



**European Investment Bank**

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**The EIB Statement of Environmental and  
Social Principles and Standards**

**18 March 2008**

Please note that The Statement (§ 1-52, Page 10-20) is subject to public consultation.

The Foreword and Background are considered as sections facilitating access to The Statement and typically not for consultation. The same applies for the Context note, which is published separately and facilitates access to the environment-related content of other principal policy documents of the EIB, as well as for the Environmental and Social Practices Handbook. The Handbook is published on the EIB website and public comments on this constantly evolving document are welcome throughout the year.

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## ACRONYMS

<b>BAT</b>	<b>Best Available Technology</b>
<b>CDB</b>	<b>Convention on Biological Diversity</b>
<b>COP</b>	<b>Corporate Operational Plan</b>
<b>CSOs</b>	<b>Civil Society Organisations</b>
<b>DG ENV</b>	<b>European Commission's Directorate General Environment</b>
<b>EA</b>	<b>Environmental Assessment</b>
<b>EAP</b>	<b>Environment Action Program</b>
<b>EC</b>	<b>European Commission</b>
<b>EEA</b>	<b>European Environment Agency</b>
<b>EIA</b>	<b>Environmental Impact Assessment</b>
<b>EIB</b>	<b>European Investment Bank</b>
<b>EIF</b>	<b>European Investment Fund</b>
<b>EIS</b>	<b>Environmental Impact Study/Statement</b>
<b>EMAS</b>	<b>Eco-Management and Audit Scheme</b>
<b>EMP</b>	<b>Environmental Management Plan</b>
<b>EO</b>	<b>European Ombudsman</b>
<b>EPE</b>	<b>European Principles for the Environment</b>
<b>ESIAF</b>	<b>Economic and Social Impact Assessment Framework</b>
<b>EU</b>	<b>European Union</b>
<b>GHG</b>	<b>Greenhouse gas</b>
<b>IFC</b>	<b>International Finance Corporation</b>
<b>ILO</b>	<b>International Labour Organisation</b>
<b>IPPC</b>	<b>Integrated Pollution Prevention and Control</b>
<b>IUCN</b>	<b>International Union for the Conservation of Nature</b>
<b>MFI</b>	<b>Multilateral Financial Institutions</b>
<b>NGO</b>	<b>Non-governmental organisations</b>
<b>NTS</b>	<b>Non-Technical Summary</b>
<b>PDP</b>	<b>Public Disclosure Policy</b>
<b>SEA</b>	<b>Strategic Environmental Assessment</b>
<b>UNDP</b>	<b>United Nations Development Programme</b>
<b>UNFCCC</b>	<b>United Nations Framework Convention on Climate Change</b>
<b>UNECE</b>	<b>United Nations Economic Commission for Europe</b>

## FOREWORD

1. As the long-term financing body of the European Union (EU), the European Investment Bank (EIB) promotes EU policies. The increasing prominence given to environmental and social considerations within the EU and beyond is reflected in the priority lending objectives of the EIB as well as in the continuous review and revision of its requirements for financing and practices.
2. It is a core priority of the Bank to finance projects that protect and improve the environment and that promote sustainable communities. More generally, the Bank aims to add value by enhancing among other things the environmental and social quality of all the projects that it finances. In particular, both climate change and biodiversity considerations are integrated into the lending activity of the Bank, and for projects outside the EU, the Bank applies a broad range of social guidelines.
3. The EIB adopted an Environmental Statement in 1996, to underline its commitment to protecting and improving the natural and built environment according to EU policy. A revised Statement was issued in 2002 and again in 2004, aligning the Bank with the Sixth EU Environment Action Program (EAP)<sup>1</sup> in support of sustainable development within both the EU and outside.
4. The EIB Statement of Environmental and Social Principles and Standards 2008 (the "Statement") further develops the environmental requirements of the Bank applied to the projects it finances and gives greater emphasis than before to its social requirements when operating outside the EU. It is an important expression of the Corporate Responsibility of the Bank, and makes transparent its requirements against which the projects it finances should be judged.
5. The Statement informs not only the staff of the EIB but also the large number of other parties with whom the Bank works in order to fulfil shared environmental objectives, including other EU institutions, in particular, the European Commission, other Multilateral Financial Institutions (MFI), financial and business interests, and representatives of civil society, including non-governmental organisations (NGO).
6. The rest of this document is divided into three parts. The first describes the general Background to the Statement, and refers to documents that should be read in conjunction with the Statement in order that the reader has a comprehensive understanding of the approach of the EIB to environmental and social matters. The core of the document is the Statement itself, describing the environmental and social principles and standards of the Bank. This is designed to stand on its own, and is the subject of public consultation. Finally, there is a Glossary of terms, according to their use in the Bank.
7. This document is qualified in a number of ways. It applies only to the EIB; the European Investment Fund (EIF), albeit a member of the EIB Group<sup>2</sup>, is responsible for defining its own approach to environmental issues. The Statement is limited to the environmental and social requirements that apply to the projects financed by the Bank. It does not cover, for instance, the economic requirements of the Bank, nor does it extend to its internal

management systems, nor to the requirements that the Bank may attach to its capital market operations through which it raises its finances. These broader considerations are treated in various other documents on the Corporate Responsibility of the Bank and are available on its website.

18 March 2008

## BACKGROUND

1. The environmental and social policies, principles and standards as well as the environmental and social practices of the EIB derive from and reflect the evolving EU approach and that of the international community to promote environmental sustainability and social well-being, in the broader context of the goal of sustainable development.
2. The new Statement is the third revision to the original EIB Environmental Statement of 1996, expanded in scope to include social considerations. Being more focused than the latter but also broader in scope, its full title is, "The EIB Statement of Environmental and Social Principles and Standards".
3. The EIB defines the environment to include not only the natural and built environment but also a number of related social considerations. Further, as the social dimension of sustainable development has taken on more significance in international finance, social considerations have come to play a bigger role in the project-related activities of the Bank notably when operating outside the EU. Drawing on the Charter of Fundamental Rights of the European Union (the "Charter") (2000)<sup>3</sup>, the Bank pays particular attention to the rights of disadvantaged groups, and the impacts that a project might have on people in both the workplace and the local community.
4. This Statement focuses on environmental and social principles and standards, but these are only one - albeit important - building block of the EIB approach to sustainable development. It is neither the primary source document for the environmental strategy and lending policies of the Bank, nor does it treat in any detail the economics and governance dimensions of sustainable development, nor does it describe the practices of the Bank.
5. Hence the Statement should be read in conjunction with a number of other documents. - notably those related to environmental strategy and policy and the EIB Environmental and Social Practices Handbook (the "Handbook")<sup>4</sup> - that are also available to the public. Their publication supports the EIB Public Disclosure Policy<sup>5</sup> to promote transparency and accountability and the rights to consultation and participation of people and institutions (so-called "stakeholders") affected by or interested in the projects financed by the Bank.
6. The new Statement develops the European Principles for the Environment (EPE)<sup>6</sup>, which is based on the approach to environmental matters developed and applied by the EU. EU requirements are among the most demanding in the world. The Bank drew up the EPE in partnership with a number of other European-based International Financial Institutions in 2006, to provide a benchmark against which the signatory institutions and their respective promoters might measure their environmental performance. The Statement is also consistent with the new strategic priorities of the Bank in the fields of energy, transport, water, waste and research, development and innovation.
7. The Statement builds on the extended and varied experience of the EIB and underpins its support for the goals of environmental and social sustainability in the regions in which it operates. It takes into account recent changes in thinking about sustainable development, particularly those associated with: a) enhancing transparency and accountability, b) the greater role played by civil society organizations, c) new

commitments by leading private-sector financial and business institutions in the field of corporate responsibility, and, d) new global and regional challenges and opportunities.

8. The Statement focuses on: a) the "principles" on which the EIB approach to environmental and social issues is based; and, b) the environmental and social "standards" to ensure compliance with EU policy, and, as necessary, other international good practice. A "principle" for this purpose is an aspiration that the Bank applies across all its activities; it is qualitative, the application of which depends on the circumstances pertaining to a particular project. Whereas a "standard" is a quantitative measure mandated by the Bank to ensure minimum requirements and is independently verifiable. Distinguishing between discretionary aspirations and mandatory standards, the Statement includes:
  - A number of over-arching environmental and social principles taken from the Treaty on European Union (the "Treaty") (2006)<sup>7</sup> that apply to all financing activities of the EIB;
  - The environmental standards taken from the large body of EU environmental and social legislation relevant to the sectors and projects financed by the Bank<sup>8</sup>;
  - Reference to internationally recognised good environmental and social practices derived from a number of sources and often tailored to specific sectors (e.g. the recommendations of the World Commission on Dams<sup>9</sup> and the Extractive Industry Review<sup>10</sup>);
  - A set of minimum social standards, in line with the requirements of the Multilateral Development Banks, consistent with those identified in the Charter.
9. The environmental lending policy of the EIB provides the context for the Statement. That policy is derived from the Treaty, in which the EU is set the task of promoting sustainable development, including economic growth, social cohesion and environmental protection, by among other things ensuring that environmental considerations are integrated into all EU policies and activities. As an EU body, with a mission to promote EU policy objectives, the EIB Strategy<sup>11</sup>, Corporate Operational Plan (COP)<sup>12</sup>, and Corporate Social Responsibility Statement<sup>13</sup> reflect this important task. Two of the core priorities of the Bank in support of sustainable development are the protection and improvement of the natural environment and the promotion of sustainable communities though EIB participation in the financing of a project may be justified for many other EU policy reasons.
10. The environmental and social lending objectives are described in the COP. They are refined in a number of sector lending policies. Recent sector policies for transport, and energy give appropriate weight to environmental and social concerns, and other future sector policies will do likewise.
11. The EIB aims to allocate a significant proportion of total lending to environmental protection and sustainable communities. Projects that qualify in this sense - "eligible" in Bank terms - are those that are judged to make a significant contribution to the Priority Areas and Thematic Strategies of the EU Sixth EAP, and/or fulfil the objectives of EU Urban and Public Health strategies<sup>14</sup>, including the Leipzig Charter<sup>15</sup>. The EAP aims to give practical meaning to the Treaty objectives, "of preservation of the environment,

protection of human health, rational utilisation of natural resources and promotion of measures at international level" (Article 174 (1)).

12. The way the EIB ensures its environmental and social principles and standards are met in the projects it finances are described in internal guidelines, notably the Handbook. These explain how Bank staff goes about its routine work on environmental and social matters throughout the project cycle but also describe the limits to the work of the Bank and the responsibilities and roles of other parties, notably those of the promoter with whom the Bank works closely. The promoter is responsible for the application and enforcement of EIB requirements, including compliance with national law and other legal obligations, reflected in undertakings of the promoter to the Bank.
13. The EIB requirements are most readily applied in the case of a long term loan to a promoter to finance a single investment project. But sometimes an operation involves multiple projects (viz. a Framework Loan); other times, multiple investments that form part of a Programme; in other cases, finance is provided indirectly through typically a financial intermediary (viz. a Credit Line); finally, the Bank may provide equity type financing. In all cases of financing undertaken by the Bank through an intermediary, the Bank will endeavour to delegate the financing decision to an intermediary - be it a bank, municipality, corporate or fund manager - which has demonstrated the capacity to apply the environmental and social requirements of the Bank, and subject to appropriate reporting and monitoring. The Handbook describes Bank practices in such cases.
14. The Statement extends to activities in all regions of EIB operations in both the public and private sector and all forms of financing. The environmental standards are applicable without qualification in the EU; in the Accession, Candidate and potential Candidate countries (the "enlargement countries")<sup>16</sup>, the application of EU standards exceptionally may be applied in stages over time; and, in the rest of the World, local circumstances - e.g. the state of the environment and economic considerations - may justify lower standards than would be applied in the EU.
15. The EIB social requirements, however, are applied outside the EU only. Within the EU, the Bank works with a presumption of legality, it being assumed that the competent authorities fulfil their responsibility to ensure compliance with the relevant EU law.
16. Where applicable, the EIB adopts at least the same environmental and social requirements in the management of its own facilities as it does to its financing activities, as described in successive EIB Corporate Responsibility Reports<sup>17</sup>.
17. The EU approach to the physical environment and social well-being is only one example of good international practice to which the EIB subscribes. The utilization of other approaches that incorporate good international standards may be acceptable to the EIB and justified in some circumstances. This may be the case where a given subject is not be covered in EU environmental legislation, where the Bank is working in cooperation with other financial institutions, and/or where Bank finance is requested late in the project preparation and design process. In such cases, the Bank may be prepared to accept a common approach based on the relevant requirements of one of its financial partners, for reasons of consistency and harmonization, and to avoid duplication. For instance, in projects outside the EU, working alongside international public and private financial

institutions, the EIB may agree to follow a common approach based on the Equator Principles<sup>18</sup>.

18. Internationally recognised good practice in respect of environmental and social issues in specific fields may be used to reinforce the scope and robustness of EIB principles and standards. The Bank may also refer to an internationally recognised certification scheme.

## THE STATEMENT

### Preamble

#### **Environmental and Social Acceptability: Balancing Opportunities and Risks**

1. The EIB has developed a set of environmental and social requirements throughout the project cycle to ensure the sustainability of all the projects that it finances, regardless of where a project is located. Promoters are responsible for preparing and implementing projects financed by the Bank, and in particular responsibility for legal compliance rests with the promoter and the competent authorities of the host country. The EIB may work with promoters, co-financiers and others to help them identify and manage environmental and social opportunities and risks. If required, the Bank can help to develop appropriate institutional capacity. For such requirements, the Bank may provide advisory services, either by mobilizing its own in-house capacity or by providing and supervising finance for external technical assistance. The Bank may also cooperate with third parties, including host country authorities, other financiers, other EU institutions, the representatives of civil society, and various other bodies, to help ensure the successful outcome of a project.
2. The EIB encourages promoters to take advantage of business opportunities derived from environmental and social matters. Where the business risks derived from environmental and social matters associated with a project might seriously impair project performance, the Bank will not support the proposed project unless suitable arrangements for risk management are agreed between the Bank and the promoter.
3. The EIB finances projects in pursuit of sustainable development, being either eligible for Bank financing by virtue of their direct benefit to the natural or built environment, or where eligible for other reasons, only where any significant negative environmental and social impacts are substantially mitigated, compensated and/or offset.
4. The EIB will not finance projects that harm human beings, contravene international agreements signed by the EU and/or the EIB, counteract EU policies or do not meet EIB environmental and social requirements, including projects that are ethically or morally controversial or involve the transfer of significant negative environmental impacts from one location to another.
5. For projects approved for EIB financing, any obligations on the promoter that derive from the environmental and social requirements of the EIB for a particular project are described in the Finance Contract signed between the EIB and the promoter and are monitored by the Bank according to a reporting schedule agreed between the Bank and the promoter. A breach of contract requires timely corrective action by the promoter, in agreement with the Bank. A failure to take appropriate action may have financial consequences for the promoter, e.g. a halt to disbursements, and/or recovery of the finance outstanding. For projects located in the EU, the EIB applies a presumption of legality - that national legislation conforms to EU legislation and is implemented and enforced - unless there is evidence to the contrary.

## Maximizing Benefits

6. The EIB finances projects, mainly located in the EU, focused on a number of EU policy objectives, but also outside the EU, according to Mandates of the European Council. A significant proportion of projects financed by the Bank contribute to EU environmental policy<sup>19</sup>. Such projects promote one or more of the following EU environmental policy objectives:
  - Provide an appropriate response to the threat of climate change, through either climate change mitigation or adaptation-related investments, including support for projects in the fields of renewable energy, energy efficiency and carbon sequestration;
  - Contribute to sound natural resource management, including that of water, air and soil, waste management, and protection and enhancement of biodiversity and ecosystem functions;
  - Improve the quality of urban life, including the promotion of sustainable communities;
  - Safeguard human health through enhancing the natural and built environment.
7. The EIB proactively seeks to identify and finance projects that add value through the protection and improvement of the natural environment and the promotion of sustainable communities, in all sectors, notably transport, energy, other infrastructure, the natural resources sector, industry and services, urban development, as well as in the field of environmental technology-related research and development. But along with projects that are justified for environmental reasons, the Bank also aims to minimise the environmental and social costs and maximize the environmental and social benefits of all other projects.
8. The EIB supports the development and application of innovative financial and market-based instruments to enhance the value of environmental and social goods and services and to promote sustainable production and consumption. All projects should also satisfy EIB criteria in respect of financial, technical, socio-economic and institutional viability to ensure long-term sustainability.
9. The EIB aims to identify, quantify and value environmental and social externalities where their influence on the viability of the project is expected to be significant. This favours projects that are expected to yield significant positive external impacts, such as a reduction in greenhouse gas (GHG) emissions and improvements in public health. But it also disfavours projects with significant residual negative external impacts, such as an increase in air or water pollution.
10. The EIB promotes markets in environmental goods and services that may serve to correct for market failures and under-investment, e.g. the carbon market in the case of low carbon technologies. The Bank may also provide various types of direct financial assistance to environmental projects, where it judges that worthwhile projects would otherwise not go ahead. Such support may take the form of finance on attractive terms, technical assistance or the application of innovative risk management techniques.
11. The EIB may make technical assistance available in different forms in all regions of operation to further its environmental and social policies and practices. Apart from

making available its in-house expertise, the Bank may provide support for the hire and supervision of consultants to carry out sector, market and other generic studies or to assist the promoter to carry out project-specific tasks, such as those related to an Environmental Impact Assessment (EIA), to strengthen environmental management, and to address particular environmental issues (e.g. the development of carbon credit potential).

12. Projects that foster sustainable communities are also eligible for EIB financing. By financing investments and institutions that encourage transparency and consultation processes, social inclusion, integrated planning and more equitable access to goods and services, the Bank aims to promote greater social well-being in the EU. Improved delivery of health services is another high priority within the EU. Outside the EU and the "enlargement countries", one of the core objectives of the Bank is the protection of the environment, contributing to the achievement of the Millennium Development Goals<sup>20</sup>.

### **Minimising Harm**

13. The EIB focuses its activities on a number of EU policy objectives, and some projects - which may be eligible for Bank support for other than environmental reasons - may have negative environmental and social impacts by virtue of their size, nature or location. As a matter of principle, such impacts should be minimised through appropriate project design and other arrangements. For all projects, the potential for mitigation and/or compensation should be identified by the promoter and the competent authorities and the benefit of such action should be weighed against the costs before the Bank makes a financing decision. The Bank will reject a project for financing where safeguards are either not possible and significant negative impacts remain and/or the safeguards are such that their application would seriously impair the viability of the project.

### **Principles**

#### **Environmental and Social Principles**

14. As a signatory to the European Principles for the Environment (EPE), the EIB refers to EU environmental law as the primary source of its environmental principles. There are several environmental principles in the Treaty<sup>21</sup> - implemented in relevant Directives - that are of central importance to the environmental approach of the Bank, as follows:
  - The integration principle (Article 6);
  - The principle of aiming at a high level of environmental protection (Article 95 (3) and Article 174 (2)).
15. The integration principle requires that environmental considerations be appropriately weighed in all aspects of EIB work, notably its corporate strategy, operational plans, objectives and targets, and in sector lending policies, where these are formulated by the Bank, and in the projects it finances.
16. The EIB aims, in accordance with EU policy on the environment, at a high level of protection based on the application of the precautionary principle, and on the principles

that preventative action should be taken, that environmental damage should be rectified at source, and that the polluter should pay.

17. The EIB considers the need for applying the precautionary principle when there is a risk that a project may cause significant and irreversible damage to the environment. In such cases, measures should be taken by the promoter to reduce that risk to an acceptable degree. This applies even where there may not be conclusive evidence of a causal link between the project and its potential negative consequences. The Bank aim is to minimise any negative environmental impacts of the projects it finances. Where such impacts are unavoidable, the Bank requires the promoter to apply mitigation measures, and for impacts that cannot be fully mitigated, compensation and offsets should be implemented, in accordance with the relevant EU Directives, such as, those on EIA<sup>22</sup>, Nature<sup>23</sup> and Environmental Liability<sup>24</sup>.
18. The application of the prevention principle means that the promoter should demonstrate that appropriate action to protect the environment has been taken at an early stage. The objective is to prevent the damages from occurring in the first place, through an alternative project, design or process, rather than to attempt to repair the damage after it has occurred.
19. The principle that environmental damage should be rectified at source is enshrined in a number of EU laws, notably those concerning water and air pollution. It implies emission restrictions on production facilities and other point sources of pollution, for instance, as defined in the Integrated Pollution Prevention and Control (IPPC) Directive<sup>25</sup>. The EIB requires that promoters implement appropriate measures to prevent, or at least reduce point source pollution from impacting areas within and beyond the boundaries of a project.
20. Underlying the above principles is a desire on the part of the EU to ensure that investment decisions reflect their true value to society, including through the prices people are willing to pay to protect and enhance the environment and the costs that society incurs when the environment is damaged.
21. As an EU body, the EIB is also committed to the social principles incorporated in the Charter of Fundamental Rights of the European Union (the "Charter"), through the projects that it finances. Within the EU, a number of rights are protected by EU and national legislation. Outside the EU, the Bank requires the promoter to apply the Social Assessment Guidelines described in the EIB Environmental and Social Practices Handbook (the "Handbook"), which reflect the above principles and rights.

## **Standards**

### **Environmental Standards**

22. The EIB environmental standards are intended to protect and enhance the environment, not only for its own sake but also to improve the quality of life. The standards relate to three aspects:
  - The technical characteristics of a project, in terms of planned and actual emissions and other environmental performance indicators;

- The characteristics of the host environment, including its habitat and flora and fauna;
  - The processes adopted and the management arrangements applied for project development, implementation and operation that have a bearing on the environmental and social impacts of a project.
23. The EIB requires that all promoters, and the projects for which they are responsible, apply good international practice in these respects, where reference to EU law is the primary source of such practice for Bank purposes. The relevant standards are identified in discussions between the Bank and the promoter - in the course of the Environmental Assessment (EA) carried out by the Bank - and are applied during project implementation and operation. The standards, though derived from EU environmental law, where necessary are supplemented by other good international practice, and the Bank reserves the right to require standards that are more stringent than EU legal requirements. In particular, the EIB requires that all projects comply with:
- Applicable national law;
  - The EU EIA Directive - outside the EU and the enlargement countries, in countries where EU law does not apply, the EIA process and content, where an EIA is required, must be consistent with the principal requirements of the EU Directive;
  - International conventions that the host country may have ratified.
24. The EIB will not finance projects should the promoter contravene the obligations of a relevant international environmental treaty or any equivalent international commitment ratified by the host country. In particular, the Bank will reject a project that:
- Has significant unmitigated negative impacts on the "red list" of species and their associated habitats, as specified by the International Union for the Conservation of Nature (IUCN);
  - Produces unauthorised substances that deplete the ozone layer, according to the Montreal Protocol.
  - Where there are restrictions in terms of access to environmental information, public participation in decision-making, and access to justice in environmental matters, according to the definitions and objectives of the Aarhus Convention.
25. In addition:
- In the EU, as well as in the enlargement countries, all projects must comply with environmental standards enshrined in other relevant EU law, including both sector Directives<sup>26</sup> as well as "cross-cutting" Directives<sup>27</sup>, unless phasing is legally permitted and justified;
  - For projects in all other regions of operation, the EIB uses EU environmental standards as benchmarks against which a project is judged, taking into account such factors as the costs and benefits of application, the capacity of the promoter and the financial resources available, which together may constrain what is practically feasible in local

circumstances. For instance, within the context of a staged investment, it may be acceptable to apply the environmental standards of the Bank progressively in phases over time.

26. Finally:

- The EIB requires the promoter to apply good practices related to technical standards, processes and management systems in specific sectors developed by other international bodies, e.g. according to the response of the Bank to the recommendations of the World Commission on Dams and the Extractive Industry Review. The Bank also encourages the use of internationally recognised certification schemes, e.g. those of the Forest Stewardship Council<sup>28</sup> and the EU Eco-Management and Audit Scheme (EMAS).
- In the case of co-financing of projects outside the EU and the enlargement countries, the EIB may agree to apply the standards of other international financial institutions, as far as they are consistent with those of the EU, for practical reasons.

### **Emission Standards**

27. EIB-financed projects include measures to prevent, reduce or eliminate pollution that arise directly from their activities. In the EU and the enlargement countries, the Bank requires its promoters to apply point source-specific emission standards according to the IPPC Directive (primarily targeting the industrial sector) and sector-specific Directives, e.g. the Water Framework Directive<sup>29</sup>. The IPPC approach is based on "best available technology" (BAT), which among other things requires a rational approach to resource use, including best practice measures in the field of energy efficiency.
28. For projects in all other regions of operation, national legislation sets the minimum mandatory standard for the EIB. Where EU standards are more stringent than national standards - if practical and feasible - the higher standards are required; sometimes a phased approach may be justified.

### **Ambient Standards**

29. Ambient standards that relate to accumulated pollution in air, water and soils in the EU are also determined by the requirements of EU Directives, and projects financed by the EIB in the EU and the enlargement countries are expected to contribute to ensuring the relevant ambient standard is met; outside the EU, the EIB applies national requirements, unless there is evidence to suggest the need for a higher EU standard for reasons of cost-effectively protecting the natural environment and/or human health.

### **Procedural Standards**

30. Procedural standards are broadly defined as the management and administrative requirements related to the protection of the environment that should be fulfilled in the development, implementation and operation of a project. A number of EU Directives contain standards of this type, including the various sector Framework Directives<sup>30</sup>, the

IPPC Directive, the Environmental Liability Directive and Directives related to the objectives of the Aarhus Convention<sup>31</sup>. The most critical for the EIB in this respect is the EIA Directive.

31. All projects financed by the EIB are required to undergo an appropriate EA, as defined in the Handbook. The EA is the responsibility of the promoter, who may be supported by the Bank. The Bank screens and classifies for purposes of appraisal and monitoring all projects according to the degree of significance of any expected environmental and social impacts. For a project that may have a significant impact on the environment, the EA should be in the form of an EIA, in accordance with the requirements of the Directive. In the case of a project that requires an EIA, the Bank also requires the promoter to ensure timely public disclosure of relevant information, together with meaningful consultations, in accordance with the Directive and in pursuit of the objectives of its Public Disclosure Policy (PDP). The Bank applies the following project EA classification at the time of appraisal:
- Any project listed under Annex I of the EU EIA Directive, as it is likely to cause significant environmental and/or associated social impacts, or that might have significant impacts on natural resources and biodiversity, according to the Habitats Directive, is classified as "Category A". Such a project will require a full EIA and/or a Habitats Assessment according to the Directives, including public consultation;
  - Any project listed under Annex II of the EU EIA Directive, that is likely to cause significant environmental impacts and/or associated social impacts, or that might have significant impacts on natural resources and biodiversity, according to the Habitats Directive, is classified as "Category B". Such a project will require a full EIA, and/or a Habitats Assessment according to the Directives, including public consultation;
  - Any project listed under Annex II of the EU EIA Directive that is deemed by the competent authorities of the host country as not likely to have a significant impact on the environment on the basis of Annex III of the Directive, or - falling outside the scope of the Directive - is likely to cause mostly local and short-term environmental impacts, if any, and for which effective mitigation measures are readily available, is classified as "Category C". Such a project will normally require a limited environmental assessment, according to and focusing on, the specific issues identified in the screening process;
  - Any project that are likely to cause minimal or have no environmental impacts are classified as "Category D". Such a project does not require further EA work.
32. The EA required by the EIB should relate to the entire project and its sphere of influence not just to the part that is being financed by the Bank. Such an assessment should encompass the direct and indirect impacts of the project. In addition, the EIB may require the promoter to prepare an Environmental Management Plan (EMP) that is agreed by the Bank; this might be the case for a project located outside the EU, if the environmental impacts are likely to be significant.

33. In the EU and the enlargement countries - and selectively in other regions of operation - the EIB may request, according to the EU Strategic Environmental Assessment (SEA) Directive<sup>32</sup>, that where a project forms part of a program or plan, prepared or adopted by national, regional or local authorities, a SEA is carried out, where this is required in order to judge the environmental acceptability of a project.
34. An EIA/SEA should identify and address any significant trans-boundary impacts associated with the project early in the project cycle, conforming to the requirements of EU law and those of the Espoo Convention<sup>33</sup>.

### **Consultation, Participation and Public Disclosure**

35. As an EU body, the EIB complies with the Aarhus Regulation<sup>34</sup> on the application of the Aarhus Convention on access to information, public participation in decision-making and access to justice in environmental matters to Community institutions and bodies.
36. The EIB PDP reflects the requirements of the Aarhus Regulation. It commits the Bank to making public on request any relevant unclassified environmental information in its possession, subject to the constraints described in the PDP. In particular, it promotes the public availability - often through the website of the Bank - of the non-Technical Summary (NTS) for all projects financed by the Bank that require an EIA. For projects located outside the EU, the Bank also makes public the Environmental Impact Study or Statement (EIS), and in the case of the NTS, for a single investment project located outside the EU and the enlargement countries, this should be made public generally more than 30 days in advance of the relevant meeting of the EIB Board of Directors.
37. Public consultation and participation is also a requirement of the EU Directives on EIA and SEA. The EIB recognises the added value that interested and well-informed members of the public, especially those people affected in the host country, can bring to the environmental assessment process. Stakeholder concerns should be carefully considered as early as possible in the assessment process, to assist in the timely resolution of conflicts and to reduce risks associated with potential conflicts. The consultation and the participation of concerned stakeholders during project preparation are expected to enhance sustainability. The EIB requires that for all projects requiring an EIA, meaningful public consultation and timely disclosure of appropriate information in a suitable form are undertaken by the promoter. For all other projects, the Bank also encourages promoters to engage stakeholders in meaningful dialogue, as a citizens' right and to help avoid unnecessary costs and delays in project implementation.
38. Any natural or legal person affected, or feeling affected, by a decision of the EIB may lodge a complaint to its Secretary General, either in writing or through the internet. The Complaints Office ensures the centralised handling and registration of complaints, a structured investigation, internal and external reporting and a pro active approach.
39. EU nationals and/or EU residents (or an EU registered firm) may lodge a complaint concerning maladministration against the EIB with the European Ombudsman (EO), should they consider the EIB reply to be unsatisfactory. Should such a complaint be inadmissible on the sole basis that the complainant is not an EU national and/or resident (or an EU

registered firm), the EO commits to systematically use its own initiative power in order to handle it.

### **Social Standards**

40. The social standards of the EIB apply only to operations outside the EU. They are intended to protect and wherever possible enhance the livelihoods of individuals and communities directly and indirectly affected by projects financed by the Bank. The standards aim to promote social well-being and sustainable communities. The Bank requires the following minimum social standards to be applied by the promoter, using its Economic and Social Impact Assessment Framework<sup>35</sup> (ESIAF), and project-specific requirements may be incorporated into the Finance Contract:

- People negatively impacted by projects should have their livelihoods restored and/or adequately compensated. Where significant physical displacement is unavoidable the Bank requires the promoter to develop an acceptable Resettlement Action Plan;
- Where the customary rights to land and resources of Indigenous Peoples are significantly affected, the Bank requires the promoter to prepare an acceptable Indigenous Peoples Development Plan based on free, prior and informed consultation;
- Promoters should develop and implement verifiable programmes and procedures to ensure that the core labour standards of the International Labour Organization (ILO) are adhered to, or would be reached during the early stages of project implementation;
- Promoters should develop and implement verifiable programmes and procedures to ensure that community and occupational health and safety standards are aligned with good international practice and are adhered to;
- Promoters should have in place programmes and procedures for engaging significantly affected communities in meaningful dialogue about decisions that may affect their livelihoods. This includes recourse to independent appeal and arbitration procedures in the case of disputes.

### **Cultural Heritage**

41. The EIB approach to cultural heritage is based on a number of international and European conventions<sup>36</sup>, and reflects a broad concept of cultural heritage as an instrument for human development and intercultural dialogue and an element in the achievement of balanced spatial development. While retaining a focus on the conservation of physical cultural resources, it links tangible cultural resources with intangible cultural practices. The Bank recognises the close links between the physical resources associated with prehistoric, historic, cultural, artistic and religious sites and the cultural practices associated with their use. Treatment of cultural heritage is thus intimately tied to basic freedoms expressed in the Charter, in the pursuit of social cohesion, strengthening

policies of non-discrimination, and supporting the rights of minorities and indigenous peoples. The treatment of cultural heritage is thus intertwined with the social standards of the Bank summarised above.

42. The EIB does not finance a project which threatens the integrity of sites protected for special cultural or other significance. A derogation may be granted if the promoter can demonstrate that the following set of conditions are met:

- There is no feasible alternative;
- The overall socio-economic benefits from the project substantially outweigh the costs;
- Adequate restoration measures are adopted and are adequately funded and maintained.

### **Biological Diversity<sup>37</sup>**

43. In regard to biological diversity, EIB applies the principles and standards reflected in the EU nature conservation Directives on Habitats and Birds, focused on protected nature conservation sites, notably the EU Natura 2000 network but also those recognised by the Ramsar<sup>38</sup>, Bonn<sup>39</sup> and Bern Conventions<sup>40</sup>. Within the EU, the EIB also recognises the application of the EU Environmental Liability Directive as a means to increase the level of prevention and precaution on the part of the promoter, to minimise environmental risks to nature and to remedy environmental damage according to the polluter pays principle.

44. In recognition of the principle of prevention, the EIB requires that significant damage to sites protected for reasons of nature conservation should be mitigated. The Bank recognises that the prevention of damage is particularly important for natural areas, because ecosystems are often highly complex, and replacement of the goods and services that they provide may be either impossible or prohibitively expensive. If the integrity of a conservation site is threatened, the Bank will only finance projects if the promoter can demonstrate that the following conditions are met:

- Alternative options have been identified and there is no feasible alternative;
- The overall socio-economic benefits from the project substantially outweigh the costs, including those of an environmental nature;
- Adequate mitigation and/or compensation measures will be adopted, including minimisation of damage and the establishment of an equivalent protected area that is adequately funded, maintained and monitored.

45. Where the conservation site has priority status, the competent authorities must demonstrate an overriding national interest to proceed with the project; in the EU, in such cases, a positive opinion from the Commission is also necessary.

46. The promoter is required to take measures that aim to avoid the introduction of invasive species, where there is potential for a significant negative biodiversity impact.

47. For projects located outside officially protected sites, the EIB requires any significant biodiversity impact to be avoided to the greatest possible extent, and where this is not possible, for this impact to be mitigated, compensated or offset.

#### **Climate Change<sup>41</sup>**

48. The EIB promotes the cost effective management of climate change-related issues through the projects that it finances, and recognises that mitigation and adaptation measures are complementary. It is reviewing its sector lending policies to make them consistent with EU climate policy.
49. On the one hand, for projects that produce significant quantities of GHG emissions, the Bank incorporates the cost of such emissions into its financial and economic analyses before making a financing decision. It may also require the promoter to identify and apply appropriate mitigation measures. On the other hand, projects that result in a significant reduction in GHG emissions are actively identified and promoted by the Bank and such benefits are also taken into account in its financial and economic analysis.
50. The EIB recognises that climate change is happening. Certain projects may be directly affected by climate change in the course of their economic life, for example due to sea level rise or an increase in the number and intensity of extreme weather events. Promoters are required to introduce systematically climate change parameters into the preparation and design of projects likely to be significantly affected by climate change, and to identify and apply adaptation measures to ensure the sustainability of the project. The Bank also actively promotes adaptation projects as such.
51. The EIB aims to make its lending portfolio more climate friendly by promoting the renewable energy sector, optimising the scope for energy efficiency in all its projects and by aligning Bank financing with other EU climate policy investment priorities.
52. The EIB in cooperation with other international financial institutions is also exploring a number of methodologies for the complex task of measuring and reporting the carbon footprint of its projects in order to better understand the climate influence of Bank lending and to inform project choice.

## END NOTES

- <sup>1</sup> The EU Sixth Environment Action Plan "[Environment 2010: Our future, Our choice](#)" (2002) defines the priorities and objectives of European environment policy up to 2010 and beyond, and describes the measures to be taken to help implement the EU sustainable development strategy. See the [Glossary](#) and the [EC-DG Environment](#) website.
- <sup>2</sup> The EIB Group, established in 2000, aims to give financial support to the policy objectives of the EU. Within the Group, the EIB, whose owners are the EU Member States, provides long and medium term bank loans, whilst the European Investment Fund (EIF) specialises in venture capital and provides guarantees for small and medium-sized enterprises (SMEs). The EIB is EIF majority shareholder (62%), alongside the European Commission (30%) and some twenty EU private banking institutions (8%). See [EIB website](#).
- <sup>3</sup> The Charter of Fundamental Rights of the EU was proclaimed in December 2000 (Official Journal of the EC-[OJEC 2000/C 364/01](#)) and adapted in December 2007 to be incorporated in the [Treaty of Lisbon](#) (2007) ([OJEC 2007/C 303/01](#)). Also see the [Glossary](#).
- <sup>4</sup> Consolidating and developing earlier work, in 2007 the EIB published its Environmental and Social Practices Handbook (the "Handbook"), which describes how the Bank deals with environmental and social considerations in its day-to-day work throughout the project cycle, to ensure the integration of environmental and social requirements into all the projects it finances. The Handbook provides guidance on actions required, timing and responsibilities. See the [EIB website](#).
- <sup>5</sup> EIB, Public Disclosure Policy, September 2007 (currently under review to take account of the relevant provisions of the Aarhus Regulation). See [EIB website](#) or the [Glossary](#).
- <sup>6</sup> An initiative involving five European-based Multilateral Financing Institutions (Council of Europe Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Nordic Environment Finance Corporation and Nordic Investment Bank). The EPE aims to ensure environmental protection and promote sustainable development globally. See the EPE dedicated page on [EIB website](#) or the [Glossary](#).
- <sup>7</sup> Text (29/12/2006) of the consolidated versions of the Treaty on European Union and of the Treaty establishing the European Community (OJ EC 2006 C 321 E) available on <http://eur-lex.europa.eu>.
- <sup>8</sup> In late 2007, the EPE Banks commissioned a study to compile relevant EU environmental legislation, practices and standards into a reference manual, which then can be used by their respective clients.
- <sup>9</sup> The World Commission on Dams was an independent, international, multi-stakeholder process (1998-2000) which addressed the controversial issues associated with large dams. See its findings and recommendations on the archive website <http://www.dams.org/>.
- <sup>10</sup> A comprehensive review (2000-2004) of the World Bank Group (WBG) activities in the extractive industries sector (oil, mining, gas). See the [WBG website](#).
- <sup>11</sup> EIB, Towards A New Strategy of the EIB, June 2005. See [EIB website](#).
- <sup>12</sup> EIB, Corporate Operational Plan, 2008-2010, Feb. 2008. See [EIB website](#).
- <sup>13</sup> EIB, Statement on Corporate Social Responsibility, June 2005. See [EIB website](#).
- <sup>14</sup> EU Commission, a) Thematic Strategy on the Urban Environment, January 2006, see [DG Environment website](#); b) Together for Health: A Strategic Approach for the EU 2008-2013, see [DG Health and Consumer Protection](#).
- <sup>15</sup> The Leipzig Charter on Sustainable European Cities (adopted in 2007 by EU ministers responsible) agrees on common principles and strategies for an 'integrated' urban-development policy, with a focus on revitalising inner cities and deprived neighbourhoods, enhancing local economies and labour markets, clean urban transport and the integration of immigrants. The Charter presents an ideal model of the 'European city' of the 21st century, Source: website of the [Federal Ministry of Transport, Buildings and Urban Affairs](#) (Germany).

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- 16 The Enlargement Area of Southern and Eastern Europe includes the: Accession countries (Turkey and Croatia), Candidate countries (the Former Yugoslav Republic of Macedonia-FYROM) and the Potential Candidate Countries (countries of the Western Balkans, excl, FYROM). See "Countries of Operations" in the Glossary or [EIB website](#).
- 17 EIB, 2005 and 2006 Corporate Responsibility Reports. See [EIB website](#).
- 18 The Equator Principles (2006) are a financial industry benchmark for determining, assessing and managing social and environmental risk in project financing. See the [International Finance Corporation](#) and the [Equator Principles](#) websites. Also see the Glossary.
- 19 In the 2008-2010 COP, the overall target for all EIB lending activity in the area of environmental protection and sustainable communities is 25-30% of total signatures. For an initial 3-year period 2008-2010, a sub-target of 10-12% (of total activity) has also been defined for the Natural Environment.
- 20 The United Nations eight MDGs - which range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015 - form a blueprint agreed to by all the countries and all leading development institutions in November 2000 to meet the needs of the poorest people in the World. See: [UN website](#) and the Glossary.
- 21 See Footnote 7.
- 22 See the [EIA Directive 85/337/EEC](#) on the assessment of the effects of certain public and private projects on the environment as amended by Directives [97/11/EC](#) and [2003/35/EC](#) providing for public participation in respect of the drawing up of certain plans and programmes relating to the environment as well as the [SEA Directive 2001/42/EC](#) on the assessment of the effects of certain plans and programmes on the environment.
- 23 The Nature Directives include the "[Habitats](#)" [Directive 92/43/EEC](#) on the conservation of natural habitats and of wild fauna and flora and the 1979 "[Birds](#)" [Directive 79/409/EEC](#) on the conservation of birds. See further details under "Natura 2000" in the Glossary.
- 24 The [Directive 2004/35/CE](#) on environmental liability with regard to the prevention and remedying of environmental damage as amended by the [Directive 2006/21/EC](#) on the management of waste from extractive industries.
- 25 The codified [Directive 2008/1/EC](#) including all previous amendments to the [Directive 96/61/EC](#) concerning Integrated Pollution Prevention and Control (IPPC).
- 26 Directives are EU laws that provide for specific outcomes across the EU, but leave the means of achieving those outcomes up to each Member State. Directives therefore need to be transposed into domestic law - in other words given legal effect - by each Member State. Every Directive includes a deadline ahead of which Member States need to pass laws to give the Directive effect in their territory. A sector Directive applies to specific sector.
- 27 By definition, cross-cutting Directives have relevance far beyond just a specific (such as the environment) strand and are included in several EU policies or strategies, e.g. the EIA Directives.
- 28 The Forest Stewardship Council is a stakeholder owned international non-profit organization devoted to encouraging the responsible management of the world's forests. See the [FSC website](#) and the Glossary.
- 29 The [Water Framework Directive 2000/60/EC](#) (WFD) establishing a framework for the action of the EU in the [field](#) of [water policy](#), and aims to secure the ecological, quantitative and qualitative functions of [water](#). It requires that all impacts on [water](#) will have to be analysed and actions will have to be taken within [River Basin management](#) plans.
- 30 Sector Framework Directives set out the main principles, objectives and procedures for an EU regulatory policy regarding a specific sector, they establish the framework for the action of the

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- EU in the [field](#) of a specific sector policy. Well-known examples are the [WFD 2000/60/EC](#) (see above) or the [Waste Framework Directive 2006/12/EC](#)
- 31 The [UNECE Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters](#) (Aarhus, DK, 1998) or "Aarhus Convention" imