DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT

Approved by the Board of Directors on 10 April 2024[1]

REGIONAL

GEN-I GREEN BOND

[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.

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

AMI	Annual Mobilised Investments
CAGR	Compound annual growth rate
CF	Cash Flow
CO2	Carbon Dioxide
CSRD	Corporate Social Responsibility Directive
CHP	Combined Heat and Power
CPI	Consumer Price Index
DAM	Day Ahead Market
DTM	Deal Tracking Module
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EBT	Earnings Before Taxes
EPG	Economics, Policy and Governance
ESD	Environmental and Sustainability Department
ETI	Expected Transition Impact
ETS	Emissions Trading Scheme
EU	European Union
ESRS	European Sustainability Reporting Standards
FX	Foreign Exchange
FY	Financial Year
GBP	Green Bond Principles
GET	Green Economy Transition
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GW	Gigawatt
GWh	Gigawatt Per Hour
ICR	Interest Cover Ratio
IPM	Investment Profitability Model
IRR	Internal Rate of Return
IRS	Interest Rate Swap
KYC	Know Your Client
LGD	Loss Given Default
MNPI	Material Non-Public information
MW	Megawatt
MWh	Megawatt Per Hour
MA	Management Accounts
NECP	National Energy Climate Plan
OCCO	Office of the Chief Compliance Officer
OGC	Office of the General Counsel

OPEX	Operating Expenses
PD	Probability of Default
PPAD	Procurement Policy and Advisory Department
PV	Photovoltaic
Q	Quarter
RAROC	Risk-Adjusted Return on Capital
RES	Renewable Energy Sources
RLF	Resilience and Livelihoods Framework
SDG	Sustainable Development Goals
SCR	Service Cover Ratio
SME	Small & Medium sized Enterprises
S&P	Standard & Poors
SEE	South Eastern Europe
SSF	Shareholder Special Fund
TC	Technical Cooperation
TI	Transition Impact
TSO	Transmission System Operator
TW	Terawatt
TWh	Terawatt Per Hour
VAT	Value Added Tax
YE	Year End

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of GEN-I d.o.o. (the "Issuer" or the "Company"), a company incorporated in Slovenia, are submitted for the consideration by the Board of Directors.

The facility will consist of an investment in the amount of up to EUR 12.5 million (up to 25% of the total issuance) in the EUR 50 million green bonds raise by the Company (the "Project"). The funds are expected to be equally allocated between supporting new renewable projects and refinancing the existing renewable portfolio of the Company. An independent agency will certify the issuance`s compliance with the Green Bond Principles established by the International Market Association.

The proceeds from the green bonds will enable GEN-I to diversify its funding base and access the bond market to support its future modernisation strategy and investment programme. The first transition impact comes from the Green quality, with 50% of the proceeds used for the development and construction of at least 36MW of new renewable energy projects resulting in additional green energy contribution of 53GWh annually and more than 25 thousand tonnes of avoided CO2 emissions. The new renewable projects will be implemented in Slovenia, Serbia, North Macedonia, and Croatia. Furthermore, the issuance will lead to a strengthening of the GEN-I's balance sheet and support delivery of its green investment plan. The second transition impact comes from the Resilient quality, notably through its contribution to the development of the Slovenian capital market. This will be achieved by the Project being the first certified non-FI green bond in Slovenia to be listed on the Ljubljana Stock Exchange. The EBRD will be the sole IFI investor in the issuance.

I am satisfied that the operation is consistent with the Bank's Strategies for all the relevant countries, Agreement Establishing the Bank, Green Economy Transition Approach, as well as the and the Energy Sector Strategy 2024-2028.

