



European Bank  
for Reconstruction and Development

# SUSTAINABILITY REPORT 2018



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# SECTION 1: Introduction

## 1.1 What is sustainability for the EBRD?

Our commitment to sustainability is articulated in the Agreement Establishing the Bank. It is implemented through policies, strategies and initiatives that are developed in response to emerging challenges and the evolving international context. The EBRD's mandate to foster transition towards market-oriented economies and to promote private and entrepreneurial initiatives is inextricably linked to our commitment to sustainable development.

The EBRD's sustainability mandate is translated into operational activities in the Bank's policies and strategies. In our operations, we strive for a high standard of sustainability and environmental and social benefits and equitable access to those benefits.

We are committed to aligning our operations, country and sector strategies and projects to support the regions where we invest in achieving their goals to deliver sustainable and inclusive economies. We are committed to work with our clients, governments, development institutions and a wide range of stakeholders to help the economies where we invest fulfil their commitments to the global sustainability agenda.

Our approach to sustainability is multifaceted and involves:

- incorporating **environmental and social requirements** into the appraisal and implementation of all Bank-funded projects based on European Union (EU) standards and international good practice
- providing finance and technical assistance specifically aimed at promoting **environmental and social benefits**
- promoting **social inclusion** and **access to municipal services** such as water and public transport
- supporting projects that promote **gender equality**
- providing **consultation** and **information disclosure**, and maintaining regular strategic **dialogue with civil society organisations and other stakeholders**
- ensuring that we are **accountable** to our stakeholders.

You can find more details of the EBRD's Sustainability Approach [here](#).

## 1.2 About this report

Our *Sustainability Report 2018* explores the many ways we have created sustainable impact over the year. Our projects have boosted the green economy, used resources and energy more efficiently and made a real difference to the daily lives of millions of people across three continents. We have worked with our clients to promote gender equality and social inclusion and have conducted policy engagement to facilitate countries' shifts towards greater inclusivity and sustainable growth.

This report provides examples of this work and demonstrates the impact that the EBRD can achieve. It gives a breakdown of our Sustainability Bond programme and the Green Project Portfolio it supports; provides transparency and assurance for all stakeholders; and describes how the EBRD is managing its own environmental footprint. This year's report also includes a list of climate finance projects and expanded reporting on Taskforce on Climate-related Financial Disclosures (TCFD).

## 1.3 The Sustainable Development Goals

The **Sustainable Development Goals (SDGs)**, which were adopted by the United Nations and 193 member countries in 2015, reflect a global vision of progress to transform societies and economies to have a safe, equitable and sustainable future. The SDGs are aligned with the EBRD's belief that a well-functioning market economy should be **competitive, well-governed, green, inclusive, resilient** and **integrated**. We are committed to helping the economies in which we invest meet these transition qualities and support the targets and outcomes defined by the SDGs.

We believe the EBRD provides particular value to the SDGs through our work on Gender Equality (Goal 5), Clean Water and Sanitation (Goal 6), Affordable and Clean Energy (Goal 7), Decent Work and Economic Growth (Goal 8), Industry, Innovation and Infrastructure (Goal 9), Reduced Inequalities (Goal 10), Sustainable Cities and Communities (Goal 11), Responsible Consumption and Production (Goal 12) and Climate Action (Goal 13).

We are committed to helping countries in their efforts to implement the SDGs. This report includes examples of how the EBRD is investing in the water supply, waste management, clean energy and public transport of our countries. We are working with governments, municipalities and the private sector to promote gender equality, decent work and respect for human rights. Our policy engagement is targeting issues including resource efficiency and a move towards a circular economy. All of these activities support the targets and objective of the SDGs while being fully aligned with the EBRD's transition mandate.

## 1.4 Impact in numbers

### Key operational results in 2018

€ 3.34

billion GET ABI

through

190

projects

GET accounted for

36 %

of the Bank's total ABI

7.1

million tonnes\* expected  
annual CO2 emission reductions

\*Of this figure, 3 MtCO2-equivalent is the expected net emissions reduction resulting from the completion of the TAP natural gas pipeline. This project will deliver up to 10.4 billion cubic metres of natural gas to Europe after 2020, which will contribute to the reduction of the carbon intensity and energy mix in the end-user markets, notably in the Greek and Bulgarian power sectors. Consumption of this gas will result in gross emissions of around 22 MtCO2-equivalent per year.

## 1.5 2019 and beyond

We are setting ourselves increasingly ambitious goals in support of the global development agenda as we further the transition process in our regions – strengthening the private sector and market economies by investing in lasting change on three continents. A plan agreed with shareholders in 2018 will see the EBRD increase both the quality and quantity of its projects within the next two years.

Boosting the green economy is an important focus for the future and we are well on our way to meeting a target of 40 per cent green financing by the end of 2020.

As part of our overarching commitment to sustainability we will continue to work on our governance policy revision process and MDB Paris alignment programmes which will be presented at COP25 in 2020. We will also be continuing efforts to improve our environmental footprint, including a review of our in-house carbon footprint and scoping for an environmental management system as part of our overarching commitment to sustainability. Our focus in the year ahead is even more firmly on implementing our enhanced approach and delivering impact in our regions.

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*“Our investments are designed to foster sustainable and inclusive growth, the sort of growth that will guarantee the best return for people, the environment and investments over the long run. In 2018, our focus on sustainability further anchored our commitment to the green economy. As we continue to nurture our vision for sustainability, we look to the year ahead with ever-greater optimism.”*

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**Sir Suma Chakrabarti**

# SECTION 2: Social impact

## Introduction

Addressing inequality in all its forms and supporting the inclusion of all people – whatever their gender, socioeconomic background or age – is a key part of the work we do. We are committed to the respect of human rights and believe that our social impact promotes sustainable growth and businesses, and benefits the wider community.

## 2.1 Gender and inclusion

We support our clients across all sectors to diversify their workforces, offering high-quality local training, improving access to finance, creating opportunities for employment and promoting equitable access to key services.

In 2018, the Bank signed over 50 projects addressing gender, youth and regional inclusion. Nearly two-thirds of these projects had a specific focus on gender equality, while the others sought to enhance access to employment, skills and services for young people, refugees, and other groups.

### Key achievements

#### 1,452 women trained in new skills:

- 284 women entrepreneurs trained in key entrepreneurial skills development courses, ASB
- 209 advisory projects with women-led SMEs undertaken, ASB
- 74 women enrolled in the mentoring programme, ASB
- 872 women completed Business Lens assessment, ASB
- 13 women trained, Osh bus project.

#### 100 plus youth trained:

- 100 plus Syrian refugees trained at Abdali Mall, Jordan

#### 1,500 local women and men in the more underserved regions received training and gained new skills:

- 1,500 hazelnut farmers in the eastern and western Black Sea regions of Turkey were trained and certified under the “Good Agricultural Practices Programme”, Olam project Peyman

#### 900 people trained on gender-inclusive awareness and capacity-building:

- capacity-building of 35 policymakers, justice sector professionals and business representatives – Jordan gender TC
- capacity-building of 65 representatives from the government, EBRD clients, international financial institutions (IFIs), business associations and civil society – Tajikistan TC
- 800 staff across three sites trained on anti-gender based violence concepts, Tredas project
- 11 Regional Gender Champions trained for Centerra, project.

## Case studies

### EBRD supports gender equality in Kazakhstan SDG5

Labour laws in Kazakhstan contain a Soviet-era list of jobs which women cannot hold, a situation largely unchanged in 40 years. The Minister for Labour and Social Protection signed a legislative order in 2018 to remove more than 75 roles from this list. Jobs now open to women include: bulldozer, grader and locomotive driver, asphalt and concrete worker, metal pourer, boilermaker, hoist operator, crane operator, mechanic and electrician.

### EBRD closes youth gaps in Turkey SDG10

We are supporting Turkish retailer Migros to improve skills and employment opportunities for young people through its retail academy. At least 2,000 young people will be trained. Migros is also working towards redressing gender imbalances which persist in Turkey. Migros will also take part in our inclusion policy engagement in Turkey, including in the public-private sector steering group supporting the development of training and skills standards in manufacturing, retail and agribusiness.

### EBRD promotes skills development in Jordan SDG10

This year, we successfully launched the first Hospitality and Tourism Skills Council in Jordan, designed to bring together public and private sector representatives to design skills standards, and plan curricula and training programmes to support the development of skills required in the industry.

## 2.2 Human rights

### Introduction

We are committed to the respect of human rights in our lending operations. We require clients, in their business activities, to respect human rights, avoid infringement on the human rights of others, and address adverse human rights risks and impacts. Our environmental and social standards integrate a broad range of human rights considerations related to the environment; health, safety and security for workers and communities; land acquisition and livelihoods; vulnerable groups; cultural heritage; and stakeholder engagement.

Our processes for environmental and social due diligence, impact mitigation and monitoring of projects, as well as our requirements for information disclosure and the provision of an independent accountability mechanism, are aligned with the corporate responsibility to respect human rights enshrined in the United Nations Guiding Principles for Business and Human Rights (UNGPs).

We are continuously improving our policies, processes and guidance in line with good international practice and our tools to identify human rights risks early in the project appraisal process.

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***“Forced labour cannot be tolerated under any circumstance, but we recognise that tackling it can present an extraordinary challenge for our clients, especially where it occurs in lower tiers of supply and contracting chains.”***

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**Alistair Clark, EBRD Managing Director  
for Environment and Sustainability**

### Modern slavery

We understand the potential risks of forced labour and human trafficking via the investments we make, particularly where our investees rely on third-party contractors and supply chains. In December 2018 we, in collaboration with CDC, IFC and DFID, published a [Good Practice Note](#) offering our clients practical guidance to help identify and address forced labour risks.

Alistair Clark, Managing Director for Environment and Sustainability at the EBRD said: “Forced labour cannot be tolerated under any circumstance, but we recognise that tackling it can present an extraordinary challenge for our clients, especially where it occurs in lower tiers of supply and contracting chains.”

In 2018 we started working with a number of agribusiness clients in Central Asia to build capacity and better understanding of how to map suppliers and associated risks and develop measures to prevent or mitigate forced labour risks. This work will continue over the next year.

We also delivered training to our colleagues working in our Resident Offices in Kazakhstan and Uzbekistan and laid the ground for technical cooperation aimed at improving local consultants' capacity to conduct supply chain labour risk assessments in the region.

### Gender-based violence

In April 2018, the EBRD released a joint statement as part of a group of 10 IFIs to reaffirm our commitment to prevent sexual harassment, sexual exploitation and abuse, both within our own institutions and in our operations. The statement recognised the important role IFIs play in both the example they set in their own institutional practices and in the standards they adopt in their projects and operations, and the group committed to further advance standards through a set of joint principles. During 2019, the EBRD will work with IFC and CDC Group to develop good practice guidance in a joint publication and deliver training both internally and externally to build capacity to identify and manage gender-based violence risks in our operations.

### Retaliation guidelines

Respect for human rights means creating an environment where stakeholders can freely engage with us and with our clients. Civil society organisations (CSOs) and project-impacted stakeholders must be able to provide us with feedback, voice opposition, and raise concerns to ensure that environmental and social impacts in EBRD-financed projects are avoided, minimised or mitigated appropriately.

In 2018, we developed internal guidelines on the handling of allegations of retaliation for criticism and complaints related to EBRD projects and we will raise awareness among EBRD staff during 2019 to ensure their proper implementation.



# SECTION 3: Impact in the green economy

## Introduction

We are changing lives and the environment, providing finance for high-impact projects with environmental benefits that support, most notably, climate adaptation, and cleaner energy sources. We finance these through our Green Economy Transition (GET) approach which is helping create low carbon and resilient economies in our regions. Some 80 per cent of GET projects are financed through direct investments using our unique business model financing green investments, mobilising concessional financing, engaging in policy dialogue and facilitating technical support.

## 3.1 Green Economy Transition

### Introduction

The EBRD is an international leader in the transition to a green economy with its Green Economy Transition (GET) approach building on over a decade of successful climate, resource efficiency and environmental investments. When we launched GET at the end of 2015, we sought to increase the Bank's volume of green financing from an average of 25 per cent of our Annual Bank Investment (ABI) over the last decade to 40 per cent by 2020. At the end of 2018 we achieved 36 per cent.

The GET approach builds on more than two decades of experience in financing green investments, with an initial focus on energy efficiency and renewable energy. This was later expanded to resource efficiency and climate resilience, thereby putting investments that bring environmental benefits at the heart of our mandate.

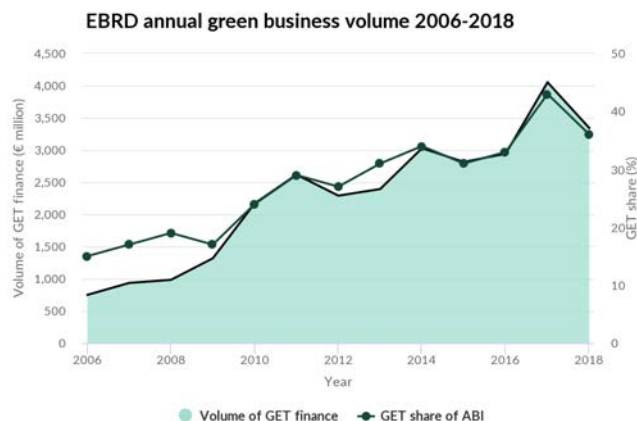
The EBRD uses a unique business model of financing green investments, mobilising concessional financing, engaging in policy engagement and facilitating technical support.

### Key operational results in 2018

- **€3.34 billion GET ABI** through **190 projects**
- GET accounted for **36 per cent** of the Bank's total ABI
- **7.1 million tonnes\*** expected annual CO<sub>2</sub> emissions reductions

\*Of this figure, 3 MtCO<sub>2</sub>-equivalent is the expected net emissions reduction resulting from the completion of the [TAP](#) natural gas pipeline. This project will deliver up to 10.4 billion cubic metres of natural gas to Europe after 2020, which will contribute to the reduction of the carbon intensity and energy mix in the end-user markets, notably in the Greek and Bulgarian power sectors. Consumption of this gas will result in gross emissions of around 22 MtCO<sub>2</sub>-equivalent per year.

### Key operational results 2006-18



### GET SUMMARY – Key operational results since 2006–18

- **€29.6 billion GET ABI** through almost **1,600 projects**
- **97 million tonnes of CO<sub>2</sub>** expected emissions reductions per year (equivalent to more than annual energy emissions of Romania)
- **31.8 million tonnes of oil equivalent** of energy saved per year
- **332 million m<sup>3</sup>** of water savings per year

### Impact 2018

GHG reduced	Mt/y	7.1
Water saved	million m <sup>3</sup> /y	126
Renewable electricity produced	million MWh/y	2.3
Renewable capacity installed	MW	877
Primary energy saved	million GJ/y	27.6

## 3.2 A new energy strategy

In December 2018 the EBRD adopted an energy sector strategy for 2019-23. The strategy emphasises the scaling-up of investment in renewables, supporting the integration of energy systems, promoting the switch to cleaner and more resilient energy sources and facilitating electrification as a means to clean up the economies where the Bank invests, which include some of the least energy-efficient and most polluting regions in the world.

Consistent with this direction the strategy confirms that the Bank will no longer finance thermal coal mining or coal-fired electricity generation. The Bank will also stop funding any upstream oil exploration, and will not finance upstream oil development projects except in exceptional circumstances, where such investments reduce greenhouse gas emissions.

Nandita Parshad, EBRD Managing Director, Energy and Natural Resources, said: “The challenges posed by climate change and poor air quality require a fundamental shift away from hydrocarbons to cleaner energy sources. This is the goal of our new energy sector strategy: to decarbonise the power sector with a move away from the most polluting fuels. As investors and facilitators of policy reform, we are committed to promoting environmentally sound and sustainable development and are ideally placed to deliver this transition.”

## 3.3 Investing in the green economy

### Renewable energy

In 2018, we invested €486 million into **renewable energy**. Helping develop low-carbon sources of electricity is one of the ways the EBRD can contribute most directly to mitigating climate change. In 2018 we supported wind, solar, hydro and biogas projects across our regions.

### Case study

#### EBRD invests in desert solar power SDG7

The Bank provided a loan of US\$ 30.6 million to Desert Solar Power One LLC to support the construction of a 30MW solar photovoltaic (PV) power plant located in the Sainshand Soum in Mongolia. It is expected that it will decrease the country's dependency on old and highly polluting coal-fired combined heat and power plants and that it will reduce CO<sub>2</sub> emissions by 47,606 tonnes per year.

## EBRD Green Cities

EBRD Green Cities strives to build a better and more sustainable future for cities and their residents. Launched in 2016 and building on our extensive experience investing in municipal infrastructure, the programme identifies, prioritises and connects cities' environmental challenges with sustainable infrastructure investments and policy measures.

The programme has mobilised over €1 billion in EBRD and donor support, and has signed 16 projects to help support cities to develop their Green City Action Plans (GCAPs). Since its inception, the programme has reduced annual GHG emissions in EBRD cities by 370,000 tonnes CO<sub>2</sub> e, which is equivalent to permanently removing around 100,000 cars from the road. In December 2018 we launched the [EBRD Green Cities website](#), which provides details and up-to-date information on the programme and GCAPs.

EBRD Green Cities has three central components:

1. Green City Action Plan: assessing and prioritising environmental challenges, and developing an action plan to tackle these challenges through policy interventions and sustainable infrastructure investments. Three GCAPs have been completed in Yerevan, Tbilisi and Tirana and another 11 are under way in cities from Central Asia to the SEMED region.
2. Green sustainable infrastructure investment: facilitating and stimulating public or private green investments in water and wastewater, urban transport, district energy, energy efficiency in buildings, solid waste management and other interventions that improve the city's adaptation and resilience to climate shocks.
3. Capacity-building: providing technical support to city administrators and local stakeholders to ensure that infrastructure investments and policy measures identified in GCAPs can be developed, implemented and monitored effectively.

## Case studies

### Energy efficient refurbishment of Zenica Cantonal Hospital SDG11

We provided €10 million to the government of Bosnia and Herzegovina under the Green Cities Framework. Proceeds will finance the energy efficient refurbishment of the hospital, supplemented by a €1 million investment grant from the Regional Energy Efficiency Programme for the Western Balkans.

See video here: <https://www.ebrd.com/news/video/preparing-zenica-hospital-for-the-future.html>

#### EBRD boosts sanitation infrastructure in Lviv SDG12

We provided a €20 million loan to Zelene Misto, a municipal solid waste operator in Lviv, Ukraine. The funds will allow the rehabilitation of Hrybovychi landfill and the building of a mechanical and biological treatment facility. This investment will improve the efficiency of the solid waste management system, including the separation and collection of recycling material. It will also contribute to the city's targeted 20 per cent reduction in CO<sub>2</sub> emissions by 2020.

### Resource and energy efficiency

Energy efficiency is critical for a country's economy. It lowers CO<sub>2</sub> emissions, supports energy security and enhances competitiveness. Using resources more efficiently reduces waste, protects the environment and makes businesses profitable. In 2018 EBRD invested over €1 billion in projects that promote energy and resource efficiency. Our 2018 projects in energy and resource efficiency have included:

### Case studies

#### Türkiye Materials Marketplace SDG12

This cloud-based circular economy platform, facilitates cross-industry materials re-use among Turkish companies and communities. As of December 2018, it had 60 member companies in Turkey. Five material exchanges had taken place through the platform – four involved exchange of electronic wastes (fluorescent bulbs, toner cartridges and IT equipment), the other involved eggshell waste bought by a chemical company to produce natural food preservative.

#### Green Innovation vouchers scheme in Ukraine SDG12

In 2018 our innovation voucher schemes, which promote resource efficiency and the use of green technologies, supported 29 projects in Serbia and 26 projects in Ukraine worth a combined €1,300,000. Innovation vouchers are grants that can be used by companies to purchase R&D services from local providers, enabling participating companies to raise their environmental performance and competitiveness. The aim of the schemes is to support the development of innovative products and services that come from various sectors including precision agriculture, e-mobility, waste management, renewables and eco-friendly products.

### Finance and Technology Transfer Centre for Climate Change (FINTECC)

Our Finance and Technology Transfer Centre for Climate Change (FINTECC) programme helps companies implement cutting edge technologies that reduce GHG emissions, water, energy or material consumption, or assist clients in becoming more resilient to the effects of climate change. FINTECC's objective is to raise awareness and support the adoption of these innovative technologies which, despite having significant carbon reduction benefits, have not yet become popular in the economies where we invest. The programme helps spread their use through grants, policy engagement and technical cooperation. The programme is funded by the Global Environment Facility (GEF), the European Union (EU) and the EBRD Shareholder Special Fund (SSF).

Since the launch of the FINTECC programme in 2014, 42 projects have been signed that include a FINTECC component, for a total investment by the EBRD of over €135 million. In 2018, 10 new projects were signed resulting in a CO<sub>2</sub> emission saving of over 45,000 tonnes per year.

### Case study

#### Nova Poshta SDG9

The Bank provided a loan of €9.5 million to Nova Poshta LLC, the largest private postal operator in Ukraine. The proceeds will be used to automate the existing infrastructure to optimise the supply chain. The project is also supported by the FINTECC programme which helped the firm upgrade to a 24-hour automated sorting process, which divides parcels into different streams and allows a shorter loading process. The project will allow CO<sub>2</sub> emission reductions of 1,600 tonnes per year.

### Green Economy Financing Facilities (GEFFs)

Our Green Economy Financing Facilities (GEFFs) support businesses and homeowners to invest in green technologies. Over €4 billion worth of climate finance has already been used to invest in more than 165,000 green technology upgrades, collectively avoiding more than 8 million tonnes of CO<sub>2</sub> emissions per year. This has been achieved through a network of more than 140 local financial institutions across 26 countries.

### 2006-18 in numbers

Since 2006, this programme has achieved:

- €4.3 billion signed with around 140 partner finance institutions (PFIs) in 26 countries since 2006
- €4.02 billion disbursed to PFIs as of the third quarter of 2018
- Over 165,000 investments (sub projects) in the small and medium-sized enterprise (SME), corporate and residential sectors
- 8.4 million tonnes of CO<sub>2</sub>e avoided per year from GEFF projects.

## Technology Catalogue

In May 2018 the EBRD launched the Technology Catalogue, an online shopping-style platform that helps vendors of green technologies to connect with businesses and homeowners. The platform is vendor driven for the registration of technologies that outperform current industry peers. Experts hired by the EBRD verify the performance and availability of these technologies before they are listed. These best-in-class technologies from around the world lead to clear-cut efficiency gains and serve as a basis for market-specific “Technology Selector” platforms.

Watch the video <https://www.youtube.com/watch?v=TIT59tBm9Y8&t=2s>

## Case studies

In 2018 we launched seven major GEFF initiatives in countries ranging from Poland to Lebanon.

- EBRD and Bank Audi partner for first green finance project in Lebanon
- EBRD lends €6 million to Union Bank to boost green energy investments in Albania
- EBRD and partners launch energy efficiency programme for Serbian homes
- EBRD launches energy efficiency programme for homes of North Macedonia
- EBRD launches energy efficiency framework for homes in Kosovo
- First EBRD loan under new €350 million green facility
- EBRD finances green investments at Poland's Millennium Leasing

## Green Trade

As part of our efforts to promote the development of the green economy we support trade in higher performance technologies.

Since 2016, our Trade Facilitation Programme (TFP) has been implementing the Green TFP: an innovative marketing initiative which aims to stimulate the supply of green technologies into the economies where we invest, particularly into markets where demand is generated via the GEFFs.

Over the course of 2018, the Green TFP has contributed more than €100 million in GET financing. More than 190 Green TFP transactions have been financed in 10 EBRD economies, resulting in estimated annual energy savings of 187,028 MWh, water savings of 1,573,133m<sup>3</sup> and emissions reductions of 60,133 tonnes CO<sub>2</sub> e.

Notable transactions in 2018 have included the import of LED lighting from Belgium to Cyprus, the import of ground source heat pumps from Sweden to Serbia, the import of agricultural machinery and equipment from Austria to Moldova and from France to Ukraine; as well as transactions supporting resource efficiency, such as the import of water-saving technologies for buildings from Italy to Mongolia and the export of water treatment equipment from Greece to Egypt.

## Climate resilience

Addressing climate resilience is an integral part of the EBRD's approach to the green economy. The challenges of a changing climate are felt keenly in many of the economies where we invest. This is partly due to location, but also because under-investment has resulted in ageing, inefficient infrastructure and facilities. We support projects focused on adaptation: that is, they help our clients invest in measures and technologies to address the physical risks associated with climate change and strengthen their climate resilience. We also screen all our projects for climate vulnerability.

## 2018 in numbers

- 36 climate resilience projects have been signed in 2018 delivering €332 million of GET adaptation finance.
- Since 2011, 211 climate resilience projects signed delivering €1.6 billion of GET adaptation finance

## Case studies

### EBRD finances upgrade of Enguri HPP SDG13

The Enguri hydropower plant (1,300 MW) in Georgia generates about 40 per cent of the country's energy and has been operating since the late 1970s. Primarily glacier- and snow-fed, increasing temperatures as a result of climate change will impact the hydrology feeding the plant. An EBRD €28 million loan alongside €7 million of grant co-financing from the EU Neighbourhood Investment Platform for the climate resilient modernisation of the plant, builds on earlier EBRD investments in the facility.

### EBRD supports Kyrgyz Republic Water and Wastewater Framework SDG6

With a loan of up to €5.5 million under the Kyrgyz Republic Water and Wastewater Framework to finance critical water and wastewater improvements, including network rehabilitation, metering, and procurement of operational and maintenance equipment. The project is expected to save 8,100,000 m<sup>3</sup> of water annually.

## 3.4 Municipal and environmental infrastructure (MEI)

### Introduction

Our investments in the municipal and environmental infrastructure (MEI) sector provide millions of people with access to safe drinking water, sanitary waste disposal services, green public transport, well-maintained urban roads and energy-efficient district heating.

### Key figures

- Over 1.6 million people will have improved access to tap water
- Over 2.6 million people will have improved access to wastewater services
- Over 155,000 tonnes of CO<sub>2</sub>e will be saved per year due to improved public transport
- Over 10.3 million people will have access to improved solid waste management
- Over 3.7 million people will have improved district heating
- Over 1.35 million people will have improved social infrastructure, particularly, energy-efficient street lighting, building upgrades and urban rehabilitation
- In 2018, we financed 36 projects across 15 economies in the MEI sector, representing a commitment of €1.02 billion.
- These investments are expected to benefit a total of over 19.5 million people in the EBRD regions through provision of improved district heating, solid waste facilities, water services and other municipal infrastructure.
- In addition, over 3.1 million people are expected to use public transport systems on a daily basis which have been modernised and made more efficient with our support. Around 99 per cent of these investments were supported by the Bank's GET initiative leading to estimated emission reductions of 875,500 tonnes of CO<sub>2</sub>e a year.
- Our MEI investments leveraged considerable volumes of loan and grant co-financing from commercial banks, the European Union (EU) and other sources, to a total of €331.2 million in mobilised co-financing.

### Case studies

#### Raja SDG6

We loaned up to €25 million to Raja SA, Romania's largest public water and wastewater utility which serves over three million people in the city of Constanta. The first tranche will co-finance the extension and modernisation of the company's water supply and sewerage infrastructure, benefiting 400,000 people. The second will finance the reduction of its non-revenue water.

#### Low carbon pathways: trolleybuses in Kharkiv and Kryvyi Rih SDG9

The Bank committed two loans for a total of €16 million to the municipal public transport operators in the cities of Kharkiv and Kryvyi Rih in Ukraine. The EBRD funds were complemented by €4 million from the Clean Technology Fund. The proceeds were used for fleet renewal and infrastructure modernisation.



## 3.5 Transport

### Introduction

We help make transport infrastructure more resilient to the impacts of climate change and enable significant emissions reductions via modal shift, energy efficiency and capacity increases to conduct emissions assessments. There are about 85,000 road-related deaths in our economies each year, and countless injuries. In total, a staggering US\$ 110 billion in GDP is estimated to be lost annually due to poor road safety. We prioritise health and safety and make road audits an integral part of our due diligence process.

### Key figures

- In 2018 the Bank funded €928 million across 20 projects in its economies which included 596 km of roads and 6,500 pieces of new rolling stock.
- €199 million of that amount is directly attributable to our GET approach and is expected to reduce carbon emissions in freight and passenger transportation by 99 Kt per annum.

### 2018 highlights

We funded several capacity-building and technical assistance projects: in North Macedonia we improved the standards and training of local engineers in road safety; in Belarus and North Macedonia we implemented a road sector governance action plan; in Bosnia and Herzegovina we promoted inclusive procurement practices and training opportunities for young people.

We are also expanding our engagement on e-mobility and during 2018 we worked with the Egyptian authorities to develop an all-encompassing e-mobility strategy. The aim is to remove barriers impeding the uptake of electric vehicles to create a more inclusive investment environment.

We also improved governance and management practices. In the Port of Montenegro we introduced ISO management certifications on quality, the environment and occupational health and safety. We financed research and development investments for a ship building client directly relating to development of the first Tier III tug boat, with reduced nitrous oxide (NOx) emissions being produced in Turkey and in Europe.

We signed an MoU with the International Maritime Organisation (IMO) in February 2018 focusing on our joint efforts and mobilisation of funding to improve sustainability and energy efficiency within the sector. We funded two capacity-building exercises in Morocco and Georgia alongside the IMO and local port operators for port emission inventories and developing abatement and investment strategies.

## 3.6 Special environmental programmes: the E5P and NDEP

### Introduction

The EBRD has a global reputation for its work in challenging economies and in complex environments – including where nuclear safety is a concern. This is why donors and other IFIs asked us to manage, on their behalf, two multilateral funds created to address environmental, nuclear safety and climate change challenges in eastern Europe. As the fund managers of the E5P and NDEP since their inception, we drive the reform agenda and policy engagement and actively seek new contributions and new project opportunities for both programmes.

### The Eastern Europe Energy Efficiency and Environment Partnership (E5P)

The **E5P** is a multi-donor fund created in 2010 which aims to facilitate investment in energy efficiency and environmental projects, reduce greenhouse gas emissions and promote policy engagement and regulatory reforms in the Eastern Partnership countries. The E5P's initial focus was Ukraine, where the district heating sector presents a unique opportunity for saving energy and cutting CO<sub>2</sub> emissions. The Fund now also operates in Armenia, Belarus, Georgia and Moldova.

### Case study

#### Gyumri, Armenia lighting system upgrade SDG11

The Armenian city of Gyumri received a grant of €2 million from E5P to upgrade its street lighting system after a huge earthquake in 1988 which destroyed its infrastructure. This EBRD regeneration project will create a better service quality, energy consumption savings of 70 per cent, new employment opportunities, increased road safety and will deliver many social and gender-specific benefits including improved visibility.

### The NDEP

#### The Northern Dimension Environmental Partnership (NDEP)

The **NDEP**, a multi-donor fund created in 2002, deals with nuclear and environmental challenges in the north-west of Russia and northern Belarus. In 2018, a specially designed infrastructure was commissioned for the removal of spent nuclear fuel from the Lepse ship located near Murmansk.

The environmental activities of the fund also focus on reducing untreated wastewater flowing to the Baltic and Barents Seas. In 2018, the city of Baranovichi in Belarus received a €1.5 million grant to upgrade its wastewater treatment facilities, marking the third phase of the EBRD's water projects there. Also in 2018 NDEP considered new proposals to tackle black carbon emissions in the Arctic, which contribute to climate change.

# SECTION 4: Policy, engagement and outreach

## Introduction

We engage with local governments, the private sector and donors to impact policy that can support sustainable infrastructure improvements for citizens in our economies. We work directly with national and local governments and are active in initiatives and groups such as the EU Technical Expert Group on Sustainable Finance and we coordinate multilateral development bank (MDB) climate finance reporting, helping develop standards and metrics for climate resilience investments. We also engage with civil society organisations (CSOs) and take into account how our projects impact people on the ground.

## 4.1 Green Policy Engagement

### Introduction

Our Green Policy Engagement activity, supporting the establishment of laws, regulations, strategies and action plans needed to facilitate sustainable and green economies, is expanding within our regions. We engage with leading market and policy players including governments, municipalities, regulatory bodies and industry associations in areas such as energy efficiency, renewable energy, green cities, climate resilience and the development of national climate policies.

Since 2009, we have engaged in 333 green policy assignments, mobilising €76 million of donor funding and technical cooperation assistance. This has helped facilitate, directly or indirectly, €28 billion of investments in green economy projects and is supporting our ambitious target to make 40 per cent of our financing green by 2020.

### 2018 Highlights in numbers

73

Green Policy assignments started in 2018

24

Countries supported on Green Policy in 2018

17

Green laws and regulations put into force in 2018 as a result of EBRD support

€3.3 billion

Green investment in 2018 supported by Green Policy

## Case studies

### Renewable energy auctions and policy support SDG7

The EBRD and the Energy Community Secretariat (EnCS), together with the Renewable Energy Agency (IRENA), issued joint policy guidelines in 2018 to help countries design support schemes for renewable energy based on competitive selection. Countries across the world are using auctions<sup>1</sup> to set the level of support for, and recipients of, renewable electricity. These have helped drive down the cost of renewable energy, in many cases to below the cost of conventional power.

### Electricity storage in Jordan SDG7

We have been involved in setting up one of the world's first permanent, non-discriminatory regulatory frameworks for deploying electricity storage. We advised the Jordanian authorities on how to facilitate a greater proportion of intermittent renewable energy sources in the national grid transparently and at the lowest cost possible for consumers.

### Drafting Georgia's NEEAP and energy efficiency law SDG7

Our green policy work has helped reduce Georgia's energy intensity and has stimulated economic growth. With support from the EU and SIDA, in 2018 we assisted Georgia in the development of its first National Energy Efficiency Action Plan (NEEAP) and energy efficiency (EE) [legal framework](#). The NEEAP sets out measures for the next three years to improve energy efficiency while satisfying higher energy demands. It could help unlock up to €1.37 billion of investments, and will enable Georgia to make energy savings of 14 per cent by 2025, compared with a business as usual scenario.

### Ukraine's Energy Performance of Buildings Directive (EPBD) SDG11

Our policy engagement is supporting Ukraine to meet the EU's [EPBD requirements](#) and create a market for energy efficiency (EE) investments. In a country which lacked a legislative and regulatory framework for EE measures in residential buildings, we were able to help introduce new regulations- formally adopted by the government of Ukraine in 2018 - and raised awareness through capacity-building and a web site. The estimated EE potential in the sector over the next five years is about 11.5 million MWh/year (9 per cent of total energy consumption).

<sup>1</sup> The term "auctions" refers to approaches that share the common feature of relying on a competitive process rather than an administrative determination. The term is used to refer to different types of competitive bidding processes – ranging from simple tenders to more complex selection methods.

## Kazakhstan

We have been active in supporting Kazakhstan's renewable energy policy for 10 years. More recently we published "The fiscal implications for Kazakhstan of worldwide transition to a greener global economy" in November 2018. This report explores how the changing dynamics in global energy markets are likely to put pressure on fossil fuel exporters such as Kazakhstan. Factors include the development of alternative energy sources, the falling costs of cleaner energy technologies, and global climate goal commitments. Export revenues may fall – due both to lower exports and lower oil prices – by up to 40 per cent in the next 20 years, leading to unsustainable levels of public debt in Kazakhstan. The report proposes five areas of reform for Kazakhstan, which are also relevant to most other emerging markets reliant on oil exports: diversify revenue sources; manage oil revenues more effectively; use fiscal policies to exploit revenue-raising opportunities, provide incentives for economic development and cut wasteful expenditure; and plan public finances over the medium and long term rather than the short term.

### Useful links

- [The fiscal implications for Kazakhstan of worldwide transition to a greener global economy](#)
- [Government assets: risks and opportunities in a changing climate policy landscape](#)

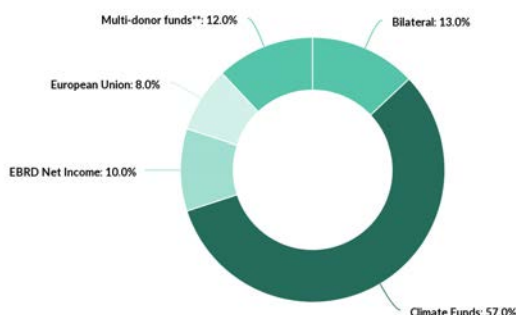
## 4.2 Donors

### Introduction

Support from [our donors](#) – governments, the European Union, global climate funds such as the Climate Investment Funds (CIF), the Global Environment Facility (GEF) and the Green Climate Fund (GCF), as well as private sector firms and foundations – makes much of the EBRD's sustainability work possible.

Donors support our mandate through co-financing – in the form of concessional finance and incentive grants – as well as funding technical cooperation projects and policy reform activities. The projects they support cover all economies where the EBRD is active, with an emphasis on the SEMED region, Central Asia, eastern Europe and the Caucasus, and the Western Balkans.

Use of donor funds in 2018\* for climate action and energy efficiency, by type of donor



## Green Climate Fund (GCF)

The Green Climate Fund (GCF) is a global fund created to support the efforts of developing countries to respond to the challenge of climate change and to promote a paradigm shift towards low-emission and climate-resilient development pathways. The GCF is the largest and newest international climate fund, created in 2010 under the United Nations Framework Convention on Climate Change (UNFCCC).

To date, the GCF has given the green light to six EBRD facilities and projects with a total value of US\$ 830 million covering 13 economies from Morocco to Mongolia.\* These will support climate mitigation and climate adaptation, through large renewable energy frameworks and water conservation or sector resilience projects and through credit lines with local banks.

The [EBRD Green Cities](#) facility was approved in October 2018, with a first commitment of €87 million, or about US\$ 100 million equivalent.

## The European Union (EU)

The European Union (EU) has been at the forefront of international efforts to address the root causes of climate change. It has a long-term strategy for the reduction of greenhouse gas emissions and a vision to achieve climate neutrality by 2050. The EU is a key driver of climate-related investments, climate policy and legislation within member states, neighbouring regions and beyond.

For example, the Western Balkans Regional Energy Efficiency Programme (REEP and REEP Plus) where the EU donor contribution is the single largest at over €44 million, has enabled over €300 million in EBRD financing for energy efficiency investments in different market segments including homes, public sector, businesses, and; renewable energy investments.

We are looking forward to increased collaboration with the EU as it scales up its climate support, for example with its InvestEU and External Investment Plan facilities.

## Climate Investment Funds (CIF)/ Clean Technology Fund (CTF)

The CIF and CTF play a key role in accelerated deployment of climate funds and mobilisation of MDBs on climate action. As of the end of 2018, total funding approved from the CIF for EBRD projects was US\$ 489 million. In 2018, US\$ 15 million concessional finance was approved for an agribusiness waste residues project in Ukraine.

\* Based on the earmark amounts 2018 under the "green" transition quality, totalling €305 million (55% of the total use).

\*\* Multi-donor Funds: European Western Balkans Joint Fund, Southern and Eastern Mediterranean Multi-Donor Account, Eastern Europe Energy Efficiency and Environment Partnership Fund, Financial Intermediary Investment Special Fund.

## Global Environment Facility (GEF)

The GEF plays an important role supporting the piloting of new concepts and the alignment of climate action with other benefits. Since 2014, the EBRD has benefited from GEF grant co-financing for technical cooperation and concessional finance to support our efforts to address climate change and environmental degradation. The total value of funds provided to the EBRD reached US\$ 135 million, including funding from GEF's Special Climate Change Fund (SCCF). In 2018, the GEF Council approved an additional US\$ 4.8 million grant for Sustainable Bioenergy Innovations in Ukraine.

## 4.3 Conference of the Parties (COP24)

### The EBRD at the COP24 in Katowice, Poland

The EBRD is on track with the climate finance commitments it made in Paris in 2015, and together with other MDBs we are working on shaping a future in line with the Paris Agreement. This work, and the ensuing results, are needed more acutely than ever.

At the start of COP24 in December, we joined a group of MDBs to announce a joint plan to work on six core Paris Alignment areas including: aligning our operations with mitigation and climate-resilience goals; ramping up climate finance; capacity-building support for countries and other clients; plus an emphasis on climate reporting and internal activities. [www.ebrd.com/news/2018/ebrd-pushes-for-progress-at-cop24-in-poland-.html](http://www.ebrd.com/news/2018/ebrd-pushes-for-progress-at-cop24-in-poland-.html)

Technical sessions led by the EBRD at Katowice focused on: scaling-up technology transfer; handling climate finance risk disclosure; new horizons for climate finance; supporting both potential winners and losers in the transition to the green economy; implementing green finance in COP24's host country, Poland; supporting individual countries with Nationally Determined Contributions (NDCs); leveraging the private sector in cooperation with the Climate Funds (GCF, GEF and CTF); and good governance for corporate climate disclosure. Of significant interest was an event we organised with Agence Française de Développement and Islamic Development Bank: "New Horizons for Climate Finance: Disclose Risk and Present Opportunities".

We also presented our plans for a €250 million direct investment framework for Green and Sustainability Bonds (link to bonds section in Assurance) targeted at financial institutions. Over the next three years, the EBRD framework, approved in September, is expected to mobilise private sector capital investments of a further €1 billion, and we aim to double the supply of Green and Sustainability Bonds issued by financial institutions across the regions where we invest.

## 4.4 Climate Action in Financial Institutions

We are a member of Climate Action in Financial Institutions, an initiative providing public and private financial institutions with an opportunity to learn from each other to promote good practice and collaborate on areas of common interest. Guided by five voluntary principles for mainstreaming climate change, institutions aim to shift from financing climate activities in incremental ways, to making climate change a core consideration – both in terms of opportunities and risk – as well as a "lens" through which they deploy capital. For more information about the initiative, see <https://www.mainstreamingclimate.org/>.

## 4.5 Nationally Determined Contributions (NDC) support programme

Nationally Determined Contributions (NDCs) are at the heart of the Paris Agreement and the achievement of its goals. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change. Our NDC support programme helps countries develop and implement their national NDCs as well as measuring, reporting and verification (MRV) and climate finance tracking systems. It also engages with the private sector to promote participation in NDC delivery. The aim is to streamline and enhance the NDCs to increase credibility and country ownership. In November 2018 we launched an assignment in Ukraine to help the government update its NDCs. We are also supporting Mongolia to develop a climate finance tracking system, and are engaged on NDCs in a number of countries. The Bank is also a member of the NDC Partnership, a global network of member states and international institutions to promote NDCs through knowledge-sharing and country support.

## 4.6 Civil society organisations

### Introduction

We engage proactively with civil society organisations (CSOs). They help us better understand the needs of local communities, the impact of projects on-the-ground and the sustainability risks of our work. Our engagement with CSOs enhances our accountability and transparency and guides the Bank's decision-making at the project and strategic level. It contributes to the delivery of better, more sustainable and more targeted project and policy work in transition countries. It also contributes to our support to the SDGs.

## Key figures

In 2018, 2,200 CSOs were registered with the EBRD and 1,400 civil society stakeholders participated in over 170 thematic meetings and events organised by the Bank. We engaged in dialogue with international and local CSOs on around 46 investment projects in over 20 countries across a variety of sectors.

The Bank's Civil Society Capacity Enhancement Framework comprised 24 technical cooperation projects with an overall volume of €5.7 million of mobilised donor funds by the end of 2018. Our capacity-building programmes benefited nearly 11,000 civil society and community representatives in 15 countries, mostly through tailored capacity-enhancement activities.

## Case studies

### Promoting sustainable agribusiness and youth inclusion in Ukraine SDG10

To open up economic opportunities for young people living in rural areas, we partnered with the local civil society organisation, Agricultural Advisory Services. The Dnipropetrovsk-based CSO, which focuses on improving livelihoods and the rural economy in Ukraine, has developed a vocational training programme which offered sessions on sustainable dairy farming to improve the skills and employment prospects of our trainees.

### Improving water conservation and public health in Egypt SDG6

The EBRD is investing €55 million into the Kafr El-Sheikh Waste Water Expansion Programme which will provide sanitation to about 470,000 previously unable to access these services. We are also implementing an awareness-raising campaign and providing capacity-building to the Egyptian Holding Company for Water and Wastewater to improve its citizen engagement strategy. This will help improve local sustainable water and wastewater management practices, reduce water-related health problems.



# SECTION 5: Impact inside the EBRD – sustainability from within

## Introduction

We believe in holding ourselves to the same high standards we expect of others. We are constantly evaluating the sustainability of our internal operations. We strive to minimise our environmental impact and to increase awareness among staff about sustainability. As an institution, we also recognise the companies that we believe have made the biggest contributions to promoting environmental and social sustainability in our annual EBRD Sustainability Awards.

## 5.1 Carbon neutral

### Introduction

In July 2018 we became a carbon-neutral institution by off-setting the greenhouse gas (GHG) emissions of all our own internal operations, including office buildings and flights. We purchase carbon credits from a Gold Standard-certified Turkish renewable energy project, the Edincik wind farm, which we helped finance in 2012.

*“The EBRD is committed to reducing emissions from its own operations, as well as helping its public and private sector clients reduce theirs ... We are now purchasing carbon credits to cover emissions from the Bank’s operations and becoming carbon neutral. I am pleased that the first project to offset emissions resulting from our own operations is a project in Turkey, where the EBRD is the leading financier of sustainable energy.”* Sir Suma Chakrabarti

### Case study

#### The Edincik wind farm SDG7

The 77.4 MW Edincik wind power project is located on the southern coast of the Sea of Marmara, Turkey. The project was all financed through Isbank using Mid-size Sustainable Energy Financing Facility (MidSEFF) funding. In total, an estimated 254.5 GWh is expected to be generated annually, reducing GHG emissions by 147,510 tCO<sub>2</sub>/year. The project also contributes to social and economic development through education, sanitation, job creation, technology transfer and improved agricultural production.

## 5.2 Consumption and recycling figures

Not only have we fully offset our carbon emissions, we also source all electricity for our London Headquarters (HQ) from renewable energy suppliers. Our office paper is certified by the Forest Stewardship Council® (FSC) as coming from sustainable sources. Our 2018 results show we have reduced our paper use alone by 50 per cent since 2013, saving over five tonnes of paper over that period. Our HQ catering team’s food waste ratio sits at 3 per cent (against an industry average of 5 per cent).

There is also a strong emphasis on waste recycling, reducing the use of plastic bottles and sourcing environmentally friendly merchandise. This year, our staff formed a Sustainability Working Group to drive more green engagement throughout the Bank and promote the initiatives of our internal operations teams to that end. This has resulted in increased recycling, uptake of reusable cups and water bottles and more awareness of energy efficiency within our offices.

Table: EBRD HQ consumption and recycling figures

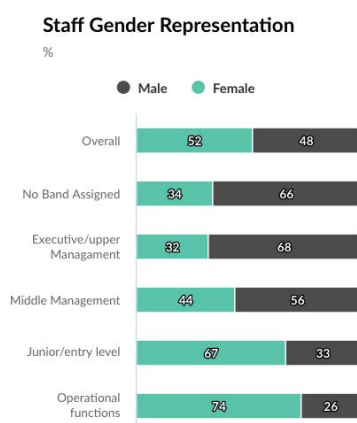
	2015	2016	2017	2018
Electricity (GWh)	14.5	14.8	14.8	14.8
Gas (GWh)	3.4	4.3	3.8	4.2
Water (thousands m <sup>3</sup> )	47.9	42.2	42.5	48.1
Energy CO <sub>2</sub> emissions (kt)*	7.8	6.9	5.9	4.2
Travel CO <sub>2</sub> emissions (kt)	7.1	7.7	6.2	7.2
Printer paper consumption (tonnes)	58.3	49.5	39.5	33.1
Material recycling (tonnes)	112.4	72.8	105.4	99.1

\* CO<sub>2</sub> data are compiled using the latest UK government conversion factor recommended for GHG reporting. For 2018 the conversion factor of 0.28307 kg CO<sub>2</sub> per kWh is used for grid electricity and 0.184 kg CO<sub>2</sub> per kWh is used for consumption of natural gas. The decrease in energy-related CO<sub>2</sub> emissions reflects the reduction in UK grid emission intensity over recent years.

## 5.3 Staff gender breakdown

The EBRD is a responsible employer and is committed to promoting gender equality among its own workforce. In 2017 the EBRD partnered with EDGE (Economic Dividends for Gender Equality), the leading provider of business certification for gender equality, in order to measure and benchmark our policies and practices concerning gender equality. Together with EDGE we identified areas for improvement in our policies and practices and an action plan was developed.

As part of this commitment we are providing details of EBRD staff representation by gender. Women make up more than half of EBRD staff but represent a lower percentage of more senior job bands.



In partnership with EDGE we also carried out an analysis of our gender pay gap. This analysis shows that, when looking at equal pay for equivalent work, there are no statistically significant differences between men and women at the same pay grade at the EBRD. The Bank is working proactively to address gender representation through mentoring, coaching, succession planning and the promotion of flexible working arrangements. The Bank's Strategic Implementation Plan 2018-2020 sets an aspiration of having women in half of all corporate leadership group roles. We are already seeing the positive impact of these efforts.

## 5.4 Green Week

Our Green Week in November, which coincided with the [European Week for Waste Reduction](#), aimed to showcase our green impact and promote a sustainable lifestyle generally. Staff were asked to consider their own carbon footprint and to incorporate sustainability practices such as avoiding single-use plastics, [recycling](#), saving energy and reducing waste. They were encouraged to take the stairs instead of the lift, ensure computer monitors were turned off at night, and to use reusable cups in the coffee bar. A prize went to the staff member with the lowest carbon footprint.

Our initial records show that recycling during Green Week doubled to 56 per cent, up from 25 per cent.

Our printing services team took part in a Tree Planting Day with Ricoh, our inhouse printing supplier, where over 1,000 trees were planted as part of the Woodland Trust scheme. This will go towards absorbing and capturing CO<sub>2</sub> emissions to protect our environment and to replenish stock levels and off-set our carbon footprint.

## 5.5 EBRD Community Initiative

Our Community Initiative, which has been running since 2016, gives EBRD staff an opportunity to get involved in philanthropic, social and cultural activities in the economies where we work. Our latest call for proposals in October 2018 resulted in 10 new applications with pledges of over €180,000, bringing the total number of staff applications approved to 46.

Fundraising campaigns have included charitable concerts, auctions, exhibitions of crafts and arts from the region, personal challenges and bake sales. In 2017-18, five fundraising teams went above the maximum threshold of €50,000 for a matching contribution from the EBRD and two teams raised amounts close to it.

To date, the Community Initiative has supported charitable organisations in Armenia, Bulgaria, Croatia, Egypt, Georgia, Greece, Hungary, Kazakhstan, Kosovo, Kyrgyz Republic, Moldova, Mongolia, Morocco, Romania, Russia, Tajikistan, Turkey and Ukraine.

## 5.6 EBRD Sustainability Awards

Fourteen companies that have made outstanding contributions to promoting environmental and social sustainability were honoured with awards at the EBRD Annual Meeting 2018 in Jordan.

Organised by our Environment and Sustainability Department to recognise achievement in the field, there are four categories: sustainable energy, climate resilience, environmental and social best practice, and environmental and social innovation.

The winner of 2018's **Sustainable Energy Gold Award** was Enfaş Enerji Elektrik Üretimi A.Ş from [Turkey](#). Enfaş is part of the Süttaş Group, the largest dairy group in Turkey, which created an innovative energy arm of its business to use the group's waste and by-products – such as dairy waste, cow manure and wastewater treatment sludge – to produce renewable energy. It has already expanded the group's biogas power production and capacity and established an organic fertiliser production facility.

The **Climate Resilience Gold Award** went to [Morocco's](#) Ministry of Agriculture, Fisheries, Rural Development, Waters and Forests for the country's Saïss Water Conservation Project. The project pioneers the shift from the use of unsustainable groundwater through the transfer of an average of 100 million square metres of surface water from the M'Dez dam to the Saïss plain, bringing clean, safe and sustainable water to some 350,000 people and agricultural producers in the area and enhancing their capacity to cope with climate change more effectively.

For **Environmental and Social Best Practice**, the Gold Award went to [Egyptian](#) National Railways. In a country where 86.5 per cent of women report having experienced sexual harassment on public transport, the railway company is recognised for its pioneering work in addressing gender issues. This includes an awareness-raising campaign to improve safety for women and prevent harassment.

The Gold Award winner of the **Environmental and Social Innovation** category was the [Lithuanian](#) Public Investment Development Agency (VIPA) for supporting apartment building management associations in refurbishing existing buildings and implementing energy efficiency improvements and renovations. The agency was set up by the Lithuanian government to promote financial instruments in energy efficiency and public infrastructure sectors. Residential energy efficiency investments are essential to reduce heat energy consumption in Lithuania, where households' average energy consumption is two times higher than that of neighbouring Sweden.

Ten further companies won silver and bronze prizes.

