

TRANSPARENCY - Report and Proposals

At its meeting on 15 June 2004, the EIB's Board of Directors endorsed, subject to minor modifications, a report by the EIB's Management Committee on progress achieved and proposals to further enhance transparency of the Bank's activities. This document incorporates these modifications.

EIB TRANSPARENCY POLICY

Executive Summary

1. The Board of Directors last discussed the Bank's public information policy in January 2001 when it approved the introduction of website posting of the Bank's project pipeline. It also noted that the policy would be kept under review by the Management Committee. The Board subsequently received, in October 2002, the Bank's revised Information Policy Statement and the new Rules on Public Access to Documents.
2. The purpose of this document is to review the Bank's policy and to propose a number of enhancements. The Bank has significantly increased the transparency of its activities in recent years. The most notable development, and which has placed EIB ahead of other IFIs in this respect, has been the annual publication of the COP following minor deletions for reasons of confidentiality. Other changes have occurred over time, sometimes in response to specific requests, leading to some unevenness in the provision of information. Therefore, in the course of reviewing the Bank's policies as a whole, further changes have been considered.
3. The proposals, *which are marked as bullet points in italics*, are a sui generis development of the third pillar of the Bank's strategy - transparency. They build on existing policies and decisions and take account of various guidelines on corporate governance, practices in other IFIs and the European Parliament's resolution on the Bank's 2002 Activity Report.
4. The paper is not intended to replace the published Information Policy Statement. However, one of the proposals in the note is to review the operation of the Information Policy, and in particular the Rules on Public Access to Documents, in the second half of this year. Other proposals aim to increase information disclosure on corporate governance, ethics and remuneration, on other housekeeping issues, on financial reporting and controls and evaluation, on strategies and policies and on lending activities. It is also proposed to create a new communication platform under the Corporate Social Responsibility heading.
5. Implementation of the proposals will have important consequences on the organisation of resources. A detailed schedule will therefore be developed once decisions have been taken.
6. The Board of Directors is asked to endorse the proposed innovations. The Bank would then look to see that they are implemented at Group level, taking account of specific factors when necessary.

Introduction

As stated in the Information Policy Statement published in October 2002, EIB is committed to attaining a high level of transparency of its activities.

EIB is an EU policy-driven institution. It considers a high level of transparency to be part of its mission to contribute to the Union's policy objectives. It is firmly convinced that, as a publicly-owned instrument for furthering and supporting EU development, it should maintain exemplary standards in all areas where EU policies have a bearing on its business and governance. EIB is also convinced that through its various financial activities it ultimately delivers a service to Europe's citizens. Consequently, explaining these activities, enhancing the perceived value of its operational activity, and strengthening support by decision-makers and shapers through increased transparency, is firmly anchored as one of the main objectives in the strategy map that underpins its integrated medium-term planning tool, the Corporate Operational Plan (COP) which is published on the Bank's website.

Over recent years, EIB has paid much attention to disclosure and now makes available a vast amount of information, on its website and in its publications. It considers that it is playing a leading role among comparable institutions as regards transparency of its mid-term strategy and planning process through regular publication of the COP. It has also maintained high standards in transparency on issues such as decision-making and accountability, fraud prevention, management control, codes of conduct, conflict of interest, social issues and activity reporting and evaluation. This paper reviews transparency policy and sets out where additional information will be available following this review.

1. Principles

In addition to the fundamental principles of equal treatment and compliance with the legal framework, the underlying principles governing the EIB's transparency policy, which are equally important to shareholders, the financial markets and to all EU citizens, are:

- Its overall approach is to strike a balance between EIB's objective to provide as much information as possible to all interested third parties and its duty as a bank to protect, where appropriate, the private commercial and market-sensitive interests of business counterparts.
- Without compromising its lending and borrowing activity that lie at the heart of its existence, EIB's level of transparency on activity and management goes significantly beyond its legal obligations, also adopting where relevant the good governance policies and practices of other IFIs.
- EIB is, and wants to remain, a "lean" institution: it considers this policy of efficiency as particularly important for its shareholders (EU Member States), EU citizens, and all stakeholding groups.
- Through various publications such as the Annual Report and the Corporate Operational Plan, EIB aims to comply with best practice in the way it presents, controls and publishes its financial statements and reports on its management of risk, past, present and future activity and the integrated planning cycle, including environmental and social dimensions.
- EIB maintains a close dialogue with the elected representatives of the Union's citizens, the European Parliament, and is forging closer links with the Economic and Social Committee. At the same time, it is directly engaged in an ongoing dialogue with other groups, such as NGOs, which express an interest in its policies and activities.
- EIB aims to follow best practice in accessibility of information by making optimal use of electronic means, principally through its website.

With regard to the development or introduction of other policies that are inextricably linked with the issue of transparency, the Bank is closely following the current debate on enhancing corporate governance that includes, for example :

- the recommendations of the High Level (Winter) Group;
- the Commission's Communication on Modernising Company Law and Enhancing Corporate Governance in the EU; and
- the European Parliament's resolutions on these issues.

It is examining the ways in which its own governance could be further improved to demonstrate its commitment to best practice. In addition, also mindful of the importance attached by policy-makers to the successful implementation of the Lisbon agenda and its sustainable development goals, the Bank is closely following recommendations being issued on Corporate Social Responsibility for businesses and the CSR tools and practices that could be implemented in the Bank.

2. Recent enhancements and issues in hand

The most notable enhancement in the past three years has been the publication of the Corporate Operational Plan (COP) following its approval by the Board of Directors and minor deletions for confidentiality reasons. The addition of this key planning document to the public domain, unmatched by any comparable international financial institution, provides not only the Bank's priorities for the coming three-year period but also a benchmark on which to appraise performance as described in the Annual Report.

The Rules on Access to Documents were revised in October 2002 at the invitation of the European Parliament, Council and Commission to take account of the principles and limits of Regulation EC/1049/2001. They will soon have been in force for two years. The Management Committee intends to take stock of their implementation at the end of 2004 and to examine whether further enhancements should be made.

The draft "Aarhus Regulation" drawn up by the Commission in 2003 and recently approved at first reading by the Parliament would apply the provisions of the Aarhus Convention to all EU institutions and bodies. It is likely that this will be adopted by the Council within the coming year. Taking account of the institutions' wish to adopt a single, fully-fledged policy on environmental issues for all Community institutions and bodies, the Bank is focusing its attention on cooperating with this wish, bearing in mind its specific tasks as a bank.

A recent demonstration of EIB's commitment to continuous improvement in transparency of its environmental activities can be seen in the creation of the annual Environmental Report, of which the second edition will now be issued. The Bank has also recently completed a review of its environmental policy. The revised Environmental Policy Statement has been issued, and a statement on the Social Assessment of EIB Projects in Developing Countries will be published for the first time.

In terms of internal transparency and communication, progress has been made over recent years, notably through the planning process underlying the COP. Work is also underway in the Human Resources Department on the subject of EIB values. This work necessarily involves staff from all corners of the Bank as well as the Staff Representatives, whose spokesperson also observes the discussions of the Board of Directors on the draft COP.

3. Review of main areas and future developments

This section surveys the principal areas of EIB activity and organisation and the degree of transparency achieved and contains proposals as to possible additional measures to enhance transparency. Whilst no suggestions are made as to the format of publication, these will undoubtedly lead to an increase in the information on the Bank's website, not least since several guidelines on enhancing corporate governance and implementing CSR principles and practices recommend website use and improved information presentation in order to guarantee rapid and wide accessibility.

3.1 Corporate governance and ethics

The Bank has published on its website all codes of conduct applicable to members of its governing bodies. Information on individual members of the Management Committee published on the web-site includes a short CV. Moreover, in compliance with the code's provisions on conflict of interest, Board of Directors members now provide for publication, and are responsible for updating, a declaration of other positions held and have agreed that details of abstentions from voting be published in cases of conflict of interest.

- *The information provided on individual Directors will be completed with a short CV. By analogy, such information should be provided by members of the Audit Committee.*
- *The information provided on individual members of the Management Committee will be completed with a declaration of financial interests based on the model used by Members of the European Commission.*

Changes to the composition of the Management Committee are systematically announced through a press release and website posting as and when appointments are approved by the Board of Governors. Following the annual meeting of the Board of Governors, decisions taken are published.

- *The practice of announcing new appointments to the governing bodies will be extended to cover changes to the composition of the Board of Governors, Board of Directors and Audit Committee.*
- *Information on all other decisions of the Board of Governors will be published in a timely manner.*
- *Published codes of conduct applicable to staff will be extended to cover publication of codes of conduct applicable to sensitive positions and to the new policy of Dignity at Work.*
- *The Equal Opportunities Committee (COPEC) Convention will be published, as will COPEC's Annual Report.*

3.2 Remuneration and other benefits for governing bodies and staff

In accordance with the Rules of Procedure, which are published, the remuneration of members of the Board of Directors and Audit Committee (attendance fee, expenses) is determined by the Board of Governors.

- *Details of current remuneration will be disclosed.*

As decided by the Board of Governors, social benefits for members of the Management Committee follow the same principles of analogy as applied to Commissioners and are the same as for the Staff of the Bank.

- *Information already disclosed on Management Committee emoluments will be enhanced to cover this information.*

The information already disclosed on the conditions of employment for EIB staff includes the Staff Rules and related remuneration scales, as well codes of conduct as mentioned under 4. above. Information disclosed on staff remuneration takes account of Regulation (EC) 45/2001 which forbids public disclosure of information enabling identification of individuals.

- *The information disclosed for senior management (SC) will be enhanced to include the range of annual bonus that may be paid, clarifying that such bonus is linked to both collective and individual performance.*
- *The Staff Pension Regulations will be published, as will information on other staff benefits, such as insurances and travel allowances.*

3.3 Other housekeeping issues

3.3.1 Administrative procurement

The Guide to Procurement for EIB-financed projects is already publicly available.

- *EIB will also publish its Procurement Rules for Administrative Expenditure.*

3.3.2 Sponsorships

- *In order to demonstrate its commitment to the local community and to other initiatives of European interest, EIB will publish its policy on Sponsoring and Subsidies and an annual implementation report providing information on amounts granted and beneficiaries.*

3.4 Financial reporting

Non-audited end-of-year results are announced in press conferences and press statements as soon as possible.

Accounting standards are evolving, and as regards accounts information, EIB presently produces two sets:

(i) EIB applies International Financial Reporting Standards (IFRS) at consolidated (group) level, with extended notes to the Balance Sheet and to the Profit and Loss Account Statement. This is a fundamental element of transparency and is recognised as an expression of best practice in corporate governance at group level.

(ii) With the same objective, the relevant European directive¹ is applied to non-consolidated) EIB financial statements.

- *EIB will seek to make accounts information as comprehensible as possible.*
- *As from 2005 EIB will publish a half-yearly summary consolidated non-audited balance sheet and profit and loss account.*

The high standard of disclosure of information on future, current and past borrowing activities will be maintained. Policy will be regularly updated in line with market practice. Information is currently provided in the COP, as well as in the Annual Report which also provides detailed information on treasury and liquidity management. Detailed information on borrowing focuses on financial products, on-going financing operations and outstanding securities. Further information is provided on bond markets, tables of issues and links to

¹ EU directive of 8.12.1986 modified by EU directive 2001/65/CE of 25.9.2001.

offering circulars and debt issuance programmes. Press releases are issued for specific actions which are considered particularly newsworthy.

3.5 Controls and evaluation

The Bank already publishes, in its Annual Report and in dedicated sections of its web-site, extensive information on controls, risk management and fraud prevention. This will be enhanced through publication of the following:

- *subject to the approval of the Board of Governors, the Audit Committee's Annual Report (together with management's response)*
- *Internal Audit's Charter*
- *the forthcoming decision by the EIB Board of Governors, agreed with OLAF and the Commission's Legal Service, on measures to combat fraud (which provides for protection of whistleblowers)*
- *revised information note on anti-fraud policy*
- *more extensive information on credit risk and market risk policies*
- *information on Management Control structure.*

Since 1995, it has been practice to publish the reports of the independent Operations Evaluation Department which, on the basis of a two-year rolling work programme, carries out thematic, sector and regional/country evaluations of individual projects financed by the Bank once they have been completed. Evaluation is based on assessments of EIB-financed operations, with a focus on outcomes and impacts, including value-added. Reports also cover projects that are considered less successful. Providing transparency of evaluation work reinforces accountability and encourages the Bank to learn from experience.

3.6 Banking activity – Agreements, Strategies and Policies

The Bank provides considerable information on its forthcoming lending policies, in particular through publication of the COP and various policy papers and brochures on regional or sectoral activity. As mentioned above, the Bank has recently completed a revision of its Environmental Policy Statement and will publish for the first time a statement on the Social Assessment of EIB Projects in Developing Countries. During the last two years, the Bank has stepped up publication of other documents detailing policies or reviews of policies decided by the Board of Directors, or proposals made to the European Council. For example, In June 2001, the Bank published the Agreement with the European Commission to boost European research and innovation; in 2003, it published its contributions to Ecofin; the Board of Directors recently decided to publish the Eligibility Guidelines; a revised Guide to Procurement has recently been issued.

- *Subject to the agreement of the Commission, and bearing in mind that some agreements may contain market-sensitive information (eg Guarantee Fund Management Agreement), EIB will seek to enhance information already disclosed on agreements/MoUs signed with the Commission, through provision of full text, extracts or detailed descriptions.*
- *In order to bring EIB's practice more in line with that of the EU, Framework Agreements with Partner Countries will be published wherever the legal framework permits and subject to banking relations constraints. Partner Countries will be informed of the Bank's new transparency policy in this respect.*
- *Active consideration will be given to further opening up public consultation on selected policies, essentially through the web-site.*

3.7 Information on lending

In 2001, EIB introduced the posting of advance notice of project-related information on its website in the form of a Project List and associated Project Fiches, in order to provide information on all projects in the Bank's pipeline unless prevented from doing so for legitimate confidentiality reasons. Projects are introduced onto the list in principle before consideration by the Board of Directors. The "trigger point" for publishing information is when the Bank requests the opinions of the Member State concerned and the European Commission or the relevant Article 14 or Investment Facility Committees, depending on the country and/or mandate concerned. This is considered to be the most suitable point for the first public official statement that the Bank has reached a sufficiently advanced stage in discussions with a promoter to be reasonably confident of a loan proposal going to the Board of Directors, and it places the public on an equal footing with the Member States and the Commission. Projects are flagged according to status: "under appraisal", "approved" or "signed", and remain on the list for six months following signature. When projects become of particular interest to the public, the Bank publishes further details. As regards environmental information, for all projects requiring an EIA, EIB makes available the Non-Technical Summary and, for such projects outside the EU, the Environmental Impact Statement.

- *EIB will ensure that the Project List is as complete as possible. It will include:*
 - *all public-sector projects irrespective of their geographic location*
 - *all projects for which OJEC published tendering procedures, or a public EIA requirement, have already been announced*
 - *all other projects unless the Bank considers that a private-sector promoter has legitimate reasons on account of the commercial sensitivity of the proposed operation.*

Links will be established to relevant EIA documents and procurement notices.

The Annual Report and numerous other publications, for example the annual Environmental Report or periodic reports and brochures by region or sector, as well as dedicated pages on the Bank's web-site, provide extensive information on the Bank's lending activity.

- *Further periodic reporting to the Board of Directors on lending activity and the underlying strategies and policies, eg on Lending to Large Corporates and on Global loans (to SMEs), will be published.*

3.8 Corporate Responsibility Reporting

- *An Annual Report on Corporate Responsibility will be introduced and published. This will constitute a new communication platform that aims to respond more effectively to the need for improved sustainable development reporting and greater accountability and transparency. It will probably require a review of the contents of the present Annual Report. As regards **Corporate Governance**, as well as indicating recent changes to the governance framework (Statute, Rules of Procedure, Codes of conduct etc) and recalling the voting mechanisms in place, the report will provide a summary of major policy decisions of CG and CA and details of abstentions on loan decisions arising from conflict of interest. It will also cover any report of the Ad-hoc ethics committee (code of conduct). **Risk management** will cover principal elements, any noteworthy events and future action. **Management Control** will cover financial control, the Integrated planning cycle, ALM reporting, projects and operations monitoring and evaluation and activity reporting, including environmental issues. **Staff management** issues will comprise*

*equal opportunities and other developments (dignity at work policy, etc). **Relations with citizens, local community, sponsoring, procurement** will report on subsidies granted, buildings and the environment, administrative procurement, details of complaints from citizens and the dialogue with NGOs and other reporting on implementation of the **transparency policy**.*

4. Resources

Implementation of the above enhancements to EIB's transparency policy will start immediately, albeit gradually, bearing in mind the implications in terms of organisation and/or resources. This will be taken into account in the Corporate Operational Plan and administrative budget.

5. EIF

The above policy is that to be followed by EIB. It will look to see that it is implemented at Group level, taking account of specific factors when necessary.