

SUSTAINABILITY REPORT 2011

SUMMARY VERSION



European Bank
for Reconstruction and Development

INTRODUCTION

The European Bank for Reconstruction and Development is an international financial institution that supports projects from central Europe to central Asia.



Global Reporting Initiative

We have reported against the Global Reporting Initiative (GRI) G3 Indicator protocols and its Financial Sector Supplement. We have self-declared a “B” rating according to the GRI application levels shown at www.ebrd.com/gri. The GRI Content Index is also published at the same address.

The EBRD invests primarily in private sector clients whose needs cannot be fully met by the market. It provides equity participation and guarantees to companies of all sizes and in a wide range of sectors.

Established in 1991 in response to the widespread collapse of communism in central and eastern Europe, one of the challenges immediately apparent to the EBRD was a chronic environmental legacy caused by years of ecologically destructive practices. At that time, growing international attention centred around worldwide environmental problems and the concept of sustainable development. Such discussions led to the first United Nations Earth Summit in Rio de Janeiro in 1992.

The founding agreement of the Bank included an explicit commitment to environmental and sustainable development in all its activities. From its earliest days the EBRD has strived to ensure that all projects comply with appropriate environmental, health and safety standards, and has worked closely with clients, host country governments and international donors to remediate pollution and invest in improved environmental infrastructure.

Over the last 20 years, the Bank’s interpretation and implementation of environmental and sustainable development has evolved significantly. Social issues such as labour standards have been integrated alongside the EBRD’s environmental policies and procedures. Our engagement with clients goes beyond environmental and social compliance to encompass partnership on corporate sustainability performance improvement, opportunities such as energy efficiency, gender diversity, and the management of strategic risks such as carbon intensity, water security and climate resilience. The Bank continues to play an important role in financing environmental improvements, often in partnership with a growing number of donors. It has also developed a significant environmental finance business in markets such as renewable energy and carbon finance.



This document is a summary of the EBRD’s Sustainability Report 2011. The full report can be found on our web site at: www.ebrd.com/sustainability

The digital report covers our main areas of work last year including: The Year in Review, Climate Change and Energy, Environmental Sustainability, Gender Equality, Civil Society Engagement, Mobilising Funds for Sustainability and Policies and Management Systems. You will also find a wider range of case studies.



PRESIDENT'S MESSAGE

"2011 was a year of challenge and change for the EBRD, the people of our region, our clients and our stakeholders. Investing in projects that are economically, environmentally and socially sustainable is difficult at any time; even more so in the face of a financial crisis. Our work this year shows that the EBRD remains committed to promoting sustainable development across all its activities."

THOMAS MIROW
PRESIDENT

To hear more from the President visit:
www.ebrd.com/sustainability



THE EBRD IS PREPARING
FOR EXPANSION INTO
NEW COUNTRIES OF
OPERATIONS IN THE
SOUTHERN AND EASTERN
MEDITERRANEAN REGION



Today, the EBRD's commitment to environmental and sustainable development means much more than simply being a responsible and accountable lender. Sustainability issues are integral to the way we support competitive businesses, foster entrepreneurship and job creation and achieve far-sighted sector reform. This is a dynamic landscape in which the Bank must continue to learn, adapt and lead in response to the lessons of experience, changing client requirements and new strategic priorities – particularly as the institution prepares for expansion into new countries of operations in the southern and eastern Mediterranean (SEMED) region.

This report provides information on how we have delivered on our commitment to environmental and sustainable development in 2011. The report focuses on:

- implementing policies and procedures to ensure that clients and their projects meet appropriate environmental and social standards
- our work with key stakeholders including civil society, donor governments and other international institutions
- our internal environmental and social performance, including energy consumption and emissions associated with staff travel.

