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The Bank’s shareholders are its 41 member states


The CEB stakeholder map

End beneficiaries

States

Local Authorities

Borrowers

Banks

Council of Europe

European Union Commission, EIB

IFIs (EBRD, WB,NIB…)

UN Agencies (UNHCR, Unicef…)

Non-CEB Council of Europe members

Member states (shareholders)

Governing Board

Administrative Council

Auditing Board

Governor and Vice-Governors

Staff

Capital markets

Investors

Rating agencies

Regulatory authorities

External auditors

Civil society, NGOs

the media

Suppliers

Potential employees
KEY DATA
as at 31 December 2014

Corporate
First Partial Agreement of the Council of Europe,
signed on 16 April 1956
41 member states

Key figures

<table>
<thead>
<tr>
<th></th>
<th>In million euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans outstanding</td>
<td>12 568</td>
</tr>
<tr>
<td>Own</td>
<td>7 405</td>
</tr>
<tr>
<td>Equity</td>
<td>2 545</td>
</tr>
<tr>
<td>Total assets</td>
<td>25 545</td>
</tr>
<tr>
<td>Net profit</td>
<td>134.4</td>
</tr>
</tbody>
</table>

Financing
28 Projects approved

4 Sectoral lines of action

| Sectoral lines of action                                      | 2014       | 2013       |
|                                                               | in %       | in %       |
| Strengthening social integration                             | 20.4%      | 24.6%      |
| Managing the environment                                    | 18.7%      | 17.4%      |
| Supporting public infrastructure with a social vocation     | 24.3%      | 18.1%      |
| Supporting micro, small and medium-sized enterprises (MSMEs)| 36.6%      | 39.9%      |

Total (in million euros)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>in favour of target countries(*)</td>
<td>1 320</td>
<td>932</td>
</tr>
</tbody>
</table>

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

Functioning
183 permanent staff members and 4 appointed officials
29 nationalities
52% female / 48% male

Business travels
2 703 584 km / 760 t. eq. CO₂

Energy consumption
electricity: 943 MWh
heating: 775 MWh

Paper consumption
9 tons
I am pleased to introduce the Corporate Social Responsibility (CSR) report for 2014, the seventh such report published by the Council of Europe Development Bank (CEB) since 2009, which well demonstrates our strong engagement concerning all issues related to CSR.

By virtue of the Bank’s exclusively social mandate, CSR is inextricably linked with who we are and what we do. As the effects of the financial crisis are still being felt across Europe, co-operating closely with our member states and our partners to promote inclusive, sustainable economic and social development is crucial. In that context, our commitment to socially and environmentally responsible financing remains unwavering.

Our commitment is reflected in the carefully selected projects of high social added value we support, in our adaptable approach to social financing, evidenced by the introduction of new financing instruments such as the Public Sector Finance Facility (PFF) and the EU Co-financing Facility (ECF), and in our enhanced support to project preparation and implementation through the provision of technical assistance and monitoring.

It also manifests itself in the responsible way we manage our financial and human resources, in our adaptable environmental policy, in our consideration of climate change issues, and in the attention paid to our ecological footprint. All of these are explained and illustrated in the present report.

The Office of the Chief Compliance Officer (OCCO) and the specialised Corporate Responsibility and Studies Department ensure that transparency, integrity and accountability characterise all aspects of the CEB’s work and that CSR remains an indispensable tool in our efforts to strengthen social cohesion in Europe.

THE CSR REPORT IN BRIEF

To date, the CEB has published six annual reports on CSR, describing the CEB’s overall contribution to socially and environmentally sustainable development. The present document is structured into three major sections that present what the CEB is, what it does and how it functions.

Although the principles underpinning the drafting of the report remain unchanged, two initiatives are of particular note this year. First, not only has the document been further streamlined, but it must also be considered as an outline of the CSR reporting, whose content is being developed directly on-line – as part of the overall project to redesign of the Bank’s website. Second, unlike previous years, this CSR Report 2014 will not be complemented by an update of the GRI (Global Reporting Index) indicators until assessment work on the new G4 Guidelines and their impact has been completed. This work will be carried out during 2015.
WE ARE A SOCIAL DEVELOPMENT BANK

What makes the CEB different from other banks in Europe? What does this imply from a CSR perspective?

