

10. Investor information: Green and Social Bonds



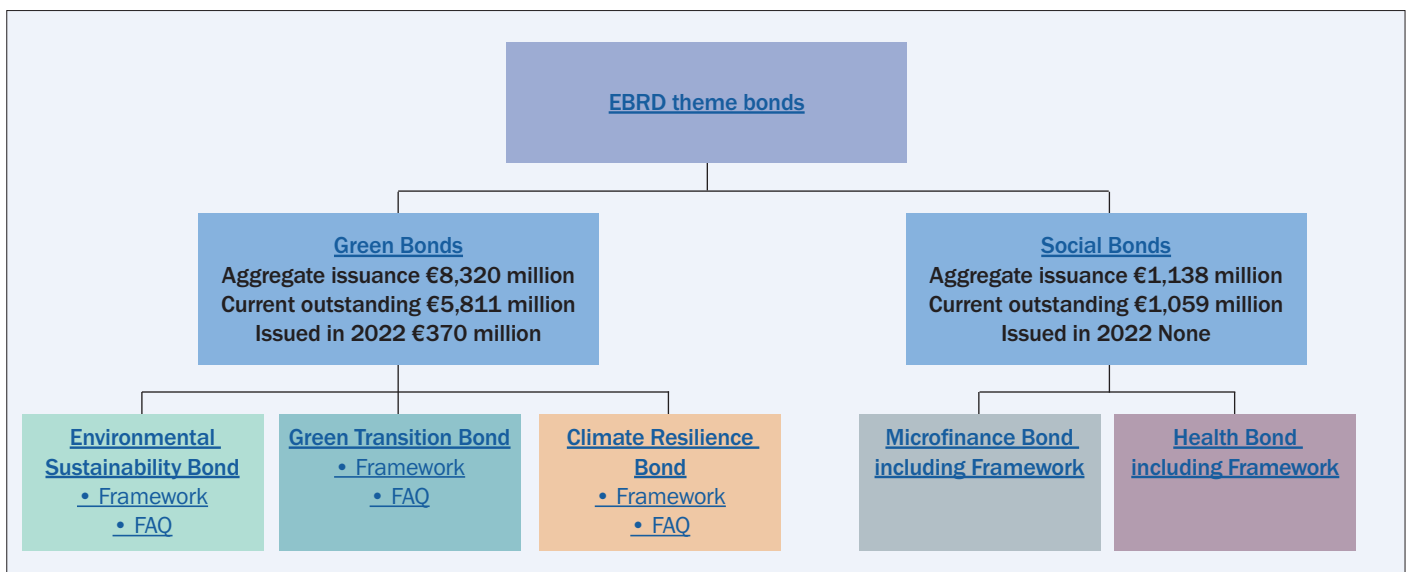
The EBRD's Use-of-Proceeds Bonds

The EBRD issues a range of Green and Social Bonds that help to illustrate and support the environmental and social aspects of the Bank's mandate. The EBRD strives for a high standard of sustainable development in all of its operations, as reflected in its mandate, its ESP, its [Sustainability Statement](#) and its commitment to aligning all of its financial flows with the Paris Agreement. All of the Bank's bonds may, therefore, be considered socially responsible investments (SRIs). In response to demand from those in the SRI-focused investor community with portfolios dedicated to thematic investments, the Bank has, since 2010, earmarked portfolios of projects against which the proceeds of its Green Bond Principles (GBP)-aligned Green Bonds and Social Bond Principles (SBP)-aligned Social Bonds are allocated, tracked and reported.

Mindful that it has an investor base that spans six of the seven continents, as well as development-related investments on three continents, the Bank aims to focus on disclosure standards that are consistent in a global context, such as the GRI Standards and reporting metrics recommended by the GBP and SBP. In line with best practice, the Bank has sought to report on the impact of such projects using metrics consistent with the GBP and SBP Harmonised Frameworks for Impact Reporting, where feasible, in this chapter.

