TABLE OF CONTENTS

3 OVERVIEW
3 Foreword by the Governor
4 Corporate social responsibility at the CEB
5 Highlights in 2017
6 Infographic

8 A DISTINCTIVE BANK
10 A Bank with a purpose
12 A partner of choice
14 A responsible institution

16 A BANK WITH A POSITIVE IMPACT
18 Strengthening social cohesion across Europe
20 Helping the inclusion of the most vulnerable
22 From mainstreaming to fostering climate action

24 A SUSTAINABLE BANK
26 Putting people first
28 Ensuring the Bank’s financial soundness
29 Limiting the organisation’s carbon footprint

31 GRI INDEX FOR 2017
FOREWORD BY THE GOVERNOR

As a social development bank that works to promote socially and environmentally sustainable development, the CEB attaches the highest importance to all aspects of Corporate Social Responsibility (CSR).

Indeed, CSR is embedded in the Bank’s structure, strategic planning and activities. This is why, in addition to the Office of the Chief Compliance Officer, the CEB has a specialised Corporate Responsibility and Studies Department and publishes CSR reports on an annual basis.

To ensure that its business is conducted in a responsible and sustainable way at all times, the CEB regularly screens its operational procedures. It also employs strict criteria when it comes to the selection and monitoring of the social projects it finances, taking into account environmental parameters. In particular, climate action investments, including mitigation and adaptation measures, remain a priority for the CEB.

The 2017 highlights include achieving new record figures in social project approvals and loan disbursements; raising a record €114 million from donors to channel through grants to those most in need; strengthening partnerships through cooperation agreements and participation in other initiatives in order for the CEB to fulfil its social mandate in the most effective way; sharpening the focus of CEB activities to maximise their impact for the benefit of vulnerable population groups; and optimising operational procedures to integrate gender equality and diversity into day-to-day work practices.

The issuance of the CEB’s first Social Inclusion Bond stands out in 2017. Strong interest from socially responsible investors demonstrated the confidence of the international investor community in the CEB and its exclusively social mandate and reflected the Bank’s leading role in the social bond market.

This CSR report, taken together with the Global Reporting Initiative (GRI) Index for 2017, serves to demonstrate and reaffirm the CEB’s unwavering commitment to integrity, transparency and accountability in line with the highest standards and international best practices.

Paris, 28 February 2018
Rolf WENZEL

“CSR is embedded in the Bank’s structure, strategic planning and activities.”
Corporate social responsibility (CSR) is built around two common goals: the contribution made to sustainable development and the positive impact on society. By virtue of the CEB’s unique mandate, CSR is inextricably linked with who we are (a distinctive Bank), what we do (a Bank with a positive impact) and how we operate (a sustainable Bank).

As a social development bank, the CEB embeds CSR into its core mission and activities, both at strategic level – as reflected in the Development Plan for 2017-2019 – and at operational level to ensure that day-to-day activities are carried out in a responsible and sustainable manner. It is worth noting that all the Bank’s directorates and relevant departments are represented in an in-house network of CSR correspondents under the coordination of the Director of the Corporate Responsibility and Studies Department.

Since 2009, the CEB has provided an annual account of its approach to CSR. For 2017, the Bank’s overall contribution to socially and environmentally sustainable development is therefore reflected in this 2017 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.

The Bank’s overall sustainability performance receives high ratings in the market for Sustainable and Responsible Investment (SRI), as shown by the following ESG (Environmental, Social and Governance) ratings:

- “Prime” by Oekom Research (29 January 2016);
- “Outperformer” by Sustainalytics (19 February 2018).
HIGHLIGHTS IN 2017

NEW IN 2017

• The CEB achieved record highs in social projects approved and loans disbursed.
• The CEB also raised a record €114 million from donors, including €50 million for a hospital in Turkey to serve both Syrian refugees and their host community. In addition, the Bank set up a trust fund, endowed with €1 million by Italy, to support innovative social projects.
• The CEB issued its first social inclusion bond worth €500 million.
• Standard & Poor’s revised the CEB’s AA+ rating outlook from ‘stable’ to ‘positive’.
• The CEB was granted observer status at the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.
• The CEB and UNDP agreed to extend their cooperation for another five years, aiming to scale up their support for achieving the UN Sustainable Development Goals (SDGs) in South-Eastern Europe, Turkey, Republic of Moldova and Georgia.
• The CEB joined the landmark Climate Action in Financial Institutions initiative, thereby endorsing the Five Voluntary Principles for Mainstreaming Climate Action.
• The Governing Board elected Ms Miglė Tuskienė, a Lithuanian national, as Chair of the Administrative Council, and re-elected Mr Dominique Lamiot as Chair of the Governing Board, for three-year terms.
• The CEB revamped its carbon balance assessment to make it more comprehensive and reliable.

KEY FINANCIAL DATA AT END-2017

<table>
<thead>
<tr>
<th>Projects approved</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>€39 billion (+13%)</td>
<td>€3.0 billion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loans disbursed</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>€2.3 billion (+13%)</td>
<td>€3.0 billion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loans outstanding</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>€13.8 billion</td>
<td>€23.8 billion</td>
</tr>
</tbody>
</table>

KEY EXTRA-FINANCIAL DATA AT END-2017

<table>
<thead>
<tr>
<th>HR</th>
<th>CARBON FOOTPRINT</th>
</tr>
</thead>
<tbody>
<tr>
<td>200 permanent staff members and three appointed officials</td>
<td>Total greenhouse gas (GHG) emissions 1,227 tons eq. CO₂ or 6.04 tCO₂/employee</td>
</tr>
<tr>
<td>32 nationalities</td>
<td>Electricity consumption 862 MWh</td>
</tr>
<tr>
<td>54% female</td>
<td>Heating consumption 1,245 metric tons of steam</td>
</tr>
<tr>
<td>46% male</td>
<td>Business travel 1,899,231 km</td>
</tr>
</tbody>
</table>
CORPORATE SOCIAL RESPONSIBILITY AT THE CEB

By its nature, CSR is a cross-cutting issue which permeates both the activities and functioning of the organisation.

A DISTINCTIVE BANK

41 member states
Council of Europe

Donors

Responsible institution

A social mandate, partnerships
A BANK WITH A POSITIVE IMPACT

Increase in the volume of activity to respond to growing needs

Financing projects for social cohesion

Climate action

A SUSTAINABLE BANK

Financial soundness

Human values, equality, promoting diversity, skills

Continuous effort and results in reducing the carbon footprint of the organisation

Financing projects for the inclusion of the most vulnerable, focusing on the most fragile beneficiaries, particularly migrants and refugees
A DISTINCTIVE BANK
The CEB is a multilateral bank with a social mandate, whose purpose is to contribute to the social cohesion and sustainable social development of its 41 member states. To better fulfill its mandate, the CEB seeks to strengthen its European and international cooperation, as well as to raise additional funds from donors. As a responsible institution, the CEB is committed to integrity, transparency and compliance with best practices in its activities and functioning.
A BANK WITH A PURPOSE

The Council of Europe Development Bank (CEB) 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, which are also its shareholders. CSR is thus rooted in the Bank’s core mission and identity.

THE SOCIAL MANDATE OF THE CEB

Established in 1956 as a “Resettlement Fund” by eight member states of the Council of Europe, the CEB was tasked with financing projects to respond to the plight of refugees and displaced persons in the aftermath of World War II, after the “Iron Curtain” came down on Europe. The CEB was thus born out of a vision of European solidarity, as a step forward in the building of a European community.

Since then, it has gradually transformed into a fully-fledged multilateral development bank. Faithful to its exclusively social vocation, the CEB’s mandate has also evolved over time, broadening and adapting to European social priorities and needs. Today, the CEB has 41 members¹ 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.


As a sign of solidarity among CEB member states, the Bank aims to provide increased support to a group of 22 “target countries” (marked with an asterisks*).
The Bank’s mandate and mission are defined in its Articles of Agreement. In operational terms:

- The CEB provides loans and guarantees to its member states to finance projects meeting a certain number of criteria. Potential borrowers include governments, local or regional authorities, and financial institutions. Loan applications are rigorously reviewed and related projects are designed and implemented within national sectoral policies, when applicable.
- 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 preparation and implementation of all its projects. Selected projects are independently evaluated after completion.
- 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.

In addition, the CEB’s social mission is implemented within a strategic framework formalised by a medium-term development plan (currently the Development Plan 2017-2019).

THE CEB AND THE COUNCIL OF EUROPE AT THE CORE OF THE BANK’S IDENTITY

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.

A STRUCTURED GOVERNANCE SCHEME

The CEB 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, namely:

- the Governing Board, which inter alia sets out the general direction for the Bank’s activity;
- the Administrative Council, which exercises the powers delegated to it by the Governing Board;
- the Governor (assisted by Vice-Governors), who is the Bank’s legal representative, 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, administrative and control organs is provided by the Secretariat of the Partial Agreement of the Council of Europe Development Bank.

In 2017, the Governing Board elected Ms Miglė Tuskienė, a Lithuanian national, as Chair of the Administrative Council, and re-elected Mr Dominique Lamiot as Chair of the Governing Board, for three-year terms.

Focus

THE COUNCIL OF EUROPE: THE “HOUSE” OF HUMAN RIGHTS

Created in 1949, the Council of Europe is the continent’s leading human rights organisation. It has 47 member states, 28 of which are members of the European Union. All Council of Europe member states have signed up to the European Convention on Human Rights, a treaty designed to protect human rights, democracy and the rule of law.

In concrete terms, the interactions between the Bank and the Council of Europe manifest themselves 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.
A PARTNER OF CHOICE

The CEB seeks to leverage its financing and expertise capacities by further strengthening European and international cooperation, and raising additional funds from donors.

INTENSIFYING PARTNERSHIPS

Over the years, the Bank has concluded a number of framework cooperation agreements (Memoranda of Understanding) on both bilateral and multilateral bases. Since July 2014, the CEB has also been on 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. As a major funder of social development projects, both within and outside its borders, the European Union (EU) is a privileged partner for the CEB as well as its main donor.

