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Foreword by the Governor

The Council of Europe Development Bank (CEB) attaches great importance to all aspects of Corporate Social Responsibility (CSR). This is demonstrated, among other things, by our regular reporting on the subject since the first CSR report was published by the CEB in 2009.

Our commitment to socially and environmentally responsible financing goes hand in hand with our twin objectives of promoting sustainable development and inclusive economic growth. It stems from, and is inextricably linked with, the very profile of this institution, which is the longest-standing development bank in Europe and has an exclusively social mandate.

Our ongoing commitment to CSR is also reflected in the careful screening of the Bank’s operational procedures to ensure that all its activities are conducted in a manner that is both responsible and sustainable. This is achieved through the rigorous selection and monitoring of all CEB-financed social projects, as well as through the responsible management of the Bank’s financial and human resources. Environmental considerations are taken into account in all aspects of the CEB’s activity, not least with respect to the Bank’s own carbon footprint.

CSR is embedded not only in the CEB’s structure, thanks to a specialised Corporate Responsibility and Studies Department and the Office of the Chief Compliance Officer, but also in the Bank’s strategic planning. The new Development Plan 2017-2019 reaffirmed the CEB’s social mission, and, along with the revised Environmental and Social Safeguards Policy, mainstreamed climate action in all CEB operations. In addition, the Bank’s new Financial and Risk Policy, introduced in 2016, will be instrumental in helping the CEB maintain its own financial soundness.

As a complement to the CSR report, an overview of how the CEB manages sustainability considerations in its functioning and operations as per the Global Reporting Initiative (GRI) Index is published on the Bank’s website. All these measures are testament to the fact that integrity, transparency and accountability characterise and pervade the CEB and its activities, in line with the highest international standards.

Paris, 2 March 2017 - Rolf WENZEL
As a social development bank, the CEB embeds corporate social responsibility (CSR) into its core missions and activities.

At strategic level, this was further demonstrated in 2016 by the adoption of the new Development Plan for 2017-2019, which reasserted the Bank’s social purpose. In particular, priority was given to promoting sustainable and inclusive growth as well as to mainstreaming climate action into all the Bank’s operations. In line with this approach, the CEB also approved a revised Environmental and Social Safeguards Policy, thus aligning the Bank’s standards with those of other international financial institutions (IFIs).

At operational level, the CEB’s teams are committed to ensuring that day-to-day activities are carried out in a responsible and sustainable manner. This applies to the projects financed by the CEB, as well as to its financial and risk management as a banking organisation, and to its internal functioning through the importance attached to human resources and the attention paid to the Bank’s own carbon footprint.

Since 2009, the CEB has endeavoured to provide an overall and structured account of its approach to CSR in a standalone annual report - by way of exception, last year only the dedicated web pages were updated. The CEB has also used this report as leverage for accelerating or even soliciting new CSR initiatives. This has gone hand in hand with the creation of a network of CSR correspondents, in which all the Bank’s directorates and relevant departments are represented, under the coordination of the Director of the “Corporate Responsibility and Studies” Department.

For 2016, the CEB’s overall contribution to socially and environmentally sustainable development is therefore reflected in this 2016 CSR Report, itself supplemented by a GRI (Global Reporting Initiative) Index as a separate document. Both draw primarily on information already in the public domain.
Strategy and Policies approved by the Bank’s organs in 2016

The Development Plan for 2017-2019 reasserts the Bank’s social purpose with priority given, in particular, to promoting sustainable and inclusive growth as well as to mainstreaming climate action into all the Bank’s operations.

The Environmental and Social Safeguards Policy (ESSP) replaces the Environmental Policy, which was first introduced in September 2010. The new ESSP integrates lessons learned from past operational experience, clarifies the way in which social safeguard and climate change issues are addressed, and ensures consistency with international good practice.

The updated Public Information Policy is based upon three guiding principles: transparency, accountability and trust. The goal is to facilitate the widest possible access to information about the Bank, in conditions that are appropriate to the specific nature of the Institution.

The new Financial and Risk Policy introduces a balance sheet management approach to optimise the use of the Bank’s financial resources while preserving the necessary prudential requirements.

Key financial data at end-2016

Projects approved
€ 3.5 billion (+50% vs 2015)

Loans disbursed
€ 2.0 billion (+10.6%)

Loans outstanding
€ 13.7 billion (+4.9%)

Equity
€ 2.8 billion

Issues
€ 3.1 billion

Total assets
€ 25.6 billion

Carbon footprint

Total of greenhouse gas emissions (GGEs)
1 534 TONS EQ. CO₂
(-8% vs 2015)

Electricity consumption
834 MWh
48 T.EQ.CO₂

Heating consumption
714 MWh
139 T.EQ.CO₂

Travel
3 365 365 Km
705 T.EQ.CO₂
Established in April 1956 by eight member states of the Council of Europe, the CEB is the longest standing European multilateral development bank and the only one with an exclusively social mandate.

While the CEB’s mandate has evolved over time, broadening and adapting to social priorities and needs, the Bank’s history since its inception has been intertwined with that of Europe.

The “Iron Curtain” that came down on Europe led to the creation of the CEB as a “Resettlement Fund” tasked with financing projects to respond to the plight of refugees and displaced persons in the aftermath of World War II.

The fall of the Berlin Wall, which prompted the re-unification of Europe, resulted in strong impetus and renewed relevance for the CEB, endorsed at the highest political level of Heads of State and Government.

1993: the Council of Europe Vienna Summit signalled a wave of new member countries from Central, Eastern and then South-Eastern Europe joining the CEB.
1997: the Council of Europe Strasbourg Summit widened the CEB’s mandate to include strengthening social cohesion, alongside the statutory priorities set out in its Articles of Agreement.

The 2004 EU enlargement marked European unity and was followed by the 2005 Council of Europe Warsaw Summit, which invited the CEB to contribute in its own way to the development of a free, democratic and more inclusive European society.

The 2015 refugee crisis highlighted the relevance of the CEB’s core mandate. Since then, the Bank has been at the forefront of support to migrants and refugees, as well as to the communities that host them across Europe.

Today, the CEB has 41 members and its membership reflects Europe’s own geographical and cultural diversity. Through the provision of financing and technical expertise for a wide range of investment projects with a high social impact, the Bank contributes to improving the living conditions of the most vulnerable populations and, more broadly, to strengthening social cohesion in Europe.
A Bank with a social mission

The Council of Europe Development Bank (CEB) is a multilateral financial institution with a unique social mandate.

The CEB is tasked to contribute to the social cohesion and sustainable development of its 41 member states, which are also its shareholders, and of all potential countries of operation across Europe:


As a sign of solidarity among CEB member states, the Bank aims to provide increased support to a group of 22 “target countries” (marked with one asterisk*).

The Bank’s mandate and mission are defined in its Articles of Agreement, as adopted in June 1996 and amended three times since. Based on a Partial Agreement among member states of the Council of Europe, the CEB supports the principles and values of the Council of Europe, which stands for the defence and promotion of human rights, democracy and the rule of law.

Nevertheless, the Bank has its own legal personality and is financially independent from the Council of Europe. Furthermore, The CEB raises its funds on the international capital markets for its financing. It also receives resources entrusted to it by various member and non-member donors.

The CEB’s projects and loans

The CEB provides loans and guarantees to finance investment projects meeting a certain number of criteria in ten sectors of action, namely: Aid to refugees, migrants, displaced persons and other vulnerable groups; Social housing for low-income persons; Supporting micro, small and medium-size entreprises for the creation and preservation of viable jobs; Improving living conditions in urban and rural areas; Natural or ecological disasters; Protection of the environment; Protection and rehabilitation of the historic and cultural heritage; Health; Education and vocational training; Administrative and judicial infrastructure.

The CEB pays particular attention to the quality of the projects it finances, with a view to enhancing their social impact. Technical assistance and monitoring throughout the whole project cycle constitute key factors in the effective implementation of its projects.

The CEB’s social mission is implemented within a strategic framework formalised by a medium-term development plan. The new Development Plan 2017-2019 is underpinned by three main lines of action as follows: Sustainable and inclusive growth; Integration of refugees, displaced persons and migrants; and Climate change action - developing mitigation and adaptation measures.
BEING a social development bank

The CEB and the Council of Europe

Relations with the Council of Europe are at the very core of the CEB’s identity and, in some ways, constitute the Bank’s distinctive “brand” within the community of IFIs.

Based on a Partial Agreement among member states of the Council of Europe, the CEB is subject to the Council’s “supreme authority” (Article I “Establishment of the Bank” of the CEB’s Articles of Agreement). The Bank therefore acts within the framework set by the Council of Europe, and supports its principles, values and overall objectives.

