

2018 Social Inclusion Bond Report

The Council of Europe Development Bank 2018 Social Inclusion Bond

KEY DEAL CHARACTERISTICS

Issue date	27 March 2018
Amount	500 €M
Maturity	27 March 2025 (7 years)
Rating	Aa1/AAA/AA+
Coupon	0.375%
Second Party Opinion	Sustainalytics

- The Council of Europe Development Bank (CEB) has an explicitly social mandate and strong track record of promoting social investments in its member states across Europe and is therefore ideally positioned to issue social bonds.
- The CEB's second Social Inclusion Bond, launched in March 2018, demonstrated its leading role in the social bond market. The issuer's original Social Inclusion Bond Framework remained unchanged for this second Social Inclusion Bond.
- The Bond was well received by a broad range of socially responsible investors. The number of investors participating was close to 50. The order book was driven mainly by European investors with the Benelux (27%), France (15%) and Germany (12%) as the main markets.
- The CEB committed to report on the allocation of the proceeds and the social impact in the calendar year following the year the Social Inclusion Bond was issued, which is the purpose of this publication.

Eligibility criteria

- **Social housing for low-income persons:** housing renovation, construction or refurbishing and conversion of buildings into housing
- **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
- **Supporting MSMEs for the creation and preservation of viable jobs:** projects facilitating access to credit for MSMEs for the primary purpose of promoting the creation and preservation of viable jobs

Additional information on CEB's Social Inclusion Bonds can be found at:

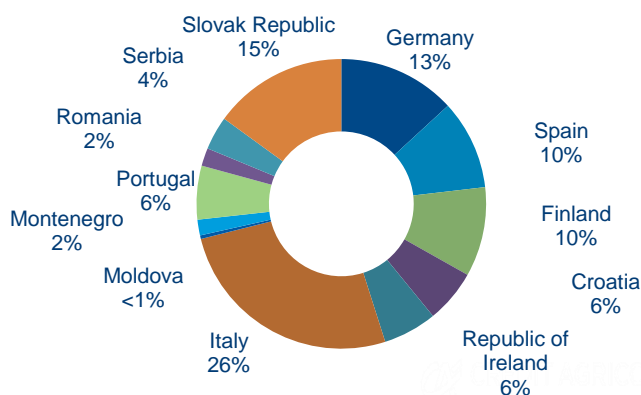
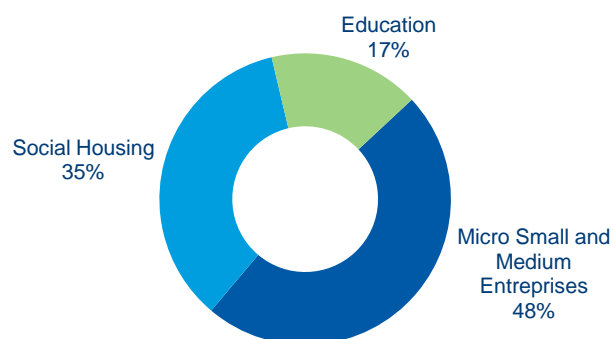
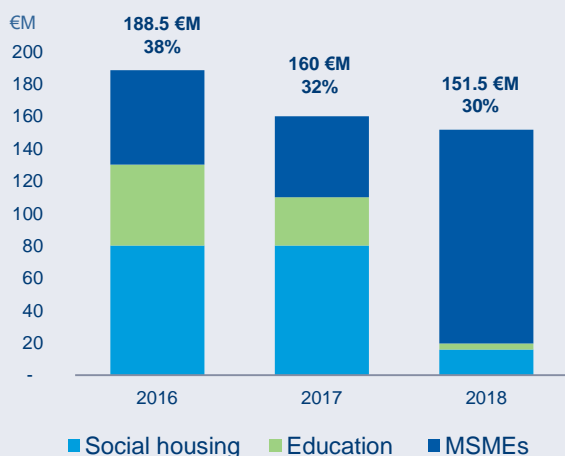
<https://coebank.org/en/investor-relations/funding/>

Use of Bond Proceeds

ALLOCATION OF DISBURSEMENT

Amount of loans disbursed	500 €M
# of projects	15
# of sectors	3
# of countries	12

YEAR OF DISBURSEMENT

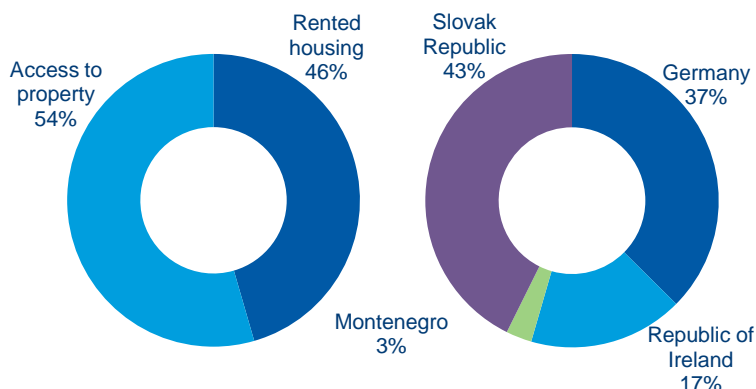


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Social Impact of Loans Granted

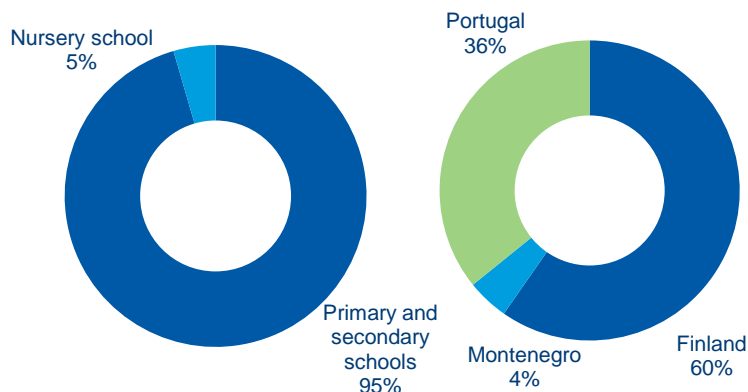
SOCIAL HOUSING

Total cost of projects	534.1 €M
Amount of loans disbursed <i>Breakdown by year of disbursement</i>	175.8 €M 2016: 80 €M 2017: 80 €M 2018: 15.8 €M
# of countries	4
# of dwellings	2 578
# of residents	6 406



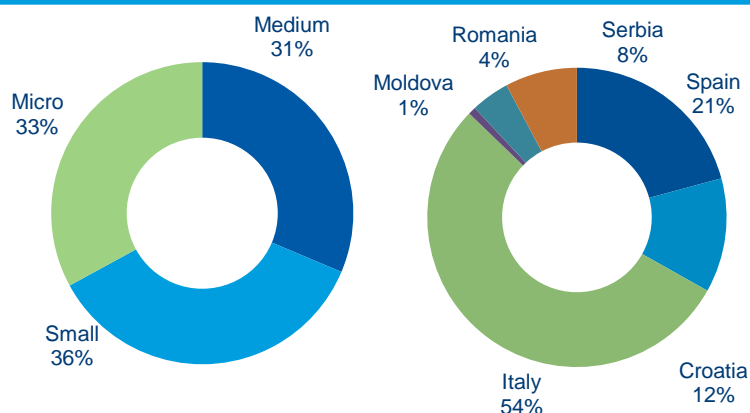
EDUCATION

Total cost of projects	412.2 €M
Amount of loans disbursed <i>Breakdown by year of disbursement</i>	83.7 €M 2016: 50 €M 2017: 30 €M 2018: 3.7 €M
# of countries	3
# of establishments	31
# of students/ interns	23 719



MSMEs

Total cost of projects	592.7 €M
Amount of loans disbursed <i>Breakdown by year of disbursement</i>	240.4 €M 2016: 58.4 €M 2017: 50 €M 2018: 132 €M
# of countries	6
# of jobs preserved	65 433
# of jobs created	5 793



Methodology

- The impact reported by the CEB concerns the total project. The CEB usually finances a portion of such projects and therefore contributes financially to only a share of the benefits.
- The CEB requested EY as external auditors to perform agreed-upon procedures related to the compliance of eligible social loans with the relevant framework loan agreements. EY reviewed the 15 eligible social loans mentioned in this Social Inclusion Bond Report and noted no discrepancies between these loans and the relevant framework loan agreements.

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Examples of Loans Granted from the Social Inclusion Bond

Example 1: Social Housing

- In 2015, the CEB approved a €150 million Programme Loan to the Housing Finance Agency plc (HFA), Ireland, for the partial financing of the retrofitting of existing rented social housing and the new construction of energy-efficient rental social housing throughout the country over the period 2014-2018. The loan proceeds are on-lent by HFA to the Approved Housing Bodies (AHBs) – not-for-profit private legal entities which develop and manage social housing schemes, mostly through combining capital and debt funding, rather than government grants. Also eligible for funding from the CEB loan channelled through HFA are local authorities responsible for implementing and managing social housing in their constituencies. In Ireland, beneficiaries provided with access to social housing support pay a differential rent, based on income rather than the cost of provision, while the Irish State also provides rent supplement support to eligible households.



Total cost	CEB loan	CEB Loan share	# of residents	# of dwellings
137 €M	30 €M	22%	1843	601

Example 2: Support to Education

- A €80 million Programme Loan to the City of Espoo, Finland, was approved in 2016 to support municipal investments in the education sector in the city for the period 2016-2019. The Facility is developed in line with the City of Espoo's Strategy, Local Development Plan for Education 2020 and investment plans in order to (i) bring modern solutions to the education environment to comply with the new Finnish education curriculum; (ii) respond to the needs for an upgraded infrastructure, as many of the existing buildings require considerable repairs and upgrade; and, (iii) address challenges related to urbanization and immigration, which have led to a considerable increase in enrolment of pupils from foreign cultural and linguistic backgrounds, necessitating adaptation and integration support. As a common approach in Finland is to create multi-purpose buildings – often combining day care centres and schools with child health care centre, sports facilities, special interest clubs, libraries, youth services – beneficiaries of one construction will in many cases represent different age and social groups – children, pupils, students, young graduates, local residents and elderly people.



Total cost	CEB loan	CEB Loan share	# of establishments	# of students
195 €M	50 €M	26%	11	3800

Example 3: Support to MSMEs

- As part of its long-standing cooperation with the borrower, CEB approved a €100 million Programme Loan to Nuevo MicroBank S.A.U. (NMB), Spain, in 2017. The loan supports an ambitious and highly social initiative to provide financial resources to microbusinesses and individuals – including immigrants and refugees – with limited access to the formal credit system via NMB's specific lending products. NMB aims at fostering productive activity and creation of employment through the granting of microcredits for self-employed professionals, entrepreneurs and microenterprises. In addition, NMB provides family microcredits to persons and families who have little or no access to the formal credit system yet want to finance personal and family development projects or cover financial needs arising from temporary or unforeseen circumstances.



Total cost	CEB loan	CEB Loan share	# of SMEs	of which Micro	# of Jobs created	# of Jobs preserved
196 €M	50 €M	25%	3572	100%	3675	3288

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The CEB at a glance

PROMOTING SOCIAL COHESION

The CEB is a multilateral development bank whose mission is to promote social cohesion and strengthen social integration in Europe through the provision of financing and technical expertise for projects with a high social impact in its member states. It participates in financing social projects, responding to emergency situations and contributes to improving the living conditions of the most disadvantaged population groups through:

- **Sustainable and inclusive growth** with emphasis on socially oriented components and particularly on public infrastructure with a social purpose, job creation and preservation, access to labour markets, housing and the integration of vulnerable groups
- **Integration of refugees, displaced persons and migrants**
- **Climate action:** development of mitigation and adaptation measures

KEY MILESTONES

- **1956:** establishment of the CEB in the aftermath of World War II, in the form of a Resettlement Fund with a capital of less than 7 million US dollars
- **1960s-1980s:** steady increase of its membership, financial resources and scope of action in line with changes in social priorities. Three Council of Europe Summits of Heads of State and Government helped to shape what the Bank is today
- **1993:** following the Vienna Summit, a wave of new members from the countries of Central, Eastern, and then South-Eastern Europe joined the Bank (which at the time was still a Fund)
- **1997:** the Strasbourg Summit widened the CEB's mandate to include strengthening social cohesion, alongside the existing priorities set out in its Articles of Agreement
- **2005:** the Warsaw Summit, whilst continuing to support the Bank's traditional mission, also invited the CEB to contribute in its own way to the development of a free, democratic and more inclusive European society
- **Since 2008,** the protracted crisis in Europe and its impact on the lives of populations have made the CEB's mandate and action as a social development bank more relevant than ever
- **2017:** the CEB launched its inaugural Social Inclusion Bond issue (€ 500 million size with a seven-year maturity). This landmark issuance was a major step towards promoting social cohesion in Europe within the framework of the CEB's Development Plan 2017-2019.

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Harmonised Impact Report for EUR 500M Social Inclusion Bond due April 2025 (ISIN: XS1799045197)

Project Category				Target Population	Allocation information				Social Indicators	
SBP Category	Sub-category		SDG Addressed (as relevant)	Target Group	Signed amount	Share of Total Financing	Eligibility of Social Bond	Allocated amount	Indicator 1	Indicator 2
a/	b/		c/	d/	e/	f/	g/	h/	i/	i/
					EUR	%	% of signed amount	EUR	Number of people benefitting	Other
Affordable housing	Social housing	Rented housing	SDG 1	Living below poverty line	80 000 000	35%	100%	175 785 052	6 406	2 578 Dwellings
		Access to property	SDG 11	Vulnerable groups	95 785 052					
Access to essential services	Education	Primary and secondary schools	SDG 4	Undereducated	80 000 000	17%	100%	83 770 000	23 719	31 Establishments
		Nursery School	SDG 5		3 770 000					
Employment generation including through the potential effect of SME financing and microfinance	Micro, small and medium enterprise financing	Medium	SDG 8	Unemployed	75 381 808	48%	100%	240 444 948	71 226	65 433 Jobs Preserved
		Small	SDG 10		85 843 612					
		Micro			79 219 528					5 793 Jobs Created
-	-	-	-	-	500 000 000	100%	-	500 000 000	101 351	-

a/ Eligible category of Social Bond Principles (SBP)

b/ Eligible sub-category

c/ Eligible Sustainable Development Goals (SDG) which are addressed by the financed portfolio/project and fit to the chosen SBP (sub)category

d/ Eligible target populations include:

- 1) Living below poverty line
- 2) Vulnerable groups
- 3) Undereducated
- 4) Unemployed

e/ Signed / budgeted amount committed by the issuer for the portfolio or portfolio components eligible for Social Bond financing

f/ This is the share of the total portfolio/project cost that is financed by the issuer

g/ Percentage of signed amount eligible for social bond

h/ Share of the total portfolio/project costs that is Social Bond eligible

i/ Indicators include number of jobs, people, schools, dwellings etc. benefiting

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For additional information concerning the CEB and its Social Inclusion Bonds, please refer to the CEB's financial statements and other relevant information available at <https://coebank.org/en/investor-relations/funding/>.