### The Silver winners

**Sustainable Energy:** Risha Solar Photovoltaic Power

**Climate Resilience:** Tajikistan Climate Resilience Finance Facility – Microcredit Deposit Organisation “Humo”

**Environmental and Social Best Practice:** Shymkent Wastewater Treatment Essential Modernisation Project

**Environmental and Social Innovation:** Şişecam Turkey Glass Recycling and Energy Efficiency Projects

### The Bronze winners

**Sustainable Energy:** Green Cities Framework: Banja Luka District Heating

**Climate Resilience (two winners):** Enguri Hydro Power Plant – Climate Resilience Upgrade Project and Varna Climate Resilience Infrastructure Project

**Environmental and Social Best Practice (two winners):** Fayoum Wastewater Expansion Programme and Dundee Precious Metals

Environmental and Social Innovation: Nibulon Grain Infrastructure

# SECTION 6: Assurance and disclosures

## Introduction

Our policies and procedures for environmental and social issues continued to deliver a high standard of assurance through robust due diligence and effective project monitoring. By issuing green and social bonds, we seek to establish harmonised best practices for this market and finance projects that achieve specific environmental benefits. We prioritise health and safety, and have a rigorous investigation process for investigating complaints about our projects.

## The Bank's policies

All projects are appraised against the [Bank's Environmental and Social Policy and Performance Requirements](#). The project's size, location and potential environmental and social impacts are all taken into account.

If an appraisal reveals a project would not be fully compliant with our requirements, the EBRD will agree an Environmental and Social Action Plan (ESAP) with the client to bring the project up to the required standards, within a reasonable timeframe. If this is not possible but there are compensating environmental or social benefits, the EBRD's Board may approve derogations from specific parts of the Performance Requirements. Any approved [derogations](#) are detailed in this report.

## 6.1 Operational results in 2018

The environmental and social category – A, B, C or FI (Financial Intermediary) – reflects the potential impacts associated with a project and determines the nature of the environmental and social appraisal, information disclosure and stakeholder engagement required.

- **Category A projects:** those with potentially significant and diverse environmental and social impacts, requiring a detailed participatory assessment process
- **Category B projects:** those with environmental and social impacts that are site-specific and which can be readily assessed and managed
- **Category C projects:** those that are expected to result in minimal adverse environmental or social impacts
- **Category FI projects:** transactions that involve the provision of financing to a financial intermediary – typically a bank or a fund – which are required to adopt and implement procedures to manage their environmental and social risks.

### Breakdown of Annual Bank Investment by category

Environmental and Social category	Millions, euros	% by volume	Number of projects	% by number of projects
Category A	1,388	15.2%	10	2.3%
Category B	4,377	48.0%	191	44.4%
Category C	79	0.9%	6	1.4%
Category FI	3,276	35.9%	223	51.9%

## 6.2 GET assurance process

### Introduction

The green [transition quality](#) is embedded within our Green Economy Transition (GET) approach. Systems and processes are in place to verify, assess and report on the green impacts of our GET projects.

We have developed a “green index” to quantify how EBRD economies perform in respect to the green transition quality. The index uses physical indicators which reflect environmental performance (for example, current and projected water stress) and structural indicators which reflect the regulatory or market response to the problem (for example, water pricing). It is used to prioritise areas for policy engagement and investments.

The GET Transition Impact (TI) Assessment Methodology was launched in 2017. It assesses the expected transition impact of green projects and project components. GET investments fall into three categories: climate change mitigation, climate change adaptation and other environmental areas.

Green activities are determined according to internationally agreed definitions, the systematic impact achieved, the level of innovation associated with the investment and the presence of complementary policy engagement. All investments are reviewed by a “clearing house” comprising environmental, climate and economic experts, who advise on whether the proposed project meets the requirements of the GET initiative.

### Transparency

We have developed a handbook which provides guidance on the attributes and standards required for a project to sit within the [GET approach](#). We are also providing more information on projects that are categorised as GET. In 2017 we began disclosing projects with a climate component of more than €40 million. In 2019 this disclosure is to be expanded to include all projects with a climate component.

## 6.3 Task Force on Climate-related Financial Disclosures (TCFD)

### Introduction

The recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) were released in July 2017. Since then they have been rapidly adopted as good practice for transparency in relation to climate-related risks and opportunities, and for climate-related corporate governance more broadly, by more than 500 organisations.

Recognising the relevance of the TCFD recommendations, in May 2018 the EBRD became the first MDB to become a TCFD supporter. Thanks to our strong track record on climate action over the past two decades, the Bank is already performing a number of key elements of the TCFD recommendations that will continue to be updated in light of the EBRD’s focus on the 2015 Paris Agreement, as well as evolving best market practices.

The latter are set out below in line with the four TCFD recommendations: governance, strategy, risk management and metrics.

### Governance

The Bank’s Environmental and Social Policy (ESP), which is approved by the Board, provides a comprehensive framework for ensuring high environmental and social standards, covering not only the EBRD’s lending operations but also its own internal operations.

In addition, the EBRD’s Board is routinely appraised of climate-related risks and opportunities at the project level through the inclusion of relevant information (for example, GHG emissions, climate resilience considerations), in line with our GET approach.

### Strategy

Climate-related considerations, including risks and opportunities associated with both climate change mitigation and adaptation, are clearly articulated in our GET strategy. This is the cornerstone of the EBRD’s climate action and provides a framework for our extensive investments in support of climate change mitigation and climate change adaptation as well as other environmental objectives. We also provide technical assistance and conduct policy engagement to deepen the climate impact of our operations.

We are also considering how to build on this strategic approach in line with the 2015 Paris Agreement, in order to align our business operations with low-carbon and climate-resilience development pathways. In addition, we are actively engaged with and support a number of major external processes that are shaping the wider strategic context for financing the climate or green economy transition, such as the European Union Sustainable Finance Approach and the Network for Greening the Financial System (NGFS) and the Green Bond Principles.



EBRD's Energy Strategy for the period 2019-2023 was published in December 2018. The strategy has the following aims:

- Decarbonise the power sector with a decisive shift away from the most polluting fuels
- Scaling-up the share of renewable energy sources while supporting the integration of intermittent renewables
- Supporting the interlinkages between different sectors of the economy through smart, flexible, diverse, integrated and resilient networks
- Relying on competitive, regionally integrated and resilient markets to deliver this change.

The strategy confirms that the Bank will no longer finance thermal coal mining or coal-fired electricity generation. EBRD will also stop funding any upstream oil exploration, and will not finance upstream oil development projects except in rare and exceptional circumstances, where such investments reduce greenhouse gas emissions.

## Risk management

The EBRD has developed and implemented an organisational structure which has allowed it to scale-up its climate-related activities significantly over the past 10 years, and which have been supported by the adoption of the GET approach. This covers not only the assessment and management of climate-related risks (both carbon transition and physical climate), but also the corresponding opportunities associated with the identification and management of those risks.

Key elements of this structure include:

- the definition of a specific product range designed to respond to client demand across sectors and countries
- tight integration of banking, technical, policy and capacity-building work
- specialised climate expertise in a central team charting strategic development and driving innovation
- “mainstreaming” of climate activity across sector and country teams
- cross-departmental collaboration including banking, policy, environmental and social, treasury and legal departments to leverage the full range of the EBRD's internal expertise and skills
- development of climate finance and policy capacity in Resident Offices in selected economies where the EBRD invests.

In addition, the EBRD has several compliance and accountability functions that cover environmental issues. These are Internal Audit; Evaluation, which looks at project outcomes and lessons learned; and the Project Complaints Mechanism, which independently assesses complaints relating to the Environmental and Social Policy. In addition, the Bank has recently adopted a comprehensive approach to carbon pricing that is being applied across our operations from 2019 onwards.

## Metrics

Under the GET approach the EBRD has developed a specific monitoring, reporting and verification (MRV) system to:

- i. identify the climate-related component of each project in accordance with a set of precise internal standards
- ii. quantify the financing which can be directly related to the climate-related project component
- iii. set up the baseline scenario to assess the impact of the project after implementation
- iv. estimate the impact of its operations.

More recently, we have developed and implemented a comprehensive climate resilience MRV approach (as part of our wider GET MRV approach) in which GET adaptation finance is systematically and consistently tracked, together with the specific and measurable climate resilience outcomes (or climate resilience benefit) that each project is expected to deliver. This feeds a dedicated management information system to track the overall impact of the EBRD's activity including GHG emission reductions and climate resilience benefits. This MRV provides detailed information on the climate finance activity of the EBRD and is closely integrated in our operational data systems to ensure data integrity and consistency. The MRV system also provides detailed information to individual banking teams to support their results' management in this area.

The data produced by the MRV system contributes annually to the [joint MDB climate finance report](#), building on the close collaboration across MDBs to define common standards and reporting practices.

## 6.4 Green, Social and Sustainability Bonds

*“The term **“Green Bond”** is used by the market for a green bond that is issued in conformity with the Green Bond Principles. Likewise, a Sustainability Bond is issued in conformity with the Green Bond and Social Bond Principles.”*

### Introduction

Harnessing financial support from global investors and capital markets is essential to achieving the Sustainable Development Goals (SDGs) and improving people's daily lives. Financial market practices reflect this, with the emergence of impact investing and the increasing use of, for example, Green Bonds. These bonds – whose proceeds exclusively go to projects with clear environmental benefits – are gaining global recognition for enabling debt issuers to finance projects that transition their business towards greater environmental stability.

As an issuer of Green and Social Bonds, and together with other MDBs, we seek to establish harmonised best practices for this market. We support the Green Bond Principles (GBP), which provide voluntary process guidelines developed by a broad forum of market participants under the secretariat of the International Capital Market Association. Both our Environmental Sustainability Bonds and Social Bonds are aligned with the GBP and Social Bond Principles (SBP), respectively. The EBRD has been a member of the GBP since its inception in 2014 and we are currently serving on the GBP SBP Executive Committee and on various working groups.

### EBRD Green and Social bond issuance

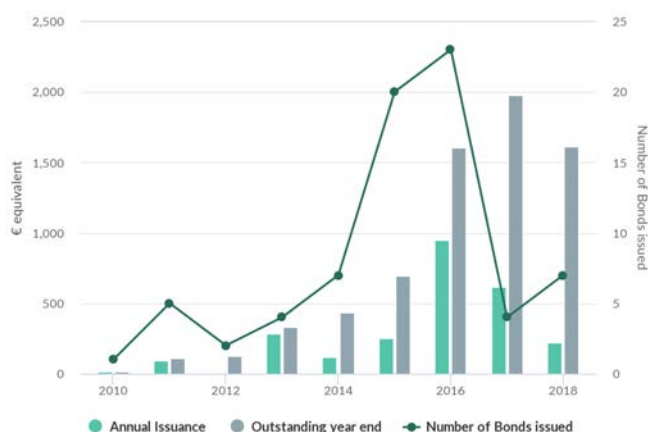
As at 31 December 2018, the EBRD had issued 73 green bonds totalling €2.58 billion. Our Environmental Sustainability Bond Programme (ESBP) responds to clear investor demand for this type of product from a new investor base. The projects it finances achieve specific and meaningful environmental benefits and allow us to highlight the importance we place on environmentally sound and sustainable development while fulfilling core elements of our mandate. Collectively, our ESBP projects comprise our Green Project Portfolio (GPP) which is based on clear selection and exclusion criteria that are subject to regular review by the EBRD's experts. Many socially responsible investors also purchase our generic bonds as these too support our regions to implement the SDGs.



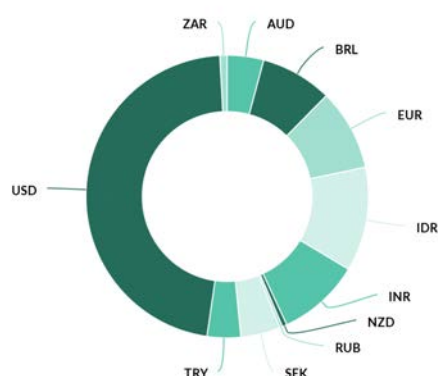
### Issuance of green bonds, 2018 data

Total volume of Green Bonds issued since 2010	€2.58 bn
Number of Green Bonds issued since 2010	73
Total volume of Green Bonds issued in 2018	€225 mn
Currencies of Green Bonds issued in 2018	SEK (52%), €(42%), US\$ (4%), RUB (2%)
Total Green Bond issuance outstanding as at 31 December 2018	€1.62 bn

### Environmental Sustainability Bond issuance, 2018 data



### Issued currencies since inception, 2018 data



In addition to our ESBP, we have issued Social Bonds since 2010. The EBRD Microfinance Bond is a use-of-proceeds bond that funds a selected microfinance portfolio of €1 billion with an average individual loan size of below €5,000 (as at the first half of 2018). In 2018, we issued our inaugural Health Bond which finances projects that seek to improve access to, and the quality of, health services and pharmaceutical products.

### Issuance of social bonds, 2018 data

Total volume of Social Bonds issued since 2010	€249 mn
Number of Social Bonds issued since 2010	3
Total volume of Social Bonds issued in 2018	€97 mn
Currencies of Social Bonds issued in 2018	PLN (100%)
Total Social Bond issuance outstanding as at 31 December 2018	€173 mn

### Case study

#### Dai-ichi Life becomes sole investor in first issuance for PLN 317 million SDG9

In 2018 we successfully placed our inaugural health bond. The proceeds of this note issuance will be used to finance EBRD health projects such as the construction or expansion of medical centres and improvements in access to, and standards of, pharmaceutical products.

Also: <https://www.ebrd.com/news/2018/ebrd-launches-health-bond.html>

## 6.5 Green Project Portfolio summary

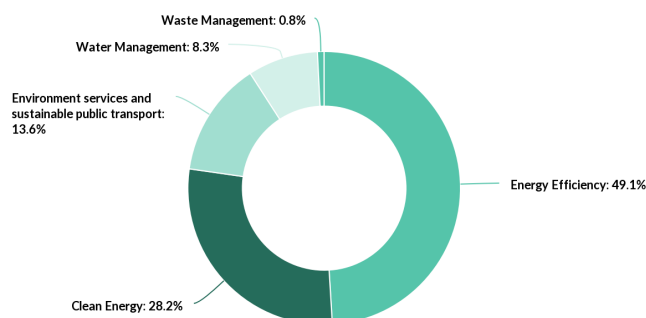
### Introduction

We seek to ensure that the disbursed amount under the GPP exceeds our total Green Bond issuance outstanding. The GPP is a replenishing portfolio with strict eligibility criteria (see table below) that ensures the proceeds of our Green Bonds are immediately directed towards projects with positive environmental impacts.

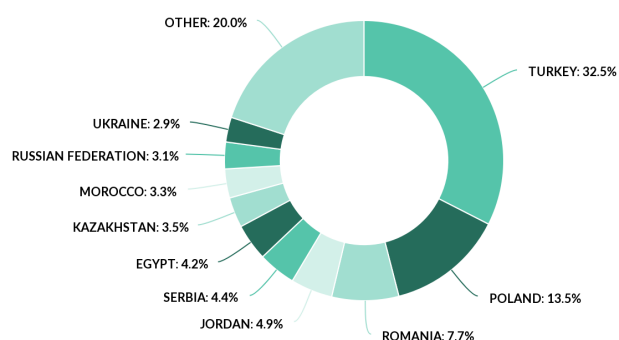
### Key figures

Total operating assets as at 31 December 2018	€8.0 billion
Total undisbursed commitments as at 31 December 2018	€3.75 billion
Number of projects	378
Weighted average remaining life 10.22 years	€1.62 bn
Weighted average tenor	12.93 years
Weighted average age of the energy projects from signing as at 31 December 2018	2.5 years
Weighted average age of the infrastructure projects from signing as at 31 December 2018	2.9 years
Total committed amounts approved in 2018	€1,433 million
Total of new operating assets approved in 2018	€468 million
Total of undisbursed commitments approved in 2018	€695 million

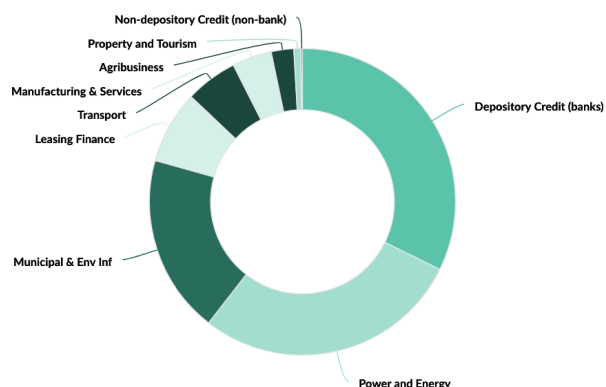
Green Project Portfolio by environmental category



Green Project Portfolio by country



Green Project Portfolio by industry



## 6.6 Social Project Portfolio summary

### Introduction

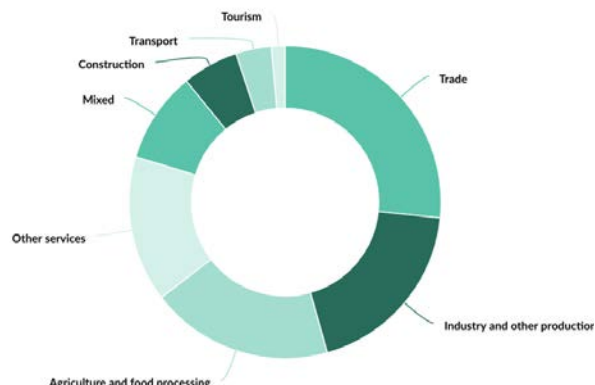
Our Microfinance and Health Bonds issuance is directly linked to the disbursed amount of the respective Microfinance Portfolio (MFP) and Health Portfolio (HP).

