

Second-Party Opinion

CABEI Green and Blue Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the CABEI Green and Blue Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Sustainable Land Use, Renewable Energy Generation, Clean Transportation, Energy Efficiency, Climate Change Adaptation, Water Resources Protection, Sustainable Water Management, Renewable Energy, Blue Economy and Nature Protection – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 11, 12, 13, 14 and 15.



PROJECT EVALUATION AND SELECTION CABEI’s Green and Blue Bond Working Group will evaluate, select and monitor eligible projects and assets according to the eligibility criteria. The group will include representatives from CABEI’s Finance Department, the Environmental and Social Monitoring Office and the public and private sectors. CABEI’s Environmental and Social Risk Identification, Evaluation and Management system is applicable to all allocation decisions made under the CABEI Green and Blue Bond Framework. Sustainalytics considers this risk management system and project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS CABEI’s Department of Investments, Asset and Liability Management will allocate and track net proceeds from issuances made under the Green and Blue Bond Framework. CABEI intends to fully allocate proceeds within 36 months of issuance. Pending allocation, unallocated proceeds will be temporarily held or invested in cash or liquid instruments. This is in line with market practice.



REPORTING CABEI intends to report on the allocation of proceeds and the corresponding impact on its website on an annual basis until full allocation. Allocation reporting will include the total amount of proceeds allocated to the projects under each category, a description of the projects to which proceeds are allocated, the share of financed versus refinanced projects and the balance of unallocated proceeds. In addition, CABEI is committed to reporting on relevant impact metrics. Sustainalytics views CABEI’s allocation and impact reporting as aligned with market practice.

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Issuer Location Tegucigalpa, Honduras

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Introduction

The Central American Bank for Economic Integration (“CABEI” or the “Bank”) is a multilateral development financial institution composed of 15 countries. Established in 1960 by the governments of Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica, the Bank was later joined by Panama, the Dominican Republic and Belize as non-founding regional members, as well as Mexico, Colombia, Argentina, Taiwan, Spain, Cuba and South Korea as non-regional members.

CABEI has developed the Green and Blue Bond Framework (the “Framework”), under which it intends to issue green and blue bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to create positive environmental impact through investments in the preservation and restoration of marine resources and other green projects and activities. The Framework defines eligibility criteria in 10 areas:

1. Sustainable Land Use
2. Renewable Energy Generation
3. Clean Transportation
4. Energy Efficiency
5. Climate Change Adaptation
6. Water Resources Protection
7. Sustainable Water Management
8. Renewable Energy
9. Blue Economy
10. Nature Protection

CABEI engaged Sustainalytics to review the Green and Blue Bond Framework, dated November 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).¹ The Framework has been published in a separate document.²

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.12, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of CABEI’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. CABEI representatives have confirmed (1) they understand it is the sole responsibility of CABEI to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The CABEI Green and Blue Bond Framework is available on Central American Bank for Economic Integration’s website at: <https://www.bcie.org/relacion-con-inversionistas/banco-verde/marco-de-bonos-verdes>

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CABEI.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, CABEI is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CABEI has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Green and Blue Bond Framework

Sustainalytics is of the opinion that the CABEI Green and Blue Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Sustainable Land Use, Renewable Energy Generation, Clean Transportation, Energy Efficiency, Climate Change Adaptation, Water Resources Protection, Sustainable Water Management, Renewable Energy, Blue Economy and Nature Protection – are aligned with those recognized by the GBP.
 - CABEI has established a look-back period of 48 months for its refinancing activities.
 - Under the Sustainable Land Use category, CABEI may finance:
 - Sustainable forestry activities, including the acquisition, maintenance, management, afforestation, reforestation, rehabilitation and restoration of existing forests that have received third-party certification from the Forest Stewardship Council (FSC)⁴ or the Programme for the Endorsement of Forest Certification (PEFC).⁵ Sustainalytics views these certification schemes as robust and credible.
 - Sustainable agriculture projects, including technical assistance, incentives, grants and loans to certified sustainable farming, agro-forestry and agro-ecology operations.
 - The funding of eligible certified agro-forestry and agro-ecology operations will involve the maintenance of biodiversity and the utilization of alley crops and cover crops. Integrated agriculture production systems may also be financed, including technologies and practices for improved moisture retention and the integration of crop, forestry and livestock operations.
 - Financing for projects classified as Nationally Appropriate Mitigation Actions (NAMAs)⁶ to support coffee and cocoa farmers and mill operators in adopting low-carbon technologies and practices. The financed projects may include freight and cargo vehicles⁷ that are exclusively electric, hybrid or green

⁴ FSC: <https://fsc.org/en>

⁵ PEFC: <https://www.pefc.org/>

⁶ United Nations Climate Change, "Nationally Appropriate Mitigation Actions (NAMAs)", at: <https://unfccc.int/topics/mitigation/workstreams/nationally-appropriate-mitigation-actions#:~:text=NAMAs%20refer%20to%20any%20action,for%20a%20broader%20national%20focus>

⁷ CABEI has specified that eligible freight and cargo vehicles must comply with an emission threshold of 25 gCO₂/t-km if the vehicle was commissioned up to 2020, 21 gCO₂/t-km for between 2021 and 2030, and 18 gCO₂/t-km for between 2031 and 2050.

- hydrogen-powered; biofuel production;⁸ composting facilities; and wastewater treatment. The financing of natural gas and nuclear NAMA projects is excluded under the Framework.
- Agricultural operations eligible to receive financing will be certified to one of the following: the Rainforest Alliance,⁹ the FSC or the International Federation of Organic Agriculture Movements (IFOAM).¹⁰
 - All activities under this category are noted to exclude palm oil production and industrial livestock production.
- Under the Renewable Energy Generation category, CABEI may finance expenditures related to the development, manufacture, maintenance and operation of renewable energy projects and associated equipment, facilities and infrastructure, including: i) onshore wind energy, ii) concentrated solar power (CSP), iii) geothermal energy, iv) bioenergy, and v) hydropower.
- CABEI has communicated to Sustainalytics that at least 85% of electricity generated from onshore wind and CSP plants will be derived from renewable energy sources.
 - Geothermal energy facilities will be limited to those with life cycle GHG emissions below 100 gCO₂/KWh
 - Under the bioenergy subcategory, CABEI intends to invest in projects with a GHG emission reduction of 80% compared to fossil fuel-based projects. These projects will be related to biofuel production, including bioethanol and biodiesel, as well as electricity generation and heating and cooling facilities utilizing biogas and biomass. CABEI has confirmed to Sustainalytics that all inputs used in bioenergy projects will be sourced from agricultural or forestry residues that do not compete with food production, do not deplete terrestrial carbon pools or do not contribute to the loss of biodiversity from the burning of peat.
 - Eligible hydropower projects will be limited to run-of-river projects with no more than 25 MW storage capacity. The Bank may also finance facilities with: i) a power density greater than 10 W/m² or a GHG emission intensity below 50 gCO₂e/KWh for facilities in operation after the end of 2020; or ii) a power density greater than 5 W/m² or a life cycle emissions density below 100 gCO₂e/KWh for the financing of projects in operation before the end of 2020.
 - CABEI has confirmed that for all new financed hydropower projects, an environmental and social impact assessment will be carried out by a credible third party.
- Under the Clean Transport category, CABEI may finance low-carbon vehicles and associated infrastructure and services in accordance with the following criteria:
- Zero direct emissions and hybrid passenger vehicles. Sustainalytics notes that the Framework limits financing of hybrid passenger vehicles to those with an emission intensity threshold of < 50 gCO₂/km based on the Worldwide Harmonised Light Vehicle Test Procedure (WLTP).¹¹
 - Public transport investments, including rail rolling stock and vehicles for electrified public transport, such as electrified trains, trams, trolleybuses and zero direct emission and hybrid buses within an emission intensity threshold of < 50 gCO₂/p-km.
 - Transportation infrastructure, such as electric vehicle charging stations, expansion of metro and train networks and associated station upgrades for transit assets that are aligned with the eligibility criteria.
 - Development and retrofitting of multimodal infrastructure that supports clean public transportation through system monitoring and control; passenger safety and security infrastructure; refuelling infrastructure; and bicycle path connectivity.
 - CABEI has confirmed that the financing of parking facilities, new roads, infrastructure for fossil fuel transportation and road freight without zero direct emissions have been excluded from this category.
- Under the Energy Efficiency category, CABEI may finance the renovation, retrofitting or upgrade of green buildings and the development and installation of energy efficiency systems and

⁸ CABEI has confirmed that the biofuel production financed under this category will comply with the eligibility criteria outlined in the Bioenergy subcategory of the Framework.

⁹ Rainforest Alliance: <https://www.rainforest-alliance.org/about/>

¹⁰ IFOAM Organics International: <https://www.ifoam.bio/>

¹¹ WLTP: <https://www.wltpfacts.eu/what-is-wltp-how-will-it-work/>

technologies, including: i) transmission and grid infrastructure, ii) heating network, iii) smart meters, or iv) energy storage facilities.

- CABEI has confirmed to Sustainalytics that the Bank will invest in upgrades or retrofits of residential, commercial or special-purpose public buildings that lead to an improvement in energy savings of at least 30% compared to prerenovation levels.
 - Investments in commercial buildings will be restricted to properties that have achieved one of the following criteria: i) EDGE Level 2 or Level 3;¹² ii) LEED Gold or Platinum;¹³ iii) DGNB Gold or Platinum;¹⁴ iv) BREEAM Excellent or Outstanding;¹⁵ or v) an Energy Star score of 85 or above. Sustainalytics views the certification schemes specified in the Framework to be credible and the levels selected as aligned with market practice.
 - The Bank may finance loans for investment in buildings in the top 15% of the energy performance certificate (EPC) rating in their respective city.
 - Financing of expenditures to reduce energy consumption, such as LED lighting and passive heating and cooling design elements in buildings.
 - The Bank may also finance the development of policies and regulations related to climate change mitigation through diagnostic studies, impact studies and consultancy fees associated with technical work.
 - CABEI may finance energy efficiency improvements or the integration of renewable energy through transmission and grid infrastructure, including overhead transmission lines, conductors, insulators, towers and associated infrastructure, such as buildings, fences, earth mats and busbars. This includes investment in district heating networks where at least 85% of energy is derived from renewable sources. CABEI has communicated that more than 67% of the newly enabled generation capacity of all financed transmission infrastructure under this category will be below an emission threshold of 100 gCO₂e/kWh in accordance with CBI criteria.¹⁶
 - Projects that enable monitoring and optimization of energy consumption through equipment such as smart electrical meters and grids, home storage batteries, voltage regulation equipment, transformers and switchgear. Investments may also include: i) off-grid power units to enable small-scale electricity generation from renewable sources; and ii) large-scale energy storage facilities that will support at least 90% renewable energy sources, such as batteries, capacitors, compressed air and flywheel plants, supercapacitors and related manufacturing.
- Under the Climate Change Adaptation category, the Bank may finance:
- Development of and improvements to stormwater management and rainwater drainage systems to prevent flash flooding, as well as early warning systems for extreme weather events and flood defence systems, such as reservoirs.
 - Climate resilient infrastructure upgrades, including green roofs and walls, water retention gardens, porous pavements, rainwater harvesting, storage and irrigation systems and agricultural infrastructure and equipment powered by renewables. Expenditures may also include the relocation of existing at-risk infrastructure identified via a vulnerability assessment. Eligible assets are aqueducts, sewage and sanitation systems, as well as housing, educational and healthcare facilities complying with the green building criteria.
 - R&D of climate-resilient crops in conjunction with recognized governmental institutions or universities to improve resistance to droughts and pests in the region's agricultural sector. Based on the public-sector nature of the financed projects and the intended environmental benefits, Sustainalytics considers this to be aligned with market expectation but recognizes that the benefits of R&D expenditures are challenging to quantify.
 - The Bank has confirmed to Sustainalytics that a vulnerability assessment will be carried out, and an adaptation plan will be implemented for all projects financed under this category.

