COUNCIL OF EUROPE DEVELOPMENT BANK

SOCIAL INCLUSION BOND FRAMEWORK

20 March 2017
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1- Preface

Socially responsible investment (SRI) is gaining importance in the capital markets. The explicitly and exclusively social mandate of The Council of Europe Development Bank (the “CEB” or the “Bank”) ideally positions the Bank to issue “social bonds” and to allocate the proceeds from these bonds to projects that support its mandate.

This document sets out the framework of CEB’s Social Inclusion Bonds. After a presentation of the Bank and its loan activity, the framework describes the underlying rationale and methodology for loan selection, management of proceeds and reporting.

2- Presentation of Council of Europe Development Bank

2.1 Overview

Introduction

The CEB is a multilateral development bank with an exclusively social mandate. Through the provision of financing and technical expertise for projects with a high social impact in its Member States1, it actively promotes social cohesion and strengthens social integration in Europe.

The CEB has its origins in the political upheavals that Europe experienced following the Second World War, leading to a flood of refugees and displaced persons into Western Europe. The oldest European multilateral development bank, the CEB was established in 1956 by eight Member States of the Council of Europe2 on the basis of a partial agreement in order to bring solutions to the problems of refugees. Working to strengthen social cohesion in accordance with its mandate, through its lending activity the Bank promotes the values and principles of the Council of Europe, which stands for the defence and promotion of human rights, the rule of law and democracy3.

The CEB represents a major instrument of the policy of solidarity in Europe. It participates in financing social projects, responds to emergency situations and contributes to improving the living conditions of the most disadvantaged population groups.

The CEB carries out its mission within the strategic framework of a formal Development Plan4 that describes the logic underpinning its action and sets forth guidelines for the activity in the medium term in relation to the operational context within which the Bank operates. The current Development Plan covers the period 2017-2019.

The strategic focus of the 2017-2019 Development Plan has sectorial lines of action approved by the Administrative Council and confirmed by the Governing Board, as follows:

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1 Albania, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Holy See, Hungary, Iceland, Ireland, Italy, Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Montenegro, Netherlands, Norway, Poland, Portugal, Republic of Moldova, Romania, San Marino, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, “the former Yugoslav Republic of Macedonia” and Turkey
2 Belgium, France, Germany, Greece, Iceland, Italy, Luxembourg and Turkey
3 The Bank has a separate legal entity and is financially independent. As evidence of the institutional links between the Council of Europe and the Bank, the Secretary General of the Council of Europe issues an opinion on admissibility in terms of compliance with the Council of Europe’s political and social objectives for all the projects that the Bank submits to its Administrative Council for approval.
• Sustainable and inclusive growth with emphasis on socially oriented components and particularly on public infrastructure with a social vocation, job creation and preservation, access to labour markets, housing and integration of vulnerable groups.
• Integration of refugees, displaced persons and migrants.
• Climate action: developing mitigation and adaptation measures.

2.2 Loan Portfolio

At 31 December 2016, total assets amounted to EUR 25.6 billion and outstanding loans reached EUR 13.7 billion.

Loan Recipients

The CEB may finance projects in its Member States directly or via an intermediary financial institution. Moreover, projects in favour of vulnerable populations can be financed.

Loans granted by the CEB take one of the following forms:
• Loans to its Member States;
• Loans guaranteed by a Member State granted to any legal person approved by that member;
• Loans granted to any legal person approved by a Member State, when the CEB’s Administrative Council is satisfied that the loan requested is covered by adequate guarantees.

The CEB current portfolio of loan recipients is as follows:
• Member States (50%)
• Local and regional authorities (25%)
• Commercial banks and public financial institutions (25%)

Sectors of Action

The three sectorial lines of action (sustainable and inclusive growth, integration of refugees, displaced persons and migrants, and climate action) reflect both CEB’s specific social vocation and the development logic underpinning all its activity in the following ten sectors of action:

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5 2016 Financial statements to be approved by CEB’s Governing Board
6 The terms disadvantaged/vulnerable populations are used interchangeably in this document. ‘Disadvantaged populations’ is used as a general adjective when defining the activities of the bank. ‘Vulnerable populations’ is a technical definition included in the CoE 2017-2019 Business and Development Plan as well as in the CEB Handbook (population vulnerable, such as persons living below the poverty threshold (less than 60% of the national average income), abandoned children, children in vulnerable situations and persons with disabilities, migrants/refugees, ethnic minorities).
## Sectors of action

<table>
<thead>
<tr>
<th>Sectors of action</th>
<th>Loans disbursed in 2016 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supporting MSMEs for the creation and preservation of viable jobs</strong></td>
<td>45%</td>
</tr>
<tr>
<td>The CEB finances micro, small and medium-sized enterprises (MSMEs) for the prime purpose of promoting the creation and preservation of viable jobs by facilitating access to credit. Such loans are also aimed at entities exercising craft activities or family enterprises engaged in regular economic activity. They can also include the financing of working capital. The CEB will give priority to the initiatives driven by governments in this sector via apex structures developed with State owned banks and to those implemented by other financial institutions – commercial banks or leasing companies.</td>
<td></td>
</tr>
<tr>
<td><strong>Education and vocational training</strong></td>
<td>11%</td>
</tr>
<tr>
<td>The CEB finances projects concerning education, including vocational training, and related basic infrastructure. To be eligible to CEB financing, private establishments and infrastructure must be approved by the public education authorities (in compliance with the criteria established for this type of establishment). The CEB may also finance public or private investments in research and development centres.</td>
<td></td>
</tr>
<tr>
<td><strong>Protection of the environment</strong></td>
<td>11%</td>
</tr>
<tr>
<td>The CEB finances projects, undertaken by public or private entities, that contribute to protecting and improving the environment such as: reduction and treatment of solid and liquid waste, clean-up and protection of surface and underground water, decontamination of soils and aquifers, protection against noise, production of renewable energy, energy saving measures (excluding energy production/distribution), reduction of air pollution, protection and development of biodiversity, cleaner transport means and networks.</td>
<td></td>
</tr>
<tr>
<td><strong>Improving living conditions in urban and rural areas</strong></td>
<td>10%</td>
</tr>
<tr>
<td>The CEB finances projects involving the construction or rehabilitation of infrastructure in matters of urban rehabilitation and rural modernisation in favour of public and private entities at national or local level aiming to improve living conditions in urban and rural areas.</td>
<td></td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td>10%</td>
</tr>
<tr>
<td>The CEB finances projects concerning health and related basic infrastructure. To be eligible to CEB financing, private establishments and infrastructure must be approved by the public health authorities and in compliance with the criteria established for this type of establishment.</td>
<td></td>
</tr>
<tr>
<td><strong>Natural or ecological disasters</strong></td>
<td>7%</td>
</tr>
<tr>
<td>According to CEB’s Articles of Agreement: “The primary purpose of the CEB is to help in solving the social problems with which European countries are or may be faced as a result of the presence of (...) victims of natural or ecological disasters”. The purpose of the actions undertaken is to provide national and local authorities with assistance in the reconstruction of the affected areas or in the prevention of natural or ecological disasters.</td>
<td></td>
</tr>
</tbody>
</table>
Social housing for low-income persons

The CEB finances projects for the renovation, construction or refurbishing of housing and for the conversion of buildings into housing so as to provide decent housing for low-income persons, corresponding to social housing criteria whenever these are defined by the national legislation. In the absence of satisfactory regulations, the CEB’s criteria as presented in section 3.3 (Process for Project Evaluation and Selection) apply. Besides, projects in favour of priority (as defined by the relevant State or local authority) or vulnerable populations may be financed according to specific criteria established for each project.

<table>
<thead>
<tr>
<th>Aid to refugees, migrants, displaced persons and other vulnerable groups</th>
<th>1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>According to the CEB’s Articles of Agreement: “The primary purpose of the CEB is to help in solving the social problems with which European countries are or may be faced as a result of the presence of refugees, displaced persons or migrants consequent upon movements of refugees or other forced movements of populations (...)”. The CEB also takes action in this sector in favour of populations regarded as vulnerable, such as: (i) persons living below the poverty threshold (less than 60% of the national average income); (ii) abandoned children, children in vulnerable situations and persons with disabilities; (iii) ethnic minorities.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Protection and rehabilitation of the historic and cultural heritage</th>
<th>0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>The CEB finances the restructuring and rehabilitation of historic and cultural heritage classified as such by the Member State concerned.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Administrative and judicial infrastructure</th>
<th>0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>The CEB finances projects for the construction or rehabilitation of infrastructure as well as the conversion of buildings into premises intended for public service use, in particular the organisation and functioning of administrative and judicial public services.</td>
<td></td>
</tr>
<tr>
<td>With regard to prison infrastructure in particular, the projects financed by the CEB must be in conformity with the Recommendations made by the Committee of Ministers of the Council of Europe concerning European Prison Rules.</td>
<td></td>
</tr>
</tbody>
</table>

3- Social Inclusion Bond Framework

CEB has developed a Social Inclusion Bond Framework. Proceeds raised through the Social Inclusion Bonds will be exclusively used to finance and/or refinance, in part or in full, new and/or existing loans that:

- (i) are exclusively focused on social activities; and
- (ii) have a social impact that can be easily assessed and quantified with data available for impact reporting.

The CEB Social Inclusion Bond Framework was developed with the aim of providing transparency, disclosure and clarity to investors. The following sections summarize CEB’s Social Inclusion Bond Framework with respect to the Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting in compliance with the ICMA’s Social Bond Guidance.

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3.1 Use of proceeds

The CEB is planning to issue Social Inclusion Bonds in order to finance in its Member States:

(i) Social housing for low-income persons: projects for the renovation, construction or refurbishing of housing and for the conversion of buildings into housing so as to provide decent housing for low-income persons;

(ii) Education and vocational training: projects concerning education, including vocational training, and related basic infrastructure with the aim to provide access to education and vocational training; and

(iii) Supporting MSMEs for the creation and preservation of viable jobs: projects facilitating access to credit for micro, small and medium-sized enterprises (MSMEs) for the prime purpose of promoting the creation and preservation of viable jobs.

The loans will be selected from the three above-mentioned sectors of action according to the year of their disbursement. Eligible Social Loans will include:

- Loans disbursed in the two years (24 months) immediately preceding the issue date of the relevant Social Inclusion Bond, and,
- Loans that will be disbursed in the year (12 months) immediately following the issue date of the relevant Social Inclusion Bond.

All these loans will be defined as the eligible social loans ("Eligible Social Loans").

The proceeds of the relevant Social Inclusion Bond will be allocated towards Eligible Social Loans granted by CEB that meet the criteria specified below.

3.1.1 Social housing for low-income persons

The CEB finances projects for the renovation, construction or refurbishing of housing and for the conversion of buildings into housing so as to provide decent housing for low-income persons, corresponding to social housing criteria whenever these are defined by the national legislation of Member States.

Eligible projects can be targeted to provide access to property ownership, rental housing or related infrastructure (such as water mains, electricity and gas supplies, collection and treatment of wastewater and solid waste, commercial premises, and playgrounds).

The criteria that the CEB takes into account for loan selection are: (i) income level of the tenants, (ii) the physical characteristics of the housing and (iii) the purchase and/or sale conditions applicable in each Member State or in the region of the Member State hosting the project, in compliance with the legal or regulatory provisions in force. In the absence of satisfactory regulations, the eligibility criteria can be based on the following principles, or on other specific criteria to be established by CEB during appraisal:

- the income of the target population is limited to a percentage of a relevant income indicator selected according to statistical data available for each Member State or region concerned;\(^8\)

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\(^8\) Poverty threshold: in European comparisons, this threshold is fixed at 60% of the equivalent average income in the country of residence.
• the floor area is limited in principle to a maximum of 35 m² per person in the case of households comprising between 1 and 2 people and 23 m² per person for larger households. However, the minima shall not be inferior to commonly accepted habitability criteria and the maxima can be determined during project appraisal;
• in the case of projects involving access to property ownership, this must be for the principal residence, with a firm undertaking to occupy the premises for a minimum period of 5 years.

Projects involving the renovation and/or the rehabilitation and conversion of buildings into social housing must meet the following criteria, or other specific criteria as established by CEB during appraisal:

• housing units must belong to public or private entities lessors of social housing, or to owner-occupants of assisted affordable housing;
• rented housing units must be controlled-rent properties;
• housing units must have a maximum total floor space of 92 m², except those occupied by large families (more than 4 persons);
• the floor space of commercial or office premises may not exceed 20% of the total floor space of the building;
• the renovation of housing for energy saving purposes may be financed according to eligibility criteria determined during project appraisal.

3.1.2 Education and vocational training

The CEB finances education and vocational training projects, and the related infrastructure, such as:

• Construction and/or rehabilitation of early childhood education facilities, primary and secondary schools, technical colleges, vocational training centres, establishments of higher education or specialised learning and/or research and development centres. Eligible investments may include sports and socio-cultural centres/equipment as well as residence facilities pertaining to such establishments, learning materials, furniture and equipment;
• Programmes involving training for the unemployed and in favour of disadvantaged populations, for professional reconversion, for providing training in natural or ecological disaster prevention and preparedness for members of the civil protection forces or for training of magistrates, administrators, civil servants and government officials;
• Adaptation of training centers premises in order to facilitate their access to persons with reduced mobility;
• Education-related research and development programmes;
• Training programmes in favour of vulnerable groups (as defined in footnote 6);
• Training for specialised staff in the education and vocational training sectors;
• Programmes for student loans.

Private establishments must be state-approved with recognition of diplomas at national level.

Education-related investments may also include basic infrastructure such as water supply and wastewater systems and facilities, solid waste collection and treatment facilities, electricity and gas supply systems, IT infrastructure and communications facilities (telephone, internet, cable, etc.).
3.1.3 Supporting MSMEs for the creation and preservation of viable jobs

The CEB provides Programme Loans with the primary purpose of promoting the creation and preservation of viable permanent and/or seasonal jobs by facilitating access to credit. Such loans can finance fixed productive investments, including through leasing, or working capital requirements as deemed eligible by CEB. They are aimed at micro, small and medium-sized enterprises (MSMEs), including those exercising craftsmanship/artisan activities or small family-owned enterprises engaged in regular economic activity.

To reach MSMEs effectively for the purpose of supporting job creation, CEB can support selected licensed financial intermediaries (FIs) such as commercial banks, specialised financial intermediaries (e.g. public development banks) or non-bank financial intermediaries such as leasing companies. This support may either be in the form of direct lending through an FI or through on-lending via an apex structure.

Reflecting its social mandate, CEB prioritises for its support the smaller MSMEs and those with limited, less favourable, or even no access to credit. This includes in particular start-ups and enterprises owned by vulnerable groups.

The CEB gives priority to those initiatives in this sector that are supported by Member State governments. CEB supported intermediaries will need to demonstrate upfront a clear commitment and ability to on-lend to the target MSMEs on a commercially sound and economically sustainable basis.

CEB uses the same definition of MSMEs as the European Union (EU Commission Recommendation 2003/361/EC), which may be updated from time to time. Extract of Article 2 of the Annex of Recommendation 2003/361/EC: “The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ less than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.”

Excluded Activities

The CEB excludes certain activities and sectors from its financing activity. As defined by the NACE nomenclature of the European Union, the following activities shall be excluded from the CEB’s financing:

- Mining and quarrying (NACE B) except division 8 Other mining and quarrying (8.1 Quarrying of stone, sand and clay; 08.91 Mining of chemical and fertiliser minerals and 08.92 Extraction of peat; 08.93 Extraction of salt),
- Distilling, rectifying and blending of spirits (NACE C11.01),
- Manufacture of tobacco products (NACE C12),
- Manufacture of coke and refined petroleum products (NACE C19),

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9 A ‘Viable job’ is a job or position created with the intention to be maintained
10 Investments related to renewable energy, education (schools/universities) and health (hospitals/clinics) sectors should not be financed under CEB’s “Supporting MSMEs” sector of action, but under the related sectors (i.e. “Managing the environment,” “Health” or “Education and professional training”). Smaller scale sub-projects related to health and education (e.g. privately owned dental/medical practices, childcare/kindergarten or elderly care facilities) may be financed under the “MSMEs” sector of action provided that the sub-borrowers comply with the above-referred MSME definition.
• Processing of nuclear fuel\textsuperscript{12} (NACE C24.46),
• Manufacture of weapons and ammunition (NACE C25.4),
• Manufacture of military fighting vehicles (NACE C30.4),
• Financial and insurance activities (NACE K64-66),
• Real estate activities (NACE L68),
• Gambling and betting activities (NACE R92),
• Activities of membership organisations (NACE S94),
• Activities of extraterritorial organisations and bodies (NACE U99).

Investment projects linked to pornography and to products regarded by the CEB’s Member States regulations as harmful to the health and the environment\textsuperscript{3} shall also be excluded.

3.2 Process for Project Evaluation and Selection

The CEB follows its own policies with respect to the identification, approval and monitoring of projects. The Bank pays particular attention to the quality and social impact of the projects by maintaining close involvement throughout the entire project cycle.

\begin{center}
\includegraphics[width=\textwidth]{ceb_selection_loan_approval_process.png}
\end{center}

CEB’s selection and loan approval process

\\textsuperscript{12} This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the CEB considers the radioactive source to be insignificant and/or adequately shielded.

\textsuperscript{13} Production or trade in any product or activity deemed illegal under the Member States laws or regulations or international conventions and agreements, such as unbonded asbestos fibres, pharmaceuticals, pesticides/herbicides, ozone-depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species (CITES).
The CEB follows its established processes to identify and consistently monitor the projects it finances

- The CEB finances projects that are in line with its social development mandate and that fall under its eligible sectors of action. The CEB Loan and Project Financing Policy provides the overall framework for project financing and defines the basic principles for the selection, appraisal, implementation and monitoring of CEB projects.
- The projects, identified by the CEB and/or the borrower, respond closely to the borrowers’ needs; as such, the borrower (and when it is the case, the local stakeholders) must demonstrate its/their commitment to and support of the project. As the CEB pays particular attention to the quality and social impact of the projects it finances, assistance and monitoring throughout the whole project cycle constitute key factors in their effective implementation. At the borrower’s request, the CEB may provide borrowers with technical assistance to help them with the preparation of their projects.
- All CEB loans are granted in accordance with specific technical and social development criteria and in strict conformity with environmental, procurement and compliance guidelines and policies. During identification, an initial analysis of the elements making up the project is carried out in order to define the project’s eligibility for CEB financing, its feasibility and objectives as well as the means required to achieve them. An initial estimate of the loan amount is also given at this time. The necessary information is provided to the CEB by the borrower.
- CEB’s monitoring and control mechanisms are established to ensure, throughout the project cycle, proper development and implementation of high quality, high social value projects which meet the CEB’s criteria and objectives.

Selection of Eligible Social Loans

CEB’s Monitoring Department will screen its total loan portfolio at their discretion. All CEB’s loans and projects have a high social profile in alignment with CEB’s social mandate and according to the selection process described above. The Eligible Social Loans will be selected from the three eligible categories defined in this Social Inclusion Bond Framework: Social housing, Education and vocational training and MSMEs (as described in paragraphs 3.1.1 Social housing for low-income persons, 3.1.2 Education and vocational training and 3.1.3 Supporting MSMEs for the creation and preservation of viable jobs above). In the selection of the Eligible Social Loans best efforts will be made to select a balanced number of Eligible Social Loans from each of the three eligible years of loan disbursement. 14

The CEB performs an in-depth appraisal of the social objectives of the project

During appraisal both the project and the associated credit risks are assessed. The project and credit aspects are included (i) in the loan application submitted by the borrower to the Secretariat of the Partial Agreement for an opinion by the Secretary General of the Council of Europe on admissibility in terms of compliance with the Council of Europe’s political and social objectives and (ii) in the CEB’s “Loan Document” prepared by the CEB and submitted to the Administrative Council for approval.

- At the project appraisal stage, the CEB, in cooperation with the borrower, defines all relevant aspects of the proposed project. On the basis of the loan request formulated by the borrower, the CEB carries out an assessment of the project by closely reviewing its social objectives and justification, its financial and technical feasibility and the envisaged implementation modalities

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14 As defined in section 3.1 Use of Proceeds: “the two years (24 months) immediately preceding the issue date of the relevant Social Inclusion Bond and loans that will be disbursed in the year (12 months) immediately following the issue date of the relevant Social Inclusion Bond.”
including the institutional capacity of the borrower and/or the designated implementing agency to manage project implementation. Requests for financing are adapted to the specific characteristics of each project for which a loan is sought.

- Environmental aspects of the project are reviewed for conformity with the CEB’s Environmental and Social Safeguards Policy while the CEB’s Procurement Guidelines, detailing the principles and methods to be applied when awarding contracts to be financed by CEB loans, serve as a basis for evaluating the procurement-related facets of the project.
- The CEB applies its Anti-Corruption Charter during appraisal of the projects it finances. As a general rule during appraisal, the CEB attaches great importance to the aspects related to the fight against fraud, corruption and money laundering. Any outstanding legal questions are also addressed at this point.
- Social impact is a key issue considered by the CEB services during appraisal to ensure that implementation arrangements, monitoring and reporting modalities, etc. are appropriate so as to ensure that the project will generate the expected social outcomes.
- Moreover, the appraisal stage includes a thorough assessment of the likely added-value of CEB support. Such analysis is conducted along the lines of the Added-Value Assessment sheet which assesses both the project’s social impact and its contribution to improving the relevant sector policies, institutions and infrastructure, as well as the added-value of CEB’s involvement.
- Each proposed project is assigned a Project Overall Rating (POR) based on a “two-pronged approach” which recognises that the social added value of a project depends both on its characteristics – (“project” parameters, such as its sectorial context, sustainability, expected financial impact, institutional and organisational aspects and impact of CEB’s capacity to provide assistance throughout the entire project cycle) – and on the context in which it is carried out (“country” parameters). Taken together, these two dimensions of “project” and “country” ratings also provide a yardstick for measuring the added-value of CEB financing.

In parallel to this project appraisal, the CEB, as is customarily done by financial institutions, also carries out a credit assessment of the borrower under the proposed loan.

### 3.3 Management of Proceeds

The CEB Social Inclusion Bond proceeds can be used to finance the Eligible Social Loans in accordance with this Social Inclusion Bond Framework.

The CEB will manage the proceeds of any Social Inclusion Bond applying a notional equivalence approach between the Social Inclusion Bond proceeds and the Eligible Social Loans financed by the relevant Social Inclusion Bond.

The management of Eligible Social Loans will be done in a way so as to be able to provide full transparency to investors on:

- the nature of allocations; and
- the actual distribution of the loans by sector of action and year of disbursement.

The proceeds from the Social Inclusion Bonds will be placed in CEB’s treasury and managed by the Finance department and will be allocated directly to existing or new loans. CEB has disclosed that any unallocated funds will be managed in line with the highly conservative standard processes of the Finance department’s treasury until full allocation of any bond proceeds is made.

The allocation of proceeds to the loans portfolio will end one year (12 months) following the issuance.
3.4 Reporting

The CEB will publish a Social Inclusion Bond Report in the calendar year following the year in which the relevant Social Inclusion Bond was issued. The report will provide an overview of the Eligible Social Loans financed through the proceeds raised from the relevant Social Inclusion Bond issuance.

In addition, the Social Inclusion Bond Report will include a report from an independent auditor who will review the disbursements from the Eligible Social Loans portfolio.

The following information will be provided on the Eligible Social Loans financed:
- Summary of the allocation of Social Inclusion Bond proceeds per sector of action and per year of disbursement
- For each selected sector of action: distribution of the proceeds by year of disbursement and per country

The CEB will also report on the social impact of the projects that were financed with the Social Inclusion Bond proceeds based on the indicators:

<table>
<thead>
<tr>
<th>Sector of action</th>
<th>Social impact indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social housing for low-income persons</td>
<td>Number of dwellings (construction/renovation)</td>
</tr>
<tr>
<td></td>
<td>Number of beneficiaries</td>
</tr>
<tr>
<td>Education and vocational training</td>
<td>Number of schools (construction/renovation)</td>
</tr>
<tr>
<td></td>
<td>Number of students</td>
</tr>
<tr>
<td>Supporting MSMEs for the creation and preservation of viable jobs(^{15})</td>
<td>Number of MSMEs</td>
</tr>
<tr>
<td></td>
<td>Number of job preserved</td>
</tr>
<tr>
<td></td>
<td>Number of jobs created</td>
</tr>
</tbody>
</table>

The reporting will be publicly available on CEB’s website.

4- Second Opinion

The CEB has engaged Sustainalytics SARL to provide an independent assessment (the “Second Opinion”) of the social quality of the portfolio of financed Eligible Social Loans and to assess the alignment of the CEB Social Inclusion Bond Framework with CEB’s sustainability objectives and with ICMA’s Social Bond Guidance\(^{16}\).

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\(^{15}\) CEB’s counterparties, i.e. the selected licensed financial intermediaries (FIs) such as commercial banks, specialised financial intermediaries (e.g. public development banks) or non-bank financial intermediaries such as leasing companies, provide the necessary information for the elaboration of the social impact indicators.

\(^{16}\) “Social Bonds – Guidance for Issuers” dated 16 June 2016 issued by the International Capital Market Association (ICMA)
Appendix

Ownership Structure

The CEB is owned by its 41 member states (the *Member States*). The three largest Member States (France, Germany, and Italy) together hold more than 50% of the subscribed capital and the five largest (France, Germany, Italy, Spain, Turkey) almost 70%.

![CEB's Member States chart]

Source: CEB, 31 December 2015

The CEB raises most of its funds in the international capital markets at favourable conditions due, in particular, to its rating, which in turn allows the CEB to grant loans at favourable conditions to its borrowers for social projects.

17 There has not been any change since 31 December 2015
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