In 2017, the CEB deepened its partnerships along three major lines:

- scaling up its support for achieving the UN Sustainable Development Goals (SDGs);
- promoting a social agenda in Europe, especially the need for further social investment;
- gaining recognition as an institution committed to fighting climate change and harmful business practices.

United Nations Development Programme (UNDP)

Aiming to scale up their support for achieving the Sustainable Development Goals (SDGs) in South-Eastern Europe, Turkey, Republic of Moldova and Georgia, the CEB and UNDP agreed to extend their cooperation for another five years. The agreement will help to address climate change and energy efficiency, respond to challenges such as the migrant and refugee crisis, and promote inclusive social and economic development in the region.

In 2017, the CEB also conducted an in-house study to explore the Bank’s contribution to the SDGs, according to a three-pronged approach - mapping, matching and prioritising. In 2018, the CEB will seek to address the two core challenges identified, namely measuring and mainstreaming.

Conference on ‘Financing Social Infrastructure’

Under the auspices of the European Association of Long-Term Investors (ELTI), of which the CEB is an associate member, the CEB and Caisse des Dépôts (CDC) organised a conference on “Financing social infrastructure,” bringing together more than a hundred participants and high-ranking speakers such as former President of the European Commission, Romano Prodi, and former French Minister of Economy and Finance, Christian Sautter. The conference stressed the importance of finding innovative ways of financing social infrastructure facilities that have a strong impact on the daily lives of European citizens.

The CEB has also been a member of the High-Level Task Force on Investing in Social Infrastructure in Europe, whose report “Boosting Investment in Social Infrastructure in Europe” was released in January 2018 and presented to the European Commission.
Climate action in financial institutions
In 2017, the CEB adopted the Five Voluntary Principles for Mainstreaming Climate Action, an initiative taken by leading financial institutions around the world. The Principles, agreed on the sidelines of the COP 21 climate talks in Paris, in 2015, highlight a number of practical operational approaches for integrating climate change considerations into the core investments and advisory functions of a financial institution.

Global tax forum
The CEB was granted observer status at the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. The Global Forum is an umbrella organisation bringing together 137 countries and jurisdictions to fight international tax evasion through improved international standards of transparency and exchange of information. This decision by the Global Forum acknowledges the CEB’s robust approach to fighting fraud, corruption, money-laundering and harmful tax practices.

RAISING MORE FUNDS FROM DONORS TO HELP THE MOST VULNERABLE
Donor funds act as a catalyst and enable the Bank to increase its social impact, especially for the benefit of the most in need. In 2017, the CEB raised a record €114 million from donors, a clear sign of support for the Bank’s social mandate from the international community. Most of the funds will go towards assistance to migrants and refugees, which is a priority mission for the CEB.

Migrants and refugees
In 2017, the CEB raised €4.5 million to help its member states address the challenges related to the large number of migrants and refugees that have recently crossed into Europe. Funding from Italy, Spain and Bosnia and Herzegovina brings the total amount raised by the Bank for this purpose to more than €25 million. These funds are held in a dedicated trust fund, the Migrant and Refugee Fund (MRF). The CEB has already approved €22 million in grants from this Fund for projects benefitting migrants and refugees.

The CEB also raised €50 million from the European Union to help Turkey address the unprecedented influx of refugees stemming from the conflict in Syria. This contribution will finance the construction of a state hospital in Kilis, a Turkish city located close to the Syrian border. The new hospital will increase the healthcare capacity of the city, whose population has doubled due to the influx of Syrian refugees.

Long-term integration of displaced persons
The CEB manages the Regional Housing Programme (RHP), an initiative by Bosnia and Herzegovina, Croatia, Montenegro and Serbia (the “Partner Countries”) that provides housing to vulnerable persons who were displaced following the conflicts in the former Yugoslavia. The Programme has already provided homes to almost 8,000 beneficiaries, with more homes due to be delivered in the coming years. Donors, of which the European Union is by far the largest, have pledged a total of €284 million to the initiative. In 2017, an additional €56 million were committed bringing total commitments to €244 million.

Other funds secured in 2017 will support the development of the Bank’s operations for the target countries. Spain contributed an additional €2 million to the Spanish Social Cohesion Account, a trust fund it established in 2009. Italy set up the Italian Fund for Innovative Projects and endowed it with €1 million. Both contributions will enable the CEB to support more social projects in those member states that have a limited capacity to implement them.
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. The Office of the Chief Compliance Officer (OCCO) plays a key role in ensuring that the Bank conducts its activity with integrity.

ENSURING COMPLIANCE AT THE CEB

OCCO’s responsibility is to identify, assess, advise, monitor and report any risk of regulatory sanctions, financial loss or reputational damage that the CEB may incur as a result of not being in compliance with laws, regulations, codes of conduct and international standards of good practice. OCCO works proactively at two levels to ensure compliance of people and projects funded by the Bank.

OCCO plays an important internal advisory role, providing 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 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, Integrity and Dignity at Workplace, as well as a Whistleblowing Policy.

