CEB

COUNCIL OF EUROPE DEVELOPMENT BANK
BANQUE DE DEVELOPPEMENT DU CONSEIL DE L'EUROPE

Sustainability Report **2021**



About the CEB

In April 2021 the CEB celebrated its 65th anniversary. Since the Bank's inception, its history has reflected and echoed that of Europe. Putting its exclusive social mandate into practice, the CEB builds sustainability into all the investment projects it supports.

GRI 2.6

The CEB, a bank with a social mandate and a sustainable strategy

The Council of Europe Development Bank (CEB) is a multilateral financial institution with a unique social purpose laid out in its founding Articles of Agreement. The CEB's mission-driven approach is divided into three priority lines of action, as set out in the Bank's Development Plan 2020-2022:

- **Inclusive growth:** working to promote access to economic opportunities to ensure a prosperous future for all. The CEB aims to support inclusive growth and especially investments in sectors such as housing and social care, health and education, and micro, small and medium enterprises (MSMEs).
- **Support for vulnerable groups:** helping to integrate the most vulnerable citizens by tackling complex subjects such as gender, age, homelessness, disability, migrant background or emergency response.
- **Environmental sustainability:** promoting the protection of the environment, climate mitigation and adaptation by emphasising these aspects in all its projects. Project screening will be reinforced so that misalignments with the Paris Climate Agreement can be identified early on.

These three priorities were developed in collaboration with the CEB's 42 member states, which are both its shareholders and its countries of operation.

GRI 2.9 • 2.11 • 2.12

The Council of Europe and governance

Based on a Partial Agreement among member states of the Council of Europe, the CEB is subject to the Council's 'supreme authority'. The Bank therefore acts within the framework set by the Council of Europe, and supports its principles, values and overall objectives. As an example, for each of the projects submitted to the CEB's Administrative Council for approval, the Secretary General of the Council of Europe issues an opinion on the project's conformity with the Council of Europe's political and social aims.

Nevertheless, the CEB is a legally separate and financially independent entity. The Bank comprises 42 member states as shareholders, and has its own governance system, which is determined by the Bank's Articles of Agreement. The CEB is organised, administered and controlled' by four 'organs', namely:

- the Governing Board, chaired by Marinela PETROVA (Bulgaria), which inter alia sets out the general direction for the Bank's activity;
- the Administrative Council, chaired by Miglė TUSKIENĖ (Lithuania), which exercises the powers delegated to it by the Governing Board;
- the Governor* (assisted by Vice-Governors), who is the Bank's legal representative, head of the Bank's operations and responsible for the staff under the general supervision of the Administrative Council;
- the Auditing Board.

The secretariat for the CEB's governing, administrative and control organs is provided by the Secretariat of the Partial Agreement of the Council of Europe Development Bank.

* Carlo MONTICELLI, an Italian national, was elected Governor of the CEB by the Bank's member states on 11 June 2021 after serving for six years as Vice-Governor for Financial Strategy. He began his five-year mandate on 18 December 2021. The Governor is currently assisted by Tomáš BOČEK, a Czech national, who was re-appointed Vice-Governor for Target Group Countries on 16 April 2021. On 3 December 2021, the Governing Board opened the nomination procedure for the posts of Vice-Governor for Financial Strategy and Vice-Governor for Social Development Strategy.

More details are available in the 2021 Report of the Governor and on the Bank's website https://coebank.org/en/.

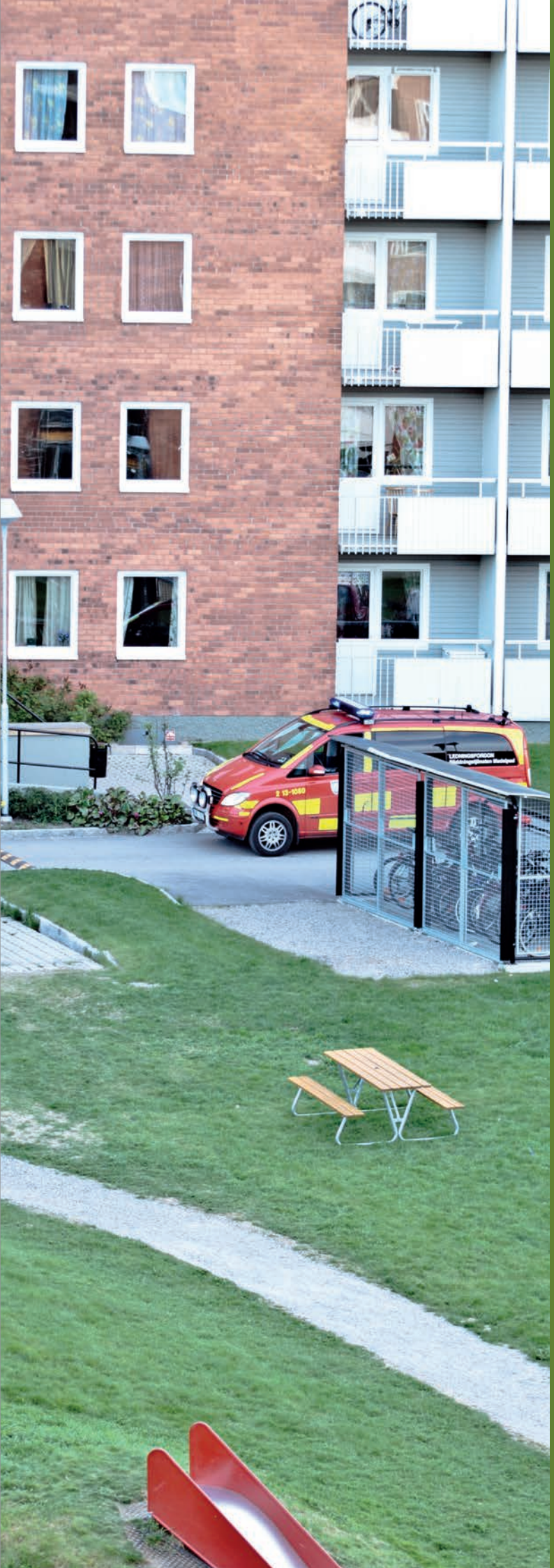


Table of contents

About the CEB 2

Highlights in 2021 4

Message from the Governor 5

ESG ratings 6

Managing Sustainability 7
- The CEB's impact and way we work 10

The CEB and Climate Change 12
- Aligning with the Paris Agreement 12
- Climate finance and GHG emissions 14

The CEB's Response to COVID-19 17
- Project activities 17
- Tackling operational risks 19

From Crisis to Inclusive, Sustainable and Resilient Recovery 20
- Project financing in 2021 20
- Sustainable funding and treasury 30

Partnerships and Engagement 34
- Finance in Common 34
- Other impactful engagement 35

Accountability and Transparency 38

Internal Operations 41
- Human resources 41
- Sustainable procurement 47
- Health and Safety 47
- Managing the impact of internal operations 48

Appendix - GRI Content Index for 2021 51

Highlights in 2021

GRI 203-1

► Key insights from 2021

- The CEB approved 57 projects totalling € 4.2 billion, of which € 657 million went to loans for COVID-19 response measures which benefitted 7 projects in 6 countries, bringing the total CEB lending for COVID-related funding to nearly € 3.8 billion. Climate financing stood at € 525 million.
- As an observer to UNFCCC, the CEB participated in COP26 in Glasgow and, among other things, was a signatory of a joint statement on 'collective climate ambition' along with nine other MDBs.
- The Bank adopted a Paris Alignment framework, accompanied by a phased roadmap to operationalise its commitment to progressively align its lending activities with the 2015 Paris Agreement on climate change.
- Having issued Social Inclusion Bonds since 2017, the Bank priced two transactions of € 500 million and US$ 500 million. Together, this made up more than 15% of its Borrowing Authorisation for 2021.
- The Bank used donor funds to guarantee loans worth € 19 million and to award € 10 million in grants, benefitting ten countries. The Bank uses donor funds to make high-impact projects more sustainable, both financially and operationally, e.g. through loan guarantees, or technical assistance.
- The CEB was a 'grand partner' of the second edition of the Finance in Common Summit, where it promoted collective action to address the 2030 Agenda for Sustainable Development and in particular the Coalition for Social Investment co-led with the Agence Française de Développement.
- The CEB updated its Codes of Conduct, and key compliance policies with a view, *inter alia*, to meeting the requirements of the EU Pillar Assessment, which the Bank passed in full in early 2022.
- Important inroads were made for more gender equality at the Bank, such as committing to equal pay, updating paternity leave rules and conducting a comprehensive staff survey.
- The Bank started offsetting GHG emissions from its own operations using an innovative local start-up.
- Carlo Monticelli, an Italian national, was appointed Governor of the CEB.

► Key financial data at end-2021 (in € billion)

GRI 2.6 • 2.7 • 201-1

Projects approved	Loans disbursed	Loans outstanding	Equity	Issuance	Total assets
4.2	4.0	18.9	3.2	5.5	29.7

► Key extra-financial data at end-2021

Human Resources

213 permanent staff members and two appointed officials (Governor and Vice-Governor)

32 nationalities

54% women

46% men

The CEB's own carbon footprint

Total greenhouse gas emissions

455 tonnes

eq. CO_2 ou 2.1 tCO_2/employee

Carbon footprint of projects (tonnes of CO_2 eq. per year)

	2017	2018	2019	2020	2021
Absolute emissions from projects approved	50 000	70 000	50 000	-	110 000
Emission savings from mitigation projects approved	- 60 000	- 170 000	- 130 000	- 30 000	- 65 000

Climate action financing (in € million)

	2017	2018	2019	2020	2021
Climate action financing total	323	629	1 037	798	525

Message from the Governor

GRI 2.22



At a time when the COVID-19 pandemic and accelerating climate change make broader social and sustainability issues all the more critical, the CEB has risen to these challenges, continuing to deliver on its mandate in a rapid and impactful manner.

In 2021, the protracted pandemic has again exacted heavy human and social toll, and recovery is far from complete. In particular, notwithstanding considerable spending by governments, the crisis appears to have disproportionately affected the most vulnerable. Globally, the pandemic has forced tens of millions of people into extreme poverty. In Europe, it has exacerbated inequalities and threatened social cohesion.

Social needs, and more specifically social investment needs, are central concerns in today's sustainable finance landscape. The flourishing social bond market in 2020, which remained strong in 2021, constitutes a prime illustration of this. In this area, the CEB has distinguished itself as a pioneer: beginning by issuing its inaugural Social Inclusion Bond (SIB) in 2017, in line with the Social Bond Principles, and later by becoming the very first issuer of a COVID-19 response bond in April 2020 for € 1 billion, followed by another one two months later for US$ 500 million. In 2021, the Bank continued to deliver on this front by launching two additional SIBs worth € 500 million and US$ 500 million.

More broadly, the CEB has been able to draw upon its unique social mandate and 65 years of experience to support its member states in mitigating the impact of the COVID pandemic. Firstly, the Bank reacted to the urgency of the crisis by adapting its financial instruments to swiftly deploy resources approving € 1.7 billion in loans for health and employment by April 2020. Thereafter, the CEB continued to provide instrumental support for a more inclusive, resilient and sustainable recovery. Between 2020 and 2021, the CEB approved 28 COVID-related projects in 21 member states, amounting to nearly € 3.8 billion. Over the same period, it approved a total of more than € 10 billion, including € 4.2 billion in 2021, for social investment projects.

Beyond the effects of the pandemic, the latest report published by the Intergovernmental Panel on Climate Change, as well as the severe floods and droughts of the summer of 2021, are a reminder of the existential threat posed by climate change and the imperative for immediate action on this front. The CEB is firmly committed to environmental sustainability as one of the three strategic lines of action enshrined in its 2020-2022 Development Plan, along with the support for inclusive growth and vulnerable groups. The Bank thus integrates social, environmental and economic dimensions in its activities, in line with the United Nations 2030 Agenda for Sustainable Development.

The CEB, with its exclusively social mandate, believes that the necessary transition to low-carbon economies must be socially just and protect the most vulnerable, who are often the most exposed to the consequences of climate change. It is in this context that the CEB was a signatory of the Joint Statement of the Multilateral Development Banks at COP26 and that it developed its Paris Alignment approach and roadmap, which were presented to the Administrative Council in November 2021.

Likewise, the CEB was a partner of the second Finance in Common Summit (FiCS) in October 2021 in the belief that aligning public development banks towards a common purpose can make the whole greater than the sum of its parts. At the FiCS, the Bank advocated for high-quality social investment, and underscored the value of the Coalition for Social Investment which it has been co-leading with the Agence Française de Développement (AFD). Our fruitful partnership with the European Union, which takes several forms, also enables us to do more and better for social investment, and hence for the common good.

The CEB rigorously applies sustainability principles to its own operations and way of doing business. At the height of the COVID crisis, the CEB was able to quickly leverage remote working in order to continue delivering seamlessly. Beyond that, the Bank has shown an unwavering commitment to corporate responsibility: from intensifying action in support of workplace gender equality, to the introduction of the requirement to proactively pursue the application of environmental, social and governance (ESG) good practices in its revised Code of Conduct, and the updating of its compliance policies. All these efforts are valued by the ESG rating agencies, which regularly assess the Bank's performance.

At this hour of darkness, war is raging in Europe and I would like to express our solidarity with the Ukrainian people who are victims of the military invasion launched by Russia. The humanitarian situation in Ukraine is deteriorating rapidly, with millions of people fleeing death and destruction, desperately seeking safety in neighbouring countries and beyond. The CEB will stand by its member countries in responding to this unprecedented crisis, in line with its historical mandate to assist refugees, migrants and displaced persons.

Looking forward, the CEB's priority is to continue fulfilling its social mandate, which has become more relevant than ever in the current context. The Bank will therefore remain flexible and innovative in order to adapt to a rapidly changing environment, including in terms of sustainability standards. It will also seek to deepen its engagement with stakeholders, so that it can continue to help Europe's most vulnerable people.

Paris, 10 March 2022
Carlo Monticelli



ESG ratings

Experts from non-financial rating agencies frequently scrutinise the CEB's efforts on sustainability. The results regularly place the Bank within the group of most sustainable institutions, for internal operation and project impact alike.

GRI 3-3

► The CEB's engagement on ESG

As a public institution and a development bank, the CEB places great emphasis on environmental, social and governance (ESG) criteria. As part of the shift towards more sustainable finance, ESG has been enjoying rapidly increasing interest from various financial market participants, especially socially-responsible investors, with some of them choosing to invest in the Bank's flagship Social Inclusion Bonds issued on an annual basis for the past five years. These instruments best showcase the linkages between the CEB's social mandate and the positive-impact projects it has financed, the market trend towards sustainability and the Bank's overall ESG performance (see 'Sustainable funding and treasury').

► Externally assessed: the Bank's ratings

A token of the Bank's solid ESG risk management and performance comes from non-financial rating agencies. Four such agencies provide 'unsolicited' ratings and the CEB is in regular contact with them to ensure maximum transparency on its internal practices. By way of illustration, their ratings at end 2021 were as follows:

- **"Prime"** by ISS ESG (August 2021)
- **"Leader"** by MSCI ESG (April 2021)[1]
- **"Negligible ESG Risk"** by Sustainalytics (December 2020; confirmed in February 2022)
- **"Advanced"** by Vigeo-Eiris (October 2020).

[1] The use by the CEB of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of the CEB by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

Managing Sustainability



2-12 • 2-13 • 2-23 • 2-29 • 3-1 • 3-3

► How the CEB embeds sustainability

At strategic level, as the '*supreme organ of the Bank*', the Governing Board '*provides general guidelines concerning the institution's activity*', including the adoption of a multi-year strategy that sets the framework for the Bank's lending business and is intrinsically linked to social and environmental sustainability. The current strategy is set out in the Development Plan 2020-2022.

At operational level, the CEB is strongly committed to fostering environmental sustainability in both its project financing (see the Environmental and Social Safeguards Policy) and its internal operations (see the CEB Environmental Statement).

Double materiality as standard for managing sustainability

Taken together, the Development Plan, Environmental and Social Safeguards Policy and Environmental Statement provide the basis for how the Bank approaches *impacts inward* – how the CEB could be affected by sustainability issues – and *impacts outward* – how the Bank impacts society, environment and ultimately people's lives.

This logic of 'double materiality' is also applied to disclosure. The Sustainability Report presents information on the topics that were assessed as material during a dedicated stakeholder outreach exercise in 2019 and slightly updated over time, e.g. considering the importance of climate change. For more information on the materiality assessment see the GRI Index.

Management of the different aspects of sustainability is distributed throughout the Bank's directorates and their respective experts. Topics that concern the CEB as a whole, e.g. reporting and disclosure, ESG ratings, stakeholder engagement, and coordination between directorates through a *network of CSR correspondents*, are dealt with by the *Corporate Responsibility Division*. Teams that manage material sustainability issues are the following:

A network of CSR Correspondent exchanges the Bank's **ESG** and **sustainability** issues

- *Compliance*, working on integrity and transparency in the conduct of all the CEB's activities, ranging from anti-money laundering, to whistleblowing, to IT systems security.

- *Corporate Services*, working on human resources, e.g. gender equality and wellbeing, and issues related to facility management, e.g. office energy consumption and waste management.

- *Evaluation*, working on independent evaluations of CEB-financed projects to assess their social performance and derive lessons learnt for the CEB's future work.

- *Finance*, working on funding the Bank's project financing on competitive terms, and accelerating the development of the social bond market, for example by issuing CEB's Social Inclusion Bonds.

- *General Counsel*, in charge of ensuring that policy commitments in connection with sustainability (environmental and social safeguards, fraud, corruption and other prohibited practices) are adequately reflected in contractual instruments.

- *Loans & Social Development*, working with borrowers to develop their projects and maximise their social value added in close cooperation with sector and thematic experts in the Technical Assessment & Monitoring Directorate.

- *Risk & Control*, addressing risks touching upon the Bank's own internal operations and, starting in 2021, looking to integrate climate-related and environmental risk considerations in counterparty risk assessment and the risk appetite framework.

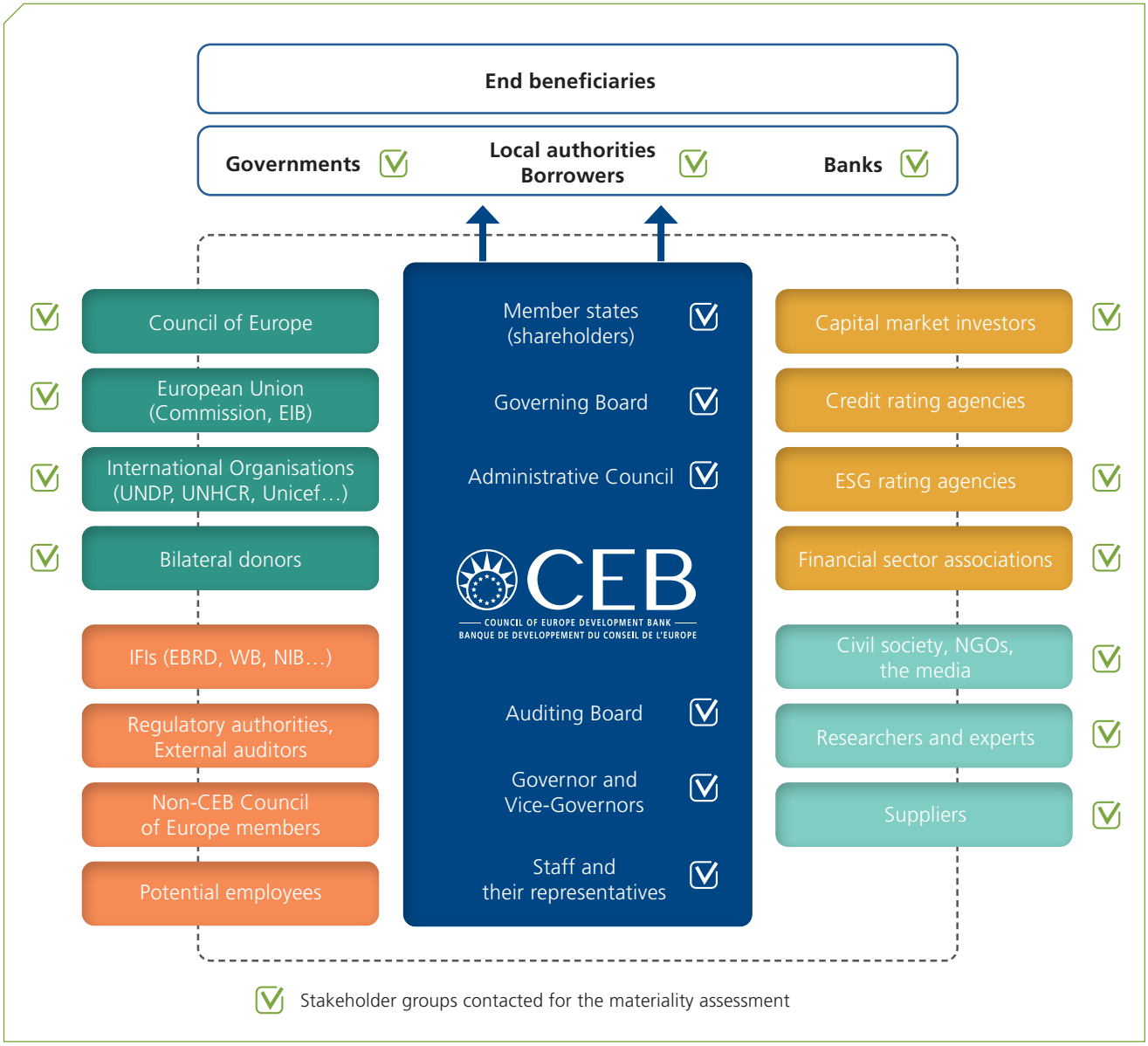
- *Technical Assessment & Monitoring*, working with borrowers on maximising environmental, social and climate-related benefits and managing environmental, social and climate-related risks and negative impacts throughout the project cycle; greening project-related and CEB corporate procurement; providing advisory support for clients on sustainability aspects either directly or through external experts.

Furthermore, the *Paris Alignment Steering Committee* brings together the Bank's senior management from the relevant teams listed above to coordinate further development of the CEB's approach on alignment with the Paris Agreement on climate change. Working groups at operational level report to the Steering Committee which updates the Governor who is accountable to the Administrative Council.

The Paris Alignment Steering Committee coordinates the CEB's work on aligning to the **Paris Climate Agreement**

Stakeholder engagement

As a public institution, the CEB has to be appropriately accountable for its action to a wide range of stakeholders (see the stakeholder map below).



The Bank uses targeted outreaches to a wide range of stakeholders that work on specific topics close to the CEB's core business. The CEB engages with its member states as shareholders, borrowers, investors and other key stakeholders for multiple purposes, including (i) making projects with a high social impact more sustainable, both financially and operationally, thanks to donor funds; (ii) exchanging best practices and sharing knowledge and expertise; (iii) advocating for social investment; promoting and rewarding social innovation initiatives; (iv) better understanding the needs. The Bank engages in this dialogue in many ways, ranging from financial and institutional partnerships to the organisation of events and participation in expert networks, etc. (for more information, see 'CEB response to COVID-19': Project activities, and 'Partnerships and engagement').

Regular disclosure and transparency

The first edition of the sustainability report was published in 2008, then called 'corporate social responsibility report'. As in the past, the 2021 report is drafted according to the 2021 updated version of the Global Reporting Initiative (GRI), and accompanied by a detailed GRI Content Index. Reported topics are developed according to a previously performed materiality assessment with reach out to internal and external stakeholders (for more information, see the GRI Index).

Complementary to this, there is stand-alone reporting on the CEB's Social Inclusion Bonds (including the Bonds' link to the Sustainable Development Goals), and disclosure on lessons learnt from the Bank's project monitoring and evaluation activities.

Our Impact

Our mandate

57 projects worth
€ 4.2 billion
approved

Covid funding
of about **€ 3.8 billion**
readied over past
24 months

Social Inclusion Bonds
account for **15%**
of the Borrowing Authorisation
for 2021

Climate finance
of **€ 525 million**
made available

Our business model is centered around our Social mandate

The social development bank for Europe

Promoting inclusive growth, supporting vulnerable groups, and safeguarding the environment

Close cooperation with and respecting the values of the Council of Europe

Between 2017 and 2020, our Social Inclusion Bonds came to the benefit to
224 501 students
and **29 million elderly**

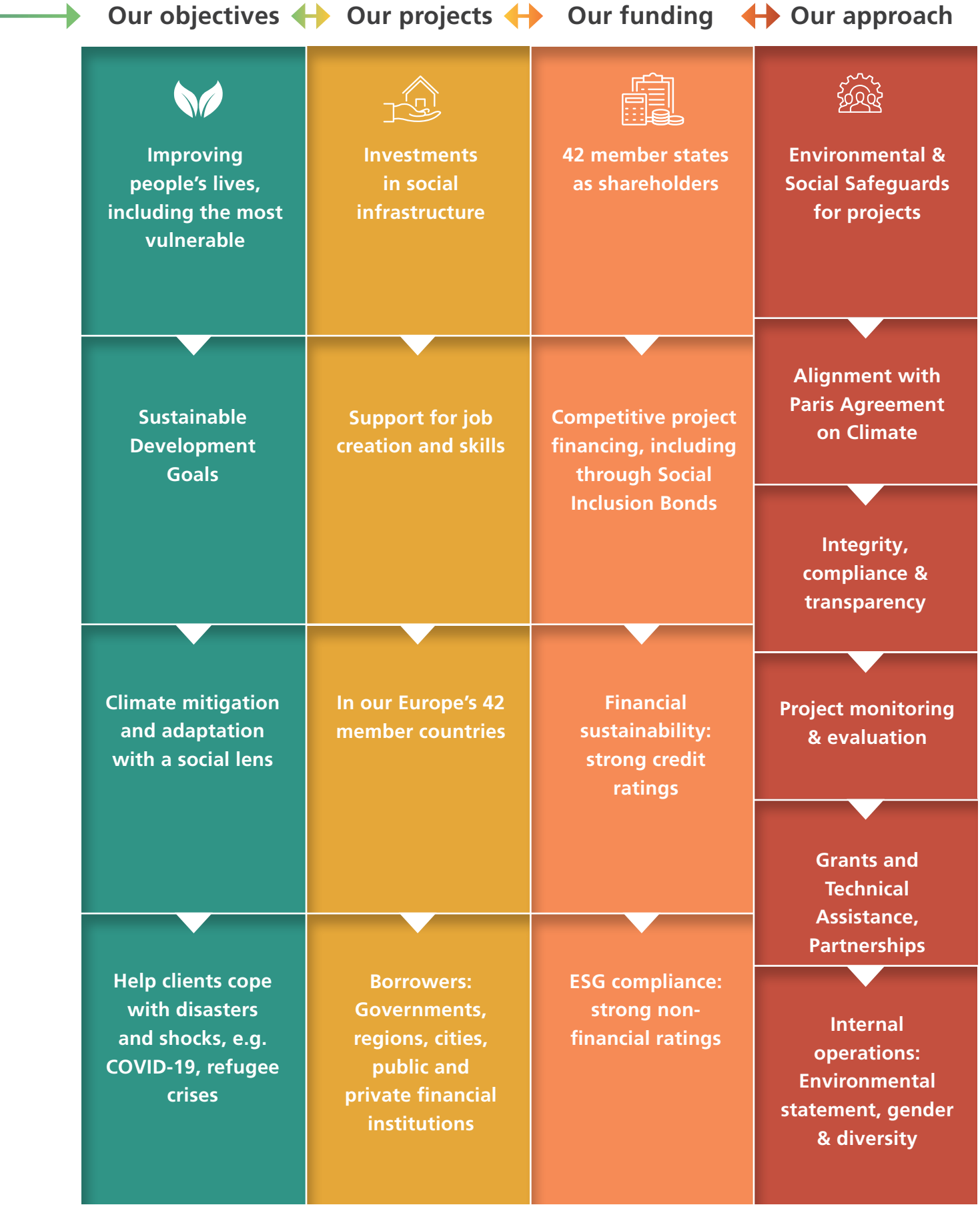
All 57 projects approved were assessed for their
links to the UN SDGs

New borrowers
made up **20%** of
projects approved

Top 3 sectors in total outstanding loans:
Health (18%),
MSMEs (17%) and
Improving living conditions (16%)

32 different nationalities among staff
11 nationalities
and **59% women**
represented in 17 appointments made

The way we work



The CEB and Climate Change



Aligning with the Paris Agreement

The climate crisis is increasingly exposing and exacerbating inequalities, as the most vulnerable groups are generally the most impacted by climate change, are the least resilient to its economy-wide impacts and may bear a disproportionate burden in the transition to a low-carbon and resilient future.