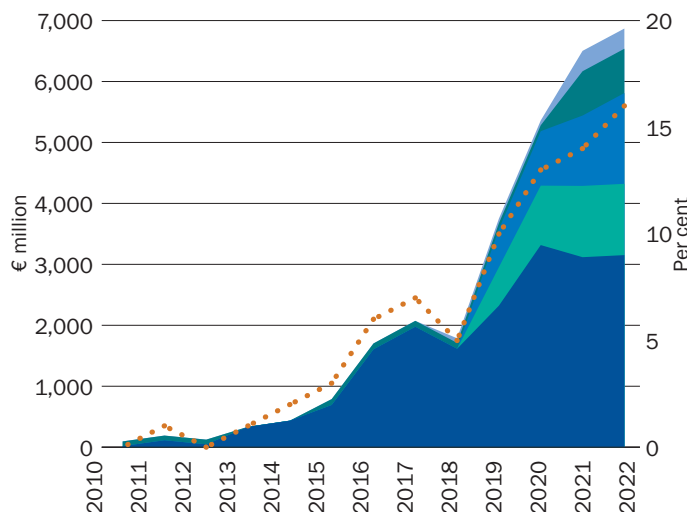
Issuance and theme portfolio overview and 2022 highlights

Overview of EBRD theme bonds



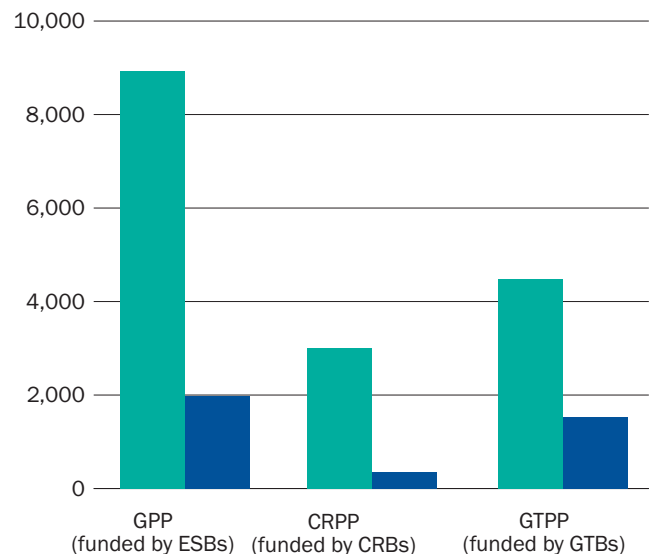
Outstanding issuance overview

- Environmental Sustainability Bond
- Microfinance Bond
- Percentage of outstanding funding
- Green Transition Bond
- Climate Resilience Bond
- Health Bond



Green Bond portfolio commitments € million

- Total portfolio commitments at year end 2022
- Of which new commitments in 2022 - total €3.9 billion



Note: GPP = Green Project Portfolio; CRPP = Climate Resilience Project Portfolio; GRPP = Green Transition Project Portfolio.

The EBRD's Green and Social Bond approach

With the climate emergency very much in focus, there has been growing global recognition of the importance of Green Bond markets as a means to finance environmental projects generally and climate transition investments in particular. The need for significant growth in private and public investments directed to socially sustainable projects is no less urgent, with the growing inequalities in much of the world over the past 30 years further exacerbated by the Covid-19 pandemic and deteriorating economic environment. The encouraging growth in both the demand for and supply of Green and Social Bond issuance in the last couple of years shows the important role these instruments can play in addressing these needs.

The EBRD's Green and Social Bond approach mirrors that of the Bank's overall operations, which emphasises transparency and accountability. Project objectives are assessed by subject matter experts based on the level of ambition and the likelihood of achieving the stated goal. In addition, an independent ex-post MRV process tracks, reviews and verifies impacts and outcomes against ex-ante metrics agreed at the project approval stage. Theme bonds further benefit from the EBRD's holistic approach, which aims to ensure that all projects are assessed not only for their specific green and/or social benefits (such as energy efficiency), but also from broader integrity, governance, environmental and social perspectives. These aspects are reviewed by experts and feed in to key decisions taken by the Bank.

This integrated approach is particularly important given both the Bank's geographic footprint, which covers countries at different stages of development, and the range of challenges faced by diverse economic sectors, which cannot easily be captured within a one-size-fits-all approach. It also explicitly recognises that projects may have cross-cutting (green or social) co-benefits and risks, which are relevant to the context and analysis of the project, as well as for bond investors who may approach the investments primarily through an environmental lens, a social focus, or a combination of both.

This chapter and the data contained in [Annex 6](#) provide additional information enabling investors and other interested parties to conduct the requisite analysis of EBRD Green and Social Bonds.



