

## Climate Resilience Bonds / Green Bond Programme Information Template

**Issuer name: European Bank for Reconstruction and Development (“EBRD”)**

**Date of completion or of latest update: September 2019**

### **GBP component 1: Use of proceeds**

Issuer’s general approach to environmental sustainability:

EBRD’s mandate includes promoting “in the full range of its activities environmentally sound and sustainable development” (Agreement Establishing the Bank, Article 2 vii) – see below link). The “2019 Environmental and Social Policy” (ESP) outlines how the Bank addresses the environmental and social impacts of its projects, determines 10 Performance Requirements (PRs) that apply to projects, and emphasises that the Bank may refrain from financing a project on environmental or social grounds (see below link). An independent Environment and Sustainability Department is responsible for the upkeep of the ESP as well as the Bank’s interpretation and compliance with the policy. Moreover, at COP-21 in Paris, the Bank launched a Green Economy Transition (GET) approach with a strategic target of increasing the volume of green financing from an average of 24 per cent of EBRD annual business investment in the 10 years up to 2016 to 40 per cent by 2020. The GET targets include the delivery of climate change adaptation finance (adaptation finance) and climate resilience investments.

Use of proceeds in EBRD’s Climate Resilience (“CR”) Bonds:

The proceeds of EBRD’s Climate Resilience Bonds are earmarked to support a specific portfolio of climate resilient investments that are consistent with the Climate Resilience Principles launched by the Climate Bond Initiative in September 2019 (<https://www.climatebonds.net/adaptation-and-resilience>).

Projects in the EBRD’s Climate Resilience Portfolio (“CRPP”) are intended to maintain or enhance the resilience of the asset to climate change over its expected operational life, and/or to contribute to the climate resilience benefits of the system in which the asset forms part. Projects in the CRPP will typically fall under one of three categories:

- climate resilient infrastructure (water, energy, transport, urban communications);
- climate-resilient business and commercial operations; and
- climate resilient agriculture and ecological systems.

The expected benefits will be described more fully in the “Focus on Environment” presentation and the annual “Sustainability Report” (see below links).

The CRPP framework allows for refinancing of existing projects, as well as financing new commitments that meet the eligibility criteria. This approach of including refinanced projects has been chosen as the projects in the CRPP have long disbursement periods with a significant time between signing and the first disbursement, especially in relation to infrastructure projects. Thus, as at 30 June 2019, while projects in the CRPP have an average age of approximately 3 years, approximately 50 per cent of the committed amounts have disbursed. Furthermore, the average term of the projects in the CRPP significantly exceeds that of typical bond tenors with a weighted initial average term of investments in the CRPP of over 13 years. Therefore, in directing the proceeds of EBRD’s Climate Resilience Bonds to a CRPP that covers both refinancing of existing projects, as well as new commitments, the EBRD seeks to ensure that the monies are only utilised for their intended climate resilience purposes. The CRPP use of proceeds and impact reporting also includes the average age of the projects in the CRPP.

The proceeds from all of the EBRD’s Climate Resilience Bonds are directed towards the Bank’s CRPP, as provided in the relevant bond documentation (see the “Focus on Environment” presentation or “FAQ – EBRD Climate Resilience Bonds” as per below links). The use-of-proceeds language is reviewed and revised together with the eligibility criteria on a regular basis.

- Agreement establishing EBRD

<http://www.ebrd.com/documents/comms-and-bis/pdf-basic-documents-of-the-ebrd.pdf>

- Implementing the EBRD Green Economy Transition

<https://www.ebrd.com/cs/Satellite?c=Content&cid=1395274396321&pagename=EBRD%2FContent%2FDownloadDocument>

- 2019 Environmental and Social Policy  
<https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html>
- Green investor presentation “Focus on Environment”  
<http://www.ebrd.com/focus-on-environment.pdf>
- 2018 Sustainability Report  
<https://www.ebrd.com/news/publications/sustainability-report/sustainability-report-2018.html>

## GBP component 2: Process for project evaluation & selection

The CRPP, which comprises both new and refinanced projects, is reviewed in its entirety on a quarterly basis. It is compiled using objective and transparent criteria based on consistency with the CBI’s Climate Resilience Principles, together with strict exclusion and inclusion principles. These criteria are reviewed on a regular basis to ensure they remain consistent with climate adaptation and resilient investments, as well as the evolving views and experience of the EBRD’s environmental and climate change experts. The selection process defines clear roles and responsibilities.

Reflecting the significant term to disbursement of CRPP projects, the framework includes CRPP projects undertaken since 2013 and which have not been assigned to the portfolios underpinning EBRD’s environmental sustainability bonds, and social bonds. Exclusion criteria include, for example, fossil fuel production / regeneration / fuel switching; projects that would lead to a significant increase in CO<sub>2</sub> emissions; and any investment that would lock-in fossil fuels or undermine any international or national commitments. There are further exclusions for projects requiring any derogation from the ESP, except in relation to water and wastewater projects that may not meet EU standards immediately, but that will do so longer term. Projects funded via equity, or that are credit impaired are also excluded. For a full description of criteria and related environmental objectives, see below links to the “Focus on Environment” presentation. The selection process is a combination of automated and manual steps, with every project checked and signed off by the Environment and Sustainability Department to ensure compliance with CRPP eligibility and exclusion criteria. We review the CRPP projects quarterly to ascertain whether they are consistent with the criteria established for the CRPP.

