

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 10 March 2021¹

GREECE

PROJECT PRIMAVERA

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

TABLE OF CONTENTS

	Page
TABLE OF CONTENTS	2
ABBREVIATIONS / CURRENCY CONVERSIONS.....	3
PRESIDENT’S RECOMMENDATION	5
BOARD DECISION SHEET	6
ADDITIONAL SUMMARY TERMS FACTSHEET.....	7
1. STRATEGIC FIT AND KEY ISSUES.....	9
1.1 STRATEGIC CONTEXT.....	9
1.2 TRANSITION IMPACT	11
1.3 ADDITIONALITY	12
1.4 SOUND BANKING - KEY RISKS	13
2. MEASURING / MONITORING SUCCESS.....	16
3. KEY PARTIES	17
3.1 BORROWER.....	17
3.2 FINANCIAL HIGHLIGHTS	18
4. MARKET CONTEXT	18
5. FINANCIAL / ECONOMIC ANALYSIS	19
5.1 FINANCIAL PROJECTIONS	19
5.2 SENSITIVITY ANALYSIS	19
5.3 PROJECTED PROFITABILITY FOR THE BANK.....	19
6. OTHER KEY CONSIDERATIONS.....	20
6.1 ENVIRONMENT.....	20
6.2 INTEGRITY	21
ANNEX 1 – SHAREHOLDING STRUCTURE.....	23
ANNEX 2 – SUSTAINABILITY-LINKED BOND FRAMEWORK.....	24
ANNEX 3 – TRANSITION IMPACT SCORING CHART.....	26

ABBREVIATIONS / CURRENCY CONVERSIONS

BAT	Best Available Techniques
BN	Billion
BSTDB	Black Sea Trade and Development Bank
CfD	Contract for Difference
CFF	Cash Flows from Financing
CFI	Cash Flows from Investing
CFO	Cash Flows from Operations
CGAP	Corporate Governance Action Plan
CO ₂	Carbon Dioxide
COO	Countries of Operation
CSO	Civil Society Organisations
CSR	Corporate Social Responsibility
CV19	COVID-19
D&A	Depreciation and Amortization
DAPEEP	Renewable Energy Sources Operator & Guarantees of Origin SA
DCM	Debt Capital Markets
DFI	Development Finance Institution
DTM	Deal Tracking Module
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EBT	Earnings Before Taxes
EC	European Commission
EHS	Environment, Health and Safety
EIB	European Investment Bank
ESAP	Environmental and Social Action Plan
ESD	Environmental and Sustainability Department
ESDD	Environmental and Social Due Diligence
ESG	Environmental, Social and Governance
ETI	Expected Transition Impact
EU	European Union
EUR	Euro
FiP	Feed-in Premium
FRM	Final Review Memorandum
FX	Foreign Exchange
FY	Financial Year
GET	Green Economy Transition
GHG	Greenhouse Gas
GW	Gigawatt
GWh	Gigawatt Per Hour
HCAP	Hellenic Corporation of Assets and Participations S.A.
HEDNO	Hellenic Distribution Network Operator S.A.
ICMA	International Capital Market Association
IFI	International Financial Institutions

IPP	Independent Power Producer
KPI	Key Performance Indicator
LGD	Loss Given Default
LTM	Last Twelve Months
M	Million
MN	Million
MNPI	Material Non-Public information
MW	Megawatt
MWh	Megawatt Per Hour
NECP	National Energy Climate Plan
NOME	Nouvelle Organisation du Marché de l'Electricité
OCDO	Office of the Chief Compliance Officer
OCF	Operating Cash Flows
OGC	Office of the General Counsel
OPEX	Operating Expenses
OpsCom	Operations Committee
PD	Probability of Default
PPC	Public Power Corporation SA
PPCR	PPC Renewables SA
PSO	Public Service Obligations
PV	Photovoltaic
Q	Quarter
RAE	Regulatory Authority of Energy
RAROC	Risk-Adjusted Return on Capital
RES	Renewable Energy Sources
S&P	Standard & Poors
SDG	Sustainable Development Goals
SEE	South Eastern Europe
SLB	Sustainability-linked Eurobond
SLBP	Sustainability-linked Bond Principles
SMP	System Marginal Price
SPT	Sustainability Performance Target
TC	Technical Cooperation
TI	Transition Impact
TWh	Terawatt Per Hour
VISP	Vital Infrastructure Support Programme
WC	Working Capital
YE	Year End

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Public Power Corporation S.A. (the “Company” or “PPC”), an entity incorporated in Greece, are submitted for consideration by the Board of Directors.

The facility will consist of a subscription of up to the lower of (1) EUR 75.0 million and (2) 20% of the Company’s proposed sustainability linked bond issuance (the “SLB”), which has a targeted amount of up to EUR 500 million. The SLB will comply with the International Capital Markets Association's Sustainability-Linked Bond Principles and this compliance will be confirmed by an independent second-party opinion.

The SLB will be the first such capital market instrument in the Bank’s Countries of Operation. It is expected to entrench and accelerate PPC’s ambitious decarbonisation pathway transforming it from a heavily coal dependent to a green and sustainable utility. The Project will allow PPC’s return to capital markets for the first time since 2014, broaden PPC’s investor base and demonstrate the growing sensitivity of capital market investors towards companies that adopt ESG strategies. The success of the SLB will have significant demonstration impact for other utilities in the EBRD’s COOs, showing clearly that access to finance for energy intensive companies increasingly depends on their commitment to a long-term green transition.

The expected transition impact of the Project is the adoption of a new capital markets instrument that allows PPC to access a new ESG focused investor base (Resilient) and that further strengthens the Company’s commitment to implement its decarbonisation strategy (Green) targeting a reduction in CO2 emissions [REDACTED] compared to 2019. The operation is 100% GET.

I am satisfied that the operation is consistent with the Bank’s Strategy for Greece, the Energy Sector Strategy, the Green Economy Transition Approach 2021-2025 and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed bond participation substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

Greece - Project Primavera - DTM 52707	
Transaction / Board Decision	<p>Board approval² is sought for participation in a sustainability linked bond (“SLB”) issuance by Public Power Corporation S.A. (the “Company”, “PPC” or the “Issuer”), an entity incorporated in Greece, for the lower amount between EUR 75.0 million and 20% of the bond issuance.</p> <p>The SLB will be EUR-denominated, with 5-year maturity and issued on the Irish or Luxembourg Stock Exchange. The bond will pay investors a coupon, the amount of which will be directly linked to achieving an ambitious CO2 emission reduction target. The use of proceeds will be primarily applied to refinancing of existing indebtedness of the PPC group.</p>
Client	<p>PPC is Greece’s largest utility, providing power generation and electricity supply and is also the owner of the distribution grid. The Company is listed on the ASE since 2001. Its main shareholders are the Greek State (51.1%, through the Hellenic Corporation of Assets & Participations), Silchester International Investors (5%) and Helikon Investments (5%). As of end February 2021 PPC’s market cap was EUR 1.7bn. [REDACTED]</p>
Main Elements of the Proposal	<p><u>Transition impact:</u> Primary Quality: <i>Resilient</i>. Improving PPC’s access to finance by diversifying financing sources to a new ESG focused investor base, in the process demonstrating the viability of this new instrument for other issuers.</p> <p>Secondary Quality: <i>Green</i>. Supporting PPC’s ambitious sustainability and decarbonisation strategy of PPC, leading to a 40% reduction in CO2 emissions [REDACTED] compared to 2019.</p> <p><u>Additionality:</u> PPC has been unable to access the debt capital markets since 2014, and has accordingly sought the Bank's support in its return in order to support this new issue of an instrument that is the first of its kind in the Bank’s COOs.</p> <p><u>Sound banking:</u> The risk/return profile has been considered acceptable following the improved profitability since September 2019, as reflected in upgraded credit ratings to BB- and B from Fitch and S&P, respectively.</p>
Key Risks	<p><u>Operational risk:</u> PPC’s profitability can be affected by movements in commodity market prices and uncompetitive cost base. The Company has established an updated business plan aiming to reduce its operational costs, close down its loss making lignite plants and focus on distribution and RES assets.</p> <p><u>Collection risk:</u> During the financial crisis in Greece, PPC faced an increase in unpaid receivables, similar to what it currently expects as a result of the COVID-19 crisis. It addressed these successfully from 2017 onwards including through outsourcing debt collection services and offering discounts for timely payments. Through this experience, PPC has developed a good understanding of its clients’ vulnerabilities and developed strategies and tools to address this risk.</p> <p><u>Regulatory risk:</u> Potential modifications to the regulatory and legislative framework governing the electricity market and PPC’s business, may have a materially adverse effect on PPC’s business, financial condition and results of operations. [REDACTED]</p>
Strategic Fit Summary	<p>Strategy for Greece: “<i>Encourage further capital markets development, promoting green capital market instruments</i>” and “<i>support greater energy and resource efficiency, climate resilience and decarbonisation across sectors through direct engagement with private and public clients</i>”.</p> <p>Energy Sector Strategy: “<i>engage with countries of operations with significant coal dependence to develop strategies to support a transition away from coal</i>”.</p> <p>Green Economy Transition Approach 2021-2025, which calls for the Bank to scale up the use of green capital markets instruments and support “<i>behavioural change at governance levels</i>” of clients through “<i>GHG reduction targets ... incorporated into strategic decision making.</i>”</p>

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	<p>Subscription of the lower of up to EUR 75 million or up to 20% of the total issuance amount in a contemplated EUR 500 million sustainability-linked Eurobond (the “Bond” or “SLB”) to be issued by Public Power Corporation SA (“PPC”, the “Issuer” or the “Company”).</p> <p>The Bond is in line with the International Capital Market Association’s (“ICMA”) principles for SLBs, as verified by a second party opinion by Sustainalytics. This will be the first SLB in EBRD’s CoO’s which will be fully aligned with ICMA principles. The Bond will include a sustainability performance target (“SPT”), with PPC committing to reduce CO2 emissions by 40% [REDACTED]. Missing the target will lead to a coupon step-up, therefore PPC will have a strong reputational and financial incentive to achieve its targets. It is therefore likely to have significant demonstration effects on coal-dependent utilities in SEE and other sectors that need to decarbonise.</p> <p>The Bond is expected to be issued in March 2021 and be listed on the Irish or Luxembourg Stock Exchange. The Mandated Lead Arrangers are Citibank, HSBC and Goldman Sachs.</p>
Existing Exposure	EUR 160 million, under VISIP corporate loan [REDACTED].
Maturity / Exit / Repayment	Tenor: 5 years [REDACTED]
Potential AMI eligible financing	None
Use of Proceeds	<p>The Bond’s use of proceeds will be for general corporate purposes including refinancing of existing indebtedness (80% of the proceeds will be dedicated to refinancing).</p> <p>Through the SLB the Company will commit to reduce CO2 emissions by 40% [REDACTED]. Such target is expected to be met mainly through the following actions:</p> <ul style="list-style-type: none"> Decommissioning of all existing lignite plants by 2023 A significant acceleration in renewable energy capacity growth, with additions of 1.3GW, mainly solar and wind, targeted by end 2023. <p>These key actions under the SLB framework require capital expenditure of ca. EUR1.1bn for the additional renewable capacity and decommissioning and mine closure expenditures with [REDACTED]. The key actions will be monitored through external second party verification on the SLB targets as well as the ESAP implementation</p> <p>The Bank's framework agreement with PPC will explicitly exclude coal and mining assets from receiving EBRD's proceeds and will include a covenant that EBRD’s proceeds shall be applied exclusively toward refinancing of existing indebtedness.</p> <p>No proceeds from the Bank’s participation will be used to finance the acquisition of goods, works or services.</p>
Investment Plan	[REDACTED]

Financing Plan	[REDACTED]
Key Parties Involved	Issuer: Public Power Corporation S.A.
Conditions to subscription / disbursement	Signing of a Framework Agreement
Key Covenants	[REDACTED]
Security / Guarantees	Senior unsecured bond
Other material agreements	Framework Agreement, including ESAP
Associated Donor Funded TC and co-investment grants/concessional finance	n/a

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

The Greek electricity sector is embarking upon its biggest transformation yet, ending its reliance on lignite (c. 20% of total electricity production in 2019) and replacing this with a widespread rollout of renewable energy and a smaller fleet of significantly less carbon intensive gas generating units. The central feature of this strategy is the commitment in late 2019 to close all existing coal-fired generation by end-2023 and to close or convert one plant currently under construction by end-2027. This is the most rapid and ambitious coal phase-out plan in the Bank's CoOs and one of the fastest in the EU.

