

Socially Responsible Investment Opportunity in EBRD Bonds: Focus on the Environment, 2011 Update



European Bank
for Reconstruction and Development

EBRD and commitment to the environment

The European Bank for Reconstruction and Development is committed to promoting environmentally sound and sustainable development in the full range of its investment activities. The EBRD seeks to ensure that the projects it finances:

- Are socially and environmentally sustainable;
- Respect the rights of affected workers and communities; and
- Are designed and operated in compliance with applicable regulatory requirements and good international practices.

Since December 2010 EBRD issued several “**Environmental Sustainability Bonds**”, denominated in Australian Dollar and Brazilian Real for a total of €114 million equivalent. These issues were distributed to Japanese retail and institutional investors. The bonds represent an opportunity to invest in environmental and sustainable solutions through a triple-A security that supports state and private sector environmental businesses in EBRD’s countries of operations. The proceeds of the bond are specifically earmarked to support a portfolio of “green” projects.

How we set the criteria for the Green Project Portfolio

- EBRD’s Environmental and Sustainability, Banking, Treasury and Legal departments established the criteria for the use of proceeds on EBRD’s “green” bonds with reference to widely accepted “green” investment principles.
- EBRD’s Environmental specialists review our committed projects and establish a subset that are consistent with these criteria (the Green Project Portfolio). The only projects included are those where the entire, or substantially the entire amounts disbursed are directed at environmental goals.



The EBRD’s Green Project Portfolio comprises investments in the following areas: energy efficiency, clean energy, water management, waste management, sustainable living, environmental services and public transport.

At the end of December 2011, EBRD’s Green Project Portfolio (GPP) comprised 235 loans across 24 countries of operations, totalling €3.7 billion, of which €2.3 billion was drawn down. The average tenor of the projects was 11 years and the average remaining life was 9.4 years.

The projects in the portfolio include, without limitation, the financing of:

- Renewable energy projects, such as
 - photovoltaic installations, and production of photovoltaic cells/modules
 - installation of wind turbines
 - construction of mini-hydro cascades
 - geothermal and biomass facilities
- Rehabilitation of power and heating plants and transmission/distribution facilities to reduce total greenhouse gas (“GHG”) emissions
- Modernisation of industrial installations to reduce total GHG emissions
- New technologies that result in significant reductions in total GHG emissions, e.g. smart distribution networks
- Fuel-switching from carbon-intensive (coal, heating oil, oil shale) to less carbon-intensive fuels such as natural gas
- Greater efficiency in mass transportation, such as investment in fuel-efficiency (fleet replacement) or more energy efficient infrastructure
- Methane capture on waste landfills and waste water treatment plants
- Rehabilitation of municipal water/waste water infrastructure to reduce water consumption and waste water discharges
- Improvements to solid waste management (minimisation, collection, recycling, storage and disposal)
- Energy efficiency investments in existing buildings (insulation, lighting, heating/cooling systems)
- Investments to improve efficiency of industrial water use
- Sustainable and stress-resilient agriculture, including investments in water-efficient irrigation
- Sustainable forest management, reforestation, watershed management, and the prevention of preventing deforestation and soil erosion

Projects involving the following activities are not eligible for inclusion in the Green Project Portfolio:

- Activities listed on the Exclusion list in Annex 1 of EBRD’s Environmental and Social Policy
- Construction of new large hydropower installations (as defined by ICOLD)
- Nuclear energy generation
- Biofuel production (pending the adoption of internationally recognised sustainability criteria)
- Fossil fuel production and projects with significant consumption of fossil fuels
- Alcohol production, defence-related activities, tobacco industry, stand-alone gambling facilities (*)
- Projects requiring a derogation from the Environmental and Social Policy for not being able to meet the Bank’s environmental and social Performance Requirements within the term of the EBRD transaction

(*) EBRD does not finance any projects in these sectors.

About EBRD

- Established in 1991
- Owned by 63 countries and the EU and the EIB
- AAA/Aaa/AAA (stable outlook) rating by S&P/Moody’s/Fitch, confirmed in December 2011
- Investing in 29 countries from central Europe to central Asia
- Operating Assets of €24.8 billion (1,655 active projects) in 2011
- Approved capital base is €30 billion
- Headquartered in London, UK, with 34 regional offices.
- Only International Financial Institution with an environmental mandate
- €9 billion of projects (380) was invested in 2011.
- 0% risk weighted (Basel II), Global MTN programme, SEC exempt

More information:

Website: www.ebrd.com
Capital markets: <http://www.ebrd.com/pages/workingwithus/capital.shtml>
Sustainability: www.ebrd.com/pages/about/principles.shtml



Disclaimer: This information is provided for discussion only and may not be reproduced or redistributed and does not constitute an invitation or offer to subscribe for or purchase any securities, products or services. No responsibility is accepted in respect of this presentation by EBRD or its directors or employees for its contents. This information is in summary form and does not attempt to give a complete picture of market, financial, legal or other issues. The EBRD is not acting as your advisor or agent and shall have no liability, contingent or otherwise, for the quality, accuracy, timeliness, continued availability or completeness of the information, data, calculations nor for any special, indirect, incidental or consequential damages resulting from use of this material, which is provided on the assumption that you have sufficient knowledge and experience to understand it, are not relying on us for advice or recommendations of any kind and that any decision to adopt a strategy, deal in any financial product or enter into any transaction is based upon your own analysis or that of your professional advisors, whom you shall consult as you deem necessary.

