EBRD's Green Transition Bonds – Frequently Asked Questions.

1. What are EBRD's Green Transition bonds?

These are one of the three types of green bonds that EBRD issues to provide an opportunity to invest in environmental and sustainable solutions through a triple-A security that supports state and private sector environmental projects in the EBRD's countries of operations. The proceeds from the bonds are directed towards the EBRD's green transition investments in key sectors of the economy through legal definitions contained in the bond documentation.

2. How does the EBRD set the criteria for the Green Transition bonds?

The EBRD's Environmental and Sustainability, Banking, Treasury and Legal departments have established the underlying criteria for projects to be designated as part of the Green Transition Portfolio ("GTPP") that will be funded by the EBRD's Green Transition Bonds ("GTB"). The Environmental and Sustainability Department's specialists review the EBRD's committed projects in key carbon-intensive sectors of the economy to establish those that enable the transition to sustainable, low carbon and resource efficient operations in organisations that undertake measures to improve climate governance. Additional criteria may also be established for the Green Transition Portfolio.

3. Does the EBRD have an environmental policy?

The EBRD is committed to promoting "in the full range of its activities environmentally sound and sustainable development" pursuant to its constituent treaty (the Agreement Establishing the European Bank for Reconstruction and Development). The EBRD's Environmental and Social Policy is a key document of the Bank which further details such commitments. The Policy includes 10 environmental and social Performance Requirements (PRs) which all EBRD-supported projects are expected to meet, whether or not they are eligible for inclusion in the Sustainability bond portfolio. The PRs are consistent with the IFC/Equator Principles Performance Standards but include a number of additional requirements, such as compliance with EU environmental standards.

https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html

4. Which projects are financed by Green Transition bonds?

The "Green Transition Portfolio" shall mean, as determined by the Issuer, the sum of all loans and investments that are funded in whole or in part by the Issuer and in respect of which the amount disbursed or invested is directed at, as determined by the issuer, green transition through financing or refinancing projects that are intended to enable significant improvements towards decarbonisation, reduction in environmental footprint and/or improved resource efficiency in key sectors of the economy.

While a minimum of 50 per cent of the loan or investment must be specifically designated to ensuring the green transition of the asset or project, the requirement to ensure improved climate governance of the related organisation or company in consistency with the transition objectives allows the entire amount of any such EBRD's loans to be included in the Green Transition Portfolio.

Examples of projects in the Green Transition Portfolio include, without limitation, financings of:

- Investments in decarbonisation and resource efficiency including circular economy products in manufacturing, which may include:
    - chemical production
    - cement production
    - steel production

- Investments in food production which may include:
    - Improving resource efficiency in agribusiness
    - Promoting sustainable land use

- Investments in activities to enable a green transition, which may include:
    - electricity grids
    - supply chains
    - low carbon transport (including infrastructure)
    - green logistics
    - ICT solutions

- Investments in construction and renovation of buildings

The above examples are illustrative only and no assurance can be provided that investments in projects with these specific characteristics will be made.

5. Is there a project exclusion list?

Projects involving the following activities are not eligible for inclusion in the environmental sustainability bond portfolio:

- Activities listed on the Exclusion list in Appendix 2 of the EBRD's Environmental and Social Policy (
- Construction of new large hydropower installations that is not consistent with the principles and the Hydropower Sustainability Guidelines of the International Hydropower Association's Hydropower Sector Green Transition Guide

- Nuclear energy generation
- Projects that lead to a significant increase in CO_2 emissions (through capacity expansion and increased output as a result of the project/investment)
- Projects that lock-in fossil fuels or undermine any international or national commitments. This includes projects that undermine climate resilience.
- Upstream fossil fuel production (including gas, coal and oil)
- New stand alone fossil fuel electricity production
- Transportation of thermal coal and oil
- Hard Liquor production, defence-related activities, tobacco industry, standalone
  gambling facilities
- Projects requiring a derogation from the Environmental and Social Policy for not being able to meet the Bank's environmental and social Performance Requirements within the term of the EBRD transaction except in relation to water and wastewater projects that may not meet EU standards immediately, but that will meet them longer term.
- Equity investments (subject to review)
- Projects in EBRD's Green Project Portfolio ("GPP") or Climate Resilience Portfolio ("CRPP")
- Projects in EBRD's portfolios for Social Bond issuance (microfinance/health)
- Investments in local currency that are specifically funded through dedicated bond financing in that currency.