EBRD Green Bonds

The EBRD issues three different types of Green Bond, all of which are aligned with the GBP. All of the Bank's Green Bonds are underpinned by projects that have been scrutinised by EBRD environmental experts for alignment with the framework established for each Green Bond programme. The Bank's independent Environmental and Sustainability Department (ESD) has the final authority to include or exclude projects. New, eligible projects are required to comply with the strict selection criteria of the relevant framework and must also meet specific hurdles under the GET approach. The EBRD's Green Bonds can take the form of Eurobonds, global bonds and domestic issues in selected markets, similar to the Bank's general debt issuance.

Environmental Sustainability Bonds

The EBRD has issued Environmental Sustainability Bonds (ESBs) since 2010 to allow retail and institutional investors to invest in environmental and sustainable solutions through triple-A rated securities that support state- and private-sector environmental businesses in those economies where the EBRD operates. The proceeds of the bonds are earmarked to support a specific portfolio of environmentally and socially sustainable projects. The Green Project Portfolio (GPP) currently comprises investments in the following two areas:

- climate projects – including facilities targeting substantial energy efficiency and the expansion of renewable energy production in the EBRD regions
- sustainable resource projects – focusing on essential services at national and local municipal levels. Projects include wastewater services, public transport, solid-waste management and district heating.

Climate Resilience Bonds

In 2019, the EBRD issued its first Climate Resilience Bond (CRB) to shine a spotlight on climate adaptation and the need to build climate resilience by mitigating identified physical climate vulnerabilities and risks in both public- and private-sector projects in the economies where it operates. Projects underpinning CRB issuance are investments supporting the following three areas:

- climate resilience infrastructure – including projects focusing on critical infrastructure systems, such as energy, water, transport, communications and the built environment
- climate-resilient business and commercial operations – including projects focusing, for example, on agriprocessing, manufacturing and services, logistics and retail
- climate-resilient agriculture and ecological systems – including projects focusing on primary agricultural production.

Green Transition Bonds

In 2019, the EBRD issued its first Green Transition Bond (GTB) to highlight the importance of financing projects that enable crucial, hard-to-abate sectors of the economy to transition away from their high dependence on the use of fossil fuels to low-carbon and resource-efficient operations. The proceeds of GTBs are specifically earmarked to support Green Transition Project Portfolio (GTPP) investments, comprising:

- energy efficiency
- resource efficiency, including circular economy
- sustainable infrastructure (including low-carbon transport and green logistics).

EBRD Social Bonds

The EBRD issues two types of Social Bond, both of which are aligned with the SBP.

Microfinance Bonds

The Bank issued its inaugural Microfinance Bonds in 2010. The proceeds support the smallest loans provided under the EBRD Small Business Initiative (SBI). The SBI builds on the Bank's long experience in the field and provides flexible instruments that are combined into integrated products to help SMEs. Apart from funding micro-, small and medium-sized enterprises, the financing to financial institutions is mostly earmarked for specific, underserved groups, such as women entrepreneurs and those based outside major cities, or for promoting specific priorities, such as trade, competitiveness or innovation. The Microfinance Bonds fund a select Micro Finance Portfolio (MFP) that is disbursed via the Bank's network of more than 200 local partner financial institutions, helping the EBRD reach hundreds of thousands of companies every year. The average individual sub-loan to the end-client amounts to approximately €11,000. Technical assistance, often through donor funding, typically accompanies these programmes to help local partner banks adapt the way they do business with small clients to support sustainable outcomes.

Health Bonds

In 2018, the Bank issued its inaugural Health Bond.

These finance projects that seek to improve access to and the quality of health services and pharmaceutical products by complementing the existing public health system rather than duplicating infrastructure. The EBRD's Health Bond issuance is linked to the disbursed amount of the Health Project Portfolio. The eligible project investments focus on:

- general hospitals, specialty hospitals, outpatient treatment centres, diagnostic imaging and laboratory facilities, long-term care, medical technology producers and pharmaceutical production
- hospital infrastructure public-private partnerships, which are facility management projects (no medical service provision)
- pharmaceutical production (related to pre-privatisation projects, assisting upgrades of existing pharmaceutical facilities to increase production capacity and process efficiency), facilitating new product development and bringing companies up to Good Manufacturing Practice standards.