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EIB Sustainability Awareness Bonds (SABs)

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EIB's Sustainable Awareness Bonds (SABs)

Why a sustainability bond?



EIB towards Sustainable Finance's new frontiers with upcoming use-of-proceeds bond

EIB launched its first Sustainability Awareness Bond (SAB) on 6 September 2018

EUR 500m
0.375%

due 15 May 2026



Sustainability Awareness Bond (SAB)



EIB supports sustainable projects, beyond the climate finance area



EIB's due diligence for all its projects comprise social and environmental standards

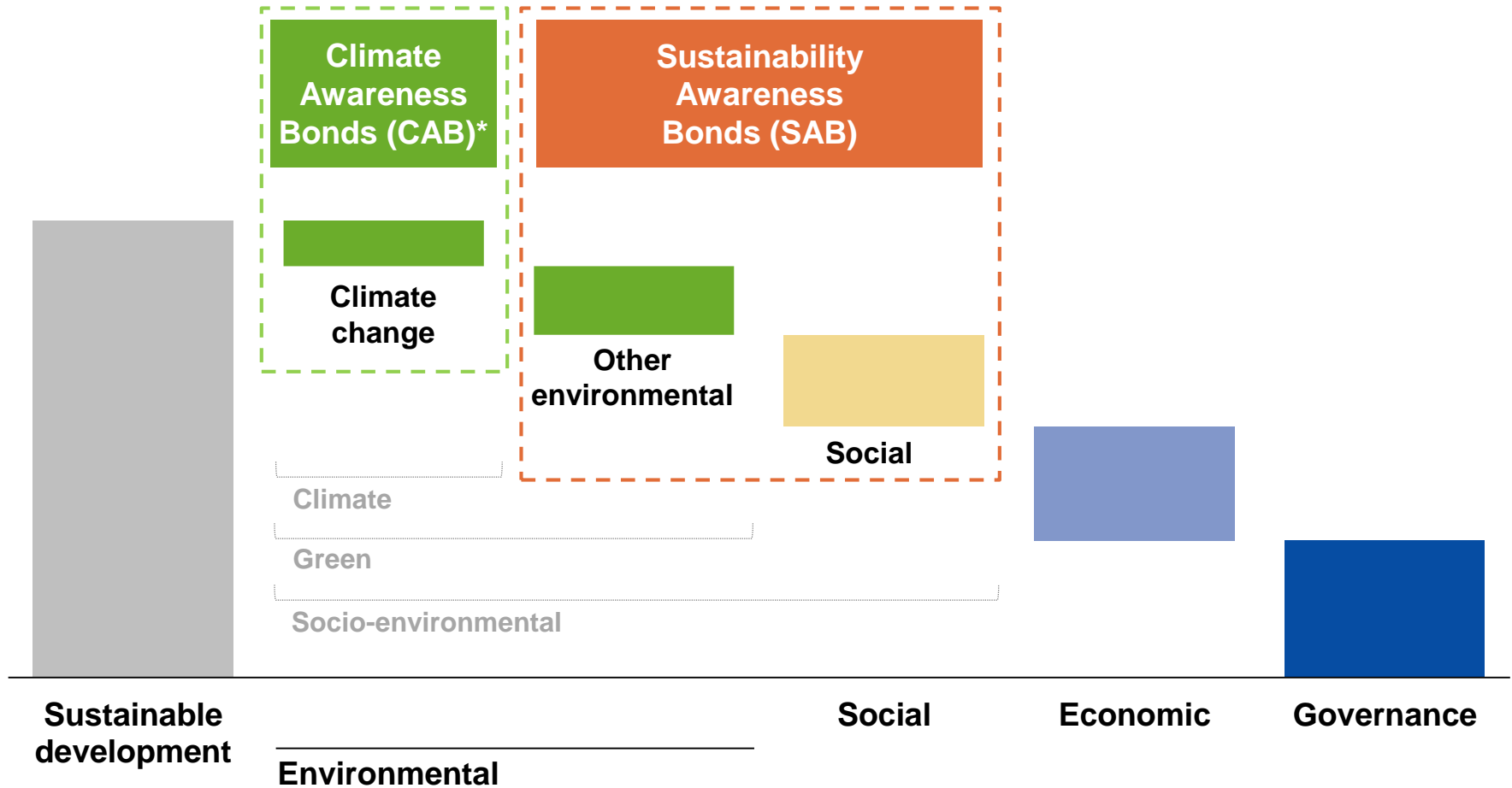


The Bank is committed to the Sustainable Development Goals since their inception in 2015

How do SABs fit in sustainability?



SABs to support sustainable projects beyond climate change



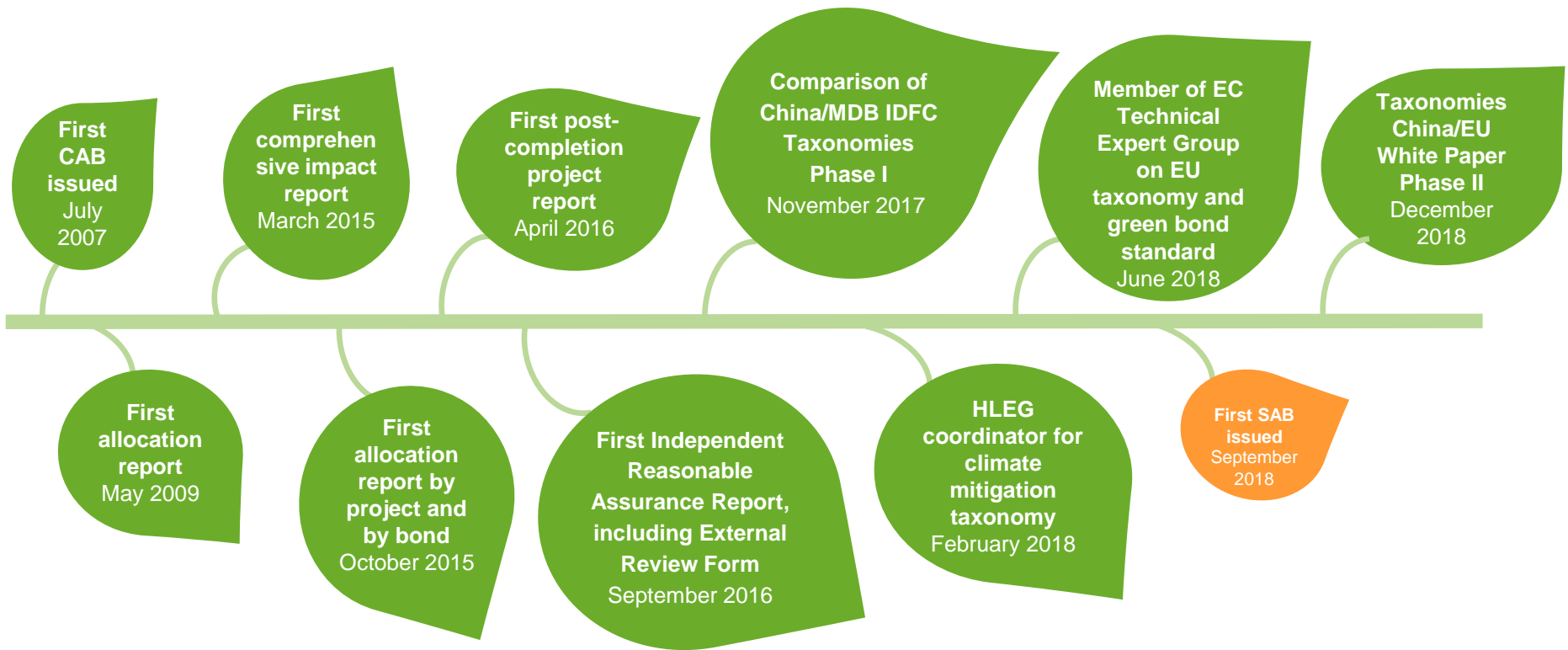
UNEP Framework, UNEP Inquiry Definitions and Concepts: Background Note 2016

*Climate Awareness Bonds currently focus on climate change mitigation with renewable energy and energy efficiency

Where do SABs fit in the chain of market developments?



SAB is built on the CAB's 11-year experience and innovations



Sustainability with transparency – the EIB philosophy

Sustainability cannot be without transparency and accountability. It is not enough to say that all we do is sustainable – you need to walk your talk.