GRI 2-23 • 2-24 • 2-28 • 3-3 • 305-3 • 305-5

► The CEB's commitment to align its activities with the goals of the Paris Agreement

Acknowledging the social drivers of climate change impacts on social inclusion, the CEB has increasingly integrated climate change considerations in its activities in recent years. In its 2020-2022 Development Plan, the CEB took a step further and reaffirmed its unique vocation to support its member countries in promoting social cohesion and social integration, while further reinforcing its commitment to align with the goals and principles of the 2015 Paris Agreement on climate change and to enhance the integration of sustainability and climate change considerations in its operations, in terms of both developing sustainable financing opportunities and managing climate-related risks. The CEB's commitment is built on its extensive experience in supporting social investment that can simultaneously contribute to social, economic and environmental sustainability, and ultimately make European societies more resilient to future shocks and changes.

In parallel, increasing expectations have emerged for the financial sector as regards management of and reporting on sustainability and climate change opportunities and risks. The aim of the 2018 EU Action Plan on financing sustainable growth and the subsequently proposed regulation package on sustainable finance is to redirect financial flows for sustainability objectives and to improve reporting on climate-related risks, in line with the recommendations of the *Task Force on Climate-related Financial Disclosures*. The financial regulators and supervisors in the *Network for Greening the Financial Sector* are calling for the integration of climate-related and broader sustainability considerations into financial actors' governance, strategy, portfolios and reporting. At end 2020, the ECB issued guidance on climate-related and environmental risks for the banks it supervises and will carry out a full review of those banks' practices in 2022. This combination of increasing demand for better disclosure from investors and emerging regulation is pushing the CEB to strengthen the incorporation of climate-related and broader environmental considerations into its strategies, operations and risk management systems.

► A collective journey towards Paris Alignment

MDBs are called upon to play a leading role in helping countries transition towards low carbon and resilient pathways and to do so through coordinated approaches and collective initiatives. A key area of MDB cooperation has been the development of a common response to head the call in Art 2.1 (c) of the Paris Agreement for the alignment of financial flows with the goals of the Agreement. To this end, the MDBs set up a joint Paris Alignment (PA) framework that established a common understanding of the PA concept and areas of actions within which a number of shared methodologies and practices are being progressively developed. Starting from this common basis, each MDB will be able to develop tailored approaches and lines of action that account for the specificities of their respective mandates and operating models.

In March 2021, the CEB joined the MDB Climate Change coordination group as an observer and started transposing the MDB PA framework in the context of its unique focus on financing social infrastructure for sustainable and inclusive development. At COP26, the CEB was also a signatory of a joint statement on 'collective climate ambition' along with nine other MDBs.

► Integrating climate change and social considerations: the CEB's approach to Paris Alignment

Meeting the Bank's commitments and the evolving regulatory requirements called for a strengthening of the CEB's current climate-related due diligence and a more systematic mainstreaming of climate-related considerations in its activities. For this purpose, in 2021 the CEB set up a dedicated inter-service structure to define the CEB's own Paris Alignment approach and to create a phased roadmap setting out priority actions for progressive alignment with the goals of the Paris Agreement – starting with the alignment of direct lending activities by end 2022.

In line with its mandate, the CEB focuses on the *people-planet-prosperity* equation through a people-centred lens that considers how people are impacted by climate change and by the transition to a climate neutral and resilient future, recognising the disproportionate impact that climate change has on lower income and other vulnerable groups and the constraints they may face in benefiting from the transition.

In 2021, the Bank passed its new **Paris Alignment Framework** and a roadmap for implementation

The CEB's PA framework recognises that addressing the climate crisis can provide opportunities to leverage positive social transformations, as long as climate responses explicitly focus on the social inclusiveness of transition policies and investments. Creating climate-resilient jobs, ensuring economic diversification so as to reduce dependence on climate-affected sectors, and investing in resilient basic services are among the actions that can lead to mutually reinforcing outcomes.

The CEB's PA framework, which was endorsed by the Administrative Council in November 2021 alongside the phased roadmap for its progressive operationalisation, will further enhance the CEB's contribution to better connecting the climate agenda with social inclusion.

Figure 1: The four pillars of the CEB's Paris Alignment framework



The first dimension of aligning the CEB's activities with the goals of the Paris Agreement focuses on orienting the Bank's financing to projects that do no significant harm to its temperature, low-carbon and climate resilient goals or that have no high and unmanaged climate-related risks. This line of action focuses on enhancing due diligence primarily to identify, assess and manage climate-related risks (both physical and transition) throughout the full credit cycle at project, counterparty, and portfolio levels. The second dimension of the CEB's PA approach focuses on identifying opportunities to simultaneously promote social inclusion and climate-related objectives. The objective of this line of action is to further equip the Bank to identify and finance mutually reinforcing investment supporting a just and socially inclusive transition to a climate neutral and resilient future - with particular focus on addressing the needs and enhancing the opportunities of vulnerable populations. The third line of action addresses the alignment of internal activities and governance mechanisms and policies, and the fourth line aims to enhance transparency and reporting on climate-related topics.

As part of the development of the CEB's PA approach, the Bank undertook a series of preparatory activities that included exploring existing methodologies, in particular in the field of climate risk management (e.g. methodologies on climate risk for counterparties, climate risk scores for sovereigns), and organised several internal training sessions and corporate awareness raising activities, including Governing Board and Administrative Council engagement, and briefings on climate and risk topics, as well as training on climate change and other ESG issues for the CEB's risk managers.

In the risk management arena, the CEB is conducting a climate risk mapping exercise, which has helped identify risk drivers that have the material potential to impact the Bank either directly or through its clients. Both risks and opportunities have been identified.

Climate finance and GHG emissions

Over the course of 2021, the CEB financed € 0.5 billion in climate mitigation and adaptation and continued its practice of performing climate due diligence on all the projects approved.

GRI 2-6 • 203-1 • 303-3 • 303-5

► Climate change due diligence, climate finance and greenhouse gas (GHG) emissions reporting for projects approved in 2021

Climate finance of **€ 525 million** were made available in 2021

At present, as part of its climate change due diligence, the Bank screens all projects for climate-related risks and identifies climate mitigation and adaptation components in all its operations. It also consistently tracks the climate finance share of its annual lending volumes and reports on the absolute and relative emissions of its operations.

In 2021, the CEB's technical staff performed climate change due diligence for all 57 newly approved projects. Climate finance components could only be identified for a subset of 24 projects, whereas 6 operations included both mitigation and adaptation objectives. Of these:

- 22 operations contributed at least partially to climate change mitigation, with three of them having the reduction of GHG emissions as their main objective (projects related to energy efficiency renovation of buildings and district heating enhancement),
- Six operations contributed to increase climate change resilience, although none had climate adaptation or the enhancement of climate change resilience as their principal objective.

Overall, climate mitigation and adaptation finance accounted for € 525 million, representing 13% of the total volume of financing approved in 2021 (as presented in the table below). 89% of this amount was dedicated to mitigation finance and only 11% to adaptation finance. This represents a reduction for the second consecutive year compared to the peak share of adaptation achieved in 2019.

Table 1: CEB climate action financing - mitigation and adaptation in 2017-2021 (in € million)

	2017	2018	2019	2020	2021
Total CEB financing approved	3 908	3 898	3 983	6 025	4 156
Climate action financing total (% of total approved)	323 (8%)	629 (16%)	1 037 (26%)	798 (13%)	525 (13%)
Climate action mitigation financing (% of total climate action financing)	233 (72%)	584 (93%)	703 (68%)	649 (81%)	467 (89%)
Climate action adaptation financing (% of total climate action financing)	90 (28%)	45 (7%)	334 (32%)	149 (19%)	58 (11%)

The Bank remains committed to improving the tracking of green and climate action finance and to increasing the identification of climate and green components in its projects; there are, in fact, a number of reasons that explain the lower volume and share of climate finance compared to previous years:

- First and foremost, as for other MDBs, climate tracking at the CEB is becoming increasingly granular and conservative, requiring information on specific project components to ascertain that they credibly respond to the joint MDB methodology (and progressively to EU Taxonomy). For instance, no climate mitigation component was recorded in operations where GHG emissions savings could not be assessed *ex ante*.

- The granularity of the MDBs' approach makes it very difficult to identify climate change components in multi-sector programmes that do not have clearly defined subprojects at appraisal stage. These operations continued to account for a large share of CEB's approvals in 2021, (34% of approved operations were Public Sector Financing facilities and 40% were multi-sector programmes) and this reduced the Bank's capacity to identify climate finance components at appraisal. To do so for these projects would have required a substantial engagement with the potential borrowers in order to agree *ex-ante* on clear commitments on climate finance on their part. This engagement could not be undertaken for all projects approved in 2021 due also to the hard constraints imposed on the Environmental and Social Sustainability-Climate Change (ESS-CC) team's resources by the demanding process of developing the CEB's PA Framework and related methodologies.

Besides these challenges, the annual variation in climate figures will likely remain a fixture for the CEB's portfolio due to the dependence of climate finance figures, at least so far, on a small number of projects with adaptation or mitigation as the main objective, or at least as a significant objective. In previous years, higher climate adaptation figures derived from the approval of projects concerning flood risk management, the protection of water resources and the resilience of water supply systems against drought. Looking ahead, the implementation of the Paris Alignment approach is expected to lead to the identification of a larger number of projects with climate action components, and particularly to an increased focus on identifying climate adaptation opportunities, while often representing a small share of overall project costs. It is therefore expected that the CEB's climate action figures, and particularly adaptation figures, will continue to fluctuate and may not increase substantially. This should however not be seen as inconsistent with an aligned approach.

The savings in GHG emissions that could be computed for the operations financed in 2021 were much lower compared to previous years (see Table 2) due to the difficulties and challenges in identifying climate change mitigation components mentioned above. In addition, no green mobility projects were approved in 2021, contrary to what had been the case in previous years.

Under these conditions, GHG emission savings figures will continue to vary from year to year depending on the number of approved projects with a high potential for GHG emission savings. Indeed, GHG emission figures are not comparable year to year due to the specificity of the CEB's methodology. The higher figures reported in 2021 are due to several factors, notably the financing of one high emitting project in 2021, namely a district heating project that accounts for 20% of the overall absolute emissions. This again demonstrates the sensitivity of the CEB's climate-related indicators to the impact of a small number of projects and therefore its likely continued variability year on year. It is also to be noted that, in 2021, the CEB was able to calculate the carbon footprint for a much higher number of projects compared to previous years. The Bank will explore ways to enhance the applicability and comparability of its portfolio's carbon footprint as one of the steps in the PA roadmap/ framework.

Table 2: Estimating greenhouse gas emissions for projects approved since 2017 (in tonnes of CO_2 eq. per year)

	2017	2018	2019	2020	2021
Absolute emissions	50 000	70 000	50 000	#	110 000
Relative emissions, i.e. savings from mitigation projects	60 000	170 000	130 000	30 000	65 000

Note that in 2020, the CEB only approved a small number of projects for which there was sufficient data to assess their carbon footprint, leading to non-comparable data with previous years.

Environmental & Social Safeguards (ESS)

Acknowledging the interactions of social inclusion with climate change and broader environmental impacts, the CEB actively supports the development and financing of projects that yield tangible social and environmental benefits and which are designed to respect appropriate environmental and social standards. For this purpose, the CEB has put in place its Environmental and Social Safeguards Policy (ESSP) and a set of Environmental and Social Safeguard Standards which define the principles and requirements that projects and borrowers are expected to meet. The ESSP also outlines the environmental and social due-diligence process that is applied to projects considered for CEB funding.

To ensure consistent implementation of the ESSP, the Environmental and Social Sustainability-Climate Change Unit is in charge of screening, assessing and monitoring the social and environmental risks and impacts of all projects financed by the Bank throughout the project cycle, as well as the actions of the Bank's clients to manage risks and address impacts. The ESSP-related due diligence process includes the identification and assessment of the environmental and social risks of each operation and the identification and agreement on related mitigation measures that the borrower may have to undertake during implementation to reduce risks and impacts that are considered as not mitigated at the time of approval. In 2021, the CEB undertook preliminary screening at the pre-appraisal stage of all project proposals submitted to the Bank, and categorised all 57 operations approved throughout the year.

► Carbon offsetting for the CEB's internal operations

For the Bank's greenhouse gas emissions from internal operations, e.g. travel, commuting, office heating and cooling, (see 'Managing the impact of internal operations'), a pilot programme for climate contribution was launched, also referred to as 'carbon offsetting'. During the course of 2021, diverse certified schemes were reviewed. The decision fell on a young, innovative carbon start-up called *TerraTerre*. Based in France, the project brings together local farmers willing to invest in carbon-reducing actions and organisations searching to support those actions financially. Moreover, an innovative platform makes it possible to follow the farmers' actions and the donors' investments. Farmers who wish to be accompanied in their transformation and listed on the platform have to adhere to the *Label Bas Carbon*, developed by the French Government. The approach is closely aligned with the CEB's core focus as a development bank: to provide funding to small enterprises, to support rural regions and lower income groups in Europe, and to accompany the shift to a more sustainable economy. Progress towards the set goals is regularly reviewed by technical assurance providers and the regional farmers' associations (*France Carbon Agri Association*). With this in mind, the Bank chose to support the following two small dairy farms on their 5-year journey to reducing their carbon footprint:

The CEB **compensated 89% of GHG** emissions coming from its internal operations

Table 3: Details on the carbon offsetting the CEB supports

Timeline	02/2020 to 12/2025	02/2020 to 12/2025
Farm location	Saint-Germain-en-Coglès, North West France	Racquinghem, North East France
Size and type	66 ha dairy farm	65 ha dairy farm
GHG emission reduction until 2025	213 tonnes	192 tonnes
Approach	Reduced fertiliser use, cattle management	Cattle feeding and management

Taken together, the CEB will contribute to avoiding some 405 tonnes of GHG emissions which is 89% of the organisation's internal operational footprint.

For more information on GHG from internal operations see 'Managing the impact of internal operations'.

The CEB's Response to COVID-19



Project activities

In just a couple of months following the outbreak of the health crisis, the CEB approved COVID-19 projects, which stand at almost € 3.8 billion to date. The constraints put on staff and working conditions triggered internal opportunities to reinforce and rethink internal engagement and collaboration to effectively deliver on the CEB's objectives and mandate.

GRI 2-6 • 203-1 •203-2 • 416-1

► COVID-specific financing

The CEB responded to the COVID-19 crisis in a timely, flexible and targeted manner, making financing available to its member countries within weeks of the health pandemic outbreak in Europe in early 2020. Initially, the Bank's support focussed on extraordinary expenses related to strengthening the health sector in order to withstand the strain on resources – human, material and financial – and to protect the population, including the most vulnerable. The CEB's immediate priority was to enable rapid and effective actions that would contain and mitigate the spread and infection rate of the virus while protecting lives in a highly uncertain environment.

In response to the changing situation and evolving borrower needs, the CEB made additional loans available for relevant social sectors. At local level, CEB funding thus supported extraordinary municipal budget schemes such as cash transfers and insurance payment assistance that directly benefited the most vulnerable whose economic situation was severely impacted by the pandemic. Given the importance of continuing the provision of education and training, CEB loans allowed for the supply of digital platforms, hardware, and IT tools to increase the capacity for distance schooling, particularly for disadvantaged students who may otherwise have lacked the equipment to access such schooling programmes. The Bank also provided funding to mitigate the negative effects of the COVID crisis on the economy in general and MSMEs in particular, and to allow for the continuation of key social infrastructure investments.

COVID-related funding of about **€ 3.8 billion** have been readied over past 24 months

The CEB's COVID response has continued to evolve. In 2021, the Bank was increasingly involved in financing COVID-19 vaccine procurement and activities associated with the successful vaccine rollout in a number of its member countries. During the year, € 657 million in 6 additional CEB COVID loans were approved, bringing the total CEB lending for COVID-related emergency funding to nearly € 3.8 billion to date, spread over 28 projects in 21 CEB countries of operation. In 2020, the Bank also revised its Social Inclusion Bond Framework to be able to earmark health projects for its SIBs (see Sustainability Report 2020).

Going forward, it is expected that a considerable part of social infrastructure investments financed by the CEB will focus on support for programmes aimed at increasing resilience and strengthening capacity to withstand future shocks.

Overall, the implementation of COVID-related loans has shown that the CEB's financial support was successful in helping its member countries ensure the continuity and advancement of investments in the face of emergency. The CEB financing has effectively optimised the emergency funding flows and has helped governments to reduce costs and diversify funding sources. In this respect, the CEB's COVID financing was not only timely but also highly relevant and effective.

Table 4: COVID-specific project finance in 2021

Number of projects: 7

Number of countries: 6

Countries: Albania, Germany, Hungary, Kosovo, Portugal, Spain

Approvals:

€ 657 million

in addition to € 3.13 billion approved in 2020

Project examples:

- Support Lisbon Municipality to respond to COVID
- Financing of items procured for Hungarian health sector
- Support Albanian Government by partially financing COVID expenditures

► Engaging virtually with borrowers

From the very start of the COVID-19 crisis in early 2020, the Bank swiftly contributed to helping mitigate its health, economic and social fallout despite constraints related to remote working and travel. As lockdown conditions were imposed, the CEB moved swiftly to ensure that its critical banking operations continued uninterrupted. The overriding priority was to remain fully operational in supporting member countries in their emergency needs whilst ensuring the welfare of staff.

As a testimony to its operational resilience, the CEB maintained intensive communication channels with its borrowers through tailored virtual tools which minimised disruptions to work arrangements and established procedures despite challenging remote working conditions.

The new work environment has brought changes to the way the CEB's financial and technical appraisal and monitoring activities are carried out. New work modalities have been introduced, ranging from in-house managed innovative tools for remote project reviews to close overseeing of outsourced field monitoring missions led by carefully selected consultants. In 2021, the CEB continued to adapt its working modalities to the changing circumstances imposed on travel opportunities by the persisting pandemic context, reintroducing on-the-ground missions only when feasible and safe to entertain in-person contact with borrowers.

Tackling operational risks

The Bank's operational risk experts, together with human resources and other teams, worked to steer the institution through this second year of COVID-19 by developing new approaches and continuing actions that proved successful.

GRI • 403-2 • 403-3 • 403-4 • 403-5 • 403-6 • 403-7

► Business continuity, mental health and wellbeing during COVID-19

Following the CEB's operational resilience, proven at the outset of the COVID crisis, the Bank continued to work in hybrid manner as staff members gradually returned to the office while having the possibility to take up to three teleworking days per week. Remote working also continued to drive down the Bank's operational footprint (e.g. decreased carbon emissions due to less travel, be it commuting or business travel, digitalisation of processes, less paper use, etc.).

Health protective measures continued to be applied and protective equipment to be distributed to staff members when needed. Guidelines on working at the CEB were regularly updated and published on the intranet, giving clear instructions to staff on the health protective measures to follow when on CEB premises.

The HR team continued to frequently communicate internally by sharing information with staff, holding regular consultations with the Staff Committee and taking stock of staff and management experiences.

The Bank launched a survey on Health and Quality of Life at Work (*staff survey*). A representative Steering Group with the participation of the Health & Safety Committee Chair and a Staff Committee representative worked with the medical insurance provider to adapt the survey to CEB specificities and, based on the results, will work on establishing an action plan to address areas for improvement in early 2022. For survey results, see the section 'Human Resources'.

In partnership with its medical insurance provider, the CEB undertook a number of initiatives to address health and well-being concerns, including mental health, and to introduce preventive measures. The following are a few examples of such initiatives: In order to help staff work in good conditions from home, they were invited to participate in workshops followed by individual advice on home office ergonomics. Furthermore, the Bank continued to provide online services such as external psychological support via the Bank's medical insurance, available 24/7 in English and French, and online access to consultations, upon request, with the CEB's medical doctor. The mediator, helping to settle staff disputes, continued to ensure in-person and online consultations upon request.

Amongst the preventive measures put in place, the CEB offered its staff vaccination campaigns for both the flu and COVID. Staff were also invited to use an online application to form virtual teams so as to perform outdoor physical activities. Finally, the Bank's Sports Association maintained its activities, enabling its members to take care of their health. A hiking club and a CEB choir were also set up through the Sports Association, further strengthening the sense of belonging to the institution.

From Crisis to Inclusive, Sustainable and Resilient Recovery



Project financing in 2021

By maintaining a close dialogue with its borrowers and their long-term needs, the CEB continued to identify opportunities to finance new projects with high social added-value and consistently looked to finance initiatives contributing to effective and more resilient recovery across its member countries.

GRI 2-6 • 203-1

► Overview of this year's financing activity

Notwithstanding the uncertain and volatile health context and the difficulties of organising in-person missions, the CEB continued to attract new counterparties and succeeded in developing operations with new borrowers, which came to represent almost 20% of all projects approved by the CEB in 2021.

The exceptional borrowing activity of € 6.0 billion in projects approved right at the outset of the pandemic in 2020 returned to more normal levels in 2021, but with a still high € 4.2 billion. Almost a third of all approvals were dedicated to healthcare-related projects, and one firth were projects in education and vocational training, followed by MSMEs and job creation (16%) and investments in urban and rural areas (12%).

€ 18.9 billion worth of loans outstanding at end 2021, for sectors such as: **Health** (18%), **MSMEs** (17%) and **Improving living conditions** (16%)

Table 5: Breakdown by sector - Projects approved in 2021 in € million (with rounding)

Sector	Amount	Percentage
Health	1 144	27.5%
Education and vocational training	750	18.0%
Supporting MSMEs for the creation and preservation of viable jobs	664	16.0%
Improving living conditions in urban and rural areas	516	12.4%
Protection of the environment	404	9.7%
Housing for low-income persons and aid to refugees, migrants, displaced persons and other vulnerable groups	333	8.0%
Natural or ecological disasters	40	1.0%
Other	305	7.3%
TOTAL	**4 156**	**100%**

Given the substantial financing that has gone to the health sector over the past two years, health projects now make up the biggest sector grouping (€ 3.5 billion) in the CEB's portfolio of total outstanding loans. In the aggregated loan book worth € 18.9 billion, second and third ranked are MSMEs and job creation, and investments in urban and rural areas, with € 3.1 billion and € 3.0 billion respectively.

Table 6: Breakdown by sector - Total loans outstanding in € million (with rounding)

Sector	Amount	Percentage
Health	3 474	18.4%
Supporting MSMEs for the creation and preservation of viable jobs	3 140	16.6%
Improving living conditions in urban and rural areas	3 036	16.0%
Education and vocational training	2 675	14.1%
Housing for low-income persons and aid to refugees, migrants, displaced persons and other vulnerable groups	2 633	13.9%
Protection of the environment	2 132	11.3%
Natural or ecological disasters	934	4.9%
Other	893	4.7%
TOTAL	**18 916**	**100%**

Note that the CEB often finances comprehensive programmes developing social housing, supporting people with low incomes and including aid to refugees, migrants and other vulnerable groups. Therefore, those project loans are aggregated. Please also note that 'Other' groups projects for the 'Protection and rehabilitation of the historic and cultural heritage', development of 'Administrative and judicial infrastructure', and 'Cross sector loans'.

GRI 2-23 • 203-1 • 203-2

► CEB projects supporting the Sustainable Development Goals (SDGs)

All 57 projects approved were assessed for their link to the United Nations' **SDGs**.

Since early 2020, the CEB has been making the link between the projects it finances and their potential contribution to a set of relevant SDGs. Early in the project cycle, each project is reviewed and mapped to a number of the CEB's ten key SDGs (see the overview below) – i.e. those that best align with the institution's mandate and priority lines of action. For more on the approach itself, see the 2020 Sustainability Report and the CEB Handbook for the Preparation and Implementation of Projects.

Derived from the Bank's core social mandate, each of the 57 projects financed in 2021 was linked either to, primarily, SDG 10 (Reduced inequalities) or to SDG 1 (No poverty), or to both. Almost half of the projects the Bank approved also contributed (at least) to the goal of Sustainable cities and communities (SDG 11); close to one in three to Good health and well-being (SDG 3) or to Climate action (SDG 13); and about one in four to Decent work and economic growth (SDG 8) or to Quality education (SDG 4).

Figure 2: Making the link between projects approved and the SDGs

	Number of projects approved supporting each SDG	% of projects approved supporting each SDG	Relative weight of each SDG (% of all SDGS assigned)	Reason for prioritising the SDG
 **SDG 10 - Reduced Inequalities**	**56**	98%	35%	Alignment with CEB's social mandate
 **SDG 1 - No Poverty**	**10**	18%	6%	
 **SDG 5 - Gender Equality**	**5**	9%	3%	Cross-cutting issues, screening of all CEB projects
 **SDG 13 - Climate Action**	**17**	30%	11%	
 **SDG 3 - Good Health**	**16**	28%	10%	Project-specific, sector-based relevance
 **SDG 4 - Quality Education**	**13**	23%	8%	
 **SDG 6 - Clean Water**	**3**	5%	2%	
 **SDG 8 - Decent Work**	**15**	26%	9%	
 **SDG 11 - Sustainable Cities**	**24**	42%	15%	
 **SDG 16 – Peace and Justice**	**0**	0%	0%	

Note that the overlap in figures is due to the fact that projects support more than one SDG. In 2021, each new project approved supported, on average, 2.8 SDGs.

► Event on the planning, monitoring and evaluation of SDGs

A workshop entitled *Sustainable development in practice: using the sustainable development goals for development planning, monitoring and evaluation* was organised by the CEB's evaluation experts in 2021 and included practitioners from the Finnish Prime Minister's Office, Eurostat and the International Institute for Environment and Development. This knowledge-sharing event was aimed at raising awareness among CEB staff as to the importance and complexity of the 2030 Agenda for Sustainable Development as an overarching framework for CEB-financed operations. It underlined the interlinkages between the various SDGs in view of their social, economic and environmental effects, and provided an opportunity to discuss possible ways to measure and evaluate progress towards the SDGs. The workshop showcased Finland as a CEB member that has fully incorporated the 2030 Agenda into its national policies and plans. The country's progress towards SDGs is monitored through national sustainability indicators and is independently evaluated every four years. Commitment to SDGs is also reflected at local level with Finnish cities often being at the forefront in developing specific tools to track their performance towards the SDGs.

GRI 203-1 • 203-2 • 413-1

FOCUS on human capital: health and education





SERBIA

Case Study 1: Healthcare for children

Ensuring healthy lives and well-being through high quality health care for all is a prerequisite for social progress and one of the SDGs. In the Republic of Serbia, fair and equal access to health care for all citizens is a main objective of the country's Health Care Strategy for 2018-2026, and over € 1 billion has been invested in health infrastructure and equipment over the past years. However, Serbia's healthcare system is still suffering from deteriorated infrastructure.

The CEB's € 54 million loan to the Republic of Serbia is aimed at partially financing the construction of a new building for the University Children's Hospital Tiršova in Belgrade ('Tiršova 2'). The potential social impact of the planned investment is high as it will contribute to improved conditions for patients, staff, and students trained in the hospital.

The new hospital building will include more sophisticated diagnostic imaging, minimally invasive diagnostic and treatment technologies, safer and more precise surgical technologies, more sophisticated patient monitoring and new fields of therapeutic diagnosis and treatment such as genetics. It will provide better health care for both hospitalised patients and outpatients while also ensuring full accessibility of the facilities for persons with disabilities. The project will result in increased efficiency, productivity, quality and safety of acute hospital care by the most relevant single public healthcare service provider for children in the country.

The investment will also improve energy efficiency compared to the existing building, inducing the use of renewable energy where possible, and contribute to better internal organisational arrangements and operational policies. The new hospital (building) will potentially stem the number of patients who are having to leave the country for treatment, currently over 1 000 per year.

Overall, the improved quality of accommodation, hygiene, working and therapeutic conditions should result in increased comfort for patients and enhance the rates of their recovery and re-socialisation, in line with the relevant EU and World Health Organization standards.

Project overview

Total project cost / CEB loan	€ 117 million / € 54 million
WBIF Investment Grant	€ 35 million
Sector	Health
Country	Serbia
CEB approval date / project schedule	July 2019 / 2020 – 2023

Expected outputs / outcomes:

- Direct beneficiaries will include over 100 000 patients per year from Serbia and the region, as well as 700 staff and close to 500 future doctors and nurses in training.
- Introduction of latest diagnostic and therapeutic technologies.
- Increased space in the operating theatres and patient rooms.
- Improved accommodation, and as a result improved patient and family privacy.
- Better working conditions for medical staff.
- Upgraded hygiene standards.
- More efficient heating, ventilation and air-conditioning and improved functionality.
- Improved accessibility, fire safety and evacuation systems.

Study on Social Infrastructure in the Western Balkans

The CEB published an economic study titled "*Social Infrastructure in the Western Balkans Increasing the region's economic resilience, enhancing human capital and counteracting the effects of brain drain*". This paper assesses the state of social infrastructure in education, health, and housing in the region and the role it plays in developing human capital.

