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# Additional reporting and disclosures

## Corporate governance

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The EBRD 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 the system of checks and balances on the Bank's activities to function effectively.

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

### Board of Governors

All the powers of the Bank are vested in the Board of Governors, which represents the Bank's 68 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.

### Board Committees

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

The **Audit 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 status, the ability to perform duties independently and the performance of the Bank's compliance, internal audit, evaluation and risk management functions
- the independence, qualifications and performance of the Bank's external auditor
- 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:

- the budgetary, staff and administrative resources of the Bank
- efficiency, cost control and budgetary prudence
- 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
- policies relating to governance and ethics
- 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:

- the Bank's financial policies
- the Bank's Treasury operations, Liquidity Policy and Borrowing Programme
- the Bank's operational policies
- the Bank's strategic portfolio management within the framework of the Medium-Term Strategy
- transparency and accountability of the Bank's operations within the framework of the Public Information Policy and the Project Complaint Mechanism
- other responsibilities within its remit.

The composition of these committees during 2017 is detailed in the digital version of the *Annual Review* ([www.ar-ebrd.com](http://www.ar-ebrd.com)).

### The President

The President is elected by the Board of Governors. He is the legal representative and chief of staff of the Bank. Under the direction 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 2017.

Management Committees	Chair	Purpose of the Committee	Meeting frequency
<b>Executive Committee</b>	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.	Monthly
<b>Management Committee</b>	Senior Vice President, Chief Financial Officer and Chief Operating Officer	Considers bank-wide operational and administrative matters.	Fortnightly
<b>Operations Committee</b>	First Vice President and Head of Client Services	Considers matters related to the Bank's investment operations.	Weekly
<b>Strategy and Policy Committee</b>	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
<b>Risk Committee</b>	Vice President, Risk and Compliance and Chief Risk Officer	Considers matters that fall within the responsibility of the Vice President, Risk and Compliance, 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.	Fortnightly
<b>Asset and Liability Committee</b>	Senior Vice President, Chief Financial Officer and Chief Operating Officer	Considers matters that fall within the overall accountability of the Senior Vice President, Chief Financial Officer, Chief Operating Officer in his/her capacity of supervising Treasury activities and liquidity management at the Bank: areas of liquidity policy and management, funding and other Treasury activities, including monitoring business plan implementation, limit compliance and hedging strategy implementation.	Quarterly
<b>Equity Committee</b>	First Vice President and Head of Client Services	Maintains oversight of listed and unlisted share investments. Reviews and identifies suitable exit opportunities and makes recommendations on such exits to the Operations Committee.	Quarterly
<b>Crisis Management Team</b>	Vice President and Chief Administrative 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 two times per year
<b>Information Technology Governance Committee</b>	Vice President and Chief Administrative 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.	At least six times per year
<b>Procurement Complaints Committee</b>	Deputy General Counsel, Corporate	Considers complaints and disputes arising from tendering and contracts for goods, works and consultant services (including those funded by cooperation funds or the Special Funds resources), subject to the Procurement Policies and Rules of the Corporate Procurement Policy.  Reviews procurement and related matters referred to it by the Executive Committee.	As necessary

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## EBRD Codes of Conduct

The EBRD has a Code of Conduct for Officials of the Board of Directors and a separate Code of Conduct for Bank Personnel, which, respectively, articulate the values, duties and ethical standards the Bank expects of its Board officials and staff. These Codes were last revised, with approval of the Bank's Board of Governors, in February 2012. In accordance with the five-year review cycle, a review of both Codes of Conduct commenced in 2017 and is expected to conclude in the first half of 2018. The Codes of Conduct can be obtained at [www.ebrd.com/integrity-and-compliance.html](http://www.ebrd.com/integrity-and-compliance.html)

## 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 functionally to the President and has full and free access to the Chair of the Audit 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.com/downloads/integrity/integrityriskpol.pdf](http://www.ebrd.com/downloads/integrity/integrityriskpol.pdf) sets 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.

Financial and integrity due diligence are integrated into the Bank's normal approval of new business and in 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.

OCCO is further responsible for investigating allegations of staff misconduct as well as allegations of fraud and corruption in relation to Bank projects and counterparties. Allegations of staff misconduct are investigated under the Conduct and Disciplinary Rules and Procedures (CDRPs), most recently revised to reflect, among other things, the change in 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 as decision-maker. The CDRPs specify the rights and duties of both the Bank and 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 Board Officials on the one hand, and on the part of the President, Vice Presidents, Chief Evaluator and the CCO on the other, are dealt with in accordance with the provisions of the Code of Conduct for EBRD Board Officials or the Code of Conduct for EBRD Personnel, respectively.

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 Funds resources, or from cooperation funds administered by the Bank, are investigated under the Bank's Enforcement Policy and Procedures (EPPs).