¹² EDGE: <https://www.edgebuildings.com/certify/certification/>

¹³ LEED: <https://www.usgbc.org/leed>

¹⁴ DGNB: <https://www.dgnb-system.de/en/system/index.php>

¹⁵ BREEAM: <https://bregroup.com/products/breeam/>

¹⁶ CBI, "Electrical Grids and Storage Criteria", (2021), at: https://www.climatebonds.net/files/files/Grids%20Criteria_March%202022.pdf

- Under the Water Resources Protection category, CABEI may finance water systems that lead to improvements in efficiency by decreasing usage by at least 20%. Eligible projects may also include rainwater harvesting and activities and water efficiency projects eligible under CABEI-member government programmes.
 - Under this category, CABEI may also finance capital investments towards the manufacturing and production of plastic and bio-based packaging products, including:
 - i) those that are composed of at least 90% recycled or bio-based materials; ii) where at least 90% is not intended for single-use applications; and iii) where the final product is recyclable. Sustainalytics views these expenditures as aligned with market practice.
 - Eligible projects will also include plastics collection and recycling facilities; waste management and disposal systems that support source segregation of recyclable materials; and incineration facilities not including plastic, rubber and tire-derived fuel incineration.
 - The Framework confirms chemical recycling operations are excluded from financing, and that eligible electronic waste recycling facilities must have in place waste management systems that mitigate the associated risks of such recycling activities.
- Under Sustainable Water Management, the Bank may invest in activities and projects related to water distribution and water treatment for marine and land-based assets, including:
 - Design, construction, maintenance and upgrade of land-based infrastructure for drinking water distribution, water efficient irrigation systems, water treatment facilities and desalination plants¹⁷ and sewage and wastewater systems, including for wastewater from industrial activities but excluding those related to fossil fuels.
 - Eligible wastewater treatment projects may include physical and biological wastewater sludge treatment activities, such as anaerobic digestion.
 - Ballast and shipping vessel wastewater treatment systems that comply with the International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM Convention) to prevent the spread of invasive alien species, and other water treatment equipment and facilities for all wastewater generated from shipping vessels.
 - Eligible shipping vessels will comply with Climate Bonds Initiative (CBI) Shipping Criteria on low-carbon emissions intensity for the duration of their life cycle.¹⁸ Sustainalytics views positively the shipping vessels' compliance with the CBI Shipping Criteria. Sustainalytics considers expenditures in this area to be transition expenditures as they are expected to include the financing of wastewater treatment systems in shipping vessels that will continue to rely on fossil fuels such as LNG during a transition period. Nuclear, heavy-fuel oil and marine diesel oil-powered ships are excluded from financing.
- Under the Renewable Energy category, CABEI may finance offshore renewable energy generation facilities and their associated infrastructure and dedicated transmissions infrastructure for generated renewable energy.
 - Eligible facilities will consist of offshore wind and solar farms, tidal and wave energy facilities and other renewable marine energy facilities that utilize ocean thermals, salinity and gradients for power generation and heating and cooling.
 - For eligible ocean thermal projects, fossil fuel backup is limited to power monitoring, operating and maintenance equipment, resilience and protection measures and restart capabilities.
 - Eligible financing also covers supply chain activities, including manufacturing facilities that are wholly dedicated to marine renewable energy development and equipment and dedicated storage, installation, wholesale and retail activities.

¹⁷ CABEI has confirmed that eligible desalination plants will be powered using eligible renewable energy only, and such projects must have in place disposal or management plans for the brine by-products they generate.

¹⁸ CBI, "Shipping Criteria", (2020), at:

<https://www.climatebonds.net/files/files/standards/Waterborne%20Transport%20%28Shipping%29/CBI%20Certification%20-%20Shipping%20Criteria%20V1b%2020211215.pdf>

