

Climate and Sustainability Awareness Bonds

Newsletter | Year-end 2022



The project [Emscher Renaturierung III](#) received €200 million in SAB allocations in 2022 (unaudited data)



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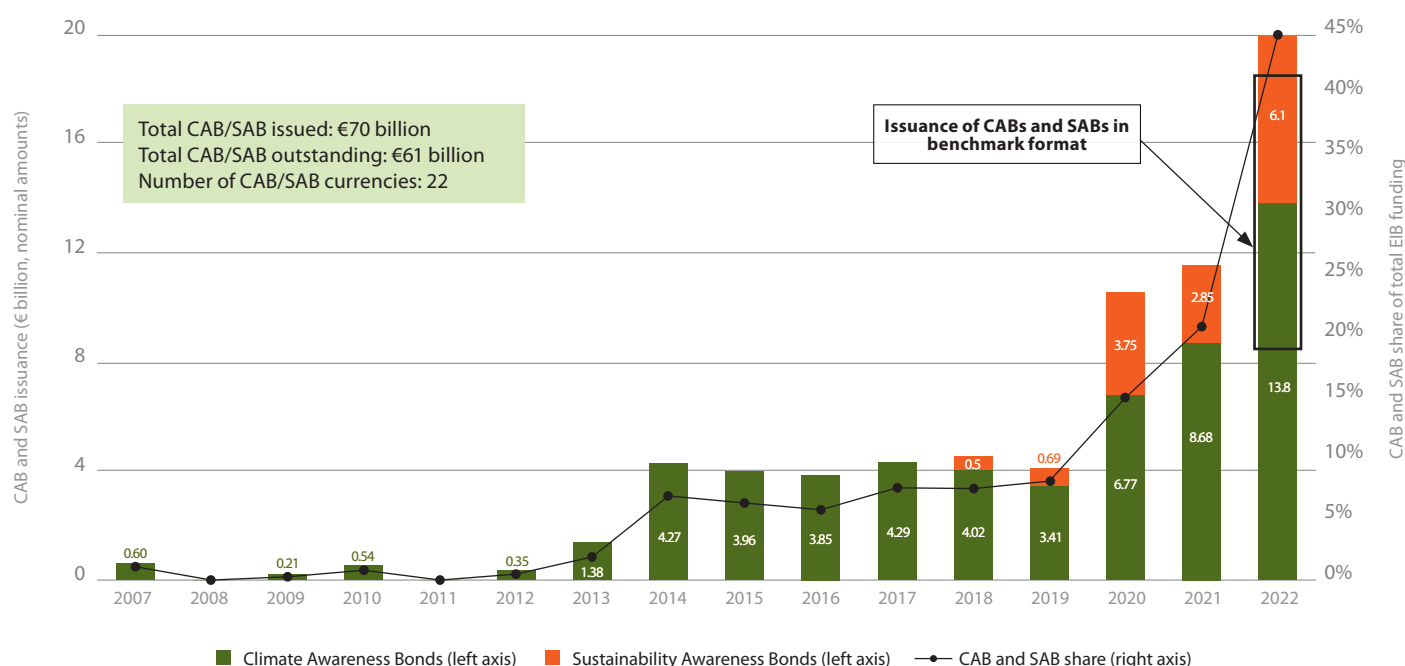
Issuance highlights

Sustainability funding at a record high

In 2022, sustainability funding — the issuance of Climate Awareness Bonds (CABs) and Sustainability Awareness Bonds (SABs) — reached a record high close to the equivalent of €20 billion and accounted for an unprecedented 45% share of the total funding plan of the European Investment Bank (EIB). This growth is the result of a gradual extension of CAB and SAB eligibilities and an increase in the eligible share of EIB disbursements, in the context of the EIB's Climate Bank Roadmap. In addition, the Bank's strategy of gradual alignment with the EU taxonomy (see page 4) is providing a competitive edge, and investors' confidence in this approach can be witnessed in the strong demand for CAB and SAB transactions.

Notable transactions since the [June 2022 CAB/SAB newsletter](#) included two benchmarks: a new \$4 billion SAB Global due in 2027, the largest-ever Sustainability Awareness Bond, followed by a new €4 billion Climate Awareness Bond in Euro Area Reference Note format due in 2030. Sustainability Awareness Bonds were issued for the first time in Mexican pesos and New Zealand dollars, while the CAB format was key in attracting Scandinavian investors for two Norwegian krone transactions (NOK 1 billion, due in 2027, and NOK 2 billion, due in 2028), and for a [Swedish krona Climate Awareness Bond due in 2027](#), all driven by dedicated demand from local pension funds. The NZD, NOK and SEK markets were accessed exclusively in sustainability funding format in 2022.

At the end of the year, total CAB and SAB issuance since 2007 stood at €70 billion (across 22 currencies), making the EIB **the largest multilateral development bank issuer of green and sustainability bonds with dedicated use of proceeds.**



Reporting for 2022



The issuance of Climate Awareness Bonds and Sustainability Awareness Bonds must secure allocations to all eligible disbursements for any given set of CAB/SAB eligibilities decided by the EIB Projects Directorate.

Allocation of proceeds

Climate Awareness Bonds

During 2022, the EIB issued €13.6 billion* of Climate Awareness Bonds. In the course of the year, €12.7 billion of disbursements were found eligible for allocation of proceeds from issuance, and €12.7 billion of the proceeds were allocated to such disbursements following the EIB's allocation procedures. The balance of unallocated proceeds in the treasury CAB portfolio amounted to €0 at the beginning of the year and to €0.9 billion at the end of the year.

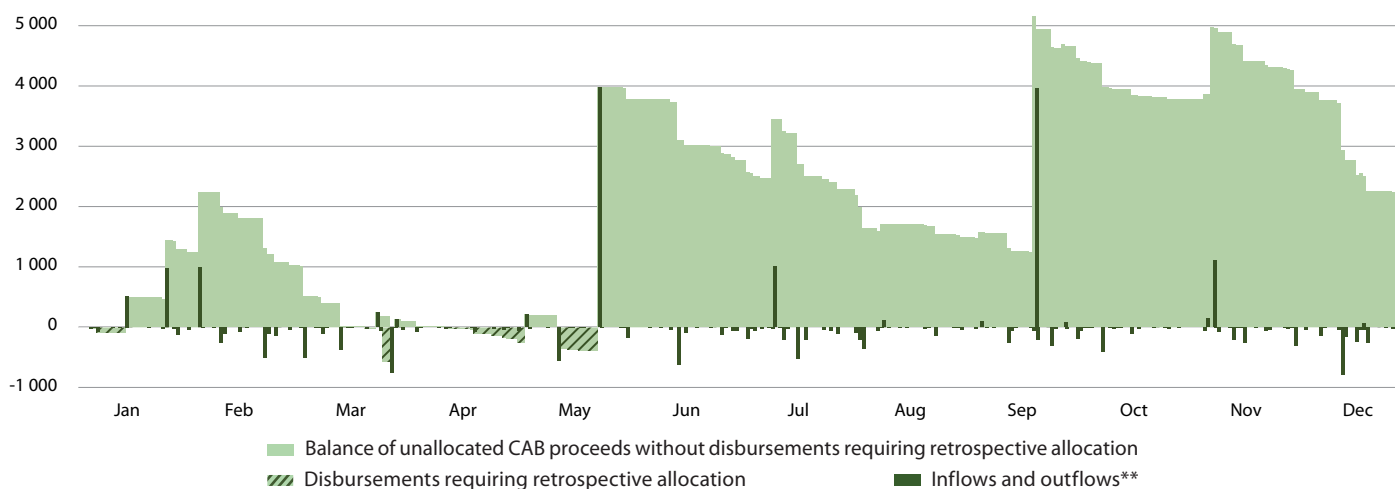
Sustainability Awareness Bonds

During 2022, the EIB issued €5.9 billion* of Sustainability Awareness Bonds. In the course of the year, €4.2 billion of disbursements were found eligible for allocation of proceeds from SAB issuance, and €4.2 billion of the proceeds were allocated to such disbursements following the EIB's allocation procedures. The balance of unallocated proceeds in the treasury SAB portfolio amounted to €0.3 billion at the beginning of the year and to €2 billion at the end of the year.

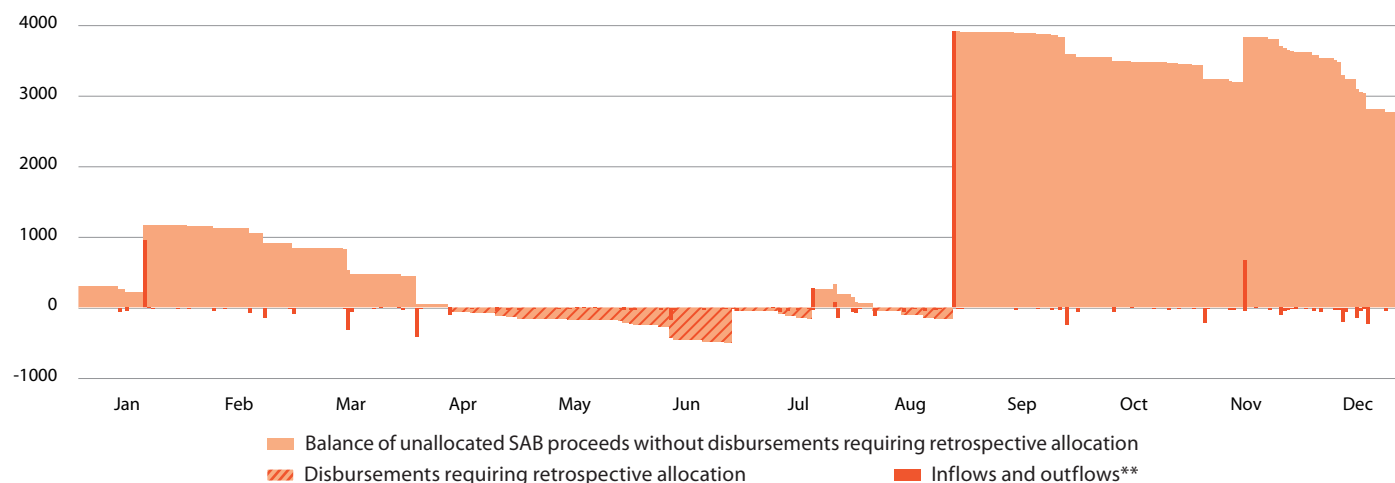
* These data are based on net proceeds from CAB and SAB issuance.

As a precaution, sufficiently large balances of unallocated CAB and SAB proceeds are generally maintained at all times, to secure allocations to new disbursements when non-conducive market conditions or other reasons (for example, the preparation of a larger issue in a crowded market) prevent new issuance for some time. In the first few months of 2022, the substantial increase in eligible disbursements rapidly exhausted these precautionary balances, while the first larger Climate Awareness Bond and Sustainability Awareness Bond (€4 billion and \$4 billion, respectively) could only be issued in May and August, respectively. It was therefore necessary to perform a retrospective allocation (look-back) of these issues to ensure the effective capture of all eligible disbursements. This explains the difference between the year-end balance of unallocated proceeds in the graphs below (no look-back) and the year-end balance of unallocated proceeds in the boxes above.

Climate Awareness Bond balance of unallocated proceeds (in € million)



Sustainability Awareness Bond 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.

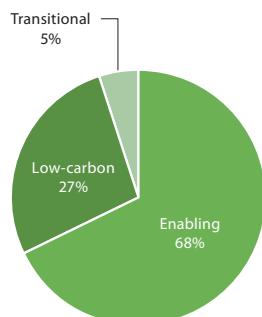
Use of proceeds (first half of 2022)



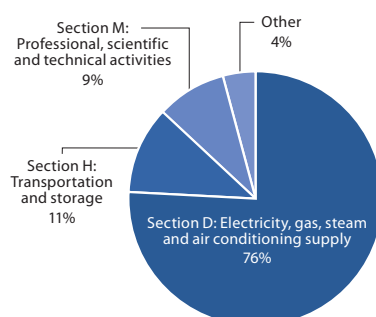
CAB proceeds are allocated to EIB lending for activities that substantially contribute to climate change mitigation.

Based on unaudited data for the first half of 2022, €5.5 billion were allocated to 66 projects in 24 countries. €5.3 billion of the proceeds were allocated to 60 projects in 19 EU Member States and €235 million to six projects in five countries beyond the European Union.

