

Green Transition 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 Sustainability Statement) – 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 upkeep of the ESP as well as the Bank’s interpretation and compliance with the policy.

Issuer’s approach to Green Transition (“GT”):

The carbon intensity and environmental vulnerability of EBRD’s region makes it especially exposed to climate-related risks. To that end, 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.

To address this challenge, EBRD recognises that there is an urgent need for projects to go beyond supporting assets that are considered already to be low carbon e.g. renewable energy, to finance investments in those sectors of the economy that today are highly dependent on the use of fossil fuels, thereby enabling them to transition to low carbon and resource-efficient operations. Typically, such GT Projects relate to manufacturing (for instance, by decarbonising the production of chemicals, cement and steel); food production (by reducing energy and resource usage and/or promoting sustainable land use); investments in sustainable infrastructure (including by increasing the efficiency and flexibility in power transmission systems and projects that support the transition to low/no carbon transport and mobility systems); as well as construction and renovation of buildings (to improve resource efficiency). GT projects finance significant improvements in resource usage, for instance by lowering the carbon intensity through energy efficiency measures or through the replacement of a high carbon asset by a lower carbon asset.

GT projects are required to be implemented in the broader context of improved climate governance of the related organisation or company, and should ensure that financing is redirected from carbon intensive assets and/or processes towards enabling the countries in which the projects are situated to fulfill their Paris Agreement objectives.

Use of proceeds in EBRD’s GT Bonds:

The proceeds of EBRD’s GT bonds are earmarked to support a specific portfolio of environmentally and socially sustainable projects (the “Green Transition Project Portfolio” or “GTPP”), which currently comprises investments in the following 3 areas:

- Energy Efficiency;
- Resource Efficiency (including circular economy adapted products); and
- Sustainable Infrastructure (including low carbon transport, and green logistics).

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

The GTPP 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 GTPP have long disbursement periods with a significant time between signing and the first disbursement, which in combination with typical 3-5 year bond tenors would otherwise likely lead to proceeds being directed to money-market investments rather than green projects for at least half the life of the bond. Furthermore, the average term of the projects in the GTPP significantly exceeds that of typical bond tenors, with a weighted initial average term of investments in the GTPP

of over 10-12 years. Therefore, in directing the proceeds of EBRD's GT bonds to a GTPP 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 purposes. The GTPP use of proceeds and impact reporting also includes the average age of the projects in the GTPP.

The proceeds from all of the EBRD's GT bonds are directed towards the Bank's GTPP 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 the EBRD
<http://www.ebrd.com/documents/comms-and-bis/pdf-basic-documents-of-the-ebrd.pdf>
- EBRD's Sustainability Statement
<http://www.ebrd.com/ebrd-commitment-to-sustainability.pdf>
- Implementing the EBRD's Green Economy Transition Approach
<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 GTPP 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 green transition investments, as well as the evolving views and experience of the EBRD's environmental experts. The selection process defines clear roles and responsibilities.

Reflecting both the adoption of the Bank's GET strategy at the end of 2015 and the significant term to disbursement of GTPP projects, the framework solely includes GT projects undertaken since 2016 and which have not been assigned to the portfolios underpinning EBRD's environmental sustainability bonds, climate resilience bonds, and social bonds. Exclusion criteria include, for example, upstream fossil fuel production, new standalone fossil fuel electricity production, transportation of thermal coal and oil, as well as any project that would undermine climate change mitigation objectives were a carbon intensive asset or process to be locked in for the longer term; and projects that would undermine climate resilience. The GTPP will also exclude 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 GTPP eligibility and exclusion criteria. We review the GT projects quarterly to ascertain whether they are consistent with the criteria established for the GTPP.

- 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 Green 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 GT 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 GTPP. The EBRD

also seeks to ensure that the bond proceeds can be directed in full to its GTPP by limiting the total amount of green transition bonds outstanding to 80 per cent of the GTPP. This should ensure that, even if operating assets under the GTPP were to reduce, including through project repayments and prepayments, the total should remain in excess of the net proceeds of all outstanding GT bonds.

In the unlikely event that the issued bond amount exceeds the value of the GTPP, 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 GTPP. In such a case, the frequency of tracking the proceeds and updating the GTPP 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 GTPP, which currently comprises approximately 40 projects, on an aggregate basis due to confidentiality restrictions. The GTPP 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 GT 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 GTPP. The Environment and Sustainability Department reviews the GTPP projects at least quarterly to ensure they are consistent with the criteria established for the GTPP.

EBRD has not yet undertaken a second opinion for its GT 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 GTPP projects comply with EBRD's Environmental and Social Policy (ESP) and Performance Requirements (PRs), and other requirements, through supervision and monitoring at project level. Notwithstanding these requirements, a water and/or wastewater project may be included in the GTPP when it has

required a derogation from the ESP and/or PRs if the project does not meet EU standards immediately, but must meet them longer term.

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: