

Environmental Sustainability Bond / 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 and EBRD’s Commitment to Sustainability) – see below links). 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 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’s annual business investment in the 10 years up to 2016 to 40 per cent by 2020.

Use of proceeds in EBRD’s Environmental Sustainability Bonds:

The proceeds are earmarked to support a specific portfolio of green projects (the “Green Project Portfolio” or “GPP”), which currently comprises investments in the following 5 areas:

- Energy Efficiency;
- Renewable Energy;
- Water Management;
- Waste Management and;
- Pollution prevention and Sustainable Transport.

Environmental benefits of projects in the GPP are described in the “Focus on Environment” presentation and the annual “Sustainability Report” (see below links).

The GPP 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 GPP 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 GPP have an average age of approximately 3 years, approximately 55 per cent of the committed amounts have disbursed. Furthermore, the average term of the projects in the GPP significantly exceeds that of typical bond tenors (see next section). Therefore, in directing the proceeds of EBRD’s Environmental Sustainability Bonds to a GPP 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 green purposes. The GPP use of proceeds and impact reporting also includes the average age of the projects in the GPP.

The proceeds from all of the EBRD’s Environmental Sustainability Bonds are directed towards the Bank’s GPP, as provided in the relevant bond documentation (see “Focus on Environment” or “FAQ” 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>

- EBRD – Commitment to Sustainability

<http://www.ebrd.com/ebrd-commitment-to-sustainability.pdf>

- 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 GPP is compiled using objective and transparent criteria based on strict exclusion and inclusion principles. These criteria are reviewed on a regular basis to ensure they remain consistent with investor and market requirements for green investments, as well as the evolving views and experience of the EBRD's environmental experts. The selection process defines clear roles and responsibilities, and has been reviewed by EBRD's internal audit.

Reflecting the significant term to disbursement of GPP projects, the framework includes GPP projects undertaken within the last 10 years and which have not been assigned to the portfolios underpinning EBRD's other Green Bond issuance, and social bonds. A key criterion in the framework ensures that only projects in which 90 per cent or more of the proceeds are directed to environmental purposes are eligible. Our exclusion criteria include, for example, fossil fuel production /regeneration /fuel switching, large scale hydropower, projects funded via equity, or projects that are credit impaired. For a full description of criteria and related environmental objectives, see below links to "Focus on Environment" or "Sustainability Report". 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 GPP eligibility and exclusion criteria. We review the GPP projects quarterly to ascertain whether they are consistent with the criteria established for the GPP.

- 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>

- EBRD's Green Bonds and GPP, 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 Environmental Sustainability 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 GPP. The EBRD also seeks to ensure that the bond proceeds can be directed in full to its GPP by limiting the total amount of Environmental Sustainability Bonds outstanding to 80 per cent of the GPP.

In the unlikely event that the issued bond amount exceeds the value of the GPP, the excess funds will be invested separately in money market instruments specified in the terms of the bonds until they can be allocated to projects in the GPP, 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. In such a case, the frequency of tracking the proceeds and updating the GPP would be increased.

- Green investor presentation "Focus on Environment"

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

GBP component 4: Reporting

EBRD reports quarterly on the GPP, which currently comprises over 350 projects, on an aggregate basis due to confidentiality restrictions. The GPP is reported by environmental category, industry 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 environmental sustainability bonds. Please see link to "Focus on Environment".

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

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>
- Guidance on EBRD’s methodology for assessing greenhouse emissions
<http://www.ebrd.com/cs/Satellite?c=Content&cid=1395258435436&d=&pagename=EBRD%2FContent%2FDownloadDocument>
- Framework for a Harmonised Approach to GHG Accounting
<http://www.ebrd.com/cs/Satellite?c=Content&cid=1395250240579&d=&pagename=EBRD%2FContent%2FDownloadDocument>
- Based on the above Framework – Sector approaches for Renewable Energy, Energy Efficiency and Transport
<http://www.ebrd.com/cs/Satellite?c=Content&cid=1395250240676&d=&pagename=EBRD%2FContent%2FDownloadDocument>
<http://www.ebrd.com/cs/Satellite?c=Content&cid=1395250240732&d=&pagename=EBRD%2FContent%2FDownloadDocument>
<http://www.ebrd.com/cs/Satellite?c=Content&cid=1395250240476&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 GPP. The Environment and Sustainability Department reviews the GPP projects at least quarterly to ensure they are consistent with the criteria established for the GPP.

EBRD’s Environmental Sustainability Bond Programme as described above has not changed markedly since its last second opinion was published. See below link.

EBRD undertakes internal assurance that all GPP 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:

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

Additional information

Please provide any further information you may deem appropriate: