

Additional reporting and disclosures

Corporate governance

The Bank is committed to the highest standards of corporate governance. Responsibilities and related controls throughout the Bank are properly defined and delineated. Transparency and accountability are integral elements of its corporate governance framework. This structure is further supported by a system of reporting, with information appropriately tailored for, and disseminated to, each level of responsibility within the Bank to enable checks and balances on the Bank's activities to function effectively.

The Bank's governing constituent document is the Agreement Establishing the EBRD (the Agreement), which states that the institution will have a Board of Governors, a Board of Directors, a President and Vice Presidents, as well as other officers and staff.

Board of Governors

All the powers of the Bank are vested in the Board of Governors, which represents the Bank's 74 members. With the exception of certain reserved powers, the Board of Governors has delegated the exercise of its powers to the Board of Directors, while retaining overall authority.

Board of Directors

The Board of Directors comprises 23 Directors and is chaired by the President. Each Director represents one or more members. Subject to the Board of Governors' overall authority, the Board of Directors is responsible for the direction of the Bank's general operations and policies. It exercises the powers expressly assigned to it by the Agreement and those powers delegated to it by the Board of Governors. The Board of Governors has established the following Committees: the Procedures Committee, the Governors' Committee, the Remuneration Committee and the Ethics Committee.

Board committees

The Board of Directors has established three board committees to assist with its work:

The **Audit and Risk Committee** assists the Board of Directors in fulfilling its responsibilities in relation to the following:

- the integrity of the Bank's financial statements and its accounting, financial reporting and disclosure policies and practices
- the soundness of the Bank's systems of internal controls that management has established regarding finance and accounting matters and their effective implementation
- the Bank's Independent Evaluation function, including its status, performance and ability to perform its duties independently and in line with the provisions of the Bank's Evaluation Policy
- the Bank's Independent Project Accountability Mechanism (IPAM), including its status, performance and ability to perform its duties independently and in line with the provisions of the Project Accountability Policy
- the Bank's Internal Audit and Compliance functions
- the Bank's Risk Management function
- the independence, qualifications and performance of the Bank's external auditors
- other responsibilities within its remit.

The **Budget and Administrative Affairs Committee** assists the Board of Directors in fulfilling its responsibilities in relation to the following:

- oversight of the preparation of the Strategy Implementation Plan (SIP) and review of those parts that fall within its remit
- efficiency, cost control and budgetary prudence
- oversight of the Bank's Special Funds (in particular the EBRD Shareholder Special Fund), the use of donor funding and relations with the donor community
- the Bank's Human Resources policies
- specific responsibilities in relation to Governors, the President, Vice Presidents and Directors of the Bank
- the Bank's administrative arrangements
- other responsibilities within its remit.

The **Financial and Operations Policies Committee** assists the Board of Directors in fulfilling its responsibilities in relation to the following:

- oversight of the preparation of the Strategic and Capital Framework (SCF) and review of those parts that fall within its remit
- the Bank's financial policies
- the Bank's operations policies, which include (but are not limited to) sector strategies
- the annual review of the Bank's operations and lending strategy in each recipient country
- the Bank's policies relating to transparency, disclosure and good governance, and the promotion of environmentally sound and sustainable development
- other responsibilities within its remit.

The President

The President is elected by the Board of Governors. The President is the legal representative and chief of staff of the EBRD. Under the guidance of the Board of Directors, the President conducts the day-to-day business of the Bank.

The President chairs the Bank's Executive Committee, which also includes the Vice Presidents and other members of the Bank's senior management.

Primary management committees

Listed below are the committees that directly advised the President or a member of the Executive Committee on the overall management of the Bank during 2023.

