

CEB

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

Corporate social responsibility Report

2018

Corporate social responsibility at the CEB

GRI 102-19 • 102-46 • 103-2

Corporate social responsibility (CSR) at the CEB is intertwined with a wide range of activities and practices at the Bank, ultimately aiming to contribute to socially and environmentally sustainable development in Europe.

Why CSR matters for the CEB

Corporate social responsibility is defined by the European Commission as "the responsibility of enterprises for their impacts on society". In effect, CSR is widely understood as the effort made by companies to act more sustainably, to go beyond mere "business considerations" and to take into account the organisation's impacts on the environment and also on society at large.

By virtue of its mandate, the CEB is a purpose-driven organisation that embeds CSR in all its activities. In particular, as a social development bank the CEB promotes the social dimension of sustainability. At the same time, the Bank is acutely aware of the numerous and pressing environmental challenges societies are facing and therefore strives to address these, as well, through both its functioning and its financing activities. In practice, this means minimising the Bank's own environmental footprint, strengthening employee engagement and ensuring that CEB-funded projects improve people's living conditions in Europe while contributing positively to meeting environmental challenges.

There is a rapidly evolving awareness in the financial sector of why and how social and environmental sustainability matters; this is fostered notably through new and vocal stakeholders entering the field, such as ESG rating agencies or so-called impact investors. More and more companies and financial institutions make use of the UN Sustainable Development Goals (SDGs) to develop their sustainability strategies and targets which in turn contribute to achieving the SDGs. The CEB is committed to contribute to this sector-wide change.

This is why, at end 2018, through the active involvement of the directorates concerned, the Bank prepared an internal "CSR action plan" which outlines key steps to level up the Bank's CSR practices and increase the visibility of its actions.

Managing CSR at the CEB

All the Bank's directorates and relevant departments are represented in an in-house network of CSR correspondents under the coordination of the Director of the Corporate Responsibility and Studies Department and the CSR Officer. The correspondents meet on a regular basis and discuss all sustainability-related topics. This exchange works both ways: on the one hand, directorates report on their latest practices and ideas for advancing sustainability and, on the other hand, the correspondents champion and help implement new bank-wide sustainability practices within their respective directorates.

At end 2018, work began on a comprehensive materiality assessment to be carried out in 2019.

How the CEB reports on CSR

Since 2009, the CEB has provided an annual account of its approach to CSR. For 2018, the Bank's overall contribution to socially and environmentally sustainable development is therefore reflected in this 2018 CSR Report, which incorporates a Global Reporting Initiative (GRI) Index. The report and its index draw primarily on information already in the public domain.



Table of contents

2 Corporate social responsibility at the CEB

4 Highlights in 2018

5 Foreword by the Governor

6 Overview

8 Sustainability reviews and ratings

9 We are a socially sustainable bank

10 Social development at the CEB's core

14 Building impactful partnerships

17 Compliance at the CEB

19 We finance sustainable and inclusive projects

20 Strategic framework for social investments

21 Striving for social impact at local level

23 Aligning the CEB's portfolio with the Paris Agreement on climate change

26 We operate sustainably

27 Financial sustainability

30 Further impetus to gender equality and diversity

33 Limiting the organisation's carbon footprint

36 Appendix - GRI Index for 2018

Highlights in 2018

New in 2018

- The CEB maintained a high level of loan approval amounting to € 3.9 billion and set a new record for disbursements for social projects at € 2.8 billion
- The Bank released a Report on the first Social Inclusion Bond, and issued a second one in March 2018, bringing the total funding received through this channel to € 1 billion. This represents a substantial figure compared to the overall funding raised by the CEB on capital markets, which amounted to € 8 billion, during the same period, i.e. 2017-2018.
- Two ESG rating agencies, ISS-oekom and Sustainalytics, renewed their sustainability assessments for the CEB with the former upgrading the Bank's rating to B- ("Prime") and the latter affirming the Bank's "Outperformer" position.
- The CEB also continued to enhance the alignment of its loan portfolio with the Paris Agreement climate goals, including the integration of systematic greenhouse gas screening for the projects approved.
- The Bank is constantly growing its partnership network joining the "100 Resilient Cities" initiative, founded by The Rockefeller Foundation, and attending the COP24 climate conference in Poland as an official observer.
- In terms of human resources management, there were some major steps forward: the CEB launched a gender and diversity strategy including a mentoring programme for women, as well as EDGE certification.

GRI 102-7 • 201-1

Key financial data

€ 3.9 billion
Projects approved

€ 2.8 billion
Loans disbursed
(+20.5% compared to 2017)

€ 14.6 billion
Loans outstanding

€ 3.0 billion
Equity

€ 4.9 billion
Issues

€ 24.3 billion
Total assets

Key extra-financial data

Human Resources

206
Permanent staff members
and three appointed officials
(Governor and Vice-Governors)

33
Nationalities

55% female
45% male

The CEB's own carbon footprint

990 tonnes
eq. CO_2 or 4.81 tCO_2/employee
Total greenhouse gas emissions

2 394 000 km
Business travel

Climate action financing

€ 629 million
Total in 2018 (323 in 2017)

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

70 000
Absolute emissions from projects approved in 2018 (50 000 in 2017)

-170 000
Emission savings from mitigation projects approved in 2018
(-60 000 in 2017)



Foreword by the Governor

GRI 102-14

I am proud to share with you our annual Corporate Social Responsibility report for 2018, which, along with the Global Reporting Initiative Index (GRI), provides information on all aspects of the CEB's work in socially and environmentally sustainable development.

For the CEB, social responsibility does not only represent a firm commitment to transparency, accountability, sustainability and good governance in line with the highest international standards. It is, by definition, an integral part of what we do. It is deeply rooted in our history as the oldest development bank in Europe, and in our exclusively social mandate. It is who we are.

Since 1956, we have been tirelessly working to promote social cohesion and sustainable growth in Europe. Sustainability has many different facets and we fully embrace these in our strategic framework and planning, our operations, and day-to-day business.

The Office of the Chief Compliance Officer (OCCO) and the specialised Corporate Social Responsibility Department, through regular reporting and publications as well as other internal activities, ensure that we conduct our business in a responsible and sustainable way and in accordance with international best practices.

In 2018, we maintained the previous year's record-high level of loans approved and also increased disbursements. We finance projects with a high social impact and through these we continue to make a real difference in the lives of thousands of vulnerable people across Europe. Strengthening employment, enhancing public infrastructure, particularly in vital sectors such as health, education and housing, and supporting climate action, remain a priority for us. Responding to a strong demand for sustainable finance, in 2018 we issued our second Social Inclusion Bond, which attracted substantial interest from investors.

Environmental concerns are not only part of the strict selection and monitoring criteria that we employ in our project financing operations, but we give serious consideration to these in all aspects of our activities. We have been taking steps to ensure alignment with the United Nations Framework Convention on Climate Change (UN FCCC), to which we recently obtained a permanent observer status, and we closely monitor our carbon footprint and make every effort to minimise it.

I am glad to see that our efforts continue to receive recognition and appreciation. In 2018, ISS-oekom and Sustainalytics renewed their confidence in us, with the former maintaining our "Prime" status and upgrading our rating, and the latter affirming our "Outperformer" status.

Paris, 27 February 2019
Rolf WENZEL



Overview



As a social development bank, the **CEB promotes especially the social dimension of sustainability.**

We are a socially sustainable bank

41 member countries, of which 39 are also members of the Council of Europe.





The CEB applies high standards of compliance, from anti-money laundering, to counterparty screening on environment, workforce and human rights.

ESG rating agencies affirmed the **Bank's strong sustainability performance.**

The Bank further expanded its partnerships to achieve maximum impact.

The **CEB raised another € 41 million from donors** for technical assistance helping to enhance the projects financed.



With **45 projects** approved totalling **€ 3.9 billion** in 2018, the CEB meets growing social investment needs.

We finance sustainable and inclusive projects



The CEB's technical assistance, monitoring and evaluation experts make **"social impact at local level" a priority.**



The **CEB** almost **doubled its climate financing** to € 629 million, avoiding some 100 000 tonnes of CO_2 per year.



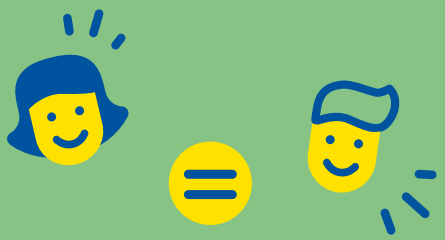
The **CEB finances projects for the inclusion of the most vulnerable,** including migrants and refugees.

We operate sustainably



The **CEB's financial soundness** is regularly **affirmed by rating agencies.**

Also this year the CEB raised € 500 million through another Social Inclusion Bond.



The CEB's new Gender Strategy further **promotes the Bank's values, equality and diversity.**



The CEB continuously refines **tracking its carbon footprint,** both at operational and project level.

Sustainability reviews and ratings

For the CEB it is paramount to ensure that its activities are undertaken according to the highest sustainability standards. The Bank's performance is regularly assessed and measured by ESG (Environmental, Social and Governance) rating agencies.

GRI 103-2

Background

Socially responsible investors, as well as other stakeholders including civil society organisations, carefully consider companies' external sustainability assessments such as those performed by ESG (Environmental, Social and Governance) or "non-financial" rating agencies.

Non-financial rating agencies, such as ISS-oekom and Sustainalytics, review a large number of companies on a regular basis and their analyses are used mainly by institutional investors, including some of the largest asset managers and pension funds, seeking to incorporate ESG factors into their investment decisions.

As an issuer on the international capital markets and also tapping the social bond market since 2017, the CEB ensures that, in addition to its financial soundness, its engagement on sustainability lives up to best practices.

Results

Following a comprehensive review of its corporate social responsibility performance by ISS-oekom, a major "non-financial" or "environmental, social and governance (ESG)" rating agency, in late 2018, the CEB was upgraded by one notch to B-, a very solid rating, and had its "Prime" status affirmed.

Sustainalytics, another well-known non-financial rating agency, also reviewed its assessment over the course of 2018 and affirmed CEB's "Outperformer" position.

Corporate Responsibility Prime rated by ISS-oekom

SUSTAINALYTICS

"The outcome of the review conducted by ISS-oekom reflects the great importance that the CEB attaches to all matters associated with corporate social responsibility. By virtue of its profile as the only development bank in Europe with an exclusively social mandate, the CEB has been and remains firmly committed to conducting its business in a responsible and sustainable way."

— Rolf Wenzel, CEB Governor



We are a socially sustainable bank

Social development at the CEB's core

The CEB is a social development bank offering loans and grants all across Europe, with the support of its 41 member countries. While the Bank's core mission is to exclusively finance projects with a social focus, the CEB also seeks to contribute to social development beyond providing finance by sharing its experience and its expertise.

GRI 102-2

The CEB: a multilateral development bank with a social purpose

Founded more than sixty years ago, the CEB has a distinct mission which is to actively promote social cohesion across Europe. Since 1956, the Bank has provided financing and technical expertise for socially-oriented investment projects. It has supported social infrastructure, responded to emergency situations and contributed to improving people's lives with a focus on the most vulnerable.

The CEB's mandate is defined in its "Articles of Agreement".

The Bank's action is underpinned by the Development Plan for 2017-2019, a comprehensive business strategy also encompassing sustainability. The three main pillars of this strategy are:

- Sustainable and inclusive growth
- Integration of refugees, displaced persons and migrants
- Climate action: developing adaptation and mitigation measures

Throughout the report, you will find project examples and case studies related to each of the three pillars.

GRI 102-5 • 102-6 • 102-18 • 102-26

Council of Europe and Governance

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

Nevertheless, the CEB is a separate legal entity and financially independent. The Bank comprises 41 member states as shareholders, and has its own governance system, which is determined by the Bank's Articles of Agreement. The CEB "is organised, administered and controlled" by four "organs", namely: the Governing Board, which inter alia sets out the general direction for the Bank's activity; the Administrative Council, which exercises the powers delegated to it by the Governing Board; the Governor (assisted by Vice-Governors), who is the Bank's legal representative and head of the Bank's operations and responsible for the staff under the general supervision of the Administrative Council; and the Auditing Board. The secretariat for the CEB's governing, administrative and control organs is provided by the Secretariat of the Partial Agreement of the Council of Europe Development Bank.

GRI 102-9

How the CEB contributes to social development beyond finance

Why it matters to share expertise and knowledge

The CEB has longstanding experience in financing socially sustainable projects such as affordable housing and education facilities in member states. Contributing to socially and environmentally sustainable development resides not only in providing financing and technical expertise but also in sharing and disseminating the knowledge gained and lessons learned through the Bank's longstanding experience. Via a range of different publications the CEB shares its expertise and learnings and highlight potential solutions.

Learnings from project execution

The Bank's Directorate for Technical Assessment and Monitoring regularly shares the sector specific knowledge and best practices that it derives from its project preparation and monitoring in Technical Briefs, Thematic Reviews and other technical documents. This year four such reports were published:

- Social Care Systems in Europe: provides an overview of the institutional setting of social care systems in eight European countries, which illustrate the different care models in Europe, and discusses areas where the CEB could expand its activities.

[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*, Moldova (Republic of)*, Montenegro*, North Macedonia* (**), Netherlands*, Norway, Poland*, Portugal, Romania*, San Marino, Serbia*, Slovak Republic*, Slovenia*, Spain, Sweden, Switzerland, Turkey*. As a sign of solidarity among CEB member states, the Bank aims to provide increased support to a group of 22 "target countries" (marked with an asterisks*). (**) Following the Agreement of June 17, 2018 entered into force on February 12, 2019, as notified to International Organisations on February 14, 2019, "the former Yugoslav Republic of Macedonia" became the Republic of North Macedonia - short name North Macedonia.

- Investing in Effective Learning Environments: reviews the links between learning environments and learning outcomes and provides a number of ideas on how investments in learning environments can promote student learning and support better educational outcomes.

- Promoting Inclusive Growth in Cities: provides a framework for assessing initiatives for inclusive growth in cities focusing on economic and social inclusion as well as liveability. It also outlines how the CEB can support its member countries and cities in advancing the inclusive growth agenda.

- School Design and Learning Environments in the City of Espoo, Finland: is a thematic review that presents findings and recommendations for enhancing the effectiveness of education investments and describes good practices that can be shared with other countries.

In addition, Architectural Design Guidelines for Early Childhood Education (2018) was developed in the context of a project financed in Montenegro to promote design ideas that enable flexibility and efficiency in the use of space in educational facilities. The guidance will help reduce costs, encourage new teaching practices, facilitate access for children with disabilities, and enhance the environmental sustainability of school buildings.

Learnings from CEB in-house research

In 2018 the CEB's studies department published a series of economic papers on the different ways inequality manifests itself in the education and housing sectors, to be completed, early 2019, by a standalone empirical research report on energy poverty in Europe.

The first paper found that inequality levels are rising in many parts of the continent; especially in Southern and Eastern Europe, where economic hardships have made inequality issues more apparent with "upward income mobility" worsening in the last decade.

A second paper looks at educational inequalities and their impact on educational attainment, life-long earnings, and public investment. The research found a lack of intergenerational mobility among children from socio-economically disadvantaged households and that higher-income households receive a better education and have easier access to the labour market. More investment in quality teaching and teaching staff is needed to even the playing field, including investment in pre-primary and life-long learning.

The final paper in the inequality series focuses on differences in housing between high and low-income groups. Low-income households have higher housing costs in relation to their disposable income, leading to higher levels of short-term debt. These households are also more likely to live in neighbourhoods with an under-provision of services such as public transport or healthcare.

Learnings from evaluation

The role of independent project evaluation at the CEB is guided by accountability and learning objectives. The Evaluation Department provides the Bank and its stakeholders with an impartial assessment of the social performance of the CEB's action and their contribution to the Sustainable Development Goals. Moreover, evaluations enable the CEB to systematise and to share the knowledge generated in the evaluation process so as to improve the quality of on-going and future projects.

In 2018, the CEB completed an important evaluation cycle with findings derived from a sample of seven CEB-financed housing projects that targeted specific vulnerable groups, namely migrants, returnees and Roma. The report presents strategic reflections on the role of the CEB in the housing sector, observing that the Bank has the knowledge and experience required to support its member states' efforts to improve access to safe, adequate and affordable housing, in line with the Sustainable Development Goals. It points to the challenges ahead in the face of rapid growth of European cities – leading to rising demand for social housing in particular – and highlights the importance of further strengthening its capacity to analyse and report on the social outcomes generated by its financed operations. Abstracts from evaluation reports can be accessed on the CEB's website.



"Evaluation is an essential ingredient of international development financing; its added value is grounded in the assurance mechanisms for quality and credibility of its products, notably stakeholder engagement, breadth of the evidence base, transparency on standards and criteria used, timeliness of findings, and appropriateness of lessons learned and recommendations."

— Rachel Meghir, Director Evaluation Department

The CEB's alignment to the SDG agenda

The CEB's action resonates with this development Agenda. As a social development bank, the CEB's primary mission is to undertake socially oriented investments that promote economic inclusiveness, social cohesion, and environmental sustainability. The CEB's action therefore takes place within the lines of the UN 2030 Agenda at various levels:

- The current **Development Plan 2017-2019,** structured around inclusive and sustainable growth, climate action, and migrant and refugee integration, defines the CEB's share in the global effort and its contribution to addressing the key long-term challenges reflected in the SDGs.

- **Social responsibility and sustainable development** are embedded in the Bank's structure, strategic planning and activities. The CEB promotes social responsibility and sustainable development in the way it conducts its project-related operations and dialogues with its beneficiaries and stakeholders.

- The **Environmental and Social Safeguards Policy** (2016) clarifies the way in which the CEB addresses environmental and social sustainability issues and what it expects from its borrowers. Several aspects of this policy directly contribute to achieving the SDGs across CEB member countries. In 2018, the CEB also recruited a new social safeguard specialist who ensures that the screening and assessment of social safeguard risks are carried out in a systematic, unified and integrated manner.

- The **CEB's Social Inclusion Bond Framework** (2017) responds to the growing interest shown in the CEB and in its exclusively social mandate by socially responsible investors. The proceeds from the first two issuances in 2017 and 2018 have had clear positive social impacts that contribute to SDGs 1, 4, 5 and 11 - according to Sustainalytics, an ESG rating agency that provided the "Second Opinion" to the bond issuance.

The 17 SDGs touch upon a multitude of pressing economic, social, and institutional issues. The broad objectives set out in the SDGs share similarities with the CEB's investment. However, the degree to which the CEB addresses each respective SDG varies; some SDGs are more relevant to the CEB's action and investment than others.

Setting the course for future action

Multilateral development banks (MDBs), including the CEB, recognise the SDGs as an important driver for change and now seek how to link their respective actions to the SDGs. In this direction, they have already revised or are currently revising their strategies and results measurement frameworks to demonstrate and report on how their operations contribute to achieving the 17 SDGs.

Given the natural link between the CEB's social mandate and the SDGs, the CEB sees the SDGs as an opportunity not only to reassert its distinctiveness and cement its position but also to help its member countries and beneficiaries generate long-term sustainable economic, social, and environmental outcomes by meeting the SDGs. In this effort, the CEB is striving to incorporate the SDGs into its future strategic and operational activities to be carried out within the upcoming Development Plan, as appropriate.

Overview of the 17 SDGs





How the CEB contributes to the UN 2030 Agenda for Sustainable Development

The adoption of the post-2015 Agenda for Development by UN member states in September 2015 has become an important driver for the work of international institutions such as the CEB for the next decade and beyond. This global, sustainable growth-oriented development programme, entitled "Transforming our World: the 2030 Agenda for Sustainable Development", is all about universality, interconnectedness and indivisibility with "no one left behind".

The Agenda sets 17 ambitious Sustainable Development Goals (SDGs) with specific targets to be reached by 2030. The 193 governments that signed it are responsible for achieving all the SDG goals in their domestic context and abroad. The CEB can assist its member states in realising these goals.

GRI
102-12



"We embrace the 2030 Agenda for Sustainable Development as an opportunity to further promote the CEB's distinctive social mandate and role in helping our member countries realise the SDGs' ambition to create a better, more equal and prosperous future, with no one left behind."

— Jérôme Hamilius, Director European Cooperation and Strategy

Building impactful partnerships

The CEB seeks to leverage its financing and expertise capacities by further strengthening European and international cooperation. Raising additional funds from donors can also make the CEB's actions more impactful.

GRI 102-13

Engaging in meaningful cooperation for the long term

In 2018, the CEB deepened its partnerships, through both targeted cooperation with organisations and participation in expert gatherings, on topics at the heart of the Bank's business: sustainable urban development, climate change, health and education, affordable housing, and employment through support to MSMEs.

When engaging and partnering with other organisations, the CEB looks at how this cooperation can potentially contribute to the Bank delivering even higher quality and more impactful project financing. A selection of initiatives the Bank engaged with in 2018 is presented below.

Stepping up cooperation on climate change and resilience

Partnering with 100 Resilient Cities

Sustainable development will be hard to achieve without rethinking and transforming the way urban communities are built and managed. With this in mind, the CEB and "100 Resilient Cities - Pioneered by The Rockefeller Foundation" (100RC), signed a Memorandum of Understanding in July 2018. The agreement marks the first important partnership between the CEB and a major philanthropic initiative.

In line with the CEB's social mandate, the aim of the partnership is to help cities finance resilience-building initiatives that benefit the most marginalised and vulnerable population groups.

Through this partnership, the CEB can provide eligible cities with technical assistance, direct funding for selected projects, workshops on thematic areas, and engage in the joint development of innovative urban finance solutions.

100 RESILIENT CITIES

The memorandum will help cities across Europe prepare for and respond to one-off shocks such as natural disasters, and to chronic stresses such as water shortages, homelessness, and unemployment.

Observer to UN Framework Convention on Climate Change

In 2018, the CEB obtained permanent observer status to the UN Framework Convention on Climate Change (UN FCCC).

With over 120 intergovernmental organisations admitted as observers, the CEB was in good company at the 2018 Conference of the Parties (COP24) in Katowice, Poland. The Bank took the opportunity to endorse the multilateral development banks' initiative for aligning project portfolios with the goals of the Paris agreement. The CEB has been supporting these goals through its specific partnerships with other financial institutions such as the Climate Action in Financial Institutions initiative to catalyse low-emissions and climate resilient development.

Stepping up cooperation with sector-specific partnerships

Cooperation with HIPSO to advance support for SMEs

In 2018 the CEB joined the initiative on Harmonized Indicators for Private Sector Operations (HIPSO), a network of 26 multilateral finance institutions including the IFC, EIB, EBRD and national development banks. The aim of the initiative is to agree on a set of harmonised indicators with which to assess project results, thus providing a recognised framework, reducing the reporting burden for borrowers and increasing the capacity of IFIs to learn from each other.

The CEB participated in HIPSO's annual meeting in October 2018, with very interactive sessions highly relevant to the CEB's efforts to measure the performance and sustainability of the projects it finances, such as gender-related data and initiatives, SDGs, and the measurement of indirect effects on jobs.

Other IFIs showed strong interest in the CEB's active field monitoring of individual SMEs, which provides the Bank with a solid understanding of its end-borrowers and their needs, thus enabling it to integrate monitoring feedback into the design of new operations.

Health and social care partnerships in 2018

Having connected for the first time in 2017 with the Social Health Protection Network (P4H), initiated by the World Health Organisation (WHO), and with the European Association of Service Providers for Persons with Disabilities (EASPD), the CEB this year strengthened its ties with these two initiatives.

More specifically, by engaging with P4H and EASPD, the CEB spread its first hand insights on health and social care systems in various European countries and shared expert knowledge on how to get capital investments to work for social services and infrastructure. While the Bank sees these two partnerships in health and social care as an opportunity to raise the awareness of CEB expertise and services, the key driver for teaming up is ultimately to improve the quality of projects financed and to increase the CEB's positive impact on the lives of Europeans even further.

A common IFI approach to education investments

The CEB spearheaded and organised the first "Meeting of Education Experts from Development Agencies" involved in the financing of education infrastructure in Europe. The meeting took place in April 2018 at the CEB's premises and brought together representatives from the European Investment Bank (EIB), the French Agency for Development (AFD), KfW Development Bank and the World Bank.

The CEB and its partner institutions are to develop a common comprehensive approach to education investments with a special focus on learning outcomes. This builds on the idea that physical infrastructure per se is not sufficient for learning environments to be effective. Going forward, the link between infrastructure and (better) learning outcomes will be further explored by partner institutions' experts.

Partnership on the inclusion of migrants and refugees

The CEB joined the European Partnership for the Integration of Migrants and Refugees in May 2018. Established in 2015, under the Dutch presidency of the European Union and within the framework of the "European Urban Agenda" policy initiative, this partnership is a platform bringing together five major European cities (Amsterdam, Athens, Barcelona, Berlin, Helsinki) and five member states (Denmark, Greece, Italy, Portugal and the Netherlands), the European Commission (DG Migration and Home Affairs, DG Regional and Urban Policy), the Council of European Municipalities and Regions, the European Committee of the Regions, the EIB and the CEB.

The partnership's mission is to exchange good practices and make policy recommendations to the European Commission regarding the inclusion of migrants and refugees. The potential establishment of a loans and grants blending mechanism to facilitate the integration of migrants and refugees in cities is one of the key proposals put forward by the partnership.

Cooperation and Partnerships on Housing Issues

During 2018, the Bank's staff were repeatedly solicited by professional associations, international organisations and national governments to share their knowledge on the lessons learnt from evaluated operations in the housing sector.

An example of the CEB's strengthened partnership and cooperation is the European Network of Housing Researchers (ENHR) where CEB's Evaluation Department contributes actively to the Housing and Refugees Working Group and the Policy and Research Working Group.

The CEB's evaluation experts shared insights from the Bank's experience with housing assistance for returnees, highlighting factors such as varying trends in policy support, equality and transparency in access to available assistance, and measures to promote attractiveness for people to return. During a roundtable focusing on affordable housing challenges and the role that technical know-how can play in policy formulation, the CEB shared its findings on the link between housing and regional development, generation of and access to data, as well as innovations for managing an increasing demand for affordable housing. Taking part in another ENHR meeting, the CEB presented its activities in the housing sector, key success factors, and how evaluation can provide relevant knowledge on the social outcomes and sustainability of social housing operations.

In December 2018, the CEB was invited to attend and contribute to the conference on "Evidence-based policies for sustainable housing and urban development in Europe and beyond" organised by United Nations Economic Commission for Europe (UNECE). The discussion focused on approaches to data collection and management in the context of SDG11 "Make cities and human settlements inclusive, safe, resilient and sustainable" in the UNECE region.

The CEB presented the risks associated with the proliferation of data without a clear direction for use and described how the Bank can contribute, through its lending activities, to the creation of an evidence-based culture in which housing programmes are grounded in a solid understanding of the market and its gaps, and of beneficiaries' needs and aspirations. Upfront knowledge and consideration of such issues are key factors for ensuring the sustainability of the investments being financed.

GRI 102-13 • 201-4

Cooperating with donors

The Bank cooperates with donors to make its projects more sustainable. In particular, the Bank uses donor funds to provide technical assistance to its borrowers. This assistance helps them implement their projects according to best practice. For instance, the Bank may put an engineer at the disposal of a borrower to help ensure that the project makes sound use of, for example, energy efficiency or renewable energy schemes.

In 2018, the Bank raised € 41 million from donors, most of which will go to the Regional Housing Programme. The programme provides homes to vulnerable persons who were displaced in the 1990s during the conflict in former Yugoslavia and have been living in dire conditions ever since. Donors have contributed € 284 million to the programme, including € 234 million from the European Union. The programme also exemplifies how donor funds make CEB projects more sustainable. The funds, which are channelled through the CEB, endow the recipient countries with the resources and expertise needed to better implement the programme. Thanks to the support of donors, the recipient countries are expected to have provided homes to more than 34 000 persons by 2021.

GRI 102-44

Co-hosting conferences and workshops

Conference on Social Investment

In December 2018, the CEB and Caisse des Dépôts Group (CDC) organised a high-level conference to discuss the role of social investment in creating a prosperous and resilient Europe. With growing social and economic inequalities and a social infrastructure investment gap estimated at € 1.5 trillion for the period 2018 to 2030, as CEB Governor Rolf Wenzel indicated in his opening remarks, the challenges faced by the continent are considerable.

A debate on how to address such challenges appropriately was timely as was the European Commission's proposal to put in place a guarantee of € 4 billion for social investments under the next EU budget. During the course of the conference speakers and participants discussed the principal challenges to social cohesion across Europe, such as globalisation, technological disruption, population ageing, migration, and climate change. The debate then focused on means to drive sustainable social policies as well as specific social investment programmes. Lastly, attention moved to the Sustainable Development Goals (SDGs), to the rise of nationalism and to innovative ways to provide for the needs of vulnerable populations.

The conference brought together twenty speakers ranging from Ambroise Fayolle, EIB Vice President, Anna Triandafyllidou, European University Institute, Manuela Geleng, European Commission DG EMPL Director, to Joséphine Goube, CEO Techfugees and philanthropist Alexandre Mars, and some one hundred and fifty participants from across Europe.

Workshop "Migrant Women Entrepreneurship" during European Development Days

During the European Development Days 2018 in Brussels, the CEB organised a roundtable on the topic "Investing in migrant women". Representatives from the European Commission, the non-governmental organisation Singa France, microfinance institution PerMicro, and the CEB's Technical Assessment & Monitoring Directorate discussed, in particular, migrant women's challenge to generate a sustainable income. While most migrants face significant barriers to integration, women need to fight being stigmatised into low-skilled jobs and lack support. On stage, the CEB's expert made it clear that the Bank endeavours to ensure the gender-sensitiveness of the projects it finances.

The expert roundtable agreed that there is a need for both immediate emergency response and long-term integration; both are closely linked and are supported by the CEB. Adapting a more positive discourse also seems essential: Specific opportunities exist for migrants, and should be leveraged upon in order to avoid stigmatisation. However, the political will and context matter, and they are the responsibility of every European citizen.

Thematic Roundtable – "Developing synergies: the evaluation community and the housing sector" at the European Evaluation Society conference

The European Evaluation Society's conference in October 2018 was an opportunity for the CEB's Evaluation Department to partner with Housing Europe, a federation of social housing providers, to organise a thematic roundtable on the housing challenges faced by European countries and the role that evaluation can play therein. For the CEB, the relevance of this initiative is twofold. First, housing is one of the central focal points of the SDGs, such as Goal 11 with the target of "ensuring, by 2030, access, for all, to adequate, safe and affordable housing". Secondly, generating knowledge, in a timely manner, on "what works" in the housing sector entails developing a more holistic approach for evaluating performance and impact assessment.

This initiative was a significant contribution to corporate visibility, not least because it drew recognition from other European IFIs of the CEB's competence in one of the Bank's historic sectors of action. The latter have since reverted to CEB to gather experience, methods and practices, thus creating the basis for subsequent exchanges and fertilization of relevant knowledge.

Compliance at the CEB

Compliance at the CEB is envisaged as aiming for the highest standards of integrity and transparency both within the organisation and in our activities with our stakeholders. During the last 10 years, the compliance system at the CEB has evolved alongside portfolio growth and changes in the IFI sector, while following the latest unfolding in compliance and international development.

GRI 102-16

Compliance – Key ingredient for responsibility

The Office of Chief Compliance Officer (OCCO) ensures that the CEB's commitment to the highest standards of integrity and ethics, its anti- fraud and anti- corruption framework, and its dedication to the prevention of money laundering and terrorist financing are integrated into all phases of the Bank's project cycle. Back in 2008, the CEB decided to create the Office of Chief Compliance Officer, an independent function that provides a solid framework for integrity, and compliance within the CEB's activities. Today, the work of the Office of the Chief Compliance Officer is underpinned by an internal regulatory framework and practices that cover all key segments of compliance in an international financial institution.

Over the past year, OCCO further advanced in the risk based approach to portfolio risk in terms of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) and integrity risks. In addition to the annual AML/CFT portfolio risk assessment, counterparty scoring has been implemented; counterparties are screened for a broad range of compliance risks, including alerts related to environmental issues, production or supply chain issues, discrimination, workforce rights, human rights as well as health and safety issues.

Given its mandate and responsibility towards its shareholders, i.e. member states, and investors the CEB takes serious measures to tackle tax avoidance and evasion. The CEB has introduced specific rules in the form of a Policy of Non-Compliant and Non-Cooperative Jurisdictions, following established international standards set by the European Union (EU), Financial Action Task Force (FATF), Group of States Against Corruption (GRECO), MONEYVAL, and OECD Global Forum on Transparency and information exchanged for tax purposes.

GRI 205-2

Highlights

Within OCCO, in 2018 the Chief Information Security Officer launched a project to upgrade and update rules pertaining to personal data protection; the highest standards in this field will be applied in order to ensure proper treatment of the data of CEB employees, collaborators and all subjects that confide their personal data to the CEB. OCCO has virtually fully digitalised its archives and document management, significantly reducing the quantity of printed material and thereby aligning with the best practice of a "paperless office".

In order to maintain CEB staff members' high awareness of compliance, and to ensure sharing of the latest developments and current affairs in the compliance sector, OCCO organises induction classes, annual training sessions, corporate games as well as awareness events and publishes regular newsletters. In addition to this, the role of a "compliance liaison officer" in each Directorate was recently launched as a means to promote compliance horizontally within the organisation, and ensure efficient awareness raising and communication.



"Compliance is a shared responsibility of all CEB services, staff members and elected officials. Beyond written policies, rules, procedures and their proper implementation, formulating and supporting a strong compliance culture, will further contribute to our motto 'compliant people, compliant projects'."

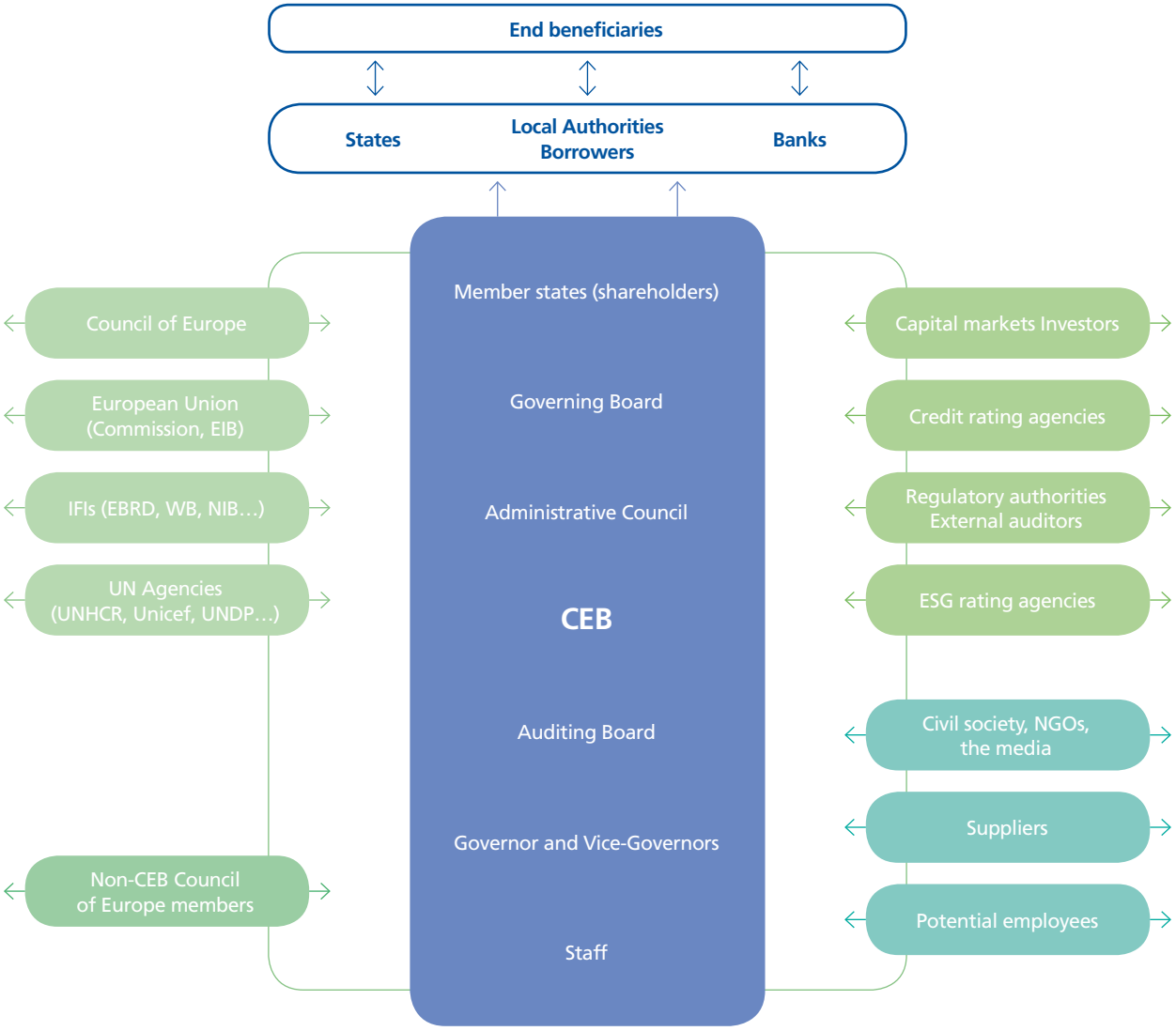
— Katherine Delikoura, Chief Compliance Officer

GRI 102-15 • 102-40 • 102-42

Transparency and disclosure

As a public institution, the CEB also has to be appropriately accountable for its action to a wider range of stakeholders, as the figure below depicts. To achieve this, the Bank relies on a Public Information Policy (2016) that sets out the principles and rules for disclosure of information.

CEB's key stakeholders





We finance sustainable and inclusive projects

Strategic framework for social investments

In an environment where social issues are taking centre stage on the European policy agenda and social investment financing needs are growing, the CEB is well placed to respond to added demand and provide effective support.

The CEB's lending activity, which had started to significantly increase in 2016, reached new record levels in 2017 and again in 2018 when a total amount of € 3.9 billion in loans was approved for 45 social projects. Social investments are expected to further accelerate in the coming years as European countries step-up their social inclusion agendas.

Indeed, the growing social and economic inequalities will not be reversed by economic recovery alone. Moreover, years of underinvestment in infrastructure have exacerbated the already substantial investment gap in the European social sector. Long-term challenges facing Europe, such as demographic shifts and climate change, are set to aggravate these trends.

GRI 102-2

What the CEB offers

From a CSR perspective, the CEB consistently promotes a comprehensive approach to social inclusion. The Bank is committed to leveraging its impact through project quality, efficiency of operations and sustainability of financing via innovative instruments best suited to borrowers' needs. It provides tailored financing solutions for projects with a high social or environmental impact, including those that may have difficulty attracting investment due to high upfront costs and lower financial returns. In 2017, it revised its project screening matrix in order to focus ever further on the expected social outcomes of the projects it finances.

The CEB actively attracts and manages donor funding, including sizeable contributions from the EU and has set up a number of earmarked trust funds in support of technical assistance programmes *(see "Cooperating with donors" above)*. Furthermore, CEB's engagement within the Regional Housing Programme and Migrant and Refugee Fund bear witness to the fact that the Bank is not only fulfilling its social mandate but inscribing its action within efforts extended by the wider multilateral development bank community.

Striving for social impact at local level

Creating a more attractive, inclusive and sustainable living environment is key to establishing a more dynamic local economic base, spurring stronger social and cultural identities, while delivering services to all, including the most disadvantaged population groups.



CEB's facility in support of a more sustainable and inclusive Barcelona

Spain

This Public Finance Facility (PFF) has been developed in line with the city of Barcelona Citizen Commitment to Sustainability Strategy 2012-2022, a broadly-supported policy which defines principles, objectives and actions for a more sustainable, inclusive and resilient city. The PFF is to partially finance budgetary expenditures incurred in implementing the city's social and environmental strategy over the coming years.

The PFF will partially finance public budgetary expenses aimed at improving municipal infrastructure such as health care and senior centres, public schools, nurseries, sport facilities and local roads. Investments in sustainable, environmentally friendly and energy efficiency measures are also foreseen.

Final beneficiaries will be the residents of Barcelona, including an increasing number of migrants, the elderly and students who will benefit from quality public education and social infrastructure as well as a better environment.

Since social investments are often implemented at local level, the CEB has stepped up its engagement with municipalities and regions which develop smaller projects that require substantial support during all phases of the project cycle.

GRI 203-1 • 203-2

Support tailored to local needs

The Bank will continue to support investment projects with local authorities and social service providers. In order to more effectively reach cities and make the most of public investment in urban social sector development programmes, the CEB is increasingly establishing strategic partnerships such as, for instance, the CEB's support of the 100 Resilient Cities initiative *(see "Engaging in meaningful cooperation for the long term")*.

Micro-, small and medium-sized enterprises

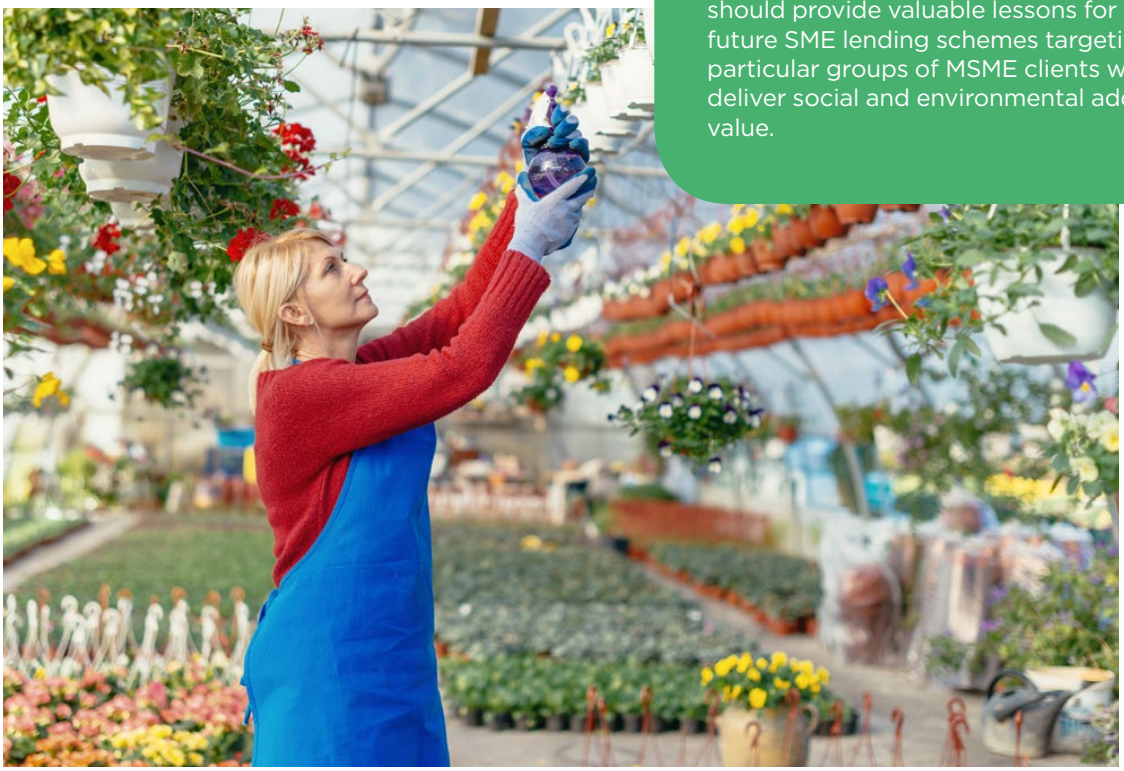
Projects financed by the Bank place particular emphasis on disadvantaged groups and often focus on support to persons in precarious situations. The CEB pays particular attention to labour market inclusion by supplying loans to microfinance providers. In order to enable the successful development of micro-, small and medium-sized enterprises (MSMEs) in lower-income countries, the CEB often uses its Social Dividend Account (SDA) to provide loan guarantees to microfinance financial institutions.

The CEB considers access to MSME financing as essential for spurring sustainable growth and social coherence. Support to the sustainability and growth of MSMEs is essential for durable job creation and the long-term success of communities.

CEB's loan to Coöperatieve Rabobank in support of entrepreneurship in the social economy

The Netherlands

The recent financial crisis had a negative impact on both the financial situation of Dutch MSMEs and their access to new credit, partly because banks are reluctant to extend commercial credit to younger, growing and often undercapitalised firms. The CEB's € 100 million cross-sectoral loan to Coöperatieve Rabobank, the Netherland's major cooperative bank, consists in partially financing Rabobank's "Social Impact Loan" instrument to provide attractive conditions to MSMEs identified as generating social and environmental added-value. The socio-economic impact of such action allows the CEB to support firms that present a high risk, but have a high job creation impact and promote entrepreneurship in the social economy, key to sustainable economic growth. Such an approach also catalyses the development of small-scale local entrepreneurial activity which, in the long term, promotes further job and income growth in the economy. Moreover, the results from implementation of this programme should provide valuable lessons for future SME lending schemes targeting particular groups of MSME clients who deliver social and environmental added-value.



Aligning the CEB's portfolio with the Paris Agreement on climate change

With its observer status having been confirmed in 2018, the CEB participated in the 24th edition of the Conference of the Parties to the United Nation's Framework Convention on Climate Change (COP24) which took place in Katowice, Poland.

Prior to COP24, the UN Environment Programme's Emission Gap Report for 2018 had insisted on the need for countries to accelerate their mitigation efforts to avoid overshooting the Paris Agreement's goal of a 2°C pathway. However, the parties in Katowice considered the geopolitical context and concerns about the social justice of climate action policies were not conducive to increasing Nationally Determined Contributions. Nevertheless, COP24 did achieve the adoption of a common rule book defining how each country will report on its emissions and climate targets. The CEB sees this is an important step towards practical implementation of the Paris Agreement.

GRI 203-2

The CEB's climate strategy

The lack of political momentum for boosting national climate goals has spurred non-state actors and financial institutions such as the CEB to step up climate action and help nations close the "emissions gap". In this respect the CEB has been joining efforts in various partnerships with other Multi-lateral Development Banks (MDBs) to align with the objectives of the Paris Agreement. The CEB is pleased that the basic elements MDBs agreed on are steps the Bank has been progressively implementing for some time now, namely:

- Ensuring that projects are in line which each country's low-emission development pathway.
- Managing physical climate risks and making projects more resilient to climate change.
- Prioritising, targeting and reporting on climate finance.
- Developing tools and methods for screening, monitoring and reporting on climate change indicators.
- Ensuring that internal operations are aligned with the Paris Agreement.

Furthermore, as a social development bank, the CEB must ensure that the supported climate action goals are socially inclusive. This notably implies the optimisation of social co-benefits in climate change mitigation projects, for instance the reduction of energy poverty or the protection of fragile population groups in climate change adaptation projects.

GRI 305-3

The CEB's approach to assessing and measuring project related emissions

The CEB applies greenhouse gas emission (GHG) screening to all projects proposed for CEB financing to establish a preliminary estimate of the expected GHG emissions from a project and, in the case of mitigation projects, the relative decrease in GHG emissions. The screening methodology distinguishes three levels of CO_2 equivalent emissions:

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

Carbon foot print calculations are made for all projects estimated as "medium" or "high" emissions and for those categorised "low", where sufficient data is available to yield meaningful results. Calculations are based on standard methodologies (e.g. the ADEME's Bilan Carbone for buildings) and include estimates of construction related emissions where feasible.



"Alignment with the Paris Agreement goals needs to be socially inclusive. This implies better integration of the social dimensions in climate action."

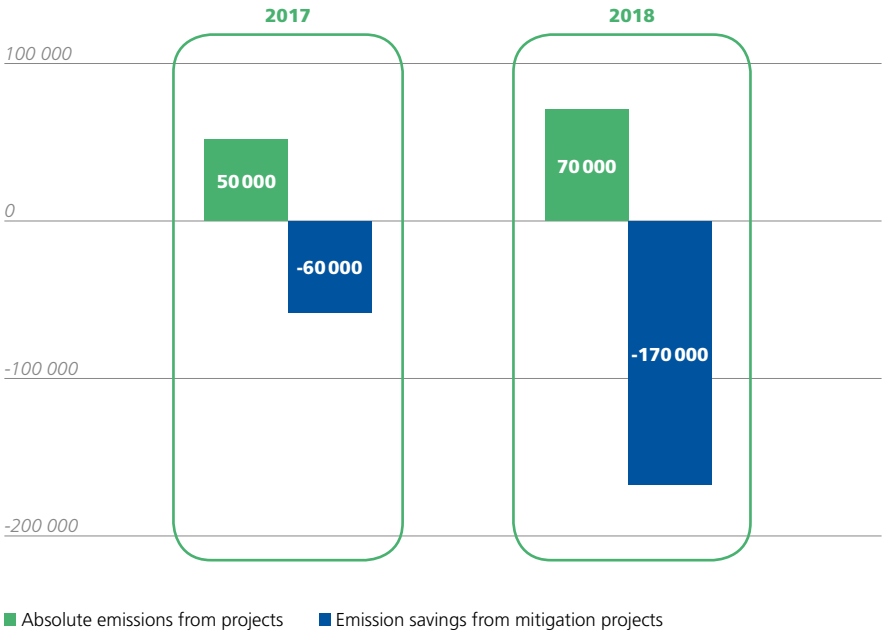
— Anton Spierenburg, Deputy Director for Technical Assessment and Monitoring

GRI 201-2

GHG Emissions for investment projects approved

The figure below provides an overview of the carbon footprint estimates carried out for the portfolio of projects approved in 2017 and 2018. Relative GHG emissions (savings) exceed absolute emissions for both years thus indicating that the CEB portfolio consistently aligns with a low carbon pathway.

Estimating greenhouse gas emissions for projects approved in 2017 and 2018 (tonnes of CO_2 eq. per year, CEB's internal climate change methodology)

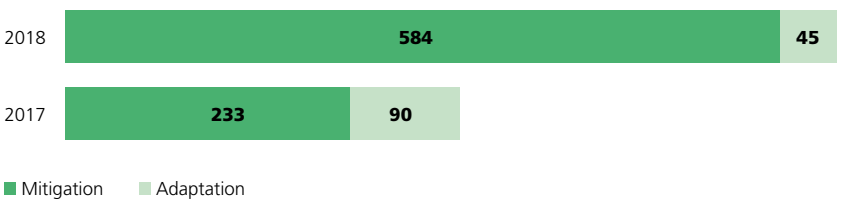


10 000 t
Total GHG savings in 2017

100 000 t
Total GHG savings in 2018

The figure below shows that the CEB's aggregated climate financing has nearly doubled over the past two years.

CEB's climate action financing: Mitigation and Adaptation in 2017 and 2018 (in € million)



+95%
climate financing in one year

Note that, in 2017, climate financing (€ 323 million) accounted for 8% of the total of projects approved while in 2018 climate financing (€ 629 million) increased to 16% of total projects approved.

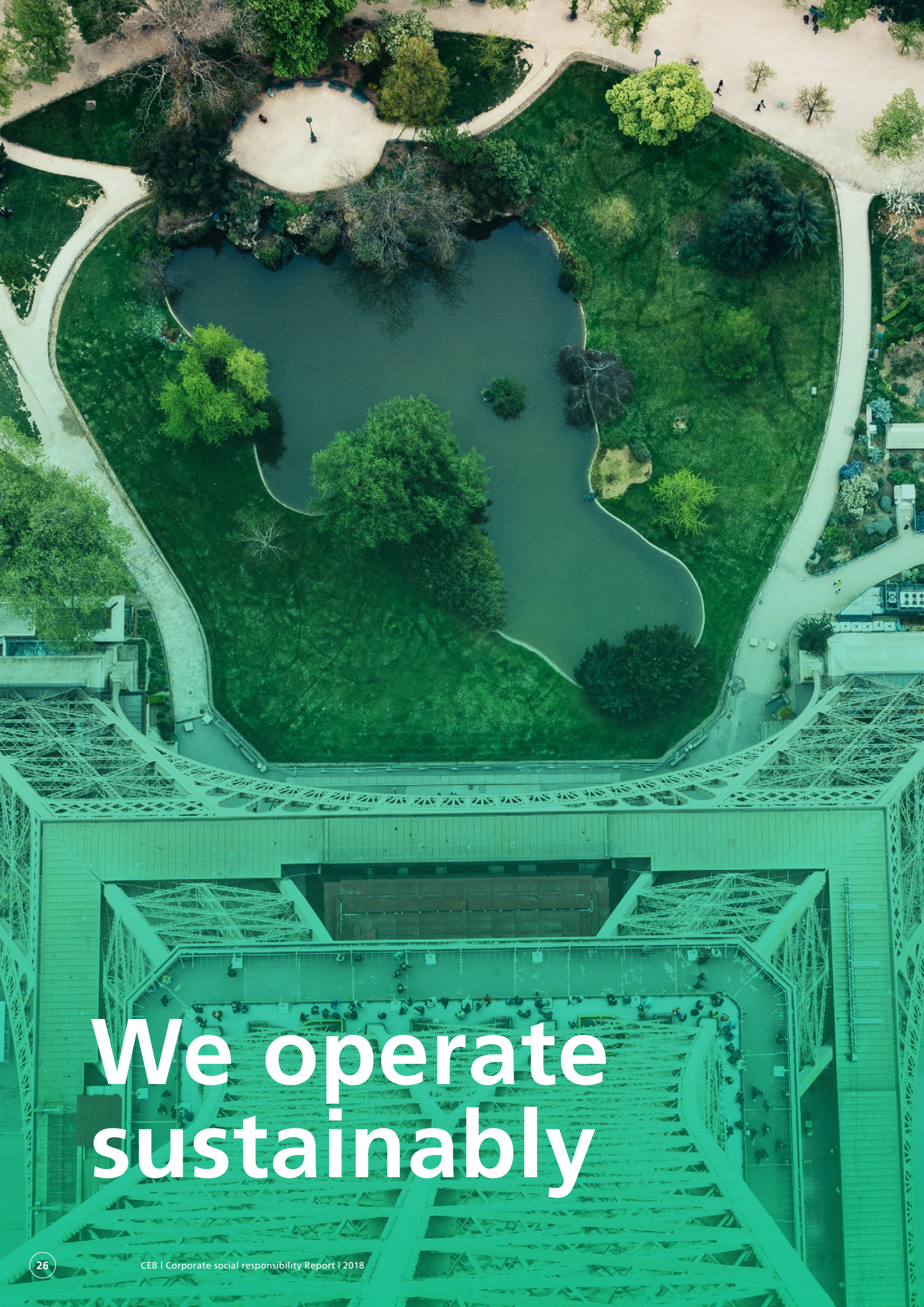


Supporting socially inclusive climate action

Bosnia and Herzegovina

In Bosnia and Herzegovina the residential building sector accounts for 47% of total final energy consumption which is much higher than the EU average (25%) and thus represents a vast potential for emissions savings. The combination of poor insulation and inefficient heating systems in the building stock leads to high energy consumption which may take up a disproportionate share in the budget of low-income households, which represent 50% of Bosnia's population. This situation, known as energy poverty, has been aggravated by escalating energy prices and the country's economic situation *(see also "Learnings from CEB in-house research")*. Moreover, low-income families are unable to improve their situation by investing in energy efficiency renovation of their homes due to their restricted access to commercial bank loans for this purpose.

To help Bosnian and Herzegovinian low-income households address the issues of energy poverty and the climate impact of their energy inefficient housing, the Bank established a partnership with a local microcredit organisation to set up a financial instrument for the funding of small scale energy efficiency investments. The instrument tackles the market failure of access to credit, and provides micro loans to private households, micro-enterprises and farmers for a range of works, such as insulation of the building envelope, replacement of windows and doors, and new heating systems. An important element of the instrument is assisting beneficiaries in deciding on the scope of the works that best suits their needs and optimises savings. Finally, the instrument includes a GHG accounting tool which enables the microcredit institution and the CEB to monitor results in terms of emission savings.



We operate sustainably

Financial sustainability

The CEB thinks about financial sustainability from a dual perspective: on the one hand, the Bank makes sure that borrowing and lending operations are viable in the long term, i.e. sustainability of its own business model. On the other hand, with the issuance of Social Inclusion Bonds, the CEB contributes to the development of the market for sustainable financial products and offers a way for socially-responsible investors to support projects with an explicit positive social impact

GRI 103-2

Ensuring the CEB's financial soundness

In 2018, as in previous years, no arrears or impairments were recorded; this was the result of the CEB's stringent risk management and compliance with best banking standards and practices, such as the Basel Committee recommendations on Banking Supervision.

More specifically, the three main rating agencies confirmed the CEB's strong standing in their 2018 published assessments. The CEB has a high rating, which mirrors its strong financial profile, the support of its shareholders and its stringent risk management policy. In September 2018, Fitch Ratings affirmed the CEB's long term rating at "AA+" outlook stable, in July Moody's affirmed its Aa1 rating with stable outlook and in June 2018, Standard & Poor's affirmed the AA+ rating with a positive outlook (on 15 February 2019, Standard & Poor's upgraded the CEB's rating from "AA+, outlook positive" to "AAA outlook stable").

GRI 102-9

The CEB's contribution to sustainable finance: a focus on Social Inclusion Bonds

Since 2017 the CEB has raised part of its funding in the capital market through so-called "Social Inclusion Bonds". This means that the CEB is not only committed to financing social and sustainable projects, but also issues part of its own capital market funding under a specific framework with a direct link to the underlying projects. For the responsible investment community, this is an important contribution to developing what is often referred to as "green, impact, sustainable or responsible finance".

Ultimately, sustainable financial products trigger a cultural change in the financial markets, complementing financial performance with sustainable performance. From a practical perspective, the issuer of such products needs to provide reliable and comprehensive sustainability information on the product that can be integrated into investors' financial decision making.

The CEB's Social Inclusion Bond Framework

With the issuance of its first Social Inclusion Bond in 2017, the CEB set out guiding principles for its social bonds, summarised in the Social Inclusion Bond Framework. In essence, this framework defines the key investment areas to be supported by a bond's proceeds (i.e. social housing for low-income persons, education and vocational training as well as support to MSMEs for the creation and preservation of viable jobs), and details the process for project evaluation and selection, the management of proceeds, as well as the reporting on the bond's financing and outputs.

Those provisions also commit the Bank to reach out for an independent assessment on the alignment between the bond to be issued and the Social Bond Framework itself. This "Second Opinion" checks the social quality of the loan portfolio, and its alignment with both the CEB's overall sustainability objectives and the International Capital Market Association's Social Bond Principles.

As a founding member of the ICMA Social Bond Working Group, the CEB helped develop the Social Bond Principles and contributed to a sub-working group on impact reporting. Leveraging the knowledge gained through this exchange, the Bank is working to integrate the Sustainable Development Goals (SDGs) into its upcoming bond reporting in early 2019.

GRI 102-2

Reporting on the impact of the CEB's first Social Inclusion Bond

As positive social and environmental impact is core to sustainable finance in general and to the CEB's Social Bonds in particular, transparent reporting on "output, outcome and impact" is paramount to investors.

In 2018, the CEB therefore started to report in detail, through dedicated communication channels, on its first Social Inclusion Bond issued in early 2017 *(see "Social Inclusion Bond Report")*. The information published one year after the bond issuance was reviewed by an independent auditor.

There are strict criteria for projects being financed through the CEB's 2017 Social Bond. In line with the CEB's Social Bond Framework *(see "The CEB's Social Inclusion Bond Framework")*, the bond dedicated 30% of the total € 500 million to social housing, 8% to education and 62% to micro, small and medium-sized enterprises (MSMEs). All in all, projects in eleven countries were supported through the Social Bond *(see the figure below)*.

Key Characteristics of CEB Social Inclusion Bond 2017

KEY DEAL CHARACTERISTICS

Issue date	3 April 2017
Amount	500 €M
Maturity	10 April 2024 (7-year)
Rating	Aa1/AA+/AA+
Coupon	0.125%
Second Party Opinion	Sustainalytics

Loan disbursement



- Social housing for low-income persons
- Education and vocational training
- Supporting MSMEs for the creation and preservation of viable jobs

Measuring what outputs and outcomes have been achieved: Social Inclusion Bond 2017







"We want to create a momentum in this social bond segment and try to bring the market to our objective, which is to enhance social cohesion in Europe."

— Rolf Wenzel, CEB Governor

With the financing obtained about 2,300 social housing units were built, 210 education facilities supported improving the learning environment for 57,000 students, and 12,000 MSMEs financed with an estimated 14,000 jobs preserved or created.

Issuing a second Social Inclusion Bond in 2018

Backed by strong interest from the responsible investment community in the inaugural bond offering in 2017, the CEB launched a second Social Inclusion Bond in 2018 and, going forward, is going to offer a bond of this type each year.

Based on the Bank's existing Social Inclusion Bond Framework, the 2018 bond again helps to finance projects with a focus on social housing, education and vocational training as well as MSMEs.

The seven-year, € 500 million bond was issued in March 2018 and once again attracted a wide range of socially responsible investors, significantly broadening the Bank's investor base.

In line with its commitment to transparency, the CEB will publish an overview of the eligible social loans and their social outputs and outcomes in early 2019.

For more information, please see the dedicated press release.

Further impetus to gender equality and diversity

The Bank's new gender equality and diversity strategy will contribute to a modern and attractive workplace. Gender equality in the workplace is achieved when all employees are able to access and enjoy the same rewards, resources and opportunities regardless of their gender. The CEB's work and competitiveness is enhanced if objectives and activities are considered from diverse angles.

GRI 102-16

CEB values and HR Strategy

In 2018, the Directorate for Human Resources continued to implement its HR Strategy structuring its work around four pillars:

- **HR best practices:** Developing a dynamic policy framework enables the CEB to identify, capitalise and align its HR practices with other IFI and private sector best practices;
- **CEB staff excellence:** The CEB not only attracts and retains the right people for the right jobs, but it also provides staff members with development opportunities.
- **Efficiency and planning:** Providing the Bank with staff members equipped with the right skillsets while also ensuring a consistent, efficient and transparent organisation.
- **Diversity and culture:** Reinforcing the Bank's shared set of values, principles and behaviours among management and staff and improving organisational performance.

Over the years, as an international organisation, the Bank has fostered a culture of diversity and cohesion while striving to promote the rights and principles set out in the revised European Social Charter. Staff members are therefore entitled to equal treatment without direct or indirect discrimination, in particular on grounds of racial, ethnic or social origin, colour, nationality, disability, age, marital or parental status, sex or sexual orientation, and political, philosophical or religious opinions.

To support the HR Strategy and advance a culture of diversity, the Bank can rely on its five values, namely: commitment, cooperation, creativity, transparency and professionalism. For each of these values, professional behaviours have been defined, thereby enabling staff members to better understand how their own behaviour may positively affect their peers and contribute to the CEB's culture.

Finally, in addition to specific training and measures to develop the five values, staff members are evaluated on their adherence to the five values. The combination of all these continuous actions ensures that CEB's values are more than just a statement.

CEB Competency model

For the Bank to represent a major instrument of the European solidarity policy and to remain competitive in a changing environment, the competency model is central in identifying what the CEB needs to do today to position for future performance.

Understanding what competencies are needed today and for the future is essential to attracting and retaining the right people for the right jobs, while providing them with opportunities to develop. Competencies enable us to translate values into daily professional behaviours that can be identified, measured and developed.

The CEB's competency model is structured around the behaviours, knowledge, skills, abilities and attributes that staff members must have or acquire to perform their jobs effectively. It seeks to provide the CEB with clear and transparent criteria and priorities for human resources matters through a common language.



Training

The Bank offers its staff members the opportunity to follow IT, technical, language, communication and managerial training. In 2018, 77% of all staff members followed one or more training courses in these fields. HR also organised external training on project management (Prince 2), thereby fostering technical knowledge and inter-team cooperation opportunities. Finally, to help managers define smart objectives and provide feedback, a training session on staff performance was organised for both staff members and managers.

As part of the Safety Committee, the HR team participated in setting up a service that provides travelling staff members with local health and safety information, as well as emergency assistance. In 2018, a training session was organised to identify and prevent problems associated with ergonomics at the workplace. Other topics around the CEB's "duty of care", e.g. health, safety, security and well-being of staff members will be taken up in the coming years.

GRI 103-2

Gender Strategy and Programme

In January 2018, the CEB launched its gender equality strategy. Essential input for the strategy was obtained through an employee survey, examining attitudes towards key areas including equal pay, recruitment and promotion opportunities, leadership development, and flexible working. The CEB's strategy outlines five objectives that it must meet if gender equality is to be achieved:

1. Strive to achieve at least 40% female representation at expert, middle and higher management levels.
2. Maintain the objective of a minimum of 50% female recruitments for higher management over the coming years with emphasis on the recruitment and internal promotion of women at expert, middle and higher management.
3. Improve awareness, e.g. senior management training on gender equality and diversity.
4. Provide women with opportunities for external coaching and in-house mentoring.
5. Mainstream gender into the CEB's internal policies and processes.

Throughout 2018, among the actions identified to help create an equal workplace for men and women, the HR team accomplished the following:

- Setting up of gender advisory group to monitor progress on equality
- Reinforcement of the CEB's recruitment processes by:
  - Ensuring gender representation within the CEB's selection committees
  - Including senior women profiles from a "reserve list" into application processes
  - Ensuring that both women and men are short listed
  - Using specialised social media, press and dedicated career fairs to attract talent
  - Leveraging the CEB's Administrative Council to identify female networks and talent pools
  - Providing hiring managers with a diversity scorecard focusing on gender and less represented countries
- Development of networking opportunities and internal career development for women through:
  - Coaching programme for women's leadership development with 34% of CEB women participating
  - Mandatory gender awareness training for all managers.

Breakdown by gender

55% women 45% men

• Professional staff (140)

44% women 56% men

• Support staff (66)

77% women 23% men

GRI 102-8 • 401-1 • 405-1

Key HR data at end-2018

At year-end 2018, the CEB's workforce amounted to 206 permanent staff, with the following features:

Up from 32 to 33
Number of nationalities represented

4.43%
Staff turnover

48 years
Average age

11 years
Average job tenure

77%
of the staff followed one or more training courses

EDGE Certification

Another strategic action for 2018 was to embark on EDGE, a global assessment methodology and three-level business certification standard for gender equality.

To that end, the CEB worked with EDGE to understand where the Bank stands in terms of gender balance and equality, and where it needs to focus in order to achieve best practice in gender equality.

EDGE also analysed the following:

1. Statistics on 200 staff members from January to December 2017.
2. Review of equitable career policies and practices implemented at the Bank.
3. Audit of HR data and questionnaire on gender equality policies and the inclusiveness of the CEB's culture, by an accredited independent certification body.
4. Survey answered by 118 employees, representing 59% of the workforce.

An audit report, including a peer benchmark, was also prepared and served a basis for an action plan as well as the first level of EDGE certification. HR aims to reach the second level of EDGE Certification in 2020 by looking at improvements in gender balance at higher management levels, policies and practices on, for instance, equal pay, promotion, or leadership and professional development at the CEB.



"Our gender equality strategy is a clear signal of the Bank's commitment to promoting an environment that values and rewards the contributions of women and men in the same way."

— Terje Hagen, Director of Human Resources

Limiting the organisation's carbon footprint

As part of its environmental responsibilities, the CEB promotes eco-responsible initiatives and assesses its own carbon footprint every year.

GRI 302-1 • 305-1 • 305-2 • 305-3 • 305-4 • 305-5

Building on previous carbon assessments

Since 2017 the CEB has been working with GreenFlex using its custom-made GreenFlex^{IQ} platform, as reported last year. The objective was to release more accurate and reliable data, to have a more precise interpretation of these indicators and thus more effectively target the related action plan. The CEB's approach to calculating its GHG emissions follows Bilan Carbone®, which is the official French methodology for calculating organisations' emissions according to the latest international references (GHG Protocol, ISO 14069, Carbon Disclosure Project etc.), in its version 8, December 2017.

Key developments

An increase in business activity of the CEB resulted in rising emissions in 2018, namely:

- Increase in emissions from business travels
- Increase in emissions from office consumables

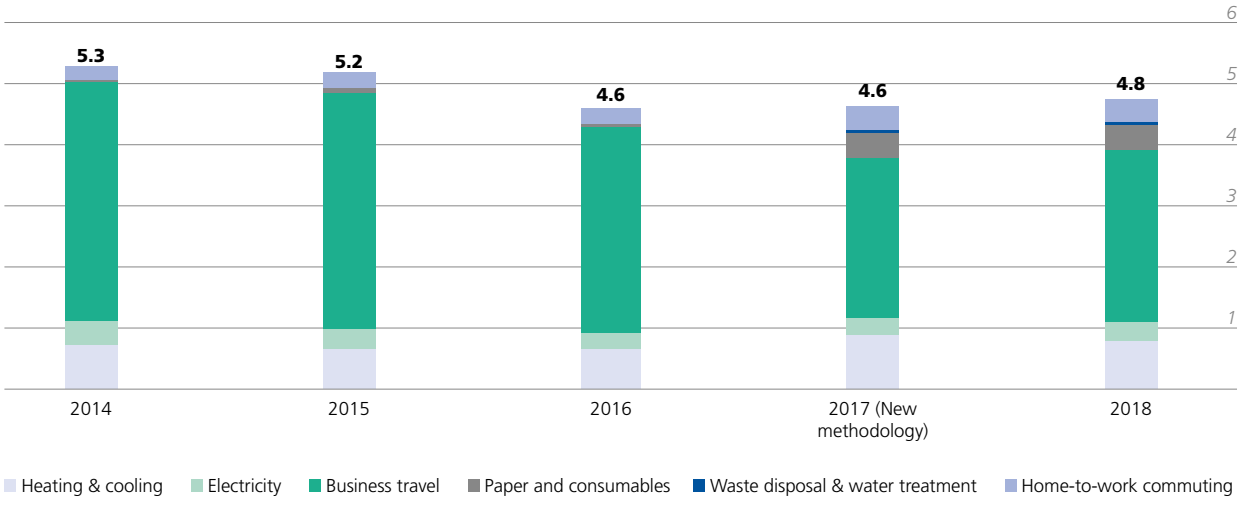
At the same time, the consumption of energy used at CEB's office has further decreased:

- Electricity needs have been reduced by 16% compared to 2014 levels
- Heating & cooling have decreased compared to 2017[1]

Key measures and trends

In total, the CEB's greenhouse gas emissions for 2018 amounted to 990 tonnes of CO_2, or 4.81 tCO_2e/employee, slightly up from 941 tonnes and 4.64 tCO_2e/employee last year, according to the *Bilan Carbone* methodology.

GHG emissions per employee from 2014 to 2018, in tonnes of CO_2 equivalent

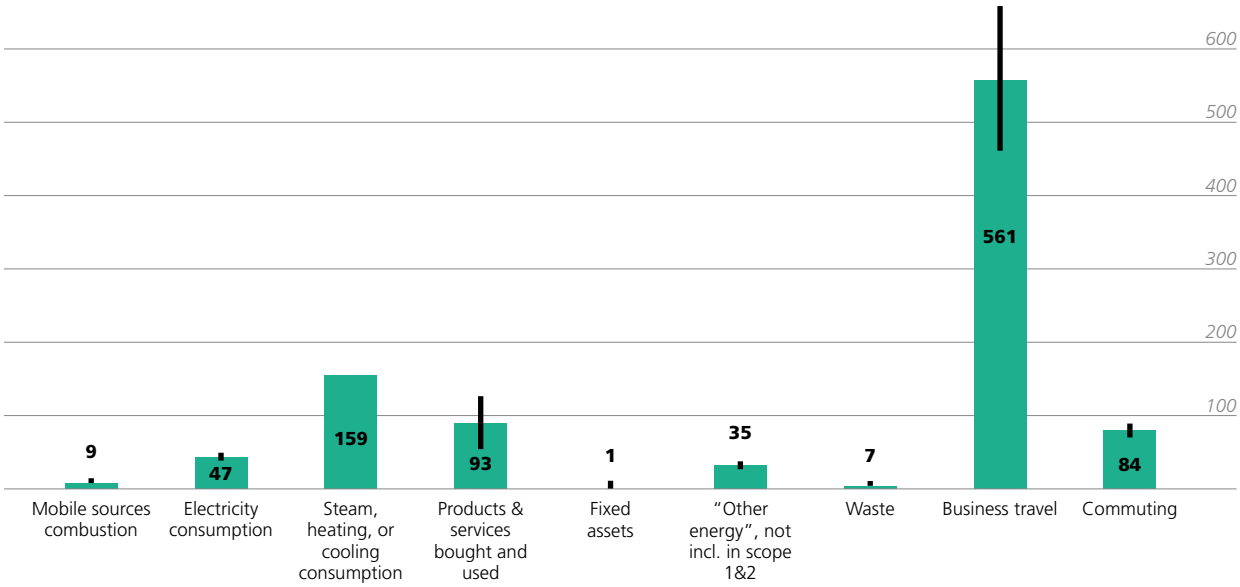


Note that in 2017, there has been a major overhaul to improve the carbon footprint methodology. Details on the changes made can be found it last year's CSR Report. The calculation for the figure is based on Bilan Carbone.

[1] The slight increase compared to 2014 is due to the change in methodology in 2017.

The reasons for the increase in GHG emissions over the past 2 years are twofold. First, with the new methodology employed as from 2017, the tracking of paper and office consumables as well as home-to-work commuting was refined, resulting in a significant increase in emissions from these two sources. Second, the use of an improved methodology caused an increase in heating & cooling emissions in 2017, which decreased again in 2018.

2018 GHG emissions and uncertainties by source, in tonnes of CO_2 equivalent



In order to ensure transparency in the evolution of the Bank's detailed GHG emissions, comparative tables of GHG emissions are presented at constant perimeter below.

GRI 103-2

Key initiatives in 2018

- The CEB replaced two of its four service vehicles; the new vehicles are powered by hybrid engines especially advantageous for urban trips in the Paris area.
- The CEB continued to invest in heating and energy efficiency, mainly by replacing selected windows in its Paris office building. This incremental approach has also been taken for electricity with around 50% of the lighting now LED based, with dimmer switches and motion sensors where deemed useful.
- Building on the work with GreenFlex, the CEB now uses their *"HopMedia"* database to better aggregate, track and analyse the Bank's climate performance by source. This positions the CEB well to further improve reporting, develop a tailored action plan and ultimately reduce its operational level climate impact over the coming years.

GRI 102-48

Restatements of information for the 2017 CSR Report

The new methodology introduced in 2017 revealed three cases of wrongly estimating the emission data reported in the previous years:

- "Business travels" were not correctly evaluated prior to 2017, largely overestimating emissions from this source.
- When introducing the new methodology, an error has been made which resulted in reported emissions from "Home-to-work commuting" being overestimated for 2017.
- Also the category of "Products & services bought and used" was reported with overestimated emissions for 2017.

This has been corrected and the technical details are laid out in the Appendix – GRI Index for 2018, item 102-48.

CEB's detailed GHG emissions by source

Dashboard	Difference 2018 / 2014		2018		2017		2014	
	Total variation	Variation per employee	Total 2018	Per employee 2018	Total 2017	Per employee 2017	Total 2014	Per employee 2014
Surface - m^2	0%	-5%	7 600.0	36.9	7 600.0	37.4	7 600.0	39.0
CEB personnel - FTE	+6%	0%	206.0	1.0	203.0	1.0	195.0	1.0
Overall emissions - tCO_2e	-3%	-8%	990.2	4.8	940.9	4.6	1 021.9	5.2
Buildings - Heating & cooling	+16%	+10%	175.3	0.9	187.2	0.9	151.1	0.8
Vapour network emission - tCO_2e	+16%	+10%	175.0	0.8	186.9	0.9	151.1	0.8
Cooling use emissions - tCO_2e	-	-	0.3	0.0	0.3	0.0	Not applicable	Not applicable
Buildings - Electricity	-16%	-21%	59.1	0.3	64.7	0.3	70.7	0.4
Electricity emissions - tCO_2e	-16%	-21%	59.1	0.3	64.7	0.3	70.7	0.4
Travelling - Commuting	+102%	+91%	83.7	0.4	76.4	0.4	41.4	0.2
Emissions linked to commuting by car - tCO_2e	+88%	+78%	70.5	0.3	68.4	0.3	37.4	0.2
Emissions linked to commuting by moto - tCO_2e	-	-	9.0	0.0	3.9	0.0	Not available	Not available
Emissions linked to commuting by public transport - tCO_2e	+6%	+0%	4.2	0.0	4.1	0.0	4.0	0.0
Travelling - Business travelling	-25%	-29%	572.6	2.8	517.3	2.5	760.0	3.9
Emissions linked to travelling by plane - tCO_2e	-17%	-21%	557.7	2.7	504.5	2.5	669.8	3.4
Emissions linked to travelling by train - tCO_2e	+58%	+50%	0.9	0.0	1.0	0.0	0.6	0.0
Emissions linked to travelling by car & taxi - tCO_2e	Not applicable	Not applicable	14.0	0.1	11.8	0.1	4.2	0.0
Paper & consumables								
Emissions linked to water bottles - tCO_2e	-	-	1.6	0.0	1.7	0.0	Not available	Not available
Emissions linked to consumables - tCO_2e	-	-	36.2	0.2	32.7	0.2	Not available	Not available
Emissions linked to post services - tCO_2e	-	-	11.8	0.1	11.6	0.1	Not available	Not available
Emissions linked to magazines and newspapers - tCO_2e	-	-	35.2	0.2	31.5	0.2	Not available	Not available
Emissions linked to brochures - tCO_2e	-	-	1.2	0.0	4.0	0.0	Not available	Not available
Emissions linked to printing paper - tCO2e	-49%	-52%	6.1	0.0	6.7	0.0	11.9	0.1
Waste disposal and wastewater								
Emissions linked to wastewater - tCO_2e	-	-	0.6	0.0	0.5	0.0	Not available	Not available
Emissions linked to garbage - tCO_2e	+69%	+60%	6.8	0.0	6.7	0.0	4.0	0.0

Note that for the baseline year 2014, when still employing the previous methodology to track GHG, some data was not available and is marked as "Not available". The change in methodology in 2017 introduced also a change in the measurement unit for the quantity of travel by car for business travel (km travelled in 2014 vs. litres consumed in 2017). This is highlighted as "Not applicable" in the table.



Appendix - GRI Index for 2018

GRI 102-54 • 102-55

The 2018 index of sustainability indicators was prepared on the basis of the internationally recognised standard for sustainability reporting, namely the Global Reporting Initiative (GRI) Standards, and seeks to comply with the GRI Standards: Core option.

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

Photo credits:

Cover: #MS YAPR; Wavebreakmedia; Axel Bueckert; p. 3: Simin Zoran; p. 5: Sylvie Dupic;
p. 9: Steve Debenport; p. 11: CEB; p. 13: up simonkr - down CEB; p. 14: 100 Resilient Cities; p. 17: CEB;
p. 19: Martine Doucet; p. 21: marchello74; p. 22: Drazen; p. 23: CEB; p. 25: paulprescott72;
p. 26: Borut Trdina; p. 29: Sylvie Dupic; Vinko Murko; p. 32: CEB; p. 36: monkeybusinessimages.

Design **LUCIOLE**

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

55, avenue Kléber
FR-75116 PARIS - FRANCE
Tel.: +33 (0)1 47 55 55 00
Fax: +33 (0)1 47 55 03 38
Swift: CEFPFRPP
www.coebank.org