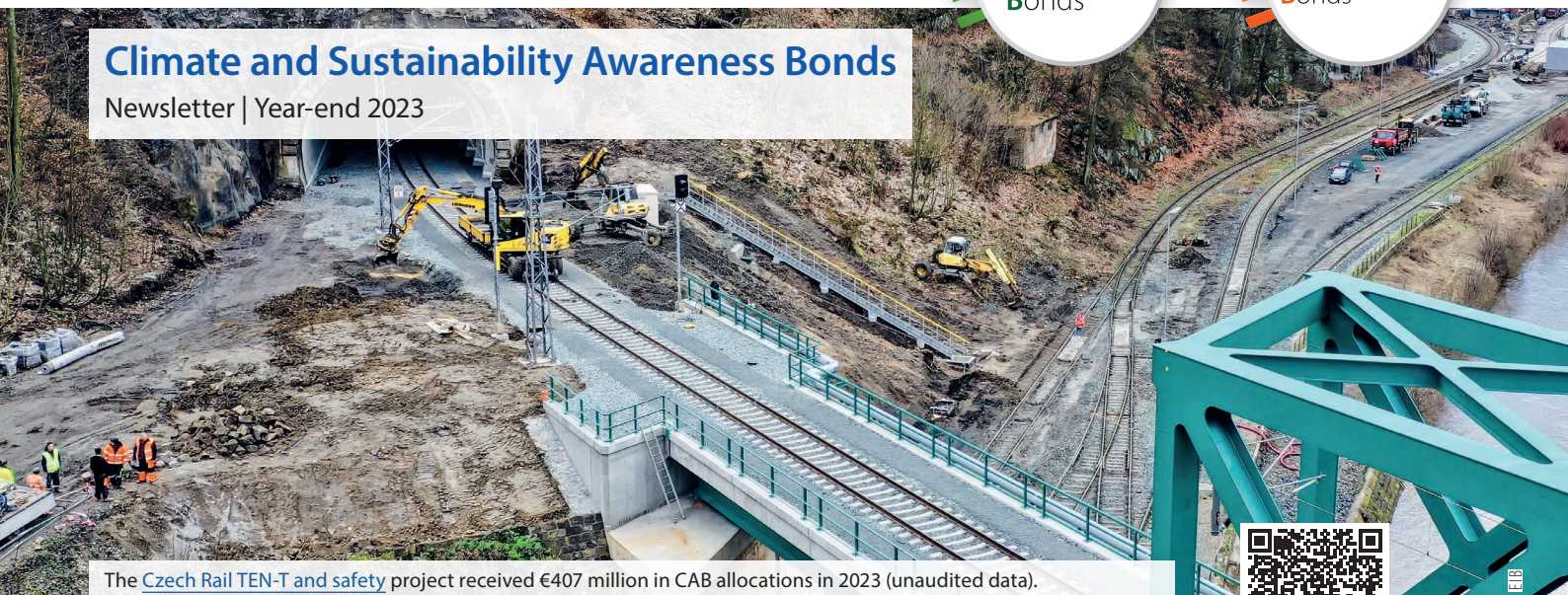


Climate and Sustainability Awareness Bonds

Newsletter | Year-end 2023



The [Czech Rail TEN-T and safety](#) project received €407 million in CAB allocations in 2023 (unaudited data).



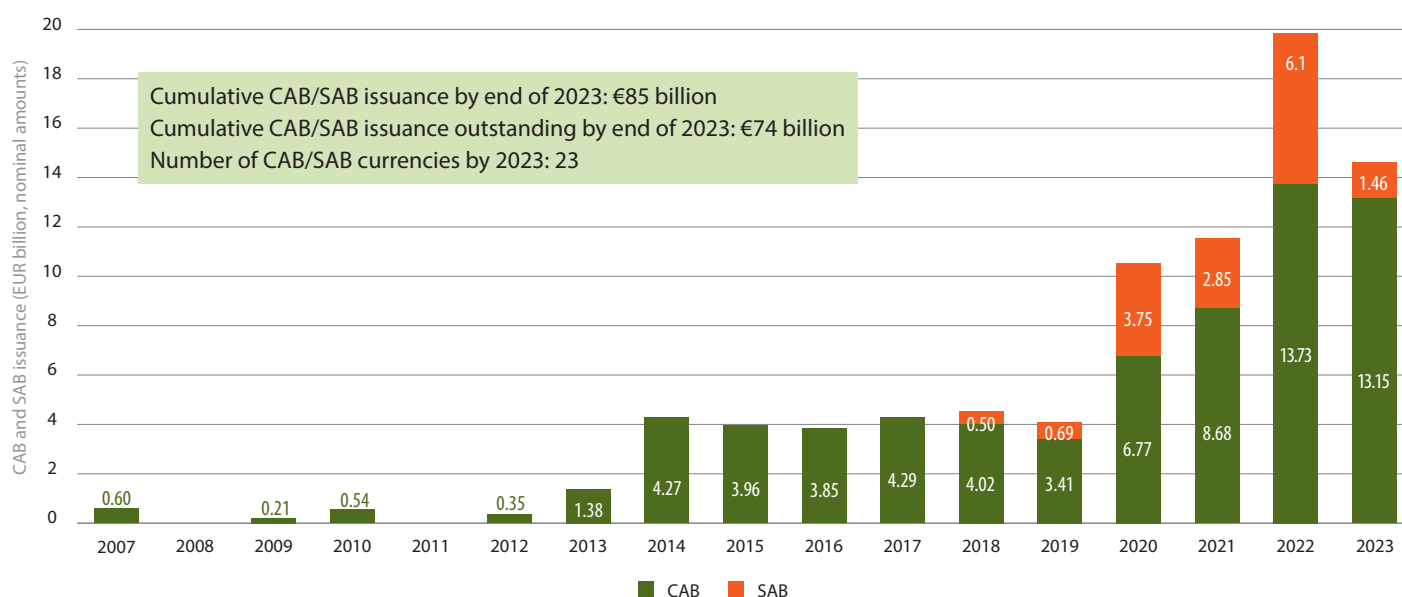
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Issuance highlights

In 2023, the European Investment Bank (EIB) issued the equivalent of €14.6 billion in sustainability funding via Climate Awareness Bonds (CABs) and Sustainability Awareness Bonds (SABs), lower than the amount of eligible disbursements in the same period last year (€18.9 billion). This reflects the different seasonality of funding and disbursement flows, which resulted in unallocated disbursements, a shortfall that the Bank managed by allocating the proceeds raised through CAB funding at the beginning of 2024 (see page 2).

Sustainability funding represented around 30% of the EIB's overall funding in 2023. Notable transactions in 2023 were two CAB benchmarks: A new \$5 billion Climate Awareness Bond in Global format was issued in February and attracted a record order book of over \$19.6 billion from more than 190 investors. This Climate Awareness Bond won Environmental Finance's [green bond of the year](#) award for the **largest-ever US dollar denominated green bond from a supranational issuer**. The other notable transaction was a €5 billion Climate Awareness Bond in Euro Area Reference Note (EARN) format. More than 270 investors participated in the trade, which won the Climate Bond Initiative's award for the [largest development bank green bond of 2023](#). These results highlight the value of the EIB's strategy of gradual alignment with the EU taxonomy and the upcoming EU green bond standard, which are developing building blocks of international cooperation for cross-border sustainable investment.

At the end of 2023, cumulative CAB and SAB issuance since 2007 stood at €85 billion (across 23 currencies), maintaining the EIB's position as **largest multilateral development bank issuer of green and sustainability bonds with dedicated use of proceeds**.



Allocation of proceeds in 2023



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

Climate Awareness Bonds

In 2023, the EIB issued €12.9 billion of Climate Awareness Bonds.* Over the year, €15.8 billion of disbursements were found eligible for allocation of proceeds from CAB issuance, and €15.8 billion of the proceeds were allocated to eligible disbursements following the EIB's allocation procedures. The balance of unallocated proceeds in the treasury CAB portfolio amounted to €1.1 billion at the beginning of the year and to minus €1.8 billion at the end of the year.