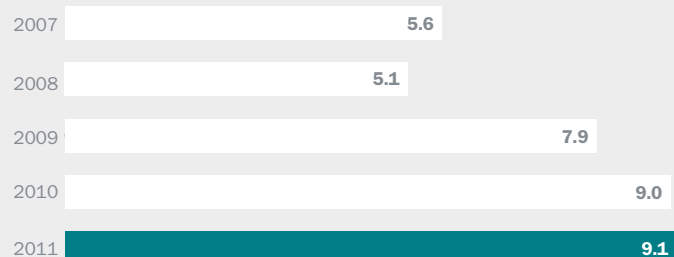
Additional information on the Bank's business activities and results in 2011 is available in the EBRD's *Annual Report* (visit: www.ebrd.com/annualreport) or the *Financial Report* (visit: www.ebrd.com/financialreport). Stakeholders interested in the EBRD's technical cooperation and official co-financing operations in 2011 can also find more detailed information in the Bank's *Donor Report* (visit: www.ebrd.com/donorreport).



*For a complete list of the EBRD's countries of operations visit:
www.ebrd.com/pages/about/where.shtml

EBRD COMMITMENTS 2007–11¹

(€ billion)



RECORD BUSINESS
VOLUME OF
€9.1 BILLION

¹ "Commitments" signifies EBRD financing committed under signed agreements.

Promoting environmental and social sustainability through investments in projects, financial intermediaries and technical cooperation programmes

In 2011 the EBRD invested a record €9.1 billion of annual business volume in 380 projects. These commitments are in sectors such as power and natural resources, infrastructure, industry, commerce and agribusiness, private equity and banking. At the same time, we responded rapidly to the dramatic democratic uprisings in the southern and eastern Mediterranean (SEMED) region by preparing for expansion into that area.

In line with the Bank's strategic positioning and planning, new business in 2011 was oriented towards projects that will play a significant role in the environmentally and socially sustainable development of our countries of operations. The Bank helped companies of all sizes and in a broad range of sectors to secure and improve their corporate sustainability performance.

We responded to strong market demand for investment and expertise in renewable energy, energy efficiency, sustainable transport, environmental infrastructure and cleaner production. The interconnected issues of climate change and energy, water and food security were a common theme across many operations with both private sector and municipal clients.

THE EBRD INVESTED
AROUND €2.6 BILLION IN
ENERGY EFFICIENCY AND
RENEWABLE ENERGY



2011 EBRD SUSTAINABILITY AWARDS

The 2011 Sustainability Awards took place at the EBRD's Annual Meeting in Astana, Kazakhstan. As in previous years, staff from the EBRD's Environment and Sustainability department and from the Energy Efficiency and Climate Change team nominated a number of companies for awards in two categories: Excellence in Environmental and Social Performance and Excellence in Sustainable Energy and Climate Change.

Nominations in the environmental and social category included an Estonian windpower developer, a regional property development company, a Serbian bank and a Romanian oil and gas company. Among the sustainable energy and climate change category nominations were a Bulgarian bus company, a Croatian oil company, a Russian steel-maker and a Russian regional airport. A special nomination was also made for a local edible oil company, funded through the Kazakhstan Sustainable Energy Finance Facility Framework, which has made particular progress in implementing a series of energy efficiency measures.

The winner of the Excellence in Environmental and Social Performance category was FreEnergy, an Estonian company founded in 2005 to invest in windpower projects in the Baltic states. The company was recognised because of its approach to the development of windpower projects, utilising best practice in both its technical solutions and its proactive approach to social impacts and community concerns. The winner of the Excellence in Sustainable Energy and Climate Change category was the Novolipetsk Metallurgical Company (NLMK), a Russian integrated steel-making company, one of the world's largest steel producers. NLMK was recognised for its demonstration role in addressing energy efficiency and climate change issues associated with its operations. Representatives of both companies attended the ceremony to receive their awards.

GREENHOUSE GAS ASSESSMENT RESULTS 2006–11

aggregate change in CO₂e Mtpa



THIS IS THE SIXTH CONSECUTIVE YEAR THAT EBRD INVESTMENTS ARE FORECAST TO BE CARBON NEUTRAL OR BETTER

ADDRESSING CLIMATE CHANGE

The Bank's Sustainable Energy Initiative (SEI) experienced its strongest year ever in 2011. The EBRD invested around €2.6 billion in energy efficiency and renewable energy (accounting for nearly 30 per cent of the Bank's total annual business volume) across a broad range of sectors and countries. These investments will reduce CO₂ emissions by 8.3 million tonnes per year.

Including projects with emission increases, the overall impact of the EBRD portfolio for 2011 is still forecast to result in net greenhouse gas (GHG) reductions of around six million tonnes of CO₂. This is the ninth year that the EBRD has published GHG forecasts and the sixth consecutive year that the overall impact of the Bank-financed projects has been a net GHG saving.

The results in any single year tend to be heavily influenced by a small number of large projects. However, the trend shows that the EBRD's emphasis on renewable energy, energy efficiency and the green economy has enabled it to lend more, promote transition and support sustainable development, while also contributing to a decrease in carbon emissions.

We are also taking a leading role in developing practical approaches to the appraisal of the climate risks faced by our clients and countries of operations.

IMPROVING ENERGY EFFICIENCY IN RUSSIAN CITIES

Around half of all the fuel consumed in Russia is used to operate district heating systems. Recent EBRD funding will enable the Russian city of Vologda to modernise its district heating and water and wastewater treatment systems. This will bring the Bank's total investments in the renewal of the country's municipal infrastructure to over €750 million over the past 14 years.

We provided Vologda with a loan of Rb 467 million for urgent work on its district heating network.

The savings resulting from the EBRD-funded programme in the city are estimated at 5.6 million cubic metres of gas, 1.6 million kWh of electricity and nearly 6,000 cubic metres of water, while the amount of heat purchased to provide hot water and heating for the 300,000-strong population is expected to fall by 2,035 Gcal a year.

Meanwhile, the investment in water supply and wastewater treatment infrastructure has reduced leakages and improved water quality for the people of Vologda. The projects will benefit from €1.8 million in technical cooperation funds from EBRD shareholders and the Northern Dimension Environmental Partnership (NDEP) is contributing a further €2 million for district heating and €5 million for water and wastewater upgrades.

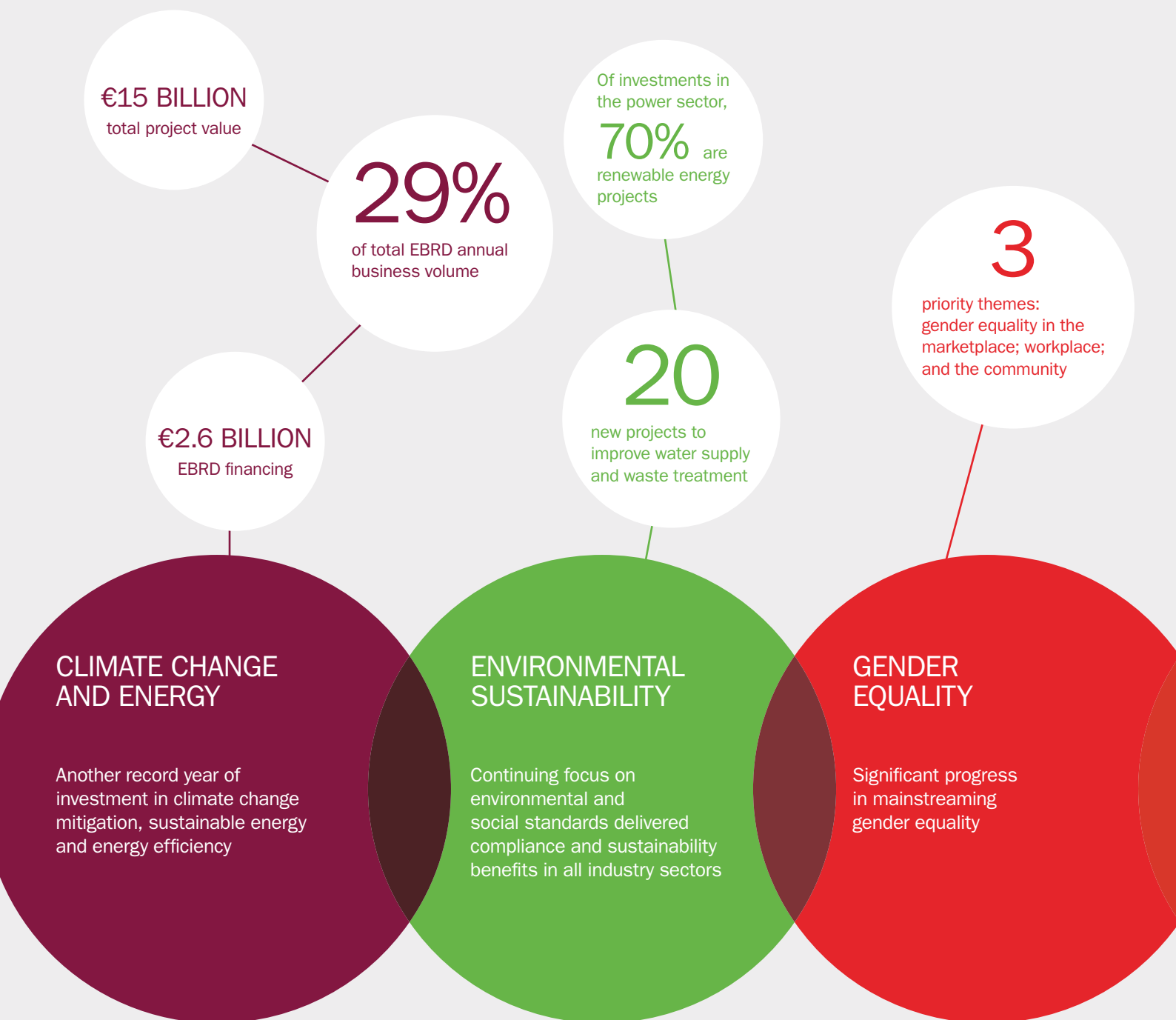
FINANCING ENVIRONMENTAL IMPROVEMENTS

In the municipal and environmental infrastructure sector, the EBRD financed a record €596 million in 2011 and has mobilised grant co-financing of €1.4 billion from the EU Cohesion Fund for investment in water and wastewater, urban transport, district heating and waste management.

There were also continued successes in the multi-donor environmental grant programmes managed directly by the EBRD. The Northern Dimension Environmental Partnership (NDEP) celebrated its 10th anniversary of operations to improve the ecology of the Baltic, White and Barents Seas where it provides grant support for environmental and nuclear safety projects;

and the Bank joined donors in launching the new Eastern Europe Energy Efficiency and Environment Partnership (E5P) Fund, which will provide grants for energy savings projects in Ukraine and other energy-intensive countries such as Armenia, Azerbaijan and Moldova.

In the nuclear safety field, 2011 marked 25 years since the Chernobyl accident. We announced an additional €190 million contribution to the Chernobyl Shelter Fund, which, together with pledges from the international community, will go towards extra funds of €550 million for Chernobyl projects.



New projects under the EBRD's Sustainable Energy Initiative in 2011:

- €8.8 billion invested in climate change mitigation, renewable energy and energy efficiency since 2006, representing over 460 operations and cumulative annual CO₂ reductions estimated at over 45 million tonnes
- significant investments in 2011 in wind power, hydro, biomass and industrial energy efficiency
- climate adaptation and resilience work in 2011 includes commissioning analysis of climate change vulnerability in Turkey's private sector
- for the sixth year running, the overall impact of every investment signed by the Bank during the year will be a net reduction in greenhouse gas emissions.

Highlights include:

- launch of new e-learning module endorsed by the International Chamber of Commerce helps financial institutions to manage environmental and social risk in trade finance
- Kronospan creates new wood panel production capacity in Russia and Belarus incorporating Best Available Technology, biomass energy generation and supply chain controls to ensure use of sustainable forest products.

- changes introduced in 2011 to ensure that gender considerations are better integrated into country strategies, starting with the Kyrgyz Republic
- fact-finding on gender issues in Egypt, Morocco, Tunisia and Jordan to prepare for the Bank's expansion into the SEMED region
- successful remittances programmes in Azerbaijan and Georgia result in an extension to Armenia, the Kyrgyz Republic, Moldova and Tajikistan.