In the region's six countries, there is a need to improve social infrastructure to ensure that people can improve their education and skills, and have access to healthcare as well as living conditions that are environmentally sound and affordable. Building up such infrastructure would strengthen citizens' capacities and their ability to contribute to the Western Balkans' transition to more knowledge based and greener economies.

GRI 203-1 • 203-2 • 413-1

FOCUS on Jobs, Microfinance and SMEs





SPAIN

Case Study 2: Microfinance to support jobs and entrepreneurship

Microfinance activities can have large and positive impacts for individuals and contribute to the economic and social fabric, by making it possible to launch new business or expand existing ones and to create or maintain direct and indirect jobs.

Spain, the fourth-largest, service-oriented economy in the EU, entered the COVID-19 crisis with a structural challenge of particularly high unemployment (15.5% in 2020, 14.1% pre-COVID), and this has increased to 25% among the non-EU migrant community. Female unemployment is also very high and youth unemployment remains the highest in the EU.

MSMEs have traditionally played an important role in Spain's economy and job creation, in particular microbusinesses, which employ around 41% of employees in the non-financial private sector, compared to the EU average of 29%.

In 2020, the COVID-19 pandemic slowed down microbusiness creation, and the business environment for microentrepreneurs deteriorated significantly, with small and micro enterprises particularly affected as they tend to concentrate in service sectors and have fewer resources to deal with emergency situations.

This CEB project, which is a continuation of a similar loan approved in 2017 and the sixth loan to Microbank since 2008, consists of a € 100 million loan to the bank, which lends to microbusinesses and families with limited resources in Spain and works exclusively with microcredit. Microbank aims to support job creation and to enhance social cohesion by facilitating access to financial resources for microbusinesses and individuals who have traditionally limited or no access to the banking system. To achieve that goal, the CEB loan partially finances Microbank's microcredit activity, providing microloans to entrepreneurs, including immigrants, who want to start or develop their businesses.

Project overview

Total project cost / CEB loan	€ 269 million / € 100 million
Sector	Supporting MSMEs for the creation and preservation of viable jobs and Aid to refugees, migrants, displaced persons and other vulnerable groups
Country	Spain
CEB approval date / project schedule	September 2019 / 2019 - 2021

Outputs / outcomes:

- The project directly contributed to create some 16 000 jobs and maintained another 8 100.
- 54% of the funding was allocated to start-ups, mostly in hospitality services (31%).
- The first CEB tranche, disbursed in 2019, almost entirely financed investments, while the second tranche, which was disbursed during the COVID-19 pandemic in 2020, also covered the working capital needs of the affected microenterprises (35% of the total investment cost). This adjustment helped microenterprises to get through a difficult period.
- Sub-projects financed included vulnerable groups, such as women entrepreneurs or youth. In particular, 8% of the CEB's loan was allocated to entrepreneurs of migrant origin, financing over 1 050 subprojects.
- Microbank also supports older entrepreneurs who often experience mid-career challenges in finding a job. A microcredit enables them to start a second career as entrepreneurs, sometimes in an unrelated sector. In ageing European economies, such opportunities may enable people to work longer, enjoy new challenges and develop their potential.

GRI 3-3 • 413-1

► Evaluating social impact loans to support social enterprises

In 2021, the Bank's Office of Evaluation completed its evaluation of the CEB's support to a prominent European cooperative financial institution, Rabobank of the Netherlands, for the co-financing of its social impact-focused credit lines. The *Social Impact Loans* co-financed by the CEB were channelled by Rabobank to enterprises with an adequate 'sustainability profile' based on both economic and social justifications. The social factors were related to the nature and location of the investments and to the beneficiary enterprises' socially-oriented business model and management vision. In line with this multi-faceted approach, the CEB funding had effects in several domains such as the protection of the environment, the improvement of working conditions and increased quality and availability of health services in underprivileged areas. Within the framework of sustainable finance schemes, the investments made by enterprises may aim at objectives other than the creation or preservation of jobs - which may be equally valuable, e.g. social cohesion or local development.

The evaluation thus underlined the importance for the CEB of pursuing its partnership with cooperative banks and enhancing its contribution to the social and solidarity economy through specifically designed loan programmes, particularly in view of the third sector's growing role in promoting sustainable and inclusive development in CEB member countries.

GRI 203-1 • 203-2 • 413-1

FOCUS on social and affordable housing





FINLAND

Case Study 3: Student Housing in Tampere

In line with national and city priorities, the project's objective was to improve student housing stock and increase its affordability in Tampere, Finland's second largest urban centre with over 50 000 students. The CEB supported the Tampere Student Housing Company in order to develop affordable rental apartments for university students, recent graduates and young professionals under the age of thirty. The Bank's financing went to the *Kaleva Stara* building, a construction with 257 new rental units. Well-aligned with the CEB's mission, the project contributes to the socio-economic inclusion, living standards and quality of life of young people. With this loan to a non-profit municipal company, the CEB supported the country in its efforts to provide affordable and quality housing solutions for the targeted groups. In addition, the project encourages the use of low-carbon public transport and urban mobility given that the new dwellings are located near public transport lines and have designated parking for bicycles.

While Finland is not experiencing a housing crisis, the country does face unmet needs for social, affordable and student housing. Between 2015 and 2020, housing costs rose steadily; rents increased by 20% in Helsinki and by 15% in the rest of the country. Regarding the specific needs for student housing, the Ministry of Environment conducted a study in 2018 which estimated that Finland would need to build around 10 000 new student apartments within the next few years, most of them located in Helsinki and the other main university cities, including Tampere. Soaring prices and the housing shortage in Tampere affect students, who are increasingly priced out of the rental market, and the city has made the improvement of the student housing situation a priority of its urban development strategy.

Project overview

Sustainable Development Goals (SDGs)	10 Reduced inequalities; 4 Quality education; 11 Sustainable cities and communities
Total project cost / CEB loan	€ 28.7 million / € 10.3 million
Sector	Housing
Country	Finland
CEB approval date / project schedule	March 2020 / 2020 to 2022

Expected outputs / outcomes:

- 257 rental units for the benefit of some 360 students and young adults who will enjoy affordable housing at below market rent.
- High quality construction to ensure improved living standards with energy efficiency features that meet the beneficiaries' needs, as well as access to schools and university infrastructure by public transport.
- Housing mobility, helping targeted groups face the employment and housing challenges that come in the post-studies/ employment-search period. In the long run, this generates socio-economic benefits for society as a whole.

GRI 3-3 • 413-1

Transforming emergency accommodation into long-term housing

For the past 10 years, many Europeans countries have been facing rising housing exclusion and homelessness. Emergency accommodation as the main response to homelessness has proven to be an ineffective, inefficient and unsafe solution; the problem in fact requires long-term affordable housing integrated with adequate specific support services.

For many years, the CEB has been engaged in providing financing to develop affordable and social housing across Europe. Thanks to its extensive experience in the housing sector, the CEB entered a new partnership with FEANTSA and the Abbé Pierre Foundation to contribute to the debate on effective housing policies and in particular to discuss solutions to move from emergency accommodation to long-term housing options. The Collective Housing Transformation Report is the result of this fruitful collaboration; it explores how existing buildings – such as hotels, offices, shops, student housing – can be transformed into long-term housing for people in situations of homelessness as an alternative to shelter, including recent developments during the COVID pandemic which created sudden changes in building use in Europe's cities.

What makes good social housing?

Lessons learnt from the CEB's independent evaluations of social housing investments constitute the first issue of *Evaluation Perspectives*, a new CEB publication series dedicated to the analysis of contemporary themes from an evaluation perspective. The paper makes a case for a comprehensive, holistic evaluation of housing projects that goes beyond the physical intervention. This holistic evaluation is structured on three levels and aimed at identifying the founding components of sustainable housing solutions. The first-level assessment relates to the adequateness of the physical and technical features of the dwellings. The second-level analysis covers the direct and indirect effects of housing on beneficiaries, such as the impact on their health, household finances, employment or education. Going beyond these effects on housing beneficiaries, the third level encompasses the longer-term impacts of housing projects on the surrounding neighbourhoods, the wider economic and social fabric and the natural environment. Based on this approach, the paper promotes the design of housing operations that fully take into consideration the principles embedded in the 2030 Agenda for Sustainable Development and, more specifically, in the global and national commitments to SDG 11 which defines "access for all to adequate, safe and affordable housing" as a core target.

GRI 203-1 • 203-2 • 413-1

FOCUS on Roma and social inclusion



NORTH MACEDONIA

Case Study 4: Access to financial services especially for Roma and vulnerable people

The microfinance sector in North Macedonia mostly serves customers who do not have easy access to the banking sector. These clients are often not able to meet banks' documentation requirements and their level of financial literacy does not usually correspond to private banking sector standards. With a poverty rate of 17%, North Macedonia is among the most unequal countries in Europe. The current pandemic is expected to push 55 000 to 130 000 more North Macedonians into poverty.

The CEB's loan with the Horizonti Microfinance Foundation, North Macedonia, is its first loan to a microfinance institution in the country. Its aim is to part-finance micro-loan products focused on productive investments and working capital needs of micro-entrepreneurs so as to assist the creation and preservation of income generating activities, self-employment, and development of micro-enterprises. Horizonti also offers some non-financial services to borrowers, including specific training for Roma clients in partnership with a local Roma NGO, REDI, which provides legal advice for registering Roma businesses and other types of business development support.

Since Horizonti targets particularly disadvantaged Roma populations across North Macedonia, the CEB loan will promote access to finance for the most vulnerable, difficult-to-reach groups in the country – an important socio-economic benefit. Currently, more than 25% of Horizonti clients are Roma, while around 45% are located in rural areas. The loan is enabling this clientele to improve their daily subsistence at a steadier pace. It is also improving the financial inclusion of Roma and contributing to women empowerment within male-dominated family settings, thereby improving gender equality.

Overall, the CEB has a longstanding involvement in initiatives for the benefit of Roma communities. Since 1998, the CEB has approved € 87 million for projects targeting the vulnerable Roma communities in a number of its member countries. Moreover, grants worth € 8.3 million have been approved since 2001 for different Roma-centred initiatives, from social housing to community development and the improvement of living conditions for the Roma community.

Project overview

Sustainable Development Goals (SDGs)	1 No poverty; 8 Decent work and Economic growth; 10 Reduced inequalities; 5 Gender equality
Total project cost / CEB loan	€ 2 million / € 1 million
Sector	Support to MSMEs
Country	North Macedonia
CEB approval date / project schedule	2021/ 2022 - 2024

Expected outputs / outcomes:

- In a country with significant reliance on microcredit, the CEB is supporting Horizonti in its role of contributing to the provision of loans to low-income beneficiaries, including entrepreneurs, farmers and households engaged in micro businesses.
- The loan will help to develop products and services supporting the financial and social inclusion of women and micro entrepreneurs, especially in rural areas, and of vulnerable groups such as Roma.
- With an average loan size of € 2 300, it is estimated that over 400 micro-businesses will benefit from the project.
- Geared towards economically active low-income persons and families, the programme is expected to benefit the most vulnerable population segments. As many as 60% of Horizonti's beneficiaries are listed as "poor" and 20% fall into the "very poor" category.

GRI 201-4 • 413-1

Supporting Roma in three EU countries

The CEB is currently implementing pilot project titled "Housing and Empowerment of Roma" (HERO), a € 3.0 million initiative which aims to reduce the socio-economic exclusion of disadvantaged people, such as the marginalised Roma. The project is expected to help vulnerable Roma in the Slovak Republic, Romania and Bulgaria to secure ownership of housing and gainful employment by strengthening their financial and technical capacities. It is also expected to raise awareness and increase the capacity of local municipalities as to how to improve the lives of marginalised Roma and reduce housing exclusion. The CEB has already selected implementing partners for the project in in the Slovak Republic and is currently in the process of identifying implementing partners in Romania and Bulgaria. The project was launched in March 2021 and will last 36 months.

GRI 201-4 • 203-2 • 203-3 • 413-1

► Donors enable the CEB to do more in favour of vulnerable populations

Projects targeting highly vulnerable populations or located in disadvantaged areas have the highest social impact. At the same time, these projects often require the most support from the CEB. Indeed, the entities in charge of these projects generally have limited capacity to finance or implement them.

Grants and guarantees in 2021

The Bank uses donor funds to make these high-impact projects more sustainable, both financially and operationally. For instance, it uses donor funds to guarantee loans to entities which would otherwise not be eligible for CEB lending due to their credit scores. Likewise, it provides technical assistance grants funded by donors to enable the hiring of specialised consultants or additional staff.

Providing donor-funded grants represents a small but growing share of CEB operations as it enables the Bank to do more in favour of those that are most in need. In 2021, the Bank used donor funds to guarantee loans worth € 19 million and to award € 10 million in grants. Ten countries benefitted from grants and loan guarantees in 2021.

A good example of the transformative impact of donor support is a project implemented by the Roma Education Fund. Thanks to a loan guarantee financed by donors, the Bank was able to increase to € 3 million its lending for educational services to Roma disadvantaged communities in Romania. The guarantee is financed by the Social Dividend Account, a trust fund financed by allocations from the Bank's annual results.

The key role of donor support is also exemplified by a project which targets vulnerable persons who were displaced during the 1990s conflict in Bosnia and Herzegovina. The project is supported by a € 60 million CEB loan and € 5.2 million in grants provided by the Slovak Republic, Italy, Spain and Norway through their CEB-managed trust funds, as well as by the EU-backed Western Balkan Infrastructure Framework and the Bank's own Social Dividend Account. Thanks to this combination of favourable funding and capacity building, the project is delivering: close to 700 families have moved into decent homes, after years in substandard accommodation.

Strong donor support for the Bank's social mandate

In 2021, the CEB continued to strengthen its collaboration with the European Union in the social sector. This collaboration consists mainly in the CEB managing projects financed by the EU for highly vulnerable communities. The European Union is the Bank's largest donor, having contributed € 621 million to its operations during the past 25 years, representing almost three quarters of total funds raised. During 2021, the Bank and the European Union launched two new joint initiatives.

The first initiative aims to support efforts by EU Member States to integrate migrants at local and regional levels in Europe. It will consist of pilot projects in the areas of housing, employment and skills, education and training, and health. The initiative will be implemented through multi-stakeholder partnerships potentially involving public authorities, financial and non-financial actors, and/or non-governmental organisations, hence its name of Partnerships and Financing for Migrant Inclusion (PAFMI). It also intends to raise awareness among local and regional authorities on potential financing opportunities in the field of migrant integration. The project is worth € 3.5 million and is funded from the European Union's Asylum, Migration and Integration Fund.

The second initiative aims to reduce the exclusion of Roma in three countries: Bulgaria, Romania and the Slovak Republic. The HERO project (see above) is supported by € 2.8 million from the European Union and nearly € 0.2 million from Spain through the Spanish Social Cohesion Account, a CEB-managed trust fund.

In addition to these new initiatives, the Bank also received additional contributions from donors to already existing initiatives: the European Investment Bank contributed € 250 000 to the Migrant and Refugee Fund, bringing its total contribution to € 5.3 million, while the Czech Republic contributed close to € 50 000 to the Green Social Investment Fund, the first donor country to contribute to the Fund.

Sustainable funding and treasury

The CEB has been successfully issuing Social Inclusion Bonds (SIBs) since 2017. In 2021, the CEB continued supplying the market demand for sustainable bonds with its offering, making up an important share of the Bank's funding.

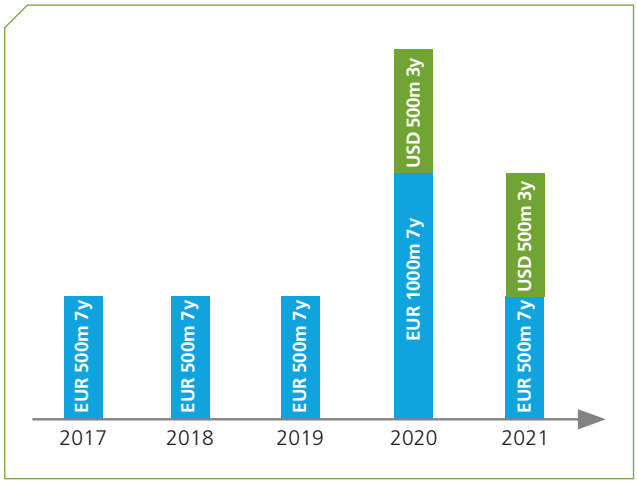
GRI 2-6 • 2-28

► Social Inclusion Bonds as an integral part of the funding strategy

Initially SIBs were only offered in the € market, but with the higher funding needs as a result of the COVID-19 crisis the Bank extended its SIB issuance into the USD market. Given the strong investor demand both SIB currencies now form an integral part of the CEB's funding strategy.

In 2021, as in the previous year, the CEB issued two Social Inclusion Bonds for a total of over € 900 million equivalent. This amounts to a significant share of over 15% of the total 2021 funding programme. With these bonds the Bank's total outstanding SIB volume amounts to € 3.85 billion equivalent.

Figure 3: The CEB's Social Inclusion Bond issuances since inception



The Bank's Social Inclusion Bond Framework

As early as 2016, CEB developed its pioneering Social Inclusion Bond Framework based on the industry-leading Social Bond Principles issued by the International Capital Market Associations (ICMA). By adhering to these principles the Bank commits to best practices which are well-appreciated by investors, most importantly transparency and disclosure around the underlying projects financed.

The CEB's SIB Framework defines the types and characteristics of projects eligible for funding under the social bond scheme:

- *Housing for low-income households:* housing renovation, construction or refurbishing and the conversion of buildings into housing.
- *Education and vocational training:* education, including vocational training, and related basic infrastructure that provides access to education and vocational training.
- *Supporting MSMEs for the creation and preservation of viable jobs:* access to credit for MSMEs in order to promote the creation and preservation of viable jobs.
- *Health:* projects concerning health and related infrastructure with the aim to improve and protect public health, in particular for vulnerable populations (added in 2020 in response to the COVID-19 pandemic)

Since these are high-impact sectors, complementarily, the CEB discloses regularly on key statistics around:

- the allocation of the proceeds, e.g. sectors and project types,
- the social impact, e.g. people affected,
- the SDGs that the financed projects help to support.

The reporting is assured by *Sustainalytics*, an external sustainability consultancy, that gives an opinion on the social quality of the eligible social loans and their alignment with the CEB's Social Inclusion Bond Framework, the Banks overall sustainability objectives, and ICMA's Social Bond Principles. In addition, Ernst & Young (EY), the organisation's independent external auditors, reviews the allocation of proceeds to social loans.

Access the CEB's latest Social Inclusion Bond Report here.

Supporting peers on the social bond journey

The Bank's funding experts are available to share their insights and learnings with the CEB's clients and other parties that are interested in issuing their own social bonds. In the view of the CEB's funding team, doing so is another contribution that helps to broaden and deepen the market for sustainable financial products. Do you want to learn more about issuing a social bond? Go to Contact Investor Relations on the CEB's website.

What difference do the CEB's Social Inclusion Bonds make?

The past years have been marked by rapidly growing investor interest in ESG and sustainability. Reasons for this trend are plentiful, one being a more direct link between the investments and their respective impacts 'on the ground'. The CEB proudly showcases the impact of its SIBs through dedicated, regular reporting, as laid out above. Summarising what has been achieved so far, the list below provides some aggregated insights for all SIBs issued by the CEB between 2017 and 2020:

Between 2017 and 2020, nearly **€ 3.0 billion** in Social Inclusion Bonds issued, for a total investment of **€ 8.3 billion in social impact projects**

- 61 projects were financed in 25 countries, with a focus on education, MSMEs, social housing and health.
- 113 million people and patients were supported through the COVID-19 financing.
- 12 738 jobs are estimated to have been created and 301 984 jobs have been preserved.
- 10 638 dwelling units of social housing were built or renovated.
- 224 501 students benefit from education investments, e.g. in schools, cultural institutions and sports centres.
- The CEB's initial near € 3.0bn bond financing triggered total project investments of € 8.3 billion.

GRI 203-1 • 203-2

Table 7: Understanding the true value of Social Inclusion Bonds

	2017 Bond	2018 Bond	2019 Bond	2020 Bonds
Size of bonds **Sector allocation (in € disbursed)**	€ 500m • Education 40.0m (8%) • MSMEs 310.0m (62%) • Social Housing 150.0m (30%)	€ 500m • Education 83.7m (17%) • MSMEs 240.4m (48%) • Social Housing 175.8m (35%)	€ 500m • Education 154.7m (31%) • MSMEs 175.7m (35%) • Social Housing 169.6m (34%)	€ 1 000m US$ 500m • MSMEs 166.7m (11%) • Health 1 308.8m (89%)
Number of projects	14	15	17	15
Total project financing leveraged (in €)	1 163m	1 539m	2 165m	3 397m
Number of countries	11 Belgium 20% Bosnia and Herzegovina 0.6% Croatia 4% Finland 3% France 5% Germany 10% Italy 15% Montenegro 0.4% Poland 10% Slovenia 2% Spain 30%	12 Croatia 6% Finland 10% Germany 13% Ireland 6% Italy 26% Republic of Moldova 0.4% Montenegro 2% Portugal 6% Romania 2% Serbia 4% Slovak Republic 15% Spain 10%	13 Belgium 4% Croatia 6% Cyprus 3% France 17% Germany 10% Hungary 8% Ireland 17% Italy 15% Montenegro 2% Romania 3% Serbia 2% Slovenia 2% Spain 11%	14 Bosnia and Herzegovina 0.3% Czech Republic 14% Germany 3% Greece 10% Hungary 12% Italy 14% Kosovo 1% Lithuania 5% Netherlands 0.3% Poland 7% Romania 0.5% Slovak Republic 14% Spain 13% Turkey 7%
SDGs	-	SDG 1 – No Poverty SDG 4 – Quality Education SDG 5 - Gender Equality SDG 8 – Decent Work SDG 10 – Reduced Inequalities SDG 11 – Sustainable Cities	SDG 4 – Quality Education SDG 5 - Gender Equality SDG 8 – Decent Work SDG 10 – Reduced Inequalities SDG 11 – Sustainable Cities	SDG 3 – Good Health SDG 5 – Gender Equality SDG 8 – Decent Work SDG 10 – Reduced Inequalities
Impact: Dwelling units built & renovated	2 283	2 578	5 777	
Students effected	57 462	23 719	143 320	
Schools supported	212	31	1 252	
MSME recipients	12 061	5 159	4 520	5 121
Jobs preserved / created	112 877 / 1 228	65 433 / 5 793	40 044 / 4 313	83 630 / 1 404
Elderly supported				29m
COVID protective equipment				84m

Note: The impact reported by the CEB concerns the total project. The CEB usually finances a portion of such projects and therefore contributes financially to only a share of the benefits.
Source: CEB Social Inclusion Bond Reports 2017, 2018, 2019, 2020.

GRI 203-1 • 203-2

Key figures related to the Social Inclusion Bonds
Total of the five bonds issued between 2017 and 2020

► Size of bonds
~ € 2 975m

► Number of projects
61

► Total project financing leveraged (in €)
8 264m

► Number of countries
25

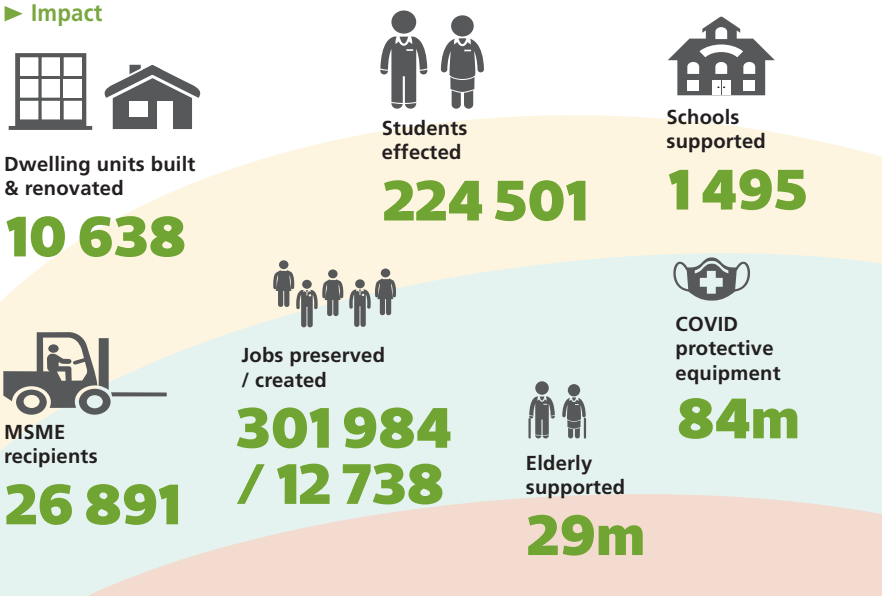
Belgium
Bosnia and Herzegovina
Croatia
Cyprus
Czech Republic
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Kosovo
Lithuania
Republic of Moldova
Montenegro
Netherlands
Poland
Portugal
Romania
Serbia
Slovak Republic
Slovenia
Spain
Turkey

► Sector allocation (in € disbursed)



► SDGs
SDG 1 – No Poverty
SDG 3 – Good Health
SDG 4 – Quality Education
SDG 5 – Gender Equality
SDG 8 – Decent Work
SDG 10 – Reduced Inequalities
SDG 11 – Sustainable Cities

► Impact



► The CEB Treasury's ESG investments

Another aspect of supporting the development of sustainable finance is to directly invest in ESG bonds. The CEB has been doing so since 2014. The Bank's Treasury picks green, social and sustainability bonds to invest in and, for the decision making process, follows the ICMA Principles. In addition to this, the CEB keeps a list of exclusion criteria, e.g. no investment in oil and gas or weapon manufacturers, etc. Meetings are held with the issuers of these bonds, usually on an annual basis.

As of 31 December 2021, the Bank's ESG investments amounted to 9.2% (Green Bonds 4.8% and Sustainability Bonds 4.4%) of its total medium- and long-term investment portfolios, up from 7.8% in 2020 and 6.0% in 2019.

Partnerships and Engagement



Finance in Common

A crucial part of the Bank actively engaging with its stakeholders comes through participating in and contributing to meaningful partnerships, such as the Finance in Common Summit initiative.

GRI 2-28

► Finance in Common Summit

The CEB has been an active member and partner of Finance in Common (FiC) since its inception in 2020, when the CEB became a member of the FiC Coalition of all Public Development Banks (PDBs) as a signatory of the related Joint Declaration. In this capacity, the CEB is also a permanent member of both the Executive Committee and the Steering Group of Finance in Common.

The second edition of the annual Finance in Common Summit (FiCS), hosted by Cassa Depositi e Prestiti in partnership with the International Fund for Agricultural Development, took place in Rome and in hybrid format in October 2021. It allowed public development banks (PDBs) to strengthen their commitment to post-pandemic recovery, sustainable development and agriculture.

As a grand partner to the event, the CEB further enhanced its profile and advocacy role for social investment. Carlo Monticelli, then Governor-elect, addressed the summit at the Leaders' Dialogue. He underlined the overarching objective of leaving no-one behind and the CEB's unique expertise in social investment, and assured the FiCS of the CEB's continued support. As the organiser of a panel discussion on social investment, the CEB convened high-level speakers around the importance and challenges of investing in the social sectors, the links between social and climate/environment-related issues, and the role of PDBs in supporting social investment.

Under the Italian Presidency, the G20 Finance Ministers and Central Bank Governors formally acknowledged FiC in their Communiqué, recognising "the important role of Public Development Banks towards the achievement of the SDGs and the Paris Agreement goals".

► Coalition for Social Investment

The recent crisis has highlighted significant needs and gaps in social sectors. In the margins of the FiC Summit in 2020, the CEB and the Agence Française de Développement called on PDBs to join the Coalition for Social Investment, which was set up and developed in 2021.

This initiative emerged from a common recognition that social investments can play a structural role in reviving and

strengthening the resilience of economies, preventing and mitigating the social consequences of crises on societies, fighting against climate change and mitigating its impacts, contributing to security (health, food, social, etc.), creating co-benefits for people and the planet, and thus contributing to a fair and sustainable economic recovery.

A first round of outreach confirmed strong interest in the initiative and resulted in a membership of around 20 (PDBs and networks of PDBs); three UN-agencies (ILO, UNDP and WHO) agreed to sponsor the Coalition by providing guidance and knowledge support.

The Coalition's members will work together to "do more": increase the volume of social investments, facilitate access to financing, strengthen public-private dialogue and contributions from PDBs; and "do better": improve the diversity and quality of projects, share best practices, mainstream social aspects in PDB-financed projects, support public policy strategies.

A **Social Investment Coalition**, co-led with AFD, to together do more and even better social investments

Other impactful engagement

Throughout the year, CEB staff from numerous teams specifically choose to participate in fora, initiatives and partnerships where they meet some of the institutions' key stakeholders and advance the Bank's outreach. Selected examples are presented below.