The country's National Energy Climate Plan ("NECP") restates this plan and aims to achieve a reduction in greenhouse gas (GHG) emissions by more than 55% by 2030 compared to 2005, through: (i) decommissioning of all 4 GW of lignite-fired generation capacity by 2028 (3.4GW by 2023), (ii) 8.7 GW of new renewable generation capacity to be added by 2030, reaching a total of 19 GW, and (iii) 2 GW of new gas generation capacity added for enabling the lignite plant decommissioning and system security. The country remains committed to implementing the NECP as planned despite the negative impacts the CV19 crisis is expected to have on the Greek economy in 2021 and beyond.

Greece will, within eight years, exit entirely from an energy source which has been the backbone of its electricity sector for decades. This withdrawal from coal is a fundamental transformation that will create substantial sector and social challenges with the following broad implications: (i) constructing large volumes of low carbon generating capacity in order to ensure energy security in an increasing electrified economy, (ii) reengineering the country's transmission and distribution networks to reflect the additional penetration of distributed, intermittent renewable energy, and (iii) addressing the social and economic impacts of the closure of a major part of its existing energy infrastructure, i.e. ensuring a just and inclusive transition.

PPC is the incumbent power utility and the largest electricity generator and supplier in Greece and the functioning of its operations are vital for the stability of the electricity sector as a whole. It provides critical functions along the sector value chain including generation, distribution and retail supply. In addition to its central role in the electricity sector PPC is crucial to Greece's significant decarbonisation commitments, as the owner of all coal-fired plants in Greece. [REDACTED]

In 2020 the Bank supported PPC with a short-term liquidity loan under the Vital Infrastructure Support Programme, to cushion the company from the negative effects of the CV19 crisis and the associated severe lockdown in Greece. [REDACTED] The loan is due to be repaid by September 2022.

Sustainable financing instrument

PPC has been unable to access the capital markets since 2014, not least because of its reliance on an environmentally and commercially unsustainable business model. Following its turnaround the company now proposes to re-enter the markets by issuing a Sustainability Linked Bond (an "SLB"), for which it has sought EBRD's support.

An SLB is a relatively novel financial instrument, pioneered initially by the Italian utility ENEL SpA. In contrast to a green bond which is characterised by a dedicated green use of proceeds, an SLB derives its sustainability characteristics not from the use of proceeds but from sustainability commitments that relate to the issuer's entire business.

In order to ensure integrity to the issuance of SLBs the International Capital Markets Association has issued in June 2020 a set of Sustainability-Linked Bond Principles, with which PPC's proposed bond complies. As set out in those Principles, "Sustainability-Linked Bonds incentivise the issuer's achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified sustainability (ESG) objectives through Key Performance Indicators "KPIs" and Sustainability Performance Targets ("SPT")."

PPC's proposed SLB specifies a sustainability performance target of reducing emissions by 40% [REDACTED]. PPC's SLB will have a second party opinion from a reputable independent entity that confirms the alignment of the SLB with the ICMA SLB Principles, including both the ambition of the target and the reporting and verification procedures.

The Bond will signal some important milestones for PPC: i) its successful operational and financial turnaround (including its debt restructuring); ii) the adoption of a very ambitious sustainability strategy, that contributed significantly to Greece's national climate targets in line with the objectives of the Paris Agreement, aiming to close its operational lignite fired plants by 2023 and significantly expand into renewables with a target of adding 1.3 GW of new capacity by 2023; iii) and diversification of its funding sources through its return to the international debt capital markets since April 2014. [REDACTED].

This will be the first SLB issuance in the EBRD region and one of the first by any utility. It will thus have a broader demonstration effect. First it will send an important signal that access to finance for energy intensive utilities increasingly depends on a commitment to decarbonisation and sustainability. Second it will strengthen and expand the growing market for sustainable financial instruments, promoting the overall greening of all financial flows. Together both elements will have a strong demonstration impact for coal dependent utilities and other carbon intensive sectors and for capital markets more generally in the Bank's COOs. This project also contributes to a host of UN Sustainable Development Goals (SDGs), namely: SDG 7: Clean and Affordable Energy, SDG 9: Industry, Innovation and Infrastructure, and SDG 13: Climate Action.

The Project is fully consistent with the Bank's Strategy for Greece, which calls for facilitation of the expansion of renewable energy capacity and a more diversified energy mix to promote decarbonisation of the economy through direct engagement with private and public clients, targeted investments in support of the Government's decarbonisation commitment, deepened and diversified debt capital markets and promotion of green capital market instruments. Support for PPC's bond also comes under the second pillar of the Strategy for Greece, which is to support the stabilisation of the financial sector and deepen intermediation to unlock access to finance. A successful SLB issuance by PPC will have a strong demonstration effect by helping solidify access to the debt capital markets for Greek corporates as well as expanding the use of financial instruments for sustainable investments.

The project is also consistent with the Energy Sector Strategy's objective of "ensuring the sustainability of the sector in the face of the financial, technical, environment and market challenges." And the Green Economy Transition Approach 2021-2025, which calls for the Bank to scale up the use of green capital markets instruments and support "behavioural change at governance levels" of clients through "GHG reduction targets ... incorporated into strategic decision making."

