

Climate and Sustainability Awareness Bonds

Newsletter | Year-end 2021

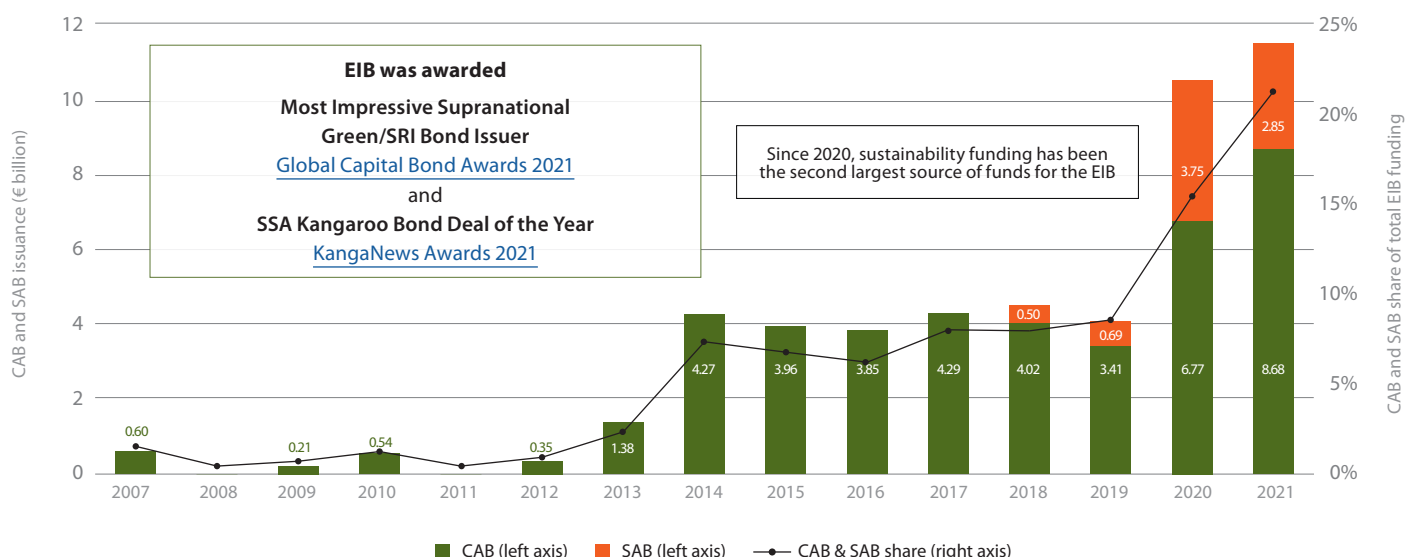
The [COVID-19 Vaccine Volume Allocation \(COVAX\)](#) project received €230 million in SAB allocations in H1 2021 (unaudited)

Issuance highlights

Largest sustainability funding volume ever

Since the last [CAB/SAB Newsletter published in May](#), the EIB's sustainability funding has progressed at a steady pace, reaching a **record €11.5 billion** equivalent in 2021, or close to **21% of the Bank's overall funding envelope — the second largest contribution** after benchmark funding. Climate Awareness Bond (CAB) and Sustainability Awareness Bond (SAB) proceeds have been raised in a **record number of 15 currencies**. The euro accounted for 46% of issuance, followed by the US dollar (14%), Australian dollar (13%) and Canadian dollar (9%). **Five new currencies** were added for the first time to the EIB's sustainability funding currency mix, namely: the Russian rouble, offshore Chinese renminbi, New Zealand dollar, Romanian leu and Hungarian forint. To date, total CAB and SAB issuance stands at €50.1 billion in 22 currencies, making the EIB **the largest multilateral development bank (MDB) issuer of green and sustainability bonds**.

In September, the [euro-denominated CAB due 2030](#) was increased by a further €500 million, to a reference-size of €1 billion. Early October saw the inauguration of SABs in the Sterling market with the launch of a [new £500 million SAB due 2026](#). The transaction, which attracted interest in excess of £1.4 billion, highlighted the **extension of SAB eligibilities to "access to social and affordable housing"**, key to achieving SDG 11 (see page 3 for an overview of current CAB/SAB eligibilities). Both issuances were timed to coincide with the **publication of the 2020 CAB Framework and SAB Framework** (CAB/SAB Frameworks) which describe in detail the EIB's early application of the EU Taxonomy and EU Green Bond Standard proposal (see more on page 4). The EIB's sustainability funding has thus continued to draw market attention to the merits of evolving EU legislation on sustainable finance and to the EIB's proactive strategy in this area. The EIB's total funding for 2021 was rounded off with a rare [new €750 million CAB due 2027](#) issued in December.