GRI 2-28

► COP26

Having attended COP 24 in Poland and COP 25 in Spain, for the first time a CEB operational-level delegation participated in the *Conference of the Parties*, which took place in Glasgow at the end of 2021.

At **COP26**, the CEB co-signed a joint statement on **"collective climate ambition"** along with nine peer MDBs.

During a panel event at the MDB pavilion on *Managing climate risks in adaptation projects and strategies*, the Bank's technical advisor of the Environmental and Social Sustainability-Climate Change Unit presented the CEB's process for screening projects for climate risks and ensuring they achieve / maximise their potential in terms of mitigation and/or adaptation.

COP 26 was also the opportunity for the CEB to sign a joint statement on collective climate ambition along with nine other multilateral development banks, with a view to aligning their financial flows with the provisions and goals of the Paris Agreement. In addition, our experts exchanged ideas and expertise on climate-related challenges during networking with peers.

As a development bank with a social mandate the CEB is most legitimate to carry the 'social voice' in such climate gatherings. The Bank organised a panel discussion, *Is social the new green? Connecting climate action and social investment*, in the IDFC Pavilion. Moderated by the CEB, the exchanges illustrated how underinvestment in social sectors negatively affects the preparedness and resilience of our societies to shocks, including climate-induced shocks. With vulnerable people being most exposed to such shocks and their effects, the inequality gap is growing. As co-lead of the Coalition for Social Investment, the CEB made the case for considering the financing of social sectors as an investment required to address the widening inequality gap, rather than a spending.

► Participation in the G20 Women's Forum Global Meeting

As part of the CEB's gender diversity work, this year the Bank's participation in the virtual Women's Forum G20 Italy meeting in October 2021 was doubled, from three to six staff (five women, one man; five professional staff and one support staff). This continues to be a worthwhile and inspiring event, with the CEB delegation reporting back to the internal Gender Diversity Group.

The CEB participants' feedback included:
"[… this forum] was extremely interesting, filled with very profound debates between panellists, attended by very high-level, brilliant, driven people. So much information, data and ideas were shared." and the *"…world needs more women leaders! Research and statistics suggest that women are better managers and leaders. They bring a wider understanding and awareness regarding the importance of women employment, and they come up with much more inclusive policies and projects for all vulnerable and disadvantaged group of employees including migrants and people with disabilities."*

GRI 2-28 • 201-4

► EU Urban Agenda: the Partnership for Inclusion

The Partnership was set up in 2016 to directly exchange experience and best practice on migrant integration among a wide variety of stakeholders, from the European Commission and city policy makers to civil society organisations and financial institutions, including the CEB. Within this partnership, the Bank leads on an action that identifies best practices in terms of migrants' access to healthcare in the context of COVID-19 (conclusions forthcoming in 2022) and, with the Directorate General for Home Affairs (DG HOME) and the European Investment Bank, co-manages an action on financing instruments for migrant inclusion. As part of the latter, the CEB contributed insights and direct experience on setting up one-stop shops, informal education and social care, social housing, microfinance and entrepreneurship. To capitalise on and support its work as part of the financing instrument action, the CEB has recently signed a € 3.5 million grant agreement with DG HOME for the implementation of a project titled Partnerships and Financing for Migrant Inclusion (PAFMI). For more information on PAFMI, see the section 'Strong donor support for the Bank's social mandate'.

► A series of CEB webinars to learn lessons from COVID-19

In the aftermath of the COVID-19 crisis, by means of different publications and events the CEB discussed the importance of recognising the mutually reinforcing link between social and climate justice, and, in 2021, hosted a series of three webinars to highlight the key drivers of inclusive, sustainable and resilient post-COVID recovery.

The first CEB-hosted webinar of this series took place in May 2021 on the theme of 'Health and Climate Change: Common Challenges, Common Solutions?'. The speakers explored how institutions can break the link between environmental degradation and a declining state of health, and what strategies and investments are needed for healthier and more sustainable European societies post-pandemic (for more information, see CEB Info issue #3-2021).

The second webinar was organised jointly with the OECD Centre for Entrepreneurship (OECD/CFE), SMEs, Regions and Cities in July 2021, bringing together experts, policy makers, financial institutions and SME representatives to discuss some of the key issues around SME financing today.

The third CEB-hosted webinar of the series invited panellists from various backgrounds - EU and UN institutions, European cities and financial institutions - to discuss the interlinkages between social inequalities, underinvestment in social infrastructure and climate change. This event highlighted that the COVID-19 crisis has demonstrated how social inequalities and chronic underinvestment in public infrastructure interact with the accelerating climate and environmental crises in weakening the resilience and inclusiveness of European economies. The September session looked in depth at the social infrastructure gap in Europe, and made the case for scaling up financing for social infrastructure to ensure equitable access to high-quality and affordable services as one of the most effective ways to promote social cohesion and to contribute to sustainable, inclusive and fair recovery.



GRI 102-1

► CEB Award for Social Cohesion

For the second year in a row, the CEB ran its Award for Social Cohesion, to recognise organisations and projects that help to address pressing social issues and drive social cohesion in CEB member states.

This year's competition attracted an even higher number of applicants (over 120), from a wider geographical span covering 27 of the CEB's 42 member countries.

The Award allows the CEB to shed light on initiatives that are fully aligned with its mandate and the values it shares with the Council of Europe, but that it is not in a position to finance. Out of a shortlist of 6, Moldovan Eco-Răzeni, was designated as the winner by an independent jury of five. This social bakery and catering company employs and trains young people at high risk of social exclusion.

Sergiu Gurau, Eco-Răzeni CEO

> *"This award will allow us to continue to help excluded and marginalised persons to rebuild their lives, thus strengthening the confidence in our community – our sense of hope and belonging."*

Thanks to the prize money (€ 25 000), and to the high visibility provided by the Award, Eco-Răzeni reported it has been able to advance the construction of its new training facility.

At the award ceremony on 11 June, Snežana Samardžić-Marković, Director General of Democracy at the Council of Europe and President of the Jury, said, "*It was not an easy job for the jury to come to an agreement in selecting the best among the best. We liked all the projects, and if we were able to do so, we would certainly grant an award to each of them.*"

The 2022 edition of the CEB Award for Social Cohesion was launched in early February.

Accountability and Transparency



In 2021, the Office of the Chief Compliance Officer (OCCO) continued to update the Bank's policy and internal regulations framework, most importantly the Codes of Conduct and the Anti-Corruption Charter.

GRI 2-23 • 205-2

► Compliance

The three Codes of Conduct for the Bank[2] have been thoroughly refreshed, modernised and revamped. More specifically the upgraded Codes of Conduct include the following updates and enhancements: (1) Inclusion of a reference to CEB values (professionalism, cooperation, commitment, transparency, creativity); (2) Inclusion of a reference to Environmental, Social, Governance (ESG); (3) Inclusion of a reference to the rules on Appropriate use of social media and Protection of dignity at work; (4) Upgrade to the article on Confidentiality, as new European standards have been launched since 2018 (GDPR and Convention 108+); (5) Revamp of the article on Pre-employment, post-employment and cooling-off period; (6) Upgrade to the article on External activities and incompatibilities, and definition of 'close relatives'; (7) Upgrade to the article on Gifts, sundry advantages, favours and benefits by including 'active corruption' and 'facilitating payment'; (8) Modernisation of wording and terminology (e.g. collegial organs vs collegial bodies, Chairpersons vs Chairmen, gender vs sex, abolition of the words race, occasional (included in contractual collaborators), Bank personnel; illicit (for discrimination).

An explicit reference to good practices on **Environment, Social, Governance** (ESG) included in the updated Codes of Conduct

[2] Code of Conduct applicable to the Governor, Vice-Governors, staff members and contractual collaborators, Code of Conduct applicable to the Chairpersons and members of Collegial Organs and the Code of Conduct applicable to the members of the Auditing Board.

Furthermore, the CEB's Anti-Corruption Charter has been updated and modernised to reflect the maturity of the CEB's Compliance function, and has introduced a commitment to zero tolerance of corruption.

Finally, the CEB's Policy on non-compliant and uncooperative jurisdictions has been updated to align with the prohibition of jurisdictions that are on the EU list of Non-compliant and uncooperative jurisdictions for tax purposes, Annex I. In order to ensure consistent application to potential complex situations regarding tax issues, the CEB has written and implements Guidelines for additional Tax Due Diligence for projects financed by the CEB – whereby the CEB confirms its commitment to the prohibition of tax avoidance and tax evasion and will not support activities that contribute to tax avoidance strategies.

GRI 2-26 • 2-27

Handling stakeholder complaints and grievances

In total, six complaints were registered with OCCO: a) four complaints related to potential fraud, corruption, collusion, coercion, bribery and/or procurement complaints and b) two complaints related to ESG matters brought forward by stakeholders of CEB-financed projects.

Out of the four complaints related to potential fraud, corruption, collusion, coercion, bribery and/or procurement, three are closed and one is ongoing as of December 2021. Regarding the two complaints on ESG matters, one was closed, with detailed response to the complainant. Handling of the second complaint is ongoing.

If you wish to raise an issue with OCCO, use: compliance@coebank.org or OCCO-whistleblowing@coebank.org. To learn more about the CEB's complaints process, see GRI Index: 2-26.

GRI 201-4

► The European Union confirms the CEB as an implementing partner for social projects

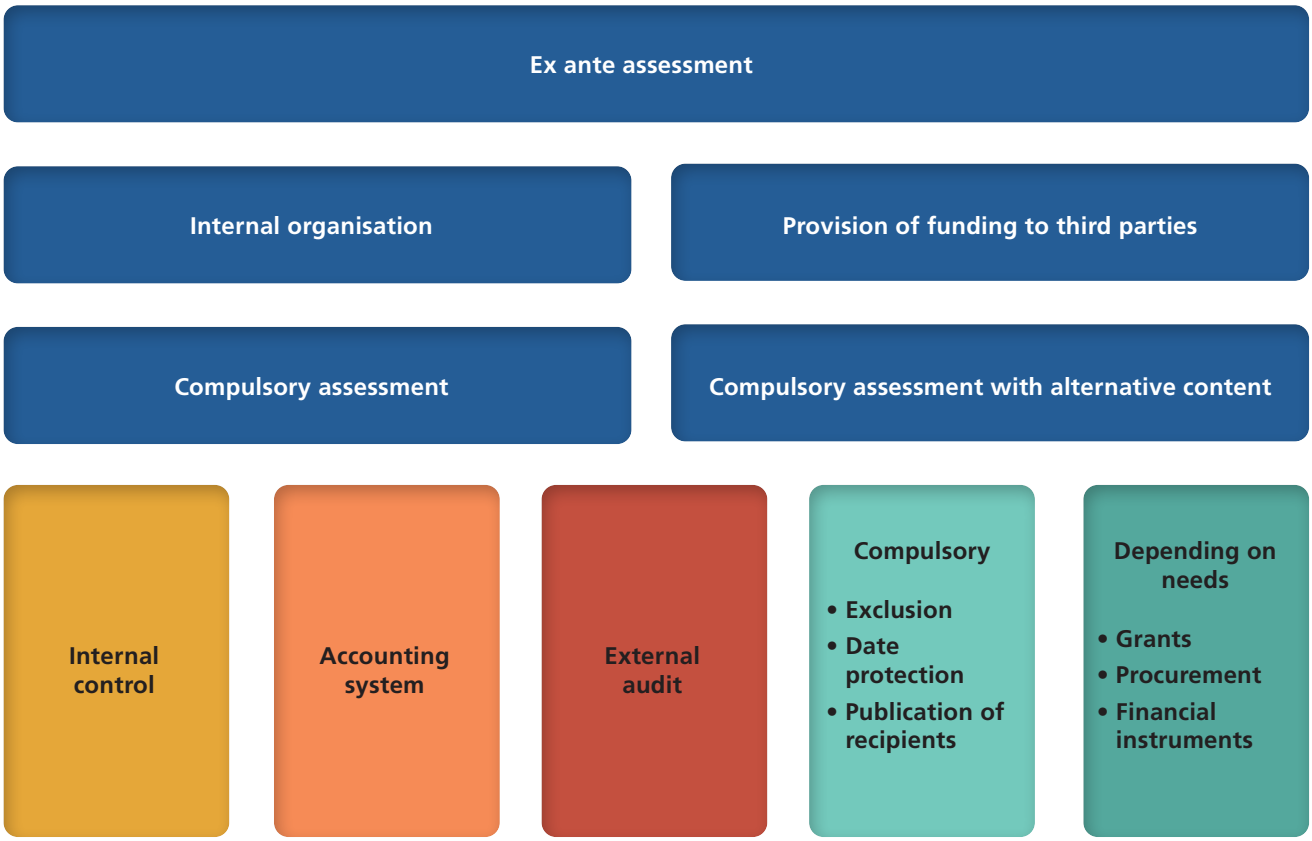
To manage funds on behalf of the EU, all entities must periodically undergo a review performed by an independent auditor. The purpose of this review is to provide assurance to the European Commission that the entity concerned has the necessary policies and procedures in place to manage EU funds in accordance with its standards. This review is called a 'pillar assessment' because it is structured around key operations of the entity, such as procurement and the protection of personal data, which are referred to as pillars.

In early 2022, the Bank successfully passed a new and enlarged pillar assessment, after having already completed similar reviews in 2009 and 2015. This is an important milestone in the growing cooperation between the CEB and the European Union. Indeed, being positively pillar assessed is a prerequisite for any entity to conclude new partnerships with the EU.

The CEB, a partner for implementing social projects with the European Union, successfully passes the "Pillar Assessment"

For the CEB, a positive assessment means in particular that it can become an implementing partner of the InvestEU Programme 2021-2027. InvestEU is an initiative of the European Union which will boost sustainable investment, innovation and job creation in Europe. It aims to mobilise more than € 372 billion in public and private investments by backing the funding provided by implementing partners such as the CEB through an EU budget guarantee of € 26.2 billion. The CEB intends to use the EU guarantee to support projects that are highly social but which it could not finance otherwise due to their credit scores. In other words, InvestEU will enable the CEB to support more initiatives in favour of disadvantaged populations throughout Europe.

EU nine-pillar assessment methodology



See EU Financial Regulation, Art. 154 on 'indirect management'.

Internal Operations



Human resources

In 2021 important inroads were made for more gender equality at the Bank. Supported by training on related matters, results from a recent staff survey show employee perception of equal opportunities and fairness at encouraging levels.

In 2021, the CEB's diverse staff body continued to work mostly remotely, with a gradual return to the office, bearing in mind staff safety and operational needs.

EDGE re-certification

GRI 2-23 • 2-24

The CEB was first awarded with the 'EDGE Assess' certification in 2018, following the introduction of the Bank's Gender Equality and Diversity Strategy. At the end of 2020 and beginning of 2021, the CEB went through a second rigorous assessment and third-party audit, and was recertified at the EDGE Assess level in February 2021, in recognition of our commitment to gender equality in the workplace. This places the CEB amongst a small group of international organisations to be recertified, and encourages the Bank to strive for the 'EDGE Move' level in the future.

EDGE survey result highlights

- Since 2017, the share of women in top management positions has increased from 11% to 20%.
- The effectiveness of policies and practices to ensure equitable career flows is at 69% (above the EDGE Standard of 65%).
- Since 2017, both men and women's perceptions of equal opportunities have improved with 56% of female respondents and 74% of male respondents who believe men and women are given equal opportunities to be hired by the CEB.
- Perceptions of the fairness of promotion practices have improved, increasing from 15% to 27% for women and from 26% to 37% for men.
- Perceptions on being paid fairly for work done compared to others in similar roles has increased for both women and men from 28% to 46% for women and from 36% to 52% for men.

GRI 3-3 • 401-3 • 405-1

► Gender

Gender Diversity Group: renewal and topics ahead

The Gender Diversity Group, a CEB internal advisory group, is composed of nine staff members on a rotational basis across job functions and directorates, chaired by the Director of Corporate Services, which includes HR. The work of the Group is currently focused on drafting a public gender statement for the CEB, enhancing communication about gender and the work of the Group within the CEB, and sharing best practices with similar groups in other international organisations and financial institutions.

Paternity leave: updated provisions

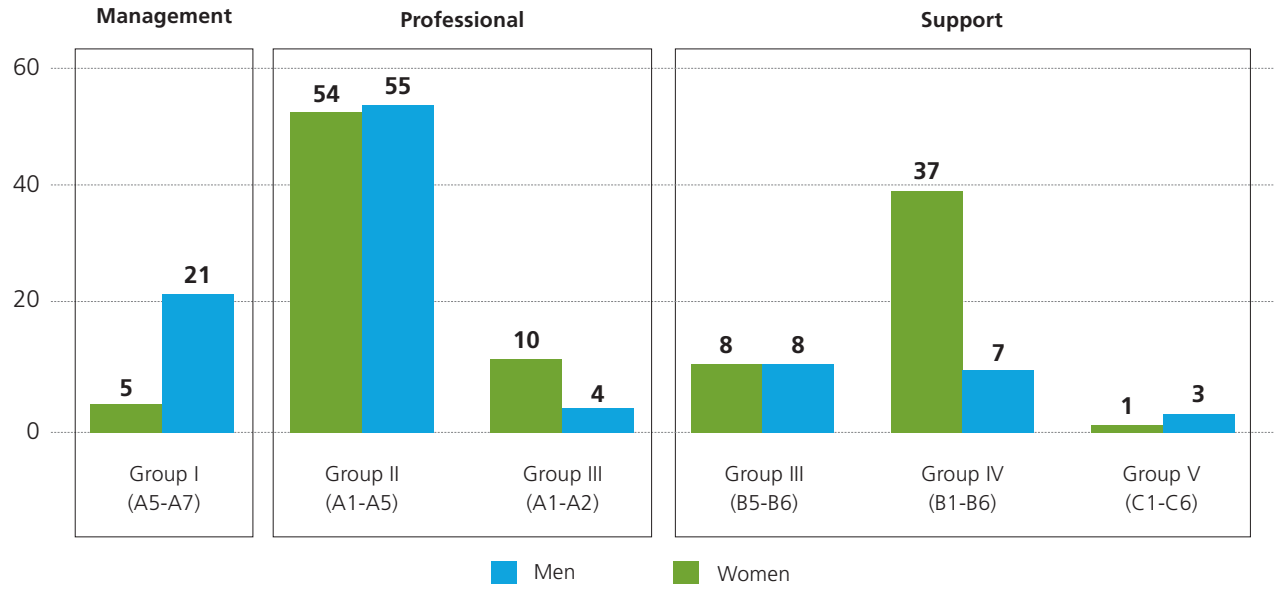
Since 1 July 2021, the paternity leave for CEB staff has doubled. Employees may now take three working days in case of birth or adoption and five working days in case of multiple births. They are also entitled to paternity leave of 25 consecutive calendar days, and 30 consecutive calendar days in case of multiple births.

Staff breakdown by gender and equal pay commitment

Out of 213 staff members, 54% are women, 46% are men. There are however large differences between the groups of grades: one fifth in Group I (management) are women. In Group II (professional staff), exactly 50% are women and in Group III (first level professional & support staff), 60% are women. There are close to 80% women in Groups IV and V (support staff) combined. The Bank is making progress towards its goal of 40% of women in grades A4 and above, having moved from 30% in 2020 to 32% over the previous 12 months. The 40% goal is enshrined in Article 17 of the CEB's Staff Regulations.

The Bank remains committed to workplace gender equality, including to provide equal pay for equivalent work. In 2021, through the CEB's intranet site and various different guidelines, HR reminded managers and staff that decisions to grant promotions, step advancements, bonuses and career progression should be made without regard to a staff member's gender, or to their age, racial or ethnic origin, religion or beliefs, sexual orientation/identity or disability.

Figure 4: Number of staff members by grade group and by gender



GRI 2-7 • 401-1

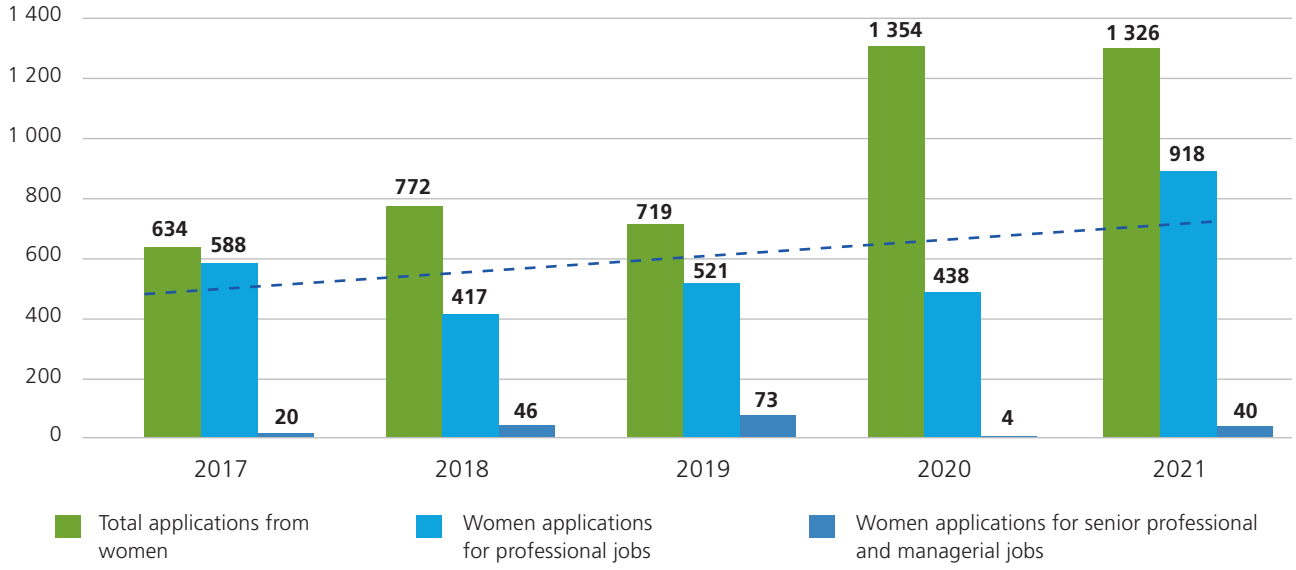
Diversity in hiring

In order to reach new talent pools with the most skilled candidates and to attract a diverse workforce, job vacancies are disseminated on the Bank's dedicated website and via e-mail alerts, the International Finance Institutions network, professional associations, universities and alumni networks and on different platforms such as eFinancialCareers, Eurobrussels and LinkedIn. Job vacancies are also systematically shared with its Administrative Council and Governing Board members for dissemination to all member countries.

The Bank significantly increased its reach to attract candidates, with approximately 3 000 applications from almost all member countries. HR also continued the systematic and enhanced use of video-recorded interviews, often coupled with written exercises and remote panel interviews, thus allowing for the assessment of larger and more diverse groups of candidates and providing equal conditions for internal and external candidates.

11 nationalities and **59% women** represented in 17 appointments made in 2021

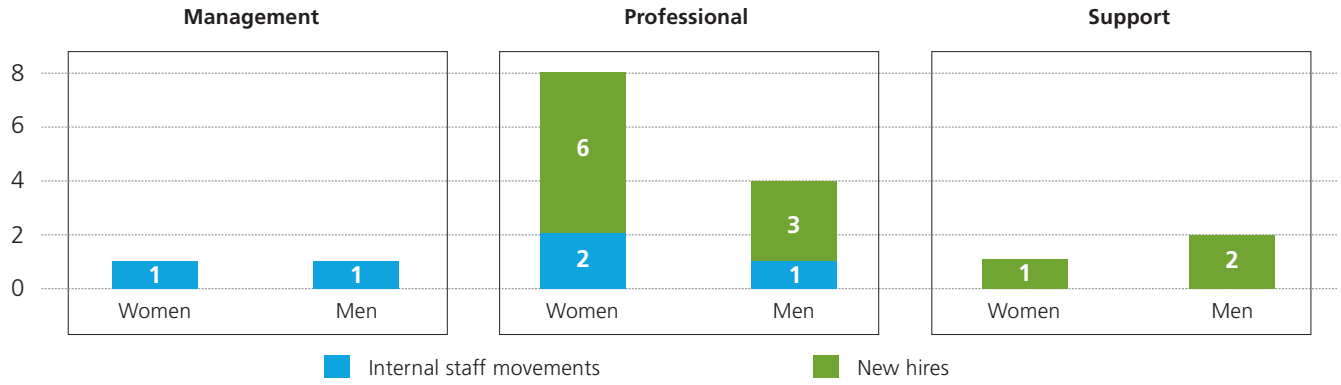
Figure 5: Women applying for jobs at the CEB



In 2021, the Bank concluded 17 appointments representing 11 different nationalities, and, as a sign of having reached out to new talent pools, including some of the less represented countries such as Bulgaria and the Republic of Moldova. The Bank is also pleased to have welcomed its first staff member from Kosovo. HR monitors diversity in appointed staff by considering gender, nationality, professional background and age. The average age amongst new hires in 2021 was 41 years old, which, along with upcoming retirements, will contribute to lowering the overall average age. Over the last five years, amongst the externally hired staff, 40% came from other international organisations (mostly International Financial Institutions), 44% from the private sector and 16% from the public sector.

In 2021, overall, women accounted for 59% of the appointments. Out of the 12 external hires, seven were women, and five were men, including six women and three men at professional level. Inversely, at support level, one hire was a woman and two were men. Internally, a man was appointed to a vacant role as European and External Affairs Director, and a woman was appointed as Principal Country Manager, heading up a unit of country managers. Two women and one man on fixed-term positions were appointed to professional roles on permanent posts. This is aligned with the CEB Gender Strategy of increasing female representation at management level and increasing male representation at support staff level.

Figure 6: Breakdown of appointments by category and by gender



In addition to hiring to replace staff who resign or retire and to fill newly created posts, the Bank has relaunched its internship programme and will be receiving around ten interns in early 2022. The Bank is also envisaging the establishment of junior professional programmes. The CEB may also seek to develop secondments from other International Financial Institutions.

► CEB active well-being and social interactions

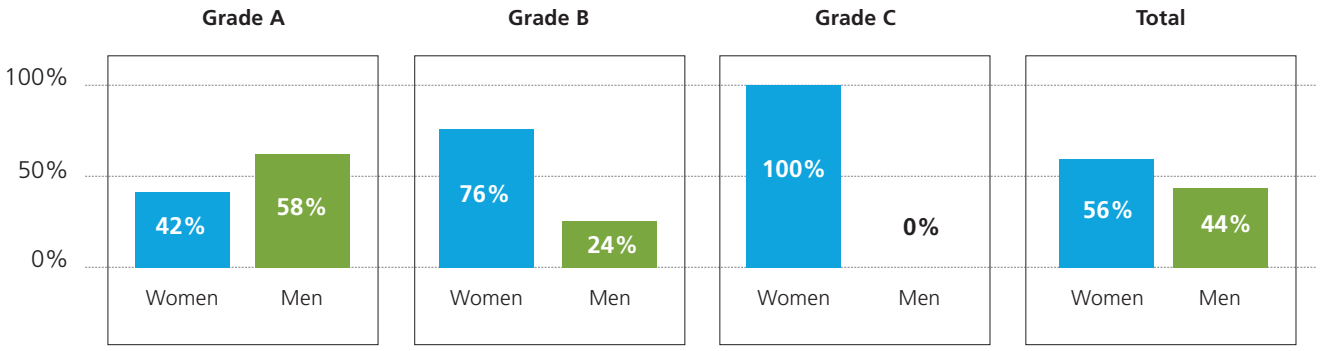
As part of the well-being and preventive activities offered by the CEB, interested staff benefited from the ActiviTeam application for three months in the spring and early summer. This app promotes physical activity outdoors as well as team spirit and social connections. The take-up was very positive, with over 100 employees grouped in 10 teams, whilst keeping social distancing. The prize at the end of the challenge was a donation to an association, *Film in Hospital*, an online platform dedicated to film screenings and audience engagement for children in hospitals, revalidation centres and children recovering at home, thus combining staff well-being with the Bank's social mandate. In addition to celebrating the winning team and all the participants in a CEB-wide virtual event, the Bank communicated on the initiative as another step towards becoming an employer-of-choice.

