

10. Policy and governance



The Bank's policies

All projects are appraised against the [Bank's ESP and PRs](#). A project's size, location and potential environmental and social impacts are taken into account. If an appraisal reveals that a project would not be fully compliant with the Bank's requirements, the EBRD agrees an environmental and social action plan (ESAP) with the client to bring the project up to the required standards within a reasonable timeframe. Some projects may not be able to fully comply with all ESP requirements, but may still be able to meet them substantially without risk to people or the environment as the borrower country transitions to meeting the EBRD's standards and national law. In such cases, management presents the issue and specific circumstances to the Board for approval.

Any Board-approved derogations from the Bank's ESP and PRs are detailed in [Annex 4](#).

The EBRD's policies and approach to managing ESG impacts and risks are described in more detail in our [GRI Report: Sustainability Disclosures](#).

Environmental and Social Policy update

The EBRD aims to ensure that its ESP continues to provide an effective framework for anticipating and managing environmental and social risks on the projects it finances. The past five years have presented a host of challenges, including the Covid-19 pandemic, the ongoing war in Ukraine, the increased urgency of the energy transition, the environmental and social impacts of climate change, biodiversity loss, supply-chain risks and the increasing pace of digitalisation.

In reviewing the ESP, the Bank considers both these and other emerging factors, as well as project implementation experience and input from interested and affected parties. It reviews the policy every five years, with the last review in 2019 and a new policy adopted in 2020. The current review of the ESP started in 2023 and has so far included a benchmarking of the EBRD's existing policy against those of other development banks, an initial public consultation round and extensive feedback from stakeholders within the Bank. An updated draft has been the subject of a further consultation round that started on 25 March 2024.

New sectoral strategies

In 2023, the EBRD approved a [new mining sector strategy](#) that recognises the role the industry will play in developing greener economies that align with [the Paris Agreement](#). The strategy, which outlines priorities to 2029, includes:

- selective support for the exploration and production of metals and minerals required for the green energy transition and digitalisation
- support for the decarbonisation of mining activities by promoting cleaner energy sources, innovation, digitalisation, gender-equal skills development and resource efficiency
- support for mining companies' ESG and inclusion practices
- assistance to governments in the EBRD regions to improve mining-sector regulation and businesses in implementing best practices.

The Bank also approved a [new energy sector strategy](#) in 2023, setting out its strategic direction in this area to 2028. It prioritises the urgent need to accelerate the decarbonisation of energy by scaling up renewables, enhancing grids and storage, promoting zero-carbon fuels and phasing out unabated fossil fuels. In keeping with the EBRD's commitment to aligning its activities with the goals of the Paris Agreement, the strategy signals that the Bank is limiting its involvement in the fossil-fuel sector to increasingly rare instances. It also emphasises the need to deliver resilient, efficient and inclusive energy systems that are adapted to climate change, increase energy efficiency and promote an inclusive and just transition.

The strategy also recognises that the transition presents major challenges for many EBRD economies, particularly those with high energy and carbon intensity. The scale of the investment required to achieve the global net-zero target is among those challenges. For the EBRD regions, an estimated investment of US\$ 180 billion (€163 billion) per year will be needed from now until 2030, US\$ 130 billion (€117 billion) per year of it in the power sector alone.

Governance of green assessments

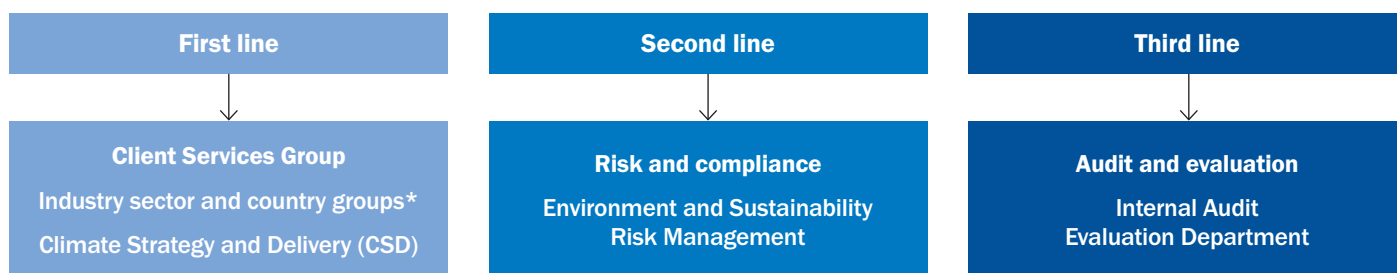
In addition to having to meet the standards set out in the EBRD's environmental and social PRs, most Bank projects are subject to a number of "green assessments", including:

- The EBRD's GET approach, which aims to increase the amount of financing the Bank directs to green and climate finance. The Bank's target is for at least 50 per cent of all EBRD investments to support the green economy by 2025. [The Bank met this target in 2023](#).
- Ensuring that all EBRD investments are aligned with the mitigation and adaptation goals of the Paris climate agreement. All new Bank investments have been Paris aligned since the start of 2023.
- Assessing the physical and climate risk associated with investments, consistent with the approach set out by the TCFD.

The EBRD employs a "three-lines-of-defence" model (see Figure 5) to ensure that these assessments are carried out robustly and consistently. As each line of defence is independent, the model offers greater objectivity in the assessment, review and oversight of investment decisions and risk management. It encompasses:

- **First line of defence** – the shared responsibility of all staff members, particularly the Client Services Group, to develop projects and carry out a detailed assessment of green aspects.
- **Second line of defence** – independent, empowered and appropriately resourced functions led by Risk Management and the Environmental and Sustainability Department, with control of and responsibility for matters falling within their respective areas of competence. This includes final accountability for the determination of GET eligibility, Paris alignment and climate risk.
- **Third line of defence** – the Internal Audit Department, which independently assesses the effectiveness of the processes within the first and second lines of defence. The work of the Internal Audit Department is complemented by that of the Evaluation Department, which independently evaluates the performance of the Bank against its mission and development objectives.

Figure 5. The EBRD's "three lines of defence" model



* The EBRD's Banking sector groups include financial institutions; sustainable infrastructure; and industry, commerce and agribusiness.

For more information on how the EBRD implements its GET approach, see [here](#). For more information on the Bank's climate strategy and governance, see the EBRD's *TCFD Report 2023* (forthcoming).

Measuring and monitoring performance

The EBRD closely monitors the environmental and social 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 its environmental and social performance and the implementation of applicable ESAPs. The need for 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.

To ensure consistent and credible monitoring and reporting of GET objectives, the Bank has adopted a post-signing MRV approach for green investments. This sets out performance indicators and actions that are required to demonstrate that green impacts have been achieved and that the project is meeting the EBRD's Paris alignment and climate risk commitments. These are monitored throughout the project's implementation.

Independent Project Accountability Mechanism

The EBRD's Independent Project Accountability Mechanism (IPAM) reviews environmental, social and transparency-related concerns raised by project-affected people and CSOs about Bank-financed projects that are believed to have caused harm. IPAM's ultimate goal is to ensure that projects financed by the EBRD are implemented in line with the Bank's commitments to environmental and social sustainability.

By year end 2023, IPAM had an active portfolio of 20 cases, including four in the assessment phase, one in the problem-solving phase, two in the problem-solving monitoring phase, five in compliance assessment, five in compliance review and three involving the monitoring of management actions plans (MAPs). MAPs outline the actions to be addressed by Bank Management in response to compliance review recommendations. IPAM monitors the implementation of MAPs every six months.

In 2023, IPAM facilitated agreements in two problem-solving cases, one in Albania and one in Serbia. It completed two investigations in Bosnia and Herzegovina and Georgia related to the transport sector, and is working on ongoing investigations in Armenia, Bulgaria, Mongolia and Ukraine.

Case study: IPAM facilitates Serbia waste project case resolution

In 2023, IPAM facilitated the resolution of a case through its problem-solving function. In 2020, a Serbian CSO had submitted a complaint about an EBRD-funded solid waste project in Belgrade. It required the displacement of 17 Roma families who lived and worked as waste-pickers on the Vinča landfill. Grievances included concerns about the compensation received, the inadequacy of the alternative housing provided, the families' inability to pay utility costs and their lack of income-generating options.