Specific exclusions, the list of which is maintained, is updated and amended by the ESD on quarterly basis.

6. Does the EBRD finance nuclear energy?

The EBRD's involvement in the nuclear sector is restricted to improving nuclear safety. The EBRD manages six donor funds on behalf of 30 donors, including the G-8 countries and the European Commission, who together have pledged more than €3 billion to enhance nuclear safety of high-risk existing nuclear plants in the region. The funds provide support in the decommissioning of outdated power plants, the safety of Chernobyl nuclear power plant and the legacy of the operations of the Russian nuclear fleet in North West Russia, in particular with the resulting spent nuclear fuel and radioactive waste. More information can be found on the EBRD web site under

http://www.ebrd.com/nuclear-safety.html

With regard to the use of its own ordinary capital resources to complete or upgrade nuclear plants, the Bank will not consider providing financing to new reactors. However, it may provide financing to an operating facility in relation to nuclear safety improvements, or for the safe and secure management of radioactive waste and spent nuclear fuel, as well as for decommissioning.

Please note that none of the above activities are eligible for inclusion in the Sustainability Bond portfolio.

7. What is the EBRD stance on forest logging?

The EBRD promotes sustainable forest management through its investments in the forest products industry and biomass energy projects. Forest resource use is carefully reviewed during the environmental and social due diligence and the Bank requires its clients to adhere to rigorous corporate wood procurement policies and procedures aimed at ensuring that all wood used for EBRD forest industry projects is of legal and sustainable origin.

The degree of the EBRD requirements vary between the projects that either involve direct management of the forests and those that are fully dependent on external wood supplies. Clients involved in forest management are required to ensure that all forest areas over which they have management control are independently certified to internationally accepted principles of sustainable forest management. This entails that forest areas of high biodiversity value must not be converted or degraded and the harvesting of wood must be undertaken in a sustainable way. Those clients that rely on external suppliers are required to adopt and implement sustainable wood procurement procedures so as to ensure that wood for their operations does not originate from protected or high biodiversity value forests, that the origin of the wood is monitored and that the wood is supplied by responsible harvesting companies that operate in accordance with the principles of sustainable forest management.

Most of the EBRD's projects using forest resources rely on external wood supplies; hence the focus has been on ensuring the clients will comply with chain-of-custody/wood procurement requirements. Such clients are also required give preference to purchasing resources certified to internationally accepted principles of sustainable management, where available.

The EBRD also encourages its clients to engage in dialogue with governments to support the development of state controlled legal enforcement and governance systems towards sustainable forest management and to promote certification of state-owned forests.

8. What is the EBRD's stance on Green Transition in transport systems and logistics?

Building Green Transition in transport systems means directing investments at projects that support the transition to low/no carbon sustainable transport and mobility systems. EBRD's Green logistics projects focus on the planning, organisation, management, execution and control of transport operations. Low carbon transportation and decarbonising the logistics sector are important Green Transition priorities, especially in regions characterised by highly inefficient energy use..

9. Can projects that include (fossil) fuel switching be included in the Green Transition Project Portfolio?

While the Bank's Green Transition Portfolio will not include any new fossil fuel electricity generation, it may include projects where old and inefficient oil or coal facilities are switched to gas, as a transition fuel under the following conditions:
i) where the project employs best available technology;
ii) where there is no feasible alternative for that specific location;
iii) where the switch to gas is part of the borrower's credible and articulated transition strategy; and
iv) where the benefits in CO_2 reductions are significant.
Such a strategy also recognises the marked benefits of gas over solid fuels in reducing particulate matter whilst seeking to avoid lock-in.