### Key figures

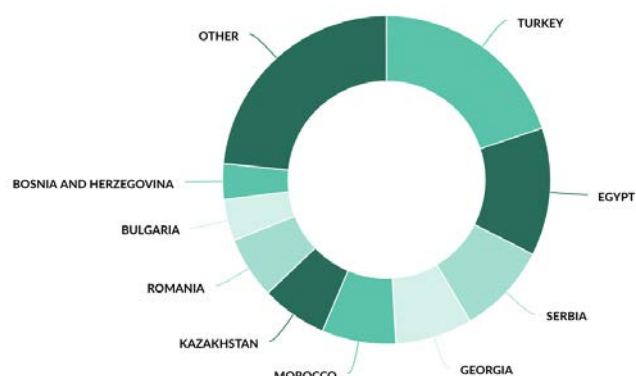
Microfinance:	
Total operating assets as at 30 June 2018	€1.05 billion
Number of projects	181
Weighted average remaining life	3.3 years
Weighted average tenor	5.3 years

Health:	
Total operating assets as at 31 December 2018	€77.5 million
Total undisbursed commitments as at 31 December 2018	€2 million
Number of projects	14
Weighted average remaining life	4.7 years
Weighted average tenor	6.9 years
Weighted average age of the HPP from signing as at 31 December 2018	2.3 years
Total committed amounts approved in 2018	€22.3 million
Total of new operating assets approved in 2018	€20.3 million
Total of undisbursed commitments approved in 2018	€2 million

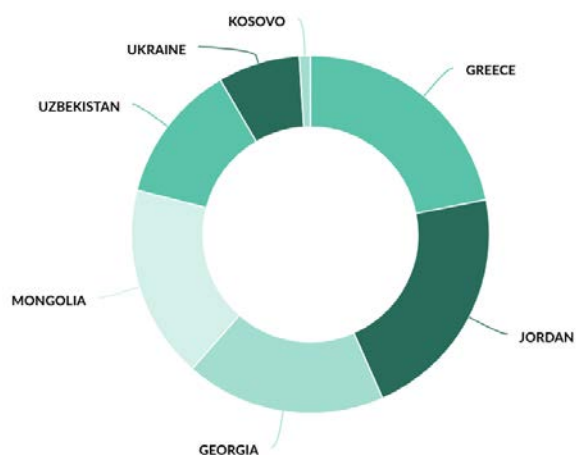
Microfinance Portfolio by sector



Microfinance Portfolio by country



Health Portfolio by country





# 6.7 Impact and outcome reporting of EBRD’s Green and Social Bonds

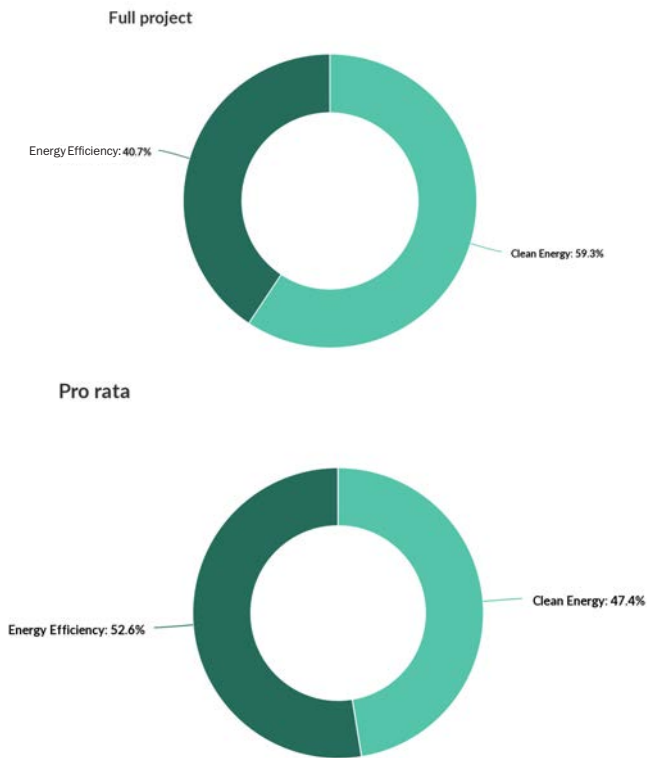
## Environmental Sustainability Bond Programme (ESBP)

**Renewable energy and energy efficiency in the GPP**  
 Renewable energy (RE) and energy efficiency (EE) projects account for 77.3 per cent of the GPP. The projects assessed are expected to have achieved a GHG reduction of 12.7 million tonnes of CO<sub>2</sub> equivalent (CO<sub>2</sub>e) each year. Based on the EBRD’s share of funding of the projects, the GHG savings attributable to EBRD finance is estimated to be 5.3 million CO<sub>2</sub>e.

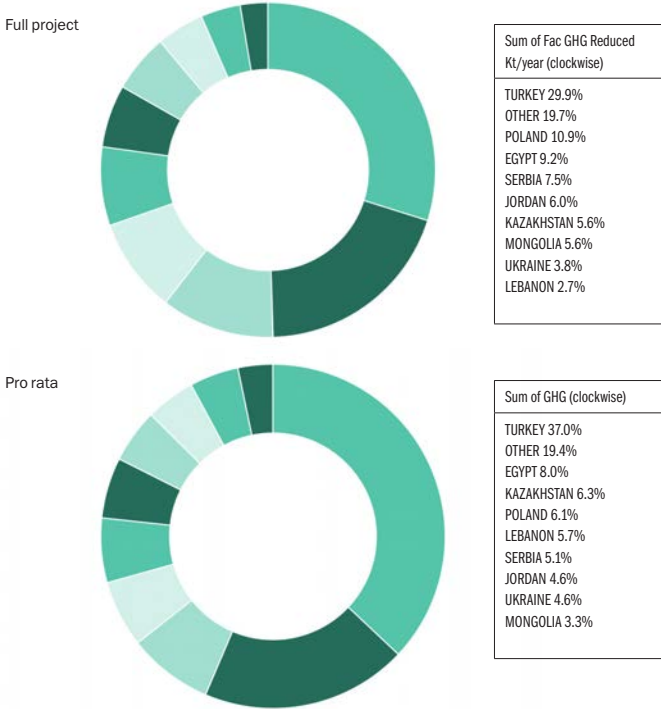
RE capacity installed amounted to 3.5 GW and the associated GHG savings amounted to 7.5 million tonnes of CO<sub>2</sub> equivalent (CO<sub>2</sub>e) each year (1.2 GW and 2.5 million tonnes CO<sub>2</sub>e based on the EBRD’s share of funding).

Note that because of the criteria applied to the GPP, not all of the EBRD’s RE and EE investments are included. Investment amounts and CO<sub>2</sub> savings for the GPP are consequently lower than those for the EBRD’s overall investments in these sectors.

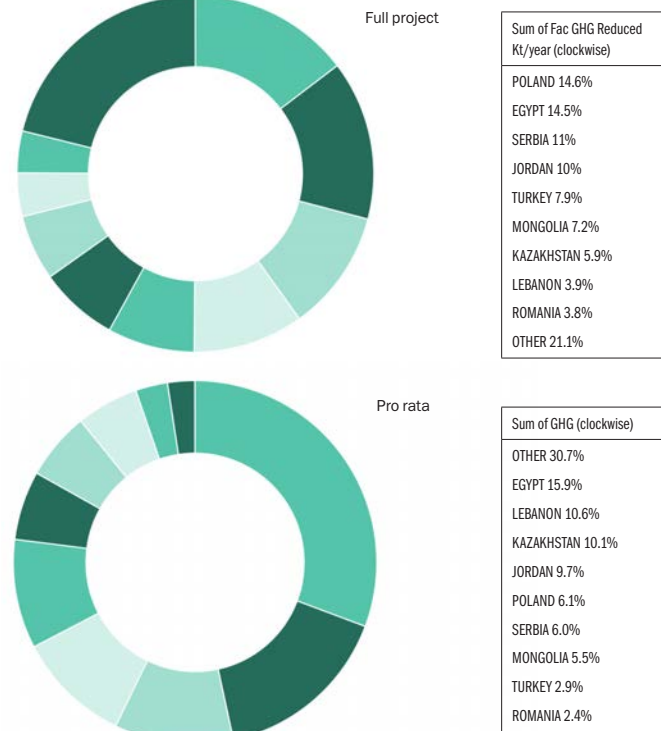
Chart: GHG reductions by type



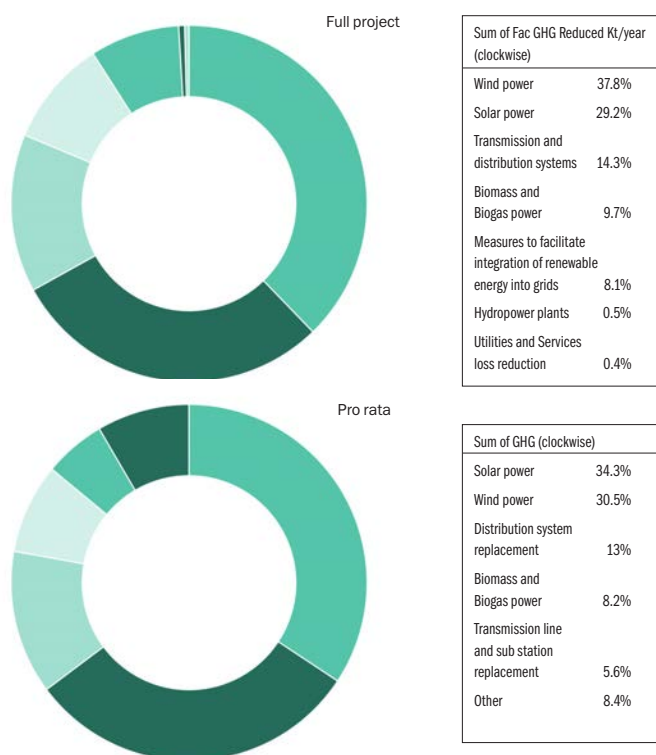
Estimated GHG savings from energy efficiency and renewable energy projects in the GPP by country



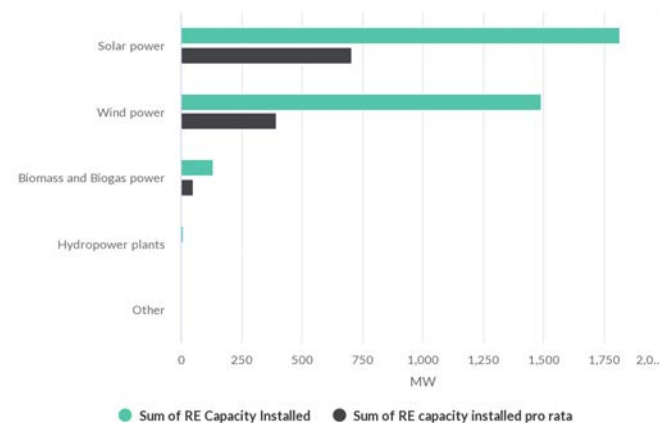
Estimated GHG savings from renewable energy projects in the GPP by sector



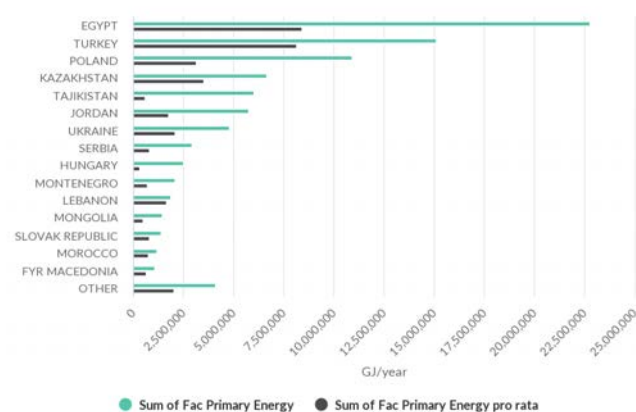
## Estimated GHG savings from renewable energy projects in the GPP by sector



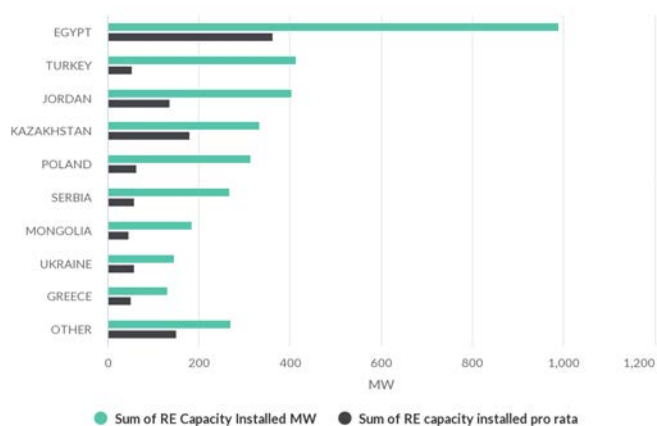
## Capacity installed by technology



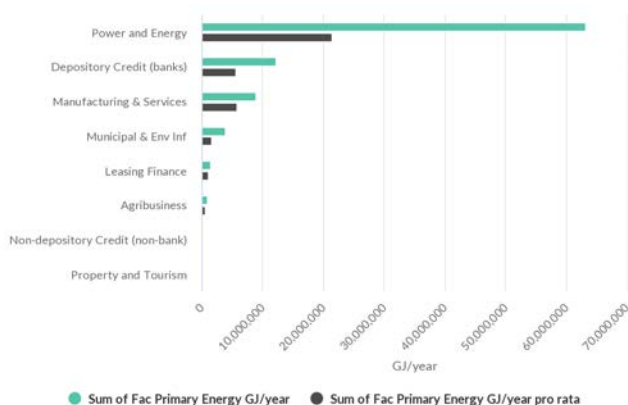
## Energy saved by Country



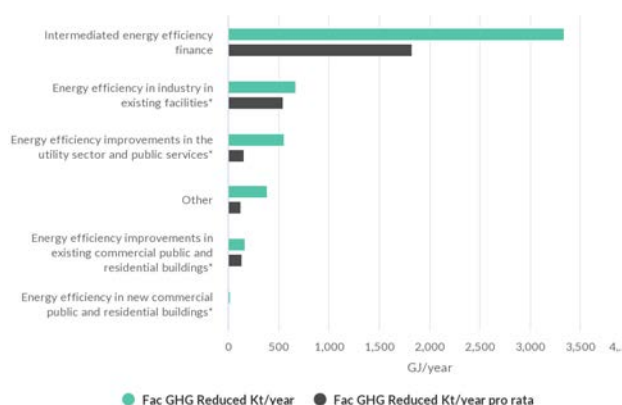
## Capacity installed by country



## Energy by Sector



## Energy by Technology



The EBRD's GHG Methodology is available [here](#)

## Sustainable resource projects in the GPP

Sustainable resource projects, which include water, waste and sustainable transport projects, account for 22.7 per cent of the GPP. These investments are expected to benefit a total of 21.85 million people (11.70 million based on the EBRD's share of funding) in the EBRD regions by providing them with improved water services, district heating and solid waste facilities.

The water projects are expected to annually save 206 million m<sup>3</sup> of water and treat 128 million m<sup>3</sup> of wastewater (134 million and 49 million m<sup>3</sup> of water and wastewater respectively based on the EBRD's share of funding).

The waste management projects are expected to help manage 3.4 million tonnes of waste annually (1.6 million tonnes based on the EBRD's share of funding). Sustainable waste management includes waste minimisation, recovery, recycling and re-use.

The transportation projects are expected to reduce the levels of air pollutants: particulate matter (PM) is expected to reduce by 19 tonnes per year (10 tonnes based on the EBRD's funding) and the nitrogen oxides (NOx) by 455 tonnes per year (351 tonnes pro rata).

Note that because of the criteria applied to the GPP, not all of the EBRD's water, waste and sustainable transport investments are included. Investment amounts and project benefits for the GPP are consequently lower than those for the Bank's overall investments in these sectors.

#### Number of people benefiting from the water, wastewater and environmental infrastructure projects in the GPP

Total 2014-18	'000		Relative to TPV 2014-18	'000	
Total population benefitting from improved solid waste management services.	10,045	46%	Total population benefitting from improved solid waste management services.	5,869	50%
Total population benefitting from improved access to tap water.	4,108	19%	Total population benefitting from improved access to tap water.	2,597	22%
Total population benefitting from improved access to wastewater services.	3,436	16%	Total population benefitting from improved access to wastewater services.	1,465	13%
Total population benefitting from improved district heating.	4,265	20%	Total population benefitting from improved district heating.	1,764	15%
Total	21,854		Total	11,696	

#### Breakdown by country

	Sum of Projected impact by completion ('000)	Sum of Pro rata
KAZAKHSTAN	4,317	1,718
JORDAN	4,083	1,412
GEORGIA	2,700	2,433
ARMENIA	1,530	418
ROMANIA	1,481	88
EGYPT	1,410	430
MONGOLIA	1,400	914
UKRAINE	929	518
BOSNIA AND HERZEGOVINA	780	299
OTHER	3,223	2,140

#### Annual water saved due to improved irrigation infrastructure

	Sum of Fac Water Savings (thousand m3/year)	Sum of Water saved pro rata	Sum of Number of projects
KAZAKHSTAN	120,092.00	103,885.00	13
ROMANIA	30,277.00	1,776.00	26
BOSNIA AND	25,315.00	10,257.00	5
UZBEKISTAN	12,333.00	10,277.00	2
MOROCCO	11,200.00	3,391.00	2
OTHER	7,115.00	4,344.00	27.00

#### Wastewater treated by country

	Sum of Wastewater treated volume (thousand m3/year)	Sum of Wastewater treated pro rata	Sum of Number of projects
EGYPT	91,250.00	27,905.00	7
BELARUS	26,768.00	17,939.00	6
KAZAKHSTAN	7,709.00	1,844.00	13
JORDAN	2,156.00	1,024.00	3

## Social Bond Programme

The 14 Projects includes Hospitals (5), Diagnostic Imaging Centres (2), Pharmaceutical Manufacturing (4), Pharma Wholesaling (2) and Retail Pharmacies (1).

7 projects, accounting for 23% of the portfolio, involve the construction of 6 new facilities, including new hospitals, an oncology centre, a centralised laboratory facility and a diagnostic imaging chain.

