

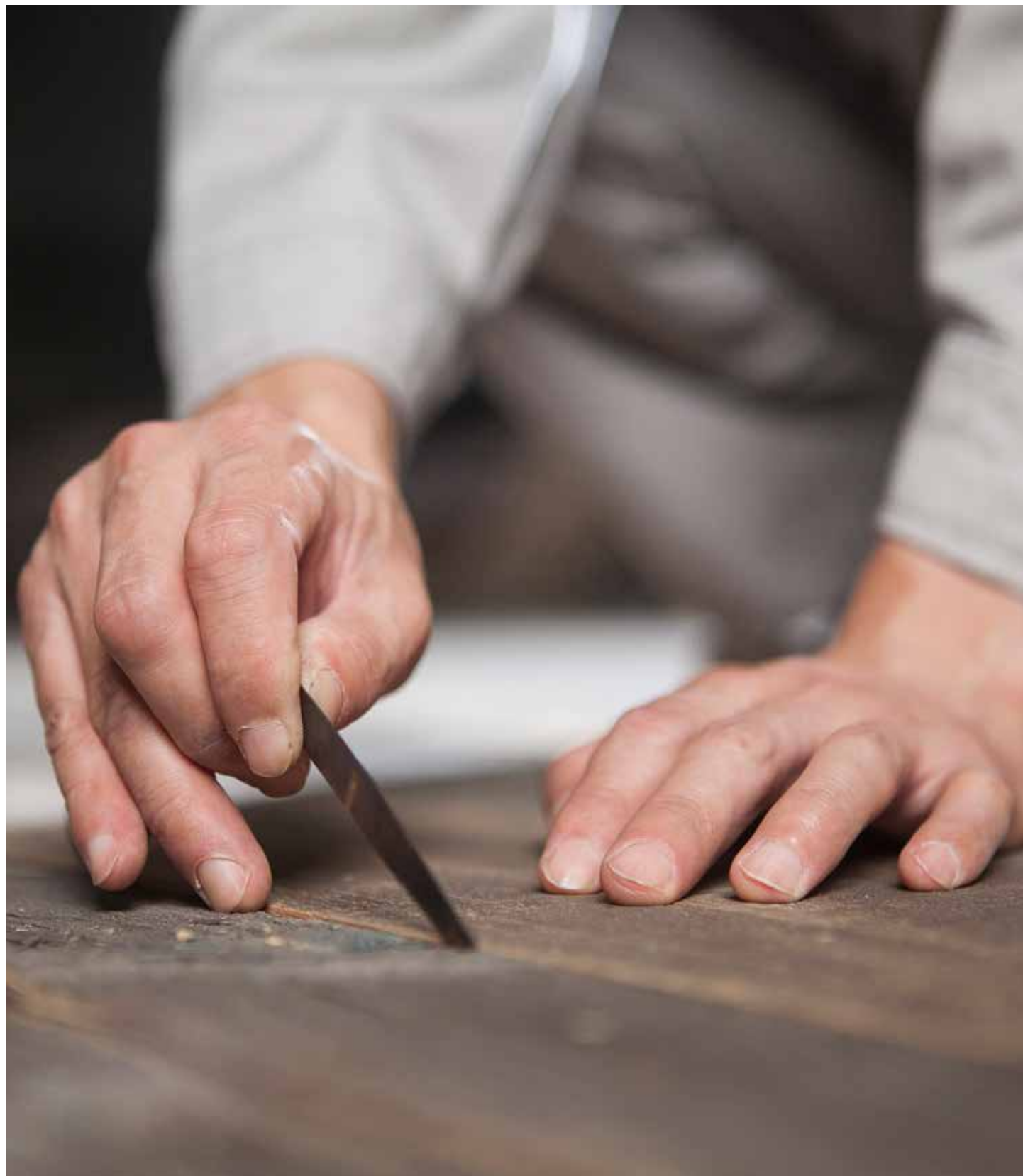
SUSTAINABILITY REPORT 2015



European Bank
for Reconstruction and Development



SR-EBRD.COM



An aerial photograph of a dense forest with a mix of green and yellowish-brown trees. A dark asphalt road with white lane markings runs diagonally across the bottom right corner of the image. A white rectangular box containing text is centered in the upper half of the image.

WE INVEST IN CHANGING LIVES

We seek to ensure that the projects we finance are socially and environmentally sustainable, respect the rights of affected workers and communities, and are designed and operated in compliance with applicable regulatory requirements and international good practices.

The EBRD is investing in changing people's lives and environments from central Europe to Central Asia, the Western Balkans and the southern and eastern Mediterranean region. With an emphasis on working with the private sector, we invest in projects, engage in policy dialogue and provide technical advice that fosters innovation and builds sustainable and open-market economies.

OUR APPROACH TO SUSTAINABILITY

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 standards and international good practice
- providing finance and technical assistance specifically aimed at addressing environmental and social issues
- promoting economic inclusion and access to community services such as water and public transport
- supporting projects that promote gender equality
- encouraging public participation through pre-investment consultation and information disclosure, and maintaining regular strategic dialogue with civil society organisations and other stakeholders.

In this report you will find detailed information about our sustainability projects and initiatives over the last year. Measuring and reporting on the impacts of our projects is an important objective for the EBRD and we pride ourselves on monitoring our work in a transparent and accountable way.

The report focuses on three key aspects of sustainability at the EBRD:



The EBRD's full *Sustainability Report 2015* can be found on our website at sr-ebrd.com

How do we make an impact?

We promote international best practices and encourage innovative approaches to bring about lasting change.

Since 2006 the EBRD has actively contributed to addressing the global challenge of climate change and sustainable development by “mainstreaming” and increasing the financing of climate change mitigation and adaptation, and the sustainable use of resources.

How do we address climate change?

Sustainable resources and climate change

The EBRD’s Sustainable Resource Initiative (SRI) promotes efficiency and innovation in three areas vital to the countries where we invest: energy, water and materials. Resource efficiency has become a priority for all countries in our region due to volatile prices and growing environmental concerns, including the impacts of climate change.

In 2015 we invested €2.8 billion in SRI projects supporting the sustainable use of energy and other resources, which accounts for 30 per cent of our annual Bank investment.

Results

The share of climate change mitigation, adaptation and resource efficiency projects in our total annual investments has continued to grow steadily over recent years. Cumulative investments topped €19.2 billion by the end of 2015 and supported 1,080 projects. Together these projects are estimated to result in around 77 million tonnes of CO₂ being reduced or avoided. Projects range from the financing of wind, solar and hydropower generation to energy efficiency improvements in the corporate sector. They also include green transport and efficiency improvements in municipal infrastructure. Reflecting our mandate and business model, close to two-thirds of the EBRD’s sustainable energy projects are in the private sector.

The results for 2015 are shown in the table below.

	Unit	2015 results
No. of projects		154
Investment volume	€ billion	2.8
Energy savings	Petajoules (PJ) annually	30.0
Renewable power generation	TWh annually	3.5
CO ₂ emission impact*	Million tonnes CO ₂ annually	7.3

Greenhouse Gas Assessment for 2015

Our Greenhouse Gas Assessment provides an estimate of the net carbon footprint that will result from EBRD-financed projects signed during the year, once the projects are fully implemented. The calculation is based on estimated emissions reductions from sustainable energy projects and estimates of “new” greenhouse gas (GHG) emissions from projects that involve new building or expanding capacity. For more details on how these results are calculated, visit the online version of this report at sr-ebd.com.

Category	Number of investments above significance threshold	GHG impact (MtCO ₂ e per year)
Renewable energy (RE)	8	-1.3
Energy efficiency (EE)	8	-0.7
EE with capacity expansion	2	-0.03
Waste management	3	-0.3
Greenfield (new build)	4	+2.4
RE and EE credit line	15	-0.7
Total	40	0.6
Third-party and system savings	3	-3.1

* This is the CO₂ impact that is forecast to result from EBRD investments in climate mitigation projects. It includes impacts that may be outside of the physical boundary of the project, such as policy, systems or supply chain effects. It is not directly comparable with the Bank’s overall GHG assessment, which estimates only scope 1 and 2 emission increases or reductions directly associated with EBRD projects.



Project Khalladi wind farm

Country Morocco

EBRD investment: €126 million

Other benefits:

Expected to reduce GHG emissions by over 200,000 tonnes of CO₂ per year; better energy security; increased policy dialogue

Renewable energy generation in Morocco has received a boost with an investment from the EBRD, together with Banque Marocaine du Commerce Extérieur (BMCE) and the Clean Technology Fund, in the Khalladi wind farm in the vicinity of Tangiers.

The 120 MW wind farm is the first private renewable project financed by the EBRD in Morocco. The Bank and BMCE are providing a financing package of €126 million in equal tranches to UPC Renewables SA. This funding will finance the construction, operation and maintenance of the wind farm, contributing to Morocco's target to develop 2,000 MW of wind capacity

by 2020. In addition the renewable energy produced is expected to reduce GHG emissions totalling over 200,000 tonnes of CO₂ per year.

The Khalladi wind farm will also be one of the first private renewable energy projects in the country to be developed under a renewable energy law that allows private producers to sell electricity directly to clients connected to the high-voltage and medium-voltage grid. It will also be the EBRD's and BMCE's first renewable project relying on commercial offtake agreements and not on any state support.



Transport

Transport is a key area of engagement for the EBRD. However, despite being an enabler of economic growth, transport is also responsible for about one-quarter of the world's total energy consumption. It is therefore vital to prioritise low-carbon transport systems and raise environmental standards in our projects in order to tackle climate change.

The Bank supports the development of safe, secure and sustainable transport systems which balance the economic, environmental and social needs of the countries where we invest.

In 2015 we signed 27 transactions in the transport sector for a total investment of €1,047 billion across the aviation, maritime, rail, road and intermodal sectors. The financed projects were geographically and sectorally diverse, and included the promotion of green logistics in Poland; intermodal rail transport in Bulgaria; the expansion of port capacity for grain exports in Ukraine; and the development of a new port in Morocco.

Road safety

Road safety remains a high priority in the EBRD's activities in the transport sector. Throughout 2015, the EBRD continued to identify key risks in our new road investments and strongly promoted road

safety audits, outreach activities, awareness campaigns and technical cooperation (TC) projects aimed at safety improvements, strengthening institutions and building capacity. An example of this work can be seen in FYR Macedonia. In November 2015, the Bank extended a loan of €21 million to support further improvements to the Macedonian national road network section between Stip, the fastest-growing regional centre, and the eastern town of Kočani. The new financing aimed to support the improvement of the original design of the road reconstruction, previously agreed to and financed in November 2014. The plan considered environmental concerns and agreed to maintain the existing two-lane, single carriageway, but the length of the



Project

Connecting Kosovo to the European railway network

Country

Kosovo

Sector:

Transport

EBRD investment:

€39.9 million

Other benefits:

Workforce diversity and inclusion

In September 2015, the EBRD agreed to provide a senior loan of €39.9 million for the modernisation of Kosovo's railway infrastructure. This project will improve the connection between Kosovo's railway network and the European network through Corridor VIII and Corridor X in FYR Macedonia in the south of the country and the Serbian border in the north.

This was the Bank's largest transaction in Kosovo to date and the first investment in the country's transport sector. The modernisation of transport infrastructure is one of the EBRD's key priorities in the Western Balkans, helping to improve trade routes within the region and develop stronger cross-border cooperation, as well as introducing the use of sustainable technology.

As the project progresses, the EBRD will be supporting the improvement of asset management practices, track access charges and equal opportunities, with a particular emphasis on workforce diversity and gender equality.

road is to increase to 28 kilometres. A key element of this additional investment is road safety, not only in improving the original plans but improving safety audits as the work is completed.

Municipal and environmental infrastructure

The EBRD's operations in the municipal and environmental infrastructure (MEI) sector provide millions of people with access to crucial services such as safe drinking water, energy-efficient district heating, green public transport, sanitary waste disposal and well-maintained urban roads. We work with local governments, private companies and donors to bring about positive change in people's daily lives throughout the countries where we invest.

In 2015, we financed 45 projects in the MEI sector, representing a total EBRD commitment of €713 million. Such investments are expected to benefit a total of over 35 million people in the EBRD region, with improved municipal infrastructure and services such as drinking water, sufficient heating and sustainable waste disposal. In addition, up to 1.5 million people per day are expected to use the public transport systems we have helped support, widening the reach of the benefits of our work further.

Achieving results

The projects we financed in 2015 will see:

- 1.8 million people benefit from improved access to wastewater services
- 1.4 million people benefit from improved public transport
- 6.3 million people benefit from improved solid waste management
- 244,000 people benefit from improved district heating
- over 24 million people benefit from improved infrastructure.



Project Belgrade Water Company

Country Serbia

Sector:
Municipal and environmental
infrastructure

EBRD investment:
€13 million

The water sector infrastructure in Serbia – both of the water supply and of wastewater disposal/treatment – is in poor condition. Only 75 per cent of the entire Serbian population is connected to water services, and a mere 46 per cent is connected to sewerage services. In addition, only 10 per cent of wastewater collected is treated according to recommended standards and protocols.*

In April 2015 the EBRD announced a €13 million loan to Belgrade Waterworks and Sewerage, a public utility, to finance critical water supply improvements in the city of Belgrade. The loan will be used to bring into operation a newly constructed water treatment plant; de-pollute Belgrade's key water reservoir; and increase operating efficiencies.

* UNDP Report (<http://waterwiki.net/images/5/5b/SerbiaCountrySectorAssessmentJuly2010.pdf>)

How are we promoting gender equality?

Gender equality

Watch our video on gender equality at the EBRD: <https://www.youtube.com/watch?v=misYmpr925o>.

Gender equality has been firmly on the EBRD's agenda in 2015 and continues to be an important means of achieving economic growth in the region.

In 2015 we signed 23 projects with either a gender focus or component.

In December 2015 the EBRD's Board of Directors approved the Bank's first Gender Strategy. Our Strategy for the Promotion of

Gender Equality is the Bank's first formal response to global gender inequalities. It commits the Bank to mainstreaming gender equality in its operations by 2020 through promoting behaviours to address inequalities and thereby contributing to building robust economies.

The EBRD's work in gender equality benefits significantly from the support of donors.

In 2015 there were 12 donor-funded commitments totalling €700,000 for gender activities linked to investments that focused on improving access to finance, skills, employment and services.



Project
Juhayna

Country
Egypt

Sector:
Agribusiness

EBRD investment:
€110.5 million

Other benefits:
Demonstration effects in the sector;
introducing international standards

Juhayna is an Egyptian producer and distributor of dairy and juice products. When the Bank first started working with the company in 2013, only 127 of its 4,610 employees were women – a mere 3 per cent. Both the EBRD and the client saw this as a chance to help Juhayna promote equal opportunities in its workplace. In 2014 a Gender and Equal Opportunities Committee, comprised of senior and middle management across the Juhayna Group, was established and a gender implementation plan was developed and submitted to the board. In March 2015, the policy and mandate of the committee was approved and a budget allocated. As a result, 2015

saw the approval of a standalone Equal Opportunities Policy in the company, and the development of a comprehensive strategy to disseminate and integrate the policy among employees. With Juhayna's place as market leader in the agribusiness sector in Egypt, its implementation of international standards on equal opportunities will have a positive spillover effect for the rest of the region.

Economic inclusion

Economic inclusion is crucial to achieving sustainable transition. Equality of opportunity is the basis for the EBRD's focus on inclusion, especially in relation to youth, gender and populations in less-advanced regions. The EBRD's innovative approach to inclusion focuses on creating value propositions for businesses. Throughout 2015 we have helped clients develop bespoke training programmes based on international standards in sectors such as retail, automotive manufacturing or tourism; and facilitated private sector input in the design of improved national vocational skills standards in relevant disciplines. In 2015 the EBRD signed 43 projects with inclusion components, representing an investment volume of €1.76 billion, with a further 80 in the pipeline.

Project

Improved youth and gender inclusion in Turkey's automotive industry

Country

Turkey

Sector:

Manufacturing

EBRD investment:

Up to €200 million

Other benefits:

Youth inclusion; workplace diversity

The EBRD is providing technical assistance to Tofaş, one of Turkey's leading automotive companies, to enable greater employment opportunities for young people through improved access to vocational training and closer partnerships with schools to encourage students to take up work with the company after completing their education. Targeted training based on industry-academy partnerships will help overcome the discrepancy that currently exists between labour supply and demand in the Turkish automotive industry. It is a win-win solution, addressing one of Tofaş's major operational challenges while contributing towards youth inclusion in the broader economy. The Bank also aims to bring more women into this traditionally male-dominated sector by supporting Tofaş to adopt best practices in equal opportunities policies in relation to recruitment, career management and workplace practices.



Donor partnerships and sustainable change

Donors have supported the EBRD's work since we began operations. This is particularly noticeable in the strong donor support for our green agenda. Over the past 10 years, donors have provided just over €1 billion to fund technical assistance, grants, concessional co-financing and risk-sharing facilities for the EBRD's energy efficiency and climate change projects.

In 2015 donors provided over €3.6 million for environmental and social technical cooperation assignments. A particular focus in 2015 was on building local capacity and expertise in those areas. Using TC funding, the EBRD trained around 300 local environmental and social consultants in eight countries and provided scholarships for 20 students to attend a University of Groningen course on land acquisition, resettlement and social sustainability. These programmes will provide high-quality local

capacity to assist with the EBRD's project appraisal work and will spread good practice across the Bank's countries of operations.

Without donor support, much of the EBRD's impact on the countries where it invests would be less sustainable. That is why our donors' continuous commitment to our work is so vital.

Read more about our donor partnerships on the *Donor Report* microsite at dr-ebrd.com.

How do we implement our policies?

We are committed to ensuring that the projects we finance are socially and environmentally sustainable, designed and carried out with the principles of good governance and due diligence, and compliant with both relevant laws and international best practice. All projects are appraised against the Bank's Environmental and Social Policy and Performance Requirements. Throughout the investment cycle, the environmental and social performance of all EBRD projects is closely monitored. This monitoring involves a combination of client reporting, regular site visits by Bank staff and independent audits. We conducted environmental and social monitoring visits to 84 projects in 2015.

Financial intermediaries

Our Environmental and Social Requirements for financial intermediary (FI) projects are set out in Performance Requirement 9 of our Environmental and Social Policy (ESP). They focus on ensuring that banks, private equity funds and other financial institutions receiving our financing have appropriate environmental and social risk management systems in place.

Financial Intermediary Sustainability Index

In November 2015 we launched the Russian language version of the EBRD Financial Intermediary Sustainability Index (SI). The SI was designed to help our partner financial institutions understand how they are responding to sustainability issues and the extent to which they are implementing a systematic approach to managing them.

The Index will allow financial institutions to periodically self-assess and potentially compare their progress in implementing effective arrangements for sustainability risk management. The SI will also allow us to compare financial institutions in this area over time and to monitor progress at the portfolio level. Over 250 partner financial institutions are using the SI.

Training and capacity building

Our environmental and social e-learning programme for FIs was launched in 2013 and had over 1,000 users at the end of 2015.

The course provides FIs with a strong understanding of relevant environmental, social and health and safety issues, the risks these can present to financial institutions, and our recommended policies and procedures for managing these risks. The e-learning course is available free of charge. For further information, visit ebrd.coastlinesolutions.com

Environmental Sustainability Bonds

We established the Environmental Sustainability Bond Programme (ESBP) in response to clear investor demand for this type of bond product. The projects financed by the ESBP achieve specific environmental benefits and, collectively, comprise our Green Project Portfolio (GPP).

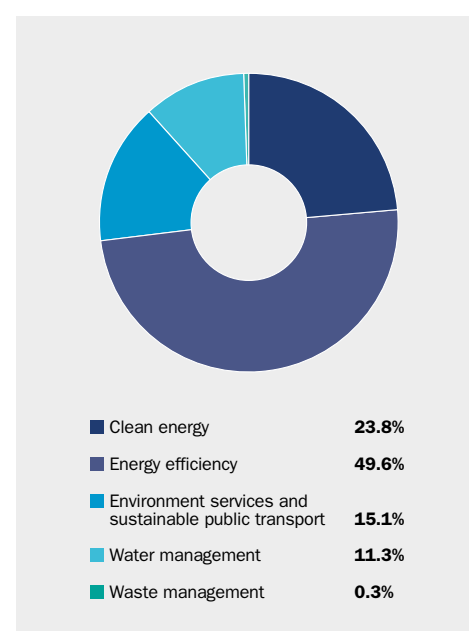
In 2015 we issued 20 Environmental Sustainability Bonds totalling €257 million. Since 2010 we have issued 39 sustainability bonds worth €787 million. Not only do green bond issues attract a new investor base but they allow us to highlight the importance placed by the EBRD on environmentally sound and sustainable development to a wider audience while fulfilling core elements of our mandate.

Green Project Portfolio

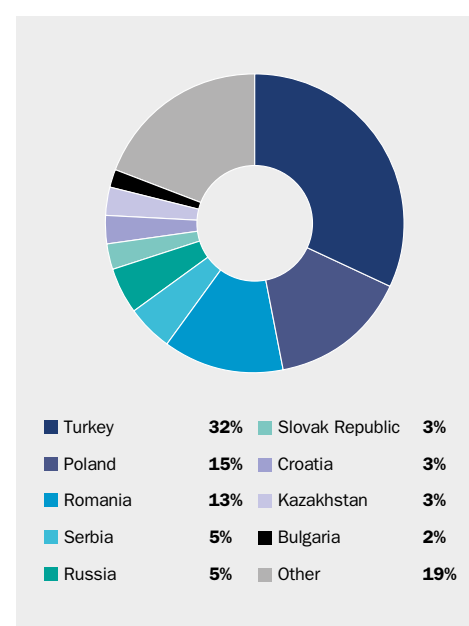
Our ESBP is directly linked to the disbursed amount of the GPP. This is a replenishing portfolio with strict eligibility criteria that ensure that the proceeds of our Green Bonds are immediately directed towards projects with positive environmental impacts.

As at 31 December 2015, the GPP comprised 341 loans across 31 countries, totalling €5.73 billion of which €3.65 billion was drawn down.

Green Project Portfolio sector split



Green Project Portfolio country split



How do we engage with stakeholders?

Engagement

The manner in which the EBRD engages with stakeholders helps us to improve our environmental and social policies and evaluate the impact of our work on daily lives. We also ask our clients to proactively engage with their own stakeholders in order to maximise benefits and ensure that the potential impacts of a project are fully understood by all parties.

The EBRD continued to engage actively with civil society organisations (CSOs) in countries where it invests throughout 2015. Our engagement with CSOs includes, but is not limited to, the following:

We are committed to engaging in a manner that helps civil society participate in the Bank's strategic decision-making, and are always trying to find better and more innovative ways to engage with CSOs.

In 2015, more than 3,100 CSO representatives were registered with the EBRD and nearly 500 civil society stakeholders participated in over 40 thematic meetings and events that the Bank organised.

The EBRD Civil Society Programme took place on 14-15 May in Tbilisi, Georgia, with a record number of 144 civil society participants from 18 countries.

This flagship event featured a series of discussion sessions between civil society representatives and the Bank's senior management on specific investment projects and policy dialogue activities, as well as with the Board of Directors and the President on the EBRD's key strategic directions.

Consultations

Throughout 2015 the Bank continued to incorporate input from CSOs in its decision-making, at the strategic level and during periodic reviews of policies. We engaged proactively through consultation meetings with CSOs during pre-drafting stages of the preparation of country strategies for Albania and Turkey. CSOs were also invited to provide written comments on all country strategies reviewed during 2016, namely Albania, Armenia, Bulgaria, Cyprus, Estonia, the Kyrgyz Republic, Latvia, Lithuania, Morocco, Romania, Tajikistan and Turkey.

We invited civil society feedback on our Gender Strategy, which was adopted in December 2015. The Bank held seven public meetings with 142 attendees, plus 19 bilateral meetings with development agencies, international financial institutions (IFIs) and industry associations.

The EBRD has invited civil society to comment on the review of its Financial Sector Strategy for 2016-20. Although the CSO feedback was limited, the strategy was nevertheless amended to elaborate on comments received from a CSO about climate change and green finance mechanisms.


International cooperation

The EBRD continues to play a prominent role in international efforts to address climate change. 2015 has proved to be a crucial year for global development, one in which the world's leaders have taken historic decisions about our sustainable future – and how it will be funded.

At the United Nations General Assembly in New York in September, world leaders endorsed new Sustainable Development Goals (SDGs), which were endorsed by leaders of multilateral development banks, including the EBRD. The SDGs overlap with core areas of the EBRD's operations and with its strategic priorities. As a multilateral development bank specialised in working with the private sector, the EBRD is well placed to support the delivery of an agenda in which private firms will play a key role.

The Bank, together with the United Nations Environment Programme Finance Initiative, hosted a global energy efficiency finance forum in Istanbul in September 2015, attended by representatives from over 70 IFIs who endorsed a joint statement pledging to further integrate energy efficiency investments into both their own operations and those of their clients.

Following the COP21 conference in Paris in December 2015, the EBRD is fully committed to playing its role in ensuring the successful implementation of the historic Paris Climate Change Agreement.

An aerial photograph of a dense forest of evergreen trees heavily covered in snow. The trees are dark green with white snow on their branches, creating a textured, high-contrast scene. The snow-covered ground is visible between the trees, appearing as a light blue-grey. The overall tone is cold and serene.

We are committed to engaging in a manner that helps civil society participate in the Bank's strategic decision-making, and are always trying to find better and more innovative ways to engage with CSOs.

How do we recognise our clients' success?

Awards

The annual EBRD Sustainability Awards recognise the efforts of clients who have demonstrated excellence and a commitment beyond the Bank's Performance Requirements for managing environmental and social issues, promoting energy efficiency or combating climate change.

We received 28 nominations across the four categories and the winners were selected by an external judging panel consisting of experts in finance and sustainability. The quality of nominations this year was exceptional and the task of shortlisting deserving clients was challenging. We are very proud of our clients' efforts and the excellent quality of the nominations and winners.

This year's winners were:

Environmental & Social Best Practice: the Eurasia Tunnel (Turkey)

This award was presented to ATAS (Avrasya Tüneli İşletme İnşaat ve Yatırım A.Ş.) for its management of the Eurasia Tunnel project. ATAS has demonstrated exceptional and consistent management of environmental, health and safety standards and contractor management. It is also recognised for its broad programme of stakeholder engagement and cultural heritage, where extensive discussions with the Preservation Councils and UNESCO resulted in the preparation of a Heritage Impact Assessment (HIA) in line with UNESCO guidance for HIAs for Cultural World Heritage Properties.

Environmental and Social Innovation: the Hines Poland Sustainable Income Fund (regional)

This award was presented to Hines International Real Estate Holdings for the development and operation of the first green property fund within the Bank's countries of operations, the Hines Poland Sustainable Income Fund. The Fund invests in office, logistics and mixed-use properties in Poland with the aim of implementing best sustainability practices through refurbishment and refitting. Improvements cover better energy, water and waste management, certification to the LEED or BREEAM standards, improved building management and awareness-raising for tenants on key sustainability issues.

Sustainable Energy: the Sokhna Alternative Fuels Plant (Egypt)

This award was presented to Lafarge Cement Egypt for its efforts to increase the use of alternative fuels in its operations. The project, financed with the EBRD, involves the construction and operation of a waste treatment plant that processes pre-treated municipal, agricultural and industrial wastes into alternative fuels. The project will result in the more efficient and cost-effective use of municipal waste, and assist Lafarge in avoiding energy disruptions and rising prices for fossil fuels and help in reducing the cement plants' energy costs and CO₂ emissions.

Climate Change Adaptation: the Qairokkum Hydropower Rehabilitation Project (Tajikistan)

This award was presented to Barki Tojik, a state-owned power utility responsible for the rehabilitation of the Qairokkum Hydropower Project. The project will result not only in improvements to the efficiency of existing hydropower facilities but also their resilience to climate change impacts. A key part of the project preparation was modelling future hydrology under a range of climate change scenarios, allowing Barki Tojik to optimise productivity and reliability and, through accurate forecasting, ensure dam safety in extreme weather events such as floods.



THE EBRD'S SUSTAINABILITY REPORT 2015

This *Sustainability Report* has been prepared using the framework of the Global Reporting Initiative (GRI) G3 Indicator protocols and the GRI Financial Sector Supplement. The Bank has a self-declared 'B' rating according to the GRI application levels shown at ebrd.com/gri. The GRI Content Index is also published at the same address.

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