

8. Assurance and disclosures

The Bank's policies

All projects are appraised against the [Bank's Environmental and Social Policy and Performance Requirements](#). A project's size, location and potential E&S impacts are all taken into account. In 2019, the EBRD undertook a review of its ESP, its Access to Information Policy and its Independent Project Accountability Mechanism. These revised policies came into force in January 2020.

If an appraisal reveals a project would not be fully compliant with the Bank's requirements, the EBRD agrees an Environmental and Social Action Plan (ESAP) with the client to bring the project up to the required standards within a reasonable timeframe. If this is not possible, but there are compensating environmental or social benefits, the EBRD's Board may approve derogations from specific parts of the performance requirements (see Box for more detail). Any approved derogations are detailed in Annex 2 of this report.

Results in 2020

The environmental and social category – A, B, C or FI (financial intermediary) – reflects the potential impacts associated with a project and determines the nature of the environmental and social appraisal, information disclosure and stakeholder engagement required.

- **Category A projects:** those with potentially significant and diverse E&S impacts, requiring a detailed participatory assessment process
- **Category B projects:** those with E&S impacts that are site-specific and which can be readily assessed and managed
- **Category C projects:** those that are expected to result in minimal adverse environmental or social impacts
- **Category FI projects:** transactions that involve the provision of financing to a financial intermediary – typically a bank or a fund – which are required to adopt and implement procedures to manage their E&S risks.

E&S due diligence category (2020 signings)

E&S category	Number of projects*	% by number of projects
Category A	14	3%
Category B	195	41%
Category C	23	5%
Category FI	244	51%

Note: * Indicative numbers only. Includes trade facilitation. Please see the EBRD's [Annual Review 2020](#) for total investments.

GET assurance process

The Green Economy Transition (GET) approach aims to increase the amount of financing the Bank directs to green and climate finance. The Bank's first GET approach targeted 40 per cent of EBRD finance going to the green economy by 2020. The Bank has put in place rigorous processes to ensure that only projects with clear and verifiable green benefits are classified as GET projects.

The EBRD assesses GET finance and benefits by:

1. identifying projects or project components that meet the GET principles and criteria
2. assessing the physical environmental benefits of GET projects and project components (*ex ante* analysis)
3. confirming the proportion of GET finance and GET benefits of a project and explaining how it fits into the GET strategy.

Three EBRD departments – Environment and Sustainability, Energy Efficiency and Climate Change, and Economics, Policy and Governance – assess which projects and project components qualify for GET at weekly "Clearing House" meetings.

For more information on how the Bank implements the GET approach, see [here](#).

Measuring and monitoring performance

The E&S performance of all EBRD projects is closely monitored throughout the investment cycle. This involves a combination of client reporting, regular site visits by Bank staff and independent audits.

The EBRD requires each of its clients to provide a report – at least annually – on their E&S performance and the implementation of applicable ESAPs. Additional monitoring and supervision are determined on a case-by-case basis, depending on the risks and impacts associated with a project and the client's capability to manage them.

Greenhouse gas assessment for 2020

The EBRD's GHG assessment provides an estimate of the net carbon footprint that will result from Bank-financed projects signed in a representative year once those projects are fully implemented. The calculation is based on estimated emission reductions from climate mitigation projects and estimates of additional GHG emissions from greenfield projects or significant capacity expansions.

Key figures

The EBRD has published GHG estimates for its signed projects every year since 2002. GHG data for the project assessments come from a variety of sources, including environmental impact assessments, energy audits and, in some cases, calculations carried out by EBRD engineers. Find out more about the Bank's GHG reporting and how the Bank assesses it [here](#).

Projects with significant GHG emission savings

Mitigation category	Number of investments above significance threshold*	GHG impact compared with the baseline scenario (ktCO ₂ e/year)
Renewable energy	13	-1,864
Energy efficiency	4	-341
Waste and wastewater	2	-109
Lower carbon and efficient energy generation	2	-61
Other	2	-126
Total (scope 1 and 2)	23	-2,501
Projects with significant scope 3 GHG reductions	2	-828

Note: *GHG assessments are carried out for projects that are likely to result in emission decreases of more than 25 ktCO₂e per year.

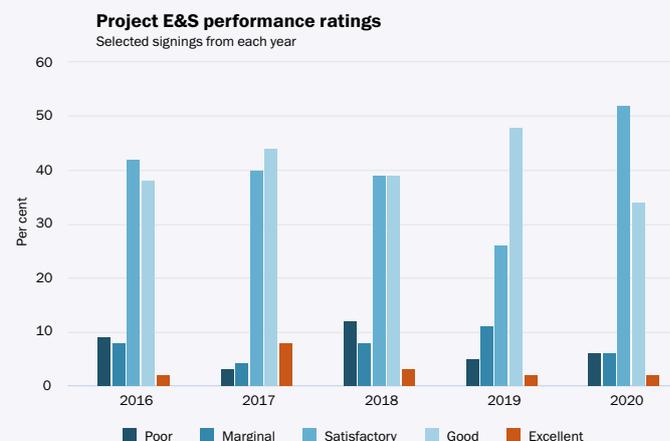
Project performance indicators

The EBRD has introduced a system of performance indicators for direct investment projects. This system assesses and monitors project compliance with the Bank's E&S performance requirements over time. The objectives of this work are:

- more accountability
- improved management of resources
- enhanced reporting.

