Corporate Social Responsibility Report



CEB

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

Message from the Governor



"The CEB, the social development bank in Europe, gives the highest priority to enhancing its contribution to socially and environmentally sustainable development."

Corporate social responsibility (CSR) is at the heart of the Council of Europe Development Bank's (CEB) objectives, strategy and policies. For that reason, the CEB, the social development bank in Europe, gives the highest priority to enhancing its contribution to socially and environmentally sustainable development.

This fourth report on corporate social responsibility provides a comprehensive account of the implementation of CSR's core principles. It embodies the Bank's commitment to transparency and disclosure of its activities.

As an independent Institution closely linked to the Council of Europe, the CEB considers CSR to be part of its core mandate and values; all its investments are evaluated against and chosen for their positive environmental and social impact. To this end, the CEB has developed over the years a unique expertise in increasing the social value of its operations.

Even though the economic, financial and social context remained difficult in 2011, the Bank's results continued to be robust and in line with the objectives set in the 2010-2014 Development Plan: 34 projects totalling € 2.11 billion were approved and the stock of projects reached € 5.27 billion, of which two-thirds were in favour of the target group countries of Central, Eastern and South-Eastern Europe. This progressive redeployment of the CEB's activity towards the most vulnerable populations and regions attests to its resolutely social vocation.

The past year was also important for the CEB thanks to its sixth capital increase, which became effective on 31 December 2011. This substantial rise in subscribed capital from € 3.3 billion to € 5 billion represents an unparalleled opportunity for the CEB to extend its contribution to social development in Europe while preserving its financial soundness.

Since publication of the third Corporate Responsibility Report last year, the CEB has launched and/or completed several key projects, such as: a carbon footprint follow-up study, an energy efficiency audit, the revision of its Procurement Guidelines and the organization of a seminar on control and evaluation systems for the Bank's organs.

The quality of the CEB's work, its efficiency and its capacity to address the needs of its Member States are largely determined by the ways in which its human capital is managed. The Bank has accordingly undertaken internal reforms to improve its staff motivation and engagement. These initiatives include a job classification exercise, a staff survey and the recruitment of a mediator.

It is my hope that this report will enable both the CEB's stakeholders and a wider public to better understand, assess and appreciate the Bank's action in support of sustainable social development.

Paris, 27 April 2012



Rolf Wenzel



Key data as at 31 December 2011

34 projects approved:
€ 2 110 million

Strengthening social integration:
50.3%

Managing the environment:
28.5%

Supporting public infrastructure with a social vocation:
21.2%

Strengthening social integration:
56.6%

Managing the environment:
21.8%

Supporting public infrastructure with a social vocation:
21.6%

Loans disbursed:
€ 1 855 million

In favour of target countries(*)

(*): 21 CEB member countries of Central, Eastern and South Eastern Europe

Loans disbursed:
€ 1 105 million

Projects approved:
€ 1 290 million

AAA credit rating

Moody's (Aaa, outlook stable, 8 September 2011)
Standard & Poor's (AAA, outlook negative, 19 January 2012)
Fitch Ratings (AAA, on rating watch negative, 19 December 2011)

First Partial Agreement of the Council of Europe, signed on 16 April 1956

40
Member States

Equity:
€ 2 111 million

Loans outstanding:
€ 12 075 million

Own funds:
€ 6 509 million

Total assets:
€ 26 083 million

Net profit:
€ 106.4 million

Selective Trust Account

Social dividends cumulated since the STA's inception:
€ 105.4 million

Balance available (after allocation of profit):
€ 31.7 million

Energy consumption
Electricity: 964 MWh
Heating: 641 MWh

Business travel:
2 377 633 km
744 t. eq. CO_2

Paper consumption:
11 tonnes

175 staff members and appointed officials

27 nationalities

53% female
47% male

The CEB and Corporate Social Responsibility

The CEB's "corporate social responsibility" encompasses the Bank's overall contribution to socially and environmentally sustainable development.

The report in brief

Like the previous reports, this Corporate Social Responsibility Report (CSR) is organised into **three main sections**, each of which dealing with a specific aspect of the CEB's contribution to sustainable development. It thus successively presents the specific nature of a multilateral financial institution with a social vocation such as the CEB ("Part I – The CEB: the social development bank in Europe"), the way the Bank develops its projects/loans activity ("Part 2 – Socially Responsible Financing") and its operational approach ("Part 3 – Sustainable Management of the Institution").



The same **underlying principles** used to produce the prior CSR reports have also been applied in producing the present one, intended to be accessible to all. Firstly, the document draws primarily on information already in the public domain. Secondly, particular attention is given to: (i) drawing comparison with the practices and standards currently in force, by considering the equivalent reports published by other IFIs, (ii) reflecting the CEB's specific characteristics (mandate, resources, operating method, etc.) and (iii) ensuring coherence between the internal (operational) and external (funding activities) aspects of CSR.

In addition, the CSR Report aims at **complementing** the information contained in the **Annual Report** entitled "Report of the Governor" by placing the Bank's action in a sustainability perspective and by endeavouring to quantify the progress made from one year to another. Emphasis is thus placed on the most significant changes recorded since the publication of the previous report.

At the same time, the document has continued to evolve. While deliberately shortened in order to enhance readability, this CSR Report has also been made more interactive by providing direct links - shaded and in colour in the text - to the relevant pages and documents of the Bank's website.

For the first time, this Report incorporates the **Global Reporting Initiative (GRI) framework,** the most widely used sustainability reporting framework, as guidance. Based on its own assessment, the CEB strives to report on as many indicators as possible while concentrating on the core indicators relevant to its operation.

Corporate Social Responsibility at the CEB

Beyond this Report, which itself represents an additional step towards sustainable development, corporate responsibility remains just as much **a day-to-day challenge** as a long-term perspective for the CEB, and much remains to be done to better root its action within this horizon.

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Major events (since publication of the previous report)



The CEB can rely on its unique social mandate for its actions in favour of socially and environmentally sustainable development.

- ✓ **Changes in leadership**: A new Governor (CEO), new Chairpersons of the Collegial Organs, a new Vice-Governor for Target Group Countries

- ✓ **Financial soundness**: Implementation of the sixth capital increase

- ✓ **Partnerships**: Renewal of the framework cooperation agreements with the UNDP and UNICEF; signing of a Memorandum of Understanding with the Asian Development Bank

- ✓ **Good practices**: Organisation of an ad hoc seminar on the CEB's control and evaluation systems; review of the CEB's prudential framework by the *Banque de France* acting in an advisory capacity



The CEB: the social development bank in Europe

I A NATURALLY SOCIAL EUROPEAN BANK

A multilateral development bank with a unique social vocation

The CEB's social mission

The Council of Europe Development Bank (CEB) was established in 1956 in order to bring solutions to the problems of refugees. It has since then adapted to changes in social priorities in order to better **contribute to strengthening social cohesion in Europe**.

The CEB represents a major instrument of solidarity policy in Europe, helping its **40 Member States** (see page 13) achieve sustainable and equitable growth: it participates in the financing of social projects, responds to emergency situations and thus contributes to improving the living conditions of the less advantaged populations. The Bank takes action essentially by granting loans, but can also provide guarantees and have recourse to trust accounts.

The Bank contributes to the implementation of socially oriented investment projects through **three sectoral lines of action**:
- strengthening social integration
- managing the environment
- supporting public infrastructure with a social vocation.

The Institution can undertake action in favour of any of its Member States, given that social and territorial divisions are found in all countries, even the wealthiest. Within this framework, the Bank gives priority to action in favour of the **21 countries of Central, Eastern and South Eastern Europe that represent its "target group"** (see page 13).

As a financial instrument of European solidarity, the CEB exercises a powerful leveraging effect in the service of its social mission. With a subscribed capital of € 5 billion (after the entry into force of the sixth capital increase on 31 December 2011 - see box on page 11), the Bank has been able to disburse over € 30 billion in loans since its inception.





Interaction with the Council of Europe

Formed under a Partial Agreement of Member States of the Council of Europe the CEB is **subject to the Council's supreme authority**. However, **the CEB has a separate legal identity and full financial independence**, essential conditions for operating as a fully-fledged bank.

Acting within the framework of the Council of Europe, the CEB supports its objectives. Successive **Council of Europe Summits**, held at the highest political level of Heads of State and Government, have each given new impulse to the Bank's action and contributed to shaping its current identity: the social development bank in Europe. The third and last 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.

The Council of Europe is kept regularly informed of the Bank's activities and its Secretary General plays an important role as he issues an opinion on admissibility from a political and social point of view for every project submitted to the Bank's Administrative Council. In all, relations with the Council of Europe are at the very core of the CEB's identity and, in some ways, they constitute the Bank's distinctive "brand" within the community of international financial institutions.

The Council of Europe: Human Rights, Democracy and Rule of Law

A concrete example of this special relationship is the CEB's focus on Human Rights, inspired by the conclusion of the Third Summit of Heads of State and Government of the Council of Europe. In line with a specific Action Plan approved during this Summit, the CEB's Loan Regulations, which form an integral part of the CEB's **Policy for Loan and Project Financing**, were revised in 2006 in order to provide that projects "must be in conformity with the provisions contained in the Convention for the Protection of Human Rights and Fundamental Freedoms and the European Social Charter". In addition, the CEB's **Environmental Policy**, adopted in 2010, consistently provides that "the CEB will not knowingly finance projects which are identified as undermining human rights" protected in the above treaties.

Within this cooperation framework, special mention must be made of the Human Rights Trust Fund, set up in 2008 by the CEB, Norway and the Council of Europe to provide support for the efforts of the Members States in implementing the Convention on Human Rights and other Council of Europe instruments.

Since the publication of the last CSR report, the Council of Europe and the Bank have carried out several projects together, including in particular in-depth cooperation on the issue of refugees. In September 2011, the CEB participated in the Council of Europe's seminar on possible large scale movement of asylum-seekers and migrants from the South Mediterranean and Middle East and in November 2011 presented its actions in favour of these particularly vulnerable populations to the Committee on Migration, Refugees and Displaced Persons of the Parliamentary Assembly of the Council of Europe.

Governance of the Institution

Good governance is a key element in the effective running of a multilateral development bank such as the CEB. Its governance system is provided by the Articles of Agreement. According to Article VIII of the Articles of Agreement, the organisation, administration and supervision of the Bank is divided between the following Organs: the Governing Board, the Administrative Council, the Governor and the Auditing Board.

The Organs' secretariat is provided by the "Secretariat of the Partial Agreement on the Council of Europe Development Bank", located in Strasbourg.

It ought to be noted that the period since the publication of the last report on CSR saw the first implementations of the governance improvements adopted within the framework of the Strategic Review. Indeed, the reform of the CEB's Articles of Agreement introduced two new specific measures: the abolition of the Executive Committee and the modification of the selecting and appointing process of the Vice-Governors.

The four Organs of governance

As the Institution's "Supreme Organ", the **Governing Board** determines the Bank's general orientations, establishes the conditions for the adhesion of other countries, appoints the Governor, decides on capital increases, and approves the Bank's annual report, accounts and general balance sheet.

The **Administrative Council** exercises all the powers delegated to it by the Governing Board, designs and supervises operational policies, approves the investment projects submitted by Governments, and votes on the Bank's operating budget.

The **Governor** is the Bank's legal representative. He is the head of the Bank's operational services and conducts the day-to-day business on the instructions of the Administrative Council. On 18 December 2011, Mr Rolf Wenzel took office as Governor of the CEB for a five-year term, thus replacing Mr Raphaël Alomar in this post.

CEB's leadership as at 2 May 2012

Collegial Organs
Mr Raphaël Alomar, Chairman of the Governing Board
Mr Ambassador Joseph Licari, Chairman of the Administrative Council

Elected Management
Mr Rolf Wenzel, Governor
Mr Nunzio Guglielmino, Vice-Governor
Mr Apolonio Ruiz-Ligero, Vice-Governor
Mr Mikolaj Dowgielewicz, Vice-Governor *

* Mr Mikolaj Dowgielewicz was elected Vice-Governor for Target Group Countries on 30 March 2012, his five-year term starting from 2 May 2012.

He conducts the Bank's financial policy, in compliance with the directives of the Administrative Council and represents the Bank in all its transactions. The Governor is currently assisted by three Vice-Governors.

The **Auditing Board** consists of three members appointed by the Governing Board. In particular, it is responsible for verifying the annual accounts after they have been examined by the External Audit. The powers of the Auditing Board are described in Article XII of the Articles of Agreement.

Management principles

Within the CEB, the Articles of Agreement confer decision-making powers for day-to-day conduct and operation solely on the Governor, who is accountable to the Collegial Organs. He does this in his threefold capacity as a separate "organ" himself, as the "legal representative of the Bank", the "head of operational services" and the person "responsible for the organisation of the operational services" under the "general supervision of the Administrative Council".

In accordance with the principles of good governance, the Governor strives to create the conditions for effective decision-making based on the establishment of rules for delegating to the Vice-Governors and on collegiality through the internal Committees (listed opposite).

Collegiality is primarily provided by the internal committees, which cover all aspects of the Bank's activities. The aim of collegiality is to ensure transparency and understanding of the decision-making process, to facilitate the proper application of decisions taken with full knowledge of the facts and to create a united management team to serve the Institution's general interests.

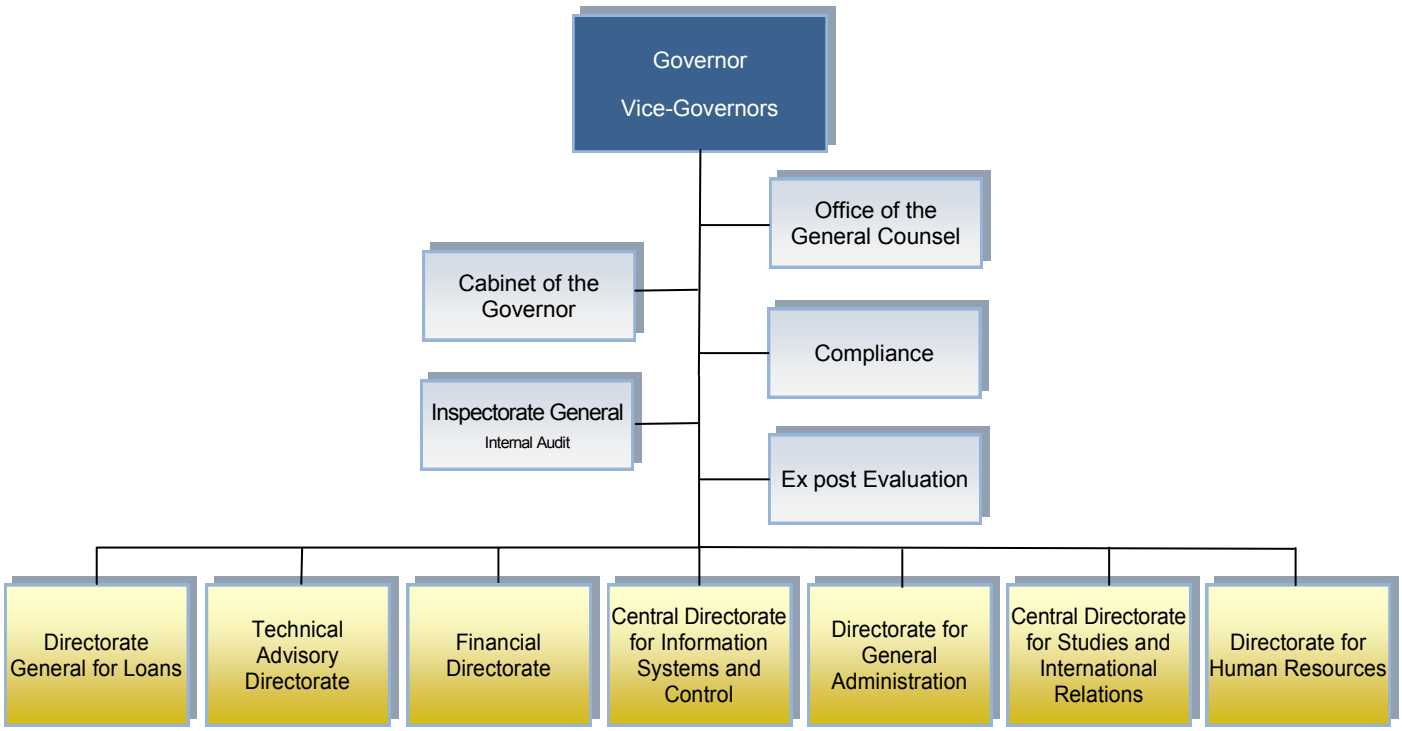
Each internal committee is chaired by the Governor or, in his absence, a Vice-Governor. Within these inter-departmental committees, which cover the full range of the Bank's essential activities, the General Management Committee plays a pivotal role.

Internal Committees

Orientation and Coordination Committee
General Management Committee

Finance Committee
Funding Committee
Projects and Development Committee
Risk Committee
Budget Monitoring Committee
IT Steering Committee
ALM Committee
Committee for Organisation and Operational Risks

Organisation Chart



II RESPONSIBLE POSITIONING

Ways and means to address challenges for the CEB

Strategic framework

The CEB carries out its social mission within a strategic framework that defines its major orientations and objectives. These are formalized in its "2010-2014 Development Plan", which describes the Bank's loan policy, its geographical and sectoral lines of action, their underlying logic, the budgetary and operational resources required for their implementation, and the adequacy of the Institution's capital in relation to those objectives.

Unanimously approved by the Bank's Collegial Organs in 2009, the Development Plan for 2010-2014 sets forth the strategic orientations for its activity in the medium term, adopted in accordance with the operational context in which the Bank evolves.

The current plan provides, in particular, for a **15% increase in the overall volume of loans** in comparison with the period 2005-2009, continued **efforts in favour of the target group countries** in order to reach up to 60% of the total loans outstanding by 2014, and **strengthened collaboration with the European Union** and with donor countries to increase the CEB's capacity for action and the social added value of its operations.



Further to this framework, the Bank is currently assessing new needs and means of action in order to **address the challenges ahead**. The central objective is to **reaffirm the CEB's social mandate**, without jeopardizing its financial soundness, through improvements in the screening of projects, better targeting and monitoring of global loans, and increased grant support for beneficiaries.

Partnerships

In recent years, the CEB has woven a network of close partnerships with other international organisations. This cooperation policy is a response to a major requirement: enabling the Bank to increase its means of action and thus enhance its added value. In so doing, the nature of the cooperation sought by the CEB focuses primarily on additional financing and complementary areas of expertise.

In addition to its natural links with the Council of Europe, the strengthening of the **cooperation with the European Union** is both a strategic thrust for the CEB and a tangible reality. Involvement in joint initiatives with the European Commission is a way for the Bank to reaffirm its social vocation and to recall that the crisis affecting Europe must not weaken this aspect. This partnership is also an excellent leverage instrument for its action and enables the CEB to extend awareness of its specific social nature. In more concrete terms, the Bank participates in various cooperation mechanisms under the aegis of the EU, such as:

- the Western Balkans Investment Framework (WBIF), which is a coordination instrument to facilitate access to European funding for the countries in this region. During the first half of 2011, the CEB co-chaired the Project Financiers' Group, the operational body of the WBIF
- the Neighbourhood Investment Facility (NIF)
- JESSICA (Joint European Support for Sustainable Investment in City Areas), for which among others the CEB has seconded one staff member to the dedicated task force based at the European Investment Bank's Headquarters in Luxembourg
- CEB-ELENA (European Local Energy Assistance), which is a bilateral facility set up in 2011 by the European Commission and the CEB to finance technical assistance on projects in the domain of energy efficiency in social housing and public buildings
- the Regional Housing Programme within a high-level initiative aimed at achieving durable housing solutions for refugees and IDPs in the Western Balkans
- tripartite partnerships with KfW and the European Commission
- the European Platform for Roma Inclusion.

In all, as at 31 December 2011, EU grants in favour of projects financed by the CEB stood at € 279 million and the Bank's loans associated with such grants amounted to € 1 077 million.

The CEB is also a natural partner to other **peer international financial institutions (IFIs)** and the international institutions active in the social field, in particular a number of **United Nations specialised agencies**.

The CEB has thus signed bilateral framework cooperation agreements (Memoranda of Understanding) with the EBRD, the World Bank (including the IDA), the Nordic Investment Bank, the EIB (in the form of a "Joint Statement on Cooperation"), KfW (in addition to the tripartite partnerships with the European Commission) and more recently, on 25 September 2011, with the Asian Development Bank.

Furthermore, the Bank has concluded bilateral Memoranda of Understanding with three UN agencies active in its Member States, namely the UNHCR, UNICEF and the UNDP, renewed in 2011 for the latter two. These agreements ratify long-standing cooperation whereby the CEB contributes, through donations, to financing projects initiated and/or operated by these specialised agencies.

Below is a summary table of the "active" cooperation tools.

	2010	2011
MoU with the European Union		
1 Neigbourhood policy NIF Framework Arrangement		
2 Candidate & potential candidate countries WBIF		
3 Urban regeneration policy (Jessica)		
Other cooperation tools		
4 European Principles for Environment		
5 Stability Pact (2001-2008) / Regional		
6 Commission / CEB / KfW (since 2000)		
7 CEB / Elena (2011)		
8 Regional Housing Programme (2011)		
Cooperation with IFIs		
9 EIB		
10 NIB		
11 World Bank		
12 EBRD		
13 MoU CEB-KfW		
14 MoU Asian Development Bank (2011)		
MoU with UN specialised agencies		
15 UNDP		
16 UNICEF		
17 UNHCR		
Number of cooperation tools	14	17
thereof active	12	16
Indicator	**86%**	**94%**

Legend:
- cofinancing (or funding when dealing with UN agencies)
- new (or renewed) agreement
- consultation (high-level dialogue, preparation, exchange of expertise,…)

Financial soundness and risk management

The CEB's focus on financial soundness and stability

To access the financial markets in the best possible conditions in order to efficiently fulfil its mandate, the Bank constantly seeks to strengthen its resources and its capital base. It was in this perspective that the Collegial Organs last year approved the CEB's sixth capital increase.

The CEB's sixth capital increase

The CEB's sixth capital increase became effective on 31 December 2011.

The subscribed capital increased from € 3.3 billion to € 5 billion. If all the Member States subscribe, this figure will reach € 5.5 billion, representing a 67% increase.

This reinforcement of the Bank's capital structure is a major achievement. It testifies to the support the CEB enjoys from its shareholders and will enable it to mobilise even more resources to invest in social development in its Member States.

The **AAA/aaa** rating, awarded by the three major rating agencies to the CEB for the first time in 2000 and renewed each year since, attests to the good financial health of the Institution. But the Bank is no exception from rating challenges originating in the financial and sovereign debt crisis in Europe. Like most of its peers, the CEB has to cope with rating downgrades of both its borrowers and shareholders. Notwithstanding this, at the date of publication of this report the Bank has been awarded AAA by the three major agencies: Moody's (Aaa, outlook stable, 8 September 2011), Standards and Poor's (AAA, outlook negative, 19 January 2012) and Fitch Ratings (AAA, rating watch negative, 19 December 2011).

In terms of risk management, even though the CEB, because of its international status, is not actually subject to the prudential and control rules that apply to the banking sector, the framework it has set up is regularly updated according to the Basel Committee recommendations, EU directives and IFI best practices. The CEB has an **integrated risk management system** that is separate from its operational activities, with rigorous supervision standards. A clearly defined framework has been provided for managing credit risk, market risk, liquidity risk and operational risk, with special attention given to the application of best banking practices in the area of risk management.

This **prudential control framework**, and the Institution's internal functioning, was the subject of a study by the *Banque de France* at the beginning of the year in order to assess needs in such matters and to envisage possible changes. The recommendations are being discussed by the CEB's Collegial Organs with a view to their future implementation.

Thanks to its overall financial soundness, the Bank is able to **access the capital markets at favourable conditions**.

Compliance with good practices and integrity

In line with other international financial institutions (IFIs), the CEB adheres to the **good practices** recommended by the reference "standard-setting" organisations in its different fields of activity. As a development bank, and notably one with a social vocation placed under the "supreme authority of the Council of Europe", the CEB is particularly committed to **integrity** in its functioning and in its activities.



The **Chief Compliance Officer (CCO)** plays a key role in ensuring that the Bank conducts its activities with integrity and in line with good practices.

Within the framework of its lending activities, the CCO plays both a role of prevention and a role of control. Regarding the former role, pursuant to the CEB's Integrity Due Diligence Guidelines, the CCO has provided input on the **Enhanced Due Diligence** process carried out to ensure that financial intermediaries abide by the standards recommended by the Financial Action Task Force (FATF) in the fields of **anti-money laundering/counter-terrorist financing** (AML/CTF). Regarding the control role, the CCO has conducted investigations to verify whether allegations of fraud/corruption with respect to its lending activities were sufficiently substantiated or had a negative impact on the projects financed by the CEB.

Seminar on the CEB's control and evaluation systems

On 17 November 2011, the CEB held a seminar on control and evaluation systems for the Collegial Organs.

Since the architecture of the control framework covers all the Bank's activities, the seminar welcomed numerous speakers, ranging from the Governor to the Inspectorate General, Internal Audit, Compliance and Ex Post Evaluation Departments. The Auditing Board, the External Auditors and the firm Deloitte & Associés also participated.

An overview of the control and evaluation systems was presented, based on Basel Committee recommendations, EU directives and IFI best practices.

In addition to this, and in line with other IFIs, the CCO has closely followed the works of the **FATF** and the **OECD's Global Forum** on Transparency and Exchange of Information for Tax Purposes in order to update the **CEB's list of blacklisted and/or weakly-regulated jurisdictions**, which is taken into account not only for the CEB's lending activity but also for its borrowing/treasury activities. In this respect, it is important to note the CEB's participation as an observer member in the Council of Europe bodies specialized in such matters such as GRECO (Council of Europe Group of States against Corruption), and MONEYVAL (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism).

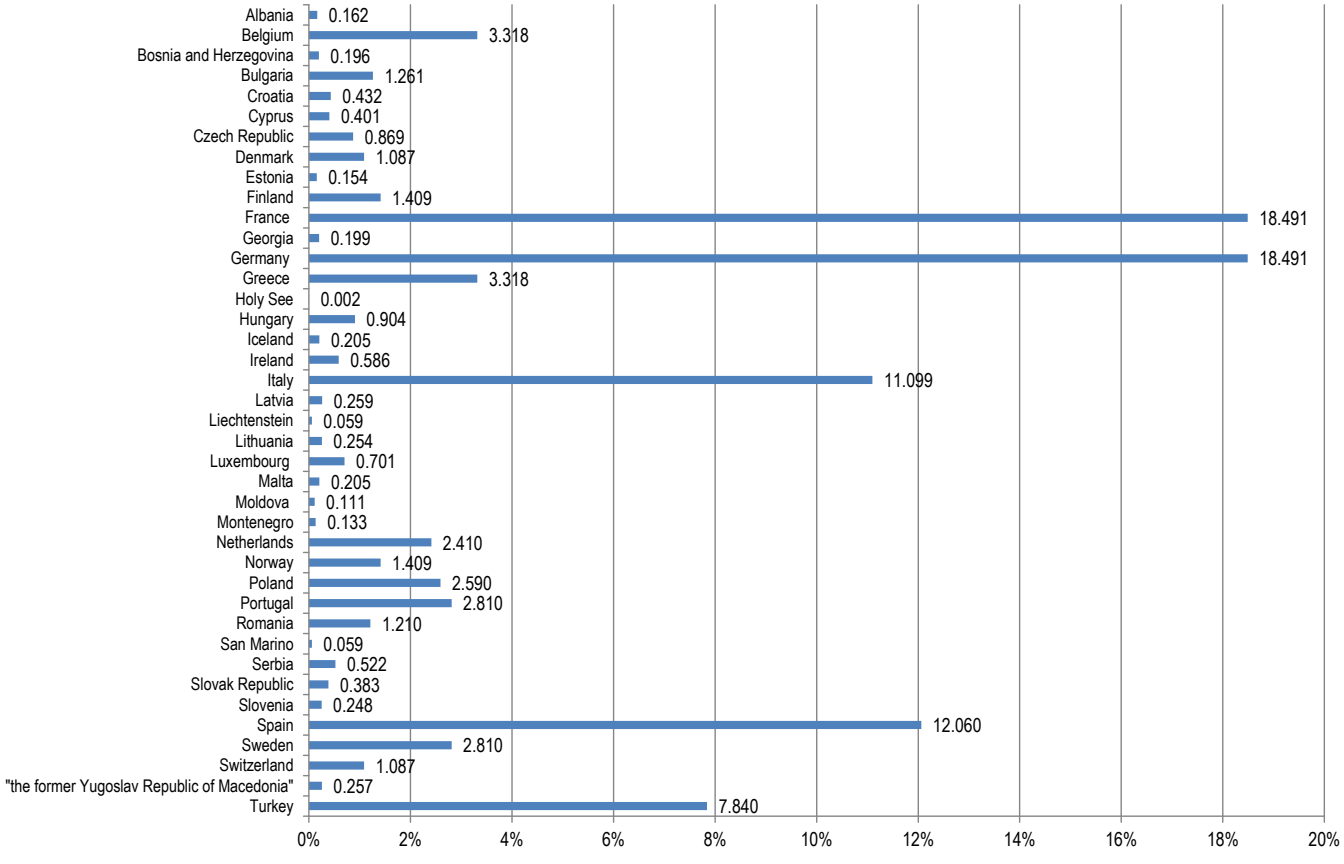
The Bank's shareholders

The 40 Member States of the CEB:

** target countries of Central, Eastern and South Eastern Europe*

	Year of accession		
Albania *	1999	Liechtenstein	1976
Belgium	1956	Lithuania *	1996
Bosnia and Herzegovina *	2003	Luxembourg	1956
Bulgaria *	1994	Malta *	1973
Croatia*	1997	Moldova *	1998
Cyprus *	1962	Montenegro *	2007
Czech Republic *	1999	Netherlands	1978
Denmark	1978	Norway	1978
Estonia *	1998	Poland *	1998
Finland	1991	Portugal	1976
France	1956	Romania *	1996
Georgia *	2007	San Marino	1989
Germany	1956	Serbia *	2004
Greece	1956	Slovak Republic *	1998
Holy See	1973	Slovenia *	1994
Hungary *	1998	Spain	1978
Iceland	1956	Sweden	1977
Ireland	2004	Switzerland	1974
Italy	1956	"the former Yugoslav Republic of Macedonia" *	1997
Latvia *	1998	Turkey *	1956

Breakdown of the CEB's subscribed capital as at 31 December 2011 (in percentage)





Major events (since publication of the previous report)

Committing to sustainable development means financing high-quality projects with added social value in step with the Bank's vocation.

- ✓ **Projects and loans activity in line with the medium-term strategy**, with a focus on the Bank's target countries
- ✓ **Good practices**: revised Procurement Guidelines
- ✓ **Flagship initiative with high social added value**: CEB participation in the Regional Housing Programme in favour of refugees and displaced persons in the Western Balkans
- ✓ **CEB-ELENA**: (European Local Energy Assistance), a new bilateral facility with the European Commission to help finance technical assistance for energy efficiency projects in social housing and public buildings



Socially responsible financing

I FULFILLING THE CEB's SOCIAL MANDATE

Endowed from its inception with an exclusively social mandate, the CEB's overarching mission is to finance projects that promote social cohesion, inclusive growth and sustainable development

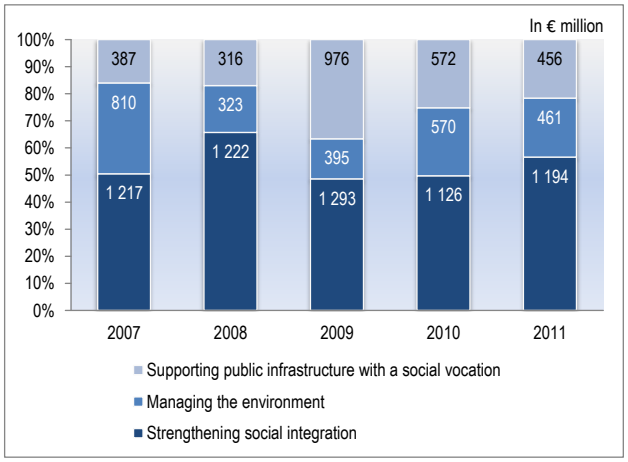
In step with set strategic orientations

In line with its social vocation and in compliance with its Policy for loan and project financing, the Bank structures its project and loan activities within three broad **sectoral lines of action**, as set forth in the table below:

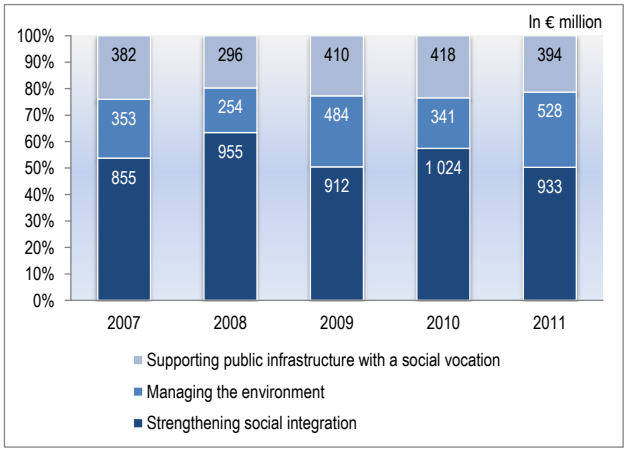
SECTORAL LINES OF ACTION	SECTORS OF ACTION
Strengthening social integration	• Aid to refugees, migrants and displaced persons • Social housing for low-income persons • Creation and preservation of viable jobs • Improvement of living conditions in urban and rural areas
Managing the environment	• Natural or ecological disasters • Protection of the environment • Protection and rehabilitation of historic and cultural heritage
Supporting public infrastructure with a social vocation	• Health • Education and vocational training • Administrative and judicial public service infrastructure

The CEB also carries out its social mission within a strategic framework formalized in a medium-term Development Plan. In spite of the persistently challenging economic and financial environment, **the results for 2011 were consistent with the objectives set forth in the Bank's 2010-2014 Development Plan.** Projects approved amounted to € 2 110 million and disbursements for the year came to € 1 855 million. The stock of projects, at € 5 270 million was at a historical high, underscoring the importance to CEB Member States of the availability of the Bank's lending and constituting a solid base for the expansion of the CEB's operations in the years to come.

Projects approved by sectoral line of action (2007-2011)



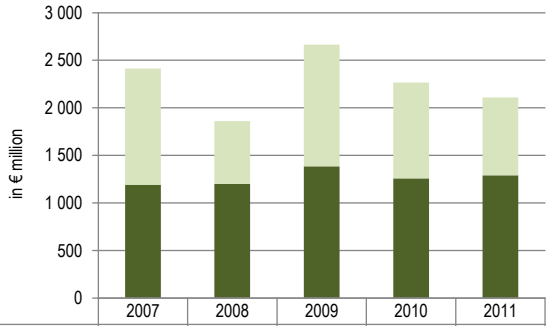
Loans disbursed by sectoral line of action (2007-2011)



Focus on development of the Bank's activities in favour of the target group of countries[1] has continued in accordance with the Bank's strategic orientations. During 2011, 26 projects were approved for the benefit of target group countries for a total of € 1 290 million or 61% of the total amount approved during the year[2]. At year-end 2011, disbursements in favour of the target group countries totalled € 1 105 million, representing 60% of all disbursements made during the year.

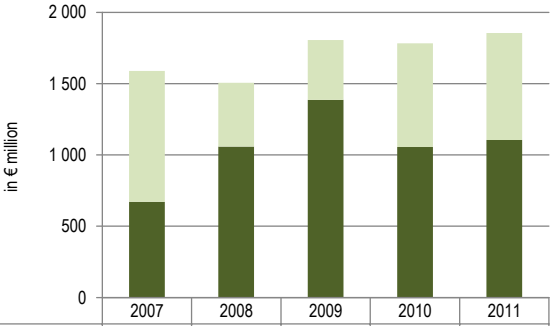
The graphs below present the target/non-target distribution of the projects approved and the loans disbursed over the last five years.

Projects approved (2007-2011)



	2007	2008	2009	2010	2011
Non-target countries	1 223	660	1 280	1 008	820
Target countries	1 191	1 201	1 385	1 259	1 290

Loans disbursed (2007-2011)



	2007	2008	2009	2010	2011
Non-target countries	919	447	421	726	750
Target countries	671	1 059	1 385	1 056	1 105

1- Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Malta, Moldova, Montenegro, Poland, Romania, Serbia, Slovak Republic, Slovenia, "the former Yugoslav Republic of Macedonia" and Turkey.

2- Figures for activity in target group countries include operations by financial institutions located in the non-target countries (for the final benefit of the target group countries).

Increasing focus on quality and social value

Because of the growing complexity of the projects it finances – and the emphasis put by the CEB on the implementation of high-quality projects – there is increasing demand for more assistance during both project preparation and project implementation. In this context, the Bank teams are becoming ever more involved in the process of designing, preparing and monitoring projects. The purpose is not only to enhance the quality and social added value of projects but also to limit risks and ensure sustainability.

In this respect, operations financed by the Bank increasingly encompass an array of often inter-related institutional, technical, economic, social and environmental factors as well as procurement requirements.

The CEB's new Procurement Guidelines

The CEB adopted new procurement guidelines in September 2011, which apply to all projects financed by CEB loans. The new Guidelines follow the procurement principles enshrined in EU legislation and ensure a greater consistency with the procurement policies in other IFIs (in particular the EIB). The new Guidelines clearly imply increased CEB involvement in project implementation/monitoring, in particular for operations outside the European Union/European Economic Area.

Focus on lending to target countries has also meant taking into account the specific challenges they face and, accordingly, incorporating supplementary requirements for successful project appraisal and implementation. Therefore, the development of new operations will increasingly rely on the CEB's ability to provide additional capacity, including in technical assistance, for the preparation/appraisal phase.

Importantly, as a result of strengthened cooperation with other international organisations, preparation of the Bank's projects increasingly benefits from a number of support mechanisms (such as Western Balkans Investment Framework grants) and new financing instruments developed in collaboration with other institutions.

More broadly, the CEB can rely on the additional resources provided by the trust accounts, fed not only from voluntary contributions made by the Bank's Member States but also from European Commission grants. These enable donor countries to focus on the specific social projects they are most interested in supporting while creating a leverage effect by combining their contributions and loans for significantly higher amounts. For its part, the CEB can thus finance technical assistance, enhance the social impact of its projects thanks to more generous financing conditions and assert its unique social mandate in favour of disadvantaged populations and regions. The trust accounts funded by individual donor countries that are currently in force at the Bank comprise:

- the Norway Trust Account, set up in 2003 and endowed with € 3.18 million as at 31 December 2011
- the Human Rights Trust Fund, created in 2008, with contributions totalling € 6.102 million
- the Spanish Social Cohesion Account, set up in 2009 and endowed with € 2 million.

The Bank also has a Selective Trust Account (STA), fed mainly from the CEB's annual profits, through which it can grant interest rate subsidies for certain high social impact loans and, in exceptional cases, make donations. Since its inception in 1995, the STA has enabled the financing of interest rate subsidies and donations totalling € 105.4 million.

Technical and financial monitoring is central to ensuring that CEB-financed projects and programmes achieve the intended development outcome and social value

Whether technical or administrative in nature, the monitoring process is conducted from approval of the project to its completion. It ensures that projects are implemented in accordance with the provisions agreed by the Administrative Council and those of the Framework Loan Agreement.

Moreover, the monitoring function has evolved with the typology of the projects and programmes financed so that monitoring today increasingly intervenes during project appraisal, setting the choice and modalities of monitoring mechanisms. In this respect it is also important to mention that the Bank increasingly exercises an advisory role in order to control quality implementation of successful projects.



In-house project monitoring is carried out on the basis of information submitted by the borrowers in their project follow-up and completion reports. Special attention is paid to the physical progress of works, implementation schedule, costs follow-up, procurement procedures and the achievement of the anticipated social objectives.

The Bank's **Technical Advisors** carry out the on-site technical monitoring of projects. In 2011, 69 on-site missions were carried out, including three on-site procurement review missions, 14 appraisal missions, 26 completion missions and the same number of follow up missions. In these figures, deskwork carried out by the Procurement and the Technical advisory departments is not included, even though it has considerably increased since 2010.

The overall status and quality of the CEB's loan portfolio are presented to the Administrative Council in the yearly Monitoring Report. This report highlights the different issues encountered during implementation of the projects under review. It is complemented by a report prepared by the Strasbourg-based Council of Europe Secretariat of the Partial Agreement which, concentrates on the social impact of projects completed during the year.

The specific role of the Ex Post Evaluation Department (DEP) in the quality control process is to provide the Bank with a sector-wide, long-term view of the social and economic effects of its lending operations. The DEP evaluates how CEB-financed projects and programmes function and deliver their benefits several years after their physical completion. The lessons learned are then used to strengthen the Bank's policies, and the recommendations that enhance project design and implementation arrangements are fed back into the project cycle to improve the quality of on-going and future operations.

II COMMITTING TO SUSTAINABLE DEVELOPMENT

Supporting social cohesion

In line with its mandate, the CEB focuses its activity on providing support to inclusive economic and social development and to the sustainable improvement of living conditions through the part-financing of investment programmes in the social housing, education, health and municipal infrastructure sectors across its membership base.

One of the most effective means of supporting the Bank's mission of strengthening social cohesion in its Member States is the provision of decent and affordable housing

CEB Participation in the Regional Housing Programme

Since 2011, the CEB has been involved in a regional initiative aimed at achieving just, comprehensive and durable solutions for refugees and internally displaced persons in the Western Balkans. This initiative reflects the joint commitment of Bosnia and Herzegovina, Croatia, Montenegro and Serbia to facilitate the return of refugees and persons internally displaced as a result of the armed conflicts in the Western Balkan region during the 90s to their areas of origin or their integration in their host communities.

In particular, the CEB has been invited to play an active role in the Regional Housing Programme (RHP) launched within the framework of this initiative. The RHP, to be implemented over the next five years, aims to provide durable housing solutions for the most vulnerable refugees and internally displaced persons and is expected to directly benefit close to 74 000 people spread over the four countries. Participating in this programme provides the CEB with a valuable opportunity to carry out its original mandate of aiding refugees, migrants and displaced persons and to apply its sectoral know-how and technical management in supporting such initiatives.



The projects financed by the CEB in the housing sector relate to renovating, building or refurbishing housing and converting existing buildings to residential use in order to provide decent housing for people on low incomes and for other vulnerable populations such as refugees, immigrants or the disabled.

From a broader perspective, the Bank also plays a role in urban renewal (see **JESSICA** initiative) and in the ***"sustainable communities"*** agenda through the financing of projects in housing and related municipal infrastructure rehabilitation, designed to successfully address a number of economic, social and environmental challenges in urban areas. Thus the CEB has also undertaken to promote "green buildings and infrastructure", including energy-efficient housing and environmentally friendly urban infrastructure in a bid to reduce the environmental footprint of buildings, and especially homes designed for people on low incomes. CEB-ELENA (European Local Energy Assistance), which is a bilateral facility set up in 2011 by the European Commission and the CEB, will help finance technical assistance on projects in the domain of energy efficiency in social housing and public buildings.

The Bank accords particular importance to **human rights issues, the rule of law and support for the judiciary system**. The Bank's support to projects in the public administration and judicial field, unique in relation to its international financial institution peers, allows the CEB to contribute to improving the organisation and functioning of the administrative and judicial public services of its Member States. In developing this objective, the Bank has since acquired particular know-how in the field, especially concerning the specific issues involved in financing prison infrastructure. The CEB's activity in this sector is at the core of its mandate, as the social cohesion of a society finds its expression primarily in the way it treats its weakest segments. By end March 2012, the Bank had already approved € 342 million to part-finance eight penitentiary infrastructure projects in a number of its Member States.

Furthermore, the CEB seeks to promote sustainable growth that respects the environment and the social inclusion of vulnerable groups such as Roma minorities. Facilitating SMEs' access to credit for productive investments aimed at creating and maintaining viable jobs, and helping implement social public infrastructure projects in the face of the impact of the crisis also contribute to sustainable growth.

Consistently integrating the environmental dimension

The CEB's approach to social development is to foster a sustainable relationship between populations and their environment, in both urban and rural settings. This means that sustainability considerations are built into the Bank's lending operations from the outset. In particular, through its appraisal and monitoring mechanisms, the CEB seeks to ensure that the projects it finances are designed and implemented in such a way as to:

- optimise social and environmental benefits
- minimise negative environmental impacts
- comply with appropriate social and environmental standards.

These principles are enshrined in the Environmental Policy which details the CEB's commitments and requirements for promoting social responsibility and sustainable development.

Making environmental requirements operational and striving for constant improvement

In its quest for constant improvement, the CEB develops procedures and guidance documents (e.g. on environmental screening, application of the EIA Directive) and carries out in-house training of operational staff to ensure that environmental requirements are well integrated into project design and follow-up.

The CEB also actively participates in networks with peer organisations (IFIs and EU institutions and agencies) to exchange best practices that address environmental assessment, and sustainability issues. One example is the EUFI WACC meeting hosted by the CEB on 24 April 2012. This working group (including the European Commission, EIB, EBRD, AFD, KfW, NIB and CEB) aims to support the EU agenda and objectives for financing adaptation to climate change.

Plava Voda: the first category A project to be published on the CEB's web site

To promote transparency, the CEB publishes environmental information related to Category A projects, i.e. environmentally sensitive projects requiring the preparation of a full Environmental Impact Assessment. This information is posted on the CEB's web site in the format of a Non-Technical Summary (NTS) at least 30 days before submission of the project to the Administrative Council.



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

Category "A" Project for public disclosure

In accordance with CEB's environmental policy, projects with a potentially significant environmental impact (category "A") are made publicly available by the CEB before the Bank makes a decision on financing the project.

This document is available for 30 days from the day it is published.

Name of the project	Plava Voda Regional Water Supply
Borrower / promoter of the project	Bosnia and Herzegovina
Location of the project	Central Bosnia and Herzegovina (Lasva River Valley – East of capital Sarajevo)
Eligibility field of action	Urban and rural modernisation
Planned date for approval	27 January 2012 – 274th meeting of the CEB's Administrative Council
Description of the project and its objectives	The purpose of this loan is to co-finance with the European Bank for Reconstruction and Development (EBRD) the re-construction of the water intake facility at the Plava Voda source in the Municipality of Travnik, as well as the construction of the main transport pipeline of 33 km from the source to the Municipality of Zenica, and the facilities to enable the connections to the existing water distribution networks in the municipalities. The pipeline is designed to enable service to three other municipalities located along its route, namely Novi Travnik, Vitez and Busovaca, if they choose to participate. The proposed project would benefit about 250,000 residents of the central Bosnia region, also known as Lasva Valley. This amounts to about 6% of the country's population. The main objectives of the proposed project are: supply of high quality water, which complies with the EU Drinking Water Directive, to areas which presently suffer from water shortages and poor quality of existing supplies; and expansion of supply in order to allow for wider coverage by the municipal water distribution networks. Parallel financing for this investment is provided by the European Bank for Reconstruction and Development (EBRD). (please see below link to EBRD's disclosure of the environmental and social impact assessment).
Conclusions of the EIA(s) *	Non-technical summary of the environmental and social impact assessment (ESIA): http://www.ebrd.com/pages/project/eia/42926.pdf Link below to the ESIA published by the EBRD on 25 July 2011: http://www.ebrd.com/pages/project/eia/42926.shtml

* *These conclusions are produced by the borrower or project promoter, under his own responsibility and without their publication by the CEB being considered as a validation of any kind whatsoever.*

Contact: info@coebank.org
Please write "A project" in the subject field.

20/12/2011

Major events (since publication of the previous report)



Working for sustainable development requires the Institution to function in a consistently responsible manner

- ✓ **Career management and development opportunities**: group banding now supplemented by new job classification underway
- ✓ **Staff cohesion and social relations**: launching of a Staff Engagement and Motivation Survey; introduction of a mediator function to facilitate conflict management
- ✓ **Controlling direct environmental impacts**: update of the carbon balance study at the CEB and follow-up
- ✓ **Informing and communicating**: further enrichment of the Bank's website



Sustainable management of the Institution

I WORKING IN A RESPONSIBLE MANNER

Towards more personalised professional development

General framework

The general policy for human resources at the Bank is guided by the principals and ideals promoted by the Council of Europe. The Council of Europe Staff Regulations are therefore "applicable to the Staff of the Bank in matters not covered by a specific decision of the Administrative Council" and remain the reference text for the CEB Staff Regulations.

However, several adaptations have been made so as to introduce more flexibility, through the simplification of recruitment procedures and the introduction of function-based jobs (fixed-term contracts) at the Bank, and greater collegiality, through the creation of Selection Committees to which the Staff Committee gives its opinion.

The Staff Regulations are also complemented by a code of conduct and rules for the protection of personal data.

The Bank provides a defined-benefit **pension scheme** for all the staff, based on the model of the Coordinated Organisations (six international organisations based in France, of which the Council of Europe is a member and to which the Bank is attached by a partial agreement). Staff members who have completed more than ten years of service are entitled to a pension at the age of 60; the others receive a severance allowance on leaving the CEB. The system also provides pensions for staff members' families (spouses, children or any other persons declared as dependent) as well as an invalidity pension. Staff members who are in receipt of their pension enjoy health coverage after ceasing their functions as well as payment of part of the tax payable on their pensions.

Career management and development opportunities

In line with the changes made to the Staff Regulations, the human resources policy continues to evolve. Among the major objectives are: a dynamic career management, a "representative" recruitment policy and development opportunities for each staff member.

In this perspective, the Directorate for Human Resources (DHR) has started several major projects in the last few years, the first of which was the **group banding** project supplemented by the **job classification** project.

The banding of its 24 staff grades into 5 homogeneous groups (I to V) has enabled the CEB to expand opportunities for career development in a transparent way and to ensure better control of the payroll in the long term with no incidence on the salary scale

Job classification – for a better career management

To ensure a good alignment between the rank of a grade for a given job and the related level of responsibilities, a job classification exercise was launched at end 2010 with the help of a consultant and using a participatory approach. The objective was to establish reference jobs and standard evaluation criteria for each job, thereby facilitating career management at the Bank.

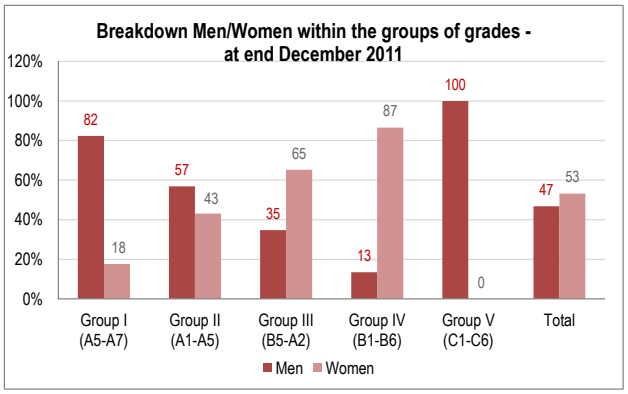
defined by grade and step. The salary scale common to all the Coordinated Organisations is public and published each year.

Over the years, the CEB has developed its human resources tools while progressively strengthening its workforce in line with the evolution of its activities.

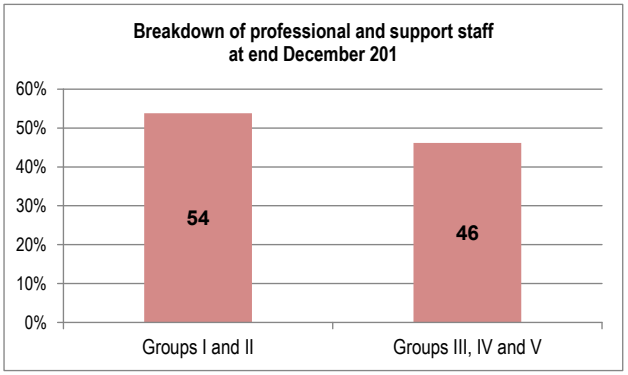
Staff reinforcement, diversity and parity: data

At 31 December 2011, the CEB's staff comprised 4 appointed officials and 171 permanent staff including 15 on function-based jobs, making a total of 175. The regular increase in staff over the past two decades has been accompanied by an effort towards **diversification of represented nationalities**, which reached 27 at end December 2011.

In parallel, special attention has been given to the issue of **gender parity**, with the overall breakdown at end December 2011 standing at around 53% for women and 47% for men. However, there still remains unbalanced representation of women at the highest grade levels.



Staff **qualification levels** have also continued to rise and, as shown by the latest recruitments, the proportion of professional staff (Groups I and II) is significantly higher than that of administrative support staff (Groups III, IV and V).



At the same time, a low turnover rate (3% in 2011) with a high average seniority rate, respectively 9 years for men and 15 for women, gives the Bank the benefit of **experienced staff** with a high level of attachment to the institution.

Highlighting performance appraisal and training for professional development

Thanks to the tools set up, such as a skills glossary, training and a single form for appraisors/appraisees, the annual **performance appraisal** exercise is now better able to achieve its collective and individual objectives, namely: to increase the efficiency of the Bank through better use of its human resources and also to identify training needs and promote career management, in addition to appraisal of staff skills and performance. At the end of this exercise, staff members are eligible for additional variable pay as well as for advancement on merit. The individual level attributed depends on the staff appraisal and on the number of staff having achieved the same appraisal level, in accordance with the budgetary ceilings.

On the basis of the elements that stem notably from the annual appraisals, a **training** plan is drawn up each year by line managers, in consultation with staff members and with the support of the DHR. The Staff Committee is informed of the plan each year. Thus, staff members have the possibility of following various types of training course: (i) language training in one of the Bank's two official languages, (ii) technical training, according to needs specific to their jobs, or (iii) first aid training. Since the spread of avian flu in 2006, CEB included the notion of pandemic crisis management to its Business Continuity Plan (BCP). Thus, to best familiarize and protect its staff to health and safety measures, a dedicated information page on the intranet site containing weekly bulletins, an information guide for staff members as well as useful links to Web sites were created. Since 2011, management and leadership training courses have been organised to support managers in managing their teams. Individual coaching sessions will also progressively be offered to managers.

Social relations and working conditions

Reinforcing staff cohesion and well-being at work

Attention to staff motivation and engagement, the role played by the staff bodies and improved conflict management all jointly contribute to staff cohesion and well-being at work.

Following a request from the staff themselves, a **survey on staff engagement and motivation** was launched in 2011 with the objective of evaluating the social climate at the CEB and identifying the principal sources of concern for staff members.

To safeguard the objectivity of the survey, external consultants were commissioned to design and validate a questionnaire based on contributions from the different stakeholders (interviews with the Management, DHR and Staff Committee, general meetings and "focus group" meetings with Staff). The participation rate was 76.5%. The overall results were presented to all Staff members and to the Management. A leadership meeting followed in order to determine actions to be taken and presentations of the results were made for each directorate. *Ad hoc* teams will be formed to design and follow up on actions for improvement per directorate and for the CEB as a whole. It should be noted that this initiative, the first of its kind, enjoyed strong support from the Management and was closely followed by the Bank's Collegial Organs.

At institutional level, and to allow the Staff members to express themselves on all the provisions for application or modification of the Staff Regulations and on any other measures related to their terms of employment, the CEB has several **staff participation bodies**. These bodies are at the heart of social relations at the Bank.

Firstly, through the **General Meeting of Staff**, staff members have the opportunity to express their views on their terms of employment and working conditions.

The **Staff Committee** enables staff to make their opinions known. Its role is to represent the general interests of staff members as well as pensioned staff in their relations with the Bank's Management, in particular with the Governor. It is consulted whenever it is proposed to introduce amendments to the Staff Regulations as well as on any proposals concerning the general orientations for staff policies. Finally, the Staff Committee also has a facilitator role in creating social associations. It was thus under its leadership that, at end 2008, the **Staff Sports Association** was established.

The Staff Committee participates directly or is represented by staff members, whom it appoints, on several commissions and committees at the CEB which require staff participation. Staff are thus represented on the **Health and Safety Committee**, the **Joint Committee**, which meets when there is a decision to terminate the contract of a staff member who is no longer in their probationary period, the **Advisory Management Committee of the Autonomous Pension Fund**, the **Commission for the Protection of Personal Data**, the **Advisory Committee on Disputes** and the **Disciplinary Board**.

The mediator: a facilitator in conflict management

In order to contribute to the resolution of conflicts through amicable solutions, the Bank introduced the function of mediator in 2011. The mediator is deemed to act in a totally independent and impartial manner. Among his/her functions, the mediator communicates proposals and reports to the Governor containing his/her potential proposals for amendments to the Staff Regulations, rules and administrative practices. In the last instance, staff members may lodge an appeal with the Administrative Tribunal of the Council of Europe under the conditions provided for by the Staff Regulations.

Ethics and protection of privacy

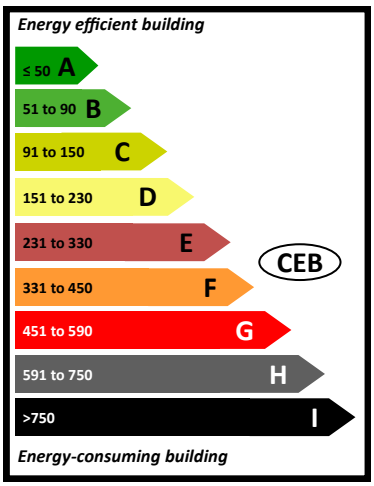
The Bank strives to ensure as fair a balance as possible between rights, obligations and respect for individual privacy.

Among the most important obligations are the ethical rules enacted by the Bank in the form of a Code of Conduct that applies respectively to the Governor, Vice-Governors, staff members, collaborators, contractual service providers as well as to members of the Collegial Bodies (Governing Board, Administrative Council, Auditing Board).

To mirror these obligations, in May 2008, the Bank drew up Regulations on a system for the protection of personal data at the CEB and established a Data Protection Committee comprised of the Chief Compliance Officer, a representative from the DHR and a member of staff designated by the Staff Committee. The role of this committee is to formulate opinions on all questions relative to the implementation of the said regulations and, where appropriate, to propose improvements to the system of personal data protection.

II CONTROLLING DIRECT ENVIRONMENTAL IMPACTS

The environmental footprint measures the pressure that man places on nature. It is a tool that assesses the productive area needed for a population to cover its consumption of resources and its waste absorption requirements.



A two-pronged approach to limiting the Bank's own environmental footprint

Firstly, the CEB seeks to take account of the ecological requirement in the running of its headquarters. In addition to this, it strives to promote eco-responsible behaviour among the staff, with **individual and collective commitments coming together in the service of sustainable development**.

Within this framework, the Bank's action is aimed in priority at:
(i) reducing the carbon footprint of its activity; (ii) optimising the use of raw materials and waste management (iii) giving preference, where possible, to local suppliers respectful of sustainable development.

Strengthening the eco-responsible culture across the Bank

In the running of its headquarters, the Bank addresses the environmental issue both in its day-to-day logistics and in all rehabilitation and refurbishment work carried out on its premises. The CEB occupies an overall area of around 6 200 m² which it owns entirely, namely a total of near 70% with one tenant at the building at 55 avenue Kléber, Paris. More or less half of this surface is available for office space due notably to the 19th century architectural design of a Haussmanian building, which does not facilitate a very high level of energy efficiency either, despite the substantial improvements already made by the Bank.

To this end, the Institution endeavours to control its consumption of natural resources: water, paper – over and above more qualitative considerations, such as the use of FSC (Forest Stewardship Council) certified paper for its photocopiers and printers - and electricity, through increasing use of low-energy light bulbs. Another such measure, implemented since 2007, consists in gradually doing away with individual air-conditioning systems and connecting the building to the urban cooling network of the City of Paris run by the company CLIMESPACE.

For several years now, the CEB has also been implementing three major systems for recycling waste: (i) light batteries are collected in special containers and disposed of via specialised channels; (ii) orders for the replacement of heavy batteries include the removal and reprocessing of the old ones; (iii) ink cartridges for reprographic equipment, fluorescent tubes, electric light bulbs, IT hardware and mobile phones are all collected by companies specialising in the recycling of each type of product.

The infrastructure work, for its part, includes the systematic use of water-based paint, lighting by fluorescent-type recessed spots and the laying of fitted carpets produced in compliance with sustainable development standards.

To promote environmentally friendly behaviour, a "Sustainable Development Charter" was drawn up for the attention of CEB staff members. This document, entitled "A few simple things you can do for the environment", makes a series of recommendations to help everyone become steadily a little "greener". Through a few "simple actions", staff members are encouraged to reduce their consumption of paper and electricity and to better manage their waste, by selective sorting and by limiting their plastic waste.

Furthermore, since 2010, a specific sustainable development dimension has been included in the annual staff satisfaction survey concerning the crosscutting support functions at the Bank (general facilities, human resources and IT).

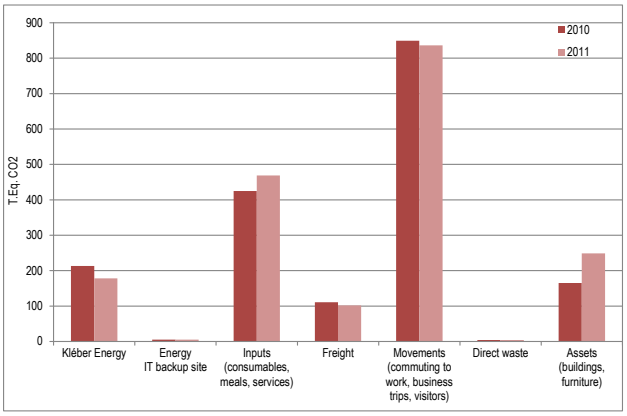
Measures and results

The aim of the carbon balance study, initiated at end 2010 and completed during first half 2011, was to estimate the greenhouse gas (GHG) emissions linked to the functioning and administrative activity of the Bank's headquarters, and to evaluate the level of its dependence on fossil fuels. This was done with a view to drawing up a quantified reduction plan in a substantiated manner. Considered as a valuable tool for diagnosis and then improvement, this study was updated in 2012 with the help of the same specialist firm in order to ensure continuity and coherence. Some of the data came from an overall energy-efficiency audit carried out during the first quarter 2012. In that respect, using the conventional "DPE" (energy performance diagnostic), the position of the Haussmanian building housing the CEB is ranked in class F - see scale opposite.

The method of accounting for GHG emissions, inspired by the French Environment Energy Management Agency (ADEME), and the scope of this updated carbon balance study remained unchanged.

The following table compares the results between 2010 and 2011:

In all, the **CEB's GHG emissions amounted to 1 840 tonnes of CO_2 equivalent** for the year 2011, with an overall uncertainty rate of 36%. This relatively high rate does not call into question the hierarchy of the items as follows:



Except for the items "tangible assets/durables" which saw a marked increase due to the replacement of computer equipment (the GHG emissions linked to the production of this equipment to be spread over five years), the carbon balance remains relatively stable between 2010 and 2011.

Scorecard	Total variation	Variation per employee	Total 2011	Per employee 2011	Total 2010	Per employee 2010
CO_2 emissions						
Total CO_2 emissions (t. eq. CO_2)	4%	3%	1 840	10.7	1 770	10.4
Detail						
Building energy efficiency						
Total heating consumption (in kWh)	-21%	-22%	641 000	3 727	815 000	4 794
CO_2 emissions linked to heating consumption (t. eq. CO_2)	-21%	-22%	125	0.73	159	0.93
Total electricity consumption (excluding wire loss) in kWh	-4%	-5%	964 000	5 605	1 001 000	5 888
CO_2 emissions linked to electricity consumption (t. eq. CO_2)	-4%	-5%	46	0.27	48	0.28
Travel						
Home-to-work commuting (in km)	1%	0%	975 990	5 674	964 642	5 674
Home-to-work commuting (t. eq. CO_2)	1%	0%	68	0.40	67	0.39
Business travel (in km)	-6%	-7%	2 377 633	13 823	2 525 519	14 856
Business travel (t. eq. CO_2)	-1%	-2%	744	4.33	754	4.44
Paper						
Total paper consumption (bought reams of paper) in tonnes	14%	12%	11	0.07	10	0.06
CO_2 emissions linked to paper consumption (t. eq. CO_2)	14%	12%	15	0.09	13	0.08
Waste						
Waste disposed (in tonnes)	1%	0%	115	0.67	114	0.67
Waste disposed (t. eq. CO_2)	3%	2%	3.51	0.02	3.40	0.02

Follow-up and action plans

On the basis of the results available and the initiatives already taken, further impetus is needed to soundly root the Bank's functioning in sustainable development. Emphasis will be put in the course of 2012 on: (i) fine-tuning on going action aimed at limiting the CEB's (internal) footprint and investing in new areas; (ii) better informing the staff to raise awareness, empowerment and ownership; (iii) steering the overall approach.

III INFORMING AND COMMUNICATING

The priorities set for the CEB's information and communication policy aim to consolidate the Institution's reputation and to place emphasis on proper transparency

The Bank has acquired a sound capital of confidence with the actors most closely linked to its activity, namely: lenders, borrowers and other international organisations. At the same time, as a public institution, it has to be appropriately accountable for its action to all its stakeholders.

To achieve this, the Bank relies on and complies with an internal reference framework constituted by its Public Information Policy, itself based on the principles of transparency, responsibility and balance. The updated version of this policy was adopted in November 2010 by the Governing Board on the recommendation of the Administrative Council.

Within this framework, the CEB regularly enriches its website www.coebank.org with a wide array of information so that each and everyone may appreciate the Institution's mission and assess the effectiveness of its contribution in full knowledge of the facts. For illustrative purpose, we can mention the latest web pages created during the first quarter 2012, dedicated respectively to the Regional Housing Programme, the grant facility known as CEB-ELENA and the public calls for tenders made by the CEB for its own needs.



Using the website as its leading support medium, the Bank also endeavours to diversify and continually adapt the range of its communication tools. In effect, the CEB deploys its institutional communication over **a large spectrum of media**. These encompass information sites - the external website together with the Human Resources Intranet site for the staff - the organisation of events and the production of publications, notably brochures and studies and the quarterly newsletter CEB Info.

Communicating to each stakeholder

The CEB's institutional communication is relayed by means of operational communication approaches targeted to each of its stakeholders.

To its shareholders, the Bank's communication falls in priority under the aegis of good governance. It aims to give as accurate an account as possible of the managerial tasks entrusted to the Management and thus allow the Collegial Organs, in accordance with their respective areas of competence, effectively to exercise their powers to control and steer the activities.

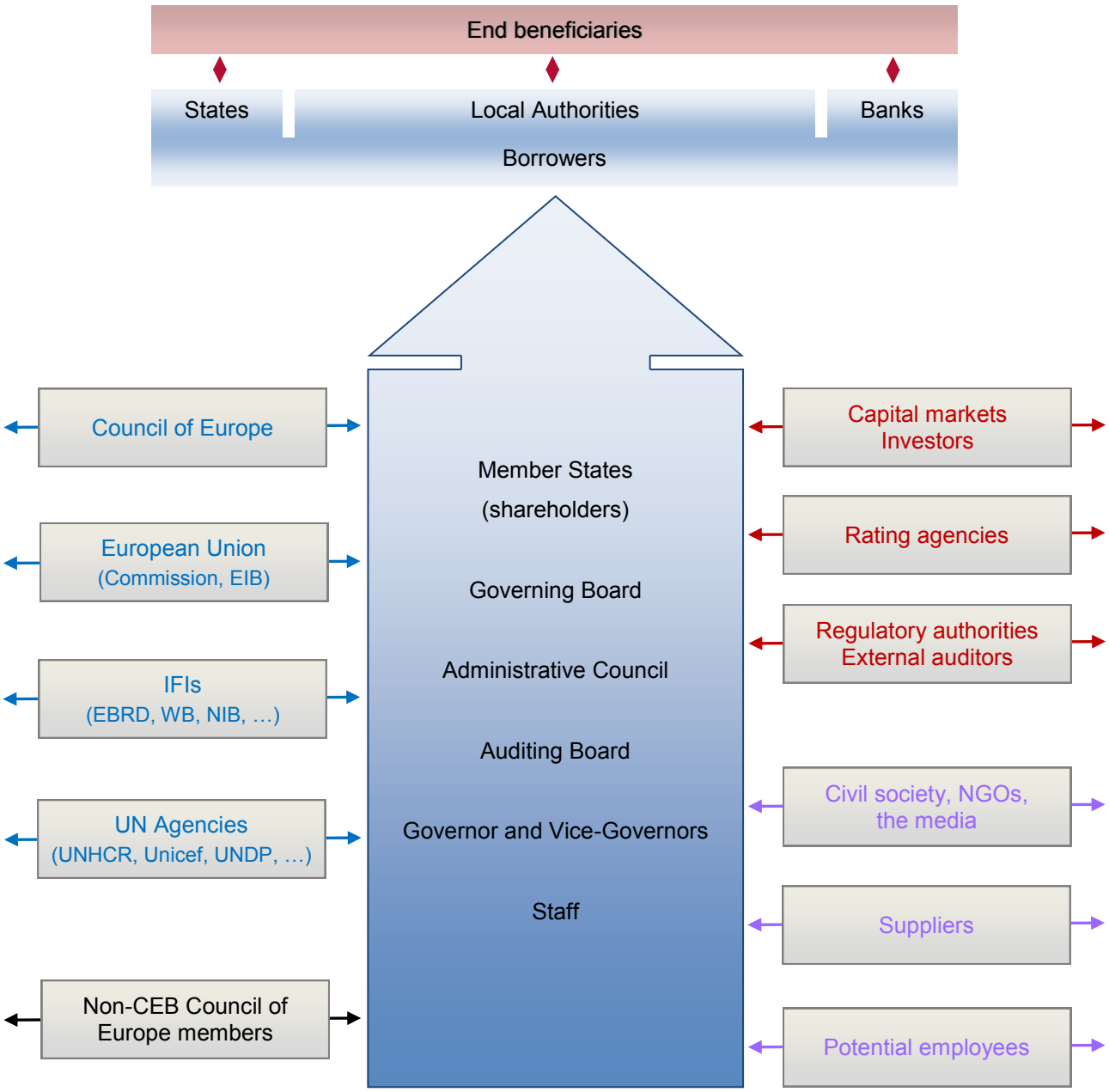
For the attention of actors closely linked to its activity, the communication seeks to capitalise on the confidence the Bank enjoys on the part of its lenders, its borrowers and the international organisations with which it has woven links of cooperation. Within this framework:

