10. Assurance and disclosures

The EBRD's approach to sustainability is underpinned by its ESP which defines the standards that all Bank projects are required to meet. This chapter provides information on the implementation of the policy.

The Bank's policies

All projects are appraised against the Bank's ESP and Performance Requirements. A project's size, location and potential E&S impacts are taken into account. In 2019, the EBRD undertook a review of its ESP, its Access to Information Policy and its IPAM. These revised policies came into force in January 2020.

If an appraisal reveals that a project would not be fully compliant with the Bank's requirements, the EBRD agrees an ESAP with the client to bring the project up to the required standards within a reasonable timeframe. If this is not possible, but there are compensating environmental or social benefits, the EBRD's Board may approve derogations from specific parts of the Bank's Performance Requirements (see Box on page 50 for more detail).

Results in 2021

The environmental and social category – A, B, C or FI (financial intermediary) – reflects the potential impacts associated with a project and determines the nature of the environmental and social appraisal, information disclosure and stakeholder engagement required.

- **Category A projects:** those with potentially significant and diverse E&S impacts, requiring a detailed participatory assessment process
- **Category B projects:** those with E&S impacts that are site-specific and which can be readily assessed and managed
- **Category C projects:** those that are expected to result in minimal adverse environmental or social impacts
- **Category FI projects:** transactions that involve the provision of financing to a financial intermediary – typically a bank or a fund – which are required to adopt and implement procedures to manage their E&S risks.

E&S due diligence category (2021 signings)

E&S category	Number of projects*	% by number of projects
Category A	14	3%
Category B	206	49%
Category C	22	5%
Category FI	181	43%

Note: * Indicative numbers only. Includes trade facilitation. Please see the EBRD's *Annual Review 2021* for total investments.

GET assurance process

The EBRD's GET approach aims to increase the amount of financing the Bank directs to green and climate finance. The Bank's target is for 50 per cent of all EBRD investments to support the green economy by 2025. This target was exceeded in 2021 (see page 12).

The Bank has put in place rigorous processes to ensure that only projects with clear and verifiable green benefits are classified as GET projects. The EBRD assesses GET finance and benefits by:

1. identifying projects or project components that meet the GET principles and criteria
2. assessing the physical environmental benefits of GET projects and project components (ex ante analysis)
3. confirming the proportion of GET finance and GET benefits of a project and explaining how it fits into the GET strategy.

There is a clear separation of responsibilities between the Banking and the Climate Strategy and Delivery departments, which are responsible for originating and structuring projects, and ESD, which is responsible for confirming the attribution of green finance. Similar governance arrangements have been adopted to determine the Paris alignment of investments.

For more information on how the Bank implements its GET approach, see here.

Measuring and monitoring performance

The EBRD closely monitors the E&S performance of all its projects throughout the investment cycle. This involves a combination of client reporting, site visits by Bank staff and independent audits.

The EBRD requires each of its clients to provide a report – at least annually – on their E&S performance and the implementation of applicable ESAPs. Additional monitoring and supervision are determined on a case-by-case basis, depending on the risks and impacts associated with a project and the client's ability to manage them.

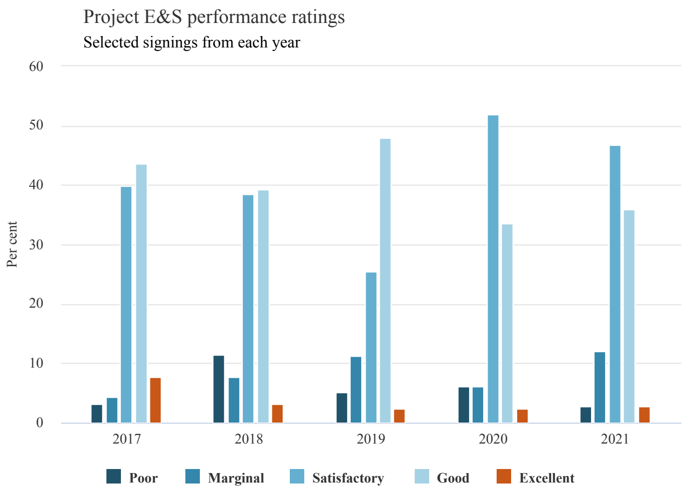
Project performance indicators

The EBRD has introduced a system of performance indicators for direct investment projects. This system assesses and monitors project compliance with the Bank's E&S Performance Requirements over time. The objectives of this work are:

- greater accountability
- improved management of resources
- enhanced reporting.