In 2011 the EBRD provided €757 million to new and existing environmental projects, forming part of the GPP



European Bank
for Reconstruction and Development

Supporting green energy generation in the Baltics

Borrower: Graanul Invest, Estonia
Facility: €34.4 million loan
Signed: 31 May 2011
Tenor: 12 years

In May 2011 The EBRD signed and provided a loan to AS Graanul Invest, an Estonia-based wood pellet producer. This 12-year €34.4 million loan will finance the construction of two biomass fuelled combined heat and power ("CHP") plants in Estonia and Latvia, each with a capacity of 6.4MW of electricity and 15MW of heat. The financing will also fund associated energy efficiency investments in Graanul Invest's adjacent pellet plants, improving the operational efficiency of its pellet production. This project is an important continuation of last year's involvement by the Bank in the Baltic power sector, during which it supported major infrastructure investments aimed partly at replacing generation capacity lost after the closure of the Ignalina Nuclear Power plant. This project will not only increase the power generation capacity in Estonia and Latvia, but also contribute to increasing the share of renewable energy in the energy mix of the two countries.



"Promoting renewable energy generation is one of the EBRD's key priorities in the Baltics. This project will diversify the domestic power generation mix of Estonia and Latvia and will set an example of successful business in green energy", said Nandita Parshad, EBRD Director for Power and Energy.

Improving water infrastructure in Romania

Borrower: ApaVital Iași
Facility: €22 million loan
Signed: 7 April 2011
Tenor: 11 and 15 years tranches

Residents of the Romanian county of Iași will gain access to clean water with the support of a €22 million loan provided by the EBRD to ApaVital Iași. The funds are used to part-finance the extension and rehabilitation of water supply and wastewater collection systems in 16 locations across the county. The project is part of the EU Cohesion Funds programme for Iași, worth a total of €136 million. ApaVital Iași, one of the largest water utilities in Romania, provides water and wastewater services to the City of Iași and a number of towns and villages in the county, with a total population of over 800,000. Under the modernisation programme 90 per cent of the county's

population will be serviced by a wastewater collection and treatment system which is compliant with EU regulations and standards. EBRD also provides technical cooperation support for the project.

"This project will bring significant benefits to the citizens of Iași county, raising the standards of water supply and wastewater services. The investment is supporting environmental improvements and the regionalisation of water and wastewater services in line with the EU standards and at affordable tariffs", said Jean-Patrick Marquet, director of Municipal and Environmental Infrastructure at EBRD.



Renewable energy in Romania

Borrower: Cernavoda Power SA and Pester Power SA
Facility: €69.1 million (total EBRD finance)
Signed: 21 June and 11 July 2011
Tenor: 15 years

EBRD is supporting Romania's strategy to increase its renewable energy production by lending a total of €69.11 million to co-finance the construction and operation of the 138 MW Cernavoda I & II wind farms and 90 MW Pester wind farm. Cernavoda Power SA and Pester Power SA are majority owned by EDP Renováveis, the world's third largest wind energy company.



"EDPR is pleased with this agreement and we look forward to developing the relationship with our partners and to continuing to provide safe and

clean renewable energy to Romania", said Ana Maria Fernandes, CEO of EDPR. The Pester and Cernavoda wind farms, located in the Dobrogea region of Romania, will together comprise one of the largest wind farms in the country. The total capacity of 228 MW will represent a third of the total wind generation capacity in Romania.

Modernisation of Russian Railways

Borrower: JSC Russian Railways ("RZD")
Facility: GBP 130 million (€155 million equivalent)
Signed: 15 June 2011
Tenor: 20 years

The EBRD has provided financing to RZD - one of the world's largest transport companies, and also one of Russia's biggest energy users - in the amount of GBP 130 million (€155 million equivalent). The transaction supports the implementation of RZD's energy efficiency and railway stations modernization programmes, covering: i) introduction of advanced integrated energy management systems; and ii) implementation of modern systems and equipment optimising the use of energy for lighting and other operational needs in stationary facilities. Within the EBRD financed activities the focus will be on introducing modern energy efficiency technologies (e.g., LED lighting). The energy audit and the benchmarking methodology will be implemented across a number of selected stationary facilities.

The technical plan developed by the EBRD will support RZD in the definition of its "Smart Station" concept: the development of a set of technologies, applications and operational systems which will improve the interfaces with passengers, enhance the level of comfort and accessibility of railway facilities and reduce the use of energy:



The project follows signing of a Memorandum of Understanding (MoU) in Moscow, in October 2010 by EBRD President Thomas Mirow and Russian Railways President Vladimir Yakunin, outlining how the Bank and Russian Railways plan to increase energy efficiency of RZD. The MOU provides for the establishment of a joint working group to coordinate energy efficiency activities. Both sides pledged to work on developing corporate policies and standards based on international best practise in the railway sector to promote energy efficiency and mitigate RZD's carbon footprint.