IPAM facilitated a dialogue process between the stakeholders, including the complainants and public- and private-sector partners, to help them explore the issues and find a solution. The final agreement provided the families with affordable social housing, access to social benefits, household appliances, employment opportunities, vocational training and equipment for the self-employed. Find out more about the case through the [IPAM case registry](#).

Case study: EBRD adopts IPAM recommendations on Georgia road project

In 2023, the EBRD developed a MAP to address IPAM's recommendations on a road construction project in Georgia's Khada valley. In September 2019, a local NGO focused on the preservation of cultural heritage had brought a complaint about the Bank's North-South Corridor Road Project. It alleged that the project would profoundly damage the character of the valley, which is cherished by the local population for its landscapes, cultural character and historical importance.

IPAM reviewed the NGO's concerns and concluded that the EBRD's analysis of alternative locations for the bypass had been carried out correctly. However, not enough care had been given to the issue of cultural heritage, as required by Performance Requirement 8 of the EBRD's [2014 ESP](#).

IPAM detailed its findings and recommendations on how the EBRD should address these in a [compliance review](#). In June 2023, the Bank published its [MAP](#), which applies to the EBRD-financed tunnel section of the road. IPAM will monitor the MAP until it is fully implemented.

EBRD headquarters project wins accolades for sustainability

The vision of the EBRD headquarters project was to create a best-in-class working environment for staff and visitors, with an emphasis on wellbeing, sustainability, diversity and inclusion. The project embedded sustainability as a core value, from procurement to design, influencing all products and every construction and installation decision throughout the project's lifecycle, with the aim of positively impacting people, community and society.

In 2022, about 2,800 EBRD staff were relocated to Five Bank Street in Canary Wharf, occupying the top section of a 26-storey building following the Bank's move from Exchange Square in the City of London.

The headquarters project continued to receive accolades in 2023 for its sustainability credentials, including two prestigious awards from the Building Council of Offices (BCO), which provides public recognition for top-quality design and functionality and is a benchmark for workplace excellence.

In April 2023, Five Bank Street won a **regional BCO ESG award** for being a project that will have a game-changing influence on the environment, social value, governance or sustainable outcomes in the commercial building sector. The judges were impressed by the team's commitment to generating a positive social and environmental impact. Incorporating 16 social-value key performance indicators, collaborating with charities and reducing waste were all central to the building's fit-out. The panel also praised the office's target to achieve first-class BREEAM and WELL ratings.

The project also won a **national BCO award for innovation** in October, having demonstrated a passion for doing the right thing, both socially and environmentally, while providing a state-of-the-art office environment for its workforce and clients. A materials passport and deconstruction guide for the project were among the reasons the judges decided it was worthy of this award. The Bank's ongoing evaluation of post-occupancy energy use also stood out as exemplary.

The EBRD is also on target to achieve **BREEAM Outstanding certification for fit-out**, design and construction, which have been guided by a desire to reduce waste and reflect the Bank's green values and sustainability credentials. The EBRD's project vision was to co-create a working environment that fosters collaboration and staff wellbeing. As a result, the EBRD applied for and is on target to achieve **WELL Building Standard Platinum accreditation**, with re-accreditation every three years. Both of these are likely to be achieved in 2024.

Hoare Lea, the project's sustainability consultant, carried out an assessment on behalf of the Bank to provide a final estimate of the carbon emissions associated with the fit-out of Five Bank Street. This will support the EBRD's project vision to reduce whole-life carbon and identify a pathway to net zero. The fit-out was compared with industry targets for new-build developments, as well as sample projects of a similar scope. Throughout the design, several opportunities to reduce upfront and whole-life carbon were evaluated, and the process of material selection prioritised sustainability, longevity and practicality. Using comparative benchmarking data, the assessment found that the fit-out of Five Bank Street was very low compared with similar projects in the industry.