

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

Approved by the Board of Directors on 3 December 2025¹

UKRAINE

RLF – UKRENERGO RESILIENCE SUPPORT

[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 (2024), 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.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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ABBREVIATIONS / CURRENCY CONVERSIONS

A4EG	Action for Equality and Gender multi-donor fund	GET	Green Energy Transition
bn	billion	GW	Gigawatt
BDO	BDO (Binder, Dijker, and Otte) professional services company	GWh	Gigawatt hours
bps	Basis points		
ca	Circa	HR	Human Resources
Capex	Capital Expenditure	HPP	Hydro Power Plant
CEO	Chief Executive Officer	H&S	Health and Safety
CF	Cash Flow	IBRD	International Bank for Reconstruction and Development
CFO	Cash Flow from Operations	IDR	Issuer Default Rating
CFI	Cash Flow from Investing	IFI	International Financial Institution
CFF	Cash Flow from Financing	IFRS	International Financial Reporting Standards
CGAP	Corporate Governance Action Plan		
CIPS	Chartered Institute of Procurement and Supply	IMF	International Monetary Fund
CMU	Cabinet of Ministers of Ukraine	IPS	Integrated Power System of Ukraine
COVID-19	Coronavirus disease 2019	KfW	Kreditanstalt für Wiederaufbau (Credit Institute for Reconstruction)
CPI	Consumer Price Index	km	Kilometer
CSO	Civil Society Organisation	kV	Kilovolt
CSRD	Corporate Sustainability Reporting Directive	kW	Kilowatt
CT	Carbon Transition	kWh	Kilowatt hours
DAM	Day-ahead market	LGD	Loss Given Default
DD	Due diligence	LLC	Limited Liability Company
DFI	Development Finance Institutions	LTFC	Long-Term Foreign Currency
DSCR	Debt Service Cover Ratio	m	million
DSRA	Debt Service Reserve Account	M	months
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation	MDA	Multi-Donor Account
EHS	Environmental, Health and Safety	MNPI	Material Non-public Information
EIA	Environmental Impact Assessment	MoE	Ministry of Energy
EIB	European Investment Bank	MoU	Memorandum of Understanding
ENTSO-E	European Network of Transmission System Operators for Electricity	MW	Megawatt
EPG	Economic, Policy & Government department	NATO	North Atlantic Treaty Organisation
ESAP	Environmental and Social Action Plan	N/A	Not applicable
ETI	Expected transition impact	NBU	National Bank of Ukraine
EUR	Euro currency unit	NEURC / Regulator	National Energy and Utilities Regulatory Commission
EURc	Euro cent	NPC	National Power Company
EURIBOR	Euro Interbank Offered Rate	NPP	Nuclear Power Plant
FiT	Feed-in-tariff	Oblenergo	Regional Distribution Company
FX	Foreign Exchange	OCCO	Office of the Chief Compliance Officer
FY	Financial Year	OCR	Operation Change Report
G7	The Group of Seven (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States)	OGC	Office of General Counsel
GB	Guaranteed Buyer	OHL	Overhead Line
GDP	Gross Domestic Product	PC	Physical Climate

PD	Probability of default	ST	Short-Term
PIA	Project Implementation Adviser	TBD	To Be Defined
PPR	Procurement Policies and Rules	TC	Technical cooperation
PPAD	Procurement Policy and Advisory Department	TI	Transition Impact
PJSC	Private joint stock company	TSO	Transmission System Operator of Ukraine
PSD	Project Summary Document	TWh	Terawatt hours
PSO	Public Service Obligation	UAH	Ukrainian Hryvnia
RAROC	Risk Adjusted Return on Capital	UK	United Kingdom
RD	Restricted Default	UHE	Private Joint Stock Company “Ukrhydroenergo”
REMIT	Regulation on Wholesale Energy Market Integrity and Transparency of the EU	UN	United Nations
RES	Renewable energy sources	US	United States
RLF FW	Resilience and Livelihoods Framework	USD	United States Dollar
SD	Selective Default	VAT	Value-Added Tax
SLB	Sustainability-Linked Eurobonds	YE	Year End
SO	Sub-Operation	YoY	Year-over-Year
SSF	Shareholder Special Fund		

CURRENCY EQUIVALENTS

1 EUR	48.52 UAH
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WEIGHTS AND MEASURES

1 Megawatt	(MW)	=	1,000 kilowatts (10^3 kW)
1 Gigawatt	(GW)	=	1 million kilowatts (10^6 kW)
1 Megawatt-hour	(MWh)	=	1,000 kilowatt-hours (10^3 kWh)
1 Gigawatt-hour	(GWh)	=	1 million kilowatt-hours (10^6 kWh)

PRESIDENT’S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of PJSC “National Power Company “Ukrenergo” (the “Company”), a fully state-owned company incorporated in Ukraine, are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign guaranteed loan to the Company in the amount of up to EUR 90m (the “Loan”). The Loan will consist of: (i) a committed Tranche 1 of up to EUR 15m, and (ii) an uncommitted Tranche 2 of up to EUR 75m. [REDACTED]

The operation will enable the Company to carry out reconstruction of selected substations in Ukraine and the investment grants are expected to be provided for procurement of reserve stock of electrical equipment and interconnection equipment (the “Project”).

The expected transition impact of the Project is driven by the need to enhance the resilience of the power transmission system under constant military attacks to supply uninterrupted energy to the population and businesses throughout the country (*Resilient*). The Project will also help to safeguard the livelihoods and wellbeing of Ukrenergo’s vast workforce by improving internal support systems for psychological resilience (*Inclusive*). In addition, the Project is deemed gender additional through the support women staff will receive through the psychological resilience programme as well as further commitments delivered through their gender action plan (Gender SMART). The Project will also help to improve energy market transparency in Ukraine, including by imposing strong corporate governance commitments upon Ukrenergo, thus supporting investor confidence and alignment with international best practice.

TC support for Project preparation and design update is provided by the EBRD Shareholder Special Fund (“SSF”). TC support for advisory services for energy security and market integrity and transparency is provided by the EBRD Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (“Ukraine MDA”). TC support for Ukrenergo’s Psychological Resilience Programme is provided by the Action for Equality and Gender (“A4EG”) multi-donor fund. Project implementation support TC will be financed by international donors and/or the SSF.

I am satisfied that the operation is consistent with the “War on Ukraine - EBRD Resilience Package - Resilience and Livelihoods Framework”, a framework that is part of the “War on Ukraine – EBRD Resilience Package”, which aims to help citizens, companies and countries affected by the military invasion of the territory of Ukraine by the Russian Federation. The operation is also consistent with the Bank’s Strategy for Ukraine, the Energy Sector Strategy 2024-2028, the Equality of Opportunity Strategy 2021-2025, the Strategy for the Promotion of Gender Equality and with the Agreement Establishing the Bank.

The Project requires a technical derogation from the Bank’s Environmental and Social Policy (ESP) as the Bank can not undertake a meaningful Environmental and Social Due Diligence (ESDD) and disclosure in relation to the completion of construction of one greenfield substation and associated power lines due to the ongoing war and associated security risks. An Environmental and Social Action Plan (ESAP) has been drafted to ensure that the Project will be structured to comply with the Bank’s requirements in the future. An independent environmental and social audit is required to be undertaken both on the Project and on corporate Environmental, Social and Governance (ESG) management systems [REDACTED].

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

Odile Renaud-Basso

BOARD DECISION SHEET

UKRAINE – RLF - Ukrenergo Resilience Support - DTM 55539 Framework: UKRAINE – Resilience and Livelihoods Framework - DTM 53662	
Transaction / Board Decision	Board approval ² is sought for a senior sovereign guaranteed loan of up to EUR 90m in favour of PJSC “National Power Company “Ukrenergo” (“Ukrenergo” or the “Company”), a fully state-owned corporatised company incorporated in Ukraine. The Loan is expected to consist of: (i) a committed Tranche 1 of up to EUR 15m, and (ii) an uncommitted Tranche 2 of up to EUR 75m. The approval of Tranche 2 commitment will be delegated to the Bank’s management. [REDACTED]
Client	Ukrenergo, the sole electricity transmission system operator of Ukraine, is a 100% state-owned corporatised company. [REDACTED]
Main Elements of the Proposal	<p>The proposed financing package will be provided for the reconstruction of selected substations in Ukraine and procurement of the reserve stock of electrical equipment and interconnection equipment. The operation aims to enhance the economic and human capital resilience of Ukraine’s power transmission system and workers under constant military attacks to supply uninterrupted energy to homes and businesses throughout the country.</p> <p><u>Transition impact</u></p> <p>Primary Quality – Resilient. The Project will support the resilience of the power infrastructure and improve energy security of the country during the military invasion of the territory of Ukraine by the Russian Federation.</p> <p>Secondary Quality – Inclusive. The Project will help safeguard access to electricity for people, preserving their living standards and livelihoods under Russia’s ongoing full-scale aggression, while delivering targeted support for the Company’s staff members.</p> <p><u>Additionality</u> – Financing Structure (financing that is not available in the market and EBRD financing effectively bridges a financing gap), Risk mitigation (absorbing risk in Ukraine) and Standard-setting (TC support and Gender SMART). The Project will also help reinforce energy market resilience and transparency in Ukraine, including by imposing strong corporate governance commitments upon the Company, thus supporting investor confidence and alignment with international best practice.</p> <p><u>Sound banking</u> – given the heightened security and financial risks, the proposed transaction is sovereign-guaranteed.</p>
Key Risks	Key risks include: (1) Ukrenergo’s credit and liquidity risk, (2) regulatory risk, (3) political and macro-economic risks. These risks are mitigated by (i) intensified policy dialogue with the authorities that will contribute to financial stabilization of the Company, (ii) development of certain actions aimed at improving the payment discipline in the sector as conditions to the loan effectiveness and/or covenants, (iii) the sovereign guarantee of Ukraine and (iv) strong commitment from international partners (incl. G7, NATO, the EU, the IMF) to support Ukraine in the ongoing situation and in the reconstruction phase.
Strategic Fit Summary	<ul style="list-style-type: none"> • War on Ukraine – EBRD Resilience Package: Focus on energy security in Ukraine. • Strategy for Ukraine: Strengthen energy security. • Energy Sector Strategy 2024-2028: Energy security. • Equality of Opportunity Strategy 2021-2025 and the Strategy for the Promotion of Gender Equality: Ensuring access to services and promoting human capital recovery and resilience.