1.2 TRANSITION IMPACT

Primary Quality: Resilient

Obj. No.	Objective	Details
1.1.	The transaction contributes significantly to capital market development by introducing a new instrument	PPC's upcoming issuance will be the first SLB issuance by a Greek company and the first SLB in EBRD's COOs. It will be aligned with ICMA SLB Principles, as verified by a second party opinion.
1.2	At least 80 per cent of the issuance is expected to be placed with private non-IFI investors.	The investor base is expected to comprise predominantly of private ESG sensitive international investors.
1.3	The issuance will be publicly offered and listed on an international exchange and will have at least one credit rating from "Big Three" international credit rating agencies (S&P, Moody's and Fitch).	The issuance will be publicly offered, listed on an international exchange and will be supported by PPC's credit ratings from S&P and Fitch.
1.4	The project entails financial restructuring making the company less vulnerable to shocks	The project is expected to address refinancing risk [REDACTED]

Secondary Quality: Green

Obj. No.	Objective	Details
2.1	The percentage of EBRD use of proceeds allocated to the project that qualifies as GET is 15 per cent or higher.	PPC will issue the bond in line with ICMA's SLB Bond Principles and will commit to Sustainability Performance Targets including a reduction of more than 40% in CO2 emissions [REDACTED]. This target has been assessed by the external opinion provider as being very strong/ambitious. In order to achieve this reduction PPC's action plan includes the closure of 3.36GW of coal fired power plants by 2023. Correspondingly 100% of the Bank's subscription to the Bond have been classified as GET eligible.
2.2	The environmental impact of the project is expected to meet or exceed one or more of the quantitative physical scale thresholds as outlined in the GET TI assessment methodology.	The size of the commitment includes a reduction of [REDACTED] CO2 emissions p.a. [REDACTED]. The Bank will report externally for this project a portion of these emissions savings [REDACTED].

Delivery Risks

The Project is subject to usual commercial risks as well as a generally challenging economic and capital market environment in Greece, which may delay or prevent the bond issuance. In addition, there are risks related to PPC's ability to decommission lignite plants in time and implement its ambitious renewable energy pipeline and thus deliver on the SLB target. Delivery risks are mitigated by PPC's credit rating upgrades in 2020 as well as management's strong commitment to focus on the two strategic pillars of decarbonisation and renewable energy ramp-up, in line with the country's NECP.

1.3 ADDITIONALITY

Identified triggers	Description
A subsequent/ consecutive transaction with the same client/group either with the same use of proceeds or in the same country (repeat transaction).	EBRD has extended financing to PPC in July 2020 through a EUR 160 million working capital loan (Project VISP PPC Liquidity Response) to ensure stability of energy sector and support decarbonisation. Through this second proposed financing to PPC, EBRD will provide financing of longer tenor (5 years [REDACTED]) and of different nature (capital market instrument vs. WC facility). While the Bank was the sole lender under its VISP loan it now helps PPC attract additional funding sources through a capital market transaction. The Bank's continuing support will help attract other lenders/ investors not yet comfortable with the particular risks of the Greek economy and energy sector.
A significant share (at least 30%) of the project is for refinancing purposes.	The proceeds of the bond will be used primarily to refinance up to EUR 400 million of term debt extended by the Greek commercial banks and up to EUR 100 million for general corporate purposes.
Eurobond issuance with no specific use of proceeds requirement (EBRD use of proceeds are the same as those of other investors in the bond).	PPC's current financial structure points out the need for diversification both in terms of lenders but also of maturities. [REDACTED] Moreover, the refinancing will allow PPC to improve its loans maturity schedule [REDACTED]. As an SLB, the issuance has also the ability to attract a wider range of ESG focused lenders and investors that would not be able to support the Company through its current lending facilities and its previously coal reliant business model.
Eurobond issuance with high indicative level of oversubscription (2 times or more) for prior issuances or anticipated for the new issuance.	PPC's issuance could end up having oversubscription levels, however, this will depend on the impact of the sustainability feature on investors' appetite, as well as the state of capital markets at the time of issuance. [REDACTED]. During 2020, in a challenging environment due to CV-19, there has been only one Eurobond issuance and three local issuances coming from Greek corporates, all with relatively low levels of oversubscription when taking into account the small issue amounts and good financial standings. [REDACTED]

Additionality sources	Evidence of additionality sources
Financing Structure – Crisis response: EBRD financing effectively bridges a financing gap due to adverse market conditions. – Capital market: EBRD financing is expected to effectively 'close the funding gap' and allows carrying out a successful book-building process .	<p><u>Even before CV19, the Greek debt capital markets ("DCMs") had only partially recovered:</u> In the aftermath of the CV19 induced crisis, EBRD support is needed for sub-investment grade corporates to regain access to the public DCMs, an already fragile market for Greek companies as they have only partially recovered from the Greek Financial Crisis. Following the financial crisis, only a handful of large corporates were able to successfully issue Eurobonds in international bond markets.</p> <p><u>Since the CV19 related crisis Greek DCM activity has reduced:</u> During the past year, the market has witnessed a significant reduction in terms of issuances of Greek corporates, with only 4 corporate bonds having been placed with public investors (vs. 9 in 2019, 5 in 2018 and 8 in 2017). [REDACTED]</p> <p><u>PPC faces a restricted investor universe:</u> PPC remains rated below investment grade, at BB- by Fitch (rating initiation,</p>
Risk mitigation	