Within OCCO, the Chief Information Security Officer (CISO) is responsible for defining, planning and implementing independent business and operations survey programmes and tools to ensure that effective information systems security controls are activated and executed. The CISO periodically updates the Bank’s Information systems security policies and guidelines.

HIGHLIGHTS IN 2017

OCCO’s activities in 2017 continued to be focused on the following main areas: the compliance risk assessment of counterparty money laundering (AML), financing of terrorism (CFT) and related integrity risks for all CEB lending, borrowing and treasury activities, through integrity due diligence (IDD) checks and active participation in CEB Project Cycle Committee meetings, at both approval and review stages.

“In year 2018, OCCO celebrates its 10th anniversary at the CEB; our motto is “Compliant people, compliant projects.””

Katherine Delikoura, Chief Compliance Officer
These activities are complemented by regular training and awareness-building initiatives, and a standard compliance induction course for newcomers. In 2017, OCCO training was dedicated to market abuse risks, with the participation of an external speaker.

OCCO Internal Procedures and Terms of Reference were successfully formalised, including a major upgrading of OCCO’s internal forms and information technology systems. In 2017, the CEB was granted observer status at the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.

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

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
Credit rating agencies
Regulatory authorities
External auditors
ESG rating agencies
Civil society, NGOs, the media
Suppliers
Potential employees
A BANK WITH A POSITIVE IMPACT
In 2017, the CEB continued to scale up its activity volumes to meet social needs, while focusing on quality and social impact of the projects that it funds. In so doing, the Bank contributes to a more inclusive and sustainable growth, which benefits in particular the most vulnerable, and takes part in the global efforts to combat climate change.
STRENGTHENING SOCIAL COHESION ACROSS EUROPE

“The long economic crisis and major structural changes from the increasing pace of globalisation have hit Europe and its people hard. As a result, considerable sections of the European population are living under difficult, grievous conditions”.

In this context, advancing social cohesion remains a key objective for both European policymakers and the CEB with its unique social mandate.

STRATEGIC FRAMEWORK AND OPERATIONAL RESPONSE

As “the social development bank in Europe”, the CEB is well-positioned to play its role as a privileged partner in social development areas that increasingly require cooperation due to the sheer scale of the long-term issues and pressing needs facing the Bank’s member countries.

The strategic orientations of the CEB’s Development Plan 2017-2019 aim to consolidate the Bank’s social label and reaffirm its relevance in a fast-changing environment. Within this framework, the CEB contributes to the implementation of socially orientated investment projects through three closely-interrelated sectorial lines of action.

• Sustainable and inclusive growth provides alignment with the key long-term objectives for Europe and serves as a platform for financing often interrelated, socially-oriented operations such as public infrastructure with a social vocation, job creation and preservation, access to labour market, housing and the integration of vulnerable groups. It also integrates environmental safeguards and energy efficiency considerations into the objectives and priorities of any given investment.

• Integration of refugees, displaced persons and migrants reaffirms the CEB’s historic core mandate while taking the scope of its action above and beyond that of immediate response to migrant and refugee crises. In recognition of the fact that the migratory pressures across CEB member countries are expected to increase over the coming decades, it promotes a multi-dimensional, long-term response that combines economic and labour market issues with social, educational and spatial aspects.

• Climate action: developing adaptation and mitigation measures is of a more crosscutting nature, since the underlying objective is to mainstream climate action measures in all the Bank’s activities and projects while maintaining its social focus. The updated Environmental and Social Safeguards Policy (ESSP), rolled out in 2017, has been instrumental in clarifying how the CEB addresses environmental and social sustainability considerations in line with the policies and good practices of other international financial institutions.

SCALING UP ACTIVITY VOLUMES TO MEET SOCIAL NEEDS

The CEB’s lending activity, which had already significantly increased in 2016, reached new record levels in 2017. In this first year of implementation of the CEB’s Development Plan for 2017-2019, a total of 3.9 billion was approved for 41 social projects while the Migrant and Refugee Fund continued to provide grant assistance to countries affected by the inflow of refugees.

Such consistently high levels of performance bear witness to CEB’s responsiveness to increased requirements for social investments across its membership base. Given the need to address the large number of long-term challenges facing CEB borrowers, the Bank will strive to keep up its strong performance and continue to promote the financing of projects with a high social impact.

FOCUS ON PROJECT QUALITY AND SOCIAL IMPACT

From a Corporate Social Responsibility perspective, the Bank’s commitment is reflected in its careful selection of high social added value projects, its adaptable approach to social financing and its enhanced support for project preparation and implementation through the provision of technical assistance and rigorous monitoring throughout the whole project implementation process.

As policies become ever more inter-linked, cross-sectoral approaches are increasingly being adopted in addressing the provision of social services. Investments in the social sphere can no longer be limited to simply delivering sector-specific infrastructure and must therefore be considered within a wider multi-sector strategy of social inclusion.

In this respect, the CEB has a proven track record of consistently adapting to the evolving needs of its member countries by providing effective support to financing their social investments.

Focus

PROVIDING NON-LENDING VALUE

In recent years the CEB has significantly changed the way it operates so as to address the increasing need to improve the design and quality of the challenging projects it is called upon to finance.

