Central American Bank for Economic Integration

Type of Engagement: Annual Review
Date: February 10, 2023
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

<table>
<thead>
<tr>
<th>Use of Proceeds</th>
<th>Eligibility Criteria2</th>
<th>Key Performance Indicators (KPIs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Land Use</td>
<td>• 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</td>
<td>• Surface of FSC and/or PEFC certified forests (in ha)</td>
</tr>
<tr>
<td></td>
<td>• Forest regeneration: Expenditures related to the restoration and conservation of existing native forests, forest plantations, and preservation and extension of indigenous resource rights</td>
<td>• Area of native forest restored (in ha)</td>
</tr>
<tr>
<td></td>
<td>• 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).</td>
<td>• Area covered by sustainable agriculture (km²)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Approximate sequestrated and/or avoided GHG emissions (in tCO₂e/year)</td>
</tr>
</tbody>
</table>

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 CO₂/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 CO₂e/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 m³/year)
- Volume of water produced
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

<table>
<thead>
<tr>
<th>Eligibility Criteria</th>
<th>Procedure Performed</th>
<th>Factual Findings</th>
<th>Error or Exceptions Identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of Proceeds Criteria</td>
<td>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.</td>
<td>All projects reviewed complied with the Use of Proceeds criteria.</td>
<td>None</td>
</tr>
<tr>
<td>Reporting Criteria</td>
<td>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.</td>
<td>All projects reviewed reported on at least one KPI per use of proceeds category.</td>
<td>None</td>
</tr>
</tbody>
</table>

\(^3\) 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

<table>
<thead>
<tr>
<th>Use of Proceeds Category</th>
<th>Project Description</th>
<th>Location</th>
<th>Environmental Impact Reported by Eligibility Criteria(^4)</th>
<th>Allocation (USD – Million)</th>
</tr>
</thead>
</table>
| **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

Copyright ©2023 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer’s economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided “as is” and reflect Sustainalytics’ opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit http://www.sustainalytics.com/legal-disclaimers.

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

In case of discrepancies between the English language and translated versions, the English language version shall prevail.
About Sustainalytics, a Morningstar Company

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.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [contact@sustainalytics.com](mailto:contact@sustainalytics.com)