MISSION

The Council of Europe Development Bank (CEB), now approaching its 60th anniversary, is a multilateral bank with a unique social vocation. The CEB is tasked to contribute to the social cohesion and sustainable social development of its 41 member states, who are also its shareholders and all potential countries of operation across Europe. CSR is thus rooted in the core mission of the Bank.

The CEB is based on a Partial Agreement among member states of the Council of Europe, while having its own legal personality and being financially independent. As a result, the CEB supports and embodies, in the economic sphere, the principles and values of the Council of Europe which stands for the defence and promotion of human rights, the rule of law and democracy.

It does so by providing project financing through four sectoral lines of action, namely: strengthening social integration, managing the environment, supporting public infrastructure with a social vocation, supporting micro, small and medium-sized enterprises (MSMEs).

To fulfil this mandate, the CEB takes into account the social and environmental aspects of all the projects it considers, finances and assists in implementing, with a view to addressing market failures, promoting social inclusion and ultimately improving the lives of European populations, especially those who are most vulnerable.

INTEGRITY

In line with its specific nature and mandate, the CEB is committed to ensuring integrity in its functioning and in its activities. To this effect, the Bank builds upon three main pillars: (i) a structured and balanced governance system; (ii) a comprehensive risk management and control framework, including compliance; (iii) a wide range of targeted corporate policies and codes of conduct.

Key events in the history of the CEB

1956: The CEB was created in the form of a Resettlement Fund with a capital of less than 7 million US dollars to contribute to financing projects to resettle refugees from behind the Iron Curtain. The Fund, established by eight members of the Council of Europe (Belgium, France, Germany, Greece, Iceland, Italy, Luxembourg, Turkey) was immediately called upon to provide priority assistance to refugees, displaced persons and migrants, as well as victims of natural or environmental disasters.

1960s-1980s: Over the decades, the CEB steadily increased its membership, financial resources and scope of action in line with changes in social priorities. Born in the aftermath of a divided Europe, the CEB experienced particular impetus with the reunification of the European continent after the fall of the Berlin Wall. More specifically, three Council of Europe Summits of Heads of State and Government, helped shape what the Bank is today (see next).

1989: The Vienna Summit signalled a wave of new members from the countries of Central, Eastern, and then South-Eastern Europe joining the Bank, which at the time was still a Fund.

1997: The Strasbourg Summit widened the CEB’s mandate to include strengthening social cohesion, alongside the priorities set out in its Articles of Agreement.

2005: The Warsaw Summit, whilst continuing to support the Bank’s traditional mission, also invited the CEB to contribute in its own way to the development of a free, democratic and more inclusive European society.

Since 2008: The protracted crisis in Europe and its impact on the lives of populations have made the CEB’s mandate and action as a social development bank more relevant than ever.
Good governance is a key element in the effective running of a multilateral development bank such as the CEB. According to its Articles of Agreement, the Bank is organised, administered and controlled by the following organs: the Governing Board, the Administrative Council, the Governor, assisted by three Vice-Governors, and the Auditing Board. At its meeting in November 2014, the Governing Board elected a new Chair for a three-year term beginning on 18 December 2014.

The overarching goal of a sound risk management and control framework is to ensure the Bank’s operational resilience and long-term financial sustainability while enabling it to fulfil its social mandate. The Bank’s risk and control policies are based on international best banking practices. All this is underpinned by a strong risk and control culture, where risk awareness, transparency and responsibility are basic principles shared across the Bank, and by a structured organisation made up of (i) dedicated departments, (ii) decision-making committees composed of members of the CEB’s senior management, (iii) controlling bodies both at internal and external levels. Within this overall framework, Compliance Office protects the bank from any financial or reputational risk that may arise from illegal, fraudulent, corrupt or unethical behaviour.

The CEB’s commitment to integrity is also reflected in a wide spectrum of corporate policies, available on its website and in accordance with the best practices. In 2014, revised guidelines and procedures on internal procurement were adopted, in line with those of the Bank’s peers.