In concrete terms, this manifests itself in many ways, including:

- the role played by the Secretary General of the Council of Europe who, among other things, issues an opinion of admissibility from the political and social points of view for every loan project submitted to the Bank’s Administrative Council;

- the impetus that each of the three Summits of Heads of State and Government of the Council of Europe has given to the Bank’s action and to the widening of its mandate; recently, the preparation of the new Development Plan 2017-2019 duly considered a number of key European priorities addressed by the Council of Europe;

- the fact that any Council of Europe member state may in turn become a member of the CEB on condition that it subscribes to the Bank’s capital.

The CEB has nonetheless a separate legal entity and full financial independence, both essential conditions for operating as a fully-fledged bank.

In this respect, the Bank has its own governance system, which is determined by the Bank’s Articles of Agreement. Under Article VIII of its Articles of Agreement, the CEB “is organised, administered and controlled” by four organs: the Governing Board, which inter alia sets out the general direction for the Bank’s activity; the Administrative Council, which exercises the powers delegated to it by the Governing Board; the Governor (assisted by Vice-Governors), who is the Bank’s legal representative, head of the Bank’s operations and responsible for the staff under the general supervision of the Administrative Council; the Auditing Board. The secretariat of the CEB’s governing and administrative organs is provided by the Secretariat of the Partial Agreement of the Council of Europe Development Bank.

In addition to their intrinsic institutional relationships, the Bank and the Council of Europe frequently interact in the course of their day-to-day operations. In 2008, together with Norway, they established a Human Rights Trust Fund whose aim is to promote human rights, democracy and the rule of law in Europe through the financing of technical assistance for projects in these fields.
A responsible institution

In line with its specific nature and mandate, the CEB is committed to integrity, transparency and compliance with best practices in its activities and functioning.

A key role to ensure that the CEB conducts its activities with integrity is played by the Office of the Chief Compliance Officer (OCCO). Aligned with the principles set out by the Basel Committee, OCCO’s priority objectives are “the fight against money laundering and financing of terrorism, the fight against fraud and corruption, the application of ethical rules of behaviour in accordance with the CEB’s principles and good governance and the promotion of the CEB’s strong commitment for a proper compliance culture in providing adequate awareness raising, training and communication”.

OCCO is a function headed by the Chief Compliance Officer and, in line with best banking practice and the Basel Committee recommendations, is an independent function reporting directly to the Governor.

**Priority Objectives**

- Fight against fraud and corruption, not only with regard to projects financed by the CEB but also to its purchases of goods and services.
- Fight against money laundering and the financing of terrorism (AML/CFT); paying particular attention to respect for the “Know Your Customer” (KYC) principle.
- Application of ethical rules of behaviour in accordance with the institution’s principles of integrity and good governance.

**Compliance Management**

OCCO’s mission is to protect the integrity and reputation of the Bank with particular emphasis placed on pre-investment screening as a means of managing integrity risks.

OCCO is also responsible for the development and maintenance of AML-CFT policies and procedures.

In addition, OCCO is responsible for investigating cases of fraud, corruption or misconduct, both within the CEB as well as in CEB-financed projects. OCCO plays an important advisory role to the CEB’s management and Directorates by continuously identifying, assessing and monitoring integrity risks arising from the failure to comply with compliance standards and policies. In this respect, the CEB has a comprehensive and publicly available compliance framework, including inter alia a Compliance policy, an Anticorruption Charter, a Policy on Non-Compliant/Uncooperative Jurisdictions, Internal Procurement Guidelines, Codes of Conduct, as well as a Whistleblowing Policy.

As a public institution, the CEB has also to be appropriately accountable for its action to all its stakeholders (see the map below). To achieve this, the Bank relies on a Public Information Policy that sets out the principles and rules for disclosure of information. On December 2016, the policy was amended by the Governing Board in order to take into account the changes made to the Environmental and Social Safeguards Policy, to ensure better consistency with the information available on the Bank’s website and to provide further clarification so that the key principle of transparency is better enforced.
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, UNDP, …)

Non-CEB Council of Europe members

Member states

(shareholders)

Governing Board

Administrative Council

CEB

Auditing Board

Governor and Vice-Governors

Staff

Capital markets

Investors

Rating agencies

Regulatory authorities

External auditors

Civil society, NGOs, the media

Suppliers

Potential employees
ACTING for a more cohesive society

Strategic roadmap for 2017-2019

The new Development Plan for the period 2017-2019 aims to strengthen the CEB’s social label even further through consolidation of the Bank’s distinctive mandate and increased effectiveness of action.

Strategic orientations of the CEB’s new Development Plan 2017-2019

Within the framework of the new Development Plan, the strategic orientations of particular relevance for the Bank’s role and contribution in the years ahead have been defined as:

- “sustainable and inclusive growth”
- “integration of refugees, displaced persons and migrants”
- “climate action: developing mitigation and adaptation measures”, in the light of COP21 and the related Paris Agreement.

Taking into account the numerous long-term challenges facing CEB member countries, the Development Plan aims to enhance the Bank’s effectiveness in response to the needs of its members and reaffirm its relevance in a fast-changing environment.

Focus on key elements

Adopting a more cross-sectoral approach will enable the CEB to better encompass both the greater complexity of the development projects it finances and the full added value of its own contribution. To this end, the Cross-sectoral Loan Programme (CSL) has been introduced as a new financial instrument at the Bank’s disposal to help it adapt to funding increasingly complex projects in different but inter-related sectors. From a CSR perspective, particular attention in preparing CSLs will be paid to the country-specific situation and social priorities, with priority being given to disadvantaged areas, social and solidarity economy services, national or local priority programmes in social sectors as well as to communities hosting refugees and migrants.

In relation to the new Development Plan, the CEB has also revised its Environmental and Social Safeguards Policy (ESSP). The ESSP aims to provide a better understanding of how the CEB addresses environmental and social sustainability issues, and will serve to align the Bank’s policies more closely with those of other international financial institutions.

Furthermore, the CEB will deploy additional efforts to identify and mainstream gender equality in the appraisal of its projects so as to reduce gender-based inequalities and thus improve the overall social outcome of its investments.

The Bank will seek to leverage its financing and expertise capacities by raising supplementary funds from donors and further strengthening European and international cooperation.
Investing in socially-oriented projects

Socially responsible lending across sectors and membership base

Addressing the significant economic disequilibria and related long-lasting deterioration in the social situation in most of the CEB’s member states remains a pressing challenge. Confirming the relevance of the Bank’s historical mandate, the CEB’s response is centred on ensuring consistency with Council of Europe’s policies and standing ready to accommodate a higher demand for operations from its member states in the social domain.

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

The CEB’s commitment is reflected in the carefully selected projects of high social added value, in its adaptable approach to social financing and in its enhanced support to project preparation and implementation through the provision of technical assistance and monitoring.

Operations approved in 2016

In 2016, the volume of operations reached a record high of € 3.5 billion approved, representing a 50% increase over the previous year. Beyond numbers, the Bank’s contribution to sustainable and inclusive development was evidenced as follows:

- In 2016, the CEB continued to make investments in energy-efficiency projects through direct loans to municipalities and regions or intermediary banks, a large portion of which goes to greening residential buildings.
- In 2016, the CEB invested € 718 million in education and vocational training projects. Bulgaria, Cyprus, Sweden, Finland, Hungary and France all benefited from loan financing to enhance the quality and inclusiveness of education.
- The CEB’s investments in local infrastructure – such as social care facilities, local transport, day-care centres, community centres, playgrounds, sports and green areas improve living conditions for millions of Europeans and contribute to the social inclusion of the most vulnerable.

- Since the MSME sector makes an important contribution to job creation and is a priority in the current economic context in Europe, the CEB approved € 1.18 billion for MSME financing in 2016. The CEB’s financing of the MSME sector in 2016 consisted of multiple operations across Europe, demonstrating the Bank’s ability to respond to the needs wherever they are.
- Improving access to social and affordable housing represents a significant share of the CEB’s funding. In 2016, the Bank invested almost € 1 billion, including € 625 million in loans to help German States deal with migration pressures, to provide decent housing at an affordable price to socially-vulnerable groups such as low-income households, migrants, the elderly, people with disabilities and other populations living in precarious conditions.
Providing non-lending value

Supporting social content through systematic project screening

The CEB provides upfront screening of the social aspects of the projects it finances. Through the systematic application of the “two-pronged” approach, the social value of each loan request is assessed during appraisal based on both the social value of the project and the socio-economic situation of the country in which the project is located.

This comprehensive screening approach allows the Bank to measure the social value of each of its loan requests much more closely. Under the new Development Plan 2017-2019, screening will be fine-tuned according to type of project and lending instrument and will also include aspects related to climate change. The Development Plan also introduced Social Safeguards Screening during appraisal to ensure that potential adverse social impacts are addressed in a formal and timely manner.

The CEB’s revised project appraisal process will thus include a step that screens for the likelihood of such social risks, which may trigger application of the safeguard requirements and result in the need for further risk analysis and the preparation of mitigation measures as and when required.

Slovak Inclusive Growth Account

The Slovak Inclusive Growth Account (SIGA) was set up in 2016. The Slovak Republic provided € 2 million to the CEB in order to enable it to finance technical assistance for highly social projects. SIGA funds will be used to finance various activities related to the preparation and implementation of projects, such as feasibility studies, environmental and social impact assessments, business plans, tender documentation, contractual arrangements, and advisory services.

Pro-active approach bolstered by increased levels of Technical Assistance

With a view to financing high-quality projects, the CEB’s teams are increasingly becoming involved at an earlier stage in projects, dealing with longer preparation periods and remaining engaged throughout the implementation process. The expertise brought by the CEB aims to fully bear on successful management of projects, limitation of risks and enhanced sustainability over the long term.

This pro-active approach by the CEB is complemented by increasing levels of Technical Assistance provided for the Bank’s projects, either through external resources (such as the bilateral Spanish Social Cohesion Account or platforms such as the Western Balkans Investment Framework (WBIF), the Eastern Europe Energy Efficiency (ESP) or the Neighbourhood Investment Facility (NIF), or through specially-elaborated internal tools such a dedicated technical assistance window within the Social Dividend Account (SDA).

Over the 2014-2016 implementation period of the previous Development Plan, € 21 million was provided for 44 grants in support of 16 CEB-financed projects.

Grant funds can now also be made available to support, through guarantees, the Bank’s financing of pilot projects with a high social impact such as community development initiatives, programmes for the development of services in poor areas or microfinance schemes for vulnerable or marginalised groups.
Supporting the most vulnerable people

The immigration wave that peaked in 2015 continued to represent an important driver of the CEB’s activity in 2016, resulting in a record € 3.5 billion in loans approved.

The Migrant and Refugee Fund
provided a swift response to the migrant crisis and underlined the CEB’s historical mandate

In October 2015, the CEB established the Migrant and Refugee Fund (MRF), a grant-based facility to help member countries deal with unprecedented migratory inflows. MRF grants aim to support CEB member states’ efforts to ensure that migrants and refugees who arrive on their territory enjoy basic human rights such as shelter, food and medical aid, as well as personal security.

The initiative met with strong shareholder support, and the mobilisation of CEB members and non-members alike, including the EIB, has so far provided more than € 16 million in contributions for total MRF funds of € 21 million at end-2016. To date, over € 18 million in MRF grants has been approved for 14 projects under implementation in 7 countries.

Ensuring successful long-term integration as a basis for community development and social cohesion for all

The migrant crisis has brought to the forefront the broader issues of longer-term integration of refugees, migrants and other vulnerable groups. Beyond emergency support, which is mainly funded via the MRF, the CEB has started to finance projects with this long-run objective.

To this end, the CEB promotes a comprehensive and cross-sectoral approach encompassing access for migrants and refugees to decent housing, jobs, health and education. In 2016 alone, the Bank invested an additional € 1 billion for projects aimed at supporting long-term integration and increasing social cohesion in the host communities. This strong impetus is also fully in line with the framework of the CEB’s new Development Plan 2017-2019.

Focus on implementation of the Regional Housing Programme

The Regional Housing Programme (RHP), jointly initiated by Bosnia and Herzegovina, Croatia, Montenegro and Serbia (the “Partner Countries”), has received widespread endorsement and significant donor support from the international community, starting with the EU. Managed by the CEB, the RHP represents an integrated platform whose objective is to provide sustainable housing to the most vulnerable refugees or displaced persons resulting from the war in ex-Yugoslavia.

Since inception, € 155 million in grants has been approved for 22 sub-projects, of which € 54 million has been disbursed. By the end of 2016, the RHP had provided housing solutions to over 1 000 vulnerable families in the four Partner Countries. The peak of deliveries should take place in 2017, when more than 3 300 housing units are planned to be completed. All in all, the sub-projects approved to date should provide durable housing solutions to close to 8 000 families or over 20 000 individuals.

Beyond the infrastructure solutions, the RHP has strengthened relations among Partner Countries, enticed cooperation and built a regional cooperation mechanism for reconciliation and the strengthening of good neighbouring relations as well as for resolving a number of regional challenges in the area of migration. Moreover, as the provision of housing alone is not sufficient to guarantee dignified living conditions for the most vulnerable, the RHP stakeholders have agreed to step up efforts to improve the sustainability of the programme in its technical, social and economic dimensions.
Fighting against climate change

Mainstreaming climate change considerations into the CEB’s operations

The CEB’s Development Plan 2017-2019 and the revised Environmental and Social Safeguards Policy introduced in November 2016 underpin the CEB’s commitment to prioritise climate action investments and to systematically address climate risks related to its project portfolio.

For this purpose, the Bank has put in place a screening process which ensures that climate change opportunities and risks are considered when a loan request enters the project cycle. The objective of the screening is to identify early on if a project has the potential to contribute to climate change mitigation or adaptation and to further develop this potential where possible. Likewise, the screening serves to identify potential climate risks, which may require further analysis.

In summary, the methodology requires that each project be screened according to four climate change indicators:

- **Carbon footprint potential** expresses the expected Green House Gas (GHG) emissions of a project. This indicator serves to assess the carbon footprint of the Bank’s project portfolio and guides the decision-making process for prioritising low GHG emissions investments.

- **Climate change sensitivity** considers whether a project or the target population may be intrinsically vulnerable and exposed to climate risks. This screening step helps to establish whether or not further climate risk analysis and possibly adaptive measures may be necessary.

- **Climate change mitigation potential** identifies opportunities for achieving reductions in GHG emissions. These relate to supporting specific project activities, e.g. renewable energy production and energy efficiency improvements, or considering alternative project options that reduce GHG intensity.

- **Climate change adaptation potential** identifies projects which include adaptation to climate change objectives or which present possibilities for developing adaptation components. This indicator aims to help leverage the Bank’s share of investments that contribute to making populations and infrastructure more resilient.

Investing in environmentally sustainable development

The Bank also has a long history and broad experience of financing environmentally oriented projects. “Aid to victims of natural or ecological disasters” constitutes one of the CEB’s two statutory priorities. Over time, its scope, like that of other environmental projects financed by the Bank, has widened from immediate emergency response to long-term preventive action:

- **Environmental protection**: upgrading infrastructure (solid waste, water and wastewater management)

- **Climate change mitigation**: “greening” the built environment (energy efficiency in buildings, cleaner and renewable energy, and sustainable public transport)

- **Climate change adaptation**: strengthening resilience to (extreme) climate events (urban and rural adaptation), and disaster risk management

By way of example, in 2016, the CEB blended its €14 million sovereign loan to Georgia with an E5P grant to assist the authorities in their objective to introduce energy efficiency into social sector infrastructure. With CEB funding, approximately 25 public infrastructure improvements, benefiting at least 15 000 children.

Values

The general policy for human resources at the CEB is guided by the principles and ideals promoted by the Council of Europe. According to the Bank’s Articles of Agreement, the Council of Europe Staff Regulations are applicable to the CEB staff in any matter not covered by a specific decision of the Administrative Council. Furthermore, the Bank strives to promote the conditions which ensure the effective application of the rights and principles set out in the revised European Social Charter applicable to an international organisation.

In line with the Bank’s values, staff members are entitled to equal treatment without direct or indirect discrimination, in particular on grounds of racial, ethnic or social origin, colour, nationality, disability, age, marital or parental status, sex or sexual orientation, and political, philosophical or religious opinions.

Over the years, the Bank’s human resources management has sought to attract and retain highly qualified and diverse staff members through a work environment that fosters a culture of diversity, cohesion and knowledge sharing.

In order to promote this culture and a common sense of purpose, the Bank has identified five values, namely: commitment, cooperation, creativity, transparency and professionalism. Professional behaviours have been defined for each of these values, thereby enabling staff members to better understand how their own behaviour may positively affect their peers and contribute to the Bank’s culture. Staff members are also trained on communication and management subjects that reinforce ethical professional behaviours. Finally, staff members are evaluated on their adherence to the values and may propose measures to develop them. The combination of all these continuous actions keeps the values alive and ensures that they are more than just a statement.

