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1- Preface

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

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

2- Presentation of Council of Europe Development Bank

2.1 Overview

Introduction

The CEB is a multilateral development bank with an exclusively social mandate. Through the provision of financing and technical expertise for projects with a high social impact in its 41 Member States¹, it actively promotes social cohesion and strengthens social integration in Europe. For a description of CEB’s ownership structure, see the Appendix to this Social Inclusion Bond Framework.

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

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

The CEB carries out its mission within the strategic framework of a multi-annual Development Plan⁴ that describes the logic underpinning its action and sets forth guidelines for the activity in the medium term in relation to the operational context within which the Bank operates. The current Development Plan covers the period 2020-2022.

The strategic focus of the 2020-2022 Development Plan has sectorial lines of action approved by the Administrative Council and confirmed by the Governing Board, as follows:

¹ Albania, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Holy See, Hungary, Iceland, Ireland, Italy, Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Montenegro, Netherlands, North Macedonia, Norway, Poland, Portugal, Republic of Moldova, Romania, San Marino, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland and Turkey
² Belgium, France, Germany, Greece, Iceland, Italy, Luxembourg and Turkey
³ The Bank has a separate legal entity and is financially independent. As evidence of the institutional links between the Council of Europe and the Bank, the Secretary General of the Council of Europe issues an opinion on admissibility in terms of compliance with the Council of Europe’s political and social objectives for all the projects that the Bank submits to its Administrative Council for approval.

2
• Inclusive growth: working to guarantee access to economic opportunities and ensure a prosperous future for all,
• Support to vulnerable groups: helping to integrate the most vulnerable citizens and nurture a more diverse society,
• Environmental sustainability: supporting a liveable society that promotes environmental sustainability, mitigates and adapts to climate change.

From a sectoral perspective, six of the United Nations’ Sustainable Development Goals (SDGs) particularly resonate with the Bank’s social mandate and longstanding experience in promoting inclusive and sustainable growth: SDG 3 (Good Health and Wellbeing), SDG 4 (Quality Education), SDG 6 (Clean Water and Sanitation), SDG 8 (Decent Work and Economic Growth), SDG 11 (Sustainable Cities and Communities) and SDG 16 (Peace, Justice and Strong Institutions). Through its financing of sustainable projects, the CEB aims to directly support its member countries in achieving the SDGs, with a special focus on the following priority SDGs, closely aligned with the Bank’s social mandate:

Moreover, four cross-sectoral relevant SDGs aligned with the CEB’s core social mandate are screened for in all CEB projects (SDG 1 – No Poverty; SDG 10 – Reduce Inequalities; SDG 5 – Gender equality; SDG 13 – Climate Action).

### 2.2 Loan Portfolio

At 31 December 2019, CEB’s total assets amounted to EUR 26.1 billion and outstanding loans reached EUR 15.6 billion.

#### Loan Recipients

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

Loans granted by the CEB take one of the following forms:
• Loans to its Member States;

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5 2019 Financial Statements
6 The terms disadvantaged/vulnerable populations/groups are used interchangeably in this document. ‘Disadvantaged’ populations is used as a general adjective when defining the activities of the bank. ‘Vulnerable populations/groups’ is a term used in CEB’s Development Plan 2020 – 2022 as well as in the CEB Handbook for the Preparation and Implementation of Projects and it includes, among others, persons living below the poverty threshold (less than 60% of the national average income), abandoned children, children in vulnerable situations, persons with disabilities, migrants/refugees, women, the elderly, the homeless, the landless, rural communities and ethnic minorities.
Loans guaranteed by a Member State granted to any legal person approved by that Member State;
Loans granted to any legal person approved by a Member State, when the CEB’s Administrative Council is satisfied that the loan requested is covered by adequate guarantees.

The CEB’s current portfolio of loan recipients is as follows
- Member States (51%)
- Local and regional authorities (27%)
- Commercial banks and public financial institutions (22%)

**Sectors of Action**

The three sectorial lines of action (inclusive growth, support to vulnerable groups, and environmental sustainability) reflect both CEB’s specific social vocation and the development logic underpinning all its activity in the following ten sectors of action:

<table>
<thead>
<tr>
<th>Sectors of action</th>
<th>Loans disbursed in 2019 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting MSMEs for the creation and preservation of viable jobs</td>
<td>37%</td>
</tr>
<tr>
<td>Education and vocational training</td>
<td>16%</td>
</tr>
<tr>
<td>Protection of the environment</td>
<td>9%</td>
</tr>
<tr>
<td>Improving living conditions in urban and rural areas</td>
<td>17%</td>
</tr>
</tbody>
</table>

**Supporting MSMEs for the creation and preservation of viable jobs**

The CEB finances micro, small and medium-sized enterprises (MSMEs) for the prime purpose of promoting the creation and preservation of viable jobs by facilitating access to credit. Such loans are also aimed at entities exercising craft activities or family enterprises engaged in regular economic activity. They can also include the financing of working capital.

The CEB will give priority to the initiatives driven by governments in this sector via apex structures developed with State owned banks and to those implemented by other financial institutions – commercial banks or leasing companies.

**Education and vocational training**

The CEB finances projects concerning education, including vocational training, and related basic infrastructure. To be eligible to CEB financing, private establishments and infrastructure must be approved by the public education authorities (in compliance with the criteria established for this type of establishment). The CEB may also finance public or private investments in research and development centres.

**Protection of the environment**

The CEB finances projects, undertaken by public or private entities, that contribute to protecting and improving the environment such as: reduction and treatment of solid and liquid waste, clean-up and protection of surface and underground water, decontamination of soils and aquifers, protection against noise, production of renewable energy, energy saving measures (excluding energy production/distribution), reduction of air pollution, protection and development of biodiversity, cleaner transport means and networks.

**Improving living conditions in urban and rural areas**

The CEB finances projects involving the construction or rehabilitation of infrastructure in matters of urban rehabilitation and rural modernisation in favour of public and private entities at national or local level aiming to improve living conditions in urban and rural areas.
Health

The CEB finances projects concerning health and related basic infrastructure. To be eligible for CEB financing, private establishments and infrastructure must be approved by the public health authorities and in compliance with the criteria established for this type of establishment.

Natural or ecological disasters

According to CEB’s Articles of Agreement: “The primary purpose of the CEB is to help in solving the social problems with which European countries are or may be faced as a result of the presence of (...) victims of natural or ecological disasters”. The purpose of the actions undertaken is to provide national and local authorities with assistance in the reconstruction of the affected areas or in the prevention of natural or ecological disasters.

Social housing for low-income persons

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

Aid to refugees, migrants, displaced persons and other vulnerable groups

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

Protection and rehabilitation of the historic and cultural heritage

The CEB finances the restructuring and rehabilitation of historic and cultural heritage classified as such by the Member State concerned.

Administrative and judicial infrastructure

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

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>8%</td>
<td>Health</td>
</tr>
<tr>
<td>4%</td>
<td>Natural or ecological disasters</td>
</tr>
<tr>
<td>7%</td>
<td>Social housing for low-income persons</td>
</tr>
<tr>
<td>2%</td>
<td>Aid to refugees, migrants, displaced persons and other vulnerable groups</td>
</tr>
<tr>
<td>0%</td>
<td>Protection and rehabilitation of the historic and cultural heritage</td>
</tr>
<tr>
<td>0%</td>
<td>Administrative and judicial infrastructure</td>
</tr>
</tbody>
</table>

3- Social Inclusion Bond Framework

The present Social Inclusion Bond Framework was developed with the aim of providing transparency, disclosure and clarity to investors. The following sections summarize CEB’s Social Inclusion Bond
Framework with respect to the Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting in compliance with ICMA’s Social Bond Principles\(^7\).

Proceeds raised through the Social Inclusion Bonds under the Framework will be exclusively used to finance and/or refinance, in part or in full, new and/or existing loans that:

(i) are exclusively focused on social activities; and

(ii) have a social impact that can be easily assessed and quantified with data available for impact reporting.

### 3.1 Use of proceeds

The CEB issues Social Inclusion Bonds in order to finance in its Member States projects in the following sectors of action:

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

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

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

(iv) Health: projects concerning health and related infrastructure with the aim to improve and protect public health, in particular providing assistance to vulnerable populations.

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

- Loans disbursed in the two years (24 months) immediately preceding the issue date of the relevant Social Inclusion Bond, and,

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

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

The proceeds of the relevant Social Inclusion Bond will be allocated towards Eligible Social Loans granted by CEB that meet the criteria specified below.
3.1.1 Social housing for low-income persons

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

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

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

- the income of the target population is limited to a percentage of a relevant income indicator selected according to statistical data available for each Member State or region concerned;\(^8\)
- the floor area is limited in principle to a maximum of 35 m\(^2\) per person in the case of households comprising between 1 and 2 people and 23 m\(^2\) per person for larger households; the minima shall not be inferior to commonly accepted habitability criteria and the maxima can be determined during project appraisal;
- in the case of projects involving access to property ownership, this must be for the principal residence, with a firm undertaking to occupy the premises for a minimum period of 5 years.

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

- housing units must belong to public or private entities lessors of social housing, or to owner-occupants of assisted affordable housing;
- rented housing units must be controlled-rent properties;
- housing units must have a maximum total floor space of 92 m\(^2\), except those occupied by large families (more than 4 persons);
- the floor space of commercial or office premises may not exceed 20% of the total floor space of the building;
- the renovation of housing for energy saving purposes may be financed according to eligibility criteria determined during project appraisal.

3.1.2 Education and vocational training

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

- Construction and/or rehabilitation of early childhood education facilities, primary and secondary schools, technical colleges, vocational training centres, establishments of higher education or specialised learning and/or research and development centres. Eligible

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8 Poverty threshold: in European comparisons, this threshold is fixed at 60% of the equivalent average income in the country of residence.
investments may include sports and socio-cultural centres/equipment as well as residence facilities pertaining to such establishments, learning materials, furniture and equipment;

- Programmes involving training for the unemployed and in favour of disadvantaged populations, for professional reconversion, for providing training in natural or ecological disaster prevention and preparedness for members of the civil protection forces or for training of magistrates, administrators, civil servants and government officials;
- Adaptation of training centres in order to facilitate their access to persons with reduced mobility;
- Education-related research and development programmes;
- Training programmes in favour of vulnerable groups (as defined in footnote 9);
- Training for specialised staff in the education and vocational training sectors;
- Programmes for student loans.

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

Education-related investments may also include basic infrastructure such as water supply and wastewater systems and facilities, solid waste collection and treatment facilities, electricity and gas supply systems, IT infrastructure and communications facilities (telephone, internet, cable, etc.).

### 3.1.3 Supporting MSMEs for the creation and preservation of viable jobs

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

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

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

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

CEB uses the same definition of MSMEs as the European Union (EU Commission Recommendation 2003/361/EC), which may be updated from time to time. Article 2(1) of the Annex to Recommendation 2003/361/EC says the following: “The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.”

9 A ‘Viable job’ is a job or position created with the intention to be sustainably maintained.
10 Investments related to renewable energy, education (schools/universities) and health (hospitals/clinics) sectors should not be financed under CEB’s “Supporting MSMEs” sector of action, but under the related sectors (i.e. “Managing the environment,” “Health” or “Education and professional training”). Smaller scale sub-projects related to health and education (e.g. privately owned dental/medical practices,
Excluded Activities

The CEB excludes certain activities and sectors from its financing activity. As defined by the NACE nomenclature of the European Union\(^{11}\), the following activities shall be excluded from the CEB’s financing:

- Mining and quarrying (NACE B) except division 8 Other mining and quarrying (8.1 Quarrying of stone, sand and clay; 08.91 Mining of chemical and fertiliser minerals and 08.92 Extraction of peat; 08.93 Extraction of salt),
- Distilling, rectifying and blending of spirits (NACE C11.01),
- Manufacture of tobacco products (NACE C12),
- Manufacture of coke and refined petroleum products (NACE C19),
- Processing of nuclear fuel\(^{12}\) (NACE C24.46),
- Manufacture of weapons and ammunition (NACE C25.4),
- Manufacture of military fighting vehicles (NACE C30.4),
- Financial and insurance activities (NACE K64-66),
- Real estate activities (NACE L68),
- Gambling and betting activities (NACE R92),
- Activities of membership organisations (NACE S94),
- Activities of extraterritorial organisations and bodies (NACE U99).

Investment projects linked to pornography and to products regarded by the CEB’s Member States regulations as harmful to the health and the environment\(^{13}\) shall also be excluded.

3.1.4 Health

The CEB provides the means for financing various types of projects that concern health and related infrastructure and that aim at benefitting the general public, in public and private state-approved establishments, in order to ensure the universal access to healthcare services for all patients. Most notably this involves the construction, renovation and modernisation of infrastructure such as hospitals, neighborhood healthcare centres (including those specialised in providing assistance to vulnerable populations), university hospitals or centres specialising in healthcare for the elderly and the disabled, the purchase of modern medical equipment and ambulances.

Health-related investments may also include the purchase of emergency medical equipment, consumable material, the mobilisation of additional expertise and the rehabilitation and transformation of spaces and medical units to support an increasing demand for equipment or services related to a pandemic situation.


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

\(^{13}\) Production or trade in any product or activity deemed illegal under the Member States laws or regulations or international conventions and agreements, such as unbound asbestos fibres, pharmaceuticals, pesticides/herbicides, ozone-depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species (CITES).
3.2 Process for Project Evaluation and Selection

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

The CEB follows its established processes to identify and consistently monitor the projects it finances

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

- CEB’s monitoring and control mechanisms are established to ensure, throughout the project cycle, proper development and implementation of high quality, high social value projects which meet the CEB’s criteria and objectives.

Selection of Eligible Social Loans

CEB’s Monitoring Department screens CEB’s total loan portfolio at their discretion. All of CEB’s loans and projects have a high social profile in alignment with CEB’s social mandate and according to the selection process described above. The Eligible Social Loans will be selected from the four eligible categories defined in this Social Inclusion Bond Framework: Social housing, Education and vocational training, MSMEs and Health (as described in paragraphs 3.1.1 Social housing for low-income persons, 3.1.2 Education and vocational training, 3.1.3 Supporting MSMEs for the creation and preservation of viable jobs above, and 3.1.4 Health).

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

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

- At the project appraisal stage, the CEB, in cooperation with the borrower, defines all relevant aspects of the proposed project. On the basis of the loan request formulated by the borrower, the CEB carries out an assessment of the project by closely reviewing its social objectives and justification, its financial and technical feasibility and the envisaged implementation modalities including the institutional capacity of the borrower and/or the designated implementing agency to manage project implementation. Requests for financing are adapted to the specific characteristics of each project for which a loan is sought.

- Environmental aspects of the project are reviewed for conformity with the CEB’s Environmental and Social Safeguards Policy while the CEB’s Procurement Guidelines, detailing the principles and methods to be applied when awarding contracts to be financed by CEB loans, serve as a basis for evaluating the procurement-related facets of the project.

- The CEB applies its Anti-Corruption Charter during appraisal of the projects it finances. As a general rule during appraisal, the CEB attaches great importance to the aspects related to the fight against fraud, corruption and money laundering. Any outstanding legal questions are also addressed at this point.

- Social impact is a key issue considered by the CEB services during appraisal to ensure that implementation arrangements, monitoring and reporting modalities, etc. are appropriate so as to ensure that the project will generate the expected social outcomes.

- Moreover, the appraisal stage includes a thorough assessment of the likely added-value of CEB support. Such analysis is conducted along the lines of the Added-Value Assessment sheet which assesses both the project’s social impact and its contribution to improving the relevant sector policies, institutions and infrastructure, as well as the added-value of CEB’s involvement.

- Each proposed project is assigned a Project Overall Rating (POR) based on a “four-pronged approach” which recognizes that the social added value of a project depends both on its characteristics – such as its sectorial context, sustainability, expected financial impact,
institutional and organisational aspects and impact of CEB capacity to provide assistance throughout the entire project cycle – and on the context in which it is carried out ("country" parameters, such as GNI per capita, location in a region recognized as an "underdeveloped area, location hosting vulnerable people"). Taken together, these four dimensions of "project", "country", "social" and "environmental" ratings including climate change considerations also provide a yardstick for measuring the additionality of CEB financing.

- The Sustainable Development Goals ("SDGs") developed by the United Nations are integrated into CEB’s operational activity by prioritizing a set of key SDGs that are most relevant to the Bank’s mandate and lines of action, identifying the CEB’s potential contribution to the SDGs in the project appraisal phase and then regularly assessing it at portfolio level, in alignment with the ‘CEB Handbook for the Preparation and Implementation of Projects’14.

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

### 3.3 Management of Proceeds

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

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

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

- the breakdown per sector of actions; and
- the actual distribution of the loans by sector of action and year of disbursement.

The proceeds from the Social Inclusion Bonds will be placed in CEB’s treasury and managed by the Finance department and will be allocated to existing or new loans. As long as any funds remain unallocated, they will be managed in line with the standard processes of CEB’s treasury until their full allocation.

The allocation of proceeds to the loans portfolio will end at the latest two years (24 months) following the issuance.

### 3.4 Reporting

The CEB will publish a Social Inclusion Bond Report in the calendar year following the year in which the relevant Social Inclusion Bond was issued. Should the proceeds of the bond not have been fully allocated at the time of the publication of this report, the Issuer will publish a second report including the same information after full allocation of the proceeds and at the latest by the end of the second calendar year following the issue date of the relevant Social Inclusion Bond.

The report will provide an overview of the Eligible Social Loans financed through the proceeds raised from the relevant Social Inclusion Bond issuance. In addition, the Social Inclusion Bond Report will include a summary of a report from an independent auditor who will review the disbursements made

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from the Eligible Social Loans portfolio which correspond to the projects mentioned in the Social
Inclusion Bond Report.

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

The CEB will also report on the social impact of the projects that were financed with the Social
Inclusion Bond proceeds, and the corresponding SDGs the projects address, based on the following
indicators:

<table>
<thead>
<tr>
<th>Sector of action</th>
<th>Social impact indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social housing for low-income persons</td>
<td>Number of dwellings (construction/renovation)</td>
</tr>
<tr>
<td></td>
<td>Number of beneficiaries</td>
</tr>
<tr>
<td>Education and vocational training</td>
<td>Number of schools (construction/renovation)</td>
</tr>
<tr>
<td></td>
<td>Number of students</td>
</tr>
<tr>
<td>Supporting MSMEs for the creation and preservation of viable jobs 15</td>
<td>Number of MSMEs</td>
</tr>
<tr>
<td></td>
<td>Number of job preserved</td>
</tr>
<tr>
<td></td>
<td>Number of jobs created</td>
</tr>
<tr>
<td>Health</td>
<td>Number of healthcare facilities upgraded</td>
</tr>
<tr>
<td></td>
<td>Loan breakdown per buildings and equipment delivered</td>
</tr>
<tr>
<td></td>
<td>Number of patients served</td>
</tr>
</tbody>
</table>

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

4- Second Opinion

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

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

16 “Social Bond Principles” dated June 2018 issued by the International Capital Market Association (ICMA)
Appendix

Ownership Structure

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

Source: CEB, 31 December 2015

There has not been any change since 31 December 2015.

17 There has not been any change since 31 December 2015.
Disclaimer:

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