

Second-Party Opinion

Council of Europe Development Bank

Social Inclusion Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Council of Europe Development Bank (“CEB”) Social Inclusion Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Social Housing, Education and Vocational Training, Health and Social Care, and MSME Financing for the Creation and Preservation of Viable Jobs – are aligned with those recognized by the Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive social impacts and help advance the UN Sustainable Development Goals, specifically SDG 3, 4, 8 and 11.



PROJECT EVALUATION / SELECTION CEB’s Project Monitoring Unit oversees the internal process for evaluating and selecting projects. Projects are screened against the Paris Agreement objectives and the Framework’s criteria. Allocation decisions follow CEB’s environmental and social risk management assessment. Sustainalytics considers this process to be strong and to be aligned with market best practice.



MANAGEMENT OF PROCEEDS CEB’s processes for management of proceeds are handled by its Finance department using a portfolio approach. Unallocated proceeds will be managed in line with the standard processes of CEB’s treasury until full allocation. Proceeds will be fully allocated to a portfolio of Eligible Social Loans within 24 months. Sustainalytics considers the management of proceeds as aligned with market practice.



REPORTING CEB intends to report on the allocation of proceeds through the publication of a Social Inclusion Bond Report on its website on an annual basis until full allocation. An independent auditor will review CEB’s allocation of proceeds, which is considered market best practice. In addition, CEB is committed to reporting on relevant impact metrics. Sustainalytics views CEB’s allocation and impact reporting as aligned with market practice.

Evaluation date March 15, 2022¹

Issuer Location Paris, France

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¹ This document is an update of a Second-Party Opinion, originally published in April 2020.

Introduction

The Council of Europe Development Bank (“CEB”, or the “Bank”) is a multilateral development bank with an exclusively social mandate to finance social projects, respond to emergency situations and contribute to improving the living conditions of the most disadvantaged population groups in its 42 Member States.²

CEB has developed the Council of Europe Development Bank Social Inclusion Bond Framework (the “Framework”) under which it intends to issue social bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that aim to provide positive social impact in the following areas:

1. Social Housing
2. Education and Vocational Training
3. Health and Social Care
4. MSME Financing for the Creation and Preservation of Viable Jobs

CEB engaged Sustainalytics to review the Council of Europe Development Bank Social Inclusion Bond Framework, dated March 2022, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2021 (SBP).³ The Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of CEB’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. CEB representatives have confirmed (1) they understand it is the sole responsibility of CEB to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Council of Europe Development Bank Social Inclusion Bond Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CEB.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market

² Albania, Andorra, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Holy See, Hungary, Iceland, Ireland, Italy, Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Republic of Moldova, Montenegro, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovak Republic, Slovenia, Spain Sweden, Switzerland and Turkey.

³ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

⁴ The Council of Europe Development Bank Social Inclusion Bond Framework is available on the Council of Europe Development Bank’s website at: <https://coebank.org/en/investor-relations/funding/>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CEB has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Council of Europe Development Bank Social Inclusion Bond Framework

Sustainalytics is of the opinion that the Council of Europe Development Bank Social Inclusion Bond Framework is credible and impactful, and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of the Framework:

Use of Proceeds:

- The eligible categories - Social Housing, Education and Vocational Training, Health and Social Care, and MSME Financing for the Creation and Preservation of Viable Jobs - are aligned with those recognized by the SBP. The projects and activities funded through this Framework may be located in any of the 42 CEB Member States.
- CEB may finance social housing projects for low-income persons including construction, refurbishment/renovation and conversion of buildings into low-income housing, corresponding to social housing criteria defined by the relevant national legislation of CEB Member States. In the absence of satisfactory regulations, the CEB's criteria as presented in the process for project evaluation and selection apply as well as the criteria for social housing for low-income persons, as defined in section 2.1 of the Framework. In relation to renovation, rehabilitation and conversion of rented housing units, only controlled rent properties are considered as eligible. Sustainalytics views the development of affordable housing and the targeting of low-income populations as contributing to a positive social impact and notes the strong criteria outlined in the Framework.
- Education and vocational training may include projects which provide educational and vocational opportunities, as well as the development of basic infrastructure. Projects and activities may range from financing programmes to train unemployed and disadvantaged populations to the construction and/or rehabilitation of education facilities. In order for a private institution to be considered eligible within this category it must be state approved with recognition of diplomas at a national level to ensure that access and affordability are maintained. Sustainalytics positively views investments into education infrastructure and vocational training and acknowledges CEB's commitment to ensuring affordable access to educational/vocational training for citizens of CEB Member Countries.
- Health and Social Care financing include projects related to healthcare infrastructure intending to benefit the general public in both public and private state-approved establishments, which must ensure universal access to healthcare for all patients. Some examples of specific activities that may be carried out include the construction, renovation and refurbishment of hospitals and healthcare infrastructure as well the improvement of facilities for the elderly and for people with disabilities and the purchase of updated medical equipment. A portion of these proceeds can be aimed at the mobilization of additional expertise and support to address pandemics.

- Sustainalytics views investments into education and healthcare infrastructure positively as they are expected to contribute to improving healthcare and education systems, including accessibility for the general population.
- In MSME financing category, CEB intends to finance programs for employment generation, unemployment prevention and alleviation stemming from socioeconomic crises, focused on the MSME⁶ sector. CEB will target MSMEs with limited, less favourable or with no access to credit, including those enterprises owned by vulnerable groups and start-ups. CEB gives priority to MSME initiatives which are supported by Member State government agencies. CEB will reach MSMEs in need of financing via licenced financial intermediaries which demonstrate a clear commitment to positive social impact and an ability to on-lend to targeted MSMEs. Sustainalytics recognizes the broad importance of MSME financing and acknowledges that the Bank has established robust exclusionary criteria to ensure that there will be no financing of any MSMEs involved in potentially controversial activities.
- Project Evaluation and Selection:
 - CEB's Project Management Unit of the Loans and Social Development Directorate oversees the internal process for evaluating and selecting projects in conformity with the political and social aims of the Council of Europe. As part of the process, CEB assigns a Project Overall Rating to each projects based on the expected social impact in the local contexts. Loans are granted according to specific technical and social development criteria outlined in the Framework and in strict conformity with environmental, procurement and compliance guidelines and policies. Environmental and social (E&S) risk assessment tools are integrated in the Bank's loan approval process to assess E&S risks profile of potential customers and projects. In addition, the Bank's Environmental and Social Safeguard Policy serves as the principal policy during the loan evaluation process to guide the E&S impact assessment. For additional detail see Section 2.
 - The Bank developed a project screening process to evaluate a project's alignment with the Paris Agreement's goals. The categorisation is based on a project's potential GHG emissions and its sensitivity to climate change. In case the borrower fails to provide sufficient information or commitments, the project proposal may be considered ineligible for CEB financing.
 - CEB's active involvement during the entire project cycle contributes to ensuring the quality and social impact of the projects. The Bank closely monitors and controls projects at every stage of implementation. Upon completion of a project, each borrower is required to submit a final report to the Bank presenting a review of the project's results. Sustainalytics considers this process to be strong and to be aligned with market best practice.
- Management of Proceeds:
 - CEB's Finance department oversees the management of proceeds, tracking allocation using a portfolio approach. Proceeds will be placed in CEB's treasury pending allocation and allocated to existing or new loans. Unallocated proceeds will be managed in line with the standard processes of CEB's treasury until full allocation. CEB intends to fully allocate proceeds to a portfolio of Eligible Social Loans within 24 months. Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - CEB intends to report on the allocation of proceeds through the publication of a Social Inclusion Bond Report, on its website, on an annual basis until full allocation. Allocation reporting will include a summary of the size of the eligible social loans portfolio per category, amount of allocated proceeds, balance of unallocated proceeds and amount or percentage of new financing and refinancing. An independent auditor will review CEB's allocation of proceeds, which is considered market best practice. CEB is also committed to reporting on relevant impact metrics, which will be aligned with the Harmonized Framework for Impact Reporting⁷ and will include number of dwellings, number of healthcare facilities upgraded, number of patients

⁶ CEB uses the same definition of MSMEs as the European Union (EU Commission Recommendation 2003/361/EC), which may be updated from time to time. Article 2(1) of the Annex to Recommendation 2003/361/EC says the following: "The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro."

⁷ ICMA, "Handbook - Harmonized Framework for Impact Reporting", (2021), at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf>

served, number of jobs created or preserved etc. For an exhaustive list of social impact indicators, please refer to Appendix 1: Social Bond/ Social Bond Programme - External Review Form. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Alignment with Social Bond Principles 2021

Sustainalytics has determined that the Council of Europe Development Bank Social Inclusion Bond Framework aligns with the four core components of the SBP. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

Section 2: Sustainability Strategy of CEB

Contribution of Framework to the Council of Europe Development Bank's sustainability activities

CEB focuses on financing social projects, responding to emergency situations and contributing to improving the livelihoods of disadvantaged population groups. The CEB fulfils its mission through a multi-annual Development Plan⁸ based on the following pillars: (i) inclusive growth – working to guarantee access to economic opportunities and ensure a prosperous future for all, (ii) support to vulnerable groups – helping to integrate the most vulnerable citizens and nurture a more diverse society, and (iii) environmental sustainability – supporting mitigation, and adaptation to climate change. As part of its mandate to respond to emergency situations, the Bank has been providing financial assistance to its member states to help them respond to the COVID-19 pandemic since 2020, including funding towards the health sector and to financing SMEs. Additionally, the Bank financially contributed to the successful rollout of vaccines in member countries in 2021.