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

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A senior sovereign guaranteed loan of up to EUR 90m to Ukrenergo for the reconstruction of selected substations in Ukraine. The Loan is expected to consist of: (i) a committed Tranche 1 of up to EUR 15m, and (ii) an uncommitted Tranche 2 of up to EUR 75m. [REDACTED]			
Existing Exposure	Ukrenergo: total sovereign guaranteed debt: EUR 543.9m (portfolio)/EUR 498.9m (operating assets) including: <ul style="list-style-type: none"> • Ukrenergo Transmission Network Modernization [REDACTED]. • Project Sapphire [REDACTED]. • Ukrenergo Transmission Network Emergency Restoration [REDACTED]. • Ukrenergo Special Capital Structure Support [REDACTED]. [REDACTED]			
Maturity / Exit / Repayment	Up to 15 years tenor [REDACTED].			
Potential AMI eligible financing	N/A			
Use of Proceeds - Description	The Loan proceeds will be used to finance (i) the reconstruction of selected substations in Ukraine, including the implementation of protection measures; and (ii) the construction of one substation that was partially financed under a past project but could not be completed due to the war. The proceeds of investment grants will be used to finance the procurement of (i) reserve stock of electrical equipment to maintain the transmission grid operational and (ii) interconnection equipment to increase import capacity.			
Investment Plan	<ul style="list-style-type: none"> • Necessary equipment and associated works to complete the reconstruction of selected substations in Ukraine [REDACTED]. • Procurement of reserve stock of electrical equipment and interconnection equipment [REDACTED]. 			
Financing Plan	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Key Parties Involved	<ul style="list-style-type: none"> • Ukrenergo as the Borrower; • Ukraine as the Guarantor represented by the Ministry of Finance; • Ministry of Energy as the Owner representative; • EBRD. 			
Conditions to disbursement	[REDACTED]			
Key Covenants	The Borrower will: <ul style="list-style-type: none"> • Comply with EBRD PPR. • [REDACTED] Implement existing corporate ESAP and Project specific ESAP. • [REDACTED] 			
Security / Guarantees	Sovereign Guarantee of Ukraine.			
Other material agreements	[REDACTED]			
Associated Donor Funded TC and Blended Concessional Finance	Technical Cooperation (TC) <i>Pre-signing:</i> <u>TC 1:</u> Technical due diligence of the Project. [REDACTED] <u>TC 2:</u> Rapid Energy Security and Transparency Support [REDACTED], deployed over 2024-2025 to identify and provide recommendations for addressing key immediate and short- to mid-term energy security and market integrity and transparency needs of the sector. <u>TC 3:</u> Psychological Resilience Programme to develop and deliver Ukrenergo's targeted programme aligned with its most pressing workforce-related needs. [REDACTED] <i>Post-signing:</i> <u>TC 4:</u> Update of Design Documentation to support Ukrenergo in reviewing the available design documentation for the selected substations. [REDACTED] <u>TC 5:</u> Project Implementation Support Consultant to support Ukrenergo with Project implementation. [REDACTED] <i>Client contributions:</i> No financial contribution will be sought from the Company given the situation in Ukraine. B. Blended Concessional Finance [REDACTED]			

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Ukrenergo, the Bank's long-standing client, is the electricity transmission network operator and system operator in Ukraine. It faces unprecedented challenges in maintaining and restoring the country's power network at time of the military invasion of the territory of Ukraine by the Russian Federation, as well as ensuring Ukraine's integration into the energy network of continental Europe, ENTSO-E. A share of Ukrenergo's assets is located in occupied territories of Ukraine and has been disconnected from the power system. [REDACTED]

The proposed energy security response programme includes, inter alia, the provision of up to EUR 90m to Ukrenergo for the critical reconstruction of selected substations, which would ensure higher energy efficiency, the reinforcement of the resilience of electricity supply and the optimisation of operational costs. As part of this transaction EBRD is also expected to provide TC support in launching the assignment aimed at helping Ukrainian counterparts to stabilise power sector functioning, overcome electricity shortages and attract investors into the industry.

The Project will also address Ukrenergo's most pressing human capital needs under a new initiative safeguarding the psychological wellbeing of critical workers including its dispatchers and staff members working in Kharkiv, Sumy and other frontline areas. Ukrenergo's staff face uniquely stressful circumstances as among the primary civilian targets in brutal and unrelenting military invasion of the territory of Ukraine by the Russian Federation. Responding to the immediate psychological needs of those most affected – while promoting longer-term coping techniques and resilience among all staff members – has thus emerged as a priority business challenge for Ukrenergo. Through capacity building support under EBRD's "Human Capital Response for Ukraine" TC Programme, Ukrenergo's dedicated new Psychological Resilience Programme will deliver training to critical staff members and managers throughout the Company while partnering with local psychological care providers to engage directly with Ukrenergo staff and establish lasting in-house capacities within the Company. Additionally, [REDACTED] through EBRD's "Rapid Energy Security and Transparency Support" TC Programme, the Project will also help reinforce energy market resilience and transparency in Ukraine, including by imposing strong corporate governance commitments upon the Company, thus supporting financing partners' confidence and alignment with international best practice.

Since the start of the military invasion of the territory of Ukraine by the Russian Federation, EBRD has supported Ukrenergo's liquidity and capex needs by committing to EUR 530m in new financing, including EUR 450m of loan and EUR 80m of grant funds, and re-purposing EUR 147m of the existing commitments. The proposed transaction will complement the previous support package provided to the Company, help to focus on rapid strategic actions for improving energy security and to continue successful implementation of sector reforms, enhancing market transparency and integrity.

The Project is in line with the War on Ukraine – EBRD Resilience Package endorsed by the Board and consistent with the objectives of the War on Ukraine - EBRD Resilience Package - Resilience and Livelihoods Framework, aimed to help citizens, companies and countries affected by the military invasion of the territory of Ukraine by the Russian Federation. The Project specifically targets Resilience

and Livelihoods programme focusing on energy security in Ukraine through the reconstruction of the substations, enabling to secure uninterrupted energy supply to affected customers. The Project is also in line with the Strategy for Ukraine and the Energy Sector Strategy 2024-2028 as it will strengthen energy security in the country. The Project also aligns with the Bank's Equality of Opportunity Strategy 2021-2025 through its actions towards human capital recovery and resilience in response to economic crises and shocks and with the Strategy for the Promotion of Gender Equality through its targeted support to Ukrenergo's women workers, established and monitored in line with EBRD's Gender SMART approach.