The CEB’s hands-on support adds value by ensuring the quality and high social impact of operations through a tailored approach that requires customised tools and flexible financing instruments, including grant-funded technical assistance. The CEB’s services are now called upon to work much more closely with borrowers to improve the design, scope and implementation modalities of projects earlier on in the project cycle.

Moreover, its comprehensive upstream screening approach allows the Bank to closely measure the social value of each of its loan requests. Social safeguards screening during appraisal ensures that potential adverse social impacts are addressed in a formal and timely manner.

For example, the CEB has adopted a systematic approach to integrating gender considerations in the appraisal of projects with the aim of tackling gender-based inequalities where appropriate and feasible, thus optimising the overall social outcome of its investments.

The CEB also actively attracts and manages donor funding, including sizeable contributions from the EU. The Bank set up multiple earmarked trust funds endowed by its member countries in order to provide support for technical assistance programmes. It has also taken on other fiduciary responsibilities, such as managing the Regional Housing Programme (RHP), a flagship instrument for addressing the challenges of displaced populations, stemming from the conflicts in the former Yugoslavia.

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3. The CEB provides technical assistance either through its own funds (Social Dividend Account) or through outside sources from different financing instruments in which it participates (such as the Western Balkans Investment Framework, Instrument for Pre-accession Assistance or the Eastern Europe Energy Efficiency and Environmental Partnership).

4. The CEB’s various fiduciary accounts set up in recent years include the Social Dividend Account (SDA) and the Spanish Social Cohesion Account (SCA). Most recently the “Slovak Inclusive Growth Account” (SIGA) and the Italian Fund for Innovative Projects (IFIP) were set up in 2016 and 2017, respectively.
HELPING THE INCLUSION OF THE MOST VULNERABLE

The CEB has consistently promoted a comprehensive approach to social inclusion: projects financed by the Bank place particular emphasis on disadvantaged groups and often focus on support to persons in precarious situations. In so doing, the Bank is fulfilling its social mandate while also placing its action within the efforts extended by the wider multilateral development bank community.

Case study
INCREASING SOCIAL HOUSING PROVISION IN GERMANY

Faced with the refugee crisis in 2015 and a lack of investment in social infrastructure, the German States are stepping up their efforts to provide decent housing at affordable prices to socially-vulnerable groups.

One example of this is the State of North Rhine-Westphalia where a CEB’s €150 million loan* to part-finance NRW.BANK’s subsidised housing loan programme is aimed at increasing the offer of rent-controlled affordable housing. Housing providers grant access to dwellings on a means-tested basis, with priority-related criteria focusing on vulnerable households such as tenants with migrant background, persons with disabilities, elderly persons and families in financial distress. The programme seeks to improve living conditions for low-income tenants through the upgrading of deprived urban areas and via energy efficiency measures to reduce energy consumption and meet environmental standards.

* This loan is part-financed with the proceeds from the issuance of the CEB’s first Social Inclusion Bond in 2017.

Going far beyond its role of mere financier, the Bank works to respond to community needs for social investments that promote more equitable sharing of economic gains among all citizens. In the current context, the need to address significant economic disequilibria and the related long-lasting deterioration in the social situation in most of the Bank’s member states remains a pressing challenge.

- The projects funded by the CEB target vulnerable and often marginalised populations such as the elderly, people with disabilities and people in dependent situations. CEB-funded investments in health, medical, welfare and education facilities aim to provide these groups with functional premises and equipment in a safe environment that meets current standards, while keeping costs at sustainable levels for the beneficiaries and for the community.

- Moreover, the CEB considers the long-term integration of migrants and refugees as a basis for community development and overall social cohesion. The Bank’s integrated project approach – combining services across diverse sectors such as social housing, education, health and social welfare – also takes account of the needs of local communities and provides more focused support.

- The CEB recognises the role that the quality of urban and rural environment plays in supporting inclusive growth across its membership base. Creating a more attractive, inclusive and sustainable living environment is key to establishing a more dynamic local economic base, spurring stronger social and cultural identities while delivering services to all, including the most disadvantaged population groups.

- Support for access to the labour market as well as for job creation and preservation is one of the CEB’s main sectors of action and a priority in the current economic context in Europe. In particular, the Bank focuses on the smaller segment of micro, small and medium-sized enterprises. It recognises the vital role that microfinance plays in fostering labour market integration and has been financing microcredit institutions or banks providing special lines to marginalised population groups.
Case study

SUPPORTING MSMES IN BOSNIA AND HERZEGOVINA

In Bosnia and Herzegovina, a country saddled with an unemployment rate of almost 30%, hope for economic growth hinges on the micro and small business sectors which can bolster competitiveness, find niche markets and generate employment. With a €2.5 million loan to Mikrofin, a regional leader in the field of microfinance, the CEB will enable a number of individual entrepreneurs and small businesses, many of whom are located in remote rural areas, to access financing for working capital and to acquire productive fixed assets and build or extend their business premises. The loan will provide hundreds of micro loans to non-bankable Mikrofin clients in Bosnia and Herzegovina – one third of whom are women – and help them to maintain or improve their businesses.
FROM MAINSTREAMING TO FOSTERING CLIMATE ACTION

The CEB endorses the commitments made in the 2015 Paris Agreement through its Development Plan 2017-2019 and its revised Environmental and Social Safeguards Policy introduced in November 2016.