Use of proceeds bonds – a promise of transparency to investors

- ✓ Link bond proceeds to sustainable projects they finance
- ✓ Issuers are accountable and it is not only limited to the projects financed
- ✓ Transparent definitions of eligible sectors, activities
- ✓ Clear and verifiable metrics to report impact – share information and know-how

Transparency & Accountability – key elements for progress of sustainability finance

- ✓ EIB is involved in all major harmonization initiatives
- ✓ EU Taxonomy and EU Green Bond Standard – key pillars in future market consolidation
- ✓ Clear classification of activities that contribute substantially to environmental objectives and do no significant harm elsewhere

Rigorous SAB framework to ensure transparency and accountability

Rigorous framework to ensure credibility

1

Alignment with:

- ✓ the Green Bond Principles (GBP);
- ✓ the Social Bond Principles (SBP);
- ✓ the Sustainability Bond Guidelines (SBG)

2

Best market practice in transparency and accountability, as for Climate Awareness Bonds (CABs)

3

To be consistent with the **European Commission's upcoming taxonomy** of sustainable activities

SAB will be aligned with GBP and SBP

§ 1. Use of Proceeds

- ✓ Starting with 4 sustainability objectives (environmental and social)
- ✓ Starting with eligible projects in the water sector

§ 2. Process for project evaluation and selection

- ✓ Clear and transparent project selection with robust rating framework
- ✓ EIB's publicly available Environmental & Social Standards

§ 3. Management of proceeds

- ✓ Dedicated sub-portfolio in EIB's treasury allocated to eligible disbursements on a first-in-first-out basis
- ✓ Unallocated balances invested in general portfolio (money market)

§ 4. Reporting

- ✓ Individual project and bond allocation
- ✓ Impact metrics such as the number of people who gained an improved access to water and sanitation

(recommendation) External review

- ✓ As CAB, SAB will be subject to an independent audit
- ✓ Supplementary forms of external review still to be defined

EIB continues to break-through in capital markets

Market benefits of the issuance of SABs

- 1** **New investment opportunity** for socially responsible investors: exposure to **additional sustainable sectors** beyond climate
- 2** **Increased transparency and best practices** in new sustainable areas through leverage on EIB's **proven track record** for CABs
- 3** **Enhanced liquidity and scalability** given by the **modular approach** based on **sustainability objectives** (not a sector use-of proceeds bond)
- 4** **Preservation of CAB volumes** thanks to their focus on climate action. Over time, **potential enlargement of activities** for CABs **within climate** beyond renewable energy and energy efficiency

2018 Funding stats



Type	CAB/SAB	Overall Funding
Bank Treasury	28%	46%
FundManagers/Insurance/Pension	54%	26%
Central Banks	12%	25%
Corporate/Retail/Others	6%	3%
Total	100%	100%

Region	CAB/SAB	Overall Funding
Europe	61%	70%
Asia	26%	17%
Americas	13%	12%
Middle East/Africa	0%	1%
Total	100%	100%

SAB to be built under a modular approach, starting with the water sector

Modular approach:

Sustainable activities to be aggregated over time to increase scalability (as relevant eligibility criteria and robust reporting procedures are implemented)

SAB to start with water supply, wastewater collection and treatment, and flood protection projects with robust performance impact indicators demonstrating strong contribution to key sustainability objectives

Sufficiently large lending volumes (> EUR 2bn/y) and ability to build a **steady pipeline***

Potential additional sectors:

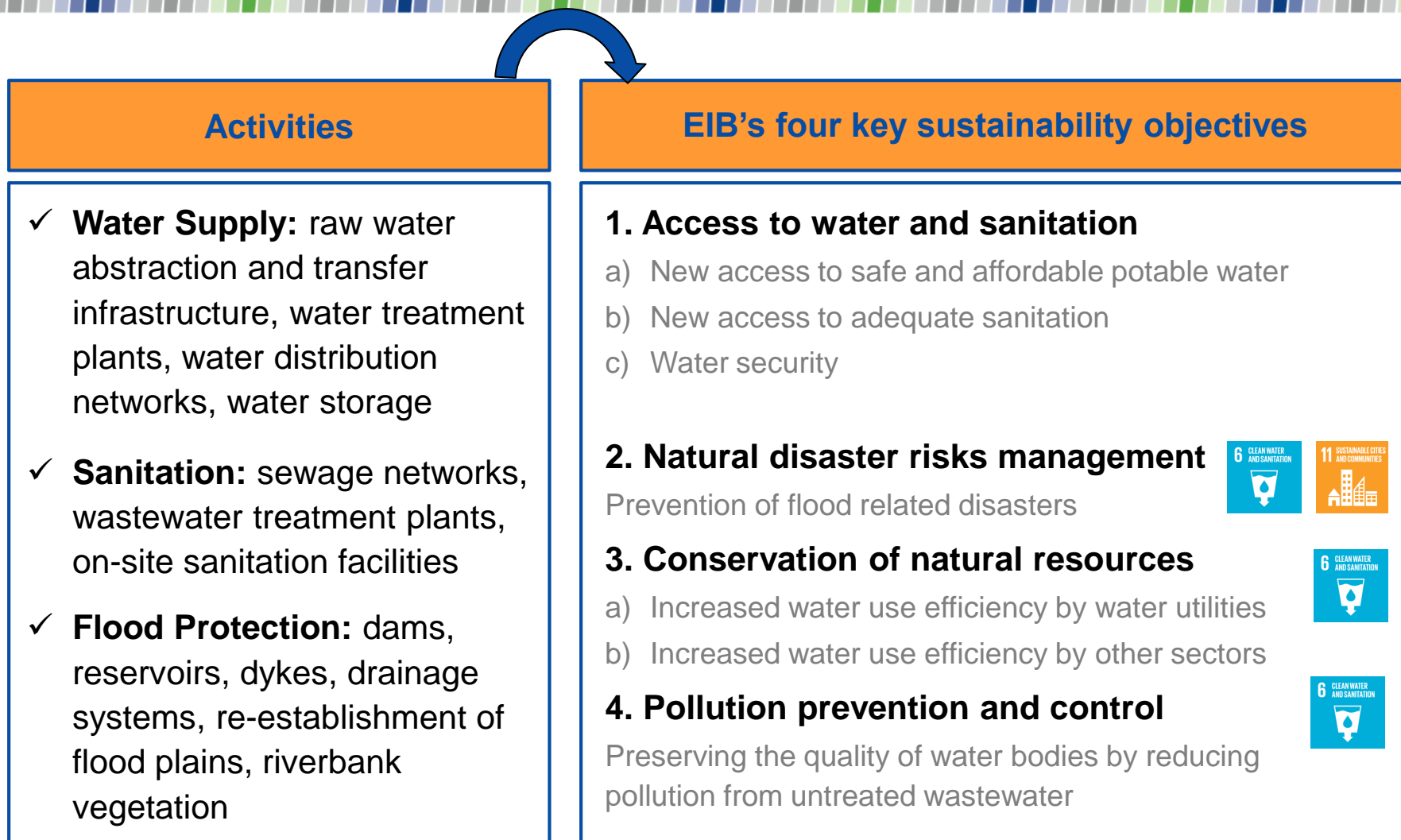
- ✓ Health
- ✓ Education
- ✓ Sustainable and Resilient Cities

Main SDGs covered by water:



Other SDGs underpinned:





Quantitative and qualitative screening criteria to determine rating (SIGNIFICANT)

Detailed and precise reporting on use of proceeds and on impact

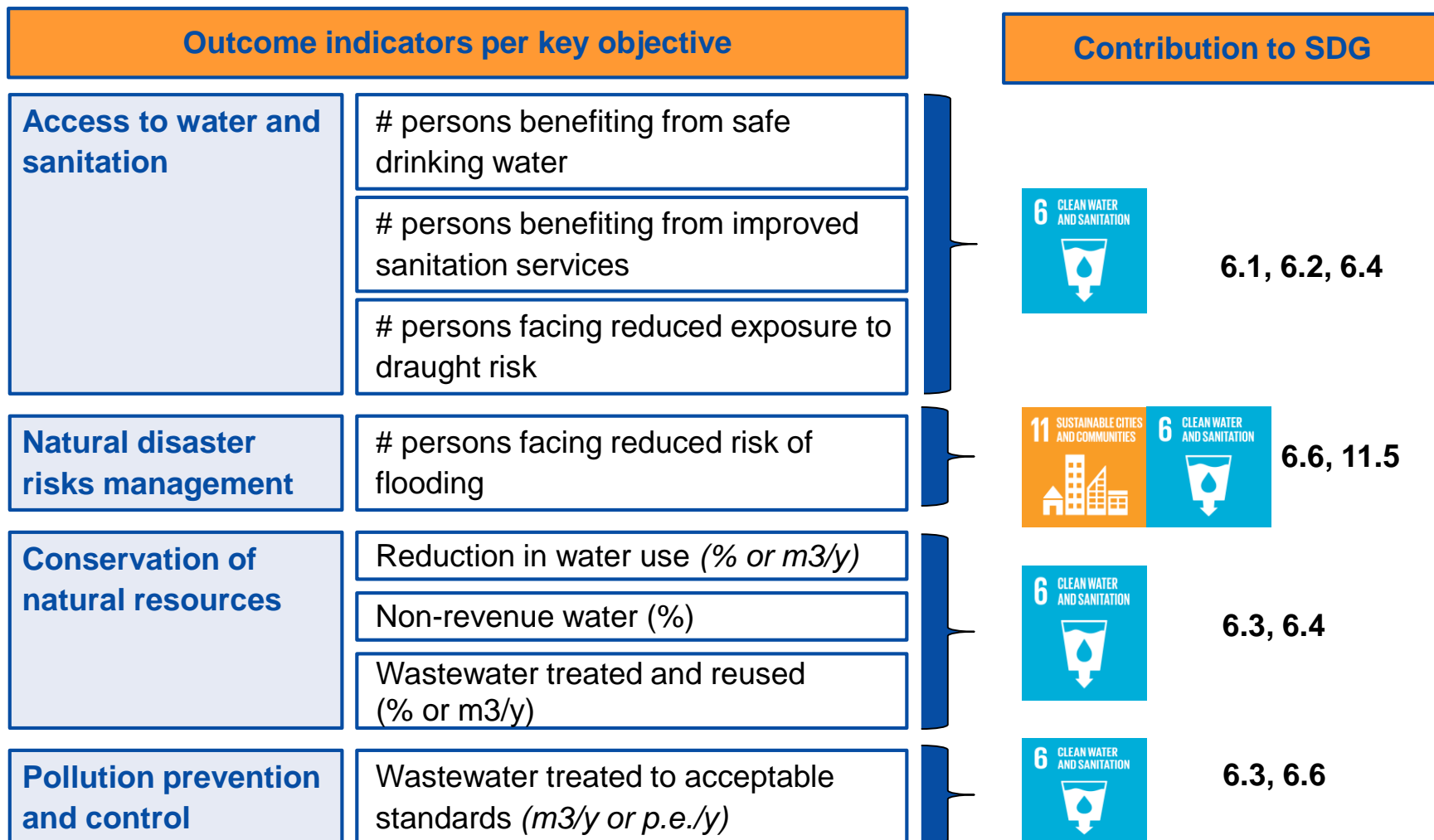
Bonds and projects allocation

- **Individual project and bond allocation** to be published at least annually on EIB's website
- **On an aggregated level:** SAB issuance and allocation volumes, as well as the year-end balance of unallocated proceeds, to be reported in the annual Financial Report, based on actual disbursements on projects currently under implementation (permanently more than 150 water projects).

Impact reporting

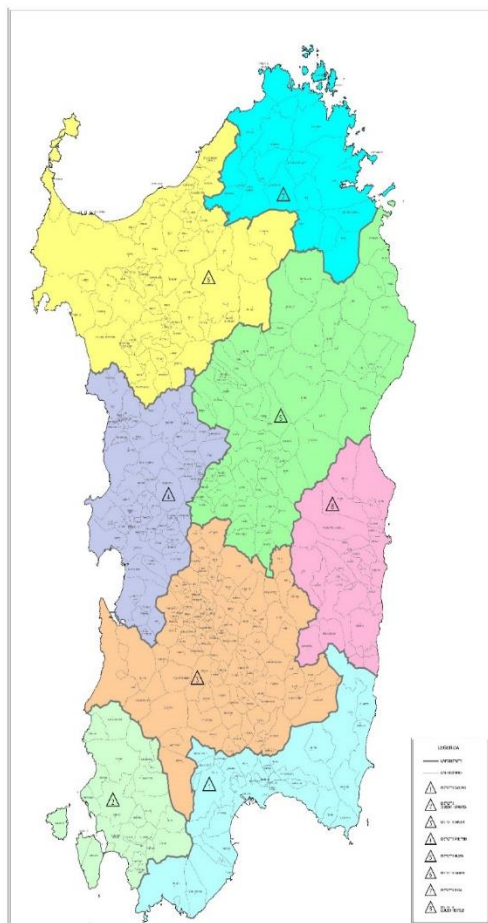
- **Reporting indicators** (*detailed in the next slide*): impact indicators for each project showing contribution to sustainability objectives, consistent with the upcoming European sustainability taxonomy
- **Mapping to Sustainable Development Goals (SDGs)** provided for each project based on its contribution to primary SDGs, starting with SDG 6 (Clean Water and Sanitation) and SDG 11 (Sustainable Cities and Communities)
- **Ex post reporting:** similar to CABs, Environmental and Social Data Sheets (ESDS) and Environmental and Social Completion Sheets (ESCS) will be publicly available in EIB's Public Register*