- Eligible renewable energy transmission infrastructure will include transmission terminals, transformers and grid connectors. More than 67% of the newly enabled generation capacity of all financed transmission infrastructure under this category will be below an emission threshold of 100 gCO₂e/kWh in accordance with CBI criteria.¹⁹
- Under the Blue Economy category, CABEI may finance equipment and facilities for the collection and treatment of solid waste for recycling and wastewater at ports, and green transport investments and associated infrastructure for the connection of ports to mainland terminals. The Bank may also consider investments in certified sustainable aquaculture and fishery operations.
 - CABEI has confirmed that eligible green transportation and associated charging and support infrastructure expenditures under this category will be compliant with the Clean Transport category of the Framework.
 - Financed sustainable aquaculture and fishery operations and their associated seafood production and processing – including small- to medium-scale biorefineries for fish-processing byproducts – and the trade and retail sale of seafood products. All financed fishery operations and their associated activities will receive one of the following certifications: i) Marine Stewardship Council;²⁰ ii) Aquaculture Stewardship Council;²¹ iii) Global G.A.P. for Aquaculture;²² iv) Global Seafood Alliance;²³ v) European Organic;²⁴ vi) Alaska Responsible Fisheries Management Certification Program;²⁵ vii) Iceland Responsible Fisheries Management Certification Programme;²⁶ viii) Best Aquaculture Practices Certification;²⁷ and ix) Audubon G.U.L.F Responsible Fishers Management Certification Program certification standards²⁸. Sustainalytics views these certification schemes as robust and credible.
 - Eligible expenditures may also include traceability systems to ensure the sustainability of operations, facilities and supply chains in the fishing industry.
- Under the Nature Protection category, CABEI may finance governmental initiatives to develop new coastal marine-protected areas; projects that protect, restore or manage designated water ecosystems and species; and scientific research designed to support the conservation of marine resources.
 - Financed initiatives may involve the purchase of private lands for the development of marine-protected areas, including inland rivers, lakes, floodplains, reservoirs, wetlands and saline systems. Projects may also include public awareness campaigns, community engagement with a focus on protecting and preserving resources, and institutional strengthening by implementing management plans and creating and maintaining databases to support conservation efforts.
 - Financed scientific research will be limited to late-stage studies with a focus on researching and developing prototypes that have a high probability of generating positive environmental impact. Eligible activities may include tidal wave energy projects and research on coastal ecosystem services, seabed disturbances, noise pollution and animal entanglement.
- Sustainalytics notes that CABEI has established exclusionary criteria which apply to all categories under the Framework and restrict practices involving child labour, human trafficking, weapons, gambling, protected wildlife, radioactive materials, unprotected asbestos, commercial logging, highly toxic chemicals, banned pharmaceutical products, banned pesticides, herbicides or agrochemical products, ozone-depleting substances, drift net fishing, illegal drugs or psychotropic substances, or energy production from coal. Moreover, the Bank will not finance businesses or projects engaged in illegal practices or those against the Bank's ethical and moral principles.

¹⁹ CBI, "Electrical Grids and Storage Criteria", (2021), at: https://www.climatebonds.net/files/files/Grids%20Criteria_March%202022.pdf

²⁰ Marine Stewardship Council: <https://www.msc.org/>

²¹ Aquaculture Stewardship Council: <https://www.asc-aqua.org/>

²² Global G.A.P. for Aquaculture: https://www.globalgap.org/content/galleries/Documents_Media_Gallery/Aquaculture_Booklet_en.pdf

²³ Global Seafood Alliance: <https://www.globalseafood.org/>

²⁴ European Organic: <https://www.ecocert.com/en-CA/certification-detail/organic-farming-europe-eu-n-848-2018>

²⁵ Alaska Responsible Fisheries Management: <https://www.alaskaseafood.org/rfm-certification/>

²⁶ Iceland Responsible Fisheries Management Certification Programme: <https://www.responsiblefisheries.is/certification/the-programme>

²⁷ Best Aquaculture Practices: <https://www.bapcertification.org/>

²⁸ Audubon G.U.L.F. RFM: <https://www.audubongulf.org/certification/about-g-u-l-f-certification/>

- **Project Evaluation and Selection:**
 - A multidisciplinary green and blue bond working group (“Working Group”) is responsible for overseeing the implementation of the Framework, including evaluating, selecting and monitoring eligible projects and assets according to the eligibility criteria in the Framework. The Working Group consists of representatives from the Bank’s Finance Department, the OFIMSA and the public and private sectors.
 - CABEI adheres to its Environmental and Social Risk Identification, Evaluation and Management System (SIEMAS) to assess and manage environmental and social risks associated with all allocation decisions made under the Framework. This system requires all financed projects to be aligned with the IFC Performance Standards; the Equator Principles; the World Bank Group Environmental, Health and Safety Guidelines; and applicable national regulations. The Working Group ensures compliance with these standards through a formal monitoring process. For additional details, please see Section 2.
 - Based on the delegation of responsibility and the presence of adequate environmental and social risk management systems, Sustainalytics considers this process to be in line with market practice.
- **Management of Proceeds:**
 - CABEI’s Department of Investments, Asset and Liability Management is responsible for managing and allocating proceeds. Additionally, the Bank’s Department of Capital Markets and External Financing will track all eligible projects and assets approved by the Working Group that have received proceeds from issuances made under the Framework.
 - During the term of any issuance, if any eligible project or asset either matures or is sold, the Bank will seek to reallocate an equivalent amount to other eligible projects or assets in the pool of projects selected by the Working Group, where feasible.
 - The Bank intends to fully allocate proceeds within 36 months of issuance. Pending full allocation, proceeds will be temporarily held or invested in cash or liquid instruments.
 - Based on the use of an internal tracking system and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- **Reporting:**
 - CABEI commits to reporting on the allocation of proceeds and corresponding impact, which will be published on its website on an annual basis until full allocation.
 - Allocation reporting will include the total amount of proceeds allocated to the projects under each category, a description of the projects to which proceeds are allocated, the share of financed versus refinanced projects and the balance of unallocated proceeds.
 - Impact reporting will include a mix of environmental and social performance indicators where relevant and available. Potential impact metrics may include GHG emissions avoided per year (in tCO₂e); savings in water consumption (in m³); the number of new connections to drinking water; and the number of beneficiaries of financed projects. For a full list of impact metrics, please refer to Appendix 1: Green Bond/ Green Bond Programme – External Review Form.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Green and Blue Bond Framework aligns with the four core components of the GBP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of CABEI

Contribution to Central American Bank for Economic Integration’s Sustainability Strategy

CABEI’s sustainability efforts are guided by its Environmental and Social Policy which is centered around adopting international environmental and social standards and promoting the UN Sustainability Development

Goals.²⁹ The Bank implements this policy through its 2020-2024 Environmental and Social Strategy,³⁰ which demonstrates a commitment to integrating sustainability considerations into the Bank's operations by focusing on the following five key pillars: i) financing projects that promote environmental and social sustainability; ii) supporting regional initiatives for market integration; iii) improving social capacities for communities' well-being; iv) promoting projects that build climate resilience and environmental conservation; and v) enhancing gender equity. These focus areas are aligned with the financing eligible under the Framework, underscoring the Bank's mission to promote economic integration and social development in Central America.

Through its Declaration of Commitment to the Glasgow Climate Pact, signed in 2016 and updated in 2019, CABEI's Board of Governors established a commitment to climate change adaptation and mitigation actions and to refrain from financing projects related to the exploration and extraction of coal, as well as the generation of energy from coal.³¹ Additionally, in 2019, the Bank enhanced its commitment through its Zero Carbon Statement, to support the development of low-carbon economies, the promotion of infrastructure resilient to climate change, sustainable food production, and increased adoption of clean energy.³² In 2021, CABEI approved USD 1.51 billion in climate change mitigation and adaptation programmes and projects, representing 41.1% of the Bank's total approvals for the year.³³ With its Green Climate Fund, CABEI will mobilize USD 526.5 million for project implementation in Central America, which is expected to reduce 54.9 million tonnes of GHG emissions and positively impact 3.18 million people through improved climate resilience.³⁴ The Bank has also set goals to mobilize USD 1.21 billion in funds directed towards key sectors with the aim of improving environmental and social sustainability for the 2020-24 period.³⁵

CABEI's Environmental and Social Policy also includes its Environmental and Social Risk Management framework, which consists of the SIEMAS and the System of Environmental and Social Corporate Responsibility (SASC).³⁶

In view of the above, Sustainalytics is of the opinion that the CABEI Green and Blue Bond Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further its action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues related to biodiversity loss from land use for large-scale infrastructure development; emissions, effluents and waste generated in construction projects financed by the Bank; community relations and stakeholder participation; and occupational health and safety. While CABEI has limited involvement in the development of specific projects that will be financed under the Framework, it could be exposed to environmental and social risks associated with the loans and financial services that it may offer.

CABEI's Environmental and Social Policy is embedded with a risk management framework made up of the SIEMAS and the SASC.³⁷ The Bank has communicated to Sustainalytics that it addresses the above-mentioned environmental and social risks associated with financed projects through SIEMAS, which is based on performance standards laid out by the IFC;³⁸ the Equator Principles;³⁹ the World Bank Group Environmental,

²⁹ CABEI, "Environmental and Social Policy of the Central American Bank for Economic Integration", at:

https://www.bcie.org/fileadmin/bcie/english/files/news-and-media/publications/regulations/cabei_environmental_and_social_policy_01.pdf

³⁰ CABEI, "Environmental and Social Strategy, 2020-2024", at: <https://www.bcie.org/en/news-and-media/publications/publication/environmental-and-social-strategy-2020-2024>

³¹ CABEI, "CABEI declares commitment to the Glasgow Pact to support climate change adaptation and mitigation actions", (2022) at:

<https://www.bcie.org/en/news-and-media/news/article/el-bcie-declara-su-compromiso-con-el-pacto-de-glasgow-para-apoyar-acciones-de-adaptacion-y-mitigacion-al-cambio-climatico>

³² CABEI, "The LIX CABEI Board of Governors meeting ends with new commitments to zero carbon emissions and access to information", (2019) at:

<https://www.bcie.org/en/news-and-media/news/article/the-lix-cabei-board-of-governors-meeting-ends-with-new-commitments-to-zero-carbon-emissions-and-access-to-information>

³³ CABEI, "2021 Annual Report", at: <https://www.bcie.org/en/news-and-media/publications/publication/cabeis-annual-report-2021>

³⁴ Ibid.

³⁵ CABEI, "Environmental and Social Strategy 2020-2024", at: <https://www.bcie.org/en/news-and-media/publications/publication/environmental-and-social-strategy-2020-2024>

³⁶ Ibid.

³⁷ CABEI, "Environmental and Social Policy of the Central American Bank for Economic Integration", at:

https://www.bcie.org/fileadmin/bcie/english/files/news-and-media/publications/regulations/cabei_environmental_and_social_policy_01.pdf

³⁸ IFC Performance Standards: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards

³⁹ Equator Principles: <https://equator-principles.com/about/>

Health and Safety Guidelines;⁴⁰ and relevant national legislation; while SASC facilitates the adoption of practices that are aimed at reducing the environmental and social impact of the Bank's own operations.