GRI 2-7 • 401-1 • 401-2

► Training and professional development

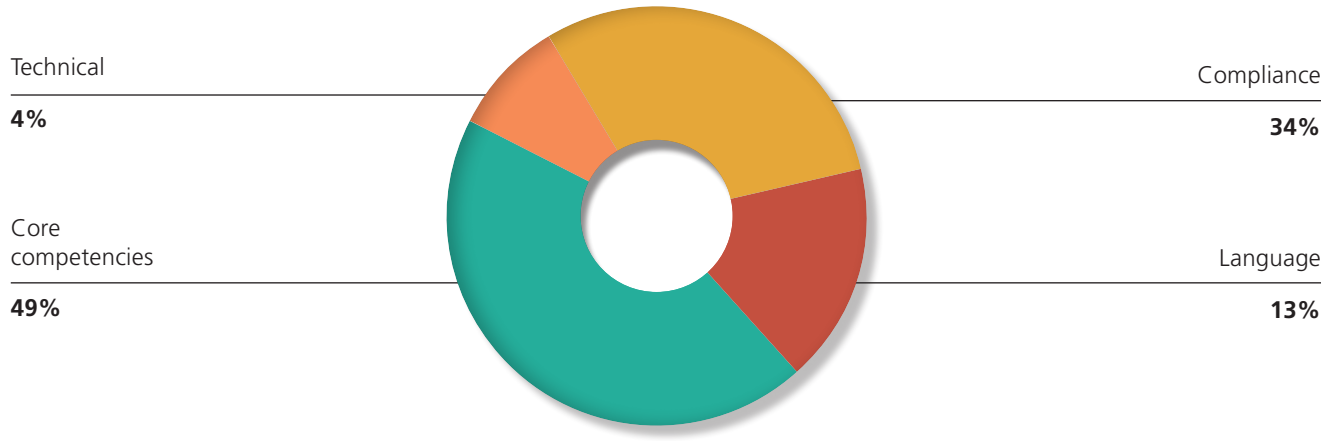
In 2021, the CEB continued monitoring staff participation in training, which took place through video-conferencing because of the pandemic. Overall participation in training increased to 78% of all staff. A slightly higher percentage of women (56%) than men (44%) participated in training. For professional and managerial staff (A grade), 42% of participants were women and 58% men. For support functions (B & C grades), 76% of participants were women and 24% men, which is in line with gender representation at these levels.

Figure 7: Staff participation in training by grade and by gender



Participation in core competency training made up for half of the training participation; compliance training one third and language training a little over 10%. Technical (external) training attendance, on the other hand, decreased to 4% as very few of these courses were held due to COVID. Whilst not accounted for in the training data, a home office ergonomics workshop dedicated to new joiners was conducted (with individual sessions held upon request) and webinars on nutrition and sleep were offered, both in English and French; all were fairly well attended with up to 25 participants per session. This was part of the CEB's health and safety programme for working from home.

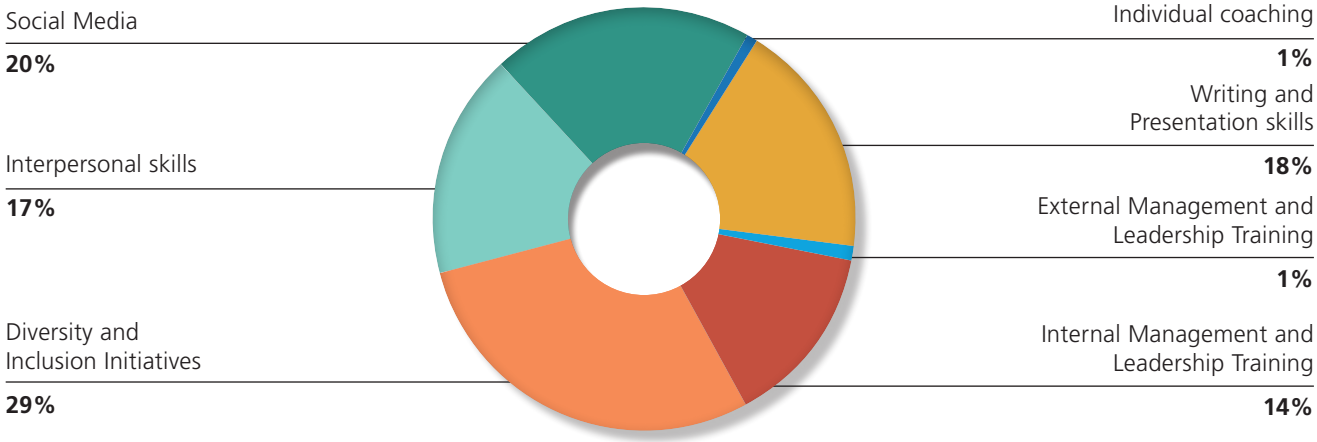
Figure 8: Staff participation by type of training



In terms of core CEB competencies, communications training continued throughout 2021, complementing existing modules on writing reports and effective emails, both with dynamic presentations and via social media. The CEB also put in place bespoke training on *Managing and Collaborating in the New Normal*, to enhance managers' and staff members' ability to work efficiently in a hybrid context.

For three years, the CEB has sent a total of nine participants to the OECD Emerging Leaders Programme, organised in partnership with Wharton School of the University of Pennsylvania, to provide both men and women with the opportunity to develop their management and leadership skills. In 2021, three staff members (one man and two women, all of different nationalities) participated in the Programme. Participants were invited after roundtable discussions with directors and the assessment of different criteria such as their current and potential level of responsibility, job tenure, nationality, age, and gender. Individual coaching was also provided to four staff members (three women, one man).

Figure 9: Staff participation in core competency training



Diversity training events in March

As part of the CEB's diversity and inclusion work, several training events and seminars were organised throughout the month of March. The initiative kicked off with the presentation of the results of the CEB's staff survey, conducted by EDGE Strategy, and the revised action plan for further gender diversity improvements. Workshops on inclusive behaviours, taking a look at unconscious biases (including, age, nationality, disability, social and educational background, gender…), were followed by a large number of staff and managers. Furthermore, the CEB's participation in the virtual Women's Forum G20 Italy meeting in October 2021 was doubled (for more information, see 'Other impactful partnerships').

Mentoring programme

As part of fostering an inclusive management culture, the second round of the CEB's Mentoring Programme was launched in May 2021 with 15 mentoring pairs embarking on a journey of mutual exchange. This round is dedicated to staff who recently joined the Bank in order to enhance their institutional knowledge, and develop their skills and internal networks. The programme was designed to be diverse in terms of gender, nationality, job function, grade, type of contract, and there is no age limit. A total of 29 staff members are taking part in the second round of the programme, with 15 mentees (nine women and six men, of whom 13 are professional staff and 2 support staff) and 14 mentors at management level (five women and nine men).

Results from Business Transformation surveys

In March 2021, the CEB's Business Transformation Division ran a staff survey enquiring into the views of staff on aspects related to future ways of working. Of note, in terms of future sustainability aspects and potential reductions in corporate carbon footprint, were the following findings:

1. Between 84% and 95% of staff wish to telework for at least some of the time, thereby implying a significant possible reduction in commuting-related emissions;
2. About 62% of staff are willing to consider working from either a shared office (35%) or a flexible office arrangement (27%) during their time at the Bank; thereby suggesting more efficient possible future use of limited office space.
3. The vast majority of staff (95%) can work without access to paper documents a lot of the time, including 60% who can work paperless most or all of the time, indicating a dramatic shift away from printer and paper-related consumables.

Donating toys and books

Following the success of 2019 and 2020 donation campaigns thanks to staff support, this year the CEB again organised a donation of toys and books run by volunteers prior to the end-of-year holiday season. Donations are handed over to the French Red Cross that distributes them to underprivileged children.

Key HR data at end 2021

At year-end 2021, the CEB's workforce amounted to 213 permanent staff, with the following characteristics:

► Number of nationalities represented: **32**

► Staff turnover: **3.79%**

- Departures: 8 departures including 2 resignations (one man, one woman), 3 ends of appointments (two men, one woman) and 3 retirements (one man, two women)
- 12 new external hires

► Breakdown by gender (213):

54% women
46% men

- Professional staff, including management (149):
  46% women
  54% men
- Support staff (64):
  72% women
  28% men

► Average age: **49 years**

► Average job tenure: **12 years**

► Percentage of staff following one or more training courses:

- Total **78%**
- Part time **40%** (only 5 staff were part time)
- Full time **77%**

► Contract type:
213 permanent contracts and **14 temporary contracts**

► Workers not directly employed (IT, Security & Facilities) in FTE: **31**

Sustainable procurement

The organisation's supply chain for its own operational needs is governed by the CEB's Guidelines on the Internal Procurement of Services, Supplies and Works. The underlying practices and categories are now being reviewed to better take into account sustainability considerations.

GRI 3-3

► Making corporate procurement more sustainable

The CEB aims to improve its procurement practice by introducing further environmentally and socially responsible elements. To this end, the Bank is working on a policy statement to confirm its commitment to environmentally and socially responsible procurement. In order to further implement this policy statement, the CEB has signed a consultancy contract with the Law Faculty at the University of Zaragoza in Spain to carry out an analysis of the current procurement practices and categories and to design a strategy to improve the environmentally and socially responsible aspects of its corporate procurement practices. By mid-2022, the CEB expects to have a strategy and a toolkit which will help the procurement actors integrate environmentally and socially responsible procurement considerations and criteria in its procurement practices.

Health and Safety

The CEB's Health and Safety Committee meets regularly. During its November session the Committee reviewed an improved approach to managing health and safety risks.

GRI 403-1 • 403-2 • 403-4

► Assessing and following up on health and safety risks

In 2021, the Bank strengthened its occupational health and safety management, particularly through the assessment of professional risks. The Single Risk Assessment Document (DUER[3]) is a tool which enables all occupational health and safety risks to be identified and acted upon.

It focuses on the risks likely to be encountered by staff, depending on their work environment and activity. This assessment is in line with a triple regulatory requirement (Directive No. 89/391/EEC):

- Obligation for employers to ensure the health and safety of their workers
- Principles for preventing occupational risks
- Obligation to evaluate the risks

This regular risk assessment, powered by the *AMADEO* platform, includes:

- The identification of risks and their classification: probability of occurrence, severity, frequency, number of employees concerned
- Proposals for preventive action

This document is updated annually, with the assistance of the Health and Safety Committee and the expertise of *Bureau Veritas*, an external consultant.

The Bank uses a tool to identify and follow up on **risks** related to **occupational health and safety**

[3] This French acronym stands for Document Unique d'Évaluation des Risques.

Managing the impact of internal operations

While most of the Bank's environmental impact, both positive and negative, comes through its project financing activities, attention is also paid to the footprint of the CEB's internal operations such as business travel, energy consumption or waste recycling at the Paris office.

GRI 3-3 • 308-2

► Foundations for internal action: the Environmental Statement

In mid-2019, the Bank gave itself a high-level working programme to address its environmental footprint linked to the organisation's internal operations. Now, 2.5 years into the programme, the so-called CEB Environmental Statement, it is time to look back at what has been achieved so far and where more work might be required.

Table 8: Progress made on the CEB Environmental Statement

Area to be addressed	Progress assessment, baseline 2019	Actions taken so far
Enhancing the energy efficiency of heating and cooling systems at the CEB's premises	Total electricity consumption -3% Energy intensity by employee -7%	Optimisation of heating and cooling. Replacement of windows. Tender for more renewable electricity in preparation.
Assessing the impact of business travel and staff commuting and minimising the related environmental impact	Avoided 1.4m km by plane in 2021 15 employees coming to office by bike	COVID-19 has substantially reduced commuting and business travel. In the future and to the extent possible, this change will need to be monitored and sustained. New bike parking.
Improving waste reduction and management	Additional recycling since 2020: - Paper/paperboard: 1 249 Kg - Plastic: 452 Kg - Coffee capsules: 255 Kg - Glass: 248 Kg	In 2020, recycling additional waste streams with help of Le Petit Plus, replacing conventional vending machine in cafeteria by Le Bon Bocal.
Further reducing consumption of office supplies, paper, plastic and water	Printing paper: -3.7t p.a. Water: +180m^3 p.a. Plastic bottles in meeting rooms: 0 (2021)	Numerous actions, e.g. water fountains, cutting back on printed merchandise, using FSC paper only.
Enhancing environmental and social considerations in procurement decisions for its own operational needs	Work ongoing	Draft policy statement on sustainable procurement in 2021. Follow up work with University of Zaragoza in 2022.
Compensating for carbon emissions from operations that cannot be avoided, e.g. travel, heating, electricity	Carbon contribution: 405t CO_2 for 2021	Pilot carbon offsetting with partner TerraTerre launched in 2021.
Promoting awareness among staff and encouraging volunteering and engagement on sustainability matters	CEB Award: € 50 00 for social enterprises in Croatia (€ 25 000, 2020) and Republic of Moldova (€ 25 000, 2021)	In 2020, the CEB Award for Social Cohesion was introduced, with other actions ongoing, e.g. donations to NGOs, toy donation, blood donation.

GRI 2-6 • 305-5

► Most recent developments: greenhouse gas emissions[4]

Given that 2020 was an exceptional year marked by continuous lockdowns and working from home, in 2021 the Bank and its staff saw a gradual return to a more normal business conduct. Compared to the previous 12 months, business travel has rebounded, but not at pre-pandemic levels, while presence at the office has also taken up and, with it, heating, but also material and water consumption. This impacted the CEB's 2021 greenhouse gas (GHG) emissions, compared to 2020 (see also Table 9, and Figure 10):

- A 78% increase in emissions from business travel
- A 41% increase in emissions from heating and cooling
- A 9% decrease in emissions from electricity consumption.

GRI 305-4 • 305-5

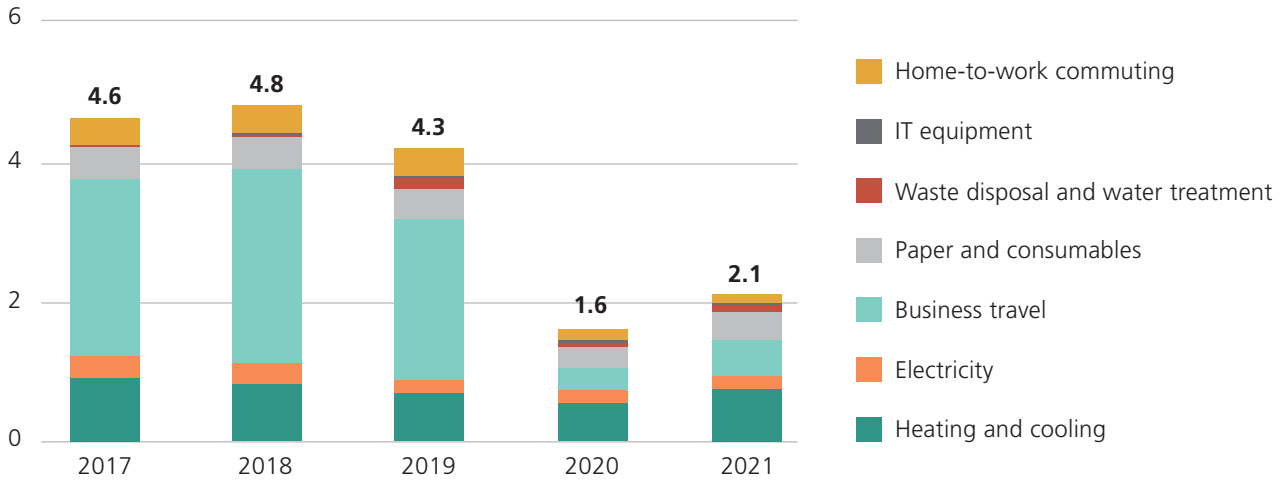
The CEB also reports on its own emissions, breaking them down by Scopes 1, 2 and 3. For details on this breakdown see *GRI Index 305-5*.

GHG emission intensity

In total, the Bank's greenhouse gas emissions for 2021 stand at 455 tonnes of CO_2, representing 2.1 tCO_2e/employee, up from 343 tonnes of CO_2 (1.6 tCO_2e/employee) in 2020, but down compared to pre-COVID levels of 887 tonnes of CO_2 (4.3 tCO_2e/employee) in 2019, all according to the *Bilan Carbone* methodology.[5]

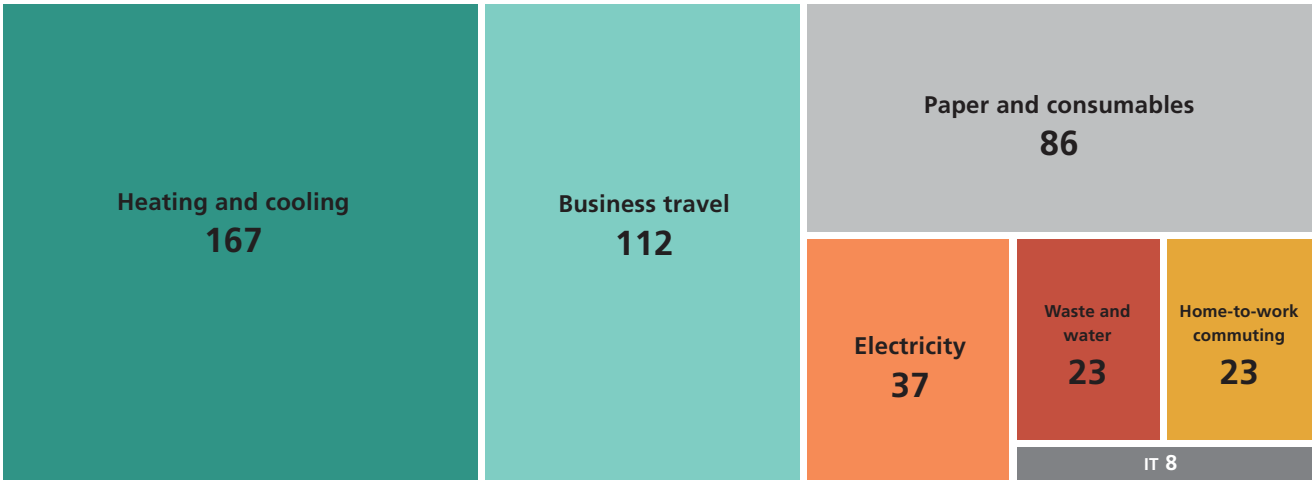
GHG emissions of **2.1 tCO_2e/employee in 2021**, or half the pre-COVID-19 level

Figure 10: GHG emissions per employee from 2017 to 2021 in tonnes of CO_2 equivalent



Note that, in 2017, there was a major overhaul of the carbon footprint methodology, detailed in the 2017 CSR Report.
For more information on the CEB's absolute emissions over time, see GRI Index 305-5.

Figure 11: 2021 GHG emissions by source in tonnes of CO_2 equivalent



[4] Some information has been restated compared to the Sustainability Report 2020 - i.e. waste disposal in 2019 and 2020, electricity consumption in 2020 - and all relevant figures are mentioned in italics below (see also GRI Index 2.4).

[5] For some general background on the Bilan Carbone methodology, see the GRI Index, Emissions – GRI 305.

For even more detailed information on the Bank's GHG emissions from own operations and their trend over the past five years, see the overview below (Table 9).

Table 9: The CEB's detailed GHG emissions by source in tonnes of CO_2 equivalent

DASHBOARD	Difference 2021 / 2017		2021		2020		2017	
	Total variation	Variation per employee	Total 2021	Per employee 2021	Total 2020	Per employee 2020	Total 2017	Per employee 2017
Surface - m^2	+1%	-4%	7 675	36.0	7 675	36.7	7 600	37.4
CEB personnel - FTE	+5%		213		209		203	
OVERALL EMISSIONS	**-52%**	**-54%**	**455.2**	**2.1**	**342.9**	**1.6**	**940.9**	**4.6**
Buildings - Heating & cooling	**-11%**	**-15%**	**167.3**	**0.8**	**118.4**	**0.6**	**187.2**	**0.9**
Vapour network emission	-11%	-15%	167.0	0.8	118.1	0.6	186.9	0.9
Cooling use emissions	+10%	+5%	0.3	0.0	0.2	0.0	0.3	0.0
Buildings - Electricity	**-43%**	**-45%**	**37.1**	**0.2**	**40.8**	**0.2**	**64.7**	**0.3**
Electricity emissions	-43%	-45%	37.1	0.2	40.8	0.2	64.7	0.3
Travelling - Commuting	**-70%**	**-72%**	**22.6**	**0.1**	**28.4**	**0.1**	**76.4**	**0.4**
Emissions linked to commuting by car	-71%	-73%	19.6	0.1	25.4	0.1	68.4	0.3
Emissions linked to commuting by moto	-63%	-65%	1.4	0.0	1.4	0.0	3.9	0.0
Emissions linked to commuting by public transport	-62%	-64%	1.5	0.0	1.5	0.0	4.1	0.0
Travelling - Business travelling	**-78%**	**-79%**	**112.0**	**0.5**	**62.9**	**0.3**	**517.3**	**2.5**
Emissions linked to travelling by plane	-78%	-79%	110.1	0.5	59.9	0.3	504.5	2.5
Emissions linked to travelling by train	-87%	-88%	0.1	0.0	0.2	0.0	1.0	0.0
Emissions linked to travelling by car and taxi	-85%	-86%	1.7	0.0	2.8	0.0	11.8	0.1
Paper & consumables	**-3%**	**-7%**	**85.7**	**0.4**	**65.2**	**0.3**	**88.2**	**0.4**
Emissions linked to water bottles	-100%	-100%	0.0	0.0	0.0	0.0	1.7	0.0
Emissions linked to consumables	+0%	-5%	32.7	0.2	14.1	0.1	32.7	0.2
Emissions linked to post services	-17%	-21%	9.6	0.0	9.6	0.0	11.6	0.1
Emissions linked to magazines and newspapers	+24%	+18%	38.9	0.2	37.1	0.2	31.5	0.2
Emissions linked to printing brochures	-41%	-44%	2.4	0.0	1.6	0.0	4.0	0.0
Emissions linked to printing paper	-69%	-70%	2.1	0.0	2.8	0.0	6.7	0.0
Waste disposal and wastewater	**+215%**	**+200%**	**22.6**	**0.1**	**19.5**	**0.1**	**7.2**	**0.0**
Emissions linked to wastewater	+22%	+16%	0.6	0.0	0.7	0.0	0.5	0.0
Emissions linked to garbage	+230%	+214%	22.0	0.1	18.8	0.1	6.7	0.0
IT equipment	**-**	**-**	**7.8**	**0.0**	**7.8**	**0.0**	**-**	**-**
Emissions linked to printers	-	-	0.8	0.0	0.6	0.0	Not available	Not available
Emissions linked to computers	-	-	1.1	0.0	2.3	0.0	Not available	Not available
Emissions linked to large screens	-	-	5.8	0.0	4.9	0.0	Not available	Not available

Note that, for the baseline year 2017, when the previous methodology for tracking GHG was still being used, some data was not available or has not been assessed and is therefore marked as "Not available".

Note that, for 2020 and 2021, the calculations were done under the assumption that, on a regular day, 30% of staff were at the office. This is a rather conservative estimate and real staff presence was much lower.

Also note that a breakdown by emission scopes 1-3 is available in the GRI Index, items 305-1, 305-2, 305-3 and 305-5.

Appendix - GRI Content Index for 2021

The 2021 index of sustainability indicators was prepared on the basis of the internationally recognised standard for sustainability reporting, namely the Global Reporting Initiative (GRI), and in accordance with the latest GRI Standards 2021.

The GRI Index provides an overview of sustainability considerations in the CEB's lending and non-lending services and in its day-to-day functioning and staff management.

The GRI Content Index 2021 can be downloaded from the CEB's website as a separate document.



Table of contents

GRI 1: Foundation

- Statement of Use, GRI 1 and Sector Standard 53

GRI 2: General Disclosures

- The Organization and its Reporting Practices 53
- Activities and Workers 54
- Governance 56
- Strategy, Policies and Practices 61
- Stakeholder Engagement 63

GRI 3: Material Topics

- Disclosures on Material Topics 65

GRI 200, 300 & 400: Topic Standards

OPERATIONAL IMPACT

- Economic Performance 67
- Market Presence 67
- Indirect Economic Impact 68
- Anticorruption 68
- Anti-Competitive Behaviour 69
- Tax 69
- Biodiversity 70
- Emissions 71
- Human Rights Assessment 71
- Local Communities 72
- Public Policy 72

CORPORATE IMPACT

- Economic Performance 73
- Environmental 73
- Materials 74
- Energy 74
- Water and Effluents 75
- Emissions 76
- Waste 77
- Supplier Environmental Assessment 78
- Employment 78
- Labour/Management Relations 79
- Occupational Health and Safety 80
- Training and Education 82
- Diversity and Equal Opportunity 83
- Non-Discrimination 85

GRI 1: Foundation

Statement of use	The CEB has reported in accordance with GRI Standards for the period January 1 2021 to December 31 2021.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard	None.

GRI 2: General Disclosures

THE ORGANIZATION AND ITS REPORTING PRACTICES

2-1 Organizational details

2-1-a Legal name: Council of Europe Development Bank (CEB).

2-1-b Nature of ownership and legal form: The CEB is an international organisation governed by public international law which, according to its mandate, operates as an international financial institution. As an international financial institution, the CEB is owned by its shareholders, namely its 42 member states.

2-1-c Location of headquarters: Paris, France.

2-1-d Countries of operation: According to its mandate, the CEB can provide loans and guarantees in any of its 42 member states. The Bank may also receive voluntary contributions from its members, through fiduciary accounts. As a sign of solidarity among the CEB member states, the Bank is able to provide increased support to a group of 22 "target countries" in Central, Eastern and South-Eastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Kosovo, Latvia, Lithuania, Malta, Moldova (Republic of), Montenegro, North Macedonia, Poland, Romania, Serbia, Slovak Republic, Slovenia and Turkey.

2-2 Entities included in the organization's sustainability reporting

For both financial and sustainability reporting: Council of Europe Development Bank (CEB).

2-3 Reporting period, frequency and contact point

2-3-a Reporting period: Financial and sustainability reporting is done on an annual basis. The CEB reports on a calendar year basis, from 1 January to 31 December. This report covers the year 2021.

2-3-c Publication date: See date of the Foreword in the main body of the Sustainability Report.

2-3-d Contact point for questions about the report: Corporate Responsibility Division (info@coebank.org)

2-4 Restatements of information

This concerns the CEB's own environmental footprint, as follows:

(i) Some information has been restated compared to what appeared in the GRI Index 2020, namely:
- electricity consumption, which has been revised upwards in 2020 (749 MWh vs 741 MWh);
- waste disposal, which was underestimated in 2019 and 2020, and related GHG emissions (respectively, in tCO_2e: 54.1 vs 32.1 in 2019 and 18.8 vs 11.2 in 2020).

All the figures restated under GRI items 302-1, 302.3, 305.4 and 305.5 are mentioned in italics.

(ii) The scope is unchanged compared to 2020 and, in particular, does not include a project office in Ankara – a light structure that was set up at the end of 2021 (see 2.7).

2-5 External assurance

Currently, the CEB does not seek external assurance for its sustainability reporting. The 2019 materiality assessment was performed with the support of Deloitte France.

ACTIVITIES AND WORKERS

2-6 Activities, value chain, and other business relationships

2-6-a Sector of activity: Financial sector

2-6-b Value chain:

- Activities, products, and services: The CEB invests in social projects that foster inclusion and contribute to improving the living conditions of the most vulnerable populations across Europe. To this effect, the CEB provides loans and guarantees in its 42 member states to finance projects meeting a certain number of criteria. Potential borrowers include governments, local or regional authorities and financial institutions. Loan applications are rigorously reviewed, and related projects are designed and implemented within national sectorial policies, when applicable. From a financing perspective, the CEB has at its disposal a number of different lending instruments (Project loans, Programme loans, Public co-finance facility, EU co-finance facility, Cross-sectoral loans), financing of public private partnerships, guarantees and, through specific programmes (such as the Migrant and Refugee Fund) and, on an ad-hoc basis, grants.

  In 2021, the Bank approved 57 project loans in 30 countries for a total amount of € 4.16 billion. For more information, see the main body of the Sustainability Report.

- Markets served: The CEB invests in social projects that foster inclusion and contribute to improving the living conditions of the most vulnerable populations across Europe. More specifically, the CEB's sectors of action are as follows:
  - Aid to refugees, migrants and displaced persons
  - Housing for low-income persons
  - Creation and preservation of viable jobs
  - Improvement of living conditions in urban and rural areas
  - Natural or ecological disasters
  - Protection of the environment, including climate mitigation and adaptation
  - Protection and rehabilitation of historic and cultural heritage
  - Health
  - Education and vocational training
  - Infrastructure of administrative and judicial public services

  For more details, see:
  - the Loan and Project Financing Policy
  - the Handbook for the Preparation and Implementation of Projects
- Supply chain: The CEB procures supplies, works and services for its own operational needs. In addition, the Bank uses external service providers to provide, among other things, IT services, cleaning and security services on the organisation's premises.
  As an international organisation - to which national legislation on public procurement does not apply - the CEB has its own internal procurement rules. The organisation's supply chain for its own operational needs is governed by the Guidelines on the Internal Procurement of Services, Supplies and Works by the CEB. The related Internal Procurement Procedures were updated in 2017.

