



Integrity and Compliance Policy

CORPORATE POLICIES

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I) Introduction

The Integrity and Compliance Policy of the Council of Europe Development Bank (CEB) outlines the Bank's commitment to the highest standards of integrity as well as the best international practices in managing integrity and non-compliance risks.

Integrity and non-compliance risks can rise from CEB project and banking activities, as well as from possible misconduct of CEB staff; such risks can damage the CEB's reputation, image and financial standing.

This Policy sets out the CEB's fundamental integrity and compliance objectives, principles, and measures, that enable the CEB to limit its exposure to the financial and non-financial loss, including loss of reputation, in the event integrity and non-compliance risks materialise. This is of the greatest importance for the CEB, a Multilateral Development Bank established by Member States of the Council of Europe with an exclusively social mandate.

The purpose of this Policy is also to set out the roles and responsibilities of the CEB's Office of the Chief Compliance Officer (OCCO), which helps the CEB to protect its integrity and reputation, minimise financial and non-financial loss and continuously manage integrity and non-compliance risks related to projects, banking activities and staff conduct.

II) Policy Objectives

The CEB's fundamental integrity and compliance objectives are:

- fighting against fraud and corruption, collusion, coercion and obstructive practices, not only with regard to the projects financed by the CEB, but also to its purchases of goods, works and services;
- fighting against money laundering, the financing of terrorism, paying particular attention to respecting the "Know Your Customer" (KYC) principle;¹
- ensuring application of:
 - the ethical rules of behaviour in accordance with CEB's principles of integrity and good governance;
 - the policies, rules and regulations applicable to the CEB projects and CEB banking activities.
- promoting:
 - a proper compliance culture by providing adequate awareness raising, training and communication;
 - a mutual respect for persons and opinions in internal relations and in the multicultural context of the CEB.

¹ The CEB is not under supervision of any supervisory or other authority, but benchmarks its KYC principles with the Financial Action Task Force (FATF) recommendations, the Organisation for Economic Cooperation and Development (OECD), the MONEYVAL, the GRECO and the European Union.

- managing integrity and non-compliance risks, oversight and misconduct risks, in particular the following:
 - *Non-compliance Risk*: the financial loss or loss of reputation that the CEB may suffer as a result of its failure to comply with laws, regulations, codes of conduct and best international practices (e.g. money laundering, terrorist financing, “know your customer”, fraud and corruption and other prohibited practices);
 - *Conduct Risk*: the current or prospective risk of financial and non-financial losses to the institution arising from inappropriate conduct towards counterparties, stakeholders and the financial system, including cases of fraud, corruption, collusion, coercion, obstructive practices or misconduct (e.g. insider trading, breaches of the Code of Conduct, conflicts of interests, retaliation against whistle-blowers);
 - *Reputational Risk*: the risk arising from a negative perception on the part of clients/counterparties, shareholders, stakeholders, investors, market analysts, rating agencies or other parties that can adversely affect the CEB’s ability to maintain existing business relationships, establish new ones, and enjoy continued access to sources of funding.
- Ensuring:
 - the protection of every individual, with regard to the processing of their personal data by the CEB or on its behalf, thereby contributing to the respect for their human rights and fundamental freedoms, and in particular their right to privacy;
 - fairness, confidentiality and discretion in activities with counterparties and in all banking operations;
 - the information security of the CEB’s organisational units through information security policies, standards, guidelines, services and system controls that protect the CEB’s information assets and the security interests of its stakeholders.

III) Policy Principles

The CEB is committed to fostering a culture of integrity, high ethical standards and compliance throughout the Bank, its projects and its banking activities, and manage timely and efficiently the integrity risks.

The adherence to the Integrity and Compliance Policy is of prime importance for the reputation and the image of the CEB.

The CEB ethical culture starts with a strong “tone from the top”.

The Governor has overall responsibility for the management of the Bank’s integrity risks and keeps the Collegial Organs informed of any material issues regarding integrity and compliance risks.

The adherence to the integrity and compliance principles is a responsibility falling individually on each member of the staff of the CEB, Elected Officials and Collegial Organs.

The CEB Collegial Organs are responsible for the adoption of this Policy as well as the CEB public Charters, Codes and supporting Policies and Regulations:

- CEB Anti-Corruption Charter;
- CEB Codes of Conduct;
- CEB Policy for Non-Compliant/Uncooperative Jurisdictions;
- CEB Whistleblowing Policy;
- International Financial Institutions Principles and Guidelines for Investigations;
- CEB Data Protection Regulations;
- Guidelines for Procurement of Goods, Works and Services for projects financed by the CEB;
- Guidelines for the Procurement of Services, Goods and Works for the CEB’s own account.

A full set of Internal Rules, Guidelines and Procedures facilitates the implementation of the above-mentioned Codes, Policies and Regulations:

- CEB Integrity Due Diligence Guidelines and Procedures;
- CEB Guidelines against Market Abuse;
- CEB Guidelines for additional Tax Due Diligence for projects financed by the CEB;
- CEB Rule on the Protection of Dignity at Work;
- CEB ESG Project Related Complaint Handling Procedure.

IV) The Office of the Chief Compliance Officer (OCCO)

a. Mandate and Mission

The Office of the Chief Compliance Officer (OCCO) is tasked with the compliance and investigation function at the CEB.

OCCO takes a holistic approach in implementing its mission based on “prevention and advice” and “control and investigation”. OCCO maintains a long-standing commitment to the highest standards of integrity and governance both within the CEB and with counterparties and projects in accordance with the CEB’s Integrity and Compliance Policy.

b. Independence and Support from Management

OCCO is headed by a Chief Compliance Officer (CCO) who reports functionally and administratively directly to the Governor, the Executive Organ of the Bank. The compliance function operates independently from the Bank’s operational and business activities. Within the framework of his/her mission, the CCO will be guaranteed full autonomy in the execution of his/her functions.

The position is established at an adequate hierarchical senior position level of the Bank’s management hierarchy. To carry out his/her functions, whether inside the Bank or outside on behalf of the CEB, the CCO has access to any documentation deemed necessary by him/her. The CCO shall have full and free access to all levels of management, to the Organs and to the assigned External Auditors of the Bank.

Any breaches of compliance-related standards and of applicable CEB operating policies, rules and regulations the CCO becomes aware of, will have to be analysed on his/her own initiative without obstruction and fear of retaliation from management and other staff members. He/she can request the Internal Audit of the Bank to support compliance ad-hoc investigations.

V) OCCO’s Compliance Role

a. Compliance Responsibilities

OCCO’s responsibilities include:

- identifying and assessing integrity risks, and advising the Governor and management committees on the relevant rules and standards, and ensuring that the CEB is aware of, and follows, the best market principles and international standards regarding the prevention of money laundering and terrorist financing, fraud and corruption and other prohibited practices;
- mitigating and providing expert advice to management on significant money laundering/financing of terrorism and integrity concerns and assessing whether the potential risk is acceptable to the CEB;
- designing, recommending and maintaining the policies, rules and procedures governing standards integrity towards counterparties and third parties; advising on issues of fair, equitable and ethical behaviour;
- monitoring and reporting on compliance with the CEB’s internal policies, procedures and guidelines relating to the integrity of the CEB’s, borrowers and counterparties, as well as collaborators with whom the CEB interacts;

- advising staff, when an opinion is requested, and giving guidance and training to staff on money laundering, fraud and corruption, conflicts of interest, prevention of insider trading, protection of confidential information and ethical issues;
- handling complaints related to:
 - money laundering/terrorist financing, fraud, corruption, collusion, coercion, obstruction and tax evasion or tax avoidance and other prohibited practices in financed projects;
 - the CEB's applicable policies on environmental and social safeguards in connection with financed projects;
 - the CEB's internal procurement where fraud, corruption, collusion, coercion, obstruction, mis procurement, bid-rigging and kickbacks, or other prohibited practices are alleged; the CEB's external procurement, when complaints reach the CEB's Procurement Complaints Committee;
 - obligation to behave in a fair, equitable and ethical manner, as governed by the CEB Codes of Conduct.

OCCO is also responsible for information security, incorporating the Chief Information Security Officer (CISO) and the Data Protection Officer (DPO) functions as governed by the CEB's Data Protection Regulation and CEB's Public Information Policy, tasked with managing the risks related to:

- Personal data breaches;
- Information security issues and cyberattacks.

b. Compliance Activity Reporting

The Office of the Chief Compliance Officer prepares on an annual basis the Compliance Activity Report to the Governor. This report, exclusively outlining the compliance activities during the business year, is also to be presented to the Collegial Organs of the Bank, i.e. the Administrative Council and the Governing Board.

An executive summary of this Report, the Integrity and Compliance Report, is publicly available at the Bank's web site coebank.org on an annual basis.

Auditable traces of compliance activities are to be documented and held available for the auditing bodies of the Bank, i.e. the Auditing Board and the External Auditors.

VI) OCCO's Investigation Role

a. Investigation steps

The Office of the Chief Compliance Office (OCCO) is the Principal Investigation unit of the CEB for projects, banking activities and misconduct. OCCO is specifically tasked with investigating and addressing integrity, fraud, corruption, illicit practice issues and misconduct and report in accordance with international best practices in matters of investigation, and makes recommendations on possible integrity risks.

In carrying out its investigative responsibility, OCCO handles allegations by following two major steps:

1. *the reception of allegations and examination of their admissibility:*

at this stage, the examination concerns the credibility of the source, the evidence presented and the extent to which the Bank is concerned. According to the result of this examination, when appropriate, a preliminary assessment will be carried on, followed by an investigation if required.

2. *the actual investigation:*

if this investigation concludes that fraud or corruption or other harmful practices are likely to have occurred, i.e. the allegations are factually justified, the Institution undertakes to apply all measures appropriate to the case in question (e.g. administrative and disciplinary measures, early

reimbursement or even cancellation of a loan, civil and/or judicial cases brought before the local courts).

Any disciplinary measure against a staff member on the basis of the conclusion of the above-mentioned assessment shall naturally be taken in compliance with the provision contained in the Staff Regulations.

Any decision relative to the lifting of immunity shall be taken in conformity with the provisions contained in the *“Third Protocol to the general agreement on privileges and immunities of the Council of Europe”*.

b. Investigation of misconduct

Specifically, for investigations related to allegations of misconduct, the Chief Compliance Officer (CCO) will proceed along the following guidelines:

- In case of allegations of misconduct against a CEB Staff member or an External Service Provider, the CCO reports his/her preliminary assessment of the issue to the *Governor*, who will decide on further proceedings of the compliance investigation. This decision shall be duly motivated;
- In case of allegations of misconduct against the *Governor*, a *Vice Governor*, a *member of the Collegial Organs*, including their *Chairperson*, or a *member of the Auditing Board*, the CCO will report the allegation to the *Compliance Committee* (see below), which will conduct a preliminary assessment and decide on further proceedings of the compliance investigation, including the possible engagement of external expertise;
- In case of allegations of misconduct against *a member of the Compliance Committee*, this member shall not take part in the Committee’s proceedings.

c. Investigation principles

The investigations undertaken within this framework must be thorough, rigorous and respectful of the parties concerned. They must also be objective, impartial and equitable.

Any information given concerning a case of presumed fraud corruption or other harmful practices - or pertaining to it in any other way - and the identity of the suspect shall be treated with the strictest confidentiality. The identity of the person who reports these facts shall remain confidential during the investigation.

CEB’s Staff, the Vice-Governors and the Members of the Collegial Organs must in no case suffer any inequitable or discriminatory treatment as a result of any information communicated on the subject. The conditions of reporting or repression must come within the respect of the above-mentioned principles, appropriate information and the respective competencies of the CEB’s Collegial Organs.

d. Compliance Committee

A committee is established within the Governing Board (the *Compliance Committee*), with the mandate to address cases of alleged violations of the applicable codes of conduct involving the Governor, the Vice-Governors, a member of the Bank’s Collegial Organs including their Chairperson, or a member of the Auditing Board.

This Committee is composed of the Chairperson, Vice-Chairperson and a third member, drawn by lots from the Governing Board, who will act in this capacity for a three-year term.

If the third member of the Committee ceases to be a member of the Governing Board, a new member shall be drawn by lots for a new three-year term.

VII) Control

While the compliance function is to be seen as a second-level control function which ensures that policies and procedures with regard to risk-taking are enforced, the internal audit function serves as a third-level control assessing efficiency and effectiveness of the design and operation of internal controls.

The compliance function therefore comes within the scope of CEB's audit reviews of the *Internal Audit*, in particular in reference to the effectiveness of the compliance system, terms of the adequacy of means allocated, its independence, its objectives, its contribution to the internal diffusion of a compliance culture and the accomplishment of other responsibilities assigned.

At the same time, both functions – compliance and internal audit – shall maintain a close relationship in order to keep each other up-to-date on their respective activities and update accordingly the Auditing Board and the Bank's External Auditors.



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