The activities expected to be financed under the Framework will primarily contribute to the first two pillars described above. Regarding environmental sustainability, CEB aims to increase climate resilience by supporting those most vulnerable to climate change. The Bank has set up a Paris Alignment Framework⁹ based on four pillars to align its financial and operational activities with the Paris Agreement: (i) orient the Bank's financing to projects that do no significant harm to climate, (ii) identify opportunities to promote a just and socially inclusive climate transition, (iii) align with the Paris Agreement in internal activities, governance mechanisms and policies, (iv) enhance transparency and reporting on climate-related topics. CEB is working towards implementing the Paris Alignment Framework in its direct lending activities by the end of 2022.

Sustainalytics positively highlights the Bank's commitment to incorporate environmental sustainability into its social mandates. Sustainalytics is of the opinion that the activities and projects financed under the Framework will contribute to the implementation of CEB's Development Plan and are expected to bring positive social (and potentially environmental) impacts.

Well positioned to address common social and environmental risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are recognized by the SBP. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social impacts. Some key risks associated with the eligible projects could include community impact, stakeholder engagement and worker health and safety.

- Sustainalytics recognizes that the eligible projects and activities will not be directly implemented by CEB, which is a European multilateral development bank, but by different entities in its different Member States. However, CEB has implemented risk management policies and procedures in relation to its lending portfolio. The Bank has developed an Environmental and Social Safeguards process to assess, avoid, minimize, and mitigate E&S risks of its financing projects. The Bank conducts E&S risk assessments and due diligence during its project appraisal phase, classifies all the financing projects in one of five categories (A, B, C, FI and PI) based on the methodology of the EU Environmental Impact Assessment Directive.¹⁰ For high-risk projects (category A or B), CEB

⁸ CEB, "Development Plan", (2020), at: https://coebank.org/media/documents/Web_Development_Plan_2020_2022.pdf

⁹ CEB, "CEB defines roadmap for the next steps of alignment with Paris Agreement", (2021), at: <https://coebank.org/en/news-and-publications/news/ceb-defines-roadmap-next-steps-alignment-paris-agreement/>

¹⁰ The European Parliament and of the Council, DIRECTIVE 2014/52/EU, at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0052&from=FR>

requires borrowers and promoters to prepare an EIA or ESIA.¹¹ CEB discloses a non-technical summary of these documents on its website at least 30 days in advance of the CEB Administrative Council Decision. The Bank's Environmental and Social Safeguard Guideline (the Guideline) outlines detailed requirements for its E&S project risk assessments.

- For addressing risks associated with, land-use change, the Guideline requires CEB to develop and implement a Livelihoods Restoration Plan, especially for projects where impacts are anticipated to be significantly adverse. For projects involving displacement and involuntary resettlement, a Resettlement Plan or Framework must also be prepared and which include a gap analysis between national legal frameworks and the Bank's requirements.
- For ensuring adequate stakeholder engagement, the Guideline has in place mechanisms for consultation with all stakeholders early in the preparation stage of a project and updated as necessary throughout implementation. Additionally, relevant information and documents must be disclosed in a way accessible to the persons affected by the project.
- For mitigating risks associated with worker health and safety, the Guideline includes a gap analysis between international standards and host country regulatory frameworks and requires borrowers to submit a Health and Safety Management Plan to address these gaps. Reference international standards such as the ILO's Guidelines on Occupational Safety and Management Systems¹² and the EU's OSH Framework Directive¹³ apply as appropriate, as well as industry-specific guidelines.

Based on the above, Sustainalytics is of the opinion that CEB has adequate risk management policies in place and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the SBP. Sustainalytics has focused on two below whose impact is specifically relevant.

Importance of ensuring universal access of healthcare

Healthcare differences among and within CEB's member states continue to undermine equal and universal access to healthcare.¹⁴ For example, the number of physicians per 100,000 inhabitants varied from 188.1 in Turkey to 610.4 in Greece in 2018.¹⁵ The number of full-time equivalent nursing professionals and midwives per 100,000 varied from 73.9 in Romania to 1,774.3 in Norway.¹⁶ By financing the construction, renovation and modernization of healthcare infrastructure, such as hospitals and neighbourhood healthcare centres, CEB can help member states increase their capacity and improve access to affordable, good quality healthcare.

Furthermore, by providing financing for emergency medical equipment, the mobilization of additional expertise, and the rehabilitation and transformation of healthcare spaces, CEB can help reduce equipment shortages and improve its member states' ability to respond to pandemics. For example, helping to address the wide gap in vaccination coverage against COVID-19, for which the booster uptake rate in March 2022 reached 69.8% in France, but only 8.6% in Romania.¹⁷

Based on the above, Sustainalytics is of the opinion that CEB's financing of healthcare and related infrastructure is expected to provide positive social impact by increasing access to healthcare and by improving CEB's member states' capacity to respond to healthcare crises.

¹¹ CEB, "Environmental and Social Policy", (2016), at: https://coebank.org/media/documents/Environmental_and_Social_Safeguards_Policy.pdf

¹² ILO, "Guidelines on occupational safety and health management systems", (2001), at: https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---safework/documents/normativeinstrument/wcms_107727.pdf

¹³ the European Union information agency for occupational safety and health, Directive 89/391/EEC - OSH "Framework Directive", at: <https://osha.europa.eu/en/legislation/directives/the-osh-framework-directive/1>

¹⁴ Council of Europe, "Health", at: <https://www.coe.int/en/web/compass/health>

¹⁵ Physicians include general practitioners, other generalist medical practitioners, general paediatricians, gynaecologists and obstetricians, psychiatrists, medical groups of specialists and other specialists not elsewhere classified. Eurostat, "Healthcare personal statistics – physicians", (2020), at:

https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Healthcare_personnel_statistics_-_physicians

¹⁶ Eurostat, "Healthcare personnel statistics - nursing and caring professionals", (2019), at: https://ec.europa.eu/eurostat/statistics-explained/index.php/Healthcare_personnel_statistics_-_nursing_and_caring_professionals#Healthcare_personnel

¹⁷ European Centre for Disease Prevention and Control, "Data on COVID-19 vaccination in the EU/EEA", at: <https://www.ecdc.europa.eu/en/publications-data/data-covid-19-vaccination-eu-eea>

Supporting MSMEs to create and preserve employment

MSMEs represent 99% of all businesses in the EU and provide two-thirds of the total private sector employment, highlighting their contribution to economic growth and employment in most CEB member states.¹⁸ Therefore, through direct lending and on-lending instruments, the CEB can contribute positively to strengthening MSME financing, employment and the economy more broadly in its member states. Comparatively, the EU loan guarantee scheme for MSMEs, for example, enabled beneficiaries to grow more rapidly than non-beneficiaries in terms of assets, sales and employment between 2002 and 2016.¹⁹ Additionally, the scheme's impact on employment growth was estimated to be between 8% and 30%,¹⁹ further highlighting the importance of MSMEs in providing stable employment.

Among the CEB's target group countries²⁰, MSMEs in Turkey accounted for 99.8% of all domestic enterprises and 72.4% of total national employment in 2019.²¹ MSMEs also contribute to reducing regional inequalities in the country, which has one of the largest regional disparities among OECD countries in terms of unemployment and economic development.²² 80% of MSMEs have suffered significant negative impacts from the COVID-19 pandemic in Turkey, such as temporary suspension of activities and a decline in revenues.²³ In response to that, the Government of Turkey announced an economic stimulus package in 2020, which double the Credit Guarantee Fund limit to TRY 50 billion (EUR 4.98 billion) and expanding it to MSMEs.²⁴

In the Georgian economy, MSMEs account for 41% of total domestic turnover and 58% of total national employment.²⁵ They contribute significantly to inclusiveness and productivity as well as to the diversification of the local economy. However, there are still many obstacles in financing MSMEs in a developing economy like Georgia. For example, the high interest rates on local currency loans, unstable exchange rates, lack of credibility, transparency, legal regulations, and so on.²⁶

Based on this context, Sustainalytics is of the opinion that CEB's use of proceeds to finance MSMEs will contribute to economic development and job creation in the developing economies of the Member States.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Social Inclusion Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Social Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Education and Vocational Training	4. Quality Education	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
Health and Social Care	3. Good Health & Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and

¹⁸ European Commission, "Internal Market, Industry, Entrepreneurship and SMEs", at: https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

¹⁹ Brault, J., et Signore, S., (2019), "The real effects of EU loan guarantee schemes for SMEs: A pan-European assessment", EIF Working Paper Series 2019/56, at: <https://ideas.repec.org/p/zbw/eifwps/201956.html>

²⁰ CEB, "Member countries", at: <https://coebank.org/en/about/member-countries/>

²¹ Turkish Statistical Institute, "Small and Medium Sized Enterprises Statistics, 2019", at: <https://data.tuik.gov.tr/Bulten/Index?p=Small-and-Medium-Sized-Enterprises-Statistics-2019-37548&dil=2>

²² OECD, "Job Strategy- Turkey", (2018), at: <https://www.oecd.org/turkey/jobs-strategy-TURKEY-EN.pdf>

²³ UNDP, "Four in every five SMEs substantially impacted by COVID-19 crisis!", (2020), at: <https://www.tr.undp.org/content/turkey/en/home/presscenter/pressreleases/2020/04/B4G-anket.html>

²⁴ 1 UNESCAP, "Turkey- COVID Country profile", (2021), at: https://www.unescap.org/sites/default/d8files/2021-03/Turkey_COVID%20Country%20profile%20230321.pdf

²⁵ Charaia, V. and Lashkhi, M, (2021), "SME Sector Development Through Fintech in Gerorgia", Globalization and Business, at: <https://www.eugb.ge/uploads/content/N12/Vakhtang%20Charaia.pdf>

²⁶ Ibid.

		<p>access to safe, effective, quality and affordable essential medicines and vaccines for all</p> <p>3.D Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks</p>
MSME Financing for the Creation and Preservation of Viable Jobs	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

Conclusion

CEB has developed the Council of Europe Development Bank Social Inclusion Bond Framework under which it intends to issue social bonds and use the proceeds to finance and refinance social housing, education and healthcare, and MSMEs support related expenditures in the CEB’s member states. Sustainalytics considers that the projects funded by the social bond proceeds are expected to provide positive social impact.

The Council of Europe Development Bank Social Inclusion Bond Framework outlines a process for tracking, allocating, and managing proceeds, and makes commitments for CEB to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Council of Europe Development Bank Social Inclusion Bond Framework is aligned with the overall sustainability strategy of the Bank and that the social use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 8 and 11. Additionally, Sustainalytics is of the opinion that CEB is well positioned to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Council of Europe Development Bank is well-positioned to issue social bonds and that the Council of Europe Development Bank Social Inclusion Bond Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2021.

Appendix

Appendix 1: Social Bond/ Social Bond Programme -External Review Form

Section 1. Basic Information

Issuer name:	Council of Europe Development Bank
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Council of Europe Development Bank Social Inclusion Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 15, 2022
Publication date of review publication: Original publication date [please fill this out for updates]:	Update to Council of Europe Development Bank Social Inclusion Bond Framework Second-Party Opinion, published April 2020.

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Social Housing, Education and Vocational Training, Health, and MSME Financing for the Creation and Preservation of Viable Jobs – are aligned with those recognized by the Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive social impacts and help advance the UN Sustainable Development Goals, specifically SDG 3, 4, 8 and 11.

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

CEB's Project Monitoring Unit oversees the internal process for evaluating and selecting projects. Projects are screened against the Paris Agreement objectives and the Framework's criteria. Allocation decisions follow CEB's environmental and social risk management assessment. Sustainalytics considers these risk management systems to be adequate and the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

CEB's processes for management of proceeds are handled by its Finance department using a portfolio approach. Unallocated proceeds will be managed in line with the standard processes of CEB's treasury until full allocation. Proceeds will be fully allocated to a portfolio of Eligible Social Loans within 24 months. Sustainalytics considers the management of proceeds as aligned with market practice.

Tracking of proceeds:

- Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

CEB intends to report on the allocation of proceeds through the publication of a Social Inclusion Bond Report on its website on an annual basis until full allocation. An independent auditor will review CEB's allocation of proceeds, which is considered market best practice. In addition, CEB is committed to reporting on relevant impact metrics. Sustainalytics views CEB's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Council of Europe Development Bank Social Inclusion Bond Framework

Information reported:

- Allocated amounts
 Social Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual
 Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify): Number of dwellings (construction/renovation), number of beneficiaries, number of schools (construction/renovation), number of students, number of healthcare facilities upgraded, Loan breakdown per buildings and equipment delivered, number of patients served, number of vaccines financed, number of PPE such as masks, shields, gloves, surgical gowns, etc. for medical emergencies or associated with vaccination, number of beds financed, number of MSMEs, number of jobs preserved, number of jobs created

Information reported (expected or ex-post):

- Number of beneficiaries
 Target populations
- Other ESG indicators (please specify):

Frequency:

- Annual
 Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
- Information published in ad hoc documents
 Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP

- i. **Second-Party Opinion:** An institution with social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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