  It is the CEB's policy that its Procurement Guidelines and procedures follow the principles of:
  - equal treatment
  - non-discrimination
  - transparency

  The Bank considers that, as a general rule, these principles can best be implemented by effective and fair competition among qualified tenderers and by transparent selection based on considerations of both cost and quality.

The CEB also aims to ensure that the purchase of supplies, works and services required for the satisfactory operation of the CEB:

- is handled in a timely, efficient and effective manner with due regard to the Bank's needs, including a high level of qualifications and quality of services, efficiency and economic use of resources. The notion of quality of services includes compliance with best practices in terms of occupational health and safety policies.
- takes into account sustainability issues with respect to human resources and the environment, in line with its Environmental and Social Safeguards Policy.

The CEB's Environmental Statement of July 2019 underlines the importance of enhancing environmental and social considerations in procurement decisions for its own operational needs. These rules are aligned with those of other international organisations.

For the projects financed by the CEB, there are separate project and loan procurement policies and guidelines. These procurement guidelines detail the principles and methods to be applied when awarding contracts to be financed by CEB loans. Implementing them ensures that funds are used solely for purposes covered by the loan and that special emphasis is placed on economical and efficient implementation of the projects it finances. It is recognised that fairness and transparency of public spending are essential to sound governance and to the sustainability of projects.

For more information, see the CEB's Policies and Guidelines.

- Entities downstream: There are three main groups of CEB customers: member states (e.g. central, regional and local governments), public entities (e.g. public health, education, housing, transport, energy and water companies) and public and private commercial banks (e.g. for on-lending to MSMEs and public entities). All CEB borrowers are located in its 42 member states and at year end 2021, the number of borrowers amounted to 212. This number represents the borrowers for projects in the stock or in loans outstanding.

2-6-c Other relevant business relationships: The CEB works closely with its member states and with the European Union. Complementary to its financing, the Bank manages these partners' donations and trust funds in the form of grant financing, technical assistance and guarantees. For more information, see the CEB website: Donors and trust funds.

2-6-d Significant changes compared to the previous reporting period: None.

2-7 Employees

As at 31 December 2021, the CEB's workforce was made up of 213 staff members (54% women / 46% men). Of these staff members, 70% were professional staff (46% women / 54% men) and 30% were support staff (72% women / 28% men) comprising 32 different nationalities. Out of the 213 staff members, 158 were on indefinite-term contracts and 58 on fixed-term contracts. 5 were working part time (100% women), and 208 were full-time (53% women / 47% men). The CEB has two offices, the headquarters located in Paris and a project office located in Ankara which has 1 permanent staff member and 5 staff hired locally on temporary contracts.

The CEB does not employ staff on a non-guaranteed hours basis.

For more information on staff nationality, see 405-1.

2-8 Workers who are not employees

The CEB makes use of service providers (e.g. IT, security, facilities) that provide staff not directly employed by the Bank. As at 31 December 2021, with no significant change over the time period, the full-time equivalent provided through service contracts stood at about:

Category	Number
IT	20
Security	6
Facilities	5

GOVERNANCE

2-9 Governance structure and composition

Like other international organisations/international financial institutions governed by public international law, the CEB has a specific governance structure established by virtue of its Articles of Agreement. The CEB has the following statutory bodies:

1) the **Governing Board**, which is the CEB's "supreme body", competent for all matters not delegated to the Administrative Council;
2) the **Administrative Council**, which, amongst its delegated powers, approves lending operations in favour of proposed projects and gives its opinion on all decisions having financial consequences;
3) the **Governor**, who is the legal representative of the Bank, is the head of the Bank's operational services and conducts day-to-day business on the instructions of the Administrative Council;
4) the **Auditing Board**, which is independent from all the other statutory bodies and inspects the CEB's annual accounts.

Both the Governing Board and the Administrative Council are composed of a chairperson and one representative appointed by each of the 42 member states. For an overview of the members of the CEB's governing bodies, see the Bank's website and GRI 405-1 on diversity of governance bodies.

The **Governor** is appointed by the Governing Board. The Governor, who is assisted by one or more Vice-Governors, is the Bank's legal representative and the head of its operational services. The Governor conducts the day-to-day business within the framework of the decisions adopted by the Governing Board and the Administrative Council. As of 31 December 2021, the Governor (Carlo Monticelli, previously CEB Vice-Governor for Financial Strategy, who was appointed CEB Governor in June 2021 and took up his five-year mandate on 18 December 2021) was assisted by one Vice-Governor: Tomáš Boček (Target Group Countries, appointed in 2019 and re-appointed in April 2021 for a five-year mandate).

For more information on the governance structure, see the Activity Report ("Governing structure") or the CEB's website.

2-10 Nomination and selection of the highest governance body

One member and a substitute for the Governing Board and the Administrative Council are appointed by each of the 42 member states. Typically, members of the Governing Board are Ambassadors at the Council of Europe, or other foreign ministry officials, and members of the Administrative Council are sent by the Ministries of Finance or Economy. See GRI 405-1 on diversity of governance bodies.

2-11 Chair of the highest governance body

Both the Governing Board and the Administrative Council chairpersons are appointed by the Governing Board for a three-year term renewable once. The chairpersons do not have voting powers and are not senior executives of the Bank. The vice-chairpersons are elected from among the members of the Governing Board and the Administrative Council, for a two-year term renewable once, and conserve their voting rights.

2-12 Role of the highest governance body in overseeing the management of impacts

2-12-a Role in policies and goals related to sustainable development: The Governing Board, which, pursuant to the CEB's Articles of Agreement, is the Bank's "supreme body", is competent, notably, to set out the general orientations for the CEB's activity and to approve the annual report and financial statements.

Among the powers delegated to it by the Governing Board, the Administrative Council establishes and supervises operational policies and approves lending operations in favour of projects.

For an overview of the topics that have been on the agenda of these bodies, see Governing Board 'Meetings in 2021' and Administrative Council 'Meetings in 2021' on the website.

In 2020, the Administrative Council asked the Bank to further its climate approach. Later in 2021, it approved the CEB's Paris Alignment climate approach and will be regularly updated on its implementation by the Paris Alignment Steering Committee set in place to advance the CEB's climate approach.

2-12-b Role in overseeing due diligence and impacts on the economy, environment, and people: As a multilateral development bank with a social purpose, the CEB provides finance and expertise for economically,

environmentally and socially sound investment projects across its European membership, which contribute to improving the living conditions of the most vulnerable populations, including refugees and migrants, and, more broadly, to strengthening social cohesion.

The Directorate for Technical Assessment & Monitoring (TAM) is responsible for the technical appraisal and monitoring of projects financed by the Bank. TAM's appraisal and monitoring processes include the assessment of economic, environmental and social opportunities and risks. Environmental and social risks are screened and managed in accordance with the CEB's Environmental and Social Safeguards Policy. TAM's analysis of these risks and recommendations for their management are integrated in the Loan Document that is presented to the Administrative Council, and reflected in the Framework Loan Agreement for each project. During implementation of the project, TAM reviews the management of environmental and social risks, carrying out site visits where appropriate. The results of the monitoring are reported to the Bank's Management. The Administrative Council does not currently engage with external stakeholders.

In addition, the Directorate for Loans & Social Development (L&D) has monitoring experts who follow up on project quality and oversee that projects are implemented according to the initially outlined specifications.

The CEB also has an Office of Evaluation (EVO) which contributes to improving the quality of future projects based on in-depth and rigorous analyses of past project and programme outputs and outcomes.

In 2020, the Bank put into practice its framework for mapping CEB-financed projects against the SDGs. For all the 57 projects approved in 2021 totalling € 4.16 billion, a set of relevant key SDGs were identified according to the objectives and characteristics of each project (for more information on the SDGs, see the main body of the Report).

2-12-c Effectiveness of due diligence processes: Risk management at the CEB is based on a prudent Risk Management Framework through strong governance, policies, procedures, limits and controls that provide the Bank with the appropriate tools to identify, assess, monitor, report, mitigate and control risks throughout the Bank. While the Bank is not subject to member states' regulations, it considers the European Union Directives on banking regulation and the recommendations of the Basel Committee on Banking Supervision as the references for its Risk Management Framework.

The Bank's risk and control policies are based on international best banking practices and validated by internal committees composed of members of the CEB's senior management and ultimately approved by the Bank's governing bodies. The Bank continuously reassesses its Risk Management and Control Framework to ensure that it is able to fulfil its objective.

The Directorate for Risk & Control (R&C) is responsible for implementing the Risk Management Framework within the CEB and is independent from other operational and business directorates, reporting directly to the Governor. The divisions within the Directorate for R&C are dedicated to specific risk areas: credit risk, operational risk, financial transactions, derivatives and collateral management. The Asset & Liability Management (ALM) Unit in the Finance Directorate is in charge of managing the Bank's market risk (interest and currency exchange rate) and liquidity risk.

The decision-making committees in charge of defining and overseeing the Risk Management Framework are chaired by the Governor:

- The **Credit Risk Committee (CRC)** meets on a weekly basis and takes credit decisions in relation to lending and treasury exposure based on internal credit risk assessments and recommendations.
- The **Asset & Liability Management Committee (ALCO)** meets on a monthly basis to formulate strategic orientations and, on a forward-looking basis, to address interest rate, foreign exchange rate and liquidity risks arising throughout the balance sheet. In addition, on a quarterly basis, a "Special ALCO" meeting addresses ALM and funding issues.
- The **Committee for Operational Risks & Organisation** reviews operational risk issues at the CEB on a semi-annual basis and ensures that adequate steps are taken to mitigate, monitor and control these risks.
- The **IT Steering Committee** reviews information systems issues and takes the appropriate actions to ensure operational resilience and business continuity.

In view of the Bank's credit track record, the organisation and processes have proven to be effective, with almost no impairments in over 60 years since the institution's inception.

In 2021, a CEB dedicated task forced started exploring options and methodologies to update the CEB's climate-related risk assessment and monitoring framework. This inter-service work entailed the analysis of existing requirements and trends in the financial sector (e.g. Task Force on Climate-related Financial Disclosures, ECB guidelines, EU Non-Financial Reporting Directive, ESG rating agencies) as well as the identification and testing of potential methodologies and tools to identify climate-related risks and report on them.

2-13 Delegation of responsibility for managing impacts

2-13-a Highest governance body delegating responsibility for managing the organization's impacts on the economy, environment, and people
2-13-b Senior executives or other employees to report back to the highest governance body on the management of impacts

As the social development bank for Europe, economic, environmental and social considerations are embedded in almost all the CEB's activities. While the Bank's Governor is ultimately responsible for these topics, numerous directorates and teams also work on diverse sustainability-related topics:

- *Division for Corporate Social Responsibility,* in charge of topics concerning the whole organisation, e.g. ESG ratings, stakeholder engagement, disclosure, and coordination between directorates
- *Compliance,* working on integrity and transparency in the conduct of all the CEB's activities, ranging from anti-money laundering, to whistleblowing, to IT systems security.
- *Corporate Services,* working on human resources, e.g. gender equality and wellbeing, and issues related to facility management, e.g. office energy consumption and waste management.
- *Evaluation,* working on independent evaluations of CEB-financed projects to assess their social performance and derive lessons learnt for the CEB's future work.
- *Finance,* working on funding the Bank's project financing on competitive terms, and accelerating the development of the social bond market, for example by issuing the CEB's Social Inclusion Bonds.
- *General Counsel*, in charge of ensuring that policy commitments in connection with sustainability (environmental and social safeguards, fraud, corruption and other prohibited practices) are adequately reflected in contractual instruments.
- *Loans & Social Development,* working with borrowers to develop their projects and maximise their social value added in close cooperation with sector and thematic experts in Technical Assessment & Monitoring.
- *Risk & Control,* addressing risks touching upon the Bank's own internal operations and, starting in 2021, looking to integrate climate-related and environmental risk considerations in counterparty risk assessment and the risk appetite framework.
- *Technical Assessment & Monitoring,* working with borrowers on maximising environmental, social and climate-related benefits and managing environmental, social and climate-related risks and negative impacts throughout the project cycle; greening project-related and CEB corporate procurement; providing advisory support for clients on sustainability aspects either directly or through external experts.
- *The Paris Alignment Steering Committee:* gathering the Bank's senior management from the relevant teams listed above to coordinate the further development of the CEB's approach on alignment with the Paris Agreement on climate. Working groups at operational level report to the Steering Committee which updates the Governor who is accountable to the Administrative Council.

2-14 Role of the highest governance body in sustainability reporting

2-14-a Highest governance body responsible for reviewing and approving the reported information
2-14-b Highest governance body not responsible for reviewing and approving the reported information

The Bank's Annual Sustainability Report is on the agenda at every 'Spring meeting' of the Administrative Council and the Governing Board, as is the case for other annual reports such as the Report of the Governor (i.e. activity report), the CEB and Donors Report and other reports for internal purposes. However, in accordance with the Bank's Articles of Agreement, the Governing Board only formally approves "the Bank's annual report, the balance sheet, the income statement and the notes to the financial statements" upon recommendation of the Administrative Council.

2-15 Conflicts of interest

2-15-a Processes for the highest governance body to ensure that conflicts of interest are prevented and mitigated: The CEB has Codes of Conduct which set out the ethical rules that must govern the conduct of those working for the CEB (Chairpersons) and members of the Collegial Bodies, Governor, Vice-Governors, staff members and contractual collaborators, and help them to abide by those rules, and to inform their colleagues, the CEB's organs and the general public of the standard of conduct they are entitled to expect.

The Codes of Conduct, approved by the Administrative Council and the Governing Board on 10 and 11 June 2021 and effective as of 21 June 2021, apply respectively to:

- the Governor, Vice-Governors, staff members and to contractual collaborators or service providers
- the Chairpersons and members of the Collegial Bodies (Governing Board and Administrative Council)
- the members of the Auditing Board

Each Code of Conduct has a specific provision that deals with the issue of conflicts of interest in full. As an example, the one applicable to the chairpersons and members of the Collegial Bodies provides that:

"The chairpersons and members of the Collegial Organs must ensure that no personal interests or any particular financial interests in any way affect their activities on behalf of the CEB or jeopardise the image of the CEB, given the information of which they have knowledge within the framework of the performance of their duties. The chairpersons and members of the Collegial Organs remain bound to respect these obligations after their mandate expires.

Should an actual or apparent conflict of interest arise, the Collegial Organ chairperson or member shall promptly disclose the matter to the Chief Compliance Officer (CCO) for guidance. They shall recluse themselves by withdrawing from any attendance of or participation in deliberations or decision-making connected with their particular case, unless the CCO deems otherwise."

2-15-b: Disclosure of conflicts of interest to stakeholders: Given the nature of the CEB this is not applicable.

2-16 Communication of critical concerns

2-16-a Critical concerns communicated to the highest governance body

The Chief Compliance Officer, according to the CEB's Compliance Policy, reports directly to the Governor, and reports on all complaints and ongoing investigations.

2-16-b Total number and the nature of critical concerns communicated No critical concerns were communicated to the highest governance body in 2021.

2-17 Collective knowledge of the highest governance body

In 2021, the Administrative Council and Governing Board were briefed twice on climate change, climate risk and the Bank's Paris Alignment framework.

2-18 Evaluation of the performance of the highest governance body

2-18-a Processes for evaluating the performance of the highest governance body in overseeing management of the organization's impacts

2-18-b Independence of evaluations, and the frequency of the evaluations

2-18-c Actions taken in response to the evaluations

The highest governance body at the CEB is the Governing Board, which consists of a chairperson and, currently, 42 members, i.e. one representative appointed by each of the Bank's member states. The latter are also for the most part the ambassadors and representatives of their respective countries to the Council of Europe. Here, such evaluation cannot apply, including with respect to ESG performance.

2-19 Remuneration policies

Compensation for the Governing Board and Administrative Council chairpersons and for "Appointed Officials" (Governor and Vice-Governors) is individually and fully disclosed in the Financial Report (see Note A – Item 10). There is no variable pay, bonuses, incentives or clawbacks for them. However, staff members may be entitled to bonuses according to their annual performance. Each performance level is assigned a bonus level equal to a percentage of the basic monthly salary as at 1 January of the year the bonus is distributed.

The Bank provides two types of applicable benefits with a retirement pension if the staff member leaves the Bank after completing at least 10 years of service and a leaving allowance if the staff member leaves the Bank before completing this period of 10 years.

The pension entitlement starts as of age 65 – except for those staff members hired prior to 1/1/2014, where the entitlement can start as of age 60. Staff members may also ask to retire early. Finally, early departures, or departures by mutual agreement, may be granted based on budget availability and the business needs of the Bank.

The amount of the retirement pension is proportionate to the number of years of service at the Bank and, as the case may be, of prior service validated by the CEB in a Co-ordinated Organisation. The retirement pension = 2% x the number of annuities acquired x last basic salary reached not less than one year before retirement (for staff who were recruited before 01/01/2014) and 1.75% x the number of annuities acquired x last basic salary reached not less than one year before retirement (for staff members who were recruited on or after 01/01/2014).

For staff leaving the Bank before having 10 years of service (i.e. not eligible for a pension), a leaving allowance is attributed, corresponding to an amount = 1.5 month of the last basic salary * number of annuities for staff members recruited before 01/01/2014 + the amount of the sums withheld from the staff member's pay as contribution towards the pension, plus compound interest at a rate of 4% per year. The leaving allowance amount = 2.7 * rate of contribution as applied to last annual salary * number of reckonable years of service credited for staff members recruited on or after 01/01/2014.

In addition to retirement benefits for permanent staff members, the pension scheme provides benefits for staff members and their beneficiaries and acts as social/provident cover in following cases:

- Invalidity pension: which is paid to the staff member if they are made a total and permanent invalid while working for the Bank
- Survivor's pension: which is provided for the surviving spouse and/or ex-spouse
- Orphans' or dependents' pension: which is paid to the beneficiaries who are identified and recognised by the Human Resources Division

Retirement benefits are paid according to Appendix V and Appendix V bis to the Staff Regulations.

2-20 Process to determine remuneration

Remuneration is fixed and indexed in line with an adjustment established by the salary methodology of the Co-ordinated Organisations (see below). The Bank's remuneration system is part of the legal and institutional framework set out in the Bank's Regulations, Staff Regulations and the mechanism of the Co-ordinated Organisations. The CEB is committed to workplace gender equality including to provide equal pay for equivalent work.

Each year, the International Service for Remunerations and Pensions (ISRP) calculates the adjustment index which defines the progression of the basic salary for most Co-ordinated Organisations, including the Bank. The principal elements considered in the calculation of the remuneration adjustment index are the following:

- The average change in real terms (after inflation) of net remunerations of eight national civil services of reference (Belgium, France, Germany, Italy, Luxembourg, Netherlands, Spain and United Kingdom)
- The inflation rate in France
- The difference in the cost of living between France and Belgium since the last adjustment of the index

Therefore, in early January of each year, once the adjustment is set, the Bank's salary scale is updated.

2-21 Annual total compensation ratio

2-21-a Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual): 2.03

2-21-b Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual): 1

2-21-c Contextual information: none.

STRATEGY, POLICIES AND PRACTICES

2-22 Statement on sustainable development strategy
See the 'Foreword by the Governor' in the 2021 Sustainability Report, and the Development Plan 2020-2022 approved by the Governing Board.

2-23 Policy commitments
2-23-a Policy commitments for responsible business conduct

- Authoritative intergovernmental instruments that the commitments reference: As stated in the CEB's Development Plan 2020-2022: *"The Bank's approach in terms of social safeguard review and management draws upon the principles enshrined in the Council of Europe Convention for the Protection of Human Rights and Fundamental Freedoms and European Social Charter.*
- Commitments stipulate conducting due diligence: *"…applications for loans or guarantees shall be submitted to the [Bank's] Administrative Council after receipt of the Secretary General [of the Council of Europe]'s opinion as to admissibility based on the project's conformity with the political and social aims of the Council of Europe"* (Article XIII of the Bank's Articles of Agreement).
- Commitments stipulate applying the precautionary principle: Application of the precautionary principle is integrated in the CEB's Environmental and Social Safeguards Policy (para. 18). *"The CEB may apply the precautionary principle when it considers that the potentially adverse effects of a Project are not adequately mitigated or that the likely residual environmental impacts outweigh the expected social benefits"*.
- Commitments stipulate respecting human rights: The Council of Europe is kept regularly informed of the Bank's activities and its Secretary General plays an important role in issuing an opinion on admissibility from a political and social point of view for every project submitted to the Bank's Administrative Council. The CEB Loan and Project Financing Policy provides that all projects shall be in conformity with the provisions contained in the Convention and Charter cited before.
  The CEB can provide targeted funding to borrowers for technical assistance to help clients specifically manage social and human rights risk on projects where needed.

2-23-b Specific policy commitment to respect human rights

- Internationally recognised human rights that the commitment covers
- Categories of stakeholders the organization gives particular attention to in the commitment:
  The Council of Europe Convention for the Protection of Human Rights and Fundamental Freedoms and European Social Charter specifically emphasise principles related to: Conditions and rights of workers, Protection of vulnerable groups, Forced labour and child labour, Gender equality and non-discrimination, Protection of livelihoods and housing, Community health and safety and Stakeholder information and consultation (Annex 5 of the Development Plan).

2-23-d Level at which each of the policy commitments was approved within the organization
Articles of Agreement: Committee of Ministers of the Council of Europe in 1956 – in the form of a Partial Agreement between 8 Council of Europe member states (the Third Protocol to the General Agreement on Privileges and Immunities of the Council of Europe was concluded within this framework). Since then, new Articles of Agreement were adopted in 1993 by the Bank's Governing Board (which, however, cannot make any changes in the stated aims – e.g. Article II 'Purpose' can only be amended by the Committee of Ministers of the Council of Europe).
Development Plan 2020-2022: Governing Board upon recommendation of the Administrative Council
CEB Loan and Project Financing Policy: Administrative Council
CEB Loan Regulations: Administrative Council
Environmental and Social Safeguards Policy: Administrative Council

2-23-e Policy commitments applying to the organization's activities and to its business relationships
2-23-f How policy commitments are communicated to workers, business partners, and other relevant parties
The CEB is committed to conducting its internal operations in a socially responsible manner. As a general rule and in accordance with its specific social focus, the CEB will not finance large scale industrial operations which may generate important social risks.

In accordance with the CEB Loan Regulations, in case the implementation of a project financed by the Bank leads to a violation of the Human Rights Convention or the Social Charter, the Bank may suspend/cancel undisbursed loan amounts under the loans and/or demand early reimbursement of disbursed amounts.

2-24 Embedding policy commitments
Please see 2-23-a, 2-23-e and 2-23-f.

2-25 Processes to remediate negative impacts
2-26 Mechanisms for seeking advice and raising concerns

The CEB provides its staff members with a comprehensive internal justice system to resolve and provide redress for staff issues and grievances using informal and formal mechanisms, including a mediator.

With respect to the issue of potential negative impacts from projects, the CEB's Environmental and Social Safeguards Policy in particular *"requires the Borrower to address Project-related Community Health and Safety matters and Stakeholder Information and Consultation"*.

The CEB has a comprehensive and publicly available compliance framework, including *inter alia* a Compliance Policy, an Anticorruption Charter, a Policy on Non-Compliant/Uncooperative Jurisdictions, Guidelines on the internal procurement of services, supplies and works, Codes of Conduct, Integrity and Dignity at Work, Integrity Due Diligence Guidelines & Procedures, Guidelines for additional Tax Due Diligence for projects financed by the CEB, and a Whistleblowing Policy.

The Office of the Chief Compliance Officer (OCCO) identifies compliance risk, assesses compliance risk, advises the Governor and management committees on relevant rules and standards and ensures that the CEB is aware of, and follows, best market principles and international standards regarding the prevention of money laundering and terrorist financing, fraud and corruption and other prohibited practices. OCCO also designs, recommends and maintains the policies, rules and procedures governing dignity, ethical behaviour and integrity towards counterparties and third parties, advises staff and gives guidance on conflicts of interest, prevention of insider trading, protection of confidential information and ethical issues. When a request for opinion arises, the entry points used as advice, help and raising concerns lines, both internally and externally, are compliance@coebank.org and OCCO-whistleblowing@coebank.org.

Apart from the entry points mentioned above, OCCO has a full set of procedures, terms of reference and dedicated forms that specifically refer to reporting unlawful/unethical behaviour or misconduct.

At the CEB, there are several complaint mechanisms:

1) Whistleblowing: OCCO handles information and tip-offs received from whistle-blowers, and complaints related to potential fraud or corruption. For this purpose a dedicated email address and a website-contact box are available on the CEB's website.

2) Project-related complaints: For projects financed by the CEB, the Handbook for the Preparation and Implementation of Projects contains a requirement that the Borrower establish a procedure that will address concerns or complaints of persons who are adversely affected by direct environmental and/or social impacts related to the project's implementation. Project-related complaints submitted to OCCO are registered under two categories: a) complaints related to potential fraud, corruption, collusion, coercion, bribery and/or procurement related complaints and b) complaints related to the ESG matters.

3) Procurement-related complaints, for projects, are handled as per the Procurement Guidelines, and the CEB's own procurement is handled under the Guidelines on the internal procurement of services, supplies and works.

4) Access-to-Information-related complaints are handled according to the procedure set out in the CEB's new Public Information Policy and its Annex.

5) Grant-related complaints: the complaints handling process regarding the awarding of grants by the CEB is set out in the Governor's Rule laying down the CEB's competitive procedures for awarding grants.

2-27 Compliance with laws and regulations

Non-compliance with laws and regulations in 2021: none.

2-28 Membership associations

In 2017, the CEB joined the global Climate action in financial institutions initiative, thereby endorsing five voluntary principles for mainstreaming climate action. The CEB joined the coalition as part of the multilateral development bank (MDB) group. In 2018, the CEB obtained permanent observer status to the UN Framework Convention on Climate Change (UN FCCC) and joined the initiative for Harmonized Indicators for Private Sector Operations (HIPSO). As a founding member of the ICMA Social Bond Working Group, the CEB helped develop the Social Bond Principles and regularly contributes to its sub-working groups.

At COP26, the CEB was a signatory of a joint statement on 'Collective climate ambition' along with nine other multilateral development banks.

In 2021, the CEB was a grand partner of the second edition of the Finance in Common Summit, where it promoted collective action to address the 2030 Agenda for Sustainable Development and in particular the Coalition for Social Investment that the Bank co-leads with Agence Française de Développement.

Over the years, the CEB has forged partnerships with other international organisations and donors to bring additional financing and greater expertise to the projects it supports. In addition to its natural links with the Council of Europe, the CEB has become a partner of choice to the European Union and regularly cooperates with other international financial institutions (IFIs), and with several United Nations specialised agencies (in 2017, the CEB and UNDP agreed to extend their cooperation for another five years, aiming to scale up their support for achieving the UN Sustainable Development Goals (SDGs) in South-Eastern Europe, Turkey, Republic of Moldova and Georgia). In 2019, the CEB renewed its memorandum of agreement with UNICEF.

During the course of 2021, the CEB underwent a new and enhanced EU Pillar Assessment in order to reconfirm its capability to be a partner to the EU in implementing projects with EU funds and grants.[1] This is particularly important for the CEB to become an implementing partner to the InvestEU Programme 2021-2027 with total guarantees worth € 26.2 billion aimed at spurring investments in sustainable infrastructure, research and innovation, SMEs and social investments and skills. The Pilar Assessment process was completed in early 2022. The Bank is also member of the European Association of Long-term Investors (ELTI).

STAKEHOLDER ENGAGEMENT

2-29 Approach to stakeholder engagement

As stated in the CEB's Public Information Policy, the Bank *"acknowledges the merits of constructive dialogue with representatives of civil society (nongovernmental organisations, etc.), and recognises that any such dialogue must necessarily be proportioned to its size and to its sectors of action."* The CEB engages in such dialogue on a case-by-case basis.

Categories of stakeholders engaged, and their identification: In 2019, the CEB actively engaged with a large number of its stakeholders, both internal and external, to better understand their expectations towards the Bank, especially regarding numerous specific sustainability topics. This approach is often referred to as a materiality assessment. The stakeholders contacted were identified by asking CEB staff working on sustainability topics for their key contacts, but also through desk research and the expertise of the materiality consultant (i.e. Deloitte).

For the assessment, as well as during normal course of business, the stakeholder groups engaged by the Bank are: *the CEB's Governing Board, Administrative Council, Auditing Board, management, staff representatives, the Council of Europe, business partners (e.g. commercial banks, borrowers and suppliers), EU institutions, international public organisations, financial sector associations, civil society representatives and researchers*.

[1] In 2015 an EU Pillar Assessment was carried out covering the topics of *Internal control system, Accounting system, Independent external audit, Procurement, and Sub-delegation*.

Purpose of the stakeholder engagement & Seeking to ensure meaningful engagement: The 2019 materiality assessment helps the CEB to further tailor not only its reporting and disclosure, but also its actions on the sustainability issues raised. The outcome of the exercise directly fed into the process of defining the CEB's medium-term strategy, i.e. the Development Plan 2020-2022.

To learn more about the CEB's materiality assessment see items 3-1, 3-2 and 3-3 below.

2-30 Collective bargaining agreements

2-30-a Percentage of total employees covered by collective bargaining agreements

2-30-b Report whether the organization determines their working conditions and terms of employment based on collective bargaining agreements

The CEB's employees are staff of an international finance institution. Based on the CEB's legal status as an international organisation with its privileges and immunities, neither the host country's labour laws nor those of its member countries apply to its staff members. There is no system of collective bargaining agreements.

The system of remuneration at the CEB is part of a legal and institutional framework defined by the Bank's Regulations and its Staff Regulations. Furthermore, as an organisation attached to the system of Co-ordinated Organisations due to its link with the Council of Europe, the CEB follows the Co-ordinated Organisation rules on matters of remuneration and salary adjustments.

The structure of the total compensation is specifically outlined in Article 41 of the Staff Regulations and Appendix IV thereto (Regulations governing staff salaries and allowances).

Each year, the Co-ordination Committee on Remunerations calculates the adjustment index that defines the progression of the basic salary for the Co-ordinated Organisations and attached organisations such as the CEB.

All the CEB's staff members enjoy the full right to associate and may belong to trade unions or professional organisations, subject to the CEB's staff-related documents and the Codes of Conduct.

The **Staff Committee,** elected by the staff every two years, represents the general interests of the staff and contributes to the smooth running of the CEB by providing the staff with a channel for the expression of their opinions. The Staff Committee participates directly or is represented by staff members whom it appoints to sit on a number of commissions and committees created within the Bank and which require staff participation. Staff members are thus represented on the:

- Health and Safety Committee
- Advisory Pension Committee
- Personal Data Protection Commission
- Advisory Committee on Disputes and the Disciplinary Board

The CEB also has a **General Meeting of Staff** which enables all staff members to express their opinions on their conditions of employment and work. The General Meeting of Staff is a body in which all retired staff members may also express their opinions on the conditions that concern them. It meets at least once a year in ordinary session and may also be convened in extraordinary session.

The **Joint Committee** is a consultative organ in charge of facilitating cooperation between the administration and staff on questions of a general nature. It may be consulted by the Governor or by the Staff Committee accordingly. It also gives its opinion on measures for the termination of service, as provided for in the Regulations on indemnity for loss of job.

GRI 3: Material Topics

DISCLOSURES ON MATERIAL TOPICS

3-1 Process to determine material topics

3-1-a Process to determine material topics

As outlined in item 2-29, the CEB performed a full materiality assessment in 2019. Engagement with internal and external stakeholders was done through an online questionnaire and structured interviews that informed the prioritisation of topics. For the CEB's materiality assessment, participants had to rate each issue for two different aspects:

- Importance according to their own view *('Importance to Stakeholders'),*
- Their perception of where the CEB can be most impactful *('CEB Impact')*.

The project followed good practice and a robust materiality methodology, along the following steps:

1. **Issue list:** A list of 16 potentially material issues was developed based on a desk review, e.g. SASB, GRI, SDGs, ISS-ESG and Sustainalytics, and Deloitte expertise. The 16 identified issues were grouped into four categories: Operations, Employees, Governance & Ethics and Project Impact.
2. **Insights gathered**: An online survey was sent to internal and external stakeholders. A similar set of questions was discussed during interviews with the CEB's top management. Overall, 79 stakeholders shared their insights with the CEB.
3. **Materiality analysis**: The data was collected with Deloitte's survey tool, and converted into a materiality tool customised to the CEB that allows for mapping of these issues (see the figure below). Based on the findings, the consultant developed recommendations.

Further information on the materiality assessment can be found in the 2019 CSR Report and on the CEB's website.

3-1-b Stakeholders and experts whose views have informed the process

The assessment was performed in concert with a consultant, i.e. Deloitte France.

3-2 List of material topics

3-2-a List of material topics

The key message from the materiality assessment was that the CEB's strategy and reporting are closely aligned with stakeholder expectations. The Bank's three lines of action, as set forth in the Development Plan 2020-2022 drafted in parallel with the materiality assessment, were mentioned by stakeholders as 'top priorities':

CEB Development Plan - lines of action	CEB Materiality - top priorities
Inclusive growth	Inclusive economic growth
Environmental sustainability	Climate mitigation & adaption
Support for vulnerable groups	Support for vulnerable groups & human rights

The exercise also shed light on the importance of issues related to governance and ethics, e.g. compliance, anti-corruption, reporting and transparency, gender and women's empowerment. In its annual reporting, the CEB seeks to address these topics.

In terms of potential improvements that became clear through the assessment, stakeholders would like the CEB to disclose even more information on key material issues, the CEB's specific impact on them, and the Bank's related frameworks and approaches, e.g. project screening and monitoring approaches, environmental strategy and related KPIs, or the scope of human rights covered.

Stakeholders underlined the importance of the UN SDGs and want the CEB to contribute to them. Naturally, during the normal course of business, the CEB engages with its key stakeholders. A finding from these recent exchanges is that the topic of climate change has been growing further in importance.

The 16 material topics identified were the following:

Operations:
- Community & stakeholder engagement
- Environmental impact of the CEB
- Information security & privacy

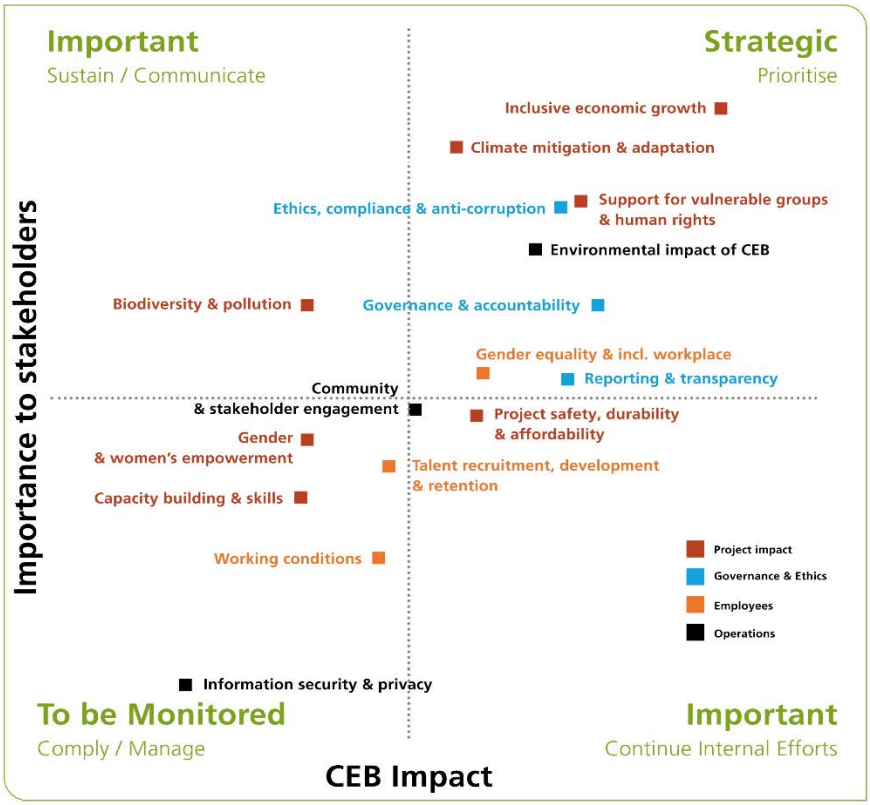
Employees:
- Gender equality & inclusive workplace
- Talent recruitment, develop. & retention
- Working conditions

Governance & Ethics:
- Ethics, compliance & anti-corruption
- Governance & accountability
- Reporting & transparency

Project Impact:
- Inclusive economic growth
- Support for vulnerable groups & human rights
- Gender & women's empowerment
- Climate mitigation & adaptation
- Biodiversity & pollution
- Project safety, durability & affordability
- Capacity building & skills

The stakeholders' assessments of the relevance and importance of these topics to the CEB are summarised in the materiality matrix depicted below.

Figure – The CEB's materiality matrix



3-2-b Changes to material topics compared to the previous reporting period: not applicable.

3-3 Management of material topics

The full materiality assessment largely supported the Bank's management approach, as outlined in 3-1 and 3-2 and in the 2019 CSR Report and on the CEB's website. The management approach for issues deemed material is presented individually in the chapters on 'Operational Impacts' and 'Corporate Impacts' below.

ECONOMIC – GRI 200

ECONOMIC PERFORMANCE – GRI 201

3-3 Management of material topics

The CEB provides loans to co-finance projects in any of its 42 member states, in accordance with its social mandate. Potential borrowers include governments, regional or local authorities, and public or private financial institutions. Thanks to its excellent credit rating (AAA outlook stable with Standard & Poor's, AAA outlook stable (unsolicited) with Scope Ratings, Aa1 outlook stable with Moody's, and AA+ outlook positive with Fitch Ratings[2]), the CEB raises funds on the international capital markets on competitive terms, thus enabling its borrowers to significantly reduce the cost of the loans they take out to finance social projects. Along with its peers, the CEB faces a challenging economic and financial operating environment, especially due to very low interest rates that generate a reduction of its net profit, while remaining in line with the Bank's expectations.

201-1 Direct economic value generated and distributed

See the 2021 Financial Report (including the Key Figures and the Financial Summary) for extensive information.

201-2 Financial implications and other risks and opportunities due to climate change

The CEB assesses environmental considerations in all the projects it finances. It acknowledges the importance of climate change, as underscored by the Development Plan 2020-2022, which introduced 'environmental sustainability' including climate change as one of its three strategic lines of action. To address the challenges of climate change and to support the transition to a low carbon economy, climate change risks and opportunities as regards the CEB's lending operations are addressed in the Environmental and Social Safeguards Policy (section 2.4). Projects considered for financing are screened for four climate change parameters (GHGs emitted, mitigation potential, adaptation potential, and vulnerability to climate change). In addition, and in line with the CEB's approach on alignment with the Paris Agreement on climate change, the CEB is currently in the process of updating the methodologies for assessing climate change risks at various levels, notably in its lending operations and at counterparty level.

201-4 Financial assistance received from government

The CEB is owned by its 42 member states. In accordance with its Articles of Agreement, the CEB's capital is subscribed by the member states. The CEB may borrow on the capital markets to raise the funds necessary for fulfilling its mandate. In certain cases, it may be entrusted with funds from member states, the Council of Europe and, subject to certain requirements, third parties (such as the EU) to implement activities supporting its mandate.

MARKET PRESENCE – GRI 202

3-3 Management of material topics

As an international organisation with 42 member states and active business relations with most of its member countries, the CEB aims for diversity of nationalities (from its member states) for its senior management team.

202-1 Ratios of standard entry level wage by gender compared to local minimum wage

Not applicable. See the CEB's salary scale.

[2] On 26 July 2021, Fitch Ratings changed the outlook of its rating from 'stable' to 'positive'.

202-2 Proportion of senior management hired from the local community

At the end of 2021, 32 of the CEB's 42 member countries were represented among the 213 staff members. Out of the 13 people in senior management positions, i.e. Governor, Vice-Governor and Director level, three are from France, the CEB's host country, three from Italy, and one each from Germany, Belgium, the Czech Republic, Greece, Norway, Serbia and Turkey.

INDIRECT ECONOMIC IMPACT – GRI 203

3-3 Management of material topics

The Bank invests in sustainable social sector infrastructure projects with a view to maximising the social impact of its operations and promoting economic and social inclusion. The CEB aims to design its projects in such a way as to benefit the largest number of potential final beneficiaries, with a specific focus on vulnerable groups.

203-1 Infrastructure investments and services supported

Most CEB investments are in physical infrastructure projects but it can also finance "soft" investments in supporting equipment and services, such as access to vocational training schemes. For a detailed sector breakdown of financing provided by the CEB, see the main body of the Sustainability Report.

203-2 Significant indirect economic impacts

Investment in one sector of the Bank's activity often results in significant co-benefits in economic terms. For example, careful design of new social housing construction part-financed through a CEB loan will also positively contribute to the energy efficiency of the dwellings. In the same way, renovation of a housing block can serve as a catalyst for urban renewal in a wider area. Moreover, the job creation impact of construction projects financed by the CEB must also be considered.

These economic, social and environmental inter-linkages are a recurring item in the majority of projects financed by the CEB.

ANTI-CORRUPTION – GRI 205

3-3 Management of material topics

The Office of the Chief Compliance Officer (OCCO) is clearly supported by the "tone from the top" and is committed to achieving the highest standards of integrity and transparency in the conduct of all the CEB's activities. The CEB has a comprehensive and publicly available compliance framework, including *inter alia* a Compliance Policy, an Anticorruption Charter, a Policy on Non-Compliant/Uncooperative Jurisdictions, Guidelines on the internal procurement of services, supplies and works by the CEB, Codes of Conduct, Integrity Due Diligence Guidelines & Procedures, Guidelines for additional Tax Due Diligence for projects financed by the CEB and a Whistleblowing Policy (as mentioned in item 2-26). OCCO identifies and assesses the compliance risk, and advises the Governor and management committees on relevant rules and standards, and ensures that the CEB is aware of, and follows, best market principles and international standards regarding the prevention of money laundering and terrorist financing, fraud and corruption and other prohibited practices.

For more information, see the CEB's new Compliance Activity Report 2021, made publicly available for the first time.

205-1 Operations assessed for risks related to corruption

On average, the bank's compliance function conducts specific investigations into fewer than five claims of corruption related to CEB-financed operations per year. In 2021, four complaints related to potential fraud, corruption, collusion, coercion, bribery and/or procurement complaints were registered with OCCO [in addition to two complaints related to ESG matters brought forward by stakeholders of CEB-financed projects]. Out of these four complaints, three were closed and one was ongoing as of December 2021.

205-2 Communication and training about anti-corruption policies and procedures

Each year, OCCO delivers a mandatory induction class to newly recruited staff, including part time staff. The induction class for the staff that joined the CEB in 2021 was held in December 2021. In addition, OCCO launched a comprehensive dedicated page on the CEB's intranet MOSAIC. Regular communication on compliance-related topics is posted on the page, and a Newsletter to staff has been issued with specific focus on 'ethical leadership'. OCCO has launched an e-learning module on the new Code of Conduct, specifically covering topics of Conflict of Interest, Bribery and Corruption, Receiving and Giving Gifts, Respecting Others, Harassment and Discrimination, and Raising Concerns. The module requests acceptance and signature of the Code of Conduct and is mandatory for all staff.

For the third year in a row, the CEB joined its peers in the international community in marking International Anti-Corruption Day on December 9th. The message was shared will all employees and posted on the CEB's intranet MOSAIC, as well as on the CEB's social media pages. The 2021 Anti-Corruption Day message was focused on the right and role of everyone to report and refuse corruption.

205-3 Confirmed incidents of corruption and actions taken

None [one complaint registered with OCCO was ongoing as of December 2021].

ANTI-COMPETITIVE BEHAVIOUR – GRI 206

206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

None.

TAX – GRI 207

207-1 Approach to tax
207-2 Tax governance, control, and risk management
207-3 Stakeholder engagement and management of concerns related to tax
207-4 Country-by-country reporting

The CEB is an international organisation. Pursuant to its constitutive treaty, the Third Protocol to the General Agreement on Privileges and Immunities of the Council of Europe, the CEB and its assets, income and other property are exempt from all direct taxation.

Within the scope of its mandate, the CEB supports the implementation of international standards in the field of tax good governance – notably to ensure tax transparency and the fight against tax evasion/avoidance in connection with the projects it finances. The CEB confirms its commitment to the prohibition of tax avoidance and tax evasion and will not support activities that contribute to tax avoidance strategies.

In 2014, the CEB enshrined this commitment by means of a Policy on Non-Compliant/Uncooperative Jurisdictions approved by its Administrative Council. The CEB upgraded this Policy in 2019 and again in 2021 in order to reflect the latest developments in the area of tax good governance and transparency, fair taxation, base erosion and profit shifting (BEPS), in alignment with the CEB's peer group of multilateral development banks. The updates place emphasis on the rationale for the tax good governance principles promoted by the EU, and the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, where the CEB was granted observer status in October 2017. In particular, the 2021 update of the CEB's Policy on Non-Compliant/Uncooperative Jurisdictions introduced immediate application of the EU list of non-compliant jurisdictions for tax purposes. Assessment of concerns related to tax standards is part of the integrity due diligence performed by the CEB's services. In case of complex issues, OCCO can decide to hire external tax expertise.

The procedures for assessing projects and entities that cover tax avoidance and prohibitions of the entities established in non-compliant/uncooperative jurisdictions are set out in the CEB's Integrity Due Diligence Guidelines and Procedures, and in an internal tool for procedure description. In 2021, the CEB introduced Guidelines for additional Tax Due Diligence for projects financed by the CEB – thereby reinforcing the Bank's commitment to the prohibition of tax avoidance. The CEB's Policy on Non-Compliant/Uncooperative Jurisdictions and the aforementioned Guidelines ensure that CEB operations are conducted in line with sound tax good governance and international and EU anti-tax-avoidance standards.

Each of the CEB's potential counterparties is subject to the Compliance Risk Assessment. This assessment encompasses integrity due diligence checks and assessment that include past or current issues related to tax avoidance or tax evasion or other tax harmful practices. The assessment also covers the country where the counterparty is established/has its headquarters or operates from.

Furthermore, projects and treasury operations are assessed and analysed on multiple levels, starting from identification within the Loans & Social Development Directorate, credit risk analysis and integrity due diligence.

The projects are reviewed and approved in a process established to ensure multiple layers of review. Projects/loans are assessed by the Project Appraisal Committee, then by the Development and Project Committee, and finally approved by the Administrative Council.

Each counterparty - borrower, country or broker - is reviewed annually by the Credit Risk Committee. The Office of the Chief Compliance Officer provides a Compliance Risk Assessment for each counterparty.

ENVIRONMENTAL – GRI 300

3-3 Management of material topics (Materials 301 – Energy 302 – Water and Effluents 303 – Biodiversity 304 – Emissions 305 – Waste 306 – Supplier Environmental Assessment 308)

The CEB assesses the environmental impact of the projects it finances. The Bank's management approach to these issues is framed through the relevant applicable policies such as the Environmental and Social Safeguards Policy, the Loan and Project Financing Policy, the Handbook for the Preparation and Implementation of Projects, and the Procurement Guidelines. Taking the examples of *Biodiversity GRI 304* and *Emissions GRI 305*, the paragraphs below provide insights into how the CEB assesses project impacts on environmental issues.

BIODIVERSITY – GRI 304

3-3 Management of material topics (additional information)

Biodiversity is addressed in the CEB's Environmental and Social Safeguards Policy (section 2.5). The policy requires that projects proposed for financing are subject to environmental screening and environmental impact assessment, if applicable, and specifies that the Bank will not finance projects that may cause the loss of critical natural habitats or endangered species.

304-3 Habitats protected or restored

In accordance with its Loan and Project Financing Policy, the CEB may finance projects that aim to protect and develop biodiversity (e.g. ecological corridors).

EMISSIONS – GRI 305

3-3 Management of material topics (additional information)
The issue of project greenhouse gas emissions is addressed in the CEB's Environmental and Social Safeguards Policy (section 2.4). The CEB applies greenhouse gas emission (GHG) screening to all projects proposed for CEB financing to establish a preliminary estimate of the expected GHG emissions from a project and, in the case of mitigation projects, the relative decrease in GHG emissions. The screening methodology distinguishes three levels of CO_2 equivalent emissions:

- High: > 20 000 tonnes CO_2
- Medium: 10 - 20 000 tonnes CO_2
- Low: <10 000 tonnes CO_2

Carbon footprint calculations are made for all projects estimated as "medium" or "high" emission, and for those categorised "low" where sufficient data is available to yield meaningful results. Calculations are based on standard methodologies (e.g. the ADEME's *Bilan Carbone* for buildings) and include estimates of construction-related emissions where feasible. The assessments are carried out by the CEB's Directorate for Technical Assessment & Monitoring.

305-1 Direct (Scope 1) GHG emissions

The Bank's Scope 1 emissions are not project-related and are therefore disclosed under the chapter heading 'Corporate Impacts' in this GRI Index.

305-2 Energy indirect (Scope 2) GHG emissions
305-3 Other indirect (Scope 3) GHG emissions
305-4 GHG emissions intensity
305-5 Reduction of GHG emissions
305-6 Emissions of ozone-depleting substances (ODS) 15
305-7 Nitrogen oxides, sulphur oxides, and other significant air emissions

See the section 'The CEB and Climate Change' in the main body of the Annual Sustainability Report for emission disclosure for projects the CEB finances.

SOCIAL – GRI 400

HUMAN RIGHTS ASSESSMENT – GRI 412

3-3 Management of material topics

Although the CEB has a separate legal identity and full financial independence, as a partial agreement of the Council of Europe, it nevertheless operates under the Council of Europe's *"supreme authority"* (Article I "Establishment of the Bank" of the CEB's Articles of Agreement). The Council of Europe itself was founded to promote freedom of expression and of the media, freedom of assembly, equality, and the protection of minorities.

The Council of Europe is kept regularly informed of the CEB's activities and its Secretary General plays an important role in issuing an opinion on admissibility from a political and social point of view for every project submitted to the CEB's Administrative Council for approval.

In this context, successive Council of Europe Summits, held at the highest political level of Heads of State and Government, have each given new impetus to the CEB's action and contributed to shaping its current identity as the social development bank for Europe. The third of these summits, held in Warsaw in 2005, invited the CEB to contribute in its own way to the development of a free, democratic and socially cohesive European society and concretely resulted in the introduction of human rights safeguards in its Loan and Project Financing Policy and Environmental and Social Safeguards Policy.

Thus, acting within the framework of the Council of Europe, the CEB supports its principles, values and overall objectives. The Bank's approach in terms of social responsibility draws upon the principles enshrined in the Council of Europe's Convention for the Protection of Human Rights and Fundamental Freedoms and European Social Charter.

Within this framework, the CEB considers that the risks associated with incidents of child labour, forced or compulsory labour or violations of the rights of indigenous peoples to be non-applicable in its countries of operation, themselves also members of the Council of Europe and, for a significant number of them, the European Union. Nonetheless, the CEB deploys thorough screening mechanisms and would not knowingly finance projects presenting these risks.

412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening

In accordance with CEB Loan Regulations, which constitute the general conditions governing all the CEB's loans, in the event that the implementation of a project financed by the CEB should lead to any violation of the Convention for the Protection of Human Rights and Fundamental Freedoms or the European Social Charter, the CEB may suspend/cancel undisbursed loan amounts and/or demand early reimbursement of disbursed amounts.

LOCAL COMMUNITIES – GRI 413

3-3 Management of material topics
413-1 Operations with local community engagement, impact assessments and development programs
413-2 Operations with significant actual and potential negative impacts on local communities

Loans to local communities can be made on a direct basis or via on-lending through a financial institution. Given the specificity of the CEB's overarching social mission, the Bank's loans are to be considered for the most part and in more general terms as resulting in tangible "community engagement", since the final beneficiaries of CEB loans are members of local communities in the Bank's member states.

With respect to the issue of potential negative impacts, the CEB's Environmental and Social Safeguards Policy in particular *"requires the Borrower to address Project-related Community Health and Safety matters and Stakeholder Information and Consultation"*.

Over the course of 2021, two complaints with the potential to trigger some negative impacts on local communities were brought to the Bank's attention. One complaint is closed and a reply was provided to the complainant, and the second complaint is ongoing. The Office of the Chief Compliance Officer registers and handles two type of complaints: a) complaints related to potential fraud, corruption, collusion, coercion, bribery and/or procurement related complaints, and b) complaints related to ESG matters brought forward by stakeholders of CEB-financed projects.

The Bank undertakes an assessment of these complaints to facilitate their resolution and closely monitors the projects for which complaints have been received. In 2021, the complaints received concerned projects with various financiers and the CEB's services are in coordination with the other financiers to address them.

PUBLIC POLICY – GRI 415

3-3 Management of material topics
415-1 Political contributions
As an International Organisation, the Bank is not allowed to make political contributions or donations to any party, political or otherwise.

Topic Standards
CORPORATE IMPACTS

ECONOMIC – GRI 200

ECONOMIC PERFORMANCE – GRI 201

3-3 Management of material topics
201-3 Defined benefit plan obligations and other retirement plans

The CEB's Pension Schemes apply to staff members holding indefinite-term or fixed-term appointments and who have a minimum of 10 years of service. The Bank guarantees the payment of a lifetime pension for its retired staff members. The pension entitlement starts as of age 65 – except for those staff members hired prior to 1/1/2014, in which case entitlement can start as of age 60.

In order to ensure the long-term economic performance and sustainability of its pension scheme, the CEB has adopted rigorous and sound assessment mechanisms, which are evaluated by external actuaries and follow international accounting standards (IAS).

An Advisory Pension Committee meets twice a year and may advise on proposals relating to the administration of the pension schemes, such as the interpretation of the pension scheme rules, the assessment of the actuarial equilibrium of the schemes, the actuarial assumption underlying the pension scheme liabilities, and the appointment of the Bank's actuarial adviser.

Both the Advisory Pension Committee and the actuarial assessment provide the necessary checks and balances to ensure the financial soundness and sustainability of the pension schemes.

External auditors also review the methodology and the assumptions used by the CEB's actuaries to obtain the actuarial valuation of the post-employment benefits related to the retirement plan and to the other related post-employment obligations, in line with IAS 19 and the financial information disclosed in the financial statements.

ENVIRONMENTAL – GRI 300

3-3 Management of material topics (Materials 301 – Energy 302 – Water and Effluents 303 – Emissions 305 – Waste 306 – Supplier Environmental Assessment 308)

Since 2017, the CEB has been working with GreenFlex and its "custom-made" GreenFlex IQ platform to obtain a more precise measurement of some environmental indicators (especially energy metrics), and to extend the environmental management approach to new topics: logistics, indirect GHG emissions (life-cycle analysis of goods, e.g. IT equipment), non-physical services, water consumption, etc. As a result, the precision of the carbon footprint has been improved and its perimeter extended.

In 2018, the CEB started building up a more comprehensive Environmental Management System (e.g. responsibilities, timeline, KPIs) to reduce its environmental impact and increase its operating efficiency. In 2019, this was supplemented by the Governor's Environmental Statement, laying out specific areas for improvement and goals.

In 2021, a working group, made up of the CEB's teams for facility management, procurement and corporate responsibility, worked with *GreenFlex*, the sustainability consultant also assisting the Bank with annually evaluating the operational carbon emissions, in actions such as:

- Drafting a sustainable procurement policy and procedures and phasing in sustainable selection criteria where appropriate (led by CEB Procurement)

- Switching to more renewable electricity for the Paris office (led by CEB Facility Management),
- Identifying a suitable carbon offsetting mechanism (led by CEB Corporate Responsibility).

A pilot scheme for carbon offsetting has been set up with TerraTerre, a tender offer has been prepared for procuring more renewable electricity in 2022, and work on a sustainable procurement policy is still ongoing, supported by the University of Zaragoza in Spain (see item 308).

MATERIALS – GRI 301

301-1 Materials used by weight or volume

In 2021, the CEB used 2.25 tonnes of office paper (all FSC quality, either recycled and/or certified sustainable forestry), compared to 3.00 tonnes in 2020, 5.67 tonnes in 2019, 6.62 tonnes in 2018 and 7.25 tonnes in 2017.

At end 2019, the Bank introduced water fountains and phased out the supply of bottled water in meeting rooms.

301-2 Recycled input materials used
301-3 Reclaimed products and their packaging materials

As a non-physical service provider, the CEB is not concerned by this topic.

ENERGY – GRI 302

3-3 Management of material topics (additional information)

The CEB's policy is to strike a balance between minimising its environmental footprint while providing good working conditions to its staff. The CEB is located in a historic building which was not designed according to modern energy efficiency standards. However, the CEB's facility management aims to progressively improve the building's energy efficiency by phased refurbishment and the replacement of energy intensive equipment.

302-1 Energy consumption within the organisation

Energy consumption by type over the period 2017 - 2021

	2017	2018	2019	2020	2021
Electricity* (MWh)	862	788	705	*749*	681
Heating (tonnes of steam)	1 245	1 162	1 094	892	1 261
Cooling (MWh cold)	36.8	33.6	38.7	31.9	40.6
Fuel** (litres)	3 458	4 118	2 934	782	623

** To adapt the footprint to most staff working from home, the electricity consumption of IT equipment (e.g. computers at home) was included in the 2020 assessment for electricity. Assumption: 2/3 of staff working from home.*

*** CEB service vehicles*

302-2 Energy consumption outside of the organisation

The CEB being an organisation located in a single building, energy consumption outside the CEB stems mainly from business travel (see GRI 305).

302-3 Energy intensity

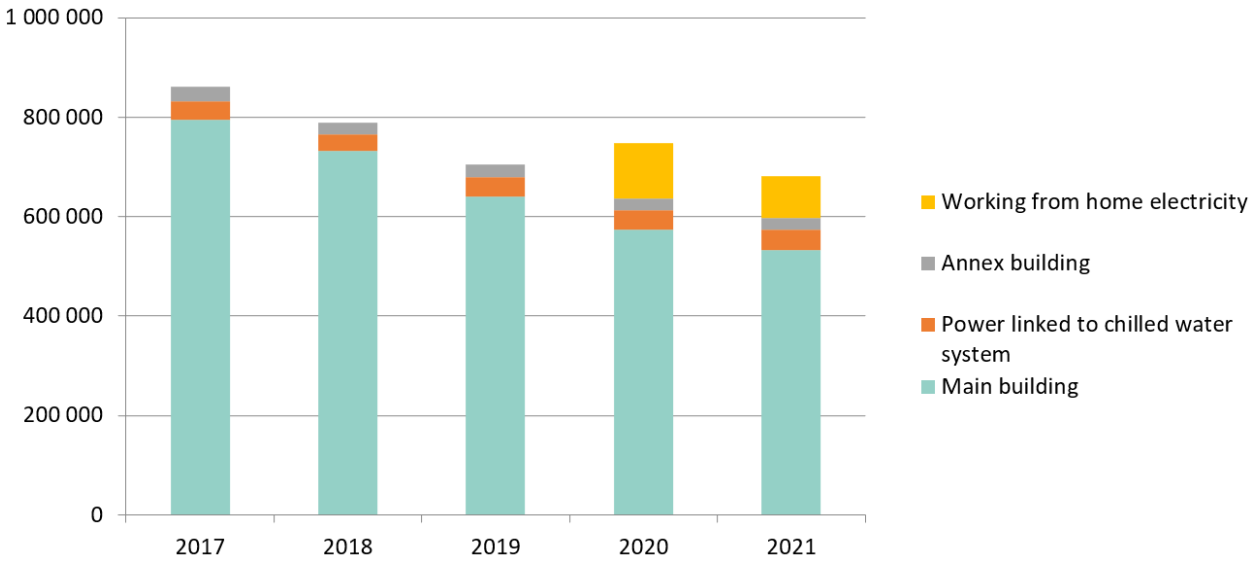
The CEB being a non-physical service provider, the energy intensity ratio is presented per employee (where the number of employees is 213 for 2021), and also per square metre (where the total office space is 7 675 m²). Office space up until 2019: 7 600 m².

To calculate the two energy intensity ratios below, the electricity consumed was taken as a basis (i.e. heating and cooling is excluded). Energy intensity 2017 - 2021:

	2017	2018	2019	2020	2021
Energy intensity (kWh / employee)	4 376	3 826	3 424	3 582	3 198
Energy intensity (kWh / m^2)	113	104	93	98	89

302-4 Reduction of energy consumption

Figure – -21% reduction in energy consumption over the period 2017-2021, electricity (kWh)



To adapt the footprint to most the staff working from home, the electricity consumption of IT equipment (e.g. computers at home) was included in the 2020 & 2021 assessment for electricity. Assumption: 2/3 of staff working from home.

WATER AND EFFLUENTS – GRI 303

303-1 Interactions with water as a shared resource
303-2 Management of water discharge-related impacts

All the water consumed by the CEB comes from municipal water in a closed-loop system, hence there is no water source significantly affected by withdrawal.

303-3 Water withdrawal

The increased water use in 2020 and 2021 was mainly due to COVID-19 sanitary and hygiene measures. Since 2020, the CEB has also been using water dispensers instead of plastic water bottles, which contributes to more water consumption. Municipal water use for 2017 - 2021:

	2017	2018	2019	2020	2021
Municipal water use (m^3)	2 595	2 250	2 250	2 672	3 041

303-4 Water discharge
303-5 Water consumption

Based on public information about the Paris municipal water network, and assuming that about one fifth of the water used by the CEB is consumed:

- Destination of water discharge: municipal water treatment plant

- Quality of water discharges: domestic waste water
- The water discharges are re-used in the municipal water system

	2017	2018	2019	2020	2021
Approximate volume of water discharges (m^3)	2 000	1 800	1 800	2 140	2430

EMISSIONS – GRI 305

3-3 Management of material topics (additional information)

The CEB is committed to improving the reduction in emissions from different sources, such as day-to-day activity, business travel and facilities maintenance.

Working with GreenFlex and using its "custom-made" GreenFlex IQ platform enabled the CEB to obtain a precise measurement of some environmental indicators (especially energy metrics) which feed into the environmental management approach.

As a result, the quality of both the data and the calculation of related GHG emissions has further improved.

The methodology used for assessing GHG emissions follows version 8.6.1 (2020) of Bilan Carbone®, the official French methodology for calculating the GHG emissions of organisations according to the latest international references (GHG Protocol, ISO 14069, Carbon Disclosure Project, etc.).

The *Bilan Carbone* approach used to define the CEB's organisational scope follows the *"operational control"* methodology, meaning that *"emissions from installations operated by the organization are taken into account."*

Further information can be found on the English website of the French Agency for the Environment and Energy Efficiency (ADEME).

The base year for 305-1, 305-2, 305-3 and 305-4 is 2021.

305-1 Direct (Scope 1) GHG emissions

Gross direct (Scope 1) GHG emissions: 1.7 metric tonnes of CO_2 equivalent.
All the CEB's gross direct GHG emissions are associated with the vehicles operated by the CEB.

305-2 Energy indirect (Scope 2) GHG emissions

Gross location-based energy indirect (Scope 2) GHG emissions: 204 tonnes of CO_2 equivalent.
The CEB's gross location-based energy indirect GHG emissions are associated with the electricity consumption (37 tCO_2 eq) and the municipal heating and cooling systems (167 tCO_2 eq).

305-3 Other indirect (Scope 3) GHG emissions

Gross other indirect (Scope 3) GHG emissions: 249 tonnes of CO_2 equivalent.
The CEB's gross other indirect GHG emissions are mainly associated with the goods and services bought and used by the organisation, business travel, employee commuting and IT equipment.

The CEB's office building assets are not taken into account, as the building dates back to the 19th century. The amortisation period is therefore long past.

305-4 GHG emissions intensity

As the CEB is a non-physical service provider, the GHG emissions intensity ratio is presented per employee (where the number of employees is 213). All types of GHG emissions are included (i.e. scopes 1, 2 and 3).
The 2021 GHG emissions intensity ratio for the organisation stands at 2.1 tonnes CO_2eq/employee, based on the *Bilan Carbone* methodology (2020: 1.6 tonnes CO_2eq/employee, 2019: *4.3*).

305-5 Reduction of GHG emissions

Table - Annual GHG emissions by scope in tCO_2e *(rounded figures)*

Scope	GHG sources	2017*	2018	2019	2020	2021
Scope 1	Own service vehicles	10	12	8	2	2
Scope 2	Heating & cooling	187	175	145	118	167
	Electricity consumption	65	59	40	*41***	37
Scope 3	Business travel, incl. taxi	507	561	466	61	110
	Home-to-work commuting	76	84	80	28***	23
	Paper & consumables	88	92	88	65	86
	Waste & water disposal	7	7	*55*	*20****	23
	IT equipment	-	5	5	8	8

* *Since 2017, a new methodology has been used to calculate GHG emissions. For more information, see the CEB's CSR Report 2017, page 29.*

** *To adapt the footprint to most of the staff working from home, the electricity consumption of IT equipment (e.g. computers at home) was included in the 2020 & 2021 assessment for electricity.*

*** *The emissions were calculated from estimated values based on office occupation. The occupation was estimated at 1/3 of its maximum capacity.*

WASTE – GRI 306

306-1 Waste generation and significant waste-related impacts
306-2 Management of significant waste-related impacts

As a service sector company, the CEB mainly generates office related waste and manages it with the aim to recycle as much as feasible. At end 2019, an improved waste recycling scheme was introduced at the CEB's premises, enabling staff to sort paper, plastic and cans, batteries and light bulbs, coffee capsules and other 'non-recyclable' waste (60 bins installed). By the start of 2020, the scheme was fully operational, and later in the year new vending machines were introduced in the cafeteria that offer snack and lunch options in re-usable glass containers, instead of paper and plastic wrapping.

306-3 Waste generated
306-5 Waste directed to disposal

Total weight of non-hazardous waste: municipal waste of 53 tonnes, with any disposal methods except re-use, recycling and composting (2020: 52 tonnes, 2019: 149 tonnes, 2018: 145 tonnes, 2017: 143 tonnes).

306-4 Waste diverted from disposal

In 2021, the waste streams captured and recycled with the help of a socially responsible enterprise, Le Petit Plus, were the following:

In Kg	2020	2021
Paper and paperboard	357	892
Plastic bottles and cups	230	202
Coffee capsules	44	211
Glass	28	220
Batteries	-	10
Light bulbs	-	8

SUPPLIER ENVIRONMENTAL ASSESSMENT – GRI 308

3-3 Management of material topics

The organisation's supply chain for its own operational needs is governed by the Guidelines on the Internal Procurement of Services, Supplies and Works by the CEB. The related Internal Procurement Procedures were updated in 2017.

In addition to this, the Environmental and Social Safeguards Policy which is complemented by the Environmental Statement of 26 July 2019, underlines the importance of enhancing environmental and social considerations in procurement decisions for the Bank's own operational needs.

In 2020, a working group made up of the CEB's teams for procurement, facility management, and corporate responsibility started a project with *GreenFlex*, the sustainability consultant also assisting the Bank with annually evaluating the operational carbon emissions, in order to support the CEB in drafting a sustainable procurement policy and phasing in sustainable selection criteria where appropriate. This led to more work for 2022 which is supported by the University of Zaragoza in Spain. For more information, see the main body of the Sustainability Report.

308-2 Negative environmental impacts in the supply chain and actions taken

As a non-physical service provider, the CEB's 'negative impact' from its supply chain, as explained above, is mainly limited to its energy consumption, travel, paper and office materials bought, and waste produced.

For the actions taken on these items in the course of 2021, see the main body of the 2021 Sustainability Report.

SOCIAL – GRI 400

EMPLOYMENT – GRI 401

3-3 Management of material topics

The Bank supports measures that help maintain and develop its staff members. When staff members join the CEB, they are immediately considered as part of their teams and benefit from the same resources in terms of training and guidance on their development needs as any other staff member, regardless of their contract type or grade. In 2021, the CEB continued to rely on its staff members' high level of expertise, with an average age of 49 years, and an average tenure of 12 years (11 years for men and 13 years for women).

The CEB also seeks to attract talented people through a recruitment process and procedures which provide clarity, dialogue, transparency, contractual clarification and flexibility. The recruitment process at the Bank follows different steps including preliminary selection, assessment, and interviews. Newly hired staff members also participate in an induction session to help them integrate the Bank smoothly and meet their peers.

401-1 New employee hires and employee turnover

The Bank has set a moderate key performance target of at least 5% staff turnover. Turnover depends both on movements that can be anticipated (retirement due to eligible age, filling of vacant roles due to non-renewals, etc) and those that cannot (resignations and unexpected difficulties in filling a gap, for instance). Given the CEB's relatively modest staff body, the turnover rate naturally fluctuates from one year to the next. Turnover is defined as the total number of Bank staff leaving the organisation in a given financial year divided by the total population in the same year. The CEB's low turnover is rather similar to that of other international organisations with similar contractual policies:

Total employee turnover	-	3.79%	5 men, 3 women
Reason for departure	Retirement	0.94%	1 man, 1 woman
	Early departure / Mutual agreement	0.47%	1 man
	End of contract	1.41%	2 men, 1 woman
	Resignation	0.94%	1 man, 1 woman

Any national of one of the Bank's member states may apply for employment. Nationals of countries that have joined since 1994 are particularly encouraged to apply. In 2021, women accounted for 59% of the appointments – the percentage has been constantly increasing for the past five years, including amongst A-grades and for roles at A4 and above. A total of 17 appointments represented 11 different nationalities, including some of the less represented countries such as Bulgaria and the Republic of Moldova. Out of the 17 appointments 12 were externally hired (58% women and 42% men) and comprised 9 professional staff (67% women and 33% men) and 3 support staff (33% women and 67% men). Out of the 5 internally hired staff, 2 were hired at managerial level (50% women and 50% men) and 3 were hired at professional level (67% women and 33% men). This is aligned with the CEB's Gender Diversity Strategy of increasing female representation at A4 level and above and to increase male representation amongst support staff. Out of the 8 staff departures, 2 were managerial staff (100% men), 2 were professional staff (100% men) and 4 were support staff (100% women).

401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

Part-time staff members receive the same benefits as full-time staff members.

Staff members on temporary contracts are not eligible for all the benefits received by staff members, such as bonuses, basic family allowance, education allowance, expatriation allowance (although temporary staff members are eligible for a residence allowance).

401-3 Parental leave

The table below summarises 2021 data for parental leave by a total number of women and men.

	Women	Men
Employees entitled to parental leave	2	6
Employees taking parental leave	2	6
Employees returning to work in the reporting period after parental leave ended	2	6
Employees returning to work after parental leave ended that were still employed 12 months after their return to work	2	6
Return to work & retention rate of employees that took parental leave	100%	100%

LABOUR/MANAGEMENT RELATIONS – GRI 402

3-3 Management of material topics

Based on the CEB's legal status as an international finance institution with its privileges and immunities, neither the host country's labour laws nor its other member countries' labour laws apply to its staff members. The Articles of Agreement (Article XI, section 1, d.) provide that *"[t]he Council of Europe Staff Regulations shall be applicable to the staff of the Bank in any matter not covered by a specific decision of the Administrative Council."* In other words, the Staff Regulations of the Council of Europe, as modified from time to time, automatically apply to the staff members of the Bank, except if the Administrative Council (AC) has adopted a specific decision in order for the Bank to have its own applicable provision(s) in a given area. In some instances, the Bank has its own needs due to its activity and size. If there is such a need, the Governor will submit a proposal to the AC in the form of a Resolution for adoption. Once the Bank has adopted its own provision(s), any further modification in this area also needs to be approved by the AC.

As further outlined below, the CEB provides its staff members with a comprehensive internal justice system to resolve and provide redress for staff issues and grievances using informal and formal mechanisms.

CEB staff members may also turn to different committees in which they can express themselves and contribute to labour and management relations.

The **Staff Committee**, elected every two years, with 7 members which represent the general interests of the staff members and contribute to the smooth running of the CEB by providing the staff with a channel for the expression of their opinions. It may also defend the general interests of retired staff members and other beneficiaries of the Pension Scheme. For more information, see item 2-30.

The **General Meeting of Staff** is the organ in which all staff members may express their opinions on their terms of employment and working conditions and pensioners on the conditions concerning them. Every staff member has the right to take part in the General Meeting as a member and has the right to express themselves there. The General Meeting is convened at least once a year in an ordinary meeting and, when needed, in an extraordinary meeting.

The **Health and Safety Committee's** task is to advise the Governor on ways of protecting the health and safety of persons on CEB premises, of analysing and improving working conditions and ensuring that the relevant rules are complied with. Representatives of the Staff Committee are part of the Health and Safety Committee to ensure that staff member's general interests and opinions are considered. For more information, see item 403-7.

The **Board for Disabled Dependent Child or Parent Allowance** assesses the nature and the degree of the disability of dependent child or parent and transmits to the Governor their opinion as to the possible granting of the allowance for disabled child, the supplement for disabled or severely disabled child, or the supplement for disabled and dependent parent.

The **Advisory Pension Committee** issues, at the request of the Governor, recommendations, proposals and advice relating to the administration of the pension schemes. For more information, see item 201-3.

402-1 Minimum notice periods regarding operational changes

There is no system of collective bargaining agreements and, as stated above, the staff members' employment-related issues are governed by the Staff Regulations and their implementing rules.

For termination notices, reference is made to Articles 17 and 23 of the Staff Regulations, and to Articles 11 and 14 of Appendix II to the Staff Regulations. As to operational changes, particular reference is made to the abolition of posts (Article 23.b.i) and internal transfers and secondments (Article 5 of Appendix II to the Staff Regulations).

OCCUPATIONAL HEALTH AND SAFETY – GRI 403

3-3 Management of material topics

In 2021, the Bank strengthened its occupational health and safety management, particularly through the assessment of professional risks. The Single Risk Assessment Document (*DUER*[3]) is a tool which enables all occupational health and safety risks to be identified and acted upon.

It focuses on the risks likely to be encountered by staff, depending on their work environment and activity. This assessment follows the obligation for the employer to ensure the health and safety of the workers, the principle of preventing occupational risks, and the obligation to evaluate H&S risks.
This regular risk assessment, powered by the *AMADEO* platform, includes:

- The identification of risks and their classification: probability of occurrence, severity, frequency, number of employees concerned
- Proposals for preventive action

This document is updated annually, with the assistance of the Health and Safety Committee and the expertise of *Bureau Veritas,* an external consultant.

[3] This French acronym stands for *Document Unique d'Évaluation des Risques*.

403-1 Occupational health and safety management system

The CEB continues to develop initiatives that provide its staff members with a safe and healthy working environment.

Not only are working conditions taken into account, but staff well-being is also included in many communication actions and management training sessions. For many years now, the Bank has trained volunteer staff members to participate in the first aid programme and in the business continuity plan. A total of 18% of staff members are therefore trained in emergency first aid measures and fire safety. In addition, the CEB's travel management programme provides staff members who travel for professional reasons with travel management systems and services. The CEB offers its staff 24hour/7day services from *International SOS* in order to provide safety information and assistance in case of an emergency situation during travel.

The CEB also offers its staff flexible working hours through regular or occasional teleworking. Occasional teleworking: not exceeding 20 working days per calendar year. Regular teleworking: not exceeding 1 day per week and/or 5 days per month. Before the pandemic, 18% of staff had obtained a regular teleworking agreement, limited to one day per week, and about half of the staff had occasionally worked from home, for an average of 4.7 days per year. This drastically changed with the first lockdown in France in March 2020, when suddenly all staff were working from home 5 days per week. It should be noted that 83% of women and 87% of men agreed or strongly agreed that during the pandemic, their immediate manager had given them the flexibility they needed to carry out their work without compromising their personal life. Furthermore, all staff were offered a workshop and individual advice on home office ergonomics, and a stress management webinar. Teleworking guidelines were shared with staff to help them in setting up good practices while maintaining their physical and mental wellbeing.

Furthermore, staff members have the opportunity to maintain physical fitness through regular sports practice in the Bank's on-site sports facilities, thereby creating a pleasant atmosphere through informal get-togethers, all of which has a positive influence on the Bank's social climate. Every year since 2009, half of the Bank's staff members have taken advantage of these facilities available at the CEB. However, during the health crisis of 2020 and 2021 access to the sports facilities became more restrictive.

403-2 Hazard identification, risk assessment, and incident investigation
403-3 Occupational health services
403-4 Worker participation, consultation, and communication on occupational health and safety
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

The Health and Safety Committee is composed of:

- A chair, appointed annually by the Governor
    - The Head of the Human Resources Division or his/her representative
    - The Head of the Facility Management & Security Division or his/her representative
    - The Head of the Operational Risks Division or his/ her representative
    - Two representatives appointed by the Staff Committee or their substitutes
    - The CEB's Medical Officer

The Health and Safety Committee may, with the Governor's consent, consult any qualified person within or outside the CEB. The CEB provides services such as external psychological support via the Bank's medical insurance and consultations, upon request, with the CEB's medical doctor. Staff members are invited to undergo an occupational health check up every other year.

403-5 Worker training on occupational health and safety
403-6 Promotion of worker health
403-8 Workers covered by an occupational health and safety management system
Please see the main body of the Report and 3-3 above for item 403.

403-9 Work-related injuries
403-10 Work-related ill health

Staff members may be on uncertified leave for health reasons for up to 4 days per year. They may also benefit from 6 days per child to take care of their children under the age of 16 (subject to medical certificates under certain conditions). The total period of absence for health reasons cannot exceed 36 months (or until stabilisation of the staff member's state of health in the case of a work accident or occupational disease). Staff members may also be granted additional days in the case of serious illness of their spouse/ partner, children and parents (up to 3 days per year for each case).

The Bank monitors its absenteeism rate on quarterly and annual bases through its key performance indicators.

As at 31 December 2021, the rate of short-term absenteeism stood at an average of 4.27 days per staff member per year for short-term illnesses.

Only 1.5% of staff were on long-term illness, which is below the 5% key performance indicator.

Table - Accident frequency rate

2019	2020	2021
1 accident * 200 000 / 206 staff * 37.5h * 50 weeks = 0.518	5 accidents * 200 000 / 209 staff * 37.5h * 50 weeks = 2.552	1 accident * 200 000 / 213 staff * 37.5h * 50 weeks = 0.500

TRAINING AND EDUCATION – GRI 404

3-3 Management of material topics

Staff members have access to training in four broad areas of skills: language, technical, information technology (IT) and core competencies (soft skills). These actions not only enhance staff skills, but also help contribute to the development of both the Bank's internal values and its management culture, in line with current best practices. The development tool contributes to the identification of needed skills. Staff training and development are part of good management practices and provide a basis for mobility.

404-1 Average hours of training per year per employee

In 2021, on average, staff members spent 3 days in training, with 3.2 days for women and 2.9 days for men. At managerial and professional levels (grade A level), staff members spent on average 3 days in training (1.3 days for women and 1.4 days for men). The average was the same for support level staff (grade B and C levels) (2.4 days for women and 0.6 days for men). All training is fully accessible for both part-time and full-time staff alike. For more information, see the main body of the Sustainability Report.

404-2 Programs upgrading employee skills and transition assistance programmes

Constant changes in the outside environment impact each and every organisation: there is therefore a need for adjusted training and development to help the workforce remain competitive and respond quickly to these changes. The CEB has organised an increasing amount of in-house inter-disciplinary team training in technical and communication areas, thereby enhancing knowledge transfer and team cooperation. Staff members' training and development are fundamental to keeping the workforce engaged and ready to face future challenges. In 2021, 78% of staff participated in training, whether language, technical, core competencies (soft skills) or compliance. 49% of training participants followed core competency training, while 13% followed language training, 4% followed technical training and 34% followed compliance training. A slightly higher percentage of women (56%) than men (44%) participated in training, which corresponds to the overall gender balance in total staff. For B- and C-grade staff, 76% of participants were women and 24% men, which is aligned with the gender representation at these levels. The CEB also offers its staff members the opportunity to follow a speciality certification programme enabling them to reinforce their knowledge or acquire life-long education certificates.

The CEB aims to keep its staff employable and flexible through targeted staff development. The appraisal system, which includes both performance and career development reviews, enables the Human Resources teams to move towards a more strategic partnership with both managers and staff by keeping abreast of needed skillsets, identifying job bridges and building better customised and more efficient training paths. During the development review, the technical and behavioural competencies of staff members are assessed by the managers. For more information, see the main body of the Sustainability Report.

404-3 Percentage of employees receiving regular performance and career development reviews

All staff members undergo both an annual performance review and a career development review. The review cycle is aligned to the calendar year and is the Bank's way to promote an open feedback culture. Staff members in their probationary period must undergo more frequent performance reviews. For every staff member, up to 5 annual goals are mutually agreed upon by staff and line manager. The performance assessment is done on a five-part scale from 'unsatisfactory' to 'exceptional'. The assessment is also linked to the bonus. See also item *404-2* on how the performance review is linked to training.

DIVERSITY AND EQUAL OPPORTUNITY – GRI 405

3-3 Management of material topics

The Bank's increasing activities underscore the enduring objectives of HR management at the Bank: (i) to attract and retain staff of the highest quality with a diversity of gender and nationalities, and appropriate skills, experience, and career preferences; and (ii) to manage staff efficiently, in an environment that rewards excellence, fosters teamwork and promotes diversity, inclusion and fairness.

The Staff Regulations establish the principle of non-discrimination in various domains. In effect, the concept of diversity covers a wide variety of individual and cultural characteristics linked to age, sexual orientation, racial, ethnic or social origin, colour, nationality, handicap, marital or parental status, gender, as well as political, philosophical and religious opinions. All these components are naturally important, but the main focus generally retained by international organisations is on gender and national diversity.

a. Gender: In the event of equal merit between a woman and a man, both of whom are candidates in an external recruitment or internal competition procedure, preference shall be given to the candidate of the gender which is under-represented in the grade and category to which the vacancy belongs. One gender is under-represented in relation to the other when the proportion of staff of that gender in the grade and category to which the vacancy belongs is below 40 percent. Although women are generally well represented at the Bank, efforts are undertaken to enhance the representation of women at senior levels and in management positions.

b. National diversity: Since the Bank's objective is to recruit its staff from the widest possible geographical base (assuming the requirement for high standards of efficiency and technical competency are met), the benchmark for an equitable breakdown of nationalities across the workforce could be set according to the share of the capital subscribed by each member state.

405-1 Diversity of governance bodies and employees

While the concept of "diversity" covers a wide variety of individual and cultural characteristics, the CEB's main areas of focus, as is generally the case with other international organisations, are on national diversity and gender.

At 31 December 2021, 32 of the CEB's 42 member countries were represented among the 213 staff members. In terms of gender, as at 31 December 2021, the CEB had four women (36%) on its Management team.

The Bank's workforce is made up of 213 staff members (54% women and 46% men). Of the 213 staff members, 149 are professional staff (46% women and 54% men) and 64 are support staff (72% women and 28% men).

Table - Geographical breakdown per employee / staff nationality

Staff nationality	Women	Men	Total	Share in workforce
Albania	1	1	2	0.9%
Belgium	4	5	9	4.2%
Bosnia and Herzegovina		2	2	0.9%
Bulgaria	1	1	2	0.9%
Croatia	1	1	2	0.9%
Cyprus		1	1	0.5%
Estonia	1		1	0.5%
Finland	2		2	0.9%
France	35	35	70	32.9%
Germany	5	11	16	7.5%
Greece	2	4	6	2.8%
Hungary	1	2	3	1.4%
Ireland	4	4	8	3.8%
Kosovo	1		1	0.5%
Italy	14	11	25	11.7%
Latvia	2		2	0.9%

Staff nationality	Women	Men	Total	Share in workforce
Lithuania	2		2	0.9%
Malta	1		1	0.5%
Republic of Moldova		1	1	0.5%
Montenegro	1		1	0.5%
The Netherlands		2	2	0.9%
North Macedonia	3		3	1.4%
Norway		2	2	0.9%
Poland	1	2	3	1.4%
Portugal	1	2	3	1.4%
Romania	11	2	13	6.1%
Serbia	5	1	6	2.8%
Slovak Republic	2	1	3	1.4%
Spain	5	5	10	4.7%
Sweden	2	1	3	1.4%
Switzerland	1	1	2	0.9%
Turkey	6		6	2.8%
TOTAL	**115**	**98**	**213**	**100%**

Each country is also represented on the Governing Board and on the Administrative Council. The Administrative Council and the Governing Board are both currently chaired by women.

Table - Governing Board composition including the Chairperson, as at 18 January 2022

Gender		Professional background				
Men	Women	Ambassador / Permanent Representative to the Council of Europe	Deputy Representative to the Council of Europe	Special envoy (Holy See)	Consul General	Ministry of Finance
30	12	38	1	1	1	1

Pending nomination: 1

Table - Administrative Council composition including the Chairperson, as at 18 January 2022

Gender		Professional background			
Men	Women	Ministry of Finance	Ministry of Foreign Affairs	Ministry of Economy	Other
26	14	29	3	4	6

Pending nominations: 3

For further details on Board and Council members, see here.

405-2 Ratio of basic salary and remuneration of women to men

Table – Monthly average and median pay of each gender grouping within each employee category in €

		Management*	Professional**	Support***
Average	Women	14 082	8 629	5 611
	Men	14 865	9 191	5 285
Median	Women	14 621	8 502	5 749
	Men	14 923	8 956	5 269

** Group 1 A5-A7, ** Group 2 A1-A5 & Group 3 A1-A2, ***Group 3 B5-B6, Group IV B1-B6 & Group V C1-C6*

The complete CEB salary scale is accessible online.

NON-DISCRIMINATION – GRI 406

3-3 Management of material topics

The Staff Regulations establish the principle of non-discrimination and prohibits the show of any illicit discrimination based on age, sexual orientation, racial, ethnic or social origin, colour, nationality, handicap, marital or parental status, gender, as well as political, philosophical and religious opinions.

The principles of respect for diversity and non-tolerance of discrimination are also enshrined in the Codes of Conduct. Furthermore, the CEB has a protection of dignity at work policy.

406-1 Incidents of discrimination and corrective actions taken

No incident of discrimination filed.

Notes



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