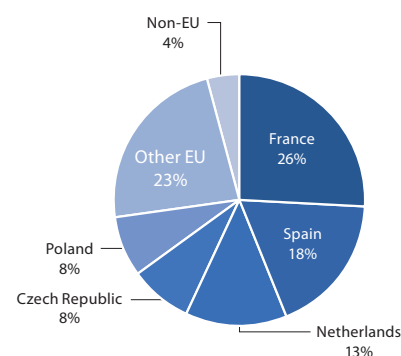
CAB allocation by type of contribution* to climate change mitigation



CAB allocation by NACE¹ macro sector



CAB allocation by geographical location

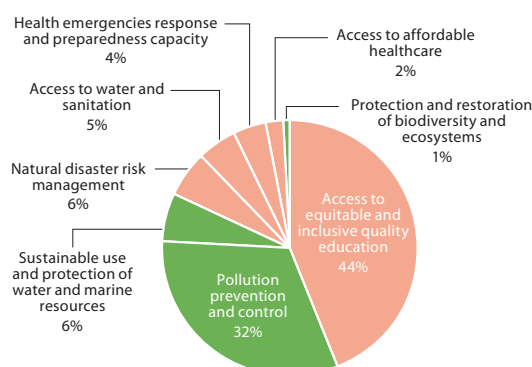


* CAB allocations are categorised as “low-carbon,” “transitional” and “enabling.” See the [EU Taxonomy Regulation](#) Article 10(2) for a definition of “transitional” activities and Article 16 for a definition of “enabling” activities. “Low-carbon” is applied to activities that are neither “transitional” nor “enabling.”

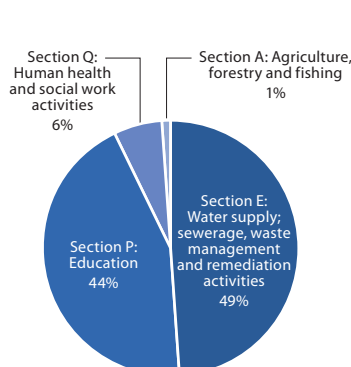
SAB proceeds are allocated to EIB lending for activities that substantially contribute to environmental and social sustainability objectives beyond climate change mitigation.

Based on unaudited data for the first half of 2022, €1.75 billion were allocated to 42 projects in 24 countries. €1.63 billion of the proceeds were allocated to 26 projects in 13 EU Member States and €123 million to 16 projects in 11 countries beyond the European Union.

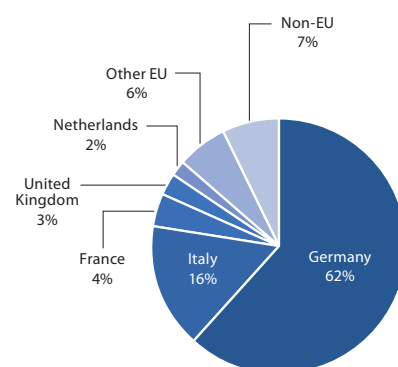
SAB allocation by sustainability objective



SAB allocation by NACE¹ macro sector



SAB allocation by geographical location



Detailed allocation reports by project and by bond for the first half of 2022 (unaudited data) are available on the EIB website:

- <https://www.eib.org/en/investor-relations/publications/all/eib-cab-projects-2022>
- <https://www.eib.org/en/investor-relations/publications/all/eib-sab-projects-2022>

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

	Climate Awareness Bonds	Sustainability Awareness Bonds	
	Environmental	Environmental (other than climate change mitigation)	Social
	Objectives	Objectives	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 and preparedness capacity (2020) Access to social and affordable housing (2021)

¹ NACE: *Nomenclature statistique des activités économiques dans la Communauté européenne*: Statistical Classification of Economic Activities in the European Community, the industry standard classification system used in the European Union.

The new CAB Framework and SAB Framework showcase the importance of an adaptive approach to EU legislation on sustainable finance

Europe's regulatory and supervisory framework for sustainable finance is rapidly evolving towards a single classification system for economic activities that contribute substantially to EU sustainability objectives. This clarification is intended to prevent greenwashing (marketing financial products as environmentally friendly without auditable evidence, for example), and is a condition for fair competition and effective collection of information along the investment chain. By providing a common reference for investors, intermediaries and end users of capital, and by asking investors to report on the sustainability content of their portfolios, EU legislation is turning investors into catalysts of due diligence, assessment, and promotion of sustainability in the economy.

Green and sustainability bonds with dedicated use of proceeds are core instruments in this process, as bond markets are more dynamic than other financial segments (such as loans) and investors react more quickly to new official investment guidelines. Within the framework created by the EU Taxonomy Regulation of July 2020, the European Commission has proposed a regulation on European green bonds that aims to establish a new EU green bond standard that the market can use as a yardstick for developing best reporting practices over time. This proposal was debated by the EU co-legislators, who reached a provisional agreement at the end of February 2023.