1.2 TRANSITION IMPACT

The table below sets out the TI Objective and details of the Project.

Primary Quality: Resilient

Obj. No.	Objective	Details
1.1	<i>The sub-operation supports the Resilient quality of the FW through Energy security measures, strengthening municipal service providers directly affected by the wider economic consequences of the military invasion of the territory of Ukraine by the Russian Federation, facilitating imports and exports of production equipment and related materials (capital goods) and TF-related technical assistance, or supporting businesses directly affected by the conflict (i.e., in Ukraine, including those trying to relocate) and businesses indirectly affected (Ukraine part of value chain).</i>	The implementation of the Project will enhance Ukraine's energy security by financing the reconstruction of selected substations in Ukraine and providing funds for procurement of reserve inventory and interconnection equipment. The Project aims to enhance the resilience of the power transmission system amidst continuing military attacks on the TSO's infrastructure and enable the Company to secure uninterrupted energy supply to the population and businesses throughout the country.

Secondary Quality: Inclusive

Obj. No.	Objective	Details
2.1	<i>The sub-operation contributes to the Inclusive quality of the FW by promoting access to vital services and/or goods that enable people's livelihoods; human capital development or preservation; and access to employment and training; export of food/energy to address shortages and disruptions caused by the Ukraine war; or access to finance to support businesses directly or</i>	<p>The Project will help safeguard access to electricity in the context of the elevated risks to people's livelihoods due to the ongoing military invasion of the territory of Ukraine by the Russian Federation. The Project, in particular, will help to reduce war-related disruptions on electricity supply to people's homes and workplaces, reducing the hours of power outages enabling people to go about their lives and jobs.</p> <p>EBRD's engagement under the Project will also support Ukrenergo's most pressing human capital recovery needs through the development and implementation of a dedicated Psychological Resilience Programme focusing on Ukrenergo's business-critical team of dispatchers alongside staff members working in the areas closest to the frontlines. EBRD's engagement under the Project will deliver timely support for the Company's c.7,800 staff members, alongside their families. The programme will support Ukrenergo to realise the following key objectives aligned with its human capital crisis response:</p>

	<p><i>indirectly affected by the war in mitigating its economic consequences.</i></p> <ul style="list-style-type: none"> • Improve the mental health and well-being of NPC Ukrenergo employees. • Equip line managers and HR business partners with skills to support their teams effectively. • Provide swift and efficient responses to emergencies. • Promote resilience and prevent burnout through targeted educational efforts. <p>The initiative aligns with Ukrenergo's most pressing human capital needs, responding to the heightened psychological strain and the very real ongoing risks imposed upon the Company's staff members as among the primary civilian targets in the military invasion of the territory of Ukraine by the Russian Federation. It also promotes a culture of self-care, which in its turn has lasting impact on employees' families, but also society and the communities where the Company's staff live and work.</p>
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1.3 ADDITIONALITY

Identified triggers	Description
A subsequent/consecutive transaction (issuance) with the same client/group either with the same use of proceeds or in the same destination country (repeat transaction).	The EBRD has four ongoing bilateral projects with Ukrenergo [REDACTED], providing emergency capital structure support as well as emergency investments aimed at transmission network restoration following the major damages caused by the military invasion of the territory of Ukraine by the Russian Federation. This deal complements the previous support package provided to Ukrenergo and helps the Company to ensure a continued provision of vital services to people and businesses of Ukraine.
Regulatory/Policy Trigger – Transaction driven by regulatory changes or policy requirements that create financing needs.	Through the assistance to the Ministry of Energy for rapid diagnostics on short term energy security measures and assistance to the energy sector regulator (NEURC) on designing elementary market abuse monitoring capabilities ("EU REMIT" system prototype), the "Rapid Energy Security and Transparency Support" TC Programme also strengthens the energy sector's operational resilience as well as its transparency. Additionally, the Project will contribute to the Company's stability and ability to attract investors and donors by imposing strong corporate governance commitments [REDACTED].

Additionality sources	Evidence of additionality source
Financing Structure <ul style="list-style-type: none"> - EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions, e.g. a longer grace period. Such financing is necessary to structure the Project. - EBRD offers a tenor, which is longer than available to the client in the market on reasonable terms and conditions. - Crisis response: EBRD financing effectively bridges a financing gap due to adverse market conditions. 	<ul style="list-style-type: none"> - EBRD is offering financing, unavailable on the market [REDACTED] The loan will be provided with a 15-year tenor [REDACTED], which is longer than available in the market in current war environment.