Key HR data at end-2016

At year-end 2016, the CEB’s workforce amounted to 197 permanent staff, with the following features:

- **Number of nationalities represented:** up from 30 to 31
- **Staff turnover:** 5.2%
- **Breakdown by gender:**
  - 53% women
  - 47% men
  - Professional staff (130):
    - 41% women / 59% men
  - Support staff (67):
    - 76% women / 24% men
- **Average age:** 48 years
- **Average job tenure:** 12 years
- **77% of the staff followed one or more training courses**
Priorities

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

- Promoting internal communication
- Enhancing staff skills and professional development
- Improving working conditions

The Human Resources team has continued to promote communication with staff members through induction programmes that have enabled new hires to better understand the Bank’s project cycle and support activities while meeting their peers. Furthermore, the Human Resources team holds regular information sessions in order to give staff members the opportunity to better understand HR projects, ask questions and provide feedback.

Encouraging a culture of feedback enables the Bank to enhance staff skills and professional development. A new appraisal system has therefore been launched which includes both performance and development reviews. These reviews enable managers to give feedback to their staff members on the technical and behavioural competencies that they need to develop in order to meet the Bank’s future skillset. Staff members also have the opportunity to actively propose improvement actions and identify training needs. Finally, the new appraisal system enables the Human Resources team to become a business partner with both managers and staff by identifying the Bank’s skillset and designing customised and effective training sessions.

The Bank offers its staff members the opportunity to follow IT, linguistic, technical, communication and managerial training. In 2016, 77 percent of all staff members followed one or more training courses in these fields. In order to share experiences and enhance cross organisational communication, the Human Resources team organised technical training sessions on Procurement, bank credit analysis and financial report writing to staff from different Directorates. Communication and managerial training sessions were also held for all staff on conflict management and intercultural leadership.

Finally, one of the Human Resources team’s objectives is to ensure that the Bank’s staff members travel safely and benefit from a supporting working environment. Training sessions on travel safety were therefore held and a new travel agency was selected. As part of the Safety Committee, the Human Resources team is also contributing to the development of communication tools that provide travelling staff members with local health and safety information, as well as assistance in case of emergency. In the following years, the Human Resources team will continue to contribute the Bank’s duty of care as it promotes a culture which addresses health, safety, security and well-being of its staff members.
Ensuring our financial soundness

Finance is a public good. Therefore, safeguarding 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 € 2.3 billion in net profit, i.e. 79% of equity, has been allocated to the reserves. In 2016, the net result amounted to € 105 million.

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 and liquidity policies. The Bank’s access to the global financial markets remains excellent thanks to its creditworthiness. In 2016, the CEB raised a total of € 3.1 billion at very attractive conditions, which eventually also benefit its borrowers for projects with a social purpose. Moreover, the Bank is considering issuance of social-impact bonds.

The CEB is also dedicated to applying the best banking standards and practices. The overarching goal of risk management, based on a prudential framework derived from the Basel Committee recommendations on Banking Supervision, is to ensure the Bank’s operational resilience and long-term financial sustainability while enabling it to fulfil its social mandate.

New Financial and Risk Policy

In 2016, the Administrative Council approved the new Financial & Risk Policy for the purpose of addressing challenges arising from the profound economic, financial and regulatory changes taking place. While preserving a prudent approach, the new policy introduces a balance sheet management approach to optimise the use of the Bank’s financial resources, allow greater flexibility in interest risk management, and, at the same time, maintain a strong liquidity position. Against this background, the ratios of the prudential framework have been adjusted; the key changes concern interest rate risk through a balance sheet approach, liquidity risk with a liquidity curve approach and credit risk with the internal rating becoming the reference for the treasury activity.
Limiting our carbon footprint

Aware of its environmental responsibilities, the CEB has adopted an approach aimed at promoting eco-responsible initiatives and is also committed to conducting a carbon footprint assessment every year.

Key actions in 2016

The actions undertaken in recent years have resulted in an overall reduction in CO₂ emissions. This reduction has been most significant in the area of energy consumption, thanks to initiatives to continuously upgrade the CEB’s equipment.

To this end, maintenance is focusing on upgrading to more energy-efficient lighting, replacing traditional incandescent bulbs with LED ones. These offer the dual advantage of reducing electricity consumption by up to 90% and having a service life that is around 20 times longer than halogen bulbs, thereby also limiting waste. In addition, the systematic introduction since 2016 of devices that vary the level of brightness in offices is helping further reduce consumption, by enabling users to regulate the intensity of lighting in line with their needs.

The second major initiative involves regularly replacing windows that are not very well sealed with those equipped with high-performance acoustic and thermal glazing. The impact of this can be seen largely in the reduced demand for heating in the offices used by the CEB’s teams.