*www.eib.org/infocentre/registers/advanced-search/index.htm



ABBANOIA WATER INVESTMENTS

Investments in water and wastewater infrastructure throughout Sardinia, Italy



- ✓ **EUR 200m loan** to publically owned water utility responsible for providing water and wastewater services to around 1.6 M inhabitants. High market fragmentation and climate vulnerability
- ✓ **Objectives:** upgrade and expansion of water and wastewater systems (e.g. treatment plants, networks, pumping stations) to improve the quality and resilience of services. Project cost of EUR 824m.
- ✓ **SAB Eligibility:**
 - ✓ Sustainability objective: Conservation of natural resources
 - ✓ Screening criteria: (i) reduction in Non Revenue Water of min. 1% per year during implementation and (ii) investments aimed at water reuse. Eligible expenditures: network rehabilitation, SCADA system, tertiary treatment for water reuse (**27% of project cost**).
- ✓ **SAB outcome indicators:** Non Revenue Water (baseline: 61%, target: 46%)
- ✓ **Contribution to SDG:** 6.3, 6.4

AEP OUAGADOUGOU III

Water supply, Burkina Faso



- ✓ **EUR 37m loan** to the Republic of Burkina Faso for the improvement of the water supply in the capital, Ouagadougou
- ✓ **Objectives:** construction of new water treatment facility and transfer from the Ziga Dam and the extension of distribution networks, notably towards unserved suburban areas, for an estimated cost of EUR 160m. Climatic and demographic challenges
- ✓ **SAB Eligibility:**
 - ✓ Sustainability objective: (i) New access to safe and affordable potable water and (ii) security of supply
 - ✓ Screening criteria: universal access to safe drinking water has not been achieved. Eligible expenditures: new plant, distribution network and domestic connections (**100% of project cost**).
- ✓ **SAB outcome indicators:** # persons benefiting from safe drinking water (500,000 people)
- ✓ **Contribution to SDG:** 6.1

Annex

Eligibility criteria framework



Objective	Sub-objective	Criteria to be considered as 'Significant'
Conservation of natural resources	Increased water use efficiency by water utilities	<ul style="list-style-type: none"> • Eligible investment: upgrade and maintenance of water production, transfer, storage and distribution works • Screening metrics: reduction in NRW after the project above 1% per year during the implementation period OR high level of water stress (WEI >20%)
	Increased water use efficiency by other sectors	<ul style="list-style-type: none"> • Eligible investment: implementation of water efficient technologies • Screening metrics: water efficiency gains over 30%
	Increased recycling and safe reuse of wastewater	<ul style="list-style-type: none"> • Eligible investment: upgrade of wastewater treatment plants and associated works (e.g. tertiary treatment, aquifer recharge, duals networks) • Screening metrics: N/A - significant contribution by definition
Pollution prevention and control	Preserving the quality of water bodies by reducing pollution from untreated wastewater	<ul style="list-style-type: none"> • Eligible investment: upgrades of existing or construction of new wastewater treatment plants, upgrade and maintenance of sewer networks, switching from combined to separate sewers, storm water management • Screening metrics: (i) non compliance with applicable standards, (ii) innovative treatment technologies, and/or (iii) asset obsolescence
Access to water and sanitation	New access to safe and affordable potable water and / or adequate sanitation	<ul style="list-style-type: none"> • Eligible investment: construction of new water treatment and transfer works, distribution/sewer network extensions, on site sanitation facilities and new connections • Screening metrics: N/A - significant contribution by definition
	Water security – sufficient quantity and quality reaching the tap	<ul style="list-style-type: none"> • Eligible investment: upgrade and maintenance of water treatment and transfer works as well as distribution networks, network management related measures. • Screening metrics: high water stress in the project area (Water Exploitation Index above 20%) and/or high risk of service disruption due to asset obsolescence (e.g. economic life of network and storage works)
Natural disaster risks management	Prevention of flood related disasters	<ul style="list-style-type: none"> • Eligible investment: construction/upgrade of dams, reservoirs, dykes, canals and green infrastructure • Screening metrics: N/A - significant contribution by definition



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