In addition, the CEB has a clear set of codes of conduct applicable to the collegial organs (Chairpersons and members of the Administrative Council and Governing Board), the Auditing Board, appointed officials (Governor and Vice-Governors), staff members as well as to contractual collaborators and service providers. A Compliance Committee set up within the Governing Board has a “mandate to address cases of alleged violations of the applicable codes of conduct involving the Governor, a member of the Bank’s Collegial Organs including their Chairperson, or a member of the Auditing Board”. Staff members are requested to sign a written statement each year confirming that they have read and understood the applicable code of conduct, and that they are in compliance with all its provisions.

COOPERATION

Over the years, the CEB has forged partnerships with other international organisations and donors, to enable it to bring additional financing and greater expertise to the projects it supports.

Compliance: 2014 in facts and figures

The Office of the Chief Compliance Officer (OCCO) provides advice and assistance to the CEB’s top management and departments. It continuously evaluates compliance risks for projects and transactions, and safeguards the Bank’s reputation. In 2014, among other things:

1. OCCO, in coordination with GGC, prepared the new policy on non-compliant/ uncooperative jurisdictions, which was approved by the Administrative Council in November and subsequently published on the Bank’s website. This policy is at the forefront of international financial institutions’ policies in the field of Anti-Money Laundering, Counter Terrorist Financing and Tax-harmful practices. OCCO also contributed to revising the CEB’s internal procurement procedures in line with the Bank’s peers.

2. OCCO gave a management compliance presentation, six compliance training presentations for the staff and an induction course for new employees.

3. OCCO performed more than fifty validations of internal procurement and issued more than thirty opinions on internal compliance issues.

4. OCCO represented the CEB in various international compliance fora such as FAFT, OECD, GRECO and Moneyval.

The Bank has concluded a number of framework cooperation agreements (Memoranda of Understanding) on both bilateral and multilateral bases, the most recent being the memorandum of understanding signed on 9 December 2014 with the European Stability Mechanism (ESM). In July 2014, the CEB was added to the list of Official Development Assistance (ODA) - eligible international organisations, which recognises the at least partially concessional character of CEB lending and its grant element.

The CEB’s membership of the IFI community and the compliance with best practices that this implies mean that the Bank has to adapt continuously. Such efforts of adaptation come within a more general trend in which most of the CEB’s counterparties, including its borrowers, can be seen to be making regular progress in the field of CSR and sustainable development.

In addition, cooperation with the European Union intensified. In 2014, the Bank received € 51 million in contributions from the EU, roughly three times more than from all other donors combined. The CEB participates in various mechanisms under the aegis of the EU. Against the backdrop of the EU multiannual financial framework...
2014-2020, the CEB actively contributed to new initiatives sponsored by the European Commission to favour blending and innovative financial instruments. The Bank also plays a key role in the Regional Housing Programme (RHP), which gained momentum in 2014 and to which the EU is the main donor.

The CEB’s strong engagement in cooperation with its peers and other international organisations goes hand in hand with an increasing focus on communication and visibility. The Bank has acquired a sound capital of confidence with the actors most closely linked to its activity: lenders, borrowers and other international organisations.

As a public institution, it also has to be appropriately accountable for its action to all its stakeholders. To achieve this, the CEB relies on its Public Information Policy that sets out the principles and rules for disclosure of information. The redesigned website, which will be online in the first half of 2015, will help upgrade the Bank’s profile.

At the same time, the Governor ensures effective communication with various stakeholders at all times. In 2014, he held regular meetings with shareholder representatives to update them on bank activities, and paid official visits to member countries; the Governor also represented the CEB at IIF meetings (EBRD annual meeting in Warsaw, IMF/World Bank annual meetings in Washington, European Financial Congress in Sopot, etc.); he addressed the Parliamentary Assembly of the Council of Europe (PACE) during the debate on the PACE report on “Challenges for the Council of Europe Development Bank”.

WE PROVIDE SUSTAINABLE SOCIAL VALUE

How does the CEB provide effective support for inclusive economic and social development so as to improve the living conditions of its loan beneficiaries throughout its member states? What action is taken by the CEB to address sustainability and other environmental challenges such as climate change?