Management committees	Chair	Purpose of the Committee	Meeting frequency
Executive Committee	President	Advises the President on all aspects of bank-wide strategic significance, with the exception of matters that fall within the competence of other management committees, as defined in their terms of reference.	Fortnightly
Operations Committee	First Vice President and Head of Client Services Group	Considers matters related to Banking investment operations.	Weekly
Strategy and Policy Committee	Vice President, Policy and Partnerships	Considers matters that fall within the overall responsibility of the Vice President, Policy and Partnerships; and certain matters falling within the responsibility of the Chief Economist. It focuses primarily on transition, strategy and policy work: country, sector and thematic strategies and policy-related research.	Fortnightly
Risk Committee	Vice President, Chief Risk Officer	Considers matters that fall within the responsibility of the Vice President, Chief Risk Officer, such as Bank-wide risks, including credit and operational risk, with associated follow-up actions. It oversees risk aspects of the Banking and Treasury portfolios (for example stress testing), approves risk policies and risk reports and considers new Banking/Treasury products.	Monthly
Asset and Liability Committee	Vice President, Finance and Chief Financial Officer	Considers matters related to oversight and management of the Bank's balance sheet position and associated risks, within the limits of the approved risk appetite. It focuses on the management of the Bank's capital adequacy, liquidity resilience and the other structural balance sheet risks.	Quarterly
Equity Committee	First Vice President and Head of Client Services Group	Oversees the equity portfolio and approves equity exits.	Weekly
Crisis Management Team	Vice President, Chief Risk Officer	Prepares coordinated responses to all critical internal and external issues arising in connection with events that affect the normal operations of the Bank. Ensures that the crisis management and business recovery plans are in place and are tested on a regular basis.	At least three times per year
Information Technology Governance Committee	Vice President, Chief Transformation Officer	Ensures that the Bank's IT strategy and business plan support the Bank's business strategy. Establishes the framework for measuring business benefits and oversees the realisation of benefits arising from IT projects. Reviews and approves business requests for budget allocation on new projects from the approved IT budget.	Monthly
Programme Steering Board	Vice President, Chief Transformation Officer	Ensures the effective and timely implementation of change programmes, approves project design, reviews progress, reports and escalates issues as appropriate.	Monthly
Data Management Committee	Vice President, Chief Transformation Officer	Considers the Bank's data architecture and all matters related to data management.	Quarterly
Procurement Complaints Committee	Managing Director, Chief Compliance Officer	Reviews and determines the Bank's position relative to complaints arising from tendering for goods and works and services and selection of consultant services (including those funded by Technical Cooperation grants or the Bank's budget) carried out in accordance with the Bank's policies, directives and procedures for procurement matters.	As necessary

Compliance

The EBRD's Office of the Chief Compliance Officer (OCCO) has been established as a function that is independent of the Bank's operational departments. It is headed by a Chief Compliance Officer (CCO) who reports to the President and has full and free access to the Chair of the Audit and Risk Committee. Any decision to remove the CCO (other than for misconduct) shall be taken by the President in accordance with guidance given by the Board of Directors in an Executive Session.

OCCO's mission is to protect the integrity and reputation of the Bank, to promote ethical standards of behaviour and to strengthen the Bank's accountability and transparency. OCCO assists in identifying, assessing and monitoring integrity risks arising from failure to comply with the Bank's standards and policies; and contributes, in an independent manner, to the Bank's effective management of such risks. OCCO is also responsible for the development and maintenance of the policies and standards it enforces. The EBRD's *Integrity Risks Policy* and *Terms of Reference for OCCO*, last revised on 16 November 2016, and available at www.ebrd.com¹⁶ set out, for the benefit of the Bank's stakeholders, the manner in which OCCO helps the Bank to protect its integrity and reputation and to manage integrity risks related to clients and personal-conduct-related risks. Revisions to the *Integrity Risks Policy* commenced in the second half of 2022 and it is anticipated that the revised policy will come into effect in 2024.

As part of its standard-setting role, OCCO is responsible for developing and recommending the policies, rules, procedures and processes governing the ethical behaviour of Board officials, management and staff of the Bank; for establishing the standards of integrity that the Bank expects of its clients, project sponsors and other counterparties; and for ensuring that policies, rules, procedures and processes are effectively communicated and implemented. Its objective is to ensure that the internal standards of integrity at the EBRD are in line with international good practice, creating a demonstration effect in the economies where the Bank invests.

The *Code of Conduct for Officials of the Board of Directors of the EBRD* and *Code of Conduct for EBRD Personnel* (the Codes) are the Bank's core ethical policies that allow it to assess and mitigate personal conduct-related risks. The Codes are approved by the Bank's Board of Governors and represent and articulate the values, duties, obligations and ethical standards that the EBRD expects of its Board Officials and staff members. Each Code must be reviewed no later than five years from the date on which it became effective. In September 2021 the Board of Governors approved a new ethics architecture for the Bank, which became effective on 11 November 2021. This resulted in a number of changes to the Codes. A key element of the revised architecture is a standing Ethics Committee, consisting of Directors selected under a codified procedure. It investigates reports of alleged misconduct of "Covered Persons", namely: (i) Board Officials; (ii) the President; (iii) Vice Presidents; (iv) the Chief Evaluator; (v) the Chief Accountability Officer; (vi) the Chief Compliance Officer; and (vii) the Chief Internal Auditor. The Codes can be found at: www.ebrd.com/integrity-and-compliance.html.

Financial and integrity due diligence are integrated into the Bank's approval of new business and the monitoring of its existing operations. OCCO provides independent expert advice to management on significant integrity concerns and assesses whether the potential risk is acceptable to the Bank. It monitors the integrity due diligence information provided by the Banking Department to ensure that it is accurate and that integrity concerns are properly identified and, where possible, mitigated. It also advises on and manages risks relating to the identification and handling of material non-public information, and those relating to conflicts of interest that may arise between the EBRD's multiple relationships with, or interests in, clients. In addition, the EBRD's policy on *Domiciliation of EBRD Clients* (the Domiciliation Policy) sets out the conditions under which the EBRD may finance a project when a borrower, an investee or a controlling entity is domiciled in a jurisdiction other than that where the project is located (a third jurisdiction). The Domiciliation Unit within OCCO assesses projects to determine whether jurisdictions used in cross-border ownership structures are acceptable.

OCCO is further responsible for investigating allegations of staff misconduct as well as allegations of fraud and corruption in relation to the Bank's projects and counterparties. Allegations of staff misconduct are investigated under the *Conduct and Disciplinary Rules and Procedures* (CDRPs), which address, among other things, the Bank's approach to handling complaints of inappropriate behaviour and the division of responsibility between the CCO as fact-finder and the Managing Director, Human Resources and Organisational Development as decision-maker. The CDRPs specify the rights and duties of both the Bank and the staff member in question during the investigative and disciplinary processes and provide safeguards for the subject of the investigation. Allegations of misconduct on the part of the Covered Persons are dealt with in accordance with the provisions of the Codes. Revision of the CDRPs, together with the *Harassment-Free and Respectful Workplace Procedures* (RWPs), which set out processes for dealing with improper interpersonal behaviour, is ongoing. This work, led by HR with input from OCCO, will further strengthen the Bank's phased reporting mechanism, under which allegations of improper interpersonal behaviour are managed.

¹⁶ www.ebrd.com/documents/occo/ebrds-integrity-risk-policy-and-the-terms-of-reference-for-the-office-of-the-chief-compliance-officer.pdf

Allegations of fraud and corruption in relation to activities and projects financed from the Bank's ordinary capital resources (including the purchase of goods, works or services for the Bank) or from special resources, or from Cooperation Funds administered by the Bank, are investigated under the Bank's *Enforcement Policy and Procedures* (EPPs). The EBRD's EPPs are the policy and procedures governing the investigation and sanctioning (if necessary) of parties alleged to have engaged in Prohibited Practices in relation to Bank assets or a Bank project and the sanctioning of parties on whom a third-party finding (as defined by the EPPs) has been imposed. The EPPs define Prohibited Practices as coercion, collusion, corruption, fraud, misuse of EBRD resources or EBRD assets, obstruction and theft. They also allow for a two-tier decision-making process, the introduction of a settlement process and streamlining the procedures for referring matters to national authorities. The EPPs also describe the process by which the Bank applies sanctions imposed by other multilateral development banks pursuant to the *Agreement for the Mutual Enforcement of Debarment Decisions*. Details of the individuals, entities and sanctions are posted at www.ebrd.com/ineligible-entities.html.

OCCO is also responsible for training Bank personnel in relation to the Bank's ethical principles, anti-money-laundering and counter-terrorist-financing requirements. Since September 2022 it also provides mandatory training to Board officials on the Board Code of Conduct. In addition, it provides specialist training and advises, as necessary, individuals who are nominated by the Bank to serve as directors on the boards of companies in which the Bank holds an equity interest.

The Bank's annual *Integrity and Anti-Corruption Report* is published by OCCO. The report describes the Bank's strategy to promote integrity and prevent fraud and corruption and highlights the most recent measures taken. It can be found at www.ebrd.com/integrity-and-compliance.html.

Independent Project Accountability Mechanism

The Bank has an accountability mechanism that assesses and reviews complaints about environmental, social and disclosure issues in relation to Bank-financed projects and provides, where warranted, a determination as to whether the Bank acted in compliance with relevant policies when it approved a particular project. The mechanism also has a problem-solving function which can serve to restore dialogue between the project sponsor and members of the affected community. The Independent Project Accountability Mechanism (IPAM), which started operations in July 2020, reports to the Board via the Audit and Risk Committee and is headed by the Chief Accountability Officer. The Chief Accountability Officer is responsible for directing the effective implementation of the EBRD's 2019 *Project Accountability Policy*, promoting institutional accountability at the project level, institutional learning and upholding the reputation of the Bank.

Information about IPAM and registered complaints can be found at www.ebrd.com/project-finance/independent-project-accountability-mechanism.html.

Reporting

The EBRD's corporate governance structure is supported by appropriate financial and management reporting. The Bank has a functioning mechanism to be able to certify in the *Financial Report 2023* as to the effectiveness of internal controls over external financial reporting, using the COSO (Committee of Sponsoring Organisations of the Treadway Commission) internal control framework (2013). This annual certification statement is signed by both the President and the Vice President, Finance and Chief Financial Officer and is subject to a review and an attestation by the Bank's external auditors. In addition, the Bank has a comprehensive system of reporting to its Board of Directors and its committees. This includes reporting to the Audit and Risk Committee on the activities of the Evaluation Department and the Internal Audit Department.

Financial and operational risks

Financial and operational risks are discussed in the "Risk management" section of this report on page 33.

Internal audit

The Internal Audit Department is a third line of defence and, in accordance with the Institute of Internal Auditors' International Professional Practices Framework, is responsible for providing independent and objective assurance to executive management and the Board of Directors on the adequacy and effectiveness of internal controls, governance and risk management processes to mitigate the Bank's key risks.

External auditors

The external auditors are appointed by the Board of Directors, on the recommendation of the President. The external auditors may be appointed for terms of five years with a maximum of two consecutive terms. In 2019, the Board approved the appointment of PricewaterhouseCoopers LLP in their first term as the Bank's external auditors for the five-year period 2020-24.

The external auditors perform an annual audit in order to be able to express an opinion on whether the financial statements give a true and fair view of the state of the Bank's affairs and of its profit and cash flows, in accordance with International Financial Reporting Standards (IFRS). In addition, the external auditors provide their opinion on management's assertion as to the effectiveness of internal controls over financial reporting. This opinion is given as a separate report to the audit opinion. At the conclusion of its annual audit, the external auditors prepare a management letter for the Audit and Risk Committee, setting out their views and management's responses on the effectiveness of internal controls and other matters. This letter is reviewed in detail and discussed with the Audit and Risk Committee. The Audit and Risk Committee reviews the performance and independence of the external auditors annually.

There are key provisions in the Bank's policies regarding the independence of the external auditors. The external auditors are prohibited from providing non-audit related services to the Bank unless such a service is judged to be in the interest of the Bank, is consistent with relevant professional independence principles, and is approved by the Audit and Risk Committee. The external auditors can also provide consultancy and other services paid for by the Bank, Special Funds and Cooperation Funds relating to client projects; such incidences are similarly approved by the Audit and Risk Committee. Collectively, all non-audit related services provided by the external auditor are subject to an overall cap approved by the Audit and Risk Committee.

Reward policy

The Bank has designed a market-oriented staff reward policy, within the constraints of its status as an international financial institution (IFI), with the following principles that reward should:

- be competitively positioned in order to attract and retain high calibre employees from a wide range of our regions
- promote a culture where consistent high performance and behaviours that reflect EBRD values and competencies are recognised and rewarded
- facilitate mobility in support of business objectives and continued staff development
- deliver a high-quality package of benefits on a global basis to provide an appropriate level of security and be relevant to a diverse employee base
- engage with employees through an open and transparent total reward process.

To help meet these principles, the Bank uses market comparators to evaluate its staff compensation and aims to ensure that salary and performance-based compensation awards are driven by performance. Market comparators for the Bank are primarily private-sector financial institutions in each of its locations plus other IFIs.

The performance-based compensation awards are structured to recognise individual and team contributions to the Bank's overall performance. These payments represent a limited proportion of the overall total compensation and benefits package provided to staff.

EBRD staff remuneration

Staff on fixed-term or regular contracts are eligible for an annual salary adjustment which is reviewed on 1 January each year. In addition, members of staff who are not eligible for overtime pay are eligible to receive a performance-based compensation award depending on the Bank's and the individual staff member's performance, and subject to any eligibility clause specified within their contractual terms of reference.

Staff on fixed-term or regular contracts, as well as most of the Board of Directors,¹⁷ the President and Vice Presidents, are covered by medical insurance, life insurance and participate in the Bank's retirement plans. Certain staff hired from abroad may be eligible for some allowances to assist with costs related to their relocation.

There are two retirement plans in operation. The Money Purchase Plan is a defined contribution plan to which both the Bank and staff contribute, with Plan members making individual investment decisions. The Final Salary Plan (FSP) is a defined benefit plan, to which only the Bank contributes. Both plans provide a lump sum benefit on leaving the Bank or at retirement age, such that retirement plan obligations to staff once they have left the Bank or retired are minimal (being limited to inflation adjustments on undrawn or deferred benefits under the FSP). The rules for the retirement plans are approved by the Board of Directors and the operation of the plans is monitored by a Retirement Plan Committee, a Retirement Plan Administration Committee and a Retirement Plan Investment Committee.

¹⁷ Some Directors and Alternate Directors are paid directly by their constituency and do not participate in the Bank's retirement plans and/or other benefits.

The salaries and emoluments of all staff are subject to an internal tax, applied at rates that vary according to the individual's salary and personal circumstances. Their salaries and emoluments are exempt from national income tax in the United Kingdom.

President and Vice Presidents

The President is elected by the Board of Governors and typically receives a fixed-term contract of four years. The President's salary and benefits are approved by the Board of Governors. The President can participate in the same benefit schemes as the staff but is not eligible for performance-based compensation awards.

The Vice Presidents are appointed by the Board of Directors on the recommendation of the President and typically have fixed-term contracts of four years. Their salaries and benefits are approved by the Board of Directors. The Vice Presidents can participate in the same benefit schemes as the staff but are not eligible for performance-based compensation awards.

The gross salaries, from which internal tax is deducted, for each of these positions is as follows:

	2023 £ 000	2023 € 000	2022 £ 000	2022 € 000
President	411	472	393	461
First Vice President and Head of Client Services Group	377	434	361	424
Vice President, Finance and Chief Financial Officer	344	396	330	387
Vice President, Risk and Compliance and Chief Risk Officer ¹⁸	344	396	330	387
Vice President, Banking	344	396	330	387
Vice President, Chief Transformation Officer	344	396	330	387
Vice President, Policy and Partnerships	344	396	330	387

Board of Directors

Directors are elected by the Board of Governors for a term of three years and may be re-elected. Directors appoint Alternate Directors. The salaries of Directors and Alternate Directors are approved by the Board of Governors. They can participate in the same benefit schemes as staff but are not eligible for performance-based compensation awards. Some Directors and Alternates are paid directly by the constituency that they represent. In such cases, the funds that would otherwise be used by the Bank to pay such Directors and Alternates are made available to the directorship to offset other eligible costs.

The most recently approved gross salaries for these positions, from which internal tax is deducted, are as follows:

	2023 £ 000	2023 € 000	2022 £ 000	2022 € 000
Director	174	200	166	195
Alternate Director	144	166	138	162

Senior management

Key management personnel comprise members of the Bank's Executive Committee and Managing Directors. This group, excluding the President and Vice Presidents (for whom information is given above), consists of 36 (2022: 33) individuals who received gross salaries, from which internal tax is deducted, in the ranges shown in the table below. The average performance-based compensation award for eligible members of this group was 20 per cent of annual gross salaries in 2023 (2022: 20 per cent).

	2023 £ 000	2023 € 000	2022 £ 000	2022 € 000
Minimum	154	177	147	172
Median	200	230	189	222
Maximum	297	341	284	333
No. in group	36	36	33	33

¹⁸ Left the Bank on 20 December 2023. Subsequently the role has been amended to that of Vice President, Chief Risk Officer.