CONSIDERABLE CHALLENGES AHEAD

Whilst the Paris Agreement aims to keep the rise in global temperature well below 2°C, the trajectory of global temperature increase is now likely to be steeper and is expected to exceed the 2°C ceiling. The expected acceleration of climate change in the coming decades and the observation that extreme meteorological events are already increasing in frequency and amplitude make the need for adaptive measures i.e. measures strengthening the resilience of communities and their assets to climate change all the more evident and urgent.

Despite the obvious need for communities to prepare for and adapt to the consequences of climate change, the consideration of resilience and adaptation in investment planning by authorities remains challenging. The main factors delaying the development of effective adaptation measures are the difficulty of dealing with long term planning horizons and uncertainties, the availability and interpretation of local climate data, the fragmentation of responsibilities and the uncertain bankability of such measures.

THE CEB’S SHARE IN THE GLOBAL EFFORTS

Support for climate action investments and the mainstreaming of mitigation and adaptation measures in all its projects continue to be a priority for the Bank. For this purpose, the Bank has implemented a screening process which ensures that climate change opportunities and risks are systematically taken into consideration whenever a loan request enters the project cycle.

In order to scale up its adaptation activities, the CEB has also been working together with its stakeholders and peers to reflect on the design of adaptation strategies and elaborate guidance for resilient project development including for urban centres, as well as exploring metrics for measuring adaptation outcomes (EUFIWACC5). In parallel, the CEB has developed partnerships to pilot “adaptation” investment. One example of such projects is the Fund for Sustainable Foundation Rehabilitation in the Netherlands (see case study). Furthermore, in 2017, the CEB joined the landmark Climate Action in Financial Institutions initiative, thereby endorsing the Five Voluntary Principles for Mainstreaming Climate Action.

5. European Financing Institutions Working Group on Adaptation to Climate Change published “Integrating Climate Change Information and Adaptation in Project Development” and undertakes the development of adaptation metrics.
“Climate change is happening; we need to adapt now and actively support the efforts of our member countries to make communities more resilient.”

Anton Spierenburg, Deputy Director for Technical Assessment and Monitoring

Case study
HELPING VULNERABLE HOMEOWNERS BECOME MORE RESILIENT TO THE EFFECTS OF CLIMATE CHANGE IN THE NETHERLANDS

Located in a river delta and with most of its territory below sea level, the Netherlands is highly exposed to climate change and its effects in terms of increased fluctuations in ground water levels. This particularly affects a large number of Dutch homes whose wooden pile foundations have started to deteriorate, causing houses to tilt and, in the worst case, to become inhabitable. More than 30,000 houses will be needing foundation repair works within the next 15 years, but many of the owners are unable to obtain financing for these works due either to insufficient income or to the high level of mortgages compared to house value. This situation has triggered a negative cycle where housing units are falling into disrepair, eventually become insalubrious and end up adversely affecting the living conditions of entire neighbourhoods.

To counter this downward spiral the CEB, together with private and public stakeholders, has provided financing to the Fonds Duurzaam Funderingsherstel (FDF) - Fund for Sustainable Foundation Rehabilitation, which grants loans for repair works to home-owners who do not qualify for market-based financing due to their financial situation. Endowed with an initial amount of €100 million, the Fund aims to provide 2,000 loans in four participating municipalities benefitting at least 4,000 direct beneficiaries. Loan eligibility criteria comprise the mandatory requirement that energy efficiency improvements be included in the foundation repair works. The Fund thus promotes an integrated approach, yielding both climate change mitigation and adaptation benefits.
A SUSTAINABLE BANK
In its functioning, the CEB manages its resources responsibly, with priority given to human resources. The new HR strategy thus intends to foster a diverse talent pool. The CEB also seeks to limit its own carbon footprint. As a bank, the CEB ensures its financial soundness and, furthermore, aims to bring a social mandate to capital markets through social inclusion bonds.
PUTTING PEOPLE FIRST

In order to meet its stakeholders’ needs, the CEB must continuously adapt to a changing and dynamic environment, be an employer of choice to recruit and retain highly qualified and diverse international staff, as well as have a forward looking approach to competencies.

FOSTERING A DIVERSE TALENT POOL

Flexibility in dealing with new or unexpected issues, while ensuring transparency, coherence and equity, is essential to the Bank’s continued success. The CEB must therefore have the tools and resources to manage and engage its workforce in an enriching and attractive environment.

HR Strategy

At end 2017, the HR Directorate launched a Human Resources Strategy that identified a vision and mission statement while structuring its work around four pillars:

- **HR best practices.** Developing a dynamic policy framework enables the CEB to identify, capitalise and align its HR practices with other IFI and private sector best practices;
- **CEB staff excellence.** Enhancing staff excellence does not only attract and retain the right people for the right jobs, but it also provides staff members with development opportunities.
- **Efficiency and planning.** Developing workforce planning provides the Bank with staff members equipped with the right skillsets while also ensuring a consistent, efficient and transparent organisational design system.
- **Diversity and culture.** Fostering diversity and culture both reinforces the Bank’s shared set of values, principles and behaviours among management and staff and improves organisational performance.

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

National diversity and gender equality

While the concept of diversity covers a wide variety of individual and cultural characteristics, the Bank’s main areas of focus are currently on national diversity and gender. In addition to remaining an employer of choice for highly specialised professionals, the Bank must recruit and retain highly qualified and diverse international staff.

In fact, 32 out of the Bank’s 41 member countries are represented among the staff, which shows that the Bank continues to recruit its workforce from the widest possible geographical base. Nationals from previously not or less represented regions accounted for 31 percent of all new hires in 2017. From a gender perspective, women are generally well represented at the Bank, although efforts are being undertaken to improve their representation in managerial positions. In 2017, out of the 12 recruitments made at a professional level, 75 percent were women.

Gender equality in the workplace is achieved when women and men have access to the same rewards, resources and opportunities. At end 2017, as part of its Human Resources Strategy and in order to promote an environment that values and rewards the contributions of women and men in the same way, the Bank launched a strategy on gender equality and diversity. Therefore, throughout 2018, action plans will be implemented to raise and develop awareness, incentives, practices and toolkits that support diversity and gender equality.

“What is good for business is good communication, sound management and a motivated workforce. We are first and foremost looking after people in terms of resources, and we are doing this because it’s good for business.”

Terje Hagen, Director of Human Resources
Values
To support these action plans, the Bank can rely on its five values, namely: commitment, cooperation, creativity, transparency and professionalism. For each of these values, professional behaviours have been defined, thereby enabling staff members to better understand how their own behaviour may positively affect their peers and contribute to the Bank’s culture. Staff members also receive training in soft skill subjects that reinforce ethical professional behaviours. Finally, staff members are evaluated on their adherence to the five 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.

Communication and feedback
Communication with/between management and staff members has also been essential in building a knowledge sharing culture that supports change and builds an inclusive culture. Induction programmes 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 feedback culture enables the Bank to enhance staff skills and professional development. The appraisal system, which includes both performance and development reviews, enables managers to give feedback to their staff members on technical and behavioural competencies that are important in order to meet the Bank’s future skillset. Staff members also have the opportunity to actively propose improvement actions and identify training needs. Overall, the 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.

Training
The Bank offers its staff members the opportunity to follow IT, language, technical, communication and managerial training. In 2017, 57 percent of all staff members followed one or more training courses in these fields. HR also organised an increasing amount of in-house customised inter-department or team training on highly technical subjects, thereby fostering knowledge and cooperation. In 2017, the Bank had in-house training on: cost estimates in the early stages of projects, monitoring social impact, structured finance and credit risks for complex projects as well as financial report writing. Communication and managerial training sessions were also held for all staff on feedback and accountability.

Safety
As part of the Safety Committee, the Human Resources team participated in setting up a service that provides travelling staff members with local health and safety information, as well as assistance in case of emergency. In the coming years, the Human Resources team will continue to contribute to the Bank’s duty of care as it promotes a culture that addresses the health, safety, security and well-being of its staff members.

In figures
KEY HR DATA AT END-2017
At year-end 2017, the CEB’s workforce amounted to 200 permanent staff, with the following features:

- Number of nationalities represented: up from 31 to 32
- Staff turnover: 5.2%
- Breakdown by gender:
  - 46% women
  - 54% men
  - professional staff (136):
    - 44% women
    - 56% men
  - support staff (64):
    - 77% women
    - 23% men
- Average age: 48 years
- Average job tenure: 12 years
- 57% of the staff followed one or more training courses
ENSURING THE BANK’S 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.

The CEB enjoys high ratings (Aa1 with Moody’s, outlook stable, AA+ with Standard & Poor’s, outlook positive and AA+ with Fitch Ratings, outlook stable) that mirror its strong financial profile, the support of its shareholders and its stringent risk management and liquidity policies; in June 2017, Standard & Poor’s revised the CEB’s rating outlook from ‘stable’ to ‘positive’. The Bank’s access to the global financial markets remains excellent thanks to its creditworthiness. In 2017, the CEB raised a total of €3.0 billion on very attractive terms, which eventually also benefit its borrowers for projects with a social purpose. In April 2017, the CEB successfully completed its first issuance of a social inclusion bond (see below).

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.

“‘There is a natural fit in the objectives of the CEB and the objectives of the social bond market.’”
Arturo Seco Presencio, Deputy CFO

While the CEB does not operate with the intention of maximising profits, its sustainable profitability allows the Bank to expand its capital base, thereby enabling it to channel additional finance towards social projects and to ensure effective development of its activity. Over the last twenty years, €2.4 billion in net profit has been allocated to the reserves. In 2017, the net result amounted to €112 million.

Focus

BRINGING A SOCIAL MANDATE TO CAPITAL MARKETS THROUGH SOCIAL INCLUSION BONDS

As an innovative way for the Bank to finance its projects, in April 2017, the CEB issued its first social inclusion bond, worth €500 million with a seven-year maturity. The launch enabled the CEB to reach out to new socially responsible investors, with the broader aim of creating momentum in the social bond market so as to bring the market to support social cohesion in Europe.