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

Odile Renaud-Basso

BOARD DECISION SHEET

Slovenia – GEN-I Green Bond	
Transaction / Board Decision	Board approval[2] is sought for an investment of up to EUR 12.5 million in green bonds issuance by GEN-I d.o.o (the "Company" or the "Issuer" or "GEN-I"), a company incorporated in Slovenia. EBRD investment will not exceed 25 % of the expected EUR 50 million bond issue. At least 50% of the proceeds from green bonds issuance will be used to finance construction and operation of new renewable energy projects in Slovenia, Serbia, North Macedonia, and Croatia, including solar, wind and battery storages and ca. 50% to support capital restructuring of existing green investments to enable green investment plan delivery.
Client	GEN-I d.o.o ("GEN-I" or the "Company"), existing client, is an integrated supplier and trader of electricity (85%, based on historical data) and natural gas (15%) and provider of green energy services in Slovenia and South-East Europe. GEN-I is owned 50% by GEN-EL d.o.o and 50% by GEN-Energija d.o.o, both ultimately owned by the Republic of Slovenia.
Main Elements of the Proposal	<u>Transition impact</u>: The first transition impact comes from the Green quality through supporting the addition of at least 36MW of green capacities (solar PV, wind, and batteries), expected to generate 53GWh per annum and avoiding more than 25,000 tonnes of CO2 per annum. The second transition impact comes from the Resilient quality, notably through its contribution to the development of the Slovenian capital market. This will be achieved by the Project being the first certified non-FI green bond in Slovenia to be listed on the Ljubljana Stock Exchange. The EBRD will be the sole IFI investor in the issuance. <u>Additionality</u>: The Bank's participation is expected to be pivotal in addressing the anticipated funding shortfall, thereby enabling a successful book-building process in a local capital market which is shallow and illiquid. <u>Sound banking:</u> the Bank will invest at the same terms as other commercial investors.
Key Risks	**Government Intervention:** [REDACTED] **Energy Price Risk**: [REDACTED] **Liquidity Risk**: GEN-I is assessed to have adequate liquidity (EUR 124m cash balance at 2023YE) and credit lines. It also carefully analyses new business clients to manage liquidity needs. [REDACTED].
Strategic Fit Summary	The Project supports the increase in renewable energy generation and CO2 emissions reduction, which are in line with the Bank' Strategies for all the relevant countries as well as the Energy Sector Strategy and the Green Economy Transition Approach: (i) Energy Sector Strategy which promotes decarbonised economies that are efficient and electrified by renewable energy sources. (ii) Green Economy Transition Approach which underlines the importance of scaling up investments in renewable energy.

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

ADDITIONAL SUMMARY TERMS FACTSHEET

Client	GEN-I d.o.o ("GEN-I" or the "Company", or the "Issuer") is an integrated supplier and trader of electricity (85%, based on historical data) and natural gas (15%) and provider of green energy services in Slovenia and South-East Europe with revenues of EUR 2.8 billion and EBITDA of EUR 38 million in 2023. GEN-I is owned 50% by GEN-EL d.o.o and 50% by GEN-Energija d.o.o, both ultimately fully and majority owned by the Republic of Slovenia, respectively.
EBRD Transaction	The Bank will invest up to EUR 12.5 million in the green senior unsecured corporate bond issuance of the Issuer that will be listed in Ljubljana Stock exchange. EBRD investment will not exceed 25 % of the expected EUR 50 million bond issue. The bond and the use of proceeds will be aligned with Green Bond Principles ("GBP") and EU taxonomy regulation. Second party opinion is provided by S&P. The Company has mandated NLB, the leading Slovenian banking institution, to arrange the issue.
Existing Exposure	EUR 13.4m (OpID 53806, approved on 2.8.2022) investment in commercial paper under RLF framework. [REDACTED].
Maturity / Exit / Repayment	<u>Tenor:</u> 5years maturity [REDACTED].
Potential AMI eligible financing	N/A
Use of Proceeds – Description	EBRD funds will be utilized for the construction and operation of new green energy projects in Slovenia, Serbia, North Macedonia and Croatia, as well as for the refinancing of GEN-I's existing green assets.
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	GEN-I (issuer) and NLB (underwriter)
Conditions to subscription / disbursement	- Signed Framework Agreement; - Allocation confirmation; - The Bank's confirmation of acceptance of offer.
Key Covenants	[REDACTED]
Security / Guarantees	Unsecured.
Other material agreements	n/a
Associated Donor Funded TC and Blended Concessional Finance	n/a