<ul style="list-style-type: none"> – EBRD's long-term relationship with a client provides comfort to the client to be willing to take on more risk and/or finance, enabling outcomes such as innovation or expansion into new markets. – EBRD's involvement in a debt capital market transaction provides comfort to other investors and further widens market participation. – EBRD's ability to absorb risk in a certain country/region, where other IFIs/commercial financiers reached their limit exposure. 	<p>December 2020) and B by S&P (November 2020), which implies a more restrictive set of investors looking at related opportunities. In addition, its existing lenders face credit limit constraints. The main lenders to PPC are EIB, BSTDB and the Greek banks. The former two rely on sovereign guarantees to the distribution business which are not available for capital markets transactions and other loans. The Greek banks have a collective ca. EUR 1.5 billion of financing outstanding to PPC which significantly limits their ability to further lend to the Company. Access to the DCMs is crucial to allow a relatively leveraged company to diversify its funding base.</p> <p>EBRD's investment can (i) boost market confidence by attracting ESG sensitive investors to participate in the issuance given the Bank's exposure to PPC during the midst of the CV19 crisis and the Bank's support of PPC's decarbonisation commitments and (ii) contribute to healthy levels of oversubscription which are much needed for the performance of the bond in the secondary market with adequate liquidity.</p> <p>Scale-back mechanism: The Bank will pre-agree a bidding strategy internally to be reflected in its bid size as the spread tightens during the book building process and in addition will instruct the arrangers to treat the Bank as they would any high quality investor and in the case of excess demand scale its allocation back accordingly.</p>
<p>Innovative financing structures and/ or instruments</p> <p>EBRD offers an innovative green finance instrument that integrates aspects such as climate and environmental, social and governance (ESG) standards and/or climate and ESG risk considerations into the financing structure.</p>	<p>PPC's return to the DCMs will be through an SLB, an innovative instrument that would promote and signal PPC's commitment to a low-carbon transition by linking the Bond's pricing to the achievement of an ambitious CO2 emissions target, to be achieved by investments into RES and the decommissioning of lignite-fired generation capacity. This will be the first SLB coming from a Greek corporate or any other company in the EBRD region, with a clear demonstration effect in it.</p>

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Operational risk	Medium/ Medium	<p>PPC's profitability can be affected by (i) movements in commodity market prices (natural gas, liquid fuel and CO2 EUAs) for its generation business and (ii) uncompetitive cost base.</p> <p>Mitigants: The Company endorsed an updated business plan that aims to reduce its operational costs, reduce its reliance on thermal generation and focus future investments on distribution and renewable energy assets. [REDACTED]</p>
Commodity price input risk	Medium/ Medium	<p>PPC is exposed to price movements in i) natural gas for its thermal electricity generation, ii) liquid fuel for electricity generation on the non-interconnected islands and iii) CO2 prices for its thermal electricity generation while its domestic lignite</p>

		<p>mining operations lock the company into fixed prices for the commodity.</p> <p>Mitigants: The Greek wholesale prices reflects mainly the marginal cost of natural gas producers, which allows PPC to operate its natural gas plants profitably. It is expected that the importance of natural gas plants in the system will increase as coal plants are phased out. The generation on the non-interconnected islands is regulated, allowing PPC to pass through the cost of input commodities for those plants. [REDACTED] In addition, a measure introduced in September 2019 allows PPC to pass through the cost of CO2 in its tariffs.</p>
Electricity price risk	Low/Medium	<p>PPC i) is a net buyer of electricity for its supply operations and ii) competes with its electricity generation capacity with other generators.</p> <p>Mitigants: As a net electricity buyer, PPC generally benefits from lower electricity wholesale prices mainly because of its significant hydro generation that can recover their costs even at low market prices. In 2020, the Company realised high profitability margins in its supply business as the wholesale electricity price plunged as a result of the CV19 outbreak and has not yet recovered to pre-pandemic levels.</p>
Collection risk	High/Medium	<p>During the years of the financial crisis in Greece and the initial phase of the CV19 crisis, PPC faced an increase in unpaid receivables. As the CV19 crisis weakens the economy, more customers may become unable to pay their bills to PPC.</p> <p>Mitigants: Since 2017, PPC has been successful in addressing previous collection delays, by outsourcing debt collection activities to specialists and offering discount schemes to customers who paid on time. Given that this risk has materialised previously, the Company has developed a very good understanding of its customers' vulnerabilities and has built in-house experience in dealing with this issue. PPC has also introduced user-friendly online forms of payment in order to address the physical inability of its customers to pay during movement restricting measures due to the CV19 pandemic and has expanded its efforts to monitor, manage and settle unpaid bills. The 9M2020 financial results imply that the overall impact of the pandemic on the Company was milder than initially anticipated.</p>

Regulatory risk	Low/High	<p>The laws, regulations and policies of Greece and the EU affect PPC's business and financial performance. Potential modifications to the regulatory and legislative framework governing the electricity market and PPC's business, may have a materially adverse effect on PPC's business, financial condition and results of operations.</p> <p>PPC's distribution business is a regulated monopoly and profitability is dependent on having a robust and transparent regulatory framework. The segment's returns are based on a standardized calculating method, which entails a regulated return (WACC) formula applied on the regulated asset base. Potential modifications to the regulatory environment will have a significant impact on PPC's financial performance, taking into account that the distribution division will account for almost half of PPC's profitability going forward.</p> <p>The renewable energy sector relies largely on revenues from previous power purchase agreements, which have a guaranteed offtake price. Risks stem from prices above the prevalent wholesale prices.</p> <p>Mitigants:</p> <p>The Greek regulator (RAE) has approved a revised regulatory regime for the distribution assets, coming into force in 2021, which includes 4-year regulatory periods (2021-2024, 2025-2028) and a stable return on the regulated asset base to run throughout the regulatory periods (7% for 2021-2024), which ensures that HEDNO will produce at least the same EBITDA as in previous years.</p> <p>The risk on the renewable energy business is substantially mitigated due the relevant projects' participation in the electricity market for a majority part of their revenues. Auctioned renewable projects are compensated through i) participation in the electricity market either on their own or through an aggregator and ii) any difference between the wholesale price and the Reference Tariffs awarded during auctions, through a FiP contract with DAPEEP that is funded by electricity suppliers, CO2 auctions and end users. Wider sector reforms and the falling price of renewables, not least because of the introduction of competitive schemes, also reduce potential strains on the system.</p>
Refinancing risk	Low/High	<p>Following the expected early repayment of EUR 400mn from the Eurobond proceeds, PPC faces ca. EUR 3.4bn of debt repayments in the period of 2021 to 2026, the majority of which frontloaded in the first three years (EUR 0.6bn, EUR 0.5bn and EUR 0.8bn respectively).</p> <p>Mitigants: The refinancing requirements within the investment horizon are limited and estimated at up to ca. EUR 350mn, while significant operating cash flows are used for equity contribution to new investments. This is without taking into account the monetization of the minority stake in HEDNO, which will further facilitate the debt repayment and deleveraging of the Company. Current forecasts show sufficient cash available to cover Eurobond repayment without the explicit need for refinancing in 2026.</p>

2. MEASURING / MONITORING SUCCESS

<i>Overall objectives of project</i>	<i>Monitoring benchmarks</i>	<i>Implementation timing</i>
<ul style="list-style-type: none"> - Good financial and operational performance - On-time project implementation of CO2 reduction measures 	<ul style="list-style-type: none"> - Profitability and cash flows - Reduction of CO2 emissions 	<ul style="list-style-type: none"> - [REDACTED]

TI indicator(s), primary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date	Donor
1.1	Share of non-IFI/non-DFI institutional investors in capital market instrument or equity fund at the issuance	Majority of remaining bonds to be issued to Greek and international institutional and private investors.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Issuance listed on a national or/and international exchange	Issuance listed on Irish or Luxembourg Stock Exchange and PPC rated by S&P and Fitch.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.3	Volume of new capital market activity raised	EUR 500 million issuance of a sustainability linked bond, the first in Greece and in EBRD's COOs.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

TI indicator(s), secondary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date	Donor
2.1	CO2 emissions reduced (tonnes/year)	Scope 1 CO2 emissions reduction [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Operational performance of the client: efficiency	Scope 1 CO2 emissions intensity of electricity generated by PPC's generation assets [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Renewable Energy capacity installed (MW)	Additional renewable energy generation installed leading to a capacity of 1.3GW.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

2.4	Performance or action plan implemented by the client	PPC's decarbonisation commitments fulfilled by decommissioning 3.36GW of coal fired power plants by 2023.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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3. KEY PARTIES

3.1 BORROWER

- PPC is Greece's incumbent power utility, the largest electricity generator and the principal supplier of electricity in the country. It is listed on the Athens Stock Exchange with market capitalisation of EUR 2.0bn as of 17 February 2021. Its main shareholders are the Hellenic Republic, through the Hellenic Corporation of Assets and Participations (34.1%) and the Hellenic Republic Asset Development Fund (17.0%), as well as Silchester International Investors (5%) and Helikon Investments (5%). Free float (38.9%).
- PPC is rated BB- by Fitch (rating initiation, December 2020) and B by S&P (November 2020), following significantly improved financial performance in 9M 2020.
- PPC's electricity generation and imports covered circa 39% of total demand in the country in 9M 2020. The Company's installed capacity amounted to approximately 11.2 GW and accounted for more than half of the installed capacity in Greece as of December 2020. Its generation unit portfolio consists of conventional thermal plants (lignite 3.4 GW, gas-fired 2.7 GW and oil-fired 1.8 GW), hydroelectric plants (3.2 GW) and renewable energy (165 MW).
- The Company is the largest supplier in the retail market, with an average market share of circa 69% in 9M 2020.
- PPC is the owner of Greece's distribution network, which is operated by its 100% subsidiary, Hellenic Distribution Network Operator S.A. (HEDNO) and hence the owner of the Regulated Asset Base related to distribution assets and is entitled to a regulated return on the EUR 3 billion assets. In December 2020, PPC launched a tender for the sale of a 49% stake in HEDNO and the distribution assets. Non-binding Expressions of Interest were submitted on 19 February 2021.
- In the RES sector, PPC owns a portfolio of wind farms, small scale hydroelectric plants and photovoltaics across over 50 locations in Greece (ca. 2% market share excl. hydro). Its immediate pipeline of assets encompasses 108 MW of capacity currently under construction and approximately 250 MW ready-to-be-built.
- The Company expects to drastically increase its renewable energy capacity to 1.5GW by 2023. In addition, in February 2020 PPC's BoD approved the formation of a joint venture between its full owned subsidiary PPC Renewables and German company RWE Renewables (subsidiary of RWE) to develop up to 2 GW of installed solar capacity.
- The EBRD has established a strong relationship with PPC, as highlighted by the provision of the EUR 160 million working capital facility in May 2020 (Project VISP PPC Liquidity Response, OpID 51981). In January 2019 the Board approved an up to EUR 60 million participation in PPC's proposed Eurobond issuance (Project Electra). Project Electra did not ultimately materialise as PPC was unable to issue the bond due to difficult market conditions and negative financial performance at the time.

- As per the objectives of EBRD's VISP project, PPC has maintained adequate liquidity to ensure vital payments throughout the electricity value chain during and beyond the COVID-19 crisis.
- The Bank has also supported PPC and contributed TC funds to work with consultants to establish a TCFD action plan. [REDACTED]

3.2 FINANCIAL HIGHLIGHTS

[REDACTED]

4. MARKET CONTEXT

EU Target Model

The Greek electricity market is in the midst of broader structural reforms, in line with developments at European level, with the most important being the implementation of the EU Target Model in November 2020. The liberalization of the energy market is expected to lead to increased competition and greater liquidity and transparency for the benefit of participants and end-consumers. Additionally, the coupling of national energy markets to a wider, single European market with a common operational framework is set to deliver enhanced effectiveness of cross border exchanges in electricity.

Installed capacity

As of October 2020, Greece had an installed generation capacity of 21.6 GW, of which 90% in the interconnected electricity network. Thermal power plants accounted for 50% of the total installed capacity (of which 18% are lignite and 24% natural gas in the interconnected system and 8% being mostly oil thermal plants in the non-interconnected islands), with RES and large hydro units adding another 35% and 15% respectively. PPC owns all the hydro and lignite power plants, with the IPPs being only involved in gas-fired generation and RES. All operating lignite plants will be decommissioned by 2023, which intensifies the need for additional renewable energy capacity.

Renewable Energy

As part of Greece's plan to emerge as a hub for green energy, its National Energy Climate Plan 2030 (NECP) under the European Union framework, commits Greece to prioritising green energy investments with an estimated cost of EUR 44bn. Greece is expected to accelerate the diversification of its energy mix and tap into its wind and solar potential, as it shifts towards a lower-carbon-intensive power supply system. In the period from 2018 to 2020, the regulator started a series of competitive auctions providing for 2.6 GW of wind and PV capacity in total. With view to maintain the RES expansion momentum and reach the national energy targets, the competitive auctions framework was extended until 2024, offering another 2.1 GW of generation capacity.

Impact of CV19 on the electricity market

The Covid-19 pandemic had a negative effect in the domestic consumption of electricity, primarily on the medium and low voltage categories, as a result of the continuous disruptions to economic and social activity, movement restriction measures and limited incremental demand from the very weak touristic period. Overall domestic electricity consumption from March to November recorded a decline of 4.9% y-o-y. On the contrary, the Covid-19 outbreak had a positive impact to electricity suppliers as the wholesale electricity price plunged as a result of lower CO2 allowance prices and lower natural gas prices to historical levels in the first week of April 2020, when strict mobility restrictions were imposed, reaching 18 €/MWh vs. average March 2020 SMP of 43.7 €/MWh. On average from April to October 2020, the

average monthly SMP decline stood at 37.6% or 24.1€/MWh compared to the same period of 2019.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 SENSITIVITY ANALYSIS

[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (2019 ESP). The Sustainability Linked Bond (SLB) will support PPC's ambitious sustainability and decarbonisation strategy, leading to a 40% reduction in corporate CO₂ emissions, which translates into a 9.2 million tonnes of CO₂ emission reduction per year, from 2022 onwards (with 2019 as baseline). The use of proceeds set out in the framework agreement to be signed with PPC will explicitly exclude coal and mining assets from receiving EBRD financing in order to meet various EBRD policy requirements and will include a covenant that EBRD's proceeds shall be applied exclusively toward refinancing of existing indebtedness.

SLBs are a new and emerging financial product, with limited presence in the market. This transaction will be the first SLB subscription for the EBRD. The ESD has been working jointly with the Project team and has undertaken an in-house E&S due diligence based on a questionnaire and a virtual meeting with the Company. This confirmed that the SLB is in line with the International Capital Market Association's ("ICMA") principles for SLBs, and that the bond has been verified and rated by Sustainalytics, providing a positive second party opinion. The current ESDD has reviewed the status of compliance with and implementation of the existing ESAP, and the Company's approach to environmental and social governance. The ESDD has also reviewed the SLB sustainability criteria.

The Bank's ESDD relied on the due diligence of the Company undertaken in 2020 as part of VISPPC Liquidity Response (OpID 51981). This has strengthened the current ESDD process and allowed the Bank to gain a better understanding on how EHS issues are managed. The past ESDD included a review of publicly available documentation, as well as remote meetings with the Company's EHS and CSR team to understand PPC's plans to comply with current and future EU legislation.

The ESDD confirmed that the ESAP agreed last year is being implemented, and that the SLB has additional more stringent criteria for decarbonisation. The Company's plans regarding decommissioning (closure of existing lignite fires power plants) as well as investment in renewable energy is much higher than the size of the SLB. The key challenge for the Company will be associated with compliance with the new BAT Conclusions at the existing power plants, reducing its carbon footprint and increasing the share of renewable energy generation. The Company is making efforts to address this, and has made strong public commitments to implementing a decarbonisation policy, which go beyond the criteria set in the SLB, these commitments serve as the basis for the SLB issuance. This will include the decommissioning of 3.4 GW of lignite assets by 2023 and the remaining 0.6 GW by 2028. The decommissioning and planned investments will significantly reduce air pollution from the Company operations. Overall, based on previous ESDD, it had been concluded that PPC has sufficient Environmental, Health and Safety management systems and capacity to fully implement the Bank's Performance Requirements.

The ESDD has confirmed that the Project is structured to comply with the Bank's PRs. Based on the ESDD, the existing ESAP has been updated with the inclusion of additional KPI's such as reduction of PPC's carbon intensity to below 0.60 tonnes per MWh by the end of 2024. This will strengthen the SLB.

The Bank will monitor the implementation of this project jointly with the VISPPC Liquidity Response and continue to engage with the Company.

6.2 INTEGRITY

In conjunction with OCCO, updated integrity due diligence was undertaken on PPC, its shareholders, senior management and other relevant parties. The review [REDACTED] concluded that this project does not pose an unacceptable integrity risk to the Bank. PPC is an existing client of the Bank and the experience to date has been positive. PPC is also a long standing client of the EIB.

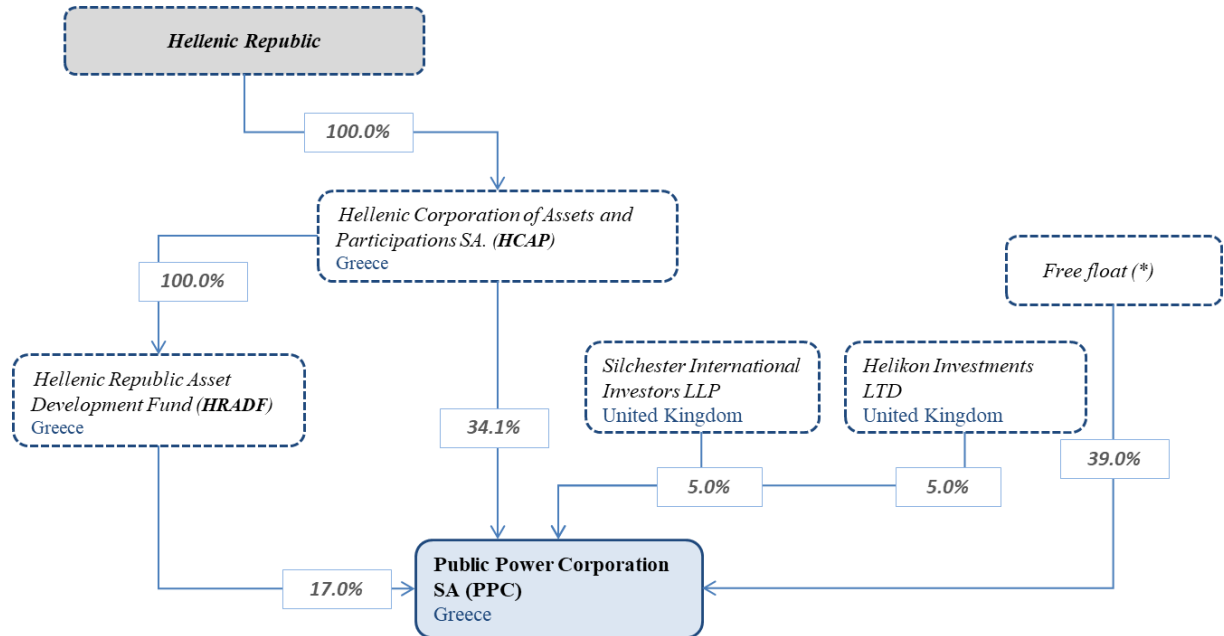
All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the project.

ANNEXES TO OPERATION REPORT

ANNEX 1	SHAREHOLDING STRUCTURE
ANNEX 2	SUSTAINABILITY-LINKED BOND FRAMEWORK
ANNEX 3	TRANSITION IMPACT SCORING CHART

ANNEX 1 – SHAREHOLDING STRUCTURE

Hellenic Republic owns 51.1% of PPC through the Hellenic Corporation of Assets and Participations S.A. (“HCAP”, or the “Superfund”).



(*) The Greek Single Social Security Institution (EFKA) and PPC's Pension Funds (TAYTEKO/TEAPAP-PPC) own a 3.9% stake in PPC.

ANNEX 2 – SUSTAINABILITY-LINKED BOND FRAMEWORK

Summary of the Second Party Opinion on PPC's Sustainability Linked Bond Framework

The evaluation on the Sustainability-lined bond framework is based on the second party opinion provided by Sustainalytics, a leading independent global provider of ESG and corporate governance research.

Sustainalytics confirmed that the Public Power Corporation Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2020.

PPC will issue a Sustainability-Linked Bonds (SLB) where the coupon rate of the bond is tied to the achievement of the Sustainability Performance Targets (SPT) for its Key Performance Indicator (KPI), a reduction of Scope 1 CO₂ emissions. The KPI applies to the direct (Scope 1) generated by PPC's thermal power plants.

Overview of KPI and SPT

KPI	Baseline	SPT	Strength of the KPI	Ambitiousness of SPT
Reduce Scope 1 CO ₂ emissions	2019	Reduction in PPC's Scope 1 CO ₂ emissions by 40% [REDACTED]	Very Strong	Ambitious

KPI Definition

KPI	Definition
Reduce Scope 1 CO ₂ emissions	<p>The KPI is defined as a reduction in Scope 1 emissions (measured in mtons).</p> <p>In the context of the Framework, Scope 1 emissions include direct (Scope 1) and indirect emissions (Scope 2) generated by PPC's thermal power plants. Scope 1 emissions refer to the fuel consumption of PPC's thermal power plants, while Scope 2 emissions refer to their electricity self-consumption. Emissions from the fuel consumption of PPC's thermal plants are monitored in line with European Commission guidelines on plants participating in the European Union Emissions Trading Scheme (EU ETS).</p> <p>The KPI covers 100% of the emissions reported by PPC including emissions from all power plants both in the interconnected system and the non-interconnected islands.</p>

SPTs and Past Performance

KPI	2017	2018	2019 (baseline)	SPT 2025
Reduce Scope 1 CO ₂ emissions (in Mtons CO ₂)	31.79	29.57	23.15	Reduction in PPC's CO ₂ emissions by 40% [REDACTED]

Summary of Evaluation

- **Selection of KPIs:** PPC's Sustainability-Linked Bond Framework includes 1 KPI: Reduce Scope 1 CO₂ emissions. Sustainalytics considers the KPI chosen to be very strong as it is highly material to the industry in which PPC operates, covers the majority of greenhouse gas emissions, is clearly defined, relies upon a verified methodology for calculation, and is benchmarkable to peer performance and science-based trajectories.

- **Calibration of SPTs:** PPC has established the following SPT: a reduction in PPC's Scope 1 CO₂ emissions by 40% [REDACTED]. Sustainalytics considers the SPT to be aligned with the issuer's sustainability strategy and further considers the SPT to be ambitious based on the Company's CO₂ emissions trend and past performance and relative to its peer performance/targets. Sustainalytics recognizes that the SPT is associated with a significant improvement in emissions performance, while also acknowledging that the target is not fully aligned with science-based trajectories.
- **Bond Characteristics:** PPC will link the bond's financial/ structural characteristics to the achievement of the SPTs, such that should the Company fail to achieve its SPT, the associated coupon rate will increase by 25bps from the next coupon date, commencing with the first interest payment date after verifying the 2022 measurement during 2023. If the Company achieves the SPT, there will be no impact on the coupon rate.
- **Reporting:** PPC commits to report on an annual basis on its performance on the KPIs in an annual report and disclose relevant information that could affect the KPI performance, such as annual Scope 1 emissions. The reporting commitments are aligned with the SLBP.
- **SDGs:** Public Power Corporation's Sustainability-Linked Bond Framework contributes to SDG 7 Affordable and Clean Energy and SDG 9 Industry Innovation and Infrastructure.
- **Verification** Public Power Corporation commits to have external reasonable assurance conducted on its KPI performance.

ANNEX 3 – TRANSITION IMPACT SCORING CHART