The EU green bond standard stipulates that the use of proceeds must be aligned with the EU taxonomy. The information needed to assess this is currently only partially available in the economy — in particular, information relating to the EU taxonomy principles of “Do No Significant Harm” and “Minimum Safeguards,” that are considered alongside an activity's “Substantial Contribution.” At this stage, the EU green bond standard can therefore already be used as a touchstone for clarifying what type of information is available and how to present it to facilitate comparative assessments. The standard is intended to help clarify where issuers stand, what their goals are and how they intend to reach them. If the current situation is established based on common standards and definitions, and non-financial disclosures are devised in a clear and usable way for the market, bond investors will be able to monitor how issuers' eligible economic activities are evolving in reality. This will encourage and steer improvements through efficient pricing of green finance.

A more structured debate on sustainability is therefore underway, and verifiable, comparable evidence on the use of funds is becoming a requirement for the labelling of sustainable financial products. In its Climate Bank Roadmap 2021-2025, the EIB outlined its plans to: (a) gradually align its green finance definitions with the framework defined by the EU Taxonomy Regulation as it develops over time; (b) demonstrate this alignment to the capital markets by the progressive extension of CAB and SAB eligibilities, which focus on lending activities that contribute substantially to EU policy objectives and (c) gradually align Climate Awareness Bonds and Sustainability Awareness Bonds with the EU green bond standard. These plans are being put into practice, and the EIB is committed to transparency and reliability regarding CAB and SAB allocations. Thus, the CAB Framework and SAB Framework, which include allocation and impact reports and are audited with reasonable assurance, are part of an incremental disclosure process that sheds light on how the Bank applies the EU taxonomy in its lending activities.

“The EIB will align its tracking methodology for climate action and environmental sustainability finance with the framework defined by the EU Taxonomy Regulation, as it develops over time. In areas of environmental and social sustainability not yet covered by the EU taxonomy, we apply our expertise in line with the logic and structure of the taxonomy. While we operationalise this approach, we also collect information on usability issues with the taxonomy and share our experience with the EU Platform on Sustainable Finance to refine the initial criteria over time.”

Gunnar Muent, Director General of Projects

“The EIB is committed to the gradual alignment of its Climate Awareness Bonds and Sustainability Awareness Bonds with the forthcoming EU green bond standard. This process has already started and is incremental, based on the progressive application of the EU taxonomy to the lending activities of the Bank. Our CAB and SAB Frameworks permit investors to monitor progress on this path, with the reliability of a reasonable assurance (ISAE 3000) provided by an independent, supervised external auditor.”

Bertrand de Mazières, Director General of Finance

The 2020 CAB Framework compared the 2020 CAB technical screening criteria for substantial contribution to climate change mitigation with those proposed by the European Commission's technical expert group that year and found that the CAB criteria were not entirely aligned with the latter. The latest 2021 CAB Framework shows that this gap was closed in 2021 and extended the comparison to the Climate Taxonomy Delegated Act of 1 January 2022, concluding that the 2021 CAB criteria were not entirely aligned with those of the delegated act. In 2022, we aimed to close this gap for all lending activities in the scope of the delegated act, which will be audited in the 2022 CAB Framework.

In the area of “Do No Significant Harm” and “Minimum Safeguards,” the EIB has also compared for the first time its Environmental and Social Standards with the provisions of Articles 17 and 18 of the EU Taxonomy Regulation, establishing a platform for further improvement over time. Finally, our revised impact reports now focus primarily

on substantial contribution, characterising other information as complementary. This approach is instrumental to standardisation and the efficient use of information by markets.

[Click for online access to the](#)

[2021 Climate Awareness Bonds Framework](#) | [2021 Sustainability Awareness Bonds Framework](#)

CABs and SABs — key facts

- ✓ **Early, gradual and monitorable alignment with the EU taxonomy and EU green bond standard**
- ✓ **Compliance:** with Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines
- ✓ **Single classification:** Allocations are attributed to just one primary sustainability objective, with no double counting
- ✓ **Ongoing review of eligibility:** determination at loan approval, reassessment at loan disbursement
- ✓ **Transparency:** Allocations are automated and made only to new disbursements, 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 multilateral development bank issuer of green and sustainability use-of-proceeds bonds, with €70 billion issued in 22 currencies at the end of 2022

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