The EPPs were significantly revised in 2015 and further updated in October 2017. While updates in 2017 were largely non-substantive, the 2015 revisions include the creation of a two-tier decision-making process, the introduction of a settlement process and streamlining the procedures for referring matters to national authorities. In addition, the revised EPPs introduced two new sanctionable practices, namely obstruction and misuse of Bank resources. 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](http://www.ebrd.com/ineligible-entities.html).

OCCO is also responsible for training Bank personnel in relation to the Bank's integrity, anti-money-laundering and counter-terrorist finance requirements. 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 has an accountability mechanism that assesses and reviews complaints about 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 Project Complaint Mechanism (PCM) is administered by a dedicated PCM Officer. The role of the CCO, as the head of the Office in which the PCM is located, is limited to ensuring that the PCM Officer carries out the PCM functions and administrative responsibilities according to the PCM rules of procedure. Information about the PCM and registered complaints can be found at [www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism.html](http://www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism.html).

The Bank's annual 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](http://www.ebrd.com/integrity-and-compliance.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 2017* 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 Senior Vice President, Chief Financial Officer and Chief Operating Officer and is subject to a review and an attestation by the Bank's external auditor. In addition, the Bank has a comprehensive system of reporting to its Board of Directors and its committees. This includes reporting to the Audit 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 27.

## External auditor

The external auditor is appointed by the Board of Directors, on the recommendation of the President. In 2014 the Board approved an extension of the term of appointment from four to five years with a maximum of two consecutive terms. Deloitte LLP (UK) completed its first four-year term in 2014 and was re-appointed for the five-year period 2015-19.

The external auditor performs an annual audit in order to be able to express an opinion on whether the financial statements present fairly the financial position and the profit of the Bank in accordance with International Financial Reporting Standards (IFRS). In addition, the external auditor reviews and offers its 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 auditor prepares a management letter for the Board of Governors, setting out its views and management's responses on the effectiveness and efficiency of internal controls and other matters. This letter is reviewed in detail and discussed with the Audit Committee. The Audit Committee reviews the performance and independence of the external auditor annually.

There are key provisions in the Bank's policies regarding the independence of the external auditor. The external auditor is prohibited from providing non-audit related services unless such service is judged to be in the interest of the Bank and the service is approved by the Audit Committee. However, the external auditor can provide consultancy services paid for by cooperation funds relating to client projects; such incidents are reported periodically to the Audit Committee.

## Reward policy

The Bank has designed a market-oriented staff reward policy, within the constraints of the Bank's status as an 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 member countries
- promote a culture where consistent high performance and behaviours that reflect the 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 which provides an appropriate level of security and is relevant to a diverse employee base
- engage with employees through an open and transparent Total Reward process.

To help meet these principles, the Bank's members have agreed that the Bank should use market comparators to evaluate its staff compensation and that salary and performance-based compensation awards should be 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 receive a salary which is reviewed on 1 April 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.

Staff on fixed-term or regular contracts, as well as most of the Board of Directors,<sup>16</sup> 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 scheme to which both the Bank and staff contribute, with Plan members making individual investment decisions. The Final Salary Plan (FSP) is a defined benefit scheme, 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 are

<sup>16</sup> Some Directors and Alternates are paid directly by their constituency and do not participate in the Bank's retirement plans and/or other benefits.

monitored by a Retirement Plan Committee, a Retirement Plan Administration Committee and a Retirement Plan Investment Committee.

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 s/he 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 paid, from which internal tax is deducted, for each of these positions is as follows:

	2017 £ 000	2017 € 000	2016 £ 000	2016 € 000
President	354	404	351	430
First Vice President and Head of Client Services Group	325	371	322	394
Senior Vice President, Chief Financial Officer and Chief Operating Officer	311	355	296	362
Vice President, Risk and Compliance and Chief Risk Officer	296	339	294	360
Vice President, Banking <sup>17</sup>	297	339	n/a	n/a
Vice President and Chief Administrative Officer <sup>18</sup>	197	225	294	360
Vice President, Policy and Partnerships	297	339	294	360

### 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 directorship 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 to the directorship.

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

	2017 £ 000	2017 € 000	2016 £ 000	2016 € 000
Director	150	171	148	181
Alternate Director	124	142	122	149

### Senior management

Key management personnel comprise: members of the Bank's Executive Committee, Managing Directors and the Director of the President's Office. This group, excluding the President and Vice Presidents (for whom information is given above), consists of 36 individuals who received gross salaries, from which internal tax is deducted, in the ranges shown in the table below.<sup>19</sup> The average performance-based compensation award for eligible members of this group was 21 per cent of annual gross salaries in 2017 (2016: 22 per cent).

	2017 £ 000	2017 € 000	2016 £ 000	2016 € 000
Minimum	136	155	118	144
Median	186	212	184	225
Maximum	279	319	220	269
No. in group	36	36	36	36

<sup>17</sup> New Banking VP role 15 November 2016.

<sup>18</sup> Change of personnel 31 May 2017, new incumbent 2 October 2017.

<sup>19</sup> The General Counsel and the Secretary General are no longer eligible for performance-based compensation, hence their salaries were adjusted in 2017.