70

Valuable discussions with 70 civil society representatives during the EBRD's Annual Meeting in May 2011

€114 MILLION

now raised through the EBRD's Environmental Sustainability Bonds since their launch in December 2010

24

Environmental Impact Assessments disclosed

95%

compliance with requirement to provide the EBRD with annual environmental and social reports

46

environmental and social monitoring visits to existing projects

€434 MILLION

in donor funding for technical cooperation

CIVIL SOCIETY ENGAGEMENT

Extensive engagement with civil society in 2011 included the start of important dialogue on our expansion into the SEMED region

MOBILISING FUNDS FOR SUSTAINABILITY

Strong donor support for environmental and social projects, plus new opportunities for institutional and retail investors to participate in the green economy

POLICIES AND MANAGEMENT SYSTEMS

High standards of assurance, transparency and accountability in the environmental and social aspects of our operations

2011 IN FACTS AND FIGURES

- our stakeholder engagement on SEMED includes issues such as political reform, democracy, human rights, corruption, poverty, illiteracy, youth unemployment, women's rights and NGO freedom – dialogue will continue and expand in 2012
- valuable discussions with 70 civil society representatives during the EBRD's Annual Meeting in May 2011
- completion of public consultation on revisions to the Bank's Public Information Policy.

- €9.1 billion EBRD financing and 380 new commitments signed in 2011 following robust environmental and social due diligence procedures
- 1 new compliance review initiated under the Project Complaint Mechanism (a further two complaints are at eligibility assessment stage)
- strengthening practices and tools covering occupational health and safety; climate change vulnerability; and financial intermediaries
- Public Information Policy updated and improved
- compliance review of D1 Motorway project (in the Slovak Republic) completed.

PROTECTING THE OCEANS

The EBRD has teamed up with the International Maritime Organization to reduce the harmful impacts to biodiversity associated with shipping. The Bank is using a grant from the EBRD Shareholder Special Fund to provide training for shipping companies and port operators on best practice for the management of ballast water. This is an important issue as the discharge of ballast water can inadvertently lead to the introduction of alien and invasive species into marine habitats where they can have a devastating impact on native species. This is already happening for example in the Black Sea, where the introduction of jellyfish from North American waters has depleted plankton stocks and consequently devastated commercial fishing.

Improving the management of ballast water will have both environmental and economic benefits, as ships that do not meet good practice standards will face restricted access to international ports, which would inhibit trade to and from the region.



To read more visit:

www.ebrd.com/pages/news/features/globallast.shtml



PROMOTING ENVIRONMENTAL SUSTAINABILITY THROUGH FINANCIAL INTERMEDIARIES

The EBRD continued to support the financial sector in 2011 by providing access to credit, supporting trade finance, strengthening financial institutions and contributing to financial stability.

New additions to the network of sustainable energy financing facilities during the year mean the Bank now has the benefit of working with over 50 local banks to provide financial intermediation of energy efficiency and renewable energy finance to thousands of small businesses and municipalities in 16 countries.

Our cooperation with banks, private equity funds and other financial intermediaries also includes a strong emphasis on the adoption of policies and systems for environmental and social risk management.

In 2011 more than 500 employees from nearly 40 financial institutions took part in EBRD-run environmental training courses. The Bank also launched a new e-learning course to support environmental and social risk management by banks participating in the Trade Facilitation Programme.



For more information visit:

www.ebrd.com/pages/about/principles/sustainability.shtml

INTEGRATING GENDER EQUALITY INTO BANK OPERATIONS

Gender equality is an important objective for the EBRD across all sectors. The Bank's Gender Action Plan received Board endorsement in 2010 and began with a series of pilot projects.

In 2011 we made significant progress towards scaling up this work, particularly in the municipal and environmental infrastructure sector, through our technical cooperation and support to micro and small enterprises, and working with clients to promote improved labour and human resource standards.

The long-term aim is to establish gender equality as a mainstream consideration and feature in Bank-financed projects and technical cooperation programmes wherever appropriate. The success achieved in 2011 provides further momentum for continuing this work in 2012.


FOR MORE INFORMATION
ON THE EBRD'S WORK ON
GENDER EQUALITY VISIT:
[WWW.EBRD.COM/PAGES/
ABOUT/PRINCIPLES/
GENDER/EBRD.SHTML](http://WWW.EBRD.COM/PAGES/ABOUT/PRINCIPLES/GENDER/EBRD.SHTML)

IMPROVING EQUAL OPPORTUNITIES IN PUBLIC TRANSPORT

Gender issues form a small but important part of our work in Turkey, assisting the operators of the world's largest municipal ferry operator. In July 2011 the EBRD approved loans of US\$ 150 million (approximately €116 million equivalent) for the acquisition of IDO, a municipal ferry company serving Istanbul, the Bosphorus and the Sea of Marmara. The company operates 52 vessels and 35 ferry terminals serving over 400,000 passengers a day. The Bank's investment will help to improve and expand essential public transport services in Turkey's most congested city.

The newly privatised IDO employed surprisingly few women: of the 626 direct employees, only 18 were female. Discussions between the Bank and the company quickly identified a shared commitment to promoting equal opportunities for women and men in the workforce.

The EBRD is now helping IDO to review its human resources policies and operational practices, with a view to joining our equal opportunities initiative for best HR practices. The project includes reviewing data related to equal opportunities within the company; conducting an assessment of the existing situation; and providing practical recommendations on ways that IDO can proactively promote equal opportunities, increase its recruitment of female employees and assist their advancement in the workplace.

 Watch the video "EBRD helps Istanbul commuters with ferry deal" at:
www.ebrd.com/pages/news/media/video.shtml

PROMOTING BIODIVERSITY AND CONSERVATION IN THE DESERT

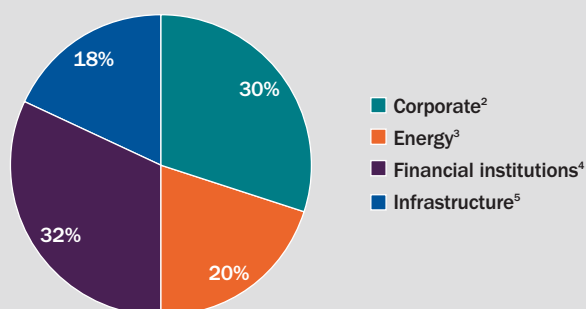
The EBRD used its Shareholder Special Fund to sponsor a two-day workshop in Ulaanbaatar in March 2011. The workshop discussed biodiversity and conservation of the South Gobi desert. Conservation of this area is an urgent matter due to numerous sensitive habitats, endangered and vulnerable species and rapid development of large areas of what was previously mostly wilderness. Due to the wealth of natural resources in the South Gobi, the development is likely to continue for some time.

To date each project has been evaluating its impact on biodiversity separately. However, given the large land areas used by the species present, conservation must consider issues on a regional or landscape level basis to be effective. The EBRD workshop attracted over 60 attendees from government, scientific bodies, non-governmental organisations (NGOs) and companies involved in development of the area who discussed the need for regional cooperation and explored methods to promote it.

Following this meeting, the Ministry of Nature, Environment and Tourism asked the EBRD for additional assistance and capacity-building in this area. Two of the largest companies working in the area (Oyu Tolgoi and Energy Resources, both EBRD clients) have also signed a Memorandum of Understanding for the sharing of information, research and monitoring of biodiversity in the region. The EBRD continues to work with stakeholders to further this cooperation.



EBRD COMMITMENTS BY SECTOR IN 2011



² Corporate comprises agribusiness, manufacturing and services, property and tourism and telecommunications.

³ Energy comprises natural resources and the power sector.

⁴ Financial sector includes investments in micro, small and medium-sized enterprises via financial intermediaries.

⁵ Infrastructure comprises municipal environmental infrastructure and transport.

REDUCING AIR EMISSIONS AT AN OIL REFINERY

Our €250 million loan to PKN Orlen, Poland's leading oil refining and retail group, will finance substantial environmental and energy efficiency improvements at the firm's Plock refinery complex, helping the company to accelerate Poland's compliance with the EU's Industrial Emissions Directive. The project will bring about a significant reduction in sulphur dioxide and nitrogen compounds every year. It will also enable PKN Orlen to avoid CO₂ emissions of more than 140,000 tonnes per year.

The company has also agreed to implement an integrated and externally certified carbon and energy-management system across all operations. This will allow for the continuous monitoring of energy and emission intensities, specific goals and targets, as well as regular public disclosure of its performance. In recognition of its innovative nature and high impact, the PKN Orlen project has been selected as a demonstration project in a forthcoming EBRD study on refineries.

THE PROJECT
WILL ENABLE PKN
ORLEN TO AVOID
CO₂ EMISSIONS
OF MORE THAN
140,000 TONNES
PER YEAR



For more information visit:

www.ebrd.com/pages/news/features/poland_oil.shtml

ENVIRONMENTAL MANAGEMENT AND ENERGY EFFICIENCY IN THE CHEMICAL INDUSTRY

In Turkey, new projects signed in 2011 include the financing of a modernisation programme at Aksa Acrylic's chemical complex located on the Sea of Marmara.

The EBRD's funds are being used to implement an extensive capital expenditure programme that will result in a net environmental benefit through improved energy and raw material efficiency and subsequent savings (including a 5 per cent reduction in CO₂ emissions). Further, through the Bank's involvement the company has committed to a number of voluntary environmental and social management and performance enhancement incentives to achieve "best in class" with regard to plant and worker safety and climate change adaptation.

Environmental and social due diligence undertaken by the EBRD identified a number of environmental and social management and performance enhancement incentives in which Aksa has agreed to participate. Some of the agreed measures exceed local international and EBRD requirements thereby demonstrating Aksa's commitment to be best in class. The company has also agreed to initiate discussions with neighbouring industrial complexes in efforts to meet similar standards.



For more information visit:

www.ebrd.com/pages/news/press/2011/111205.shtml



HELPING BUSINESSES ADAPT TO CLIMATE CHANGE

In collaboration with Turkey's Ministry of Environment and Urbanization and the International Finance Corporation, the EBRD is managing a ground-breaking market study designed to give the private sector new tools to help anticipate and respond to the effects of climate change. The new study looks at various climate change effects and their relation and importance to businesses. It will analyse gaps and barriers towards adaptation and identify opportunities related to climate investments.

The research will involve an analysis of the climate change vulnerability of the Turkish private sector, and an assessment of the priority investment, technical support and information needs of Turkish businesses. For example, this may consider the climate-related risks to businesses such as water availability, floods, sea-level rises, temperature extremes and impacts on supply chains. This study will cover an analysis of the regulatory, informational and institutional environment for business action on climate resilience, and the identification of priorities required for its improvement. Investing in climate-adaptable strategies and operations now is far less costly than having to cope later with the uncertainties of a vulnerable environment.

DURING 2011 WE
MOVED SWIFTLY TO LAY
THE FOUNDATIONS FOR THE
BANK'S SUCCESSFUL ENTRY
INTO THE SEMED REGION

EUROPEAN BANK FOR RECONSTRUCTION
AND DEVELOPMENT
One Exchange Square
London EC2A 2JN
United Kingdom

SWITCHBOARD/CENTRAL CONTACT
Tel: +44 20 7338 6000
Fax: +44 20 7338 6100

INFORMATION REQUESTS
For information requests and general enquiries, please use
the information request form at www.ebrd.com/inforequest

PROJECT ENQUIRIES
Tel: +44 20 7338 7168
Fax: +44 20 7338 7380
Email: projectenquiries@ebrd.com

EBRD PUBLICATIONS
Tel: +44 20 7338 7553
Fax: +44 20 7338 6102
Email: pubsdesk@ebrd.com

WEB SITE
www.ebrd.com

EDITORIAL
Alistair Clark
Dermot Doorly
Mark King
Martin McKee
Jane Ross
Dan Siddy
Natasha Treloar

PREPARING FOR CHALLENGES AND OPPORTUNITIES IN OUR NEW REGION

During 2011 we moved swiftly to lay the foundations for the Bank's successful entry into the southern and eastern Mediterranean (SEMED) region. The commencement of operations in Egypt, Jordan, Morocco and Tunisia involves a wide range of new, country-specific environmental and social considerations, from human rights to water scarcity.

We opened dialogue with a wide range of civil society organisations and other stakeholders, beginning an engagement process that will continue and expand in 2012. Desk research, fact-finding missions and special studies initiated in 2011 covered a wide range of issues, from gender equality conditions to energy efficiency markets.



For more information refer to the factsheet
"Donor partnerships in the SEMED region":

www.ebrd.com/downloads/research/factsheets/semед.pdf



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