At the time of appraisal, the Bank scores each project on its compliance with the main components of each Performance Requirement. It combines these scores to give an overall performance rating for each project on a five-point scale. Projects are rated based on current performance, that is, before the implementation of any future commitments under an ESAP. By tracking projects over time, the Bank aims to demonstrate changes in performance as EBRD investments and associated ESAPs are implemented.

The following chart shows the spread of ratings for projects signed in 2021 for which data are available. The table shows the percentages of these projects that have triggered each of the Performance Requirements.



Applicability of EBRD Performance Requirements

Performance requirement*	% of projects
PR1: Assessment and management of E&S impacts and issues	100
PR2: Labour and working conditions	100
PR3: Resource efficiency and pollution prevention control	97
PR4: Health and safety	100
PR5: Land acquisition and involuntary resettlement and economic displacement	35
PR6: Biodiversity conservation and sustainable management of living natural resources	36
PR7: Indigenous peoples	0
PR8: Cultural heritage	24
PR10: Information disclosure and stakeholder engagement	97

Note: * PR9 applies only to investments made through financial intermediaries. These are monitored separately via the FI Sustainability Index.

Greenhouse gas assessment for 2021

The EBRD's GHG assessment provides an estimate of the net carbon footprint that will result from Bank-financed projects signed in a representative year once those projects are fully implemented. The calculation is based on estimated emission reductions from climate mitigation projects and estimates of additional GHG emissions from greenfield projects or significant capacity expansions.

Key figures

The EBRD has published GHG estimates for its signed projects every year since 2002. GHG data for the project assessments come from a variety of sources, including environmental impact assessments, energy audits and, in some cases, calculations carried out by EBRD engineers. Find out more about the Bank's GHG reporting and how the Bank assesses it here.

Projects with significant GHG emission savings

Industry group	Number of investments above significance threshold*	Estimated GHG reductions compared with the baseline scenario ($ktCO_2e$/year)		
		Scope 1	Scope 2	Scope 3**
Financial institutions	9	–	555	–
Industry, commerce and agribusiness	3	58	126	1,599
Sustainable infrastructure	24	2,241	1,666	123

Note: *GHG assessments are conducted for projects that are likely to result in emission decreases of more than 25 $ktCO_2e$ per year.

** Scope 3 emission savings are only calculated where they are material to the impact of the project, for example the manufacturing of electric vehicles.

Projects with significant gross GHG emission savings

Industry group	Number of investments above significance threshold*	Estimated gross GHG emissions ($ktCO_2e$/year)		
		Scope 1	Scope 2	Scope 3**
Financial institutions	0	–	–	–
Industry, commerce and agribusiness	5	116	132	–
Sustainable infrastructure	8	5338	133	–

Note: *GHG assessments are conducted for projects that are likely to result in emission decreases of more than 25 $ktCO_2e$ per year.

** Scope 3 emission savings are only calculated where they are material to the impact of the project, for example the manufacturing of electric vehicles.

Economic assessment of projects with high emissions

Since 2019, the EBRD has carried out an economic assessment of projects with GHG emissions, defined as (i) those resulting in absolute emissions of more than 100 $ktCO_2e$ per year after the investment and/or (ii) those increasing GHG emissions by more than 25 $ktCO_2e$ per year compared with the baseline.

This year has seen an increasing number of economic assessments across the EBRD regions, in sectors ranging from power stations and gas distribution to heavy industry. These reveal the true costs and benefits of EBRD investments when environmental considerations are awarded an economic value. They are a valuable tool for shaping interventions to reach a viable green frontier and a support for decision-making.

Read the methodology used here.