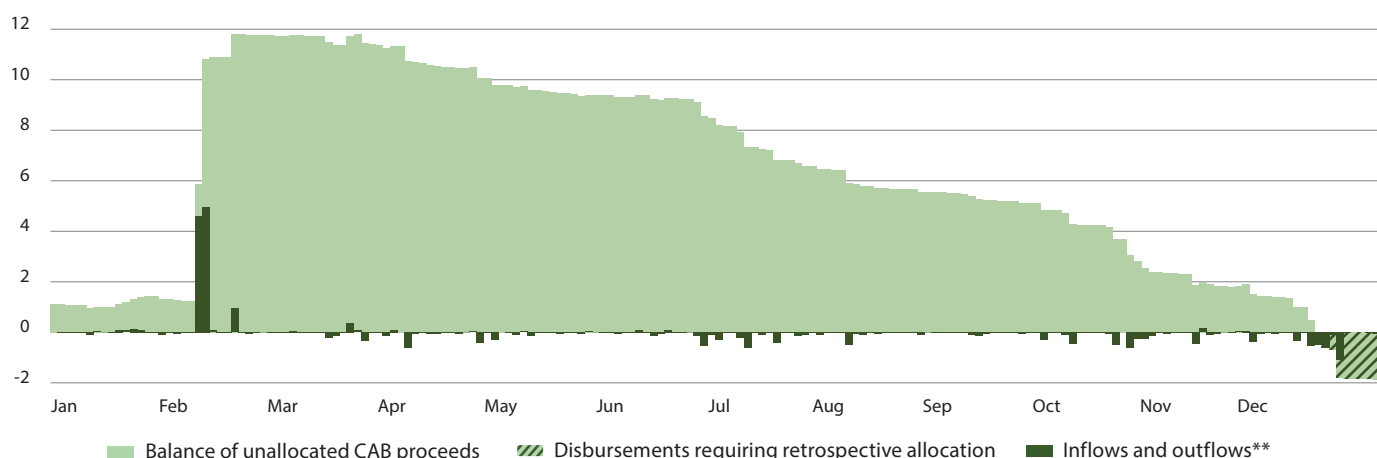
Sustainability Awareness Bonds

In 2023, the EIB issued €1.5 billion of Sustainability Awareness Bonds.* Over the year, €3.1 billion of disbursements were found eligible for allocation of proceeds from SAB issuance, and €3.1 billion of the proceeds were allocated to eligible disbursements following the EIB's allocation procedures. The balance of unallocated proceeds in the treasury SAB portfolio amounted to €1.8 billion at the beginning of the year and to €0.2 billion at the end of the year.

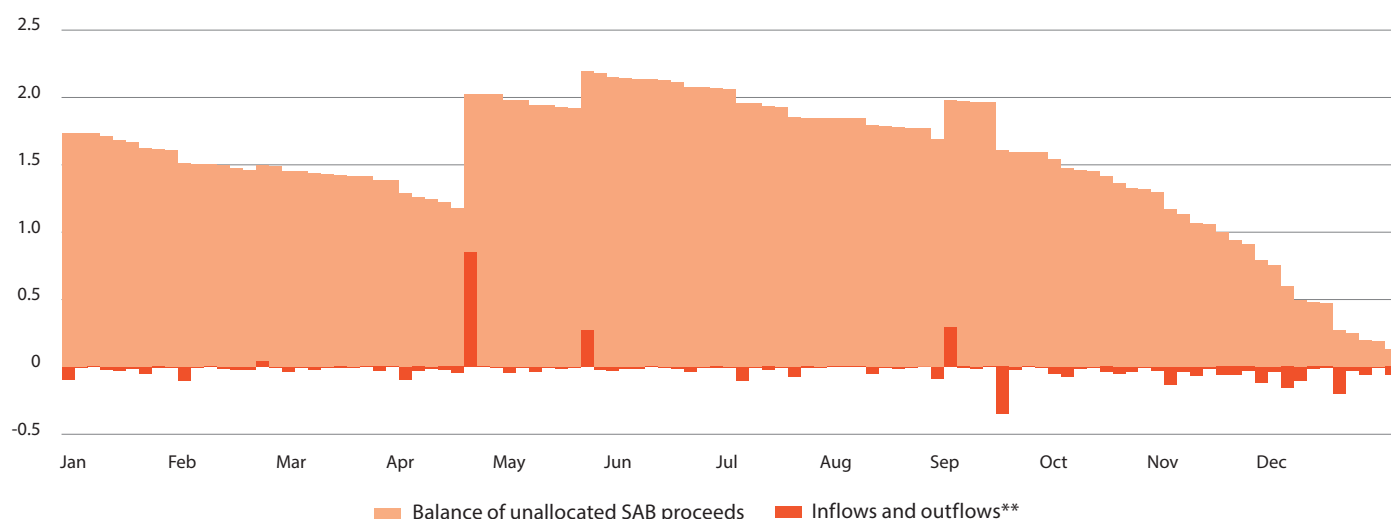
*These data are based on net proceeds from CAB and SAB issuance.

As a precaution, a sufficient balance of unallocated CAB and SAB proceeds is generally maintained to secure allocations to new disbursements when new issuance is hindered by non-conducive market conditions or other causes (for example, the preparation of a larger issue in a crowded market). In the last quarter of 2023, a substantial increase in CAB-eligible disbursements rapidly exhausted the precautionary balances of unallocated CAB proceeds, while the first larger Climate Awareness Bonds would only be issued in January 2024. It was therefore necessary to perform a retrospective allocation (look-back) of this bond to ensure the effective capture of all eligible disbursements in December 2023.

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



Sustainability Awareness Bond balance of unallocated proceeds (in € billion)



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

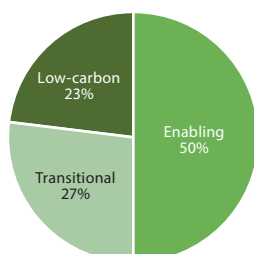
Use of proceeds: Allocations in 2023 (under audit)



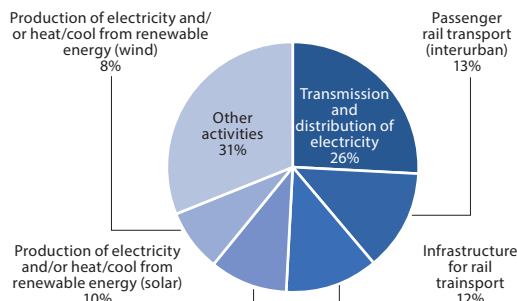
CAB proceeds are allocated to EIB lending for activities that substantially contribute to climate change mitigation.

Based on unaudited data for 2023, €15.8 billion were allocated to 158 projects in 34 countries. €14.7 billion of the proceeds were allocated to 141 projects in 20 EU Member States, and €1.1 billion to 17 projects in 14 countries beyond the European Union.

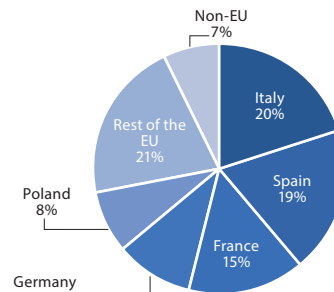
CAB allocation to climate change mitigation by type of contribution*



CAB allocation by economic activity (as per Climate Delegated Act)



CAB allocation by geography

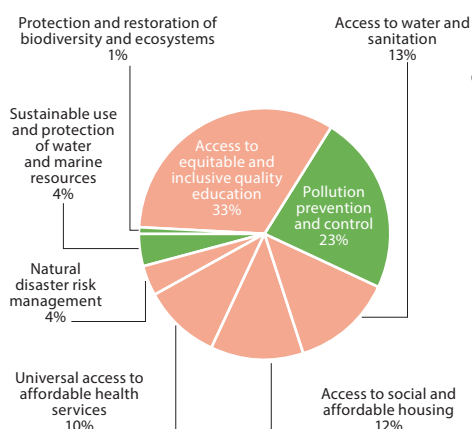


*CAB allocations are categorised as “low-carbon,” “transitional” and “enabling.” See the [EU Taxonomy Regulation](#) Article 10(2) for a definition of “transitional” activities and Article 16 for a definition of “enabling” activities. “Low-carbon” is applied to activities that are neither “transitional”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

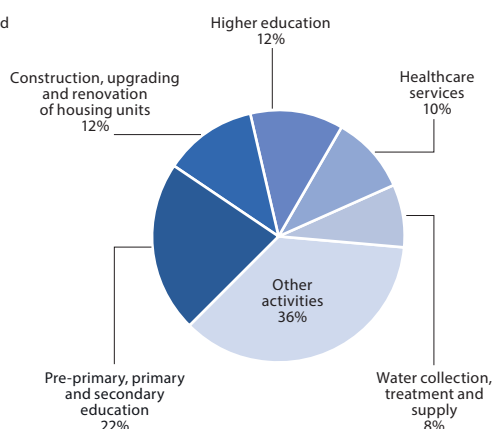
SAB proceeds are allocated to EIB lending for activities that substantially contribute to environmental and social sustainability objectives beyond climate change mitigation.

Based on unaudited data for 2023, €3.1 billion were allocated to 104 projects in 35 countries. €2.8 billion of the proceeds were allocated to 73 projects in 15 EU Member States, and €292 million to 31 projects in 20 countries beyond the European Union.

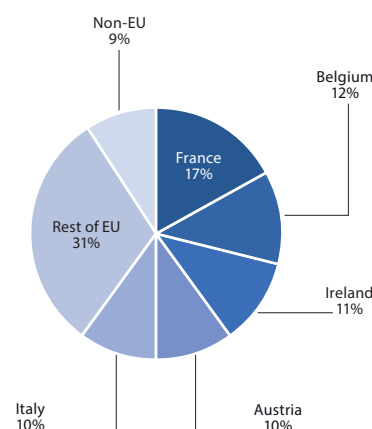
SAB allocation by sustainability objective



SAB allocation by economic activity (EIB definitions)



SAB allocation by geography



CAB- and SAB-eligible sustainability objectives

	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 and preparedness capacity (2020) Access to social and affordable housing (2021)

Gradual adoption of the EU sustainable finance framework can boost the green bond market

Europe's regulatory and supervisory framework for sustainable finance is building a **unified classification and reporting system** for economic activities that contribute substantially to EU sustainability objectives. A key piece of this framework is the **EU green bond standard**, which enables green bond issuers to demonstrate that their use of proceeds is aligned or in the process of aligning with the **EU taxonomy**.

Combined, the taxonomy and the EU green bond standard promote a uniform and reliable classification of activities within the EU internal market, which supports the provision of **standardised information that can more easily be compared by investors**. This is a core condition for fair competition, efficient pricing of investment alternatives and effective sustainable investment, supporting Europe's drive for a capital markets union and sustainability. It will also facilitate cross-border sustainable investment between the European Union and other markets.

Public sector green bond issuers in the European Union have begun implementing the EU regulatory framework, as highlighted in the [Compendium of Market Practices](#) recently published by the **EU Platform on Sustainable Finance**. The compendium outlines the challenges and how to overcome them. For example, issuers are sometimes unable to collect the necessary data due to the nature of their operations, such as lending via budget programmes or loans for general purposes, on-lending via bank intermediaries, and lending beyond the European Union. This is exacerbated by the fact that reporting requirements are not yet applied uniformly across the EU economy. The EU regulatory landscape, including market practice and regulations on standards for assurance, is still evolving.

A gradual and pragmatic adoption of the EU sustainable finance framework can smooth the transition to the new regulatory regime, while mitigating risks via the common language offered by the EU taxonomy and green bond standard. The EIB and other public sector green bond issuers have demonstrated the merits of balancing the adoption of regulation with a market-driven approach. This also benefits investors, who see value in monitoring and supporting the sustainable transformation of the economy.

The EU green bond standard is a flexible business opportunity and benchmark for building a competitive edge for issuers in their dialogue on sustainability with investors:

- **The taxonomy can be applied in the classification of projects, reporting and investment selection.** More detailed reporting, including regulatory and voluntary information, offers a fuller picture of progress on sustainability and helps the market advance towards regulatory compliance and more accurate evaluation and pricing of investment alternatives.
- **Gradual taxonomy-alignment makes sense**, since step-by-step implementation enables stakeholders – like issuers and investors – to monitor progress, and incentivises them to report on improvements in a timely manner.

These two points support a proactive strategy of gradual alignment with the EU taxonomy and the EU green bond standard. Continuous improvement can help achieve ambitious sustainability objectives. *Read more in a recent interview with the EIB's Marco Zimmermann (Global Head of Treasury and Capital Markets) and Aldo Romani (Head of Sustainable Finance) published in [Environmental Finance](#).*

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
- ✓ **No double counting:** Allocations are attributed to just one primary sustainability objective
- ✓ **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

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The EIB recently published its **2022 CAB Framework** and **2022 SAB Framework**, following their review with independent reasonable assurance (ISAE 3000) by the external auditor KPMG (the highest level of assurance in the green bond market). The frameworks showcase the EIB's continued **progress in gradually aligning with the EU taxonomy and the EU green bond standard** and include the following new elements:

- the alignment of all taxonomy-eligible CAB allocations with the technical screening criteria for substantial contribution of the Climate Delegated Act;
- a first comparison of taxonomy-eligible SAB allocations with the technical screening criteria for substantial contribution of the Environmental Delegated Act;
- an extension of the comparison between the "Do No Significant Harm" and "Minimum Safeguards" provisions of the EU Taxonomy Regulation and the EIB Group Environmental and Social Policy and Standards (ESPS) to cover the latest edition of the ESPS (2022), which includes a larger number of taxonomy-relevant areas.