EFFECTIVENESS

PROVIDING SUPPORT TO MEMBER STATES FOR INVESTMENTS IN THE SOCIAL FIELD

The CEB’s strategy, operations and procedures are shaped by its close ties with the Council of Europe, by its strategic and operational cooperation with other European institutions and its adherence to best practices, as well as by its commitment to be an institution of relevance to its stakeholders.

From a CSR perspective, the provision of modern public services represents an important factor for creating a more balanced and inclusive economic and social development. The Bank continues to work with all its borrowers to bring about improvements in standards of living and contribute to better social welfare for the beneficiaries of its loans through carefully-selected operations in its sectors of action.

SOCIA}LY RESPONSIBLE LENDING IN A VARIETY OF SECTORS

In 2014, the CEB approved 28 loan applications totalling €2,065 million for projects and programmes in the social field. Of these, as many as 21 loan applications, representing 64% of all approvals, were in favour of the Bank’s target countries.

Projects in health and education are of particular importance as they help create the conditions for more sustainable and socially-balanced growth. In 2014, the CEB approved close to €300 million for projects in the field of education and more than €140 million for healthcare investments. In the current context of austerity, the Bank has continued its long-standing involvement in part-financing the delivery of dedicated services for economically and socially vulnerable population groups.

1 The CEB group of ‘target countries’ comprises: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Kosovo, Latvia, Lithuania, Malta, Moldova (Republic of), Montenegro, Poland, Romania, Serbia, Slovak Republic, Slovenia, “the former Yugoslav Republic of Macedonia” and Turkey.
The effects of the economic and financial crisis, including a growing share of household income spent on housing, have a severe impact on low-income groups, reducing their ability to cope with other essential expenditures such as housing-related energy costs. Therefore, the provision of decent and affordable housing for people on low incomes will remain one of the most effective means for the CEB to support its mission of strengthening social cohesion across its membership base. In 2014, the CEB dedicated € 195 million to this sector.

Beyond loan financing, the CEB has also been supporting vulnerable populations of refugees and displaced persons through its role as the appointed manager of the Regional Housing Programme (RHP).

Addressing job market challenges brought about by the effects of the financial crisis and the long-term demographic, technological and globalisation trends is vital for avoiding low growth, rising unemployment and falling standard of living. Consequently, the CEB continues to strengthen its focus on facilitating access to much needed long-term funding resources for micro, small and medium-sized enterprises (MSMEs) through tailored loan and leasing products. The Bank dedicated € 755 million (or over a third of all projects approved for financing) to job creation and preservation operations during 2014.

Social mortgages in Wallonia, Belgium

In 2014, the CEB approved a € 100 million loan to the Fonds de logement des familles nombreuses en Wallonie (FLW) in Belgium. By giving out around 1,500 social mortgage loans in Wallonia to low-income groups, the programme will provide disadvantaged population groups with access to decent housing as a basic pre-requisite for improving their well-being and development prospects.

The programme will enable the CEB to continue its support for large families in Wallonia with a view to reducing social insecurity. All the social mortgage loan operations will be accompanied by technical and social support from FLW experts in order to ensure the success of each family project in both technical and social terms.
Given its social mandate, the CEB finances investments that contribute to creating a more attractive, inclusive and sustainable living environment. The €226 million it dedicated to related projects during 2014 should help improve the conditions and quality of urban and rural life as well as establish a more dynamic local economic base and thriving communities.

The Bank has also stepped up its support to projects in the public administration and judicial field in order to improve the organisation and functioning of the administrative and judicial public services of its member states, and to add value through its experience in the appraisal and set-up of judiciary infrastructure projects. In 2014, the CEB devoted €60 million to supporting investments in this field.

The Regional Housing Programme (RHP), jointly initiated by Bosnia and Herzegovina, Croatia, Montenegro and Serbia, has received widespread endorsement and significant donor support from the international community, including the CEB, the European Commission, the United States of America, the UNHCR and the OSCE. The RHP initiative aims to find lasting solutions to the protracted displacement of the most vulnerable refugees and displaced persons following the conflicts in former Yugoslavia.

Thanks to €176 million committed by the RHP donors so far, €125 million in grants for 17 projects have already been approved as of year-end 2014. Together, these projects should enable the delivery of around 6,000 housing units that will accommodate 19,000 vulnerable refugees, returnees and internally displaced persons.

