 beds.	Guatemala	114.20
Employment Generation: Micro, Small, and Medium Enterprises Financing	Support program for economic recovery measures implemented for the benefit of companies and employment affected by COVID-19	This project supports economic measures to reduce the negative effects of the COVID-19 pandemic. The loan funds will finance the Economic Recovery Support Program, helping companies and workers impacted by COVID-19. The funds will provide subsidies and loans to micro, small, and medium-sized businesses, both formal and informal, affected by the pandemic.	El Salvador	88.79
Affordable Basic Infrastructure: Social Housing	Social housing construction and improvement program	This project aims at building low-income housing in Nicaragua.	Nicaragua	11.69
Food Security and Sustainable Food Systems: Access to Adequate Food for Low-Income Populations	Sustainable development project of the livelihoods of rural families in the dry corridor of Nicaragua	This project aims at improving the living conditions of rural families and indigenous people in the Dry Corridor. Through the fundings, this project will help rural communities to increase their income, improve food security, use natural resources more efficiently, and reduce their vulnerability to climate change.	Nicaragua	3.61
Total Amount Allocated				218.29
Total Unallocated Proceeds				0.00
Total Net Proceeds Raised				218.29

Appendix 2: Reported Impact

Table 4: Reported Impact from the 2021 Swiss Social Bond

Use of Proceeds Category	Project	Reported Impact
Access to Essential Services: Health System Developments	Infrastructure investment program and hospital equipment ⁴	<ul style="list-style-type: none"> • Number of healthcare facilities built/upgraded: 5 • Construction area of healthcare facilities: 76,225 m² • Number of medical equipment bought or replaced: 2,236 units • Number of new or upgraded medical specialists attended: 14 • Number of hospital beds: 1,040 • Annual capacity of patient care: 88,814 patients per year • Annual surgery capacity: 2,219 • Medical staff trained: 1,480 people
Employment Generation: Micro, small, and medium enterprises financing	Support program for economic recovery measures implemented for the benefit of companies and employment affected by COVID-19	<ul style="list-style-type: none"> • Beneficiary enterprises: 29,860 • Number of intermediary financial institutions through which loans were extended to MSMEs: 14 • Beneficiaries: 3,337,695 people • Number of jobs generated and/or preserved: 1,017,589 • Number of loans to subsistence enterprises: 11,023 • Number of loans to SMEs: 19,003 • Number of loans to women-led enterprises: 14,393
Affordable Basic Infrastructure: Social Housing	Social housing construction and improvement program	<ul style="list-style-type: none"> • Construction area: 540,242 m² • Number of houses built: 12,687 • Number of houses upgraded: 822 • Number of beneficiary families: 13,509
Food Security and Sustainable Food Systems: Access to Adequate Food for Low-Income Populations	Sustainable development project of the livelihoods of rural families in the dry corridor of Nicaragua ⁵	<ul style="list-style-type: none"> • Cultivated area: 37,800 hectares • Irrigated area: 603 hectares • Agricultural production: 493,642.53 tonnes • Poultry production: 2,226.49 tonnes • Small livestock production (pig): 8,491.5 tonnes • Number of beneficiary agricultural enterprises: 550 • Beneficiaries: 30,000 people • Generated or preserved agricultural jobs: 4,074 • Commercialized agricultural production: 345,549.7 tonnes • Commercialized poultry production: 2,003.84 tonnes • Commercialized small livestock production (pig): 7,397.04 tonnes

⁴ CABEI has confirmed that the projects financed under the Access to Essential Services are still under implementation and are expected to be completed by December 2028, therefore, it has reported expected impact.

⁵ CABEI has confirmed that the projects financed under the Food Security and Sustainable Food System are still under implementation and are expected to be completed by June 2025, therefore, it has reported expected impact.

Disclaimer

Copyright ©2025 Sustainalytics, a Morningstar company. All rights reserved.

The information, methodologies, data and opinions contained or reflected herein are proprietary of Sustainalytics and/or content providers, and may be made available to third parties only in the form and format disclosed by Sustainalytics. They are not directed to, or intended for distribution to or use by India-based clients or users and their distribution to Indian resident individuals or entities is not permitted.

They are provided for informational purposes only and (1) shall not be considered as being a statement, representation, warranty or argument either in favor or against the truthfulness, reliability or completeness of any facts or statements that the issuer has made available to Sustainalytics for the purpose of this deliverable, in light of the circumstances under which such facts or statements have been presented; (2) do not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (3) do not constitute investment advice, financial advice, or a prospectus, nor represent an “expert opinion” or “negative assurance letter” as these terms are commonly understood or defined by any applicable legislation; (4) are not part of any offering and do not constitute an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (5) do not represent an assessment of the issuer’s economic performance, financial obligations nor of its creditworthiness; (6) are not a substitute for professional advice; (7) past performance is no guarantee of future results; (8) have not been submitted to, nor received approval from, any relevant regulatory body; (9) have not and cannot be incorporated into any offering disclosure, unless otherwise agreed in writing.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-datedness or fitness for a particular purpose. Sustainalytics has not independently verified any such information or data. The deliverables are provided “as is” and reflect Sustainalytics’ opinion at the date of their elaboration and publication. Sustainalytics does not undertake any obligation to update or revise any of the statements in the deliverable to reflect events, circumstances, changes in expectations which may occur after the date of the opinion or any statements included in the opinion. Neither Sustainalytics/Morningstar nor their content providers accept any liability from the use of the information, data or opinions contained herein or for actions of third parties in respect to this information, in any manner whatsoever, except where explicitly required by law. Sustainalytics does not assume any responsibility shall the bond default. Any reference to content providers’ names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our content providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

Sustainalytics may receive compensation for its ratings, opinions and other deliverables, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics believes it has put in place appropriate measures designed to safeguard the objectivity and independence of its opinions. For more information, visit [Governance Documents](#) or contact compliance@sustainalytics.com.

This deliverable, in particular the images, text and graphics contained therein, and the layout and company logo of Sustainalytics are protected under copyright and trademark law. Any use thereof shall require express prior written consent. Use shall be deemed to refer in particular to the copying or duplication of the opinion wholly or in part, the distribution of the opinion, either free of charge or against payment, or the exploitation of this opinion in any other conceivable manner.

The issuer is fully responsible for certifying and ensuring compliance with its commitments, for their implementation and monitoring.

About Morningstar Sustainalytics

Morningstar Sustainalytics 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, which 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. For more information, visit www.sustainalytics.com.