Reporting for the first half of 2021



CAB and SAB issuance has to (a) secure allocations to all new CAB/SAB-eligible disbursements for any given set of CAB/SAB eligibilities decided by the EIB Projects Directorate; and (b) ensure sufficiently large balances of unallocated CAB/SAB proceeds on precautionary grounds, in order to secure allocations at all times — for example in the event of adverse market conditions or seasonal imbalances of issuance and disbursement activities (the latter being typical of the second part of the year).

Allocation of proceeds

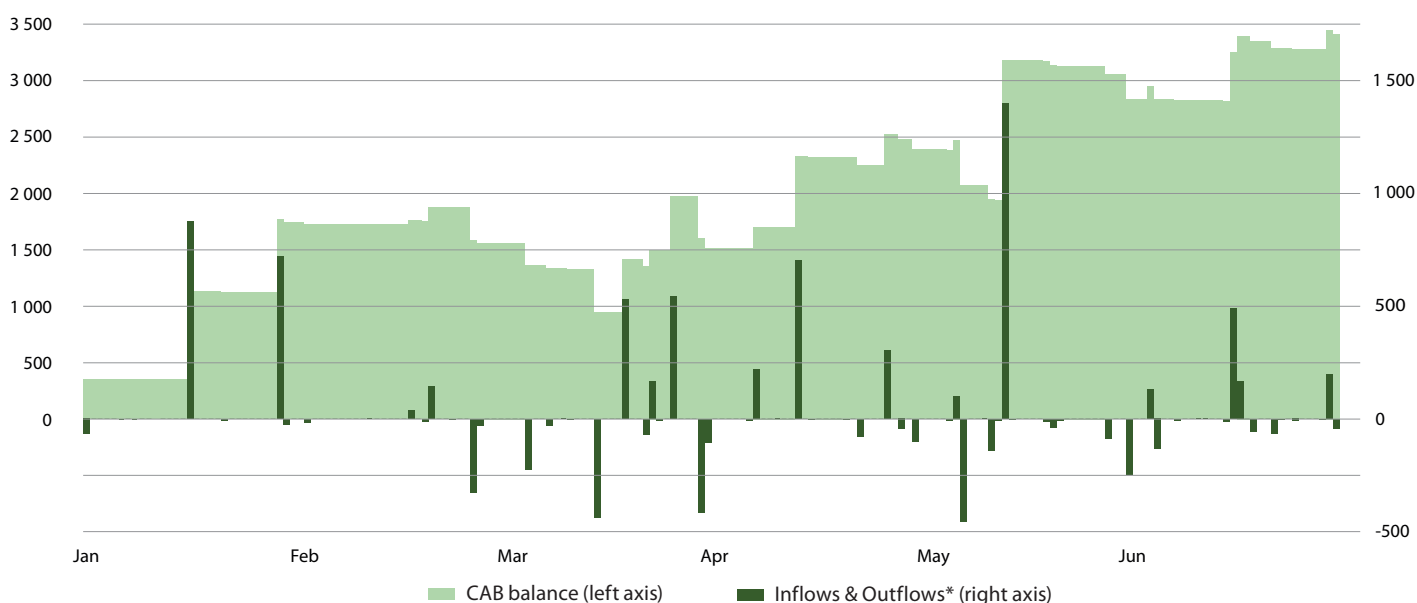
Climate Awareness Bonds

During the first half of 2021, the EIB issued €6.8 billion of CABs. In this period, €3.2 billion of disbursements were found eligible for allocation of proceeds from CAB issuance and €3.2 billion of CAB proceeds were allocated to such disbursements following the EIB's allocation procedures. The balance of unallocated CAB proceeds in the treasury CAB portfolio amounted to €353 million at the beginning of the year and to €3.4 billion at the end of the first half of the year.

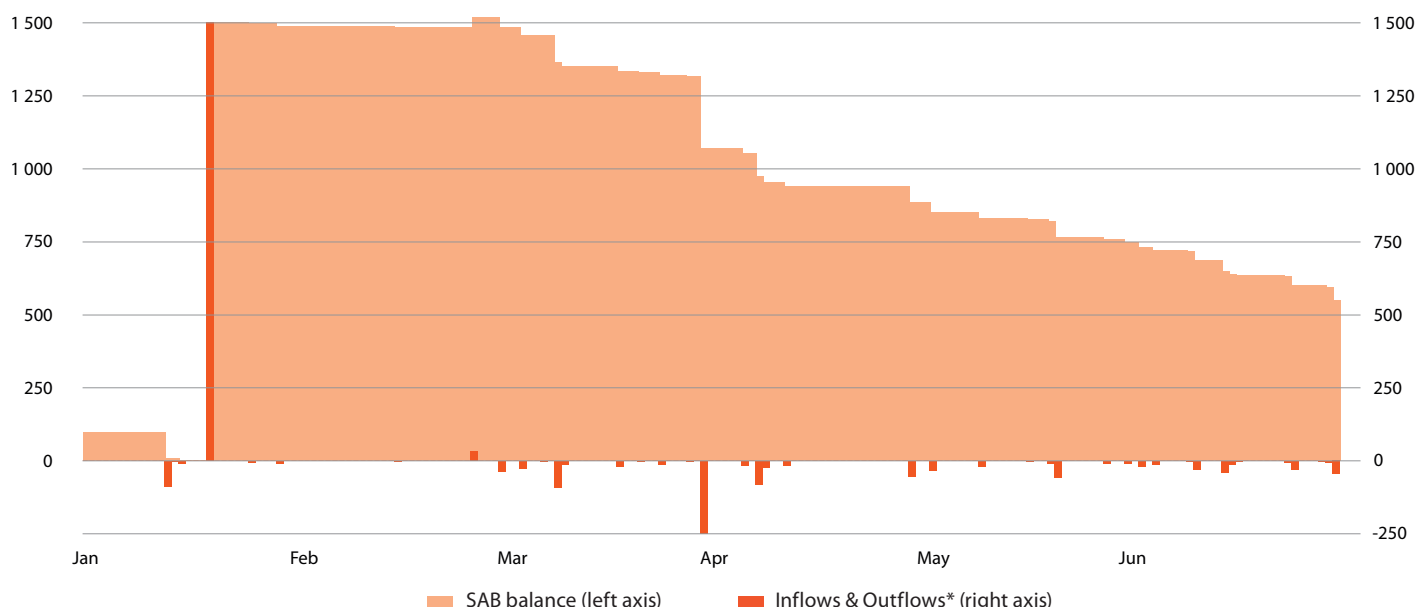
Sustainability Awareness Bonds

During the first half of 2021, the EIB issued €1.6 billion of SABs. In this period, €1.1 billion of disbursements were found eligible for allocation of proceeds from SAB issuance and €1.1 billion of SAB proceeds were allocated to such disbursements following the EIB's allocation procedures. The balance of unallocated SAB proceeds in the treasury SAB portfolio amounted to €98 million at the beginning of the year and to €550 million at the end of the first half of the year.

CAB balance of unallocated proceeds (in € million)



SAB balance of unallocated proceeds (in € million)



*Inflows are CAB/SAB issues and increase the balance; outflows are allocations to CAB/SAB-eligible loan disbursements and decrease the balance.

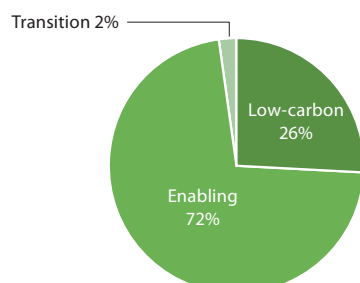
Use of proceeds



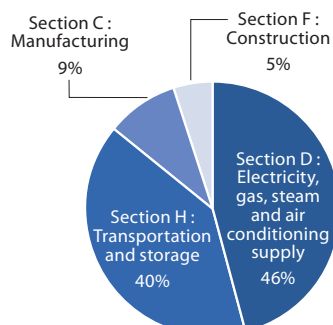
CAB proceeds are allocated to EIB lending for activities that substantially contribute to climate change mitigation.

Based on unaudited data, in the first half of 2021, €3.2 billion was allocated to 51 projects in 21 countries. €3 billion of this was allocated to 42 projects in 14 EU Member States and €200 million to nine projects in seven countries outside the European Union.