Compliance with the main components of each Performance Requirement is scored for each project at the time of appraisal. These scores are combined to give an overall performance rating for each project on a five-point scale. Projects are rated based on current performance, that is, before the implementation of any future commitments under an ESAP. By tracking projects over time, the Bank aims to be able to demonstrate changes in performance as EBRD investments and associated ESAPs are implemented.

The following chart shows the spread of ratings for projects signed last year for which data are available. The table shows the percentages of these projects that have triggered each of the performance requirements.



Performance requirement*	% of projects
PR1: Assessment and management of E&S impacts and issues	100
PR2: Labour and working conditions	100
PR3: Resource efficiency and pollution prevention control	97
PR4: Health and safety	100
PR5: Land acquisition and involuntary resettlement and economic displacement	23
PR6: Biodiversity conservation and sustainable management of living natural resources	61
PR7: Indigenous peoples	1
PR8: Cultural heritage	22
PR10: Information disclosure and stakeholder engagement	98

Note: * PR9 applies only to investments made through financial intermediaries. These are monitored separately via the FI Sustainability Index.

Projects with significant gross GHG emissions

Number of investments above significance threshold*	Gross GHG emissions (ktCO ₂ e/year)
5	923

Economic assessment of projects with high emissions

Since 2019, the EBRD has carried out economic assessment of projects with GHG emissions, defined as (i) those resulting in absolute emissions of over 100 ktCO₂e per year after the investment and/or (ii) those increasing GHG emissions by more than 25 ktCO₂e per year compared with the baseline.

This year has seen an increasing number of economic assessments across the EBRD regions, in sectors ranging from power stations and gas distribution to heavy industry. These reveal the true costs and benefits of EBRD investments when environmental considerations are awarded an economic value. They are a valuable tool for shaping interventions to reach a viable green frontier and a support for decision-making.

Read the methodology used [here](#).

Floating storage and regasification unit (FSRU)



Cyprus

The EBRD undertook an economic assessment for an €80 million loan to the Natural Gas Infrastructure Company of Cyprus for the acquisition of an FSRU and the development of related infrastructure. The Bank concluded that the project would benefit society through its potential to significantly reduce electricity generation costs and its environmental benefits in terms of GHGs, local air pollution and improved electricity supply.

Loan: €80 million

Impact: CO₂ emissions savings of 595,000 tonnes annually, along with a reduction in SO₂ emissions of 6,000 tonnes and dust emissions of 175 tonnes annually, on average

Donors: EBRD Shareholder Special Fund



Independent Project Accountability Mechanism

The Independent Project Accountability Mechanism (IPAM) reviews environmental, social and transparency issues related to EBRD-financed projects raised by project-affected people and CSOs. IPAM, which operates independently of the Bank's management, aims to ensure that projects are implemented in line with the EBRD's commitments to E&S sustainability. It includes four functions: problem-solving, compliance review, outreach and institutional learning.

The [2019 Project Accountability Policy \(PAP\)](#) guides IPAM operations and replaces the 2014 Project Complaint Mechanism Rules of Procedure. The PAP is a more robust, transparent and responsive model, which has as its core principles:

- **independence:** standalone, independent department reporting directly to the Board of Directors via the Audit Committee, with increased seniority of the Chief Accountability Officer at Managing Director level
- **predictability:** shifts case-processing from an external expert model to an in-house (IPAM team) model, clear decision-making criteria and time-bound processes
- **accessibility:** reinforced outreach to promote access and in-reach across Bank staff to raise awareness and systematically assess the risk of retaliation and the establishment of preventative measures when needed
- **source of institutional learning:** through a newly introduced advisory function, the capacity to identify systemic issues, provide recommendations and promote a culture of continuous institutional learning.

Nenskra hydropower project



Georgia

IPAM submitted its first Compliance Review report to the EBRD Board in July 2020, detailing a complaint about the Nenskra Hydro Power Project submitted by community members of Chuberi, Georgia and CSOs. It made 11 recommendations linked to findings of non-compliance with five of the EBRD's performance requirements. IPAM developed a [monitoring plan](#) to ensure compliance with the recommendations within a timeframe agreed by all parties.

IPAM responded promptly to the impacts of Covid-19 and is continuously developing tools and strategies to work effectively during the pandemic. However, some operational challenges remain:

1. Digital technology platforms are used for effective, safe and secure engagement with stakeholders. However, a lack of on-site meetings limits opportunities for relationship-building, which is key to establishing trust. IPAM has found that it requires twice the amount of time to prepare for online engagement as for in-person communication.
2. IPAM's understanding of projects, their geography and the situation of stakeholders is limited by the lack of site visits. This also limits the process of assessing compliance.
3. Simultaneous interpretation services are offered to support stakeholder engagement through virtual means; language barriers continue to hinder communication.
4. Technological resources are limited in some project-affected communities living in remote areas, which can hinder access to the mechanism. IPAM is engaging with CSOs to effectively inform and promote access among vulnerable communities.
5. IPAM seeks to ensure confidentiality by using secure virtual platforms and upholding a secure documentation process. However, the increased risks for communities of virtual engagement with IPAM cannot be ignored.