The Centralized Lab project is an example of a new model of providing laboratory services outside the hospital and is intended to allow for new types of diagnostic tests not currently available in the local market

- > The Diagnostic Imaging chain will bring increased access to new medical technologies (e.g. MRI, CT) to the market where there is a undersupply of imaging equipment
- > All health care projects seek to increase standards above the prevailing standards in the market. 3 projects target Joint Commission internal accreditation, the premier international standard, of which 1 hospital (IM Centre) has already received this accreditation with EBRD TC support.

7 projects, accounting for 77% of the portfolio are related to pharmaceutical manufacturing, wholesaling and retail pharmacies

- > All 4 projects in pharmaceutical manufacturing entail supporting Good Manufacturing Practice (GMP) standards.
- > The pharmaceutical wholesaling projects include support for working capital financing and one of the projects for a new pharmaceutical warehouse
- > The retail pharmacy chain included support for expansion of 160 retail pharmacies.

## Disclaimer

Impact indicators are typically based on a number of assumptions. While technical experts aim to use sound and conservative assumptions, based on the information available at the time, the actual environmental impact of the projects may diverge from initial projections.

Caution should be taken in comparing projects, sectors or whole portfolios because baselines (and base years) and calculation methods may vary.

Projects will have a wider range of impacts than are captured by the indicators presented in this report. While the EBRD makes efforts to improve the consistency and availability of reported metrics over time, projects cover a wide range of sectors and sub-sectors making complete harmonisation of reporting metrics challenging. In some cases numbers have been rounded for ease of presentation.



## 6.8 EBRD Green and Sustainability Bond investments and technical support

### Introduction

While the global market for Green Bonds has grown rapidly in recent years, exceeding US\$ 167 billion of issuance in 2018 (source: CBI preliminary estimate), large regional gaps remain with only approximately 2 per cent of global issuance volume coming from our regions. The Bank has been leading efforts to increase the market's scale and we note increasing calls from potential issuers for the EBRD's involvement as investor and technical assistance provider for pilot issuance.

The Bank has also established a dedicated technical cooperation programme to accelerate GBP-aligned Green and Sustainability Bond issuances in the EBRD regions. The key objective of this programme is to assist existing and potential clients of the EBRD in identifying gaps in their internal capacity and processes that need to be addressed in order for them to be able to issue Theme Bonds.

### Case studies

#### Green and Sustainability Bond Framework for Financial Institutions SDG9

In September 2018, we approved a €250 million direct investment framework for Green and Sustainability Bonds issued by financial institutions. Over the next three years, we anticipate the framework will mobilise private sector capital investments of a further €1 billion, and hope to double the supply of such bonds issued by financial institutions across the regions where the EBRD invests.

#### Amundi Planet SDG13

In 2018, we completed a US\$ 68.5 million investment in Amundi Planet - Emerging Green One, the world's largest Green Bond fund and the first dedicated to emerging markets, including the EBRD regions. In parallel with this investment, we also launched a dedicated Green Bond technical cooperation programme across our regions to help increase the issuance of Green Bonds to finance environmentally friendly projects.

## 6.9 Measuring and monitoring performance

### Introduction

The environmental and social performance of all EBRD projects is closely monitored throughout the investment cycle. This involves a combination of client reporting, regular site visits by Bank staff and independent audits.

We require each of our clients to provide us with a report – at least annually – on their environmental and social performance and the implementation of applicable Environmental and Social Action Plans (ESAPs). A lack of environmental and social reporting by a client is usually a signal to the Bank that they need assistance. So we step in with enhanced monitoring. This usually leads to more frequent site visits or assistance with capacity-building initiatives.

### Project Performance Indicators

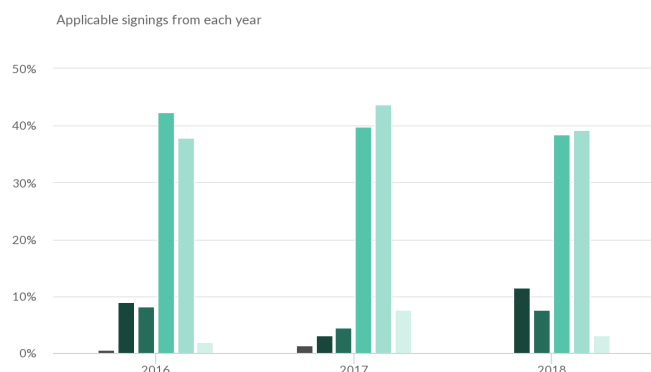
The EBRD has introduced a system of performance indicators for direct investment projects. This system assesses and monitors project compliance with the Bank's environmental and social Performance Requirements (PRs) over time. The objectives of this work are:

- more accountability
- improved management of resources
- enhanced reporting.

Compliance with the main components of each PR is scored for each project at the time of appraisal. These scores are combined to give an overall performance rating for each project on a five-point scale. Projects are rated based on current performance, that is, before the implementation of any future commitments under an Environmental and Social Action Plan (ESAP). By tracking projects over time, we aim to be able to demonstrate changes in performance as EBRD investments and associated ESAPs are implemented.

2018 was the third full year that the system has been in operation. The chart below shows the spread of ratings for projects signed last year and the table shows the percentage of applicable projects that have been subject to this new system that have triggered each of the PRs.

## Project environmental and social performance ratings



## Percentage of applicable projects related to PRs

Performance Requirement*	% of projects
<b>PR1:</b> Assessment and Management of Environmental and Social Impacts and Issues	85%
<b>PR2:</b> Labour and Working Conditions	85%
<b>PR3:</b> Resource Efficiency and Pollution Prevention Control	83%
<b>PR4:</b> Health and Safety	85%
<b>PR5:</b> Land Acquisition and Involuntary Resettlement and Economic Displacement	17%
<b>PR6:</b> Biodiversity Conservation and Sustainable Management of Living Natural Resources	35%
<b>PR7:</b> Indigenous Peoples	0%
<b>PR8:</b> Cultural Heritage	16%
<b>PR10:</b> Information Disclosure and Stakeholder Engagement	83%

\* PR9 applies only to investments made through Financial Intermediaries. These are monitored separately via the FI Sustainability Index.

## 6.10 Greenhouse gas (GHG) assessment for 2018

### Introduction

Our GHG Assessment provides an estimate of the net carbon footprint that will result from EBRD-financed projects signed during a representative year, once the projects are fully implemented.

The calculation is based on estimated emission reductions from climate mitigation projects and estimates of “new” GHG emissions from projects that involve new building or expanding capacity.

### Key figures

The EBRD has published GHG estimates for its signed projects every year since 2002. GHG data for the project assessments come from a variety of sources, including environmental impact assessments (EIAs), energy audits and, in some cases, calculations carried out by our engineers. Find out more about our GHG reporting and how we assess it [here](#).

Category	Number of investments	GHG impact (ktCO <sub>2</sub> e per year)
Renewable energy	13	-1,059
Energy efficiency	17	-1,639
Climate mitigation funds and credit line	1	-40
Public transport	2	-195
Waste and wastewater	3	-433
Greenfield (new build)	2	330
<b>Total</b>	<b>38</b>	<b>3,038</b>

2018 marks the 13th consecutive year in which our investments have been forecast to deliver aggregate GHG savings.

A large part of the emission reductions are the result of investments in renewable energy and energy efficiency. The projects that will lead to significant GHG emission increases are gas pipeline projects. The emissions increases relate to the operation of the project, principally from the compressors that pump the gas along the pipeline.

## 2018 highlights

### Development of an economic assessment methodology for projects with high GHG emissions

2018 was a remarkable year for the Bank as it made a corporate commitment to include a mandatory economic assessment for projects with high GHG emissions.

Starting from January 2019, the Bank will undertake a mandatory economic assessment of project finance and corporate finance with known use of proceeds. The economic assessment will apply to projects with annual GHG emissions which either increase net emissions by 25,000 metric tonnes per year relative to a baseline or increase gross emissions by 100,000 metric tonnes per year in absolute terms. Where applied, it will be an additional piece of information for EBRD management when considering an investment.

An important part of this economic assessment is the use of a shadow carbon price. Carbon pricing can be part of the policy package to achieve these goals. A “shadow” carbon price seeks to put a monetary value on GHG emissions and corrects for the market failure associated in the absence of carbon markets or equivalent tools (for example, a carbon tax). This is particularly important in instances where although there has been substantial progress in recent years, carbon prices remain limited or non-existent in many of the economies where the EBRD invests.

For the shadow carbon prices the EBRD will use the high and low values from the range of prices recommended by The High Level Commission on Carbon Prices.

For more information see: <https://www.ebrd.com/news/publications/institutional-documents/methodology-for-the-economic-assessment-of-ebrd-projects-with-high-greenhouse-gasemissions.html>

## 6.11 Greenhouse gas assessment – ex post monitoring

### Introduction

The EBRD assesses and reports project-related GHG emissions and savings. These assessments are normally *ex ante*, compiled using robust estimates of how a project will perform once it is fully implemented. As part of our project monitoring we also collect actual impact data which we can compare with *ex ante* pre-investment estimates. This monitoring process allows us to:

1. monitor technical and operational capacities, systems and finances
2. verify assumptions that went into the *ex ante* estimates and compare these with achieved savings
3. strengthen current estimates and assumptions used to make *ex ante* calculations.

The Green Climate Fund (GCF), Global Environment Facility and Clean Technology Fund, which help support the EBRD's climate investment also require us to report *ex post* data annually, including emissions reductions achieved.

### Key figures

*Ex post* monitoring is undertaken for a selection of EBRD projects that have significant CO<sub>2</sub> emissions and/or emission reduction potential.

- Cumulatively, renewable energy and energy efficiency projects financed by the EBRD between 2006 and 2017 are estimated to lead to 90 million tonnes of CO<sub>2</sub> reduction.
- From our portfolio, 41 per cent of projects contribute 95 per cent of reported emission savings, of which around a quarter have been subject to enhanced *ex post* monitoring.

About half of the projects reviewed have progressed in line with our *ex ante* forecasts. Some have produced results that have exceeded our original estimates, while others have under-performed expectations. The net effect of these variations in outcomes is to produce an overall result at the portfolio level that is closer to the *ex ante* estimates. Financial or operational changes, delays in implementation or overly optimistic *ex ante* assumptions can result in material differences of outcomes. These instances are more likely to happen in energy efficiency and transport projects which contain a wider assumption scale than more straightforward projects such as renewable energy or electricity transmission and distribution.

The case studies below highlight how *ex post* monitoring can help us evaluate which types of projects need more resources to generate more robust results. As we gain more experience from this monitoring work, we will aim to revise our methodologies and improve the assumptions that underpin our pre-investment estimates.

## Case studies

### Kazakh railway operator to improve energy efficiency with EBRD loan SDG9

In 2013, the Bank committed US\$ 40 million for a project with a railway operator in Kazakhstan aimed at improving energy efficiency in non-traction operations. In 2015, the loan amount was reduced to US\$ 9.55 million and the scope of the project was changed as the borrower decided to use the financing for efficient lighting investments only. This meant both a smaller investment programme and electricity savings of 19 percent less than had been initially planned, changes which created over-estimates of the *ex ante* electricity and CO<sub>2</sub> savings value.

### Smart grid development in Poland SDG9

We provided a loan of up to €95 million to the electricity utility company to support a smart grid project that included construction of new lines for connecting renewable energy sources, and upgrading and extending the distribution network. In 2018, following completion of the project, the client reported that its distribution losses were reduced by around 4.2 per cent, equivalent to a reduction of 1 TWh in electricity losses. The project implementation has resulted in almost 44 per cent more loss reduction compared with the EBRD's pre-investment estimate.

## 6.12 Financial intermediaries

### Introduction

We ensure that all financial institutions receiving our financing have appropriate environmental and social risk management systems in place. Our requirements for these financial intermediary (FI) projects are set out in PR9 of our Environmental and Social Policy (ESP).

### Sustainability Index

Our online Financial Intermediary Sustainability Index (SI) allows us to monitor the environmental and social (E&S) risk management performance of individual FIs and the entire portfolio. By the end of 2018, over 240 partner financial institutions had been provided with access to the SI.

We regularly review usage of the Index, asking participating FIs for feedback and insight into the sustainability issues they are facing. By October 2018, we had reviewed 115 completed responses.

In line with previous reviews, FIs continued to see a growth in the influence of sustainability issues in the last three years. Levels of endorsement for international collaborations with, among others, the UN Universal Declaration on Human Rights, the UNEP Financial Initiative, UN Global Compact, Smart Campaign and IFC Performance Standards, are broadly similar to previous reporting periods.

### Training and capacity-building

Environmental and social risk management is good practice in the financial sector. We rely on the financial institutions in the economies where we invest to implement our performance requirements, which gives them substantial E&S management responsibility.

We have been training our financial intermediaries in this area since 1991. During 2018, various one-day E&S due diligence training workshops were delivered to the following partner FIs:

- in Ukraine, five FIs involved in our risk sharing frameworks
- in Tunisia, UBCI, QNB, CIL, UIB and a number of micro-credit providers
- specific workshops for EHSS risks associated with the Trade Finance Programme were provided for more than 25 clients at two sessions in Vienna and Tbilisi.

The Bank's E&S e-learning programme for FIs continues to be accessed by partner banks and private equity houses, with 244 new users added in 2018. Our experience shows that FIs who receive E&S monitoring visits from the EBRD have a better understanding of the methods and benefits of implementation of procedures and much higher confidence in decision-making on environmental and social actions.

In 2018 EBRD staff undertook monitoring visits to the aforementioned Tunisian and Ukrainian entities and visits were also undertaken to XacBank and a number of non-bank financial institutions in Mongolia.

## 6.13 Health and safety

### Introduction

Our portfolio involves tens of thousands of people, including employees and contractors, who work across about 1,500 projects at any one time. Millions of customers and end-users also benefit from our projects. One of our top priorities is ensuring the health and safety of workers and communities and eliminating or minimising any risk associated with the work we do.

As part of our due diligence, all EBRD-financed projects are held to high health and safety standards. Our clients are required to notify us of any serious incidents and fatalities and we monitor trends across our portfolio and take prompt and effective action where necessary.

### Key figures

In 2018, we received reports of serious incidents from 24 clients, which sadly resulted in 75 fatalities overall. Of these, 50 occurred in 2018 – the other 25 were related to figures from previous years that were late in being reported. The 2018 figures compared with 45 fatalities recorded in 2017, but we have followed a general reduction in fatal accidents over the past five years. The main causes of fatalities among workers and members of the public in 2018 were vehicle collisions (18 reported); electrocutions (13 reported); single train collisions (10 reported); and falling from a height (8 reported).

### 2018 highlights

The EBRD's involvement in various activities and awareness-raising events has helped to influence policy and standards in many of the economies where we invest.

Electrocutions continue to be one of the top causes of fatal accidents reported by the Bank (14 per cent in 2018 down from 24 per cent in 2017). To support our clients with managing this risk, we provided IOSH Managing Safely training to senior managers and safety specialists at KTZ Rail in Kazakhstan and supported a study tour for EPS from Serbia to visit counterparts in the power and energy sector in Greece. We also engaged with [ELDER](#) in Turkey to undertake a detailed root cause analysis of worker accidents in the Turkish electrical distribution sector.

As part of our backing for the UN Decade of Action for Road Safety, the EBRD supported an intensive media campaign in Dushanbe, Tajikistan, which saw seatbelt use for car drivers increase from 22.5 per cent in July 2017 to 36.0 per cent in April 2018. The overall seatbelt wearing rate for all car occupants, including passengers, also increased from 12.9 per cent in July 2017 to 21.0 per cent in April 2018. We have been supporting a similar campaign in Bishkek, Kyrgyz Republic, since November 2018 and also took over the chair of the MDB Road Safety Working Group in early 2018.

Between 2013 and 2018, we mobilised €3.2 million from the EBRD Shareholder Special Fund for road, occupational health and safety activities, from appraisals to capacity-building for clients in higher-risk sectors. We spent €1.2 million on these activities in 2018.

We are fully committed to protecting and promoting health and safety within our investments and set out our expectations within PR4 of our Environmental and Social Policy (2014).



## 6.14 Project Complaint Mechanism

### Introduction

Our [Project Complaint Mechanism \(PCM\)](#) is the EBRD's accountability tool established to assess and review complaints about projects we finance. It offers individuals and local groups that may be directly or adversely affected by a project, as well as CSOs, a means of raising complaints or grievances with the Bank, independently from banking operations.

### Key figures

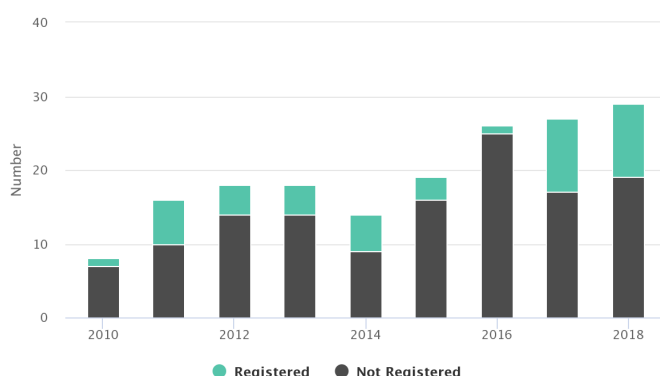
In 2018, the PCM registered 10 new complaints and continued working on different stages of Compliance Review and Problem-Solving for eight additional, ongoing complaints.

PCM has been monitoring the implementation of Management Action Plans and has issued bi-annual Compliance Review Monitoring Reports in relation to six complaints. Five complaints were found to be ineligible for further processing by the PCM and were closed in 2018. An additional four complaints that were under monitoring stage were closed in 2018. One complaint was closed after no findings of non-compliance and another was closed after the finalisation of a Problem-Solving Initiative.

The PCM also conducted outreach workshops with CSOs in Ulaanbaatar, Amman and Washington, in partnership with other IFIs. Capacity-building activities in the area of problem-solving were also held throughout the year in various of the economies where the EBRD invests.

Details of all complaints and reports, together with PCM Annual Reports, are available on the [PCM website](#).