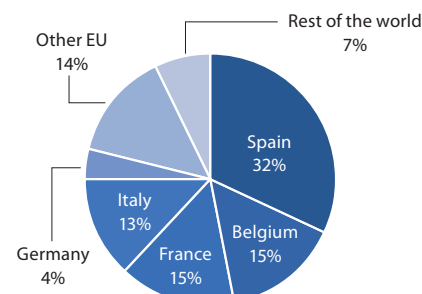
CAB allocation by type of contribution* to climate change mitigation



CAB allocation by NACE macro sector



CAB allocation by geographical location

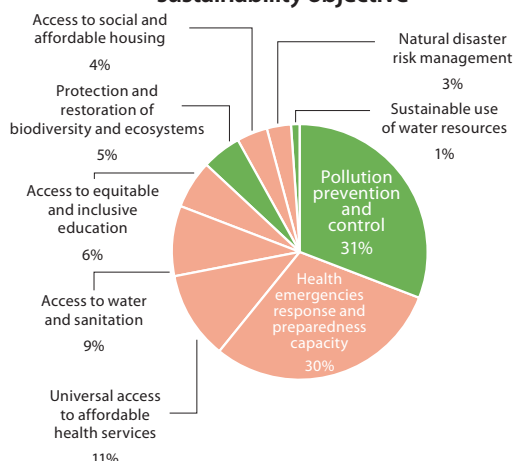


*The Technical Expert Group proposal for an EU Green Bond Standard usability guide requires a breakdown of allocations by the categories of "low-carbon", "transition" and "enabling". See [EU Taxonomy Regulation](#) Article 10(2) for a definition of "transition" activities and Article 16 for a definition of "enabling" activities.

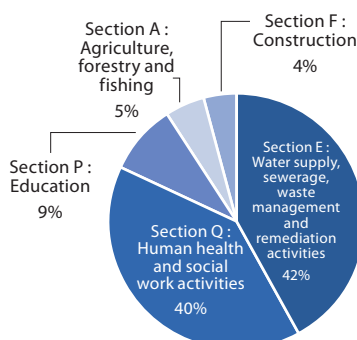
SAB proceeds are allocated to EIB lending for activities that substantially contribute to environmental and social sustainability objectives, beyond climate change mitigation.

Based on unaudited data, in the first half of 2021, €1.1 billion was allocated to 46 projects in 26 countries. €511 million of this was allocated to 26 projects in 11 EU Member States and €599 million to 20 projects in 15 countries outside the European Union.

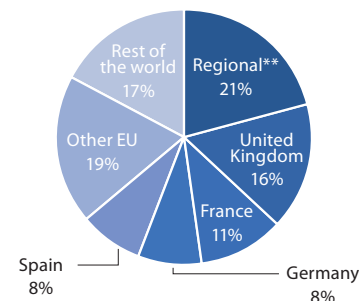
SAB allocation by sustainability objective



SAB allocation by NACE macro sector



SAB allocation by geographical location



** "Regional" covers the SAB-eligible projects "Land Degradation Neutrality Fund" and "COVID-19 Vaccine Volume Allocation (COVAX)", which support various countries in Asia, Africa, the Caribbean, the Pacific and the Mediterranean.

Detailed allocation reports by project and by bond for the first half of 2021 (unaudited data) are available on the EIB's website:

- <https://www.eib.org/en/investor-relations/publications/all/eib-cab-projects-h1-2021>
- <https://www.eib.org/en/investor-relations/publications/all/eib-sab-projects-h1-2021>

CAB and SAB-eligible sustainability objectives — *status quo*

	Climate Awareness Bonds	Sustainability Awareness Bonds	
	Environmental	Environmental (other than climate change mitigation)	Social
Objectives	<ul style="list-style-type: none"> Climate change mitigation (2007) 	<p>So far:</p> <ul style="list-style-type: none"> Sustainable use and protection of water and marine resources (2018) Pollution prevention and control (2018) Protection and restoration of biodiversity and ecosystems (2021) 	<p>So far:</p> <ul style="list-style-type: none"> Access to water and sanitation (2018) Natural disaster risk management (2018) Access to equitable and inclusive education (end 2019) Universal access to affordable health services (end 2019) Health emergencies response & preparedness capacity (2020) Access to social and affordable housing (2021)

2020 CAB/SAB Frameworks showcase the EIB's early application of EU sustainable finance legislation

The EIB's 2020 CAB/SAB Frameworks (published in September-October, see [here](#) and [here](#)) detail the Bank's strategy of early and stepwise application of the EU Taxonomy and EU Green Bond Standard, in line with the recommendations of the recent [report on Climate Awareness Bonds](#) by the EIB's Operations Evaluation Division (see Recommendation 2).

Notably, the documents contain, for the first time:

- a description of CAB/SAB administration aligned with the logic of the EU Taxonomy;
- disclosure of CAB/SAB technical screening criteria for substantial contribution; for CABs, these criteria are compared with those proposed by the European Commission's Technical Expert Group on sustainable finance;
- content rearranged in line with the EU Green Bond Standard template proposed by the Technical Expert Group;
- allocation and impact reports in line with the requirements of the EU Green Bond Standard as proposed by the Technical Expert Group.

As in previous years, the 2020 CAB/SAB Frameworks were audited by KPMG with independent reasonable assurance as per the International Standard on Assurance Engagements 3000. The assurance report concludes that:

- the CAB/SAB Frameworks are aligned with the EU Green Bond Standard proposed by the Technical Expert Group in the areas of Green Bond Framework, reporting, and verification;
- the CAB/SAB project eligibility criteria are aligned with the logic of the EU sustainability taxonomy;
- the CAB 2020 technical screening criteria for substantial contribution are aligned with the Technical Expert Group criteria in the fields of low-carbon transport and low-carbon technologies, and partially aligned in renewable energy and energy efficiency.

On this basis, the EIB has also aligned the CAB technical screening criteria for substantial contribution with those of the Technical Expert Group for renewable energy and energy efficiency in 2021.

"The EIB is not only demonstrating leadership in issuance, it also keeps improving its practice and governance, thereby providing a reference for other market participants"

Global Capital

Article "EIB: Using EU legislation to facilitate sustainable investment"
September 2021

IPSF's Common Ground Taxonomy takes forward the EIB's comparative analysis of 2017, marking an important step towards a common language in green finance

The International Platform on Sustainable Finance (IPSF) published its first [Common Ground Taxonomy report](#) (CGT) at COP26. Produced by IPSF's Taxonomy Working Group co-chaired by the European Union and China, CGT "puts forward areas of commonality and differences between the EU and China's green taxonomies," for climate change mitigation. As stated in the report, "it intends to provide more clarity and transparency about the commonalities and differences between approaches and eventually lower the trans-boundary cost of green investments and scale up the mobilization of green capital internationally."

The EIB's major
announcements at
COP26
[click here](#)

The IPSF document refers to seminal work of the EIB in 2017. In a first attempt at comparative analysis, the China Green Finance Committee (CGFC) and the EIB mapped the 2015 China Green Bond Endorsed Project Catalogue, using the Green Bond Principles of the International Capital Markets Association (objectives) and the MDB-IDFC Common Principles for Climate Mitigation Finance Tracking (categories) as a basis. The results of this work were jointly published by the CGFC and the EIB in a [white paper on the need for a common language in green finance](#) in November 2017 and were contributed by the EIB to the discussions of the High-Level Expert Group on a showcase taxonomy for climate change mitigating activities. See [presentation on the need for a common language in green finance](#) as well as a [fireside chat with Bank of China and Bank of England during COP26](#).

CABs and SABs — key facts

- ✓ **Early and progressive alignment:** with EU Taxonomy and EU Green Bond Standard
- ✓ **Compliance:** with Green Bond Principles, Social Bond Principles and the Sustainability Bond Guidelines
- ✓ **Univocal classification:** allocations are attributed to just one primary sustainability objective, with no double counting
- ✓ **Ongoing review of eligibilities:** determination at loan approval, reassessment at loan disbursement
- ✓ **Transparency:** allocations are automated and only to new disbursements taking place after issue date, with no refinancing
- ✓ **Accountability:** yearly reporting on use of proceeds (bond by bond) and environmental/social impact (project by project)
- ✓ **Reliability:** Independent Reasonable Assurance Report by KPMG (ISAE 3000)
- ✓ **AAA-credit merit:** senior unsecured bonds that rank *pari passu* with other EIB bonds
- ✓ **Leadership among peers:** largest MDB issuer of green and sustainability bonds with €50.1 billion issued in 22 currencies

Disclaimer

This document is presented for information purposes only. It constitutes neither an offer of, nor an invitation to purchase, securities, nor is the information presented herein meant to serve as a basis for any kind of obligation, contractual or otherwise. Securities issued by the EIB may not be offered or sold in the United States nor to U.S. persons outside the United States unless registered under U.S. securities laws. Similar restrictions may apply in other countries. This document contains forward-looking statements that are based on expectations, estimates, projections and assumptions. These statements are not guarantees of future performance and involve certain risks and uncertainties which are difficult to predict. Actual future events and trends may differ materially from what is forecast in such statements. This document speaks only as of its date; the EIB does not undertake to update it to reflect events, circumstances or changes in expectations after such date.

European Investment Bank
Sustainability Funding Team
98-100, boulevard Konrad Adenauer
L-2950 Luxembourg
sustainabilityfunding@eib.org