The Bank ensures the implementation of SIEMAS through a monitoring process which entails reviews of clients' reports and physical site audits. Subsequently, based on the risk categorization of its financed projects,⁴¹ the Bank has an Environmental and Social Action Plan for risk mitigation measures which the clients are required to undertake as part of their contractual obligation with the Bank.⁴² Finally, CABEI employs an environmental and social reporting mechanism to monitor its risk management and performance of its financed projects.⁴³

CABEI's commitment to mitigating the environmental and social risks of its interventions or financed activities is also highlighted in the Bank's 2020-2024 Institutional Strategy.⁴⁴ The strategy shares the Bank's pledge to ensure a net positive impact of its financing activities by monitoring the compliance of financed projects with the Bank's Environmental and Social Policy through various stages of the projects.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that CABEI has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All 10 use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of sustainable agricultural practices for Central America's agricultural sector

As of 2022, approximately one-third of arable land in Central America is covered by degraded soils, which is broadly in line with the global average.⁴⁵ Degradation of soil is often a result of unsustainable agricultural practices, overgrazing by livestock, climate change and other factors.⁴⁶ In Central America specifically, these forces have historically been exacerbated by natural erosion of the slopes of the mountainous subregions where much of the cultivation takes place, and the extreme weather patterns brought on by the La Niña phenomenon.⁴⁷ According to soil data, erosion affects 75% of the land in El Salvador, and 12% of land in Guatemala is threatened by desertification.⁴⁸

With demand for food, feed and fibre expected to grow by 60% by 2050 from a 2016 baseline,⁴⁹ lost agricultural productivity and yield from land and soil degradation could lead to increased concerns over the ability to meet the projected increase in demand.⁵⁰ The UN's 2030 target to achieve an end to hunger, food insecurity and malnutrition might be unattainable.⁵¹

Deforestation and forest degradation also continue to take place at significant rates, which contribute to the ongoing loss of biodiversity.⁵² In Central America, land allocated to pasture and agricultural practices has increased considerably in recent decades, resulting in forestland and biodiversity loss.⁵³ To mitigate the

⁴⁰ The World Bank, "Environmental, health, and safety general guidelines", (2007), at: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/157871484635724258/environmental-health-and-safety-general-guidelines>

⁴¹ The environmental and social risks categorization of projects and programmes financed by CABEI is based on recommendations of IFC Performance Standards and the World Bank Group and include three levels: i) Category A for projects with significant and potentially irreversible environmental and social risks; ii) Category B for projects that may have limited adverse environmental and social impact; and iii) Category C for projects with minimal or no adverse impact.

⁴² CABEI, "Green and Blue Bond Framework", (2022), at: <https://www.bcie.org/relacion-con-inversionistas/banco-verde/marco-de-bonos-verdes>

⁴³ Ibid.

⁴⁴ CABEI, "2020-2024 Institutional Strategy", (2020), at: <https://www.bcie.org/en/news-and-media/publications/publication/cabei-2020-2024-institutional-strategy>

⁴⁵ Food and Agriculture Organization of the United Nations, "FAO to boost soil nutrient mapping in Central America and sub-Saharan Africa", (2022), at: <https://www.fao.org/north-america/news/detail/en/c/1600692/>

⁴⁶ Food and Agriculture Organization of the United Nations, "Soil degradation threatens food, medicine and the climate", (2022), at: <https://www.fao.org/global-soil-partnership/resources/highlights/detail/en/c/1539317/>

⁴⁷ Food and Agriculture Organization of the United Nations, "FAO to boost soil nutrient mapping in Central America and sub-Saharan Africa", (2022), at: <https://www.fao.org/north-america/news/detail/en/c/1600692/>

⁴⁸ United Nations Office for the Coordination of Humanitarian Affairs, "Soil Degradation Threatens Nutrition in Latin America", at: <https://reliefweb.int/report/world/soil-degradation-threatens-nutrition-latin-america>

⁴⁹ World Economic Forum, "Food Security and why it matters", at: <https://www.weforum.org/agenda/2016/01/food-security-and-why-it-matters/>

⁵⁰ Food and Agriculture Organization of the United Nations, "How to Feed the World 2050", at:

https://www.fao.org/fileadmin/templates/wsfs/docs/expert_paper/How_to_Feed_the_World_in_2050.pdf

⁵¹ Food and Agriculture Organization of the United Nations, "The State of Food Security and Nutrition in the World", (2022), at: <https://www.fao.org/3/cc0640en/cc0640en.pdf>

⁵² Food and Agriculture Organization of the United Nations, "The State of the World's Forests", (2020), at: <https://www.fao.org/state-of-forests/en/>

⁵³ Climate Policy Watcher, "Sustainable agriculture in Central America: Agricultural trade-offs to mitigate deforestation", (2022) at: <https://www.climate-policy-watcher.org/agricultural-production/sustainable-agriculture-in-central-america-agricultural-tradeoffs-to-mitigate-deforestation.html>

degradation of arable land and deforestation, countries in Central America are pledging investments under the Nationally Appropriate Mitigation Action plans to promote low-carbon agricultural practices and greater resource efficiency. These projects include Costa Rica’s investments in coffee plantations that employ the efficient use of fertilizers, better water management and improved wastewater treatment methodologies⁵⁴ and Honduras’ investments in low-carbon practices in its livestock sector.⁵⁵

Given the region’s focus on reducing GHG emissions and biodiversity loss due to agricultural practices, Sustainalytics is of the opinion that sustainable agriculture project financed under the Framework is expected to promote sustainable land use in Central America.

Importance of sustainable water management projects in Central America

Approximately 2 billion people globally lack access to safely managed drinking water, and 3.6 billion people lack access to safely managed sanitation.⁵⁶ In Central America specifically, unevenly or inadequately distributed water resources have left an estimated 2.1 million urban and 13.2 million rural inhabitants without access to safe drinking water.⁵⁷ Furthermore, inadequate sanitation and sewage treatment has led to an environment where governments need to spend up to four times as much in treating sickness from water-borne diseases than would be necessary to improve local water quality and sanitation systems.⁵⁸

To strengthen water security against this backdrop of increasing demand, water scarcity, growing uncertainty and greater extremes, eight Central American countries came together in 2017 to agree on a Water Agenda with the aim to promote sustainable water resource use, which is crucial to a region already suffering from climate change impacts.⁵⁹ To further promote this agenda, additional investments need to be made in technical assistance, information management and infrastructure development.⁶⁰ In particular, investments in new technologies are required to improve productivity, safeguard resources, recycle wastewater and stormwater, and explore non-traditional water sources.⁶¹ The development of such projects, in addition to seeking opportunities for enhanced water storage (including aquifer recharge and recovery) can contribute greatly to preservation and equal allocation of water resource in the subregion.⁶²

Organizations like the World Bank provide support to Central American governments through investment projects. In Honduras, for instance, the Promosas project supported the decentralization of nine water and sanitation services, improving water services for 108,000 families and sanitation services for approximately 3,800 families.⁶³ In Panama, a wastewater management project in Burunga contributes to improving access to sewerage services and strengthens the wastewater management capacity of the main institutions in the sector.⁶⁴ Likewise, in Guatemala, access to water is a key component of the investment project which aims to reduce malnutrition.⁶⁵

Sustainalytics is of the opinion that CABEI’s investments in sustainable water management projects under the Framework are expected to contribute positively to the efforts being made by Central American governments and other organizations to increase access to clean, drinkable water and better wastewater treatment systems across the subregion.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The bonds issued under the CABEI Green and Blue Bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
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⁵⁴ NAMA Facility, “Costa Rica – Low Carbon Coffee”, at: <https://nama-facility.org/projects/costa-rica-low-carbon-coffee/>

⁵⁵ NAMA Facility, “Honduras – Transforming the Livestock Sector”, at: <https://nama-facility.org/projects/honduras-transforming-the-livestock-sector/>

⁵⁶ The World Bank, “Water” (2022) at: <https://www.worldbank.org/en/topic/water/overview>

⁵⁷ Ramirez, I. (2015), “Drinking Water and Sanitation in Central America: Challenges, Perspectives and Alternative Water Treatment”, American Chemical Society, at:

https://www.researchgate.net/publication/295968189_Drinking_Water_and_Sanitation_in_Central_America_Challenges_Perspectives_and_AlternativeWaterTreatment#:~:text=Although%20the%20Central%20America%20region%20has%20no%20widespread,inhabitants%20have%20no%20access%20to%20safe%20drinking%20water

⁵⁸ Ibid.

⁵⁹ United Nations Office for the Coordination of Humanitarian Affairs, “Central America Hashes Out Agenda for Sustainable Water Use”, (2017), at: <https://reliefweb.int/report/world/central-america-hashes-out-agenda-sustainable-use-water>

⁶⁰ The World Bank, “Water Resources Management” (2022), at: <https://www.worldbank.org/en/topic/waterresourcesmanagement>

⁶¹ Ibid.

⁶² Ibid.

⁶³ Sakho, S. (2018), “How to guarantee water access to reduce inequality in Central America”, The World Bank, at: <https://blogs.worldbank.org/latinamerica/how-guarantee-water-access-reduce-inequality-central-america>

⁶⁴ Ibid.

⁶⁵ Ibid.

Sustainable Land Use	15. Life on Land Use	<p>15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.</p> <p>15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.</p>
Renewable Energy Generation	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Energy Efficiency (including Efficient Buildings)	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe, and affordable housing and basic services and upgrade slums.
Climate Change Adaptation	13. Climate Action	<p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p> <p>13.2 Integrate climate change measures into national policies, strategies, and planning.</p>
Water Resources Protection	6. Clean water and sanitation	<p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping, and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>
Sustainable Water Management	6. Clean Water and Sanitation	<p>6.1. By 2030, achieve universal and equitable access to safe and affordable drinking water for all.</p> <p>6.3. By 2030, improve water quality by reducing pollution, eliminating dumping, and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater, and substantially increasing recycling and safe reuse globally.</p>
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Blue Economy	12. Responsible consumption and production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources.
	14. Life below water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and

		take action for their restoration in order to achieve healthy and productive oceans
Nature Protection	15. Life on land	<p>15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.</p> <p>15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.</p>

Conclusion

CABEI has developed the CABEI Green and Blue Bond Framework, under which it may issue green and blue bonds and use the proceeds to finance and refinance projects related to the preservation, restoration and stewardship of marine and natural resources in Central America. Sustainalytics considers that the projects funded by the proceeds from the green and blue bonds are expected to provide positive environmental impact and facilitate the promotion of sustainable land use, renewable energy generation, climate change adaptation, sustainable water management and the protection of natural resources.

The CABEI Green and Blue Bond Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Bank and that the green and blue use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 11, 12, 13, 14 and 15. Additionally, Sustainalytics is of the opinion that CABEI has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is of the opinion that CABEI is well positioned to issue blue and green bonds and that the Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles.