The reduction in CO₂ emissions can also be explained by the continued work to connect the CEB’s air conditioning system to the city grid, which provides cooling, instead and in place of generator units, which will only be installed as a back-up.

With regard to emissions generated by travel, public transport is naturally used and encouraged in a city with good facilities, and there is little room for improvement. Business travel is a factor of the increasing level of CEB activity. The CEB is nevertheless committed to keeping carbon emissions in check by favouring economy class tickets, for example.

In 2017, paper consumption should improve to some extent due to the upgrading of the printer fleet and redistribution of shared printers resulting in the removal of some individual printers.

The priority in the CEB’s action plan will be to reduce waste and optimise waste sorting. This work is being undertaken with the cooperation of the cleaning company and will require raising the awareness of all CEB staff to change behaviours.

Measures and results, the 2016 carbon assessment

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 focuses on several high emission items such as energy consumption, staff travel (business and commuting), paper consumption and direct waste.
In total, the CEB’s greenhouse gas emissions for 2016 amounted to 1 534 tons 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 19% per employee since 2013.

See the graph showing the evolution of CEB’s GGEs emissions per employee between 2013 and 2016:

The scorecard hereafter shows the trend in the last two carbon balance assessments per high emission item.

<table>
<thead>
<tr>
<th>SCORECARD</th>
<th>Variation 2016 / 2013 (reference year)</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total variation</td>
<td>Variation per employee</td>
<td>Total</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>4%</td>
<td>-</td>
<td>197</td>
</tr>
<tr>
<td>CO₂ emissions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total CO₂ emissions (t.eq.CO₂)</td>
<td>-16%</td>
<td>-19%</td>
<td>1 534</td>
</tr>
<tr>
<td>Building energy efficiency (*)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total heating consumption (in kWh)</td>
<td>-25%</td>
<td>-28%</td>
<td>714 300</td>
</tr>
<tr>
<td>CO₂ emission linked to heating consumption (t.eq.CO₂)</td>
<td>-25%</td>
<td>-27%</td>
<td>139</td>
</tr>
<tr>
<td>Total electricity consumption (in kWh)</td>
<td>-15%</td>
<td>-18%</td>
<td>834 483</td>
</tr>
<tr>
<td>CO₂ emissions linked to electricity consumption (t. eq.CO₂)</td>
<td>-17%</td>
<td>-20%</td>
<td>48</td>
</tr>
<tr>
<td>Travel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home-to-work commuting (in km)</td>
<td>0%</td>
<td>-3%</td>
<td>865 294</td>
</tr>
<tr>
<td>Home-to-work commuting (t.eq.CO₂)</td>
<td>-3%</td>
<td>-7%</td>
<td>57</td>
</tr>
<tr>
<td>Business travel (in km)</td>
<td>-8%</td>
<td>-11%</td>
<td>2 500 071</td>
</tr>
<tr>
<td>Business travel (t.eq.CO₂)</td>
<td>-15%</td>
<td>-18%</td>
<td>649</td>
</tr>
<tr>
<td>Paper</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total paper consumption (bought reams of paper) in tons</td>
<td>-30%</td>
<td>-32%</td>
<td>7</td>
</tr>
<tr>
<td>CO₂ emissions linked to paper consumption (bought reams of paper) (t.eq.CCO₂)</td>
<td>-30%</td>
<td>-32%</td>
<td>9</td>
</tr>
<tr>
<td>Waste</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste disposal (in tons)</td>
<td>6%</td>
<td>3%</td>
<td>139</td>
</tr>
<tr>
<td>Waste disposal (t.eq.CCO₂)</td>
<td>-1%</td>
<td>-4%</td>
<td>4</td>
</tr>
</tbody>
</table>

(*) figures per m²
GRI Index for 2016

This 2016 index of sustainability indicators has been prepared on the basis of the internationally recognised standard for sustainability reporting, namely the Global Reporting Initiative (GRI) Guidelines, and seeks to comply with the Guidelines’ “core option”.

The GRI Index provides an overview of sustainability considerations within the CEB’s lending and non-lending services as well as in its day-to-day functioning and management of staff. The CEB aims to be comprehensive in its reporting and the Index therefore includes indicators from GRI’s Financial Sector Supplement.

The GRI Index for 2016 is available on the Bank’s website as a standalone document, which supplements this CSR Report.