What sets social bonds apart is the obligation on behalf of the issuers to report on how the money is spent and what impact it has. Pursuant to the Social Inclusion Bond Framework, the proceeds of the CEB’s issuance are reserved for the financing of eligible loans to support social housing, education and vocational training, as well as job creation and preservation in MSMEs. In line with best market practice and recommendations from the International Capital Markets Association (ICMA), the CEB is committed to publishing a dedicated Social Inclusion Report, a year after the issuance. It is worth noting that the Bank has been part of ICMA’s social bond working group since its inception in early 2016, thereby contributing to the first edition of Social Bond Guidance (known today as Social Bond Principles). The CEB has also benefitted from a positive second opinion from the specialised ESG rating agency, Sustainalytics.

With this launch, the CEB demonstrated its leading role in the social bond market, having plans to issue a social inclusion bond on an annual basis.
LIMITING THE ORGANISATION’S CARBON FOOTPRINT

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

IMPROVING THE 2017 CARBON ASSESSMENT

In 2017, working with GreenFlex and using its “custom-made” GreenFlex IQ platform, the CEB undertook to refine the analysis of its carbon footprint by improving the system of data collection and by adding new indicators. The objective was to release more accurate and reliable data, to have a more precise interpretation of these indicators and thus more effectively target the related action plan. The methodology for calculating the greenhouse gas (GHG) emissions follows Bilan Carbone®, which is the official French methodology for calculating the GHG emissions of organisations according to the latest international references (GHG Protocol, ISO 14069, Carbon Disclosure Project etc.), in its version 8 dated December 2017.

This enhanced approach (see below) partly explains the small number of noted variations, which are detailed in the 2017 GRI Index.

<table>
<thead>
<tr>
<th>Emission Sources</th>
<th>Previous methodology</th>
<th>New methodology (2017)</th>
<th>Quality of activity data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile combustion</td>
<td>Yes</td>
<td>Yes</td>
<td>Better data</td>
</tr>
<tr>
<td>Emissions from the consumption of purchased electricity</td>
<td>Yes</td>
<td>Yes</td>
<td>Now including all the different electricity meters</td>
</tr>
<tr>
<td>Emissions from the consumption of steam and other sources of energy (e.g. chilled water)</td>
<td>Consumption of steam only</td>
<td>Yes</td>
<td>Better understanding of all the energy bills and split between electricity, heating and cooling.</td>
</tr>
<tr>
<td>Products and services bought and used</td>
<td>Paper only</td>
<td>Paper, office supplies and some physical services</td>
<td>Better understanding of the bills.</td>
</tr>
<tr>
<td>Capital assets</td>
<td>Estimates</td>
<td>IT assets</td>
<td></td>
</tr>
<tr>
<td>Indirect emissions of energy</td>
<td>Estimates</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Waste</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Business travel</td>
<td>Yes</td>
<td>Yes</td>
<td>Breakdown per type of plane trip.</td>
</tr>
<tr>
<td>Home-to-work commuting</td>
<td>Public transportation only</td>
<td>Yes</td>
<td>Precise data from a recent survey(*)</td>
</tr>
</tbody>
</table>

(*) An investigation was conducted end of December 2017 to gain precise knowledge of the practices of CEB staff members in their commuting. The results of this investigation will enable the Bank to better target its action to encourage the use of public transport or the bicycle. However, as already specified last year, the already widespread practice of using public transport among CEB staff will not allow for any substantial progress.
Measures and trends

In total, the CEB’s greenhouse gas emissions for 2017 amounted to 1,227 tons of CO₂, or 6.04 tCO₂/employee.

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

KEY INITIATIVES IN 2017

Actions carried out in 2017 extended the efforts made in recent years to reduce the GHG emissions.

The “green” replacement of equipment continued concerning the electricity and heating installations, as demonstrated by further substitution of standard incandescent bulbs by LED technology bulbs and the systematic installation of dimmer switches for lighting. These operations, which take place when refurbishing premises, have led to 30% coverage of the CEB building as of today.

As mentioned in the last year’s report, the modification of the air conditioning system was implemented and the CEB’s connection to the urban network should substantially improve the Bank’s efficiency in this area.

As also mentioned in the last year’s report, printers are being replaced and the use of collective printers with economy settings to replace the remaining individual printers should further reduce the consumption of ink and paper.

Lastly, the CEB decided to replace, in 2018, the two Bank’s service vehicles by two hybrid vehicles, a choice that is largely justified by their being used primarily for urban trips.

All these actions to reduce GHG emissions are positively reflected in the trends observed over the past few years. In addition, The Bank’s commitment to a new method of data collection, with a more detailed breakdown whenever possible, will fine-tune consumption monitoring and thus provide support for further action in the coming years.
This 2017 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 in the CEB’s lending and non-lending services as well as in its day-to-day functioning and management of staff.

The GRI Index for 2017 is available on the Bank’s website as a standalone document, which supplements this CSR Report.

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