Appendices

Appendix 1: Potential Impact Reporting Metrics

Eligible Green Categories	Sub-categories	Examples of impact indicators
Sustainable Land Use	<ul style="list-style-type: none"> Sustainable management of forests 	<ul style="list-style-type: none"> Approximate sequestered and/or avoided GHG emissions (tCO_{2e}/year)
	<ul style="list-style-type: none"> Agriculture 	<ul style="list-style-type: none"> Approximate sequestered and/or avoided GHG emissions (tCO_{2e}/year)
Renewable Energy Generation	<ul style="list-style-type: none"> Wind energy Solar energy Geothermal Bioenergy Hydropower 	<ul style="list-style-type: none"> Reduced and/or avoided GHG emissions (tCO_{2e} /year)
Clean Transport	<ul style="list-style-type: none"> Clean transport 	<ul style="list-style-type: none"> Reduced and/or avoided GHG emissions (tCO_{2e} /year)
Energy Efficiency (Including Efficient buildings)	<ul style="list-style-type: none"> Buildings and built environments 	<ul style="list-style-type: none"> Reduced and/or avoided GHG emissions (tCO_{2e} /year) Savings in energy bills (USD/year)
	<ul style="list-style-type: none"> Energy transmission, distribution, and storage 	<ul style="list-style-type: none"> Reduced and/or avoided GHG emissions (tCO_{2e} /year) Technical losses reduced (% , MWh/year) Reduction in the mean interruption time (min/year) Increase in electric energy coverage rate (%)
Climate Change Adaptation	<ul style="list-style-type: none"> Cities, settlements, and buildings 	<ul style="list-style-type: none"> Savings in resilient infrastructures investments (USD/year) Savings in energy bills (USD/year) Number of people with increased climate resilience
	<ul style="list-style-type: none"> Agriculture 	<ul style="list-style-type: none"> Water savings (USD/year) Reduction in fossil fuels consumption (gal/year) Water irrigation efficiency increase (%) Reduction in yield losses (USD/year) Savings in energy bills (USD/year)
	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">

Potential Impact Reporting Metrics for Eligible Blue Bond Projects

Eligible Blue Categories	Sub-categories	Examples of impact indicators
Water resources protection	<ul style="list-style-type: none"> Efficient water use Water pollution prevention 	<ul style="list-style-type: none"> Savings in water consumption of the project (m³) Increase in water saved (m³) Reduction in water losses (%) Amount of pollutants prevented from reaching the water (tons/year; m³/year) Amount of avoided/reused/recycled plastic (tons/year)
Sustainable water management	<ul style="list-style-type: none"> Water distribution Water treatment Water treatment from maritime transportation 	<ul style="list-style-type: none"> Reduction in water usage (%) Increase in water reuse (m³/ year) Increase in solid sludge collected and treated/reused (tons/year)

Eligible Blue Categories	Sub-categories	Examples of impact indicators
		<ul style="list-style-type: none"> Number of new connections to drinking water system Number of new connections to sewerage system
Renewable energy	<ul style="list-style-type: none"> Offshore Renewable Energy 	<ul style="list-style-type: none"> Reduced and/or avoided GHG emissions (tCO_{2e} /year)
Blue economy	<ul style="list-style-type: none"> Ports Fisheries, aquaculture, and seafood value chain 	<ul style="list-style-type: none"> Reduced and/or avoided GHG emissions (tCO_{2e} /year) Savings in water consumption of the project (m³) Number of beneficiaries Volume of fishery and aquaculture products produced under sustainability certifications (tons) Value of fishery and aquaculture products produced under sustainability certifications (USD)
Nature protection	<ul style="list-style-type: none"> Water ecosystem protection and restoration Scientific research 	<ul style="list-style-type: none"> Area of ecosystems restored (km²) Surface covered by new protected areas (km²) Carbon sequestration absorbed from marine ecosystems restored (blue carbon; tCO_{2e}) Number of scientific articles published

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name: Central American Bank for Economic Integration

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: Green and Blue Bond Framework

Review provider's name: Sustainalytics

Completion date of this form: December 02, 2022

Publication date of review publication:

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

Use of Proceeds

Process for Project Evaluation and Selection

- Management of Proceeds Reporting

ROLE(S) OF REVIEW PROVIDER

- Consultancy (incl. 2nd opinion) Certification
 Verification Rating
 Other (*please specify*):

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Sustainable Land Use, Renewable Energy Generation, Clean Transportation, Energy Efficiency, Climate Change Adaptation, Water Resources Protection, Sustainable Water Management, Renewable Energy, Blue Economy and Nature Protection – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 11, 12, 13, 14 and 15.

Use of proceeds categories as per GBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

CABEI's Green and Blue Bond Working Group will evaluate, select and monitor eligible projects and assets according to the eligibility criteria. The group will include representatives from CABEI's Finance Department, the Environmental and Social Monitoring Office and the public and private sectors. CABEI's Environmental and Social Risk Identification, Evaluation and Management system is applicable to all allocation decisions made under the CABEI Green and Blue Bond Framework. Sustainalytics considers this risk management system and project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

CABEI's Department of Investments, Asset and Liability Management will allocate and track net proceeds from issuances made under the Green and Blue Bond Framework. CABEI intends to fully allocate proceeds within 36 months of issuance. Pending allocation, unallocated proceeds will be temporarily held or invested in cash or liquid instruments. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- | | |
|--|--|
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

CABEI intends to report on the allocation of proceeds and the corresponding impact on its website on an annual basis until full allocation. Allocation reporting will include the total amount of proceeds allocated to the projects under each category, a description of the projects to which proceeds are allocated, the share of financed versus refinanced projects and the balance of unallocated proceeds. In addition, CABEI is committed to reporting on relevant impact metrics. Sustainalytics views CABEI's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|---|
| <input type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): On a category basis |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): |

Frequency

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
|--|--------------------------------------|

Other (please specify):

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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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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