Regional Housing Programme in the Western Balkans

The year 2014 saw the beginning of project implementation as over 30 families in the region received housing assistance in the form of building material packages or newly-constructed apartments. In addition, a number of tenders were launched in all the countries concerned, with implementation expected to start in 2015.

Supporting small businesses in Poland

The CEB approved a €130 million loan in Poland to Europejski Fundusz Leasingowy SA (EFL), in 2014. The programme consists in part-financing fixed assets and productive equipment required for the beneficiaries’ core business activities in a wide range of sectors including construction, wholesale trade, industry and manufacturing, retail, etc.

Leasing companies have proven particularly effective in reaching small businesses with limited borrowing capacity. The overall aim of the programme is to facilitate access to funding for Polish MSMEs, in particular those with difficult access to third-party financing, in order to contribute to the creation of new permanent and seasonal jobs by strengthening MSMEs’ competitive position.

The socio-economic impact of such action is high as it allows the CEB to support firms that present high risk but have a high job creation impact and promote entrepreneurship, both of which are key to achieving sustainable economic growth, modernising the productive sector and improving overall living standards.
ADAPTATION

A VARIETY OF FINANCING ARRANGEMENTS

In order to maximize the Bank’s contribution to strengthening social cohesion in its member states through the optimal use of resources and a judicious risk-taking approach, the CEB revised its prudential framework in 2013 and set up new financing instruments in a bid to allow more flexibility to its borrowers in terms of loan structures, share of funding and implementation monitoring arrangements.

Introduced in the CEB’s three-year Development Plan 2014-2016, the Public Sector Finance Facility (PFF), aims to ensure the continuity of investments in the social sectors when the viability of public entities’ budget-funded social investment programmes might be compromised by a lack of stable funding over time. Two new PFF operations were approved in 2014 in Lithuania and the Slovak Republic, both CEB target countries of operation, for a combined amount of € 250 million.

The EU Co-financing Facility (ECF) facilitates better absorption of EU Funds, thus enabling the Bank to play a catalytic role by facilitating the use of available EU grants. The first operations taking advantage of this financing instrument are expected to be approved by the CEB’s Administrative Council in 2015.

The Bank also seeks to develop lasting cooperation with borrowers that demonstrate adherence to its corporate and social responsibility through clear mandates, well-established and effective policies and procedures as well as the capacity to provide timely and comprehensive reports on project implementation. Both the Europejski Fundusz Leasingowy SA (EFL) programme in Poland and the Fonds de logement des familles nombreuses en Wallonie (FLW) project in Belgium, approved for part-financing by the CEB in 2014 and highlighted in this report, are follow-up operations to previously implemented CEB-funded programmes with these borrowers.

ENHANCED SUPPORT TO PROJECT PREPARATION AND IMPLEMENTATION

The Bank increasingly provides technical assistance (TA) so as to enhance project preparation and implementation capacity. This assistance is funded from different sources, either bilateral (such as the Spanish Social Cohesion Account) or multilateral (for example, through the Western Balkans Investment Framework). In 2014, the amount of contributions paid by donors into CEB fiduciary accounts reached € 64 million while grants approved totalled € 75 million. The Regional Housing Programme (RHP) accounted for the majority of contributions paid in and grants approved.

Moreover, the Bank’s Social Dividend Account (SDA) adds value to the CEB’s operations as a tool for providing coordinated grant financing support for projects with high social impact, but which are hampered by a lack of preparation and/or implementation mechanisms and restricted access to resources. The reform approved in 2013 expanded the purpose of the SDA by increasing its grant support through four distinct windows, each corresponding to a particular grant-financed activity, namely: interest rate subsidies, technical assistance, loan guarantee schemes for pilot projects, and grant contributions.

SUSTAINABILITY

UPDATING POLICIES AND STANDARDS

The CEB’s Environmental Policy (EP) formalises the Bank’s commitment to mainstream environmental considerations into its operations and to harmonize its approach with other IFIs. Since its first publication in 2010, the Bank’s operational context has changed the needs of clients and expectations of stakeholders in general have evolved. In order to address these developments and to keep abreast with best practices, the EP will be reviewed and updated.

More specifically the update serves the following purpose:
• To integrate operational feedback: after four years of applying the environmental policy it is necessary now to analyse operational feedback and make adjustments where appropriate.
• To better address social safeguard concerns and align with IFI best practices.

The update process will be launched in the first quarter of 2015 and should be completed by the end of the year.

Through independent evaluation, the CEB seeks to enhance the quality of the projects and programmes it finances. The Evaluation Department (EVD) provides an independent and objective assessment of the outcome of CEB lending activities, with the aim of improving the preparation of future projects. A rating system is used, based on the criteria of relevance (of objectives with regard to needs), effectiveness (achievement of objectives), efficiency (conversion of inputs into results), impact (broad, notably social or environmental, effects) and sustainability (prospects for lasting effects beyond project implementation). EVD also contributes to institutional learning by providing evaluation findings to the CEB’s internal and external stakeholders, and input to broader CEB reporting initiatives.
In 2014, EVD continued working on the CEB Evaluation Policy, which reflects the CEB’s commitment, as a development bank, to adhere to international best practices with respect to the role and scope of the evaluation function within the Bank.

**LEARNING TO ADAPT TO CLIMATE CHANGE**

Climate change is already making itself felt across the CEB’s member countries. The occurrence of extreme weather events is increasing in frequency and intensity, threatening the safety and livelihood of population as well as basic infrastructure. Adaptation to climate change means anticipating the adverse effects, taking action to prevent or minimise damage, and exploiting potential opportunities. While the need and rationale for adaptation are self-evident, the integration of climate change considerations in the project cycle is often incomplete. Lack of awareness and understanding of the practicalities of adaptation amongst the Bank’s internal and external stakeholders is a limiting factor.

Therefore, to ensure that resilience and adaptation benefits are more systematically considered in project design, the CEB intends to organise an internal climate change adaptation training session for operational staff. In parallel and in partnership with other European financial institutions the Bank is also supporting the organisation of a climate change adaptation seminar for external stakeholders which should take place in Brussels in June 2015.

**Flood protection in Croatia**

Years of underinvestment and lack of maintenance combined with the effects of climate change have left Croatia very exposed to flood risks as witnessed by the disasters events that occurred in September 2014. The need for upgraded and new flood protection infrastructure is daunting and available budgets are insufficient. Setting the right priorities and obtaining optimum benefits from investment programmes is thus essential.

While preparing a new loan to support flood protection infrastructure, the CEB worked closely with Croatian Waters, the implementing agency, to establish a project ranking system based on technical and socio-economic criteria. This rigorous and transparent selection process resulted in the identification of 25 priority projects grouped under 12 priority flood protection systems. According to estimates by Croatian Waters, more than 150 000 people should benefit from the programme. In addition to protecting the population from floods, part of the proposed investments should also provide co-benefits in terms of water supply and other uses.
Gi

Given the Bank’s mandate, CSR is a self-evident requirement for the CEB. Nonetheless, it represents a daily challenge for an organisation whose resources are relatively limited. What are the ways in which the CEB values its human and financial capital? How does it control its own environmental footprint?

PEOPLE

The general policy for human resources at the CEB is guided by the principles and ideals promoted by the Council of Europe. Thus, according to the Bank’s Articles of Agreement, the “Council of Europe Staff Regulations shall be applicable to the staff of the Bank in any matter not covered by a specific decision of the Administrative Council”.

At year-end 2014, in addition to the four appointed officials (Governor and Vice-Governors), the CEB’s workforce amounted to 183 permanent staff, with the following features:

Over the past years, HR management priorities essentially focussed on three areas:

• Enhancing working conditions at the CEB, with structured social relations and initiatives supported by the top Management aimed at strengthening internal communication and corporate culture. In 2014, these initiatives included various presentations to staff (“town hall meetings”) on technical aspects of the Bank’s work, the regular CEB Corporate Day event encouraging team-building and social contact, a photo exhibition of RHP beneficiaries and, in particular, the cross-cutting project on internal values;

• Improving staff skills and development at the CEB through targeted recruitments, extensive training and lifelong learning including coaching, and analysis of the performance appraisal and career development systems which was carried out in 2014;

• Ensuring the long-term financial balance of the pension scheme, whose reform came into force in January 2014. In addition, a CEB portal was launched on the International Service for Remunerations and Pensions’ website, thereby enabling current and retired staff to access useful information on their retirement.

New CEB study on environmental challenges and their social implications

A new study prepared by the Bank’s Studies Unit focuses on the main environmental issues that member states are faced with and on the role CEB could play in addressing these challenges.

Jumpstarting energy efficiency investments in social housing

CEB-ELENA (European Local Energy Assistance) is a facility provided within the framework of the IEE II programme (Intelligent Energy Europe), which supports local and regional authorities in contributing to the EU’s “20-20-20” initiative. To this end, it funds technical assistance for the integration of energy efficiency measures in social housing and public buildings. In 2014, the EU approved € 1.92 million in ELENA grants submitted by the CEB in favour of three projects, one in Sweden and two in the Netherlands. The projects are targeted to reducing energy consumption in schools, as well as in existing and new social housing.
FOOTPRINT

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

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CARBON BALANCE STUDY 2014: METHODOLOGY, MEASURES AND RESULTS

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

The carbon balance methodology focuses on several high emission items such as energy consumption, staff travel (business and commuting), paper consumption and direct waste.

Internal values of the Bank: a project with a purpose

In 2014, with senior management’s support, the initiative brought together a dedicated group of volunteers to establish a system of common values. The internal values identified were: commitment, cooperation, creativity, transparency and professionalism. A sound understanding of these values will enable staff to work better together as well as enhance professional behaviour and staff cohesion.

Several “values workshops” on cooperation, interpersonal skills and effective communication were also set up. These initiatives contribute to the development of both CEB’s internal values and management culture in line with current best practices.

<table>
<thead>
<tr>
<th>Number of nationalities represented</th>
<th>Increased from 28 to 29 at year-end 2014</th>
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<tbody>
<tr>
<td>Staff turnover</td>
<td>Rose from 4.5% in 2013 to 6.0%</td>
</tr>
<tr>
<td>Breakdown by gender</td>
<td>52% women / 48% men</td>
</tr>
<tr>
<td>Average age</td>
<td>47 years</td>
</tr>
<tr>
<td>Average job tenure</td>
<td>11 years</td>
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The table below shows the trends in the last two carbon balance studies per high emission item.

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<tbody>
<tr>
<td></td>
<td>Total variation</td>
<td>Variation per employee</td>
<td>Total 2014</td>
</tr>
<tr>
<td>Office space in m²</td>
<td>0%</td>
<td>-</td>
<td>7 600</td>
</tr>
<tr>
<td>Bank staff</td>
<td>12%</td>
<td>-</td>
<td>195</td>
</tr>
<tr>
<td><strong>CO₂ emissions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total CO₂ emissions (t. eq. CO₂)</td>
<td>-6%</td>
<td>-16%</td>
<td>1 732</td>
</tr>
<tr>
<td><strong>Building energy efficiency</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total heating consumption (in KWh)</td>
<td>21%</td>
<td>21%</td>
<td>774 715</td>
</tr>
<tr>
<td>CO₂ emissions linked to heating consumption (t. eq. CO₂)</td>
<td>48%</td>
<td>21%</td>
<td>151</td>
</tr>
<tr>
<td>Total electricity consumption (in KWh)</td>
<td>2%</td>
<td>-2%</td>
<td>943 009</td>
</tr>
<tr>
<td>CO₂ emissions linked to electricity consumption (t. eq. CO₂)</td>
<td>4%</td>
<td>0%</td>
<td>55</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home-to-work commuting (in km)</td>
<td>-14%</td>
<td>-23%</td>
<td>843 332</td>
</tr>
<tr>
<td>Home-to-work commuting (t. eq. CO₂)</td>
<td>-23%</td>
<td>-32%</td>
<td>57</td>
</tr>
<tr>
<td>Business travel (in km)</td>
<td>14%</td>
<td>2%</td>
<td>2 703 584</td>
</tr>
<tr>
<td>Business travel (t. eq. CO₂)</td>
<td>0%</td>
<td>-11%</td>
<td>760</td>
</tr>
<tr>
<td><strong>Paper</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total paper consumption (bought reams of paper) in tonnes</td>
<td>-10%</td>
<td>-20%</td>
<td>9</td>
</tr>
<tr>
<td>CO₂ emissions linked to paper consumption (bought reams of paper) (t. eq. CO₂)</td>
<td>-10%</td>
<td>-20%</td>
<td>12</td>
</tr>
<tr>
<td><strong>Waste</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste disposal (in tonnes)</td>
<td>12%</td>
<td>0%</td>
<td>135</td>
</tr>
<tr>
<td>Waste disposal (t. eq. CO₂)</td>
<td>0%</td>
<td>-11%</td>
<td>4</td>
</tr>
</tbody>
</table>

In total, the CEB’s greenhouse gas emissions for 2014 amounted to 1 732 tonnes of CO₂ equivalent (with a 30% uncertainty rate that does not call into question the trend in the results). In absolute value, emissions were therefore significantly down in relation to the previous year and down by 16% per employee since 2011.

The graph below shows the evolution of CEB’s GG� emissions per employee between 2011 and 2014:
A slight but steady decrease in CO₂ emissions related to business travel per employee can be observed in comparison to 2013, together with a continuing downward trend in emissions related to commuting travel due to shorter travel distances and increased use of public transport.

Wider use of electronic data exchange has greatly reduced the exchange of paper files resulting in a strong decrease of the use of courier services and related freight CO₂ emissions.

Energy emissions are significantly lower. This is partly due to a mild winter season requiring less heating but is also the result of the renovation works undertaken to improve building insulation and the renewal of air-conditioning equipment.

**MAIN ACHIEVEMENTS IN 2014**

To reduce the CEB's energy consumption in 2014, the Bank completed two specific projects: (i) connecting a further 1000 m² directly to the City of Paris chilled water distribution network, ‘Climespace’, will result in the removal of ‘chilled water production units’; (ii) within the framework of the Bank’s plan to renovate the thermal and acoustic insulation of its premises, replacing 30% of its facade windows at head office.

Within the context of its ecologically viable fire safety strategy aimed at preserving the ozone layer and not contributing to the greenhouse effect through the exclusive use of inert gas extinguishing agents, the Bank has also replaced all its automatic fire-extinguishing systems in the server rooms. Renewing these installations has made it possible to do away with the use of halogenated hydrocarbon gases of the FM 200 type, which are potentially harmful to the environment.

Sustainable supply chain and relations with suppliers matter for the CEB. The internal procurement procedures revised in 2014 specify that they “are to be implemented with the highest level of ethical standards, allowing for fair and equal treatment of suppliers and of potential suppliers of services, supplies and works to the CEB. As a principle, the CEB will seek to work with suppliers who follow best practices in environmental management (including energy and resource efficiency, waste reduction and recycling, etc.) and human resources management (such as equal opportunity, work/life balance, occupational health and safety, etc.).”

**SOUNDNESS**

Ensuring the Bank’s continued financial stability in a European context of economic challenges is extremely important.

Even though the CEB does not operate with the intention of maximising profits, its sustainable profitability contributes to expanding its capital base, thereby enabling the Bank to channel finance towards social projects and to ensure effective development of its activity. Over the last twenty years, more than €1.8 billion of net profit, i.e. 73% of equity, have been allocated to the reserves. In 2014, the net result amounted to a record €134.4 million.

Despite one-notch downgrade by Moody’s, the CEB enjoys high ratings (Aa1 by Moody’s/AA+ by Standard & Poor’s and Fitch Ratings) that mirror its strong financial profile, the support of its shareholders and its stringent risk management policy. The Bank’s access to the global financial markets remains excellent thanks to its creditworthiness. In 2014, the CEB raised a total of €3.4 billion at very attractive rates, which eventually also benefit its borrowers for projects with a social purpose.

The CEB is also dedicated to applying the best banking standards and practices. Its new prudential framework came into force on 1st January 2014 along with the Development Plan 2014-2016. More broadly, the overarching goal of risk management is to ensure the Bank’s operational resilience and long term financial sustainability while enabling it to fulfil its social mandate.
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