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

The Project supports the Slovenia's green energy sector strategy that aims to deliver 42.5% renewable energy by 2030, as well as decarbonisation effort and achievement of targets in neighbouring EU countries and Western Balkans. The investment backs a growing regional player in its ambition to deliver green MWs and to offer its services beyond the borders of Slovenia, aiding development and creating competition that is a precursor to a liquid regional energy market without which decarbonisation cannot be delivered. The Issuer aims to procure Corporate Power Purchase Agreements ("cPPA") as remuneration scheme for its renewable power plants to be develop. This will foster the development of cPPA market in Slovenia and the Western Balkan region. The Issuer also considers participating in government led tenders when such scheme is offered.

Furthermore, the Project continues EBRD support to the development of the green capital markets, which provide a very important capital avenue for accelerated deployment of green solutions. It strengthens an increasingly pertinent issue of energy security in Slovenia, a country strategically focused on reducing its energy import dependency to below 25% by 2030. This is planned to be delivered through renewables and it includes decreasing coal-fired power generation by 30% by 2030. The National Energy and Climate Plan (NECP) specifies Slovenia's goals to improve energy efficiency by at least 35% from a 2007 baseline and to significantly raise the renewable share in its total energy consumption to 27% by 2030. This encompasses ambitious objectives across power, heating, cooling, and transport sectors. In alignment with these goals, Slovenia aims to reduce CO_2 emissions by 36% by 2030 compared to 2005 levels, including a 43% reduction in emissions within the EU Emissions Trading System (ETS) and a 30% reduction in sectors outside the ETS. This strategic approach reflects Slovenia's efforts to transition towards a sustainable and environmentally friendly energy system, in line with EU directives and global climate commitments.

By adding 36 MW of new renewable energy capacity, the project is expected to contribute approximately 53 GWh of green energy to the grid annually, while also aiming to avoid CO_2 emissions by around 25,000 tons each year.

The Project is fully consistent with the objectives stated in the Bank's Strategy:

(i) Strategy for Slovenia, Strategy for Serbia, Strategy for North Macedonia, and Croatia Country Strategy.
(ii) Energy Sector Strategy which promotes decarbonised economies that are efficient and electrified by renewable energy sources.
(iii) Green Economy Transition Approach which underlines the importance of scaling up investments in renewable energy.

1.2 TRANSITION IMPACT

The Project involves the financing of new renewable capex and partial refinancing of capital already invested into the construction and operation of the green assets. [REDACTED]

Primary Quality: Green

Obj. No.	Objective	Details
1.1	*The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance exceeds 50%.*	The Project entails issuance of a green bond, compliant with the "Green Bond Principles" as confirmed by a reputable third-party opinion. As a result, the use of proceeds will be classified as 100% GET, confirmed by CSD.

Secondary Quality: Resilient

Obj. No.	**Objective**	**Details**
2.1	*The project entails financial restructuring making the company less vulnerable to shocks,[REDACTED].*	With the issuance of green bond, the company will contribute to decreasing asset/liabilities mismatch. Long term assets, such as RES project will be financed with long term green bond. [REDACTED].
2.2	*The transaction contributes significantly to capital market development by introducing a new instrument* (debt instrument).*	First certified green bond listed on Slovenia stock exchange not considering FI green bonds.
2.3	*At least 60% of the issuance is expected to be placed with private non-IFI investors.*	[REDACTED]. EBRD will be the leading investor.
2.4	*The issuance will be publicly offered and listed on a national exchange but neither the issuer nor the issuance will be rated.*	Issuance will be offered on national exchange; Ljubljana Stock Exchange, without rating.

1.3 ADDITIONALITY

There have been only a few green bond issuances in Slovenia to date. [REDACTED]. The Bank's participation in the issue, the Bank's additionality will be verified by scaling back its participation depending on the level of investor interest.

Identified triggers	**Description**
A significant share (at least 30%) of the project is for refinancing purposes	Around 50% of the proceeds from the bond issuance will be used to refinance the investments in the existing green projects of GEN-I. The anticipated refinancing will not be used to repay other financial debt, but rather refinance the Client's equity which was invested into existing renewable electricity generation portfolio.
A subsequent/consecutive transaction (issuance) with the same client/group either with the same use of proceeds or in the same destination country	In 2022, the EBRD allocated EUR 15 million under the RLF to provide crucial liquidity support to GEN-I facing financial stability issues due to the economic repercussions of sustained high and fluctuating energy prices in the aftermath of the start of the war in Ukraine. [REDACTED]. 50% of the proposed bond issuance proceeds will be used for developing new solar and wind power plants, and battery storage. This investment is

	expected to contribute 53GWh p.a. of renewable energy and avoid 25 thousand tons of annual CO2 emissions.

Additionality sources	**Evidence of additionality sources**
Financing Structure - EBRD financing is expected to effectively '**close the funding gap**' and allows carrying out a **successful book-building process**.	The EBRD's participation is expected to be pivotal in addressing the anticipated funding shortfall, thereby enabling a successful book-building process. With EBRD's backing, the investor reach out gains a strong foundation, enhancing the credibility of the investment plan and perception of financial robustness of the Issuer. [REDACTED].
Risk mitigation – 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.	The EBRD has invested into the Company and has a long-term relationship with the Company since 2019. EBRD support and guidance have been important in the Company's decision to advance with green bond issuance plans and to be more ambitious in its green investment plans. [REDACTED].
Risk mitigation – EBRD's involvement in a **debt capital market transaction** provides comfort to other investors and further widens market participation.	Issuance of green bonds is rare in the Slovenian market [REDACTED]. This green bond is the first certified green bond listed on Slovenia stock exchange not considering FI green bonds. The involvement of the EBRD in this transaction is likely to enhance its appeal to institutional investors, given the EBRD's established status in supporting green initiatives.

1.4 SOUND BANKING - KEY RISKS

Please, see the detailed analysis of Risks provided in Annex 2.

Risks	**Probability / Effect**	**Comments**
Government intervention risk	Medium/ Medium	[REDACTED]***Mitigant:*** The wholesale price caps were lifted in June 2023 following a period of "normalisation" in the energy markets (average electricity price in 2023 in Slovenia was EUR 104 per MWh and max price EUR 201/MWh compared to EUR 750/MWh in 2022). [REDACTED]. Within the GEN-I Group, the only production facility is the solar power plant in North Macedonia (17 MW capacity). However, since North Macedonia is not an EU Member State, EU regulation on price caps for producers were not applied. The continued price caps on the tariffs for the population in Slovenia are mitigated by budgetary support i.e. the government is compensating the electricity suppliers for the difference between the capped price and the purchase price plus related costs. In case of GEN-I, it has a similar arrangement with its parent company GEN-Energija. [REDACTED].
Energy price risk	Medium/ Medium	[REDACTED]
Liquidity risk	Medium/ Medium	Market volatility can lead to additional cash collateral requirements, as the 2021 – 2022 period has shown. ***Mitigant:*** GEN-I has increased both its available liquidity levels and improved its cash position and has only selectively added business customers to manage its available energy volumes and associated liquidity requirements. [REDACTED].

Commodity supply risk	High/ Medium	Shortage of commodities could affect not only market prices but also actual supply and performance commitments. ***Mitigant:*** The country's main importer of natural gas, Geoplin, has already diversified its sources by switching to the Algerian gas. Electricity generation itself is not reliant on natural gas (only 3%). The share of gas trading in trading segment of GEN-I in 2020 – 2022 comprises 15% of total trading volumes.
Credit risk	Medium/ Medium	[REDACTED]***Mitigant:*** GEN-I manages credit risk through meticulous monitoring by its risk management and treasury department, employing advanced credit assessment and KYC processes. [REDACTED].
Use of proceeds risk	Low/ Medium	The risk that GEN-I will use the proceeds from green bonds for working capital needs or investments outside of list of eligible investments. ***Mitigation:*** EBRD and GEN-I will enter into a Framework Agreement ensuring that proceeds from green bonds are used for eligible green projects and refinancing. GEN-I will provide semi-annual reporting to investors on project progress and proceeds allocation, with an annual verification by an external auditor on the use and tracking of funds, all disclosed on GEN-I's website. Net proceeds from green bonds will be deposited into a dedicated green account. The projects financed by the green bond will not be benefiting from local content requirements/premia.

2. MEASURING / MONITORING SUCCESS

Overall objectives of project	*Monitoring benchmarks*	*Implementation timing*
- Increased variety of financial products and services to improve access to finance - Increased energy efficiency, Improved resource efficiency	[REDACTED]	[REDACTED]

Transition Impact Monitoring Indicators
Primary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Renewable energy capacity installed (MW)	Amount of renewable electricity generation capacity installed by the project that will be funded by the Bank during the reporting period. Expressed in Megawatts (MW).	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Renewable energy - electricity produced (MWh/year)	Amount of electricity generated by the project from renewable sources during the reporting period. Expressed in Megawatt-hours per year (MWh/year). This includes both the electricity produced for internal use and/or for sale.	[REDACTED]	[REDACTED]	[REDACTED]
1.3	CO_2e emissions reduced (tonnes/year)	Greenhouse gas emissions reduced expressed as tonnes of carbon dioxide equivalent (tCO_2e) of global warming potentials is used, using the 100 years' time horizon GET Handbook.	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Issuance listed on a national or/and international exchange	Bond will be issued by a local arranger and on local stock exchange; Ljubljana Stock Exchange.	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Share of non-IFI/non-DFI institutional investors in capital market instrument or equity fund at the issuance	[REDACTED]. Majority of investors are expected to be local private or institutional investors.	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Volume of new capital market activity raised	Local market activity will increase by EUR 50m as a result of this issuance.	[REDACTED]	[REDACTED]	[REDACTED]
2.4	Financial restructuring completed as targeted	Issuance of the green bond will contribute to decreasing asset/liabilities mismatch for the company. Long term assets, such as RES project will be financed with long term green bond. [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER / INVESTEE COMPANY

GEN-I is an integrated supplier and trader of electricity and natural gas and provider of green energy services in Slovenia and South-East Europe [REDACTED]. It is considered as one of the largest and fastest growing companies in Slovenia, employing 530 people and run by an experienced management team.

GEN-I's operations in trading and supplying electricity and natural gas contribute to high revenues and exhibit low but stable profitability. GEN-I purchases electricity and natural gas from producers (including its parent GEN-Energija) and on exchanges. The Company operates in more than 20 European countries with 16 subsidiaries. [REDACTED].

GEN-I is owned 50% by GEN-EL d.o.o and 50% by GEN-Energija d.o.o, both ultimately fully and majority owned by the Republic of Slovenia.

3.2 FINANCIAL HIGHLIGHTS

[REDACTED]

4. MARKET CONTEXT

Detailed market overview of Slovenian, Serbian, Croatian and North Macedonian market is provided in Annex 6.

Slovenia, North Macedonia, Serbia and Croatia are the key energy markets of GEN-I in Central and Eastern Europe.

Slovenian market: In 2022, Slovenia's electricity generation capacity was 4.0 GW, with hydro (1.35 GW), thermal (1.40 GW, mainly coal), nuclear (0.35 GW, Slovenia's share), and solar (0.62 GW) as the primary sources. The country generated 10,203 GWh of electricity, with significant contributions from hydro (33%), nuclear (26%), and thermal sources (25%), while other sources like solar, wind, biomass, and geothermal accounted for the remaining 16%. State-owned entities, Holding Slovenske Elektrarne and GEN-Energija (GEN-I`s parent company), were the major producers, accounting for 49.54% and 26.26% of the total capacity, respectively. In 2023, the electricity distribution network, managed by regional companies and SODO, merged with ELES, thus consolidating distribution and transmission under one entity. Slovenia is a net electricity importer, with a 2022 consumption of 13,128 GWh, mainly trading with Austria and Croatia. The retail electricity market consolidated from 22 to 13 suppliers in early 2023, with GEN-I leading in sales. The natural gas market is dominated by Geoplin (76.4% market share) and managed by Plinovodi for transmission. Borzen d.o.o. oversees the power market, involving wholesale trading and bilateral contracts. Energy policy is set by the Ministry of Infrastructure, with the Energy Agency regulating the sector. Slovenia's 2020 NECP targets 27% renewable energy by 2030, aiming to reduce greenhouse gas emissions, decrease dependency on imports, and specifically reduce coal-fired power generation by 30% by 2030.

North Macedonian market: In 2022, North Macedonia's energy sector was heavily reliant on lignite and gas, alongside hydropower, and faced an 11% decrease in total energy consumption to 6,133 GWh with electricity import of 1,471 GWh. The country's generation capacity comprises two coal thermal power plants (824 MW), hydro (571 MW), small hydro (148 MW), and gas CHP plants (287 MW), with a slight increase in thermal power production and a decrease in renewable energy output, excluding large hydro, which saw a 13% increase. Following the energy sector's unbundling in 2005, key entities include MEPSO (TSO), MEMO (market operator), ESM (state-owned generation), and EVN Makedonija (DSO and supplier). The 2018 Energy Law aligns with the EU's Third Energy Package, promoting market liberalization and regulated tariffs. North Macedonia's commitment to renewable energy is reflected in its strategy aiming for a significant GHG reduction by 2030, firm commitment to coal exit, and increasing the RE share to 45% by 2040, with the energy market's liberalization affecting generation and supply tariffs, setting a context for adapting to market prices amidst regional price fluctuations influenced by global events.

Serbian market: State-owned Electric Power Network of Serbia (EMS) serves as the TSO, managing the entire Serbian transmission system. Electric Power Industry of Serbia (EPS), another state-owned company, plays a significant role in the generation, wholesale, and supply of electricity. EPS Distribucija operates the distribution system. Despite the formal liberalization of the electricity market, allowing consumers the right to choose their supplier, EPS maintains a dominant position, holding about 95% share of the final supply market. Serbia's energy sector is predominantly powered by lignite, contributing to 5 GW of its 13 GW installed capacity and nearly 25 TWh of its 32 TWh net electricity production in 2023, with hydropower as the second key source. The country, aiming to enhance its renewable energy footprint, plans to invest EUR 29 billion by 2050 to add 22 GW of renewable capacity, expecting renewables to double by 2040. Energy reforms, underpinned by the 2004 Energy Law and the Energy Community Treaty, have led to market liberalization and the establishment of AERS for regulatory oversight. Significant strides include the introduction of third-party network access, and the initiation of a day-ahead electricity market. The renewable sector has seen growth, particularly with a feed-in tariff program since 2011, transitioning to an auction-based model in 2021 to foster utility-scale projects and prosumers. The first renewable energy auction in June 2023 allocated 425 MW for wind and solar projects, supported by SEEPEX's efforts in market coupling and the establishment of a regional exchange, reflecting Serbia's commitment to aligning with EU energy directives and enhancing renewable energy investment.

Croatian market: The country's major energy players include state-owned Croatian TSO for electricity transmission, HEP-DSO for electricity distribution and INA for gas supply, with HEP-Opskrba as the leading electricity supplier in a gradually liberalizing market. The total connection capacity of all power plants in Croatia amounted to 5.6 GW at the end of 2022: 2.2GW hydroelectric power plants, 2.1 GW fossil-fired plants, 58MW biogas PPs and 10MW geothermal energy plants. In 2022, Croatia's gross electricity consumption reached 18.5 TWh, outstripped by local production of 13.3 TWh, supplemented by net imports (5.3 TWh) and Croatia`s share in production from the nuclear power plant Krško (2.7 TWh statistically treated as an import). The production of electricity in power plants that use RES amounted to 8.6 TWh, which covered 46% of the total electricity consumption in Croatia. The country has robust interconnections with Hungary (around 3.2 TWh annual average imports since 2019) and Bosnia-Herzegovina (0.9 TWh annual average since 2019), among others, facilitating cross-border energy flows. These interconnections, alongside internal capacities like 801 MW from wind farms and significant hydropower, underscore Croatia's strategy to balance its energy mix and maintain energy security. To support the expansion of renewable energy, the government introduced auction-based support mechanisms (currently on hold) targeting around 2.3GW of new capacity by 2024, reflecting a broader commitment to increase the share of renewables in its energy consumption to 36.4% by 2030 as outlined in its National Energy and Climate Plan (NECP). These efforts are part of a wider EU initiative, underscored by the European Green Deal and the REPowerEU plan, aiming for a 40% to 45% renewable energy share by 2030 and a significant reduction in greenhouse gas emissions, indicating Croatia's strategic direction towards a more sustainable and integrated European energy market.

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 (ESP 2019). EBRD will invest in a green bond which will refinance a portfolio of existing solar assets and finance an undefined pipeline of renewable energy projects. ESDD was carried out through questionnaires. Specific due diligence was undertaken on the renewable energy supply chains, focusing of the supply chain management system of the client as most of the assets financed by the green bond are not known yet. ESD also reviewed the green bond framework and Second Party Opinion associated with the Issuance.

The ESDD confirmed that the Company has the institutional capacity to fully implement the Bank’s PRs and is in compliance with National and EU requirements. The Client has some E&S and Human Resources procedures in place and the Slovenian subsidiary has a certified Environmental Management

System; these are largely in line with EBRD PRs. The Bank understands that these procedures will be cascaded to the sub-projects as applicable. ESDD and E&S management plans will be formalised at sub-projects level to comply with PR1. The client will further develop its supply chain management system, including suppliers mapping, enhancement of traceability and auditing process. GEN-I will also be required to make a public statement on forced labour. GEN-I has a human resources policy, code of ethics and internal grievance mechanism in place, and will update the policy to include provisions on discrimination, child and forced labour and workers organisation. GEN-I has a well-developed organisational H&S management system, with supervision at sub-project level, H&S data monitoring and regular training provided to workforce. GEN-I will be required to develop a community H&S policy applicable to sub- projects to further comply with PR4.

The company has a land acquisition procedure in place however this will be subject to review and update to align with PR 5 requirements. The client will further assess land acquisition and livelihood restauration part of its internal ESDD at sub-projects n line with the updated procedure. No subproject will be located in protected areas, and specific impact on biodiversity will be assessed and mitigated as appropriate for each sub-project. While no sub-project will be developed in the vicinity of cultural heritage aeras, chance find procedures will be implemented on a precautionary basis. GEN-I has a corporate stakeholder engagement strategy in place, including stakeholder mapping and external grievance mechanism. The strategy will be cascaded at sub-projects level and consultation process with the public will be formalised.

An ESAP has been developed and provides for further E&S assessment and risk management at project level, as well as improvements of the current supply chain management system of the company. It will be agreed with the Client before board considerations. GEN-I will need to report on the E&S performance of the project and ESAP progress to the Bank annually.

6.2 INTEGRITY

Integrity due diligence was undertaken on the Company, its shareholders, senior management and other relevant parties. [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 and accurately completed to proceed with the project.

6.3 OTHER ISSUES

6.3.1 Procurement

On the basis that the green bonds will be publicly listed and traded on the Ljubljana Stock Exchange, the transaction is excluded from the application of the Bank’s Procurement Policies and Rules (PPR) in accordance with Article 2.6 (c)(ii) of the PPR.

ANNEXES TO OPERATION REPORT

ANNEX 1	SHAREHOLDING STRUCTURE
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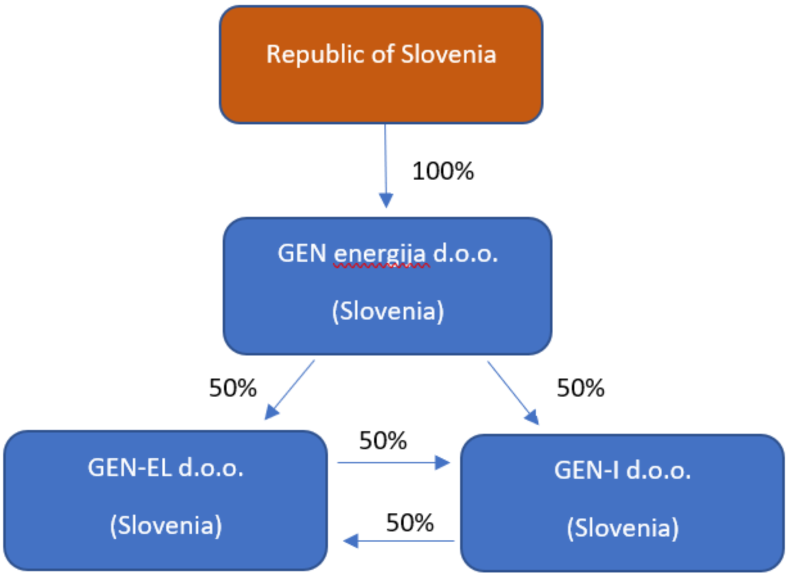
ANNEX 1 – SHAREHOLDING STRUCTURE



ANNEX 2 – GREEN ASSESSMENTS

SUMMARY

- The Project is an investment of up to EUR 12.5 million in the first green senior unsecured corporate bond issue of GEN-I (expected to be an up to EUR 50 million issue in April 2024). At least 50% of the proceeds generated from the issuance of green bonds will be allocated towards financing the construction and operation of renewable energy initiatives within Slovenia, Serbia, North Macedonia and Croatia, encompassing solar projects (around 80% of the proceeds), as well as wind projects and battery storage solutions. The remaining 50% will be used to refinance prior investments in green assets.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 100% **GET.**
- Climate-related financial risks have been assessed resulting from **CT score** of **3** and **PC score** of **1**.

PARIS ALIGNMENT ASSESSMENT

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 activities are is included in the 'MDBs' aligned list'. The proceeds from the bond will be used to finance solar and wind power plants and energy storage solutions.
- The projects are included in the j_MDB aligned list: "Generation of renewable energy from solar, wind, wave power, run-of-the-river hydro, or geothermal with negligible lifecycle GHG emissions"
- There are no activities included in the 'non-aligned list'.

The project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment.

GET ATTRIBUTION

The Project is attributed 100% GET. This share has been calculated in line with the GET finance for bonds and sustainability-linked loans.

The proposed financing is included in GEN-I Green Bond Framework which complies with the GET handbook green bond criteria:

- The bonds are or will be issued fully in line with the Green Bond Principles (GBPs)
  This has been confirmed in the framework document:
  "This Framework is aligned to, and intents to follow:
    - Green Bond Principles (GBP) published by the International Capital Markets Association (ICMA) and last updated in June 2021, including Appendix 1, dated June 2022;
    - `EU Taxonomy Regulation and the Taxonomy Delegated Acts (e.g., Commission Delegated Regulation (EU) 2021/2139)."
- The alignment with the GBPs is confirmed by an external review provider:
  The alignment has been verified by S&P Global, an internationally recognised rating agency and Second-Party Opinion provider. It considers that the framework is aligned with the Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1).
- The EBRD has reviewed the information and deems that the bonds have been issued in alignment with the GBPs.
  This has been done.

Additionally, the following is met:

- The proceeds are not allocated to projects that are on the exclusion list.
  Eligible projects are limited to:
    - Electricity generation using solar PV technology: Construction or operation of electricity generation facilities that produce electricity using solar PV technology.
    - Electricity generation from wind power: Construction or operation of electricity generation facilities that produce electricity from wind power.

  - Storage of electricity: Construction and operation of facilities that store electricity and return it at a later time in the form of electricity. Projects in this category include large-scale electricity storage solutions to be coupled with any renewable energy power plants, where such plants run on solar, wind, or hydro energy sources.
- The green bond framework and use of proceeds are aligned with the GET eligibility criteria.
  As per above.

The impacts of the transaction will result from the additional renewable capacity installed and will be reported by GEN-I as per the Green Bond Framework.

GREEN PROJECT MONITORING PLAN

[REDACTED]

ANNEX 3 - HISTORICAL FINANCIALS

[REDACTED]

ANNEX 4 – FINANCIAL ANALYSIS

[REDACTED]

ANNEX 5 – BUSINESS OVERVIEW

[REDACTED]