- priority is given to operational visibility, especially with regard to borrowers and beneficiaries of projects financed by the CEB, thus making the latter more aware of the Bank's contribution
- communication targeted at investors and the financial community is designed to consolidate the CEB's name and signature on the capital markets

Within the Institution, internal communication is designed to promote staff cohesiveness. The three main objectives pursued are: (i) to inform the staff, in appropriate conditions, about both the Bank's functioning and its activities in general as well as about measures that have a direct impact on their statutory conditions and working environment; (ii) to motivate staff to pursue common goals in support of the Institution's social development; (iii) to strengthen the CEB's learning organisation status. Further efforts are still required to achieve these objectives, and new actions will be undertaken in the course of 2012.

To the general public, the Bank's communication strives to provide a balanced response to the increasing need for information on the part of civil society and its representatives.

CEB stakeholder map



GRI Indicators

The ***Global Reporting Initiative (GRI)*** Framework is the most widely used sustainability reporting framework. The guidelines are for voluntary use by organisations to report on economic, environmental and social aspects of their operations.

The table below indicates in which section of this Corporate Social Responsibility Report the different indicators are covered. The CEB strives to report on as many indicators as possible, on the basis of its own assessment and concentrating on the core indicators relevant for its operation.

	Strategy and Analysis	
1.1	Statement from the most senior decision maker of the organisation	Message from the Governor, p1 (also in Report of the Governor 2011)
1.2	Description of key impacts, risks, and opportunities	CEB's social mission, p7
	Organisational profile	
2.1	Name of the organisation	CEB's social mission, p7
2.2	Primary brands, products, and/or services	Fulfilling the CEB's social mandate, p15
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures	Organisation chart, p9
2.4	Location of organisation's headquarters	Back cover
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Report of the Governor 2011
2.6	Nature of ownership and legal form	CEB: the social development Bank in Europe, p7; 8; 13
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Report of the Governor 2011
2.8	Scale of the reporting organisation	Key data, p2-3 - Report of the Governor 2011
2.9	Significant changes during the reporting period regarding size, structure, or ownership	CEB's sixth capital increase, p11; 13
2.10	Awards received in the reporting period	None
	Report Parameters	
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	April 2011-April 2012
3.2	Date of most recent previous report (if any)	29 April 2011
3.3	Reporting cycle (annual, biennial, etc.)	Yearly
3.4	Contact point for questions regarding the report or its contents	Back cover
3.5	Process for defining report content	Internal process
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	The report in brief, p4
3.7	State any specific limitations on the scope or boundary of the report	None
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	None
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	Internal data and estimates
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods)	None
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	None
3.12	Table identifying the location of the Standard Disclosures in the report	Information provided in the report
3.13	Policy and current practice with regard to seeking external assurance for the report	No external assurance sought

Governance, Commitments and Engagement

4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Governance of the Institution, p8
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	CEB's leadership as at 2 May 2012, p8
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Report of the Governor 2011, Membership of the Bank's organs as at 31 December 2011; webpage "organs"
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Governance of the Institution, p8 Staff participation bodies, p23
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	Report of the Governor 2011 - Notes to the financial statements (A.7)
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Ethics and privacy: Code of conduct
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics	Articles of Agreement
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Articles of Agreement, Code of Conduct, Environmental Policy, Policy for loan and project financing
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Articles of Agreement
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Governance of the Institution, p8
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Environmental Policy, p19
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	Interaction with the Council of Europe, p7-8; Compliance with good practices and integrity,p12
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: Has positions in governance bodies; Participates in projects or committees; Provides substantive funding beyond routine membership dues; or Views membership as strategic	Partnerships, p10-11
4.14	List of stakeholder groups engaged by the organisation	CEB stakeholder map, p27
4.15	Basis for identification and selection of stakeholders with whom to engage	Communicating to each stakeholder, p26
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Communicating to each stakeholder, p26
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Communicating to each stakeholder, p26

Management Approach and Performance Indicators

ECONOMIC		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Key data ; Report of the Governor 2011 – Financial statements
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	n/a
EC3	Coverage of the organisation's defined benefit plan obligations	General framework – pension scheme, p21
EC4	Significant financial assistance received from government	CEB's shareholders, p13
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Higher; salary scale p21
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	None
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	n/a
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Sectoral lines of action, p15
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Ex post evaluation

ENVIRONMENTAL		
EN1	Materials used by weight or volume	Measures and results, p25
EN2	Percentage of materials used that are recycled input materials	No information
EN3	Direct energy consumption by primary energy source	Information given by EdF
EN4	Indirect energy consumption by primary source	Measures and results, p25
EN5	Energy saved due to conservation and efficiency improvements	No information
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	No information
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Controlling direct environmental impacts, p24-25
EN8	Total water withdrawal by source	Marginal (water used only for office sanitation)
EN9	Water sources significantly affected by withdrawal of water	n/a (see EN8)
EN10	Percentage and total volume of water recycled and reused	n/a (see EN8)
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Controlling direct environmental impacts, p24-25
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	n/a (office activities in highly urbanised environment)
EN13	Habitats protected or restored	n/a (see EN12)
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	n/a (see EN12)
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	n/a (see EN12)
EN16	Total direct and indirect greenhouse gas emissions by weight	Measures and results, p25
EN17	Other relevant indirect greenhouse gas emissions by weight	n/a
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Controlling direct environmental impacts, p24-25
EN19	Emissions of ozone-depleting substances by weight	Negligible (office activities only)
EN20	NO, SO, and other significant air emissions by type and weight	See EN8
EN21	Total water discharge by quality and destination	No information
EN22	Total weight of waste by type and disposal method	Measures and results, p25
EN23	Total number and volume of significant spills	None
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	None
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	n/a (see EN12)
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Socially responsible financing, p15-19
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	n/a
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	None
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Measures and results, p25
EN30	Total environmental protection expenditures and investments by type	Sectoral lines of action, p15
SOCIAL		
LA1	Total workforce by employment type, employment contract, and region	Staff reinforcement, diversity and parity data,p22
LA2	Total number and rate of employee turnover by age group, gender, and region	Staff reinforcement, diversity and parity data,p22
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Working in a responsible way, p22-23; CEB Staff Regulations; pension scheme
LA4	Percentage of employees covered by collective bargaining agreements	Social relations, p23 (CEB, as an IFI, has internal rules and regulations for its employees)

LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	CEB Staff Regulations, p21
LA6	Percentage of total workforce represented in formal joint management - worker health and safety committees that help monitor and advise on occupational health and safety programs	Social relations, p23
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	No information
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Pandemic Plan, p22
LA9	Health and safety topics covered in formal agreements with trade unions	Not core
LA10	Average hours of training per year per employee by employee category	No information
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Training, p22
LA12	Percentage of employees receiving regular performance and career development reviews	Performance appraisal, p22
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Staff reinforcement, diversity and parity: data, p22
LA14	Ratio of basic salary of men to women by employee category	Equal
HUMAN RIGHTS		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Interaction with the Council of Europe, p8
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Interaction with the Council of Europe, p8
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	n/a
HR4	Total number of incidents of discrimination and actions taken	No information
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Ethics and protection of privacy – Code of conduct, p23
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	No information
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	No information
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	None
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	None
SOCIETY		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Environmental Policy, p18
SO2	Percentage and total number of business units analysed for risks related to corruption	Compliance with good practices and integrity, p12
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Compliance with good practices and integrity, p12
SO4	Actions taken in response to incidents of corruption	Compliance with good practices and integrity, p12
SO5	Public policy positions and participation in public policy development and lobbying	n/a
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	None
SO7	Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes	n/a
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	None
PRODUCT RESPONSIBILITY		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	n/a
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	n/a
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	n/a
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	n/a

PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	n/a
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	n/a
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	n/a
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	n/a
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	n/a

GRI Financial Services Supplement

FS1	Policies with specific environmental and social components applied to business lines	Environmental Policy, p18
FS2	Procedures for assessing and screening environmental and social risks in business lines	Socially responsible financing, p17; 19
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Socially responsible financing, p17; 19
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	Guidance notes and internal training
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	Q&A (standardised reporting, questionnaires) and on-site fact-finding missions
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro /SME/large) and by sector	Fulfilling the CEB's social mandate, p15-16; Report of the Governor 2011
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Fulfilling the CEB's social mandate, p15; Report of the Governor 2011
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Fulfilling the CEB's social mandate, p15; Report of the Governor 2011
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	On-site reviews of sensitive projects at least once per year, more frequently if needed
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Report of the Governor 2011
FS11	Percentage of assets subject to positive and negative environmental or social screening	Each project is subject to environmental screening
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting	None

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CEB

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