Corporate Social Responsibility Report



CEB

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

2013

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KEY DATA AS AT 31 DECEMBER 2013

CORPORATE

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

41 Member States

Key figures ***(in million euros)***

Loans outstanding	12 582
Own funds	7 320
Equity	2 460
Total assets	24 485
Net profit	111.3

FINANCING

38		
Projects approved		Loans disbursed
Sectoral lines of action		
Strengthening social integration	74.9%	66.0%
Managing the environment	2.3%	14.4%
Supporting public infrastructure with a social vocation	22.8%	19.6%
Total *(in million euros)*	**2 274**	**1 845**
in favour of target countries (*)	1 101	937

(*) 22 Central, Eastern and South-Eastern European Members countries of the CEB

FUNCTIONING

Business travels: 2 639 442 km / 739 t. eq. CO_2

Energy consumption electricity: 979 MWh heating: 951 MWh

Paper consumption: 10 tonnes

183 permanent staff members and 4 appointed officials

28 nationalities

54% female / 46% male

THE CEB AND CORPORATE SOCIAL RESPONSIBILITY

FOREWORD



Rolf WENZEL
Governor

The Council of Europe Development Bank (CEB) attaches great importance to all issues related to Corporate Social Responsibility (CSR), which remains one of its top priorities. As a development bank striving to promote social integration in Europe, we recognise the importance of taking into account the environmental and social aspects of all projects we consider, propose and implement.

Assessing the impact of our work on society is crucial to us. The regular publication of annual CSR reports is a reflection of the CEB's commitment to maintaining the highest standards of transparency. At the same time, it is an opportunity for the Bank to present its views on its role in society. This CSR report, the sixth since 2009, outlines some of the efforts the CEB has recently undertaken in accordance with its ongoing commitment to socially and environmentally responsible financing.

Sustainable management of the CEB as an international financial institution is extremely important. A reinforced risk management framework has been put in place to ensure the Bank's continued financial stability in an environment of economic challenges. Meanwhile, the CEB's rigorous internal environmental screening ensures that health and safety and also the environmental aspect of projects are given due consideration during the appraisal and monitoring process. In addition, effective project evaluation and the sharing of good practices with other organisations serve to strengthen the Bank's policies and improve future operations.

CSR is not just about financial transactions. It is also about maintaining coherence between the Bank's internal and external activities. To that end, in 2013 we took a series of steps aimed at strengthening CSR within the Bank, including setting up a specialised Corporate Responsibility and Studies Department. Moreover, the Office of Chief Compliance Officer (OCCO) has been given a clear mandate to ensure that integrity and transparency of the highest level characterise not only the Bank's activities but also the conduct of all its staff.

We believe that transparency and accountability are key to fulfilling our mission as a major social development instrument in Europe. In that respect, our ongoing commitment to CSR principles has been, and will remain, an essential tool for our work to strengthen social cohesion and promote sustainable growth.

THE REPORT IN BRIEF

The Annual Report on Corporate Social Responsibility (CSR) describes the CEB's overall contribution to socially and environmentally sustainable development. The document is structured into three major sections that successively present, from a CSR point of view, the specific nature of the Bank, the way it conducts its loans/projects activity and the way it manages its own resources.

The principles underpinning the drafting of the report remain unchanged. The document is mainly based on information already available to the general public, notably on the CEB's website, www.coebank.org. In addition, particular attention is given to: (i) drawing comparisons with the practices and standards currently in force, by considering the equivalent reports published by other IFIs, (ii) reflecting on the CEB's specific characteristics (mandate, resources, operating method, etc.) and (iii) ensuring coherence between the internal (operational) and external (financing activity) aspects of CSR.

At the same time, reporting on CSR has continued to evolve. On the one hand, the report is published at the same time as the Report of the Governor 2013, thus presenting a more complete, better-articulated view of the CEB's activity. On the other hand, the main sections of the CSR report will now be developed directly on the Bank's website in the forthcoming months and then updated during the year as required. This should provide public information that is not only richer in content, but also more lively and up-to-date.



1

Being the social development bank in Europe

01 MISSION AND GOVERNANCE

Corporate social responsibility is embedded in the Council of Europe Development Bank (CEB)'s mandate.

A unique social mission

As the social development bank in Europe, the CEB is tasked to contribute to the social cohesion and sustainable social development of its 41 Member States. This responsibility is reflected in its support for sustainable and inclusive growth that will ensure the ability of future generations to meet their needs.

The CEB's activities and decisions are driven by the need to improve environmental and social impacts, to foster best practices and to strengthen the very fabric of society. In this way, the CEB contributes to social cohesion and is held accountable by stakeholders and society.

The Bank's mandate and mission are defined in its Articles of Agreement, as adopted in June 1993 and amended three times since. As a partial agreement of the Council of Europe, it is responsible for embodying the latter's values in the economic sphere. It does so by granting loans and grants to finance projects through four sectoral lines of action:

- strengthening social integration
- managing the environment
- supporting public infrastructure with a social vocation
- supporting micro, small and medium-sized enterprises (MSMEs)

* Additional sectoral line of action set up within the framework of the Development Plan 2014-2016, which came into force on 1st January 2014.

A structured governance system

Good governance is a key element in the effective running of a multilateral development bank such as the CEB. According to Article VIII of the Articles of Agreement, the organisation, administration and supervision of the Bank are distributed 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. The seat of the Bank is Paris.

The organs of the CEB

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 operational services and conducts the day-to-day business. On 18 December 2011, Mr Rolf Wenzel took office as Governor of the CEB for a five-year term. The Governor is assisted by one or more Vice-Governors (currently three).

The **Auditing Board**, consisting of three members appointed by the Governing Board, is responsible for verifying the annual accounts.

List of the CEB's internal committees

Committee on Orientation and Coordination
General Management Committee
Finance and Risk Committee
ALM Committee
Funding Committee
Development and Project Committee
IT Steering Committee
Committee for Operational Risks and Organisation
Committee for European Cooperation

02 A RESPONSIBLE POSITIONING

A medium-term view of future activities

The CEB's social mission is implemented in a strategic context that defines its major directions and objectives. These are formalised in the "Development Plan 2014-2016", which describes the Bank's lending policy, its geographical and sectoral areas of focus, their logic, the resource framework required for their implementation, and the right balance between risk and capital.

The Development Plan 2014-2016: major strategic directions

The Development Plan 2014-2016, approved in November 2013, strengthens the Bank's mission to support social investment, along with its role as a major instrument in European solidarity policy, which promotes the fundamental values of the Council of Europe.

The Plan introduces new financing instruments and adapts existing ones in order to respond more effectively to the needs of the Bank's Member States. Ongoing support for creating and maintaining jobs in micro, small and medium-sized businesses is strengthened. The Plan also provides for even closer cooperation with the European Union, other multilateral development institutions and donor countries, as well as continuing and expanding the CEB's efforts to support its activities in the countries of Central, Eastern and South-eastern Europe.

The Plan is accompanied by a revision of the Bank's prudential framework and its Loan and Project Financing Policy.

A unique position for more effective cooperation

The partnerships the CEB enters into with other financial and non-financial international organisations, and with donors through trust accounts, fulfil a major objective: allowing the CEB to increase the resources available for its actions and thus increase the added value of its contribution.

To this end, the Bank has entered into several bilateral and multilateral framework agreements with other IFIs, the most recent being a Memorandum of Understanding with the EBRD, signed in October 2013. The CEB has partnerships with other organisations active in the social arena, including in particular, several specialised United Nations agencies such as the UNHCR, UNICEF and UNDP. Strengthening cooperation with the European Union (EU) is also a strategic lever for the CEB. Indeed, 26 of the Bank's 41 Member States are members of the EU and eight are official or potential accession candidates. This joint area of intervention makes the EU a natural partner for the CEB in fulfilling its social mandate.

The trust accounts managed by the CEB are highly diverse and can be grouped into four categories: (i) trust accounts funded by donor countries, either bilaterally (such as the Spanish Social Cohesion Account or the Norway Trust Account for the Western Balkans) or multilaterally (such as the Human Rights Trust Fund); (ii) trust accounts funded by the European Union (tripartite facilities with KfW and the Commission or other EU financial instruments and programmes such as the WBIF); (iii) trust accounts linked to the Regional Housing Programme (RHP) through the RHP Fund and two other EU bilateral accounts; (iv) the trust account funded from the Bank's annual results, namely the Social Dividend Account. At the end of 2013, the amount of donor funds administered by the Bank stood at € 201 million.

The CEB's information and communication policy

The CEB's information and communication policy is primarily aimed at consolidating the Institution's reputation and at guaranteeing appropriate transparency with regard to its activities and its functioning.

To achieve this, the Bank relies on an internal reference framework made up of its Public Information Policy and on a wide range of communication tools. These are mainly deployed on the website www.coebank.org and on the intranet reserved for internal communication with CEB staff. The content of both sites is steadily enhanced year after year. For several years, the institutional communication policy, which is designed to promote the original positioning and specific identity of the CEB, has been relayed by means of more operational communication approaches targeted to each of its stakeholders (see CEB stakeholder map, page 19). The objectives are tailored accordingly.

Communication about CSR relies, in particular, on better dialogue with all the Bank's stakeholders, especially those who are, by definition, the most closely involved in this area, such as extra-financial rating agencies or socially responsible investors. By way of example, in 2013 the CEB was rated C (prime) by oekom research. It is also classed as a socially responsible investment bank by Triodos Bank.

03 COMPLIANCE

The Office of Chief Compliance Officer

Within the CEB, the Compliance Office primarily aims to protect the Bank from any financial or reputational risk, that may arise from illegal, fraudulent, corrupt or unethical behaviour. Preserving high standards of integrity and governance, the Compliance Office (Office of Chief Compliance Officer, OCCO) focuses not only on the Bank's borrowers and projects, but also on the conduct of the staff and organs who work in and for the Bank; in other words, OCCO aims to shield the Bank by using a compliance risk spectrum on external and internal compliance risks.

OCCO has a clear mandate to uphold the values of integrity and transparency and enjoys full support from the Bank's top management, as far as its mission is concerned. The effectiveness of the Bank's compliance risk management is reflected on the quality of the portfolio as well as on its high quality personnel.

Measures taken by the CEB

Committed to sustain high level of bottom line performance and prime asset quality, CEB's compliance risk spectrum has adopted an Anti-Money Laundering, Anti-Fraud, Anti-Corruption and counter-terrorist financing policy, conflict of interest, treatment of confidential information and integrity framework, in order to proactively prevent any financial or reputational loss to the Bank, deriving from borrowers, suppliers or any third party dealing with the CEB.

CEB's procurement policy ensures that public money is spent in an efficient manner, serving the principles of integrity, transparency and equal treatment, aligned with EU laws and regulations.

The CEB is dedicated to serving also as a knowledge compliance pool to its borrowers, suppliers or other counterparties when compliance risks might arise.

Committed to function with prime governance, the CEB uses internally a compliance risk spectrum, consisting of codes of conduct for Staff, appointed officials, its collegial organs and its Auditing Board. In addition, the CEB, in order to ensure that all staff members fulfil their obligation to behave in an ethical manner, applies internal policies, guidelines and procedures which aim to ring-fence high standards of integrity, dignity and ethos at work, aligned with internationally accepted norms and best practices.



International cooperation

The CEB participates in or closely follows initiatives of OECD, Moneyval, the Council of Europe's Group of States against Corruption (GRECO), the Financial Action Task Force, the Global Forum for Tax Transparency, the Investigations Forum in order to be continuously up to date and align its policies with the latest trends on compliance issues. The CEB maintains multilateral relationships with most of the international financial institutions, i.e. the EIB, the EBRD, the African Development Bank, the Asian Development Bank and the World Bank.

Constant vigilance

The challenge to protect the Bank from the impact of external and internal risk is an ongoing goal. Globally, fraud and corruption are not going away; on the contrary it is a continuously transforming threat for International Financial Institutions and a drawback on growth, social cohesion and development.

The importance of having an effective compliance risk spectrum is high, as it significantly contributes to the protection of the CEB's mission, which primarily aims to strengthen social integration and support public activities with a social vocation.



2

Adding sustainable social value

01 EFFECTIVE SUPPORT TO SOCIAL COHESION

Sustained operating activity

In line with its mandate, the CEB focuses its activity on providing support to inclusive economic and social development and sustainable improvement of living conditions of end beneficiaries in all its Member States. In 2013, the CEB's Administrative Council approved 38 loan applications for a total amount of € 2 274 million, out of which 27 operations were in favour of the CEB's target countries [1]. Total project approvals in 2013 were up 26.5% from 2012, underscoring the importance of CEB financing in support of social investment programmes in its Member States, despite the challenges posed by the current economic and financial context. At end 2013, loan disbursements totalled € 1 845 million.

Striving to add value through socially-responsible lending

Projects aimed at strengthening social integration, including support for employment, accounted for € 1 702 million and represented three quarters of all the approvals for the year. Through providing partial funding for programmes and activities aimed at the most vulnerable populations (refugees, migrants and displaced persons), the Bank fulfils one of its statutory priorities and contributes directly to improving social inclusion. In the current context of austerity, it is increasingly important to make services available to vulnerable groups and people who are excluded from society.

The provision of decent and affordable housing for people on low incomes and other economically and socially vulnerable population groups will remain one of the most effective means in which the CEB fulfils its mission to strengthen social cohesion in its Member States. From a broader perspective, the Bank also plays a role in urban renewal through financing municipal housing-related projects, including investments in environmental sustainability and energy efficiency.

€ 1 142 million were dedicated to operations supporting job creation and preservation in micro, small and medium-sized enterprises, which suffer from limited access to financing. By facilitating access to funding through tailored loan and leasing products via a carefully chosen network of financial intermediaries with considerable local presence, the CEB provides much-needed long-term funding resources to the micro-enterprise and SME sector, which it would otherwise not be able to reach. The CEB also supports microfinance models that support access to credit for groups hitherto excluded from the formal banking system. The impact of providing such a stepping stone for integration into the formal sector for business start-ups has considerable social and economic benefits.

Adapting the Bank's response to new and diverse challenges

Increased challenges have emerged for the CEB in recent years: this is particularly true of financing for projects in sectors such as health facilities and prison infrastructure, in often complex operational conditions. In line with shareholders' demand and with the orientations of the Council of Europe in this area, the Bank provides support to projects in the public administration and judicial field in order to lend its contribution to improving the organisation and functioning of the administrative and judicial public services of its Member States. At the same time, the Bank can offer its experience in the appraisal and set-up of judiciary infrastructure projects.

The CEB continued its active engagement in the **Regional Housing Programme (RHP)** [2]. While the Assembly of Donors approved the very first projects to obtain grant financing from the RHP Fund in April 2013, subsequent phases of project approvals resulted in a total of € 61 million of approved projects by December. The considerable progress made by partner countries with the support of the international community have paved the way for effective implementation of the RHP and the first housing solutions are expected to be delivered to beneficiaries during the first half of 2014.

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

[2] The Regional Housing Programme (RHP) is a cornerstone of the regional initiative developed jointly by Bosnia and Herzegovina, Croatia, Montenegro and Serbia with wide support from the European Commission, the UNHCR, OSCE and international donors. This project, totalling around €600 million, aims at securing durable housing solutions for some 74 000 most vulnerable refugees and displaced persons from the 1991-1995 conflicts in the territory of former Yugoslavia.

02 QUALITY OF PROJECTS AND INNOVATIVE FINANCIAL INSTRUMENTS

Constant enhancement of project selection tools

The CEB carries out a thorough ex ante assessment of all the projects it finances, applying a "two-pronged approach" methodology. The underlining premise of this approach is that the social value of a loan from the Bank depends both on the intrinsic characteristics of the project and the context in which the project is implemented, i.e. the country parameters.

Social impact is a key issue considered during appraisal to ensure that implementation arrangements, monitoring and reporting modalities are appropriate so as to ensure that the projects generate the expected social outcomes. Moreover, the appraisal stage includes a thorough evaluation of the likely added value of CEB support. The CEB also assesses closely the associated credit risk aspects of the borrower and the proposed transaction as well as conformity with the Bank's environmental, procurement and compliance guidelines and policies.

Evaluation as means of improving future operations

Through its independent Evaluation Department, the CEB is kept abreast of how the projects and programmes it funds function and deliver their benefits after their physical completion.

Moreover, the Evaluation Department provides the Bank with a sector-wide, long-term view of the social and economic effects of its lending operations. These "lessons learnt" are 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 ongoing and future operations.

Introduction of new financing instruments within the 2014-2016 Development Plan

The introduction of the EU Co-financing Facility (ECF), as a CEB funding tool better coordinated with the characteristics of the European Union (EU) Funds, both within Member states of the European Union and beyond, demonstrates the CEB longstanding support to the co-financing of such programmes. In addition, in cases where the viability of public entities' budget-funded social investment programmes might be compromised by the lack of stable funding over time, the new Public Sector Finance Facility (PFF) will aim to remedy temporary gaps in funding flows and to ensure the continuity of investments in the social sectors during the period of implementation.

The reform of the Social Dividend Account

The Bank increasingly provides technical assistance for project preparation and implementation from different sources, either bilateral (such as the Spanish Social Cohesion Account) or multilateral (for example, the Western Balkans Investment Framework).

Moreover, the reform of the Bank's Social Dividend Account (SDA, formerly the Selective Trust Account), approved in March 2013, has helped to increase grant financing support for high social added value projects by creating four distinct areas, each aimed at a particular area of activity, namely technical assistance, interest rate subsidies, guarantee schemes for pilot projects and exceptional donations awarded on a case-by-case basis.



03 INTEGRATION OF THE ENVIRONMENTAL DIMENSION

The CEB's Environmental Policy

The CEB's Environmental Policy is instrumental in achieving environmentally sustainable development as it sets the framework for the prevention and mitigation of negative effects on populations and their environment. The policy requires that all projects undergo environmental screening and are categorised according to their nature, scope and the potential significance of expected impacts. Among the 38 loan applications that were approved in 2013, two were classified as category "A", designating projects associated with higher environmental risk see (box opposite).

Promoting green housing standards in the Balkan region

Housing is generally regarded as having limited effects on the environment. Nevertheless, impact can be significant in terms of land-use, consumption of natural resources and energy and polluting discharges when considering the cumulative effects of residential developments and their long lifecycles. The CEB thus strives to enhance the environmental performance of the housing projects it finances particularly since these represent an important share of its portfolio. This poses a particular challenge in the Balkan region where regulatory frameworks are complex and enforcement deficient. To help bridge these difficulties, the CEB, assisted by a consultant, developed environmental quality criteria (EQC). The EQC are a practical tool for project stakeholders, aiming to ensure that environmental quality considerations (e.g. energy efficiency, sewerage treatment) and health & safety aspects (demolition/construction/renovation) are appropriately considered in the housing project cycle.

Meeting the challenges in programme lending

Addressing environmental risks for programme loans implemented through intermediary institutions is challenging, as they entail greater reliance upon the safeguard systems of third parties that are the interface between the CEB and the end borrowers. In this context, evaluating the capacity of the partner institutions to integrate appropriate environmental requirements in the on-lending operations is crucial. For this purpose, the Bank regularly undertakes environmental due-diligence reviews based on questionnaires as well as on visits to the intermediaries. The review process serves to classify the environmental risks associated with a particular loan operation and to optimise the subsequent monitoring of these risks during the implementation stages.

Category A projects

In 2013, the CEB's internal environmental screening process classified two projects as category "A" referring to projects that carry higher environmental risk due to their nature or scope and that are thus subject to environmental impact assessment (EIA). Both projects concerned municipal infrastructure and included components which required EIA. As part of the appraisal process the CEB reviewed the EIA documentation, the public consultation process that was followed and the proposed mitigation measures. The projects were also published on the CEB's website before presentation to the Administrative Council for their approval in accordance with the Bank's Public Information Policy.

Sharing environmental good practice

With a view to continually improving and updating its sustainability standards and requirements, the CEB actively participates in peer organisation networks. Such networks facilitate the sharing and promoting of good practice methodologies and tools enhancing project sustainability. Within the realm of IFI cooperation, the Bank shall host the 2014 Spring meeting of the MFI (Multilateral Finance Institutions) Environment Working Group that brings together sustainability experts of the leading International Financial Institutions and bi-lateral development agencies. This bi-annual meeting provides an effective platform for the harmonisation of IFI policies and practices and helps to identify emerging issues that require a common approach.



3

Managing our own resources responsibly

01 SUSTAINABLE MANAGEMENT OF THE BANK'S FINANCIAL RESOURCES

The CEB's financial soundness and stability

The CEB's financial soundness and stability contribute to its resilience in a challenging economic environment. Strong and sustainable results are vital in consolidating the financial leverage role played by the Institution, thereby enabling it to channel finance towards social projects and to ensure the effectiveness of its development activity.

For all Multilateral Development Banks (MDBs), a strong capital base, built on paid-in capital and callable capital as well as retained reserves, is a key factor to fulfilling their commitments. In this respect, the Bank enjoys very close relationships with its Member States whose continuous support is reflected by their high participation rate in CEB's regular capital increases (the last one took effect at end 2012). At end 2013, subscribed capital reached € 5.5 billion, while total equity (paid-in capital, reserves and net profit) amounted to € 2.5 billion. Even though the CEB does not operate with the intention of maximising profits, its sustainable profitability contributes to expanding its capital base. Over the last twenty years, an amount of almost € 2 billion has been accumulated to the reserves.

Access to global financial markets

Despite a recent deterioration in the credit status of its borrowers or its shareholders, the Bank continues to enjoy an excellent rating (Aaa by Moody's/AA+ by Standard & Poor's and Fitch Ratings) based on its creditworthiness and its intrinsic strengths such as sustainable profits and firm shareholder support. In addition, the CEB holds substantial liquidity, which is a key element for meeting its financial obligations and providing flexibility in timing new debt issuance even under adverse market conditions or in times of global financial turmoil. The CEB's conservative and cautious financial policies and its preferred creditor status facilitate its capacity to access funding. The borrowing authorization for 2014 is fixed at € 4 billion. The funds raised on the international financial markets at very attractive rates also benefit the CEB's borrowers. Through its lending operations in currently 33 Member countries, most of whom are facing financial constraints, the CEB contributes essentially to promoting social cohesion in Europe.

Compliance with best practices and a new prudential framework

The Bank is also dedicated to applying the best banking standards and practices. The new prudential framework came into force on 1st January 2014 along with the Development Plan 2014-2016. This prudential framework is built around three main pillars (capital adequacy, liquidity and leverage) and provides appropriate assessment tools to monitor the Institution's long term solvency. It complies with the best banking practices by taking into account relevant ratios of the new regulatory Basel III framework, while adapting the CEB's overall risk assessment and control framework.

A strengthened risk-management framework and innovative financial instruments

The CEB places strong emphasis on the financial quality and good performance of its counterparties as a guarantee of their capacity to finance sustainable projects. From this perspective, a reinforced risk management framework should help in providing easier and sustainable access to credit and in remedying chronic underinvestment in the social sectors, especially in supporting job creation and preservation in micro, small and medium-sized enterprises.

With the ultimate goal of enhancing its contribution to social development, the CEB continues to actively seek innovative new financing tools that respond to the challenges of its social mandate and enable it to move forward in a sound and sustainable manner.

02 PUTTING PEOPLE FIRST

Diversity of CEB staff – a valuable resource of the Bank

At year-end 2013, the CEB employed 183 permanent staff: 114 professionals and 69 support staff. With respect to gender distribution, the Bank's staff comprised 98 women and 85 men, representing a ratio of 54% women to 46% men. The number of nationalities represented among the staff remained stable at 28, while the average age of the Bank's staff members stood unchanged at 47 years. At the same time, the turnover rate rose from 2.9% in 2012 to 4.5% in 2013, which will lead to a renewal process for the coming period. For an effective management of applications, a new recruitment tool, which was designed to be more user-friendly for external candidates, was put in place. In 2013, the CEB's Administrative Council endorsed the Bank's initiative to implement an HR tool allowing for terminating the service of permanent staff according to a number of criteria such as age and seniority.

Sustainable working conditions and reform of the pension scheme

The general policy for human resources at the Bank is guided by the principals and ideals promoted by the Council of Europe (CoE). The CoE Staff Regulations therefore remain the reference text for the CEB Staff Regulations. Several amendments, however, were made over the last years tailored to the needs and specific nature of the Bank. The CEB Staff Regulations are complemented by a code of conduct and rules for the protection of personal data. The Bank provides a defined-benefit pension scheme for all staff members, based on the model of the Coordinated Organisations. A reform of the pension scheme which came into force in January 2014 aims at ensuring its long-term financial balance. Among the most significant changes are higher contribution rates and lower benefits for new staff. It is also worth noting that staff may now work 2 more years beyond the regular retirement age if so requested by the Governor.

Structured social relations

At an institutional level, and to allow the Staff members to express themselves on all provisions for the application or the modification of their Staff Regulations, the CEB counts several staff participation bodies. These bodies are at the heart of the social relations at the Bank. The General Meeting of Staff,



gives staff members the opportunity to express their views on the terms of employment and working conditions. The Staff Committee's role is to represent the general interests of staff members as well as pensioned staff in their relations with the Governor.

Lifelong learning

Having launched management and leadership training courses in recent years, in 2013 the Directorate for Human Development & Internal Services launched additional training on the development of behavioural skills, amongst other things. In-house language training and specific job related technical training were also offered. The annual performance appraisal exercise, meanwhile, strives to reconcile the Bank's collective objectives with those of individual staff members. More specifically, it seeks to increase the efficiency of the CEB by making better use of its human resources and also identify training needs and promote career management.

HR building blocks – projects launched in 2013

A central project launched in 2013 concerns the question of internal values at the Bank, with the aim of promoting a common sense of purpose, developing a meaningful common language to enable staff to work together better, and enhancing professional behaviour and cohesion among staff. In addition, a public call for tenders was launched to work on a certain number of HR tools, including a review of the entire appraisal and career development system, as well as the setting up of a competency management tool.

03 MANAGING OUR ECOLOGICAL FOOTPRINT

General framework

The ecological footprint is the corresponding area of productive land and aquatic ecosystems required to produce the resources used, and to assimilate the wastes produced, by a defined population at a specified material standard of living. Resources are consumed from all over the world, and the footprint can therefore be calculated according to the sum of the occupied areas, wherever on Earth those areas may be located. The CEB is committed to conducting a carbon audit every year, and to supporting environmentally responsible behaviour to control its environmental footprint.

Carbon balance study 2013: methodology, measures and results

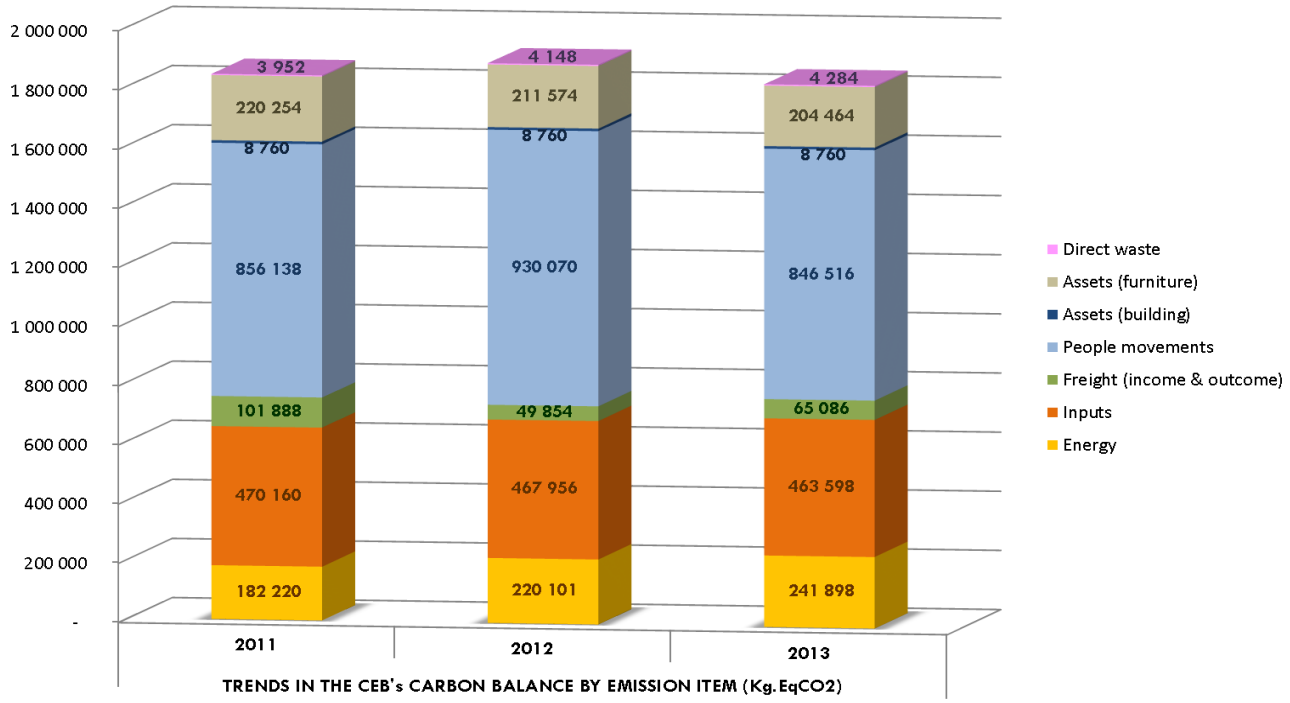
The carbon balance methodology, developed by the French Environment and Energy Management Agency (ADEME), provides a means of measuring the amount of greenhouse gas emissions (GGEs) generated by all the physical processes required to sustain a given activity or organisation. This methodology takes into account both direct and indirect greenhouse gas emissions. The carbon balance study is thus the first stage in a "greenhouse effect" diagnostic assessment, making it possible to visualise and rank all the different high emission items, and then to prioritise the most effective actions for mitigating them.

The carbon balance methodology focuses on several high emission items such as energy consumption, staff travel (business and commuting), paper consumption and direct waste. The table below shows the trends in the last three carbon balance studies per high emission item. The impact linked to staff travel (business and commuting) continued to be the major emission item, but came out significantly lower compared with 2012.

The table on page 15 details the annual trend in the CEB's GGEs emissions between 2010 and 2013.

In total, **the CEB's greenhouse gas emissions for 2013 amounted to 1 835 tonnes of CO^2 equivalent** (with a 30% uncertainty rate that does not call into question the trend in the results). In absolute value, emissions were therefore down in relation to the previous year and down by 7% per employee since 2010.

We observe an increase in emissions linked to the central heating following a particularly long period of heating last year, and a stable overall level of electricity consumption with a marked decrease per employee. Regarding travel, we observe a significant decrease in commuting travel due to shorter travel distances and increased use of public transport. Business travel on a kilometre basis per employee has also fallen and now generates lower levels of CO^2 emissions due to increased use of economy class air travel.



TRENDS IN THE CEB's CARBON BALANCE BY EMISSION ITEM (Kg.EqCO2)

Main achievements in 2013 and initiatives planned for 2014

In 2013, within the framework of the action plan to reduce our paper consumption, the Bank has modernised its fleet of photocopiers, fax machines and printers with a 45% decrease in the overall number of machines. At the same time, black-and-white and double-sided printings are now the default settings on all such office equipment. Initial results show a drop in consumption per employee.

In 2014, the efforts undertaken in previous years must be pursued by systematically taking account of sustainable development in all works undertaken and in all major purchases. This will be facilitated by the review of internal procurement guidelines for the purchase of services, supplies and works, which now incorporate questions on the environment and sustainability.

In addition, particular attention will be paid to reducing the CEB's energy consumption. Two examples illustrate our approach: (i) connecting a further 1 000 m^2 directly to the City of Paris chilled water distribution network, 'Climespace' will mean we are able to do away with 'chilled water production units' and reduce the Bank's electricity consumption; (ii) within the framework of its plan to renovate the thermal and acoustic insulation of its premises, the Bank plans to replace 30% of its facade windows at head office.

SCORECARD	Variation 2013 / 2010 (reference year)		2013	
	Total variation	Variation per employee	Total 2013	Per employee, 2013
Office space in m^2	0%	-	7600	40
Bank staff	12%	-	190	-
CO_2 emissions				
Total CO_2 emissions (t. eq. CO_2)	4%	-7%	1835	9.66
Building energy efficiency				
Total heating consumption (in kWh)	17%	4%	951289	5007
CO_2 emissions linked to heating consumption (t. eq. CO_2)	16%	5%	185	0.97
Total electricity consumption (in kWh)	-2%	-13%	978830	5152
CO_2 emissions linked to electricity consumption (t. eq. CO_2)	-2%	-12%	47	0.25
Travel				
Home-to-work commuting (in km)	-11%	-20%	861798	4535.78
Home-to-work commuting (t. eq. CO_2)	-13%	-22%	58.43	0.31
Business travel (in km)	5%	-6%	2639442	13892
Paper				
Total paper consumption (bought reams of paper) in tonnes	4%	-7%	10	0.05
CO_2 emissions linked to paper consumption (bought reams of paper) (t. eq. CO_2)	4%	-7%	14	0.07
Waste				
Waste disposed (in tonnes)	15%	3%	131	0.69
Waste disposed (t. eq. CO_2)	18%	5%	4	0.02



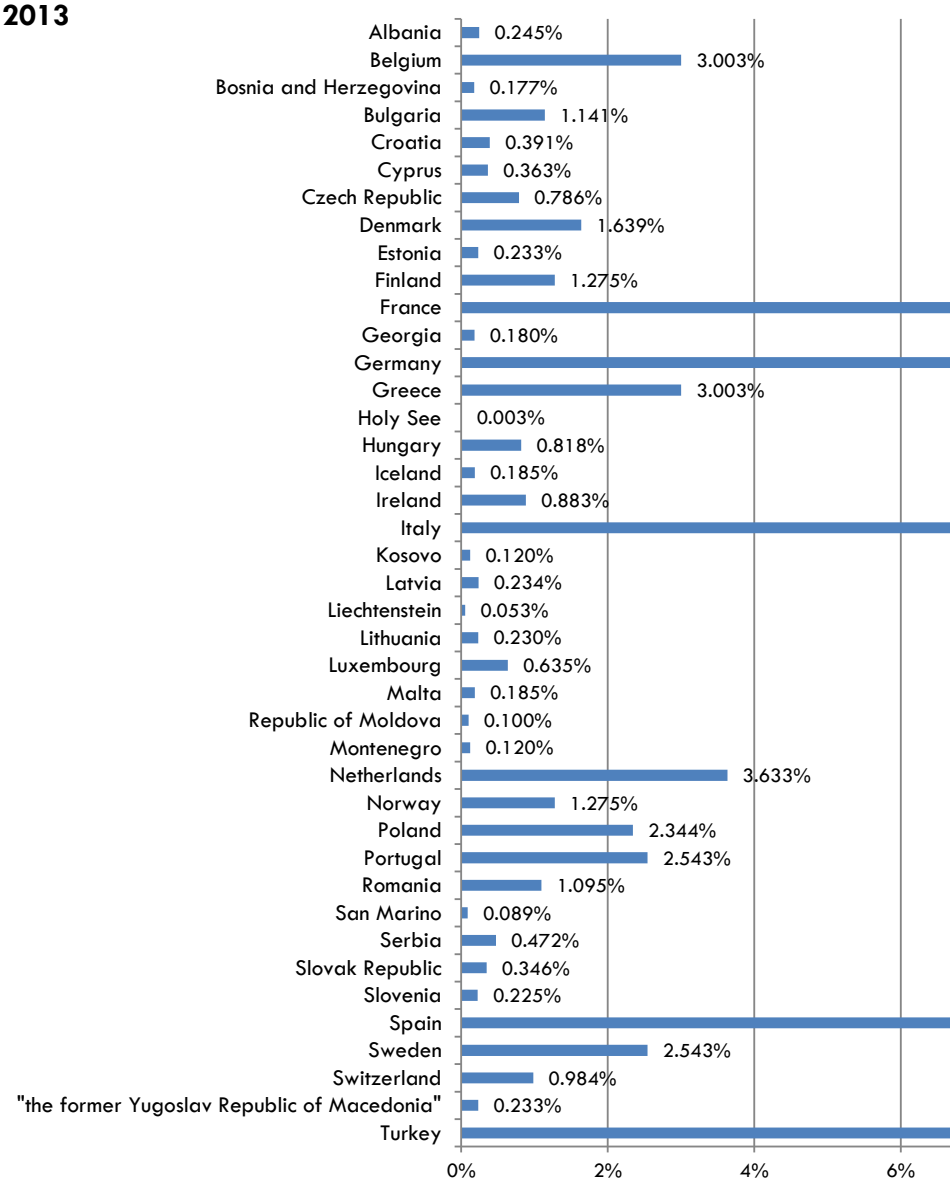
2012		2011		2010	
Total 2012	Per employee, 2012	Total 2011	Per employee, 2011	Total 2010	Per employee, 2010
7600	42.2	7600	-	7600	44.71
180	-	172	-	170	-
1890	10.50	1840	10.70	1770	10.41
849000	4717	641000	3727	815000	4794
165	0.92	125	0.72	159	0.93
939 890	5222	964 000	5605	1001000	5888
45	0.25	46	0.27	48	0.28
1106121	6145.12	975990	5674.00	964642	5674.36
84	0.47	68	0.40	67	0.39
2567611	14265	2377633	13823	2514319	14856
10	0.06	11	0.07	10	0.06
13	0.07	15	0.09	13	0.08
126	0.70	115	0.67	114	0.67
4	0.02	3.51	0.02	3.40	0.02

CEB MEMBERSHIP

Year of accession

Albania *---------- 1999
Belgium ---------- 1956
Bosnia and Herzegovina * --- 2003
Bulgaria *---------- 1994
Croatia*---------- 1997
Cyprus *---------- 1962
Czech Republic * ---------- 1999
Denmark ---------- 1978
Estonia *---------- 1998
Finland ---------- 1991
France ---------- 1956
Georgia * ---------- 2007
Germany ---------- 1956
Greece ---------- 1956
Holy See ---------- 1973
Hungary * ---------- 1998
Iceland ---------- 1956
Ireland ---------- 2004
Italy ---------- 1956
Kosovo*---------- 2013
Latvia * ---------- 1998
Liechtenstein ---------- 1976

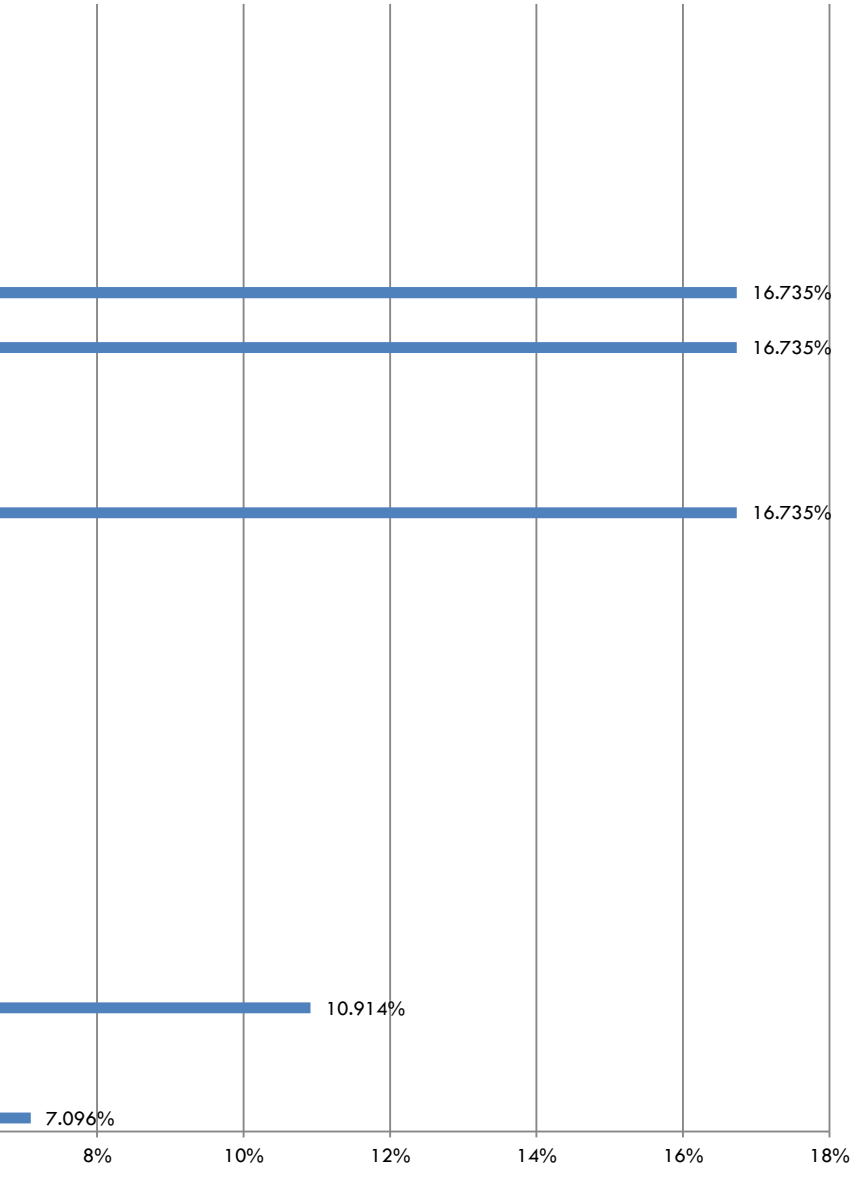
Capital situation as at 31 December 2013



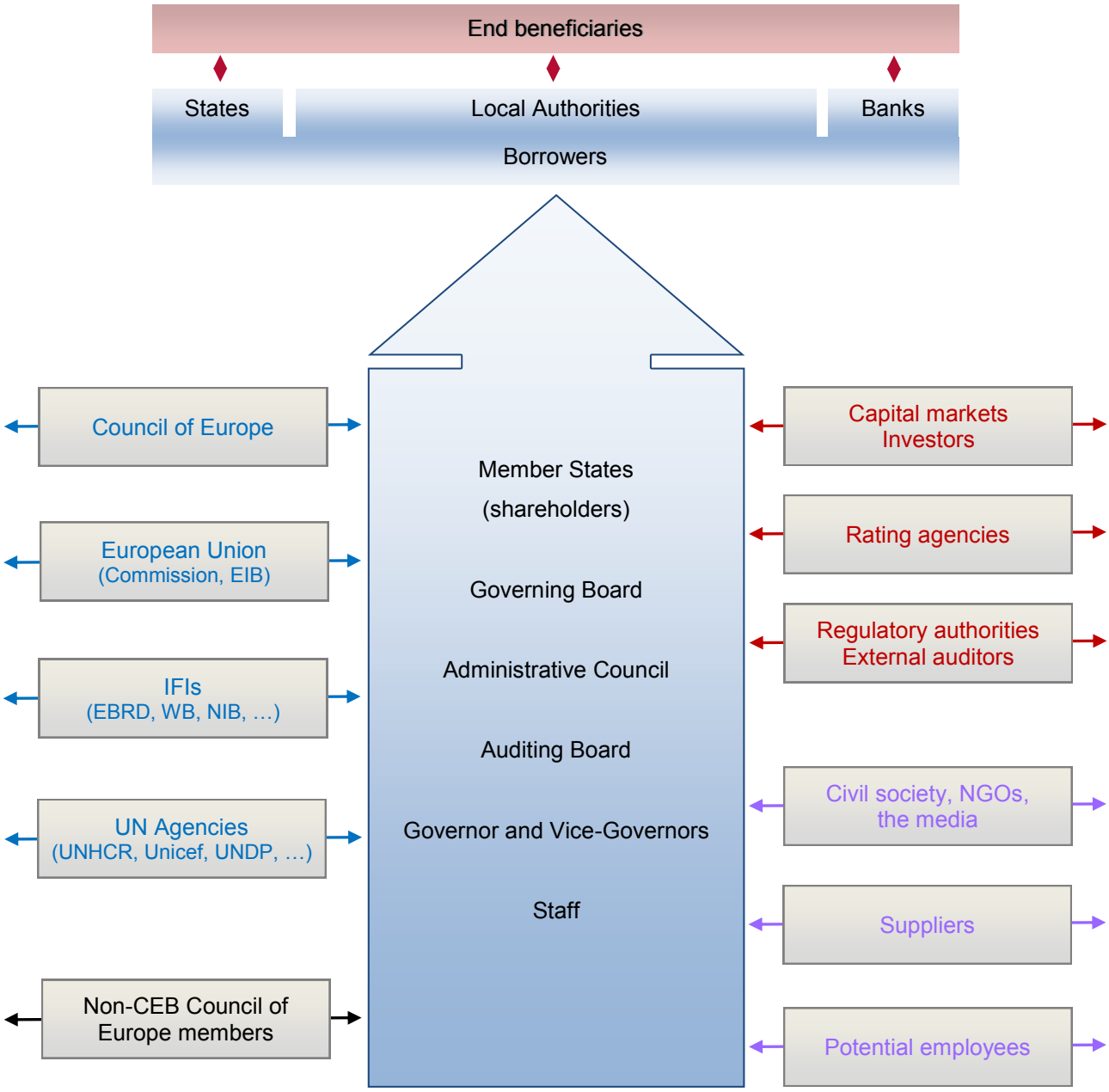
Lithuania * ---------- 1996
Luxembourg ---------- 1956
Malta *---------- 1973
Moldova (Republic of) * ------ 1998
Montenegro * ---------- 2007
Netherlands ---------- 1978
Norway ---------- 1978
Poland * ---------- 1998
Portugal ---------- 1976
Romania * ---------- 1996
San Marino ---------- 1989

Serbia * ---------- 2004
Slovak Republic * ---------- 1998
Slovenia * ---------- 1994
Spain ---------- 1978
Sweden ---------- 1977
Switzerland ---------- 1974
"the former Yugoslav
Republic of Macedonia" * ---- 1997
Turkey * ---------- 1956

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



CEB STAKEHOLDER MAP



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CEB

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