### PCM Complaints by year, 2010-18



# SECTION 7: ANNEXES

## Annex 1: Climate project disclosure

The EBRD has been tracking climate finance<sup>2</sup> on a project-by-project basis since 2006. Up to 2017, the EBRD disclosed this information on a sectoral or country level.

The table below shows climate finance data on a project level.

Operation name	Banking sector team	Economy	ABI (€ millions)	Climate finance (€ millions)
DLF - Georgia Logistics Terminal	Transport	Georgia	1.0	1.0
Railway Rehabilitation Project	Transport	Kosovo	8.6	8.6
RG Brands Loan Facility	Agribusiness	Kazakhstan	5.9	3.7
DFF - Arabian Cement	Manufacturing and Services	Egypt	21.8	11.1
Schwarz Sustainable Retail Romania	Agribusiness	Romania	30.0	23.4
DFF - SwoodS Sawmill	Manufacturing and Services	Belarus	10.0	10.0
Hystead Serbia	Property and Tourism	Serbia	30.7	4.7
Nibulon Grain Infrastructure	Agribusiness	Ukraine	34.9	34.9
UZ New Rolling Stock	Transport	Ukraine	131.0	95.6
CTPark Bucharest - Project 13k	Property and Tourism	Romania	43.8	24.5
Corridor Vc in FBH - Part 3	Transport	Bosnia and Herzegovina	120.0	13.9
DFF - Akkim Chemicals	Manufacturing and Services	Turkey	12.0	7.7
Project Frame	Transport	Serbia	72.0	9.4
DFF - KCPM	Manufacturing and Services	Ukraine	15.0	10.0
DFF - Energoresurs-invest	Manufacturing and Services	Ukraine	3.4	1.4
SOPC Energy Efficiency & Upgrade Program	Natural Resources	Egypt	174.6	112.6
Actera III	Equity Funds	Turkey	109.2	109.2
DFF: REKS Recycling	Manufacturing and Services	Kosovo	4.6	4.6
DFF - Nova Poshta	Transport	Ukraine	9.5	4.3
Hystead FYR Macedonia	Property and Tourism	North Macedonia	14.8	2.7
Hystead Montenegro	Property and Tourism	Montenegro	3.3	3.3
DFF - Project Green Light	Natural Resources	Morocco	8.7	4.4
Aksa Acrylic Filament	Manufacturing and Services	Turkey	43.2	38.8
DFF - Zeus	Agribusiness	Belarus	10.0	2.0
RSF-TBC-McDonalds Georgia	Agribusiness	Georgia	7.5	0.8
DFF - Project Steel - Restructuring	Manufacturing and Services	Poland	20.0	5.1
Project Keystone	Property and Tourism	Regional	28.6	14.9
DFF - Multisac	Manufacturing and Services	Morocco	3.1	0.5
Akis REIT (f. Project White)	Property and Tourism	Turkey	20.3	3.0
VMG Mogilev	Manufacturing and Services	Belarus	50.0	7.0
OTE Eurobond 2	Information and Communication Technologies	Greece	40.0	40.0
Project James	Agribusiness	Serbia	25.0	4.0
Globalworth Real Estate Investment II	Property and Tourism	Romania	60.0	13.6
Serbia Voz: TPS Zemun Project - Loan II	Transport	Serbia	22.0	17.9

<sup>2</sup> At the EBRD, climate finance is defined as ABI that qualifies for GET under the climate change mitigation and adaptation categories.

Operation name	Banking sector team	Economy	ABI (€ millions)	Climate finance (€ millions )
Schwarz Sustainable Retail Greece	Agribusiness	Greece	40.0	17.2
DFF - Project Megalab	Manufacturing and Services	Georgia	3.3	0.3
DFF - Negabarit	Transport	Ukraine	2.6	0.3
DFF Nitrogénmuvek	Manufacturing and Services	Hungary	25.0	25.0
Migros Loan	Agribusiness	Turkey	60.0	20.7
DFF - Guala Pack Solvent Recovery	Manufacturing and Services	Ukraine	3.5	3.5
DFF - Auga Group	Agribusiness	Lithuania	8.9	8.9
ZAT GET	Manufacturing and Services	Poland	116.3	59.3
DFF - Project Recyclage	Manufacturing and Services	Tunisia	1.1	1.1
DFF - Project Irakli	Agribusiness	Georgia	2.7	0.9
DFF - Hosh Zaman Greenhouses	Agribusiness	Turkmenistan	2.6	1.0
RSF - TBC Bank - Rooms Hotel Bakuriani	Property and Tourism	Georgia	2.4	0.5
DFF - DIV Group	Manufacturing and Services	Croatia	14.6	1.5
BUS Electricity Distribution Project	Power and Energy	Lebanon	15.7	15.7
DFF - Egesil Kimya	Manufacturing and Services	Turkey	15.0	15.0
KyrSEFF II Kompanion loan	FI - Russia, Central Asia and Caucasus	Kyrgyz Republic	0.9	0.9
KyrSEFF II - First MicroCredit Company	FI - Russia, Central Asia and Caucasus	Kyrgyz Republic	0.4	0.4
BZ WBK Poland REFF	FI - EU	Poland	25.0	25.0
EgyptSEFF - QNB AlAhli	FI - SEMED	Egypt	17.5	17.5
MonSEFF:Khan Bank Sustainable Energy Loan	FI - Russia, Central Asia and Caucasus	Mongolia	2.2	2.2
KyrSEFF II - DKIB Loan	FI - Russia, Central Asia and Caucasus	Kyrgyz Republic	1.8	1.8
FIF - DCFTA - Procreditbank SME Facility	FI - WB, Belarus, Moldova and Ukraine	Moldova	4.0	2.4
FIF - DCFTA - Ukreximbank SME Facility	FI - WB, Belarus, Moldova and Ukraine	Ukraine	13.1	7.9
GEFF - Western Balkans - AFK	FI - WB, Belarus, Moldova and Ukraine	Kosovo	0.5	0.5
Project Ragnar	FI - EU	Poland	30.9	30.9
GEFF - Western Balkans - Sparkasse Bank	FI - WB, Belarus, Moldova and Ukraine	Bosnia and Herzegovina	2.0	2.0
Bank Zachodni WBK subordinated bond	FI - EU	Poland	34.9	21.6
GEFF - Western Balkans - Unicredit Bank Serbia	FI - WB, Belarus, Moldova and Ukraine	Serbia	5.1	5.1
GEFF - Western Balkans - KRK	FI - WB, Belarus, Moldova and Ukraine	Kosovo	1.0	1.0
GCF GEFF Regional - GEFF Armenia - Ameriabank	FI - Russia, Central Asia and Caucasus	Armenia	8.2	8.2
Fransabank bond	FI - SEMED	Lebanon	13.1	13.1
KyrSEFF II - Optima Bank II	FI - Russia, Central Asia and Caucasus	Kyrgyz Republic	3.1	3.1
Project Meadow	FI - Insurance and Financial Services	Regional	56.8	56.8

Operation name	Banking sector team	Economy	ABI (€ millions)	Climate finance (€ millions )
GEFF - Western Balkans - Ohridska Banka	FI - WB, Belarus, Moldova and Ukraine	North Macedonia	1.0	1.0
GEFF - Western Balkans - Partner	FI - WB, Belarus, Moldova and Ukraine	Bosnia and Herzegovina	2.5	2.5
GEFF - Western Balkans - TEB Sh.A.	FI - WB, Belarus, Moldova and Ukraine	Kosovo	3.0	3.0
Project Meadow II	FI - Insurance and Financial Services	Regional	2.8	3.1
GEFF - Western Balkans - Erste Bank Serbia	FI - WB, Belarus, Moldova and Ukraine	Serbia	5.1	5.1
FIF - DCFTA ProCredit Georgia SME Facility	FI - Russia, Central Asia and Caucasus	Georgia	10.2	6.1
GEFF - Western Balkans - Union Bank Albania	FI - WB, Belarus, Moldova and Ukraine	Albania	2.0	2.0
GEFF- Western Balkans - Fondi Besa	FI - WB, Belarus, Moldova and Ukraine	Albania	1.5	1.5
GEFF - Poland - Millennium Leasing	FI - Insurance and Financial Services	Poland	69.8	69.8
CEEP - ACBA Bank	FI - Insurance and Financial Services	Armenia	1.7	1.7
FIF - DCFTA - OTP Leasing SME Facility	FI - Insurance and Financial Services	Ukraine	10.0	6.0
TurSEFF III - Finans Leasing	FI - Insurance and Financial Services	Turkey	25.0	25.0
CEEP - Basis Bank	FI - Russia, Central Asia and Caucasus	Georgia	6.0	6.0
Bank Audi - GEFF pilot	FI - SEMED	Lebanon	78.6	78.6
FIF - Regional SME CSP - Ohridska Banka	FI - WB, Belarus, Moldova and Ukraine	North Macedonia	5.0	3.0
WebSEFF II: Banca Intesa Belgrade	FI - WB, Belarus, Moldova and Ukraine	Serbia	15.0	15.0
Garanti Leasing - TurSEFF III	FI - Insurance and Financial Services	Turkey	50.0	50.0
FIF - DCFTA - BCRC SME Facility	FI - WB, Belarus, Moldova and Ukraine	Moldova	2.5	1.5
FIF - Regional SME CSP - BiH UniCredit Bank Banja Luka	FI - WB, Belarus, Moldova and Ukraine	Bosnia and Herzegovina	2.5	1.5
FIF - Regional SME CSP - BIH UniCredit Bank Mostar	FI - WB, Belarus, Moldova and Ukraine	Bosnia and Herzegovina	2.5	1.5
GEFF - BMCI MorSEFF	FI - SEMED	Morocco	20.1	20.1
FIF - DCFTA - Basis Bank SME Facility	FI - Russia, Central Asia and Caucasus	Georgia	8.5	5.1
FIF - Regional SME CSP - Komercijalna Banka Skopje	FI - WB, Belarus, Moldova and Ukraine	North Macedonia	2.5	1.5
FIF -WB SME CSP-Sparkasse Bank Macedonia	FI - WB, Belarus, Moldova and Ukraine	North Macedonia	4.0	2.4
FIF - Regional SME CSP - ProCredit Kosovo	FI - WB, Belarus, Moldova and Ukraine	Kosovo	5.0	3.0
Project Bison	FI - EU	Poland	32.2	32.2

Operation name	Banking sector team	Economy	ABI (€ millions)	Climate finance (€ millions )
FIF - Regional SME CSP - Banka Per Biznes	FI - WB, Belarus, Moldova and Ukraine	Kosovo	2.5	1.5
EL TO Zagreb Upgrade Project	Power and Energy	Croatia	43.5	43.5
KazPetrol APG Utilisation Loan	Natural Resources	Kazakhstan	36.7	11.0
Elektro-Bijeljina smartmetering expansion	Power and Energy	Bosnia and Herzegovina	7.5	7.5
OEDAS Financing	Power and Energy	Turkey	96.1	84.5
MREK Privatisation and Transformation	Power and Energy	Kazakhstan	28.0	19.6
NEPCO Restructuring loan	Power and Energy	Jordan	231.4	143.5
UzbekEnergo Muruntau Substation	Power and Energy	Uzbekistan	72.0	72.0
Lietuvos Energija Green Bond 2	Power and Energy	Lithuania	30.0	30.0
Qairokkum HPP Climate Resilience Upgrade	Power and Energy	Tajikistan	33.2	33.2
Mestia HPPs: Kasleti-2	Power and Energy	Georgia	3.1	3.1
DFF - Modus Biogas Portfolio	Power and Energy	Belarus	13.1	13.1
Desert Solar Power Project	Power and Energy	Mongolia	9.2	9.2
Akfen Solar Power Project	Power and Energy	Turkey	45.0	45.0
USELF: Ekotechnik Solar	Power and Energy	Ukraine	5.6	5.6
KAZREF - Zadarya Solar Power Plant	Power and Energy	Kazakhstan	6.9	6.9
KAZREF - BAIKONUR SOLAR PLANT	Power and Energy	Kazakhstan	22.3	22.3
DFF - Project Tepco	Power and Energy	Egypt	0.6	0.6
Terna Rachoula Wind Farms	Power and Energy	Greece	16.5	16.5
BaltCap Infrastructure Fund	Equity Funds	Regional	20.0	7.0
USELF - Kness Solar	Power and Energy	Ukraine	18.5	18.5
Enguri HPP - Climate Resilience Upgrade	Power and Energy	Georgia	28.0	28.0
DFF - Agrospectsservice	Agribusiness	Ukraine	13.0	13.0
Akfen Wind Power Project	Power and Energy	Turkey	43.6	43.6
Entek - Menzelet & Kilavuzlu HPPs	Power and Energy	Turkey	42.7	4.3
Risen Solar	Power and Energy	Kazakhstan	19.2	19.2
KAZREF - Nomad Solar Power Plant	Power and Energy	Kazakhstan	29.5	29.5
USELF - Kamianka Solar	Power and Energy	Ukraine	12.2	12.2
USELF - Mykolaiv Solar	Power and Energy	Ukraine	18.1	18.1
SES Saran	Power and Energy	Kazakhstan	43.3	43.3
RSF - TBC Bank - Svaneti HPPs	Power and Energy	Georgia	6.0	6.0
Khujand Public Transport Project	Municipal and Environmental Infrastructure (MEI)	Tajikistan	9.6	9.6
GrCF Ulaanbaatar Solid Waste Modernisation Project	MEI	Mongolia	8.5	8.5
Puhovichi Solid Waste Project	MEI	Belarus	5.0	5.0
GrCF - Tbilisi Solid Waste	MEI	Georgia	15.0	9.0
GrCF - Batumi Bus	MEI	Georgia	2.3	2.3
UPTF: Kharkiv Trolleybus	MEI	Ukraine	8.0	8.0
UPTF - Zhytomyr Trolleybus	MEI	Ukraine	9.0	9.0
Cairo Metro Line 1 Modernisation	MEI	Egypt	205.0	205.0
GrCF-Izmir Metro Project II	MEI	Turkey	80.0	80.0
Oskemen Bus	MEI	Kazakhstan	4.0	1.2



Operation name	Banking sector team	Economy	ABI (€ millions)	Climate finance (€ millions )
KG Water Framework - Karakol Water Supply	MEI	Kyrgyz Republic	5.5	5.2
UPTF - Kryvyi Rih Trolleybus	MEI	Ukraine	8.0	8.0
MR3: Hatay Water Subproject	MEI	Turkey	27.0	13.5
GrCF: UKT Tirana Water Company	MEI	Albania	15.0	15.0
SLFW - Bacau Urban Energy Efficiency	MEI	Romania	6.0	6.0
Tashkent DH - Tashteplocentral Project	MEI	Uzbekistan	43.7	43.7
Tashkent DH - Tashteploenergo Project	MEI	Uzbekistan	87.3	87.3
Tashkent Water Improvement Project	MEI	Uzbekistan	26.2	16.8
Horezm Water Project	MEI	Uzbekistan	52.4	26.2
Namangan Water Project	MEI	Uzbekistan	52.4	31.4
GrCF- Varna Climate Resilience Infra Project	MEI	Bulgaria	10.2	8.4
Kitchener Drain Depollution - Solid Waste	MEI	Egypt	79.0	79.0
Kitchener Drain Depollution - Drain Rehabilitation	MEI	Egypt	69.0	10.4
GrCF-Energy Efficient Refurbishment of Zenica Hospital	MEI	Bosnia and Herzegovina	10.0	8.5
GrCF - Lviv Solid Waste	MEI	Ukraine	20.0	20.0
GrCF2: Minsk VK	MEI	Belarus	84.0	84.0
UPTF - Mariupol Trolleybus	MEI	Ukraine	13.0	13.0
GrCF: Sofia Electric Buses Acquisition P	MEI	Bulgaria	3.7	3.7
SWIFT Constanta sub-project	MEI	Romania	25.0	12.5
Pavlodar SL Modernisation	MEI	Kazakhstan	3.4	3.4
DFF - KF Baku Bus	MEI	Azerbaijan	5.6	5.0
Shymkent Water II	MEI	Kazakhstan	5.0	1.0
GrCF2 W2 - Craiova Urban Rehabilitation	MEI	Romania	15.0	15.0
MR3: GAM Solid Waste Crisis Response - LFG Expansion	MEI	Jordan	3.8	3.8
Regional TFP: Bank of Georgia (Guarantee & Pre-export)	FI - Russia, Central Asia and Caucasus	Georgia	12.7	0.5
Regional TFP: TBC Bank (guarantee & pre-export)	FI - Russia, Central Asia and Caucasus	Georgia	11.9	1.3
Regional TFP: Priorbank Guarantees and Pre-Export	FI - WB, Belarus, Moldova and Ukraine	Belarus	18.3	0.1
Regional TFP: Aval bank (Gtees & cash disb)	FI - WB, Belarus, Moldova and Ukraine	Ukraine	51.2	18.9
Regional TFP: JSCB OTP Bank, Ukraine	FI - WB, Belarus, Moldova and Ukraine	Ukraine	6.8	0.6
Regional TFP: Mobiasbanca (Guarantee & Pre-export)	FI - WB, Belarus, Moldova and Ukraine	Moldova	1.1	0.8
Regional TFP: Khan Bank	FI - Russia, Central Asia and Caucasus	Mongolia	22.6	0.1
Regional TFP: ZAO Minsk Transit BankI	FI - WB, Belarus, Moldova and Ukraine	Belarus	4.8	0.3
Regional TFP: Converse Bank	FI - Russia, Central Asia and Caucasus	Armenia	2.2	0.5
Regional TFP: Armswissbank	FI - Russia, Central Asia and Caucasus	Armenia	5.7	0.4

Operation name	Banking sector team	Economy	ABI (€ millions)	Climate finance (€ millions )
Regional TFP: Eurobank EFG a.d. Belgrade	FI - WB, Belarus, Moldova and Ukraine	Serbia	94.5	1.8
Regional TFP: Belaruskly Narodny Bank	FI - WB, Belarus, Moldova and Ukraine	Belarus	7.1	1.4
Regional TFP: Eurobank EFG	FI - EU	Bulgaria	4.8	2.4
Regional TFP: National Bank of Greece	FI - EU	Greece	71.5	17.0
Regional TFP: Belinvestbank	FI - WB, Belarus, Moldova and Ukraine	Belarus	11.2	1.0
Regional TFP: Ardshinbank	FI - Russia, Central Asia and Caucasus	Armenia	8.1	2.8
Regional TFP: Hellenic Bank Cyprus	FI - EU	Cyprus	11.2	1.3
Regional TFP: Bank of Cyprus	FI - EU	Cyprus	48.1	4.6
Regional TFP: Eurobank Ergasias S.A.	FI - EU	Greece	19.4	0.4
Regional TFP: Piraeus Bank S.A.	FI - EU	Greece	51.2	4.2
Regional TFP: Alpha Bank	FI - EU	Greece	105.8	8.7
Regional TFP: Piraeus Bank (Ukraine)	FI - WB, Belarus, Moldova and Ukraine	Ukraine	2.9	2.6

## Annex 2: Derogations

Some projects are unable to comply fully with all requirements of the Environmental and Social Policy. The EBRD Board approved derogations from the policy for 7 projects or project extensions signed in 2018. The specific derogations for these projects were agreed where affordability or operational constraints made full

compliance unachievable but the overall environmental, social and economic benefits of the projects were sufficient to justify our investment. With the exception of the agreed derogations, these projects will meet our policy and performance requirements.

### Board-approved derogations for new projects in 2018

Project	Derogation	Country	Sector
<b>SOPC Energy Efficiency &amp; Upgrade Program</b>	While the EBRD investment will improve its environmental footprint of the company, the refinery as a whole will not attain full alignment with the Performance Requirements (PRs), and specifically European Union Best Available Techniques within the short to medium term. The ESAP structures the project investments to meet the Bank's requirements, but also includes a road map to align the rest of the refinery with the PRs in the long term thereby addressing the legacy environmental and social issues identified during the due diligence.	Egypt	Natural Resources
<b>BEH Bond</b>	Due to the rules for capital market transactions, the Bank has not been in a position to undertake detailed or specific due diligence in accordance with the Bank's Environmental and Social Policy before this bond issuance. However the Bank has previous experience working with this client and has carried out an appraisal of its environmental, health and safety management systems, which are in line with EBRD Performance Requirements	Bulgaria	Power and Energy
<b>Kitchener Drain Depollution – Solid Waste</b>	While the project will be designed in line with EU standards, full compliance with aspects of the Waste Framework Directive, such as the requirement for a high degree of waste segregation, reuse and recycling, may not be possible due to financial and local capacity limitations.	Egypt	Municipal and Environmental Infrastructure
<b>Puhovichi Solid Waste Project</b>	The project will rehabilitate waste collection, transportation, waste sorting, recycling and disposal services, and increase operational efficiency as well as improve environment and hygiene standards. However, policy dialogue on a comprehensive waste management approach at the regional level to pursue sector reforms and significant further investments will be needed to achieve full compliance with the EU Waste Framework Directive requirements in this area.	Belarus	Municipal and Environmental Infrastructure
<b>GrCF Ulaanbaatar Solid Waste Modernisation Project</b>	The project will rehabilitate waste collection, transportation, waste sorting, recycling and disposal services, and increase operational efficiency as well as improve environment and hygiene standards. However, policy dialogue on a comprehensive waste management approach at the regional level to pursue sector reforms and significant further investments will be needed to achieve full compliance with the EU Waste Framework Directive requirements in this area.	Mongolia	Municipal and Environmental Infrastructure
<b>Tashkent Water Improvement Project</b>	The project will result in significant environmental benefits but achieving full compliance with EU environmental standards for water and wastewater systems would require additional long-term investments estimated and is not possible at this time due to affordability constraints and limited financial resources.	Uzbekistan	Municipal and Environmental Infrastructure
<b>Karakol Water Supply</b>	The project will result in significant environmental benefits but achieving full compliance with EU environmental standards for water and wastewater systems would require additional long-term investments estimated and is not possible at this time due to affordability constraints and limited financial resources.	Kyrgyz Republic	Municipal and Environmental Infrastructure

## Annex 3: Category A disclosures

A total of 14 new Category A projects requiring an Environmental and Social Impact Assessment (ESIA) were in an active disclosure period during 2018.

Of the projects proceeding to the Board of Directors, all projects met the disclosure requirement of 60 days minimum for private

sector projects or 120 days minimum for public sector projects before Board review.

Full ESIA's for all projects were available in local languages and were disclosed electronically. Links were provided to each project's ESIA page on our web site.

Country	Project name	State or private	Disclosure	Target board date	Days publicly available (before approval)	Language
Turkey	Mersinli Wind Farm	Private	22 March 2018	23 May 2018	Cancelled	English Turkish
Belarus	<a href="#">GrCF: Minsk VK</a>	Public	13 April 2018	31 October 2018	201	Russian English
Uzbekistan	<a href="#">Talimarjan Power Project</a>	Public	29 June 2018	31 October 2018	125	English Russian
Bosnia and Herzegovina	<a href="#">Zivinice Regional Solid Waste Project</a>	Public	5 July 2018	13 February 2019	93	English Bosnian
Poland	<a href="#">Potegowo Wind Project</a>	Private	10 July 2018	27 March 2019	291	Polish English
Ukraine	<a href="#">East Renewable Energy Syvash Wind Project Ukraine</a>	Private	16 July 2018	28 November 2018	136	English Ukrainian
Serbia	<a href="#">Serbia Route 7 Highway</a>	Public	8 August 2018	22 May 2019	288	English Serbian
Kazakhstan	<a href="#">Kurty-Burybaital Road Project Extension II</a>	Public	14 August 2018	22 May 2019	282	English Kazakh Russian
Georgia	<a href="#">Kheledula HPP</a>	Private	25 September 2018	17 January 2019	115	Georgian English
Poland	<a href="#">Olsztyn Waste Management PPP Project</a>	Private	12 October 2018	11 December 2019	426	English Polish
Serbia	<a href="#">Belgrade Solid Waste PPP</a>	Private	12 October 2018	27 March 2019	167	English Serbian
Egypt	<a href="#">Lekela North BOO Project</a>	Private	22 October 2018	27 February 2019	129	English Arabic
North Macedonia	<a href="#">GrCF: Skopje Wastewater Project</a>	Public	11 December 2018	19 June 2019	191	English Macedonian
Bosnia and Herzegovina	<a href="#">Corridor Vc - Doboj Bypass</a>	Public	20 December 2018	25 April 2019	127	Bosnian Croatian Serbian English

## Annex 4: Environmental Sustainability Bond Programme structure and alignment with Green Bond Principles

The Green Project Portfolio (GPP) comprises investments in two main areas:

### 1. Energy efficiency and renewable energy

The EBRD regions have substantial potential for cost-effective improvements in energy efficiency and for the expansion of renewable energy production. The EBRD also provides credit lines to local financial institutions that are seeking to develop sustainable energy financing as part of their business. The Bank provides these credit lines for energy efficiency and small-scale renewable energy. Local financial institutions on-lend the funds they have received from the EBRD to their clients, which include SMEs, corporate and residential borrowers, and renewable energy project developers.

### 2. Sustainable resource projects

The EBRD supports public- and private-sector operators in the delivery of essential urban municipal services nationally and locally. Projects include water efficiency, wastewater and solid waste management, resource efficiency, as well as sustainable transport solutions including urban public transport and traffic management systems.

### GPP selection criteria and procedure

Regardless of whether they are subsequently allocated to the GPP, all projects are subject to due diligence before approval to assess their compliance with our [Environmental and Social Policy and Performance Requirements](#) (PRs). All projects in the GPP need to comply with all PRs to be eligible. The GPP is compiled using further objective and transparent criteria based on strict exclusion and inclusion principles (see below). These criteria are reviewed regularly to ensure they remain consistent with our own evolving thinking and understanding on sustainability, as well as with investor and market requirements for green investments.

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. The framework allows us to refinance existing projects, as well as finance new commitments that meet the eligibility criteria.

Apart from a positive list of the environmental benefits of certain industry activities (such as renewable energy, energy efficiency, water and waste infrastructure) there are also various exclusion criteria. We exclude, for example:

### From the GPP:

- the construction of new large hydropower installations (as defined by the International Commission on Large Dams, ICOLD)
- fossil fuel production/regeneration/fuel switching and projects with significant consumption of fossil fuels (coal, heating oil, oil shale)
- biofuel production (pending the adoption of internationally recognised sustainability criteria)
- 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
- projects funded via equity, or projects that are credit impaired.

### From all EBRD financing:

- defence-related activities, tobacco, selected alcohol products, substances banned by international law or gambling facilities
- projects related to subsidies, sponsorship or donations
- activities listed on the Exclusion list in Annex 1 of EBRD's Environmental and Social Policy such as:
- the production of or trade in any product or activity deemed illegal under host country laws or regulations, or international conventions and agreements, or subject to international phase out or bans (such as production of or trade in products containing PCBs or pharmaceuticals, pesticides/herbicides, and other hazardous substances subject to international phase-outs or bans)
- the shipment of oil or other hazardous substances in tankers, which do not comply with IMO requirements.

The process is a combination of automated and manual steps, with every project checked and signed off to ensure compliance with GPP eligibility and exclusion criteria. We review the new and reassess the existing GPP projects quarterly to ascertain whether they are consistent with the criteria established for the GPP.

### Management of proceeds

The EBRD's Legal, Environmental and Sustainability Department and Treasury teams have prepared the use-of-proceeds language for bond documentation, and these are reviewed and revised together with the eligibility criteria regularly. The proceeds from all of the EBRD's environmental sustainability bonds (ESBs) are directed towards the Bank's 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 ESBs outstanding to 70 per cent of the GPP.

The net proceeds of the EBRD's ESBs are tracked on a euro equivalent basis and, 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.



#### Examples of projects as part of the GPP

- renewable energy projects, such as photovoltaic installations, and production of photovoltaic cells/modules, installation of wind turbines, construction of small hydropower plants and mini-hydro cascades and geothermal and biomass energy facilities
- rehabilitation of transmission/distribution facilities to reduce total GHG emissions and allow for increased integration of renewable electricity in the grid, for example, smart distribution networks
- modernisation of industrial installations to reduce total GHG emissions and other pollution
- new technologies that result in significant reductions in total GHG emissions
- greater efficiency in mass transportation, such as investment in fuel-efficiency (fleet replacement) or more energy efficient infrastructure
- methane capture on waste landfills and wastewater treatment plants
- rehabilitation of municipal water/waste water infrastructure to improve drinking water quality and wastewater treatment and reduce water consumption and waste water discharges
- improvements to solid waste management (minimisation, collection, recovery, treatment, 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 deforestation and soil erosion.

#### Reporting the use of proceeds, impacts and outcomes of the GPP

The EBRD reports quarterly on the use of proceeds of the GPP, which currently comprises over 300 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 with the outstanding amount of the EBRD's ESBIs.

In terms of estimated impact reports, the EBRD reports publicly on an annual basis. Regardless of whether projects are subsequently allocated to the GPP, all of those that we finance are subject to due diligence before approval to assess their compliance with our Environmental and Social Policy and Performance Requirements and are rigorously monitored over the lifetime of the Bank's investment. For further details on assurance and tracking see Section 7.9 on Measuring and monitoring performance.

To measure the output and impact of projects specifically associated with the GPP, in addition to the mechanisms already in place to monitor Bank investments, we carry out a sample *ex post* check of 5 to 10 per cent of such projects to gain aggregate and project-level data on the GHG emissions that our projects successfully avoid, as well as energy consumption. We do this to improve reporting accuracy and to provide the market with a transparent platform for clearer comparison among issuers of green bonds. For more information see Section 7.11 on GHG emissions – *Ex post* monitoring.

## Annex 5: Microfinance Bond Programme structure and alignment with Social Bond Principles

### Microfinance Bond Portfolio

Our Microfinance Bond issuance is linked to the disbursed amount of the Microfinance Portfolio (MFP). This is a replenishing portfolio with strict eligibility criteria (see below) that ensures that the proceeds of our Microfinance Bonds are directed towards projects with positive socio-economic impacts. The current usage of the MFP is 9.2 per cent.

### Use of proceeds for EBRD's microfinance bonds

The proceeds of our microfinance bonds are dedicated to support the smallest loans provided under the EBRD Small Business Initiative (SBI). This strategic initiative builds on our long experience in this field and provides a range of flexible instruments that are combined into integrated products to help SMEs. Apart from funding MSMEs, the proceeds to financial institutions are mostly earmarked for specific target groups for example, specific underserved groups, such as women entrepreneurs and those based outside major cities, or to promote specific priorities, such as trade, competitiveness or innovation.

The proceeds are disbursed via our network of more than 200 partnering local financial institutions, which helps us reach hundreds of thousands of enterprises every year. Technical assistance (often through donor funding) typically accompanies these programmes to help our local partner banks adapt the way they do business with small clients for the long term, creating a sustainable impact.

Apart from the earmarked proceeds, which are documented in the respective loan agreement, the partner financial institutions also report on various aspects of the sub-loans. This can include basic information such as the size of the loan, whether it is a new or repeat borrower to the lender as well as whether the borrower is located in the country's capital or not. Depending on any specific target groups that the loan might focus on, other tailor-made reporting will be in place with regards to, for example, the distribution of currencies, maturities and purpose of the sub-loans.

### Evaluation and selection of the MFP

The MFP is based on MSME earmarked loans to financial institutions under the SBI. This portfolio is then reduced by a cap on the size of sub-loans of €1 million (the average sub-loan size tends to be below €5,000).

We review the MFP projects at least annually according to our established criteria to ascertain continued compliance. As the financial institutions will assume delegated responsibility for sub-project appraisal and monitoring, please note in particular EBRD Performance Requirement 9 that deals with Financial Intermediaries. The effectiveness of the financial intermediaries' environmental and social risk management will be evaluated and monitored on a continuous basis throughout the life cycle of a project.

### Management of proceeds

The net proceeds of the EBRD's microfinance bonds are tracked on a euro equivalent basis and the information is made public in the "EBRD Microfinance Bonds" presentation (see link below) in relation to the annual update of the MFP. The EBRD also seeks to ensure that the bond proceeds can be directed in full to its MFP by limiting the total amount of microfinance bonds outstanding to 70 per cent of the MFP.

In the unlikely event that the issued bond amount exceeds the value of the MFP, 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 MFP. In such a case, the frequency of tracking the proceeds and updating the MFP would be increased.

### Reporting

The EBRD reports at least annually on the MFP on an aggregate basis due to confidentiality restrictions. The presentation "EBRD Microfinance Bonds" contains information on average tenor, margin and number of financial partner institutions for the loans, as well as the average sub-loan size across all financial institutions. The breakdowns of the MFP (by sector and country) are approximate, as they are based on the full reporting provided by the financial institution for their MSME activities (however, the restriction to not include any sub-loans larger than €1 million might lead to a difference in the actual MFP portfolio in relation to the full MSME portfolio as reported by the partner financial institution).

For further information on the full SBI activities, and to put the MFP into the strategic context of what the EBRD is aiming to achieve, see the annual "Small Business Impact Report".

## Annex 6: Health Bond Programme structure and alignment with Social Bond Principles

### Health Project Portfolio

Our Health Bond issuance is linked to the disbursed amount of the Health Project Portfolio (HPP). This is a replenishing portfolio with strict eligibility criteria (see below) that ensures that the proceeds of our Health Bonds are directed towards projects that seek to improve access to, and quality of, health services and pharmaceutical products in the economies where we invest. The current usage of the HPP is 97.8 per cent.

### Use of proceeds for EBRD's health bonds

The proceeds of our health bonds are dedicated to support investments in general hospitals, speciality hospitals, outpatient treatment centres, diagnostic imaging and laboratory facilities, long-term care as well as medical technology producers. Separately, the Bank is financing hospital infrastructure PPPs, which are facility management projects (no medical service provision).

The EBRD's approach in this sector is to:

- finance facilities that complement the existing public health system, rather than duplicate existing infrastructure
- to serve as a catalyst for improving standards of care and attracting other sources of finance to the sector.

By providing investment financing to a private healthcare provider serving public and private patients alike, the Bank seeks to improve access to and quality of health services in the EBRD regions.

### Evaluation and selection of the HPP

The HPP is based on all EBRD projects for which the entire or substantially the entire amount disbursed or invested is directed to any of the following areas:

- the construction, expansion, refurbishment, upgrading, equipping and/or operation of hospitals, healthcare centres, diagnostic centres and/or
- the manufacture of medical and diagnostic equipment; improving the quality, accessibility and affordability of medicines through the upgrading of pharmaceutical facilities and processes to increase production capacity and process efficiency;
- facilitating the development of new pharmaceutical products; support of wholesale, distribution and retail channels in respect of pharmaceutical products
- ensuring good manufacturing practice in pharmaceutical manufacturing.

We review the HPP at least annually according to our established criteria to ascertain continued compliance.

### Management of proceeds

The net proceeds of the EBRD's health bonds are tracked on a euro equivalent basis and the information is made public in the "EBRD Social Bonds" presentation (see link below) in relation to the annual update of the HPP. The EBRD also seeks to ensure that the bond proceeds can be directed in full to its HPP by limiting the total amount of microfinance bonds outstanding to 70 per cent of the HPP.

In the unlikely event that the issued bond amount exceeds the value of the HPP, 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 HPP. In such a case, the frequency of tracking the proceeds and updating the HPP would be increased.

### Reporting

The EBRD reports at least annually on the HPP. The presentation "[EBRD Social Bonds](#)" contains project-level information, including estimated impacts.

## NOTES

## NOTES

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