<p>Risk mitigation:</p> <ul style="list-style-type: none"> - EBRD provides comfort to clients and investors, financial or strategic, by mitigating non-financial risks, such as country, regulatory, project, economic cycle, or political risks. - EBRD's ability to absorb risk in a certain country/region, where other IFIs/commercial financiers reached their limit exposure. 	<p>The Bank has been the first IFI which started to finance Ukrainian clients since the beginning of military invasion of the territory of Ukraine by the Russian Federation in February 2022 and it continues playing the leading role in supporting the energy sector of Ukraine in the current circumstances.</p> <p>With the recent General Capital Increase the Bank is now ready to take additional risk for operations in Ukraine, which would allow to accommodate additional financing to state-owned entities, anticipated to play a central role in resilience and recovery. The Bank's active role in the sector has been also promoting other financing partners and international donors to coordinate on joint efforts aimed at strengthening energy security of the country and attracting investors into the industry.</p>
<p>Standard-setting: Helping projects and clients achieve higher standards (Gender SMART)</p>	<p>Under the Project Ukrenergo will further improve working conditions for women workers among its staff. Following on from a recent gender gap analysis carried out within the Company, it has committed to developing a targeted action plan addressing the latest war-related developments alongside its ongoing commitments under the UN Women's Empowerment Principles. Building on this ongoing engagement, the EBRD's support for Ukrenergo's new 'psychological resilience programme' will encompass "supportive leadership" trainings modules designed to disseminate best practices on women's empowerment among the Company's managers and the rest of the staff. The programme also helps to build and maintain constructive interpersonal conduct by incorporating modules on safe and respectful communications, further strengthening the company's anti-harassment working standards. The company is also committed to further developing the existing programme by supporting the employment and well-being of its women workers (alongside internally displaced people, veterans, young people and others) to ensure the resilience and stability of the Company's workforce in line with its operational goals. The initiative will further improve women's working conditions at Ukrenergo and is credited and monitored in line with EBRD's established Gender SMART approach.</p>

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Risks related to the Borrower		
Procurement and Implementation risk	High / High	The Project complexity and unwillingness of potential contractors, including limited ability to obtain required insurances and bank guarantees, to work in Ukraine in the current circumstances may cause delays in Project implementation and the ability of suppliers and contractors to carry out services on site. [REDACTED] Mitigants: The Project Implementation Support Consultant is expected to be engaged to support Ukrenergo with Project implementation and to ensure any issues during contract implementation are addressed in a professional and timely manner. Carrying out market sounding and consultations prior to tendering shall confirm the risk appetite of the market and capabilities to supply the required equipment and implement related works, and provide the basis for optimising the procurement and contracting strategy.
Creditworthiness of the Borrower	High/ Medium	Whilst Ukrenergo continues to operate the grid, the military activities have negatively affected the Company's ability to collect payments for the electricity transmission and dispatch services. The military invasion of the territory of Ukraine by the Russian Federation has displaced millions of people within Ukraine, and caused substantial disruption to normal life due to damage to civilian areas, therefore making very difficult collection of electricity bills both from businesses and households. [REDACTED] Mitigants: While the duration and outcome of the military invasion of the territory of Ukraine by the Russian Federation are unpredictable, the risk is mitigated by the sovereign guarantee of Ukraine.
Physical safety risk	High/High	Any assets in Ukraine, particularly during the recent escalated attacks on the energy system, and especially those located on the temporarily occupied territories or in the frontline / zones of intense battles, are exposed to significant risk of physical destruction. Mitigants: All Project's assets are located far from the active military operations. Ukrenergo has been also undergoing an implementation of the major security programme, financed by the EBRD along with other IFIs, entailing construction of specially designed shelters to protect the substations from missile and drone attacks.
FX risk	High/Low	A devaluation of the Ukrainian Hryvnia against EUR and USD increases the debt burden on Ukrenergo in UAH terms of predominantly hard currency denominated loan portfolio. Mitigants: Under extreme war conditions the National Bank of Ukraine has skilfully managed macro-financial stability. After the lifting of fixed UAH/USD exchange rate that was introduced by NBU after the start of the military invasion of the territory of Ukraine by the Russian Federation the exchange rate remained stable. This risk is likely to be mitigated by significant international financial aid for Ukraine. On a project level the risk is also mitigated by the fact that costs for debt servicing in either currency are regularly reviewed and covered as part of the TSO tariff approved by the Regulator.
Risks related to the Guarantor		
Macro-economic	High/ Medium	Ukrainian real GDP fell sharply by 28.8% in 2022, caused by the military invasion of the territory of Ukraine by the Russian Federation and massive destruction on energy infrastructure, and recovered by 5.5% in 2023 and

		<p>2.9% in 2024, respectively. Hard-won gains in macroeconomic stability are under threat from widening fiscal deficit and external balance. Continued Russian invasion has caused significant physical damage to various infrastructure, exacerbated labour shortages and damaged value of corporates assets, thus highlighting further need for international support.</p> <p>Mitigants: This risk is likely to be mitigated by support of international community and bilateral donors which are pledging significant financial aid for Ukraine. Several multi-donor accounts are being created in the IMF, World Bank and EU.</p>
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The proposed transaction is part of the EUR 300m energy security response programme the Bank has committed to implement together with the Government of Ukraine. The Project will support Ukrenergo's efforts to reconstruct badly needed substations, which would ensure higher energy efficiency, a better resilience of electricity supply and the optimisation of operational costs. [REDACTED] The Borrower's credit risk is expected to be mitigated mostly by the sovereign guarantee. It is also assumed that EBRD's overall position to support Ukraine has been strengthened following the Bank's recent capital increase decision, aimed specifically at providing significant and sustained investment for Ukraine's real economy.

2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators (FW)

Primary Quality: Resilient

Obj. No.	FW monitoring indicator	Corresponding SO monitoring indicator	Details	Base-line	Target	Due date	TC related
1.1	[REDACTED]	New or updated equipment introduced	The Project will result in reconstruction of the selected substations, procurement and/or upgrade of necessary equipment.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.2	[REDACTED]	Net increase in energy infrastructure usage and/or capacity [ST.35.6]	The effect of the additional substations into the existing system would result in the potential to absorb the additional capacity [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Inclusive

Obj. No.	FW monitoring indicator	Corresponding SO monitoring indicator	Details	Base-line	Target	Due date	TC related
2.1	[REDACTED]	Tailored training programme developed and implemented.	The Bank will help Ukrenerg to develop its comprehensive new 'psychological resilience programme' delivering training to staff members most acutely affected by the ongoing military invasion of the territory of Ukraine by the Russian Federation, focusing on the team of dispatchers alongside workers in some of the frontline regions.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.2	[REDACTED]	Number of individuals enhancing their skills as a result of training	The new 'psychological resilience programme' will encompass targeted training for the Company's HR personnel, line managers and general staff members on topics including managing people in non-productive mental states, building resilience to stress and countering professional burnout[REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.3	[REDACTED]	Partnership with Civil Society Organization (CSO) established or strengthened	The Company will engage with local psychological experts under the CSO partner organisation Wellbeing Company in Ukraine on setting up its new 'semi in-house mental health department' and delivering counselling support directly to staff members. The number of staff members benefitting from this training and contributing to this work will be monitored as part of the TC implementation.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Additional Indicators

Indicator type	Monitoring Indicator	Details	Base-line	Target	Due date	TC-related
Gender SMART: Advisory & Policy Indicators	Practices of the relevant stakeholder improved (equal opportunity practices of the client)	The company is also committed to further supporting the employment and well-being of its women workers through its new Psychological Resilience Programme supported by EBRD (alongside internally displaced people, veterans, young people and others) to ensure the resilience and stability of the Company's workforce in	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

		line with its operational goals.				
Advisory & Policy Indicators	Generic Indicator: Practices of the relevant stakeholder improved (CGAP)	The Company has implemented the Corporate Governance Action Plan (CGAP, revised and updated based upon the new review undertaken jointly with the Bank), in a manner deemed continuous and satisfactory by the Bank	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER / INVESTEE COMPANY

Ukrenergo is a natural monopoly company and the sole electricity transmission grid operator of Ukraine. The Company transmits electricity to large industrial customers and regional electricity distribution companies that further deliver electricity to end users. It is also responsible for electricity imports and exports.

Ukrenergo is a corporatized 100% state-owned company with the Ministry of Energy acting as its nominated shareholder. Until recently the Company has been a national champion of the best corporate governance principles, and it has all core elements of modern corporate governance framework in place. [REDACTED] Ukrenergo was created in June 2000 through a combination of elements of the National Dispatch Centre of Ukraine and State Energy Company "Ukrelectroperedacha", from which it inherited the centralised dispatch function over the Ukrainian power grid and the high-voltage grid system respectively.

The Company operates the high-voltage electricity transmission network on the entire territory of Ukraine and is the only holder of a licence issued by the Energy Regulator, NEURC, for electricity transmission by high voltage and interstate electric networks. Ukrenergo's electricity grid consists of 20,600 km of transmission lines of 220 kV, 330kV and 750 kV as well as 108 substations (110-750 kV), excluding 34 substations and a number of power lines located on temporarily occupied territories in the South and East of Ukraine.

The principal activities of the Company are dispatch (operational and technological) control of the Integrated Power System of Ukraine ("IPS"), electricity transmission via high voltage lines from generation to distribution networks, acting as administrator of commercial accounting and administrator of settlements in the electricity market of Ukraine (energy sales and purchases on the balancing market).

The Company's main source of revenue is the transmission and dispatch of electricity over the high-voltage network of Ukraine at tariffs approved by the Regulator, currently set via the Cost+ methodology of reimbursing the forecasted opex, capex and the cost of servicing debt.

Ukrenergo also plays an important role in channelling funds towards the renewable energy producers operating under the feed-in-tariff (FiT) support system. Following introduction of the new competitive market model in Ukraine on 1 July 2019, the costs related to difference between the FiT level and electricity market price (i.e. compensation to renewables) have been included into Ukrenergo's transmission tariff. In turn, Ukrenergo is obliged to downstream respective part of its tariff to the Guaranteed Buyer (GB), the offtaker for renewable energy producers, who then purchases electricity from RES at a FiT level. Thus, TSO transmission tariff has become a source of subsidy provision to renewable energy producers (or "RES").

Ukrenergo has successfully finalised the implementation of corporate governance reform initiated with the Bank's support. The Company's corporate governance achieved one of the highest levels among SOEs in the sector and the country. [REDACTED] The Company has also contributed to the successful (emergency) integration and synchronization of the power systems of Ukraine and Moldova with the energy network of continental Europe ENTSO-E. The integration took place in mid-March 2022, one year ahead of plan, though accelerated by the military invasion of the territory of Ukraine by the Russian Federation. On 14 December 2023, the General Assembly of ENTSO-E adopted a decision that starting from 1 January 2024, NPC "Ukrenergo" became the 40th full member of the European network of operators of the electricity transmission system ENTSO-E.

3.2 GUARANTOR

[REDACTED]

4. MARKET CONTEXT

The Ukrainian energy sector moved to a liberalized market system on 1 July 2019. The new market replaced the regulated single buyer model, and it consists of (i) a bilateral contracts market; (ii) a day-ahead market; (iii) an intraday market; (iv) a balancing market; and (v) an ancillary services market. Despite the liberalisation, some administrative interferences in the electricity market are still taking place. In particular, household electricity tariffs are subsidized through a Public Service Obligation (PSO) mechanism operated by the Guaranteed Buyer that allocates part of low-cost electricity generated by Energoatom and UHE. From 1 October 2021, the PSO model became “financial PSO”.

As a settlement manager, Ukrenergo operates the Balancing Power Market, which involves purchases and sales of electricity to maintain the balance between demand and supply, as well as the financial settlement of real-time imbalances, i.e. Ukrenergo collects funds from the parties responsible for the imbalances, and pays to those, who provide balancing energy in real time in response to dispatch commands. In line with the Electricity Market Law, Ukrenergo is also responsible for covering the difference between feed-in tariff and market price for RES. These amounts need to be included in the electricity transmission tariff, paid by Ukrenergo’s customers, and are being transferred to GB, who then pays to renewable producers.

Due to the imperfections of the new electricity market model, untimely and insufficient adjustments of Ukrenergo’s tariffs as well as the implications of the COVID-19 pandemic resulting in deterioration of the Ukrenergo’s collection rate, Ukrenergo had accumulated substantial debts to GB over Jan-Jul 2020 that, in turn, accumulated payment arrears to RES. In June 2020, the Government signed MoU with the two largest industry associations aimed at 2.5%-15% retroactive reduction of the feed-in-tariff levels in exchange for (i) restoring the financial stability of the sector and (ii) not implementing any further negative changes in the regulatory regime. In July 2020, the law on the FIT regime restructuring was approved by the Parliament. The accumulated debt to RES in the amount of UAH 24.1 bn (c. EUR 0.8 bn) was subsequently repaid from the SLB proceeds issued by Ukrenergo in November 2021. The military invasion of the territory of Ukraine by the Russian Federation, however, effected the timely payments to RES again, and the accumulated debt to renewables amounted to EUR 790m as of June 2023, which eventually triggered the NEURC’s decision to allow RES to exit from the GB’s balancing group. [REDACTED]

On March 16, 2022, Ukraine joined the unified continental European electricity system ENTSO-E and completed an emergency synchronisation of its power grids with the ENTSO-E in response to the military invasion of the territory of Ukraine by the Russian Federation. On 14 December 2023, the General Assembly of ENTSO-E adopted a decision that starting from 1 January 2024, NPC “Ukrenergo” became the 40th full member of the ENTSO-E.

[REDACTED]

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 SENSITIVITY ANALYSIS

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Category B (ESP 2024) and medium to high risks due to the energy sector and ongoing war. Since February 2022 the Bank has provided three loans to the Company as part of ongoing support, including providing emergency capital structure support as well as emergency investments aimed at transmission network restoration following the major damages caused by the military invasion of the territory of Ukraine by the Russian Federation. The Company has been reporting on these loans satisfactory to the Bank as well as overall satisfactory reporting in the past and has the national capacity to implement the Bank Environmental and Social Requirements (ESRs) as well as National and EU legislation. The Company is strengthening its ESG management system inclusive to help them report on sustainability matters in the future under the EU Corporate Sustainability Reporting Directive (CSRD).

The current loan will be for Ukrenergo for the reconstruction of the selected existing substations and the completion of the construction of one greenfield substation in Ukraine, which was started under Bank funded project in 2014 (the “Substation”). The substations have been subject to ESDD in the past, and the Company has been implementing an existing ESAP. The reconstruction of the selected existing substations and the completion of the construction of the Substation are to be undertaken in line with best international practices and EU-compliant equipment. Some of these will be replacement of damaged or destroyed units.

An external consultant has performed the limited Health, Safety and Environment Impact Assessment of the Project, but the ongoing war limits the Bank's ability to carry out additional meaningful ESDD and fully assess Project-related impacts and the Company's ability to manage them under current circumstances. The Company, however, is well known to the Bank and has shown in the past that, by applying its corporate standards, it has both the capacity and capability to implement the works in line with the ESRs and PRs. The ESDD of these sites has been undertaken in the past as part of a joint EBRD / EIB project and other projects financed separately by EIB and WB, to modernise these substations prior to 2022, and appropriate designs were undertaken at the time, taking into account E&S issues.

The Substation with 330 kV overhead line diversions is being built (with foundations already in place) with loan funds from the EBRD saved in the construction project of the OHL 750 kV Zaporizka NPP–Kakhovska. A standalone ESDD was undertaken for the Substation in 2014 and the project categorized as B with an ESAP agreed for this project. A local Environmental Impact Assessment (EIA) was published in line with Bank's requirements and environmental and social impacts are limited on this 1.5 ha development. No reports have been raised of concerns from local communities or CSOs at the time and last reporting on this substation project before the loan was repaid.

Therefore, although an adequate risk assessment is possible on the Company's operations and on potential issues on sites, the development of the Substation and any associated power lines as well as

public consultations on the Bank's investments is limited due to the war and limitations on disclosures or public consultation on energy infrastructure projects. Given this limitation a technical derogation is requested as meaningful due diligence or disclosure of information on the projects including associated facilities such as power line connecting the substations cannot be undertaken at this stage. The derogation is of technical nature as the ESAP is structured to allow the company to fully comply with the Bank's requirements as well as EU and national legislation and an audit will be undertaken within a year of martial law being lifted.

The current ESAP will be updated to take into account the Bank's ESP 2024, recommendations provided by the external consultant, as well as ensuring that appropriate H&S issues are considered given the ongoing situation. The Bank is also assessing any impact associated with associated facilities that may be developed, and conditionalities on EIA and E&S assessment in line with the Bank requirements on any associated infrastructure are included in the ESAP.

Overall, the Bank has a good experience with Ukrenergo, and the Company has been implementing, to the satisfaction of the Bank, environmental and social undertakings agreed under previous financing agreements (including the existing ESAP). An independent E&S audit will be undertaken of the Project and corporate ESG management once martial law is lifted. Based on this audit, the ESAP will be updated.

6.2 INTEGRITY

In conjunction with OCCO, updated integrity due diligence was undertaken on the Company and its management. [REDACTED]

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 completed to proceed with the Project.

ANNEXES TO OPERATION REPORT

ANNEX 1	SHAREHOLDING STRUCTURE
ANNEX 2	GREEN ASSESSMENT SUMMARY
ANNEX 3	HISTORICAL FINANCIAL STATEMENTS
ANNEX 4	PROJECT IMPLEMENTATION

ANNEX 1 – SHAREHOLDING STRUCTURE

ANNEX 2 – GREEN ASSESSMENT SUMMARY

SUMMARY

- The Project aims to finance the reconstruction of selected substations in Ukraine and the procurement of reserve inventory and interconnection equipment.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement**.
- The Project is attributed 32% **Green finance**.

[REDACTED]

PARIS ALIGNMENT ASSESSMENT

For Direct finance projects

Alignment with the mitigation goals of Paris Agreement - General screening

The Project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.

- The Project's activity is included in the 'MDBs' aligned list' under the category "Electricity transmission and distribution, including energy access, energy storage and demand-side management".
- There are no activities included in the 'non-aligned list'.

Alignment with the adaptation goals of Paris Agreement

Alignment with the adaptation goals of Paris Agreement

The Project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. No material physical climate risks have been identified.

GREEN FINANCE ATTRIBUTION

The Project is attributed 32% green finance. This share has been calculated in line with the methodology of GET Handbook for greenfield investments to determine the green finance attribution of EBRD investments based on a 10-year assessment of the additional RES share in the mix.

GREEN PROJECT MONITORING PLAN

The Project meets the requirements for simplified processes for projects with a confirmed green finance share. Therefore, no Green Project Monitoring Plan is required.

ANNEX 3 – HISTORICAL FINANCIAL STATEMENTS

[REDACTED]

ANNEX 4 – PROJECT IMPLEMENTATION

Procurement classification – *Public sovereign*

[REDACTED]

In October 2022, Ukrenergo became the first public company in Ukraine to be awarded the CIPS Procurement Excellence Primary Award for by the UK Chartered Institute of Procurement and Supply, specifically developed by CIPS with Bank's PPAD to increase the Bank's transition impact on selected projects to develop a comprehensive and efficient corporate structure governing an organisation's internal procurement activities. The procurement staff have extensive knowledge and practical experience of EBRD procurement policies and procedures. The procurement system remains robust, and the Company retained the expertise and capacity required to implement planned emergency investments without external support. Involvement of the Bank's in-house engineer and a Project Implementation Consultant will ensure technical issues are address in a professional and timely manner.

Contracts risk assessment [REDACTED]

The Project proposes to finance works contracts to reconstruct selected 330kV substations and construct a new 330kV substation.

Before the war, Ukrenergo has successfully implemented similar contracts, including in Bank's project. However, the scope of the works in the Project will include measures to protect the equipment from future aerial attacks. Ukrenergo, as well as other SOEs in charge of energy and transport infrastructure, supported by the General Staff of the Ukrainian army, are drawing lessons learned in the ongoing protective structures construction, namely, need to adjust design solution to withstand the damage from new types of missies used in the attacks. The changing nature of the attacks means there may be a need to adjust design solutions and scope of the works during the implementation of the Project. [REDACTED]

Despite the previous successful implementation of substation reconstruction, as well as new construction, the current dynamic conditions pose additional and unforeseeable risks [REDACTED]. Involvement of the Project Implementation Support consultant [REDACTED] will help mitigating the risks. At the same time, there is no realistic way to mitigate or manage the risk of damage and destruction of temporary and permanent works.

There are no reported land issues at the proposed substation locations.

The Bank has also approved a TC grant to engage a design company to update the existing design documentation to account for the damage sustained since February 2022 and incorporate new design solutions.

[REDACTED]

Project implementation arrangements:

A Project Implementation Unit is established within the Company and will have an overall responsibility for the implementation of the Project. Ukrenergo will engage a Project Implementation Support consultant, to be funded from a TC grant, to support the companies with preparing contract conditions and supervising contract implementation.

Procurement arrangements:

The Project is classified as public sector for procurement purposes in accordance with the EBRD Procurement Policies and Rules (Rev. May 2022 and its successor).

Capex contracts:

Based on preliminary assessment, contracts for reconstruction and construction of substations will be proposed via multi-stage open competitive tendering with prequalification. A separate prequalification exercise will ensure that only prequalified and verified participants will receive the detailed technical designs of the works. Given the [REDACTED] contractual risk assessment, the first contract for Reconstruction of 330kV substation and Construction of 330kV substation are proposed for a Selective Review procedure.

Equipment for reserve inventory will be proposed via single stage open competitive tendering.

[REDACTED]

Consultancy Services contracts:

The Consultant for TC4: Update of design documentation for the substations reconstruction is proposed to be engaged via *direct contracting*, consistent with the provisions of the PPR 3.24(c) and (e):

3.24 Direct Contracting may be used (i) where the Client has demonstrated to the Bank's satisfaction that the application of a competitive method of procurement is neither practical, economic nor efficient and (ii) in case one or more of the following circumstances apply:

- (c) Goods, Works, Services or Consultancy Services can only be provided by a single Participant because of exclusive capabilities, rights or availability of required products or unique expertise or experience;*
- (e) it is a case brought about by unforeseeable events or circumstances not attributable to the procuring entity;*

[REDACTED]