10. Can EBRD's Green Transition bonds finance opex as well as capex?

As previously noted, a minimum of 50 per cent of the loan or investment must be specifically designated to ensuring the green transition of the asset or project, and thus the remaining portion of the loan or investment (of up to 50 per cent of the project) may include opex or capex that will be assessed and monitored to ensure that the use of such proceeds does not undermine the positive green transition benefits of the project. The total project may only be included where it is clear that the borrower is making changes at an organisational level in consistency with the project's transition objectives, and where this is reflected in covenants that form part of the project documentation. At EBRD, this will also be enabled through policy dialogue, and frequently through additional financial support in the form of technical cooperation funds.

11. Why does the GTPP include projects from 2016?

The EBRD adopted its Green Economy Transition ("GET") strategy at the end of 2015, and therefore all projects undertaken from 2016 that are included in the GTPP have been assessed and monitored in consistency with the GET approach, including the 2016 update of EBRD's transition methodology to include a Green transition indicator. .

Projects under the GTPP typically have long disbursement periods with a significant time between signing and the first disbursement. Indeed, despite the projects in the GTPP having an average age of approximately 2 years, significant amounts have yet to disburse.

The relevance of even the more seasoned projects in the GTPP will be further underpinned by ongoing monitoring of improved climate governance of the related organisation to ensure consistency with the Green Transition objectives.

12. Why does the GTPP allow for the refinancing of projects?

The average term of projects under the GTPP significantly exceeds that of typical bond tenors, with a weighted initial average term of investments in excess of 10 – 12 years, and a weighted remaining average age of approximately 10 years.

13. Could a project be included in the GTPP and EBRD's GPP?

Projects under the GTPP are distinct from those incorporated under the Green Project Portfolio (GPP) that underpins EBRD's Environmental Sustainability bond issuance. While the GPP criteria, in keeping with the eligible Green Project categories under the Green Bond Principles, allow for the inclusion of energy and resource efficiency projects, these would have to be consistent with the GPP focus on "dark green" investments, and the requirement that substantially all the proceeds are directed to the intended environmental purpose. The GTPP, by contrast focuses on transition projects in those sectors of the economy that are today highly dependent on fossil fuels.

14. Should GTPP projects be considered "light green"?

No project in the GTPP should be considered "light green", as all seek to finance significant improvements in resource efficiency and reduction in the environmental footprint undertaken by organisations that commit to implement measures to improve their climate governance and sustainability, thereby ensuring consistency with the project's Green Transition objectives. No GTPP investment would undermine climate change mitigation and adaptation objectives by locking in a carbon intensive asset or process for the longer term, or by financing projects that are insufficiently climate resilient. Furthermore, sector-specific best-available techniques will also reflect EU minimum environmental performance and social standards.

Given that GTPP projects are focused substantially on financing significant improvements in carbon intensive sectors of the economy, the expected GHG savings per EUR/USD invested are expected to be commensurate with (and may even outstrip) those arising from EBRD's "deep green" Environmental Sustainability Bond Programme.

15. What reporting will EBRD undertake on the GTPP?

EBRD will report on a portfolio level in relation to the Use of Proceeds, providing details of the projects by geography and industry, as well as giving details of the number of projects, total committed amounts, as well as a comparison between the amount drawn-down ("operating assets") and total Green Transition Bonds outstanding.

Impact reporting for Green Transition projects will typically be measured in CO_2 reductions and in improved energy, water and material efficiency against a baseline and/or benchmark.

Based on this approach, the results of projects in the GTPP will be reported collectively at least annually in the Sustainability Report and in EBRD's investor presentation "Focus on Environment", which will be accessible from the website: https://www.ebrd.com/work-with-us/sri/funding.html

16. In which currencies and maturities can Green Transition bonds be issued?

The Bank's Green Transition bonds can take the form of eurobonds, global bonds and domestic issues in selected markets, similar to the Bank's general debt issuance. To date, the Bank has issued debt instruments in 39 currencies, the proceeds of which are swapped mostly into floating rate EUR and USD. While the tenors of individual projects in the Green Transition Portfolio vary from 1 to 20 years, the Bank will monitor the average life of Green Transition bonds it has issued, to ensure that it does not exceed that of the Green Transition Portfolio.

17. Are there size restrictions on the Green Transition bonds?

There is no minimum issuance size for Green Transition bonds, but no new Green Transition bond will be issued if the total amount of the Green Transition bonds outstanding will exceed 80 per cent of the Green Transition Portfolio.