Consistent with the Climate Resilience Principles, projects in the CRPP will be subject to ongoing monitoring of climate risks and benefits to ensure that they maintain their climate resilience benefits over time and as climate risks evolve. This requirement further underpins the relevance of more seasoned resilience projects in the CRPP.

- Green investor presentation “Focus on Environment”  
<http://www.ebrd.com/focus-on-environment.pdf>
- EBRD Climate Resilience Bonds frequently asked questions (“FAQ”)  
<http://www.ebrd.com/cs/Satellite?c=Content&cid=1395239596383&d=&pagename=EBRD%2FContent%2FDownloadDocument>

## GBP component 3: Management of proceeds

The net proceeds of the EBRD’s Climate Resilience Bonds are tracked on a euro equivalent basis and the information is made public in the “Focus on Environment” presentation (see below link) in relation to the quarterly update of the CRPP. The EBRD also seeks to ensure that the bond proceeds can be directed in full to its CRPP by limiting the total amount of climate resilience bonds outstanding to 80 per cent of the operating assets of the CRPP. This should ensure that, even if operating assets under the CRPP were to reduce, including through project repayments and prepayments, the total should remain in excess of the net proceeds of all outstanding climate resilience bonds.

In the unlikely event that the issued bond amount exceeds the value of the CRPP, the excess funds will be invested separately in money-market instruments specified in the terms of the bonds until they can be allocated to new projects in the CRPP, which is expected to continue to replenish both through disbursements on committed projects and through new investments in line with the EBRD’s GET strategy. Were outstanding bonds to exceed the CRPP, the frequency of tracking the proceeds and updating the CRPP would be increased.

- Green investor presentation “Focus on Environment”  
<http://www.ebrd.com/focus-on-environment.pdf>

## GBP component 4: Reporting

In relation to the Use of Proceeds, EBRD will report quarterly on the CRPP, which currently comprises approximately 90 projects, on an aggregate basis due to confidentiality restrictions. The CRPP is reported by industry category and country of operations. Further information is provided on the total number of projects, their average remaining life, and the total amount disbursed, which is compared to the outstanding amount of EBRD's climate resilience bonds. Please see the link to the "Focus on Environment" presentation.

Consistent with the Climate Resilience Principles, projects in the CRPP will be subject to ongoing monitoring of climate risks and benefits to ensure that they maintain their climate resilience benefits over time, and as climate risks evolve. This will be reported annually in the "Sustainability Report" and "Focus on Environment" presentation.

In terms of estimated impact reports, the EBRD reports publicly on an annual basis. Please see the link to the "Sustainability Report" and the "Focus on Environment" presentation.

Please also see below links with regards to methodologies used in the impact estimates.

- Green investor presentation "Focus on Environment"

<http://www.ebrd.com/focus-on-environment.pdf>

- 2018 Sustainability Report

<https://www.ebrd.com/news/publications/sustainability-report/sustainability-report-2018.html>

- How to implement our performance requirements

<http://www.ebrd.com/who-we-are/our-values/environmental-and-social-policy/implementation.html>

- Implementing the EBRD Green Economy Transition

<http://www.ebrd.com/cs/Satellite?c=Content&cid=1395274396321&pagename=EBRD%2FContent%2FDownloadDocument>

- European Financing Institutions Working Group on Adaptation to Climate Change (EUFIWACC) Guide on Integrating Climate Change Information and Adaptation in Project Development: Emerging Experience from Practitioners

<http://www.ebrd.com/cs/Satellite?c=Content&cid=1395250899650&d=&pagename=EBRD%2FContent%2FDownloadDocument>

## GBP recommendation: External review

EBRD's Environment and Sustainability Department and Treasury established the underlying criteria for projects to be designated as part of the CRPP. The Environment and Sustainability Department reviews the CRPP projects at least quarterly to ensure they are consistent with the criteria established for the CRPP.

EBRD has not yet undertaken a second opinion for its CRPP Bond Programme, however, all but the process for selection of the underlying projects will mirror the process applied for EBRD's Environmental Sustainability Bond Programme, for which a second opinion was published. See below link.

EBRD undertakes internal assurance that all CRPP projects comply with EBRD's Environmental and Social Policy (ESP) and Performance Requirements (PRs), and other requirements, through supervision and monitoring at project level. The EBRD is committed to enhancing the transparency of its activities, reinforcing its accountability and ensuring high standards of governance. These principles are embodied in the EBRD's Public Information Policy (PIP), and reinforced by EBRD's Project Complaint Mechanism (PCM).

Please provide related online information if available:

- EBRD Public Information Policy

<http://www.ebrd.com/what-we-do/strategies-and-policies/public-information-policy.html>

- EBRD Project Complaint Mechanism

<http://www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism.html>

- Second Opinion from CICERO – July 2013

<https://www.ebrd.com/cs/Satellite?c=Content&cid=1395240394682&d=&pagename=EBRD%2FContent%2FDownloadDocument>

**Additional information**

Please provide any further information you may deem appropriate: