

Central American Bank for Economic Integration

Type of Engagement: Annual Review

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Introduction

In May 2022, Central American Bank for Economic Integration (CABEI) issued its fifth social bond¹ in the Japanese market (the “2022 Japanese Social Bond”) to finance the projects related to the development of affordable basic infrastructure in rural communities. In 2023, CABEI engaged Sustainalytics to review the projects financed with proceeds from the 2022 Japanese Social Bond and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the (2020) CABEI Social Bond Framework (the “Framework”).² Sustainalytics provided a second-party opinion on the Framework in January 2021.³

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2022 Japanese Social Bond based on whether the projects:

1. Met 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
Affordable Basic Infrastructure-Rural Development (Electrification)	Financing of projects and programs in general for rural electrification and connectivity, with a particular focus and attention to the underserved areas, rural communities and vulnerable populations, as well as communities impacted by natural or human disasters and/or pandemics.	<ul style="list-style-type: none"> • Installed capacity of rural electrification projects • New population with access to energy

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 the use of proceeds from 2022 Japanese Social Bond issuance. The work undertaken as part of this engagement

¹ The 2022 Japanese Social Bond raised USD 50.40 million.

² CABEI “Social Bond Framework”, (2020), at:

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

³ BCEI, “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

included collection of documentation from CABEL and review of said documentation to assess conformance with the Social Bond 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,⁴ 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. 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 the projects funded with proceeds from the 2022 Japanese Social Bond to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2022 Japanese Social Bond to determine if impact of projects was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁴ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Reported Impact by Eligibility Criteria as of April 2023

Use of Proceeds Category	Project Description	Location	Social Impact Reported by Eligibility Criteria	Allocation (USD million)
Affordable Basic Infrastructure – Rural Development (Electrification)	Increase national electricity coverage through rural electrification and improve the quality of electricity service in urban settlements.	Nicaragua	<ul style="list-style-type: none"> • 3,465 km of electric distribution lines • 114,050 of households with new connections to the grid • 114,050 of beneficiary families • 62,088 MWh/year in non-technical losses reduction 	50.40
Total Net Proceeds Allocated (USD million)				50.40
Total Net Proceeds Raised (USD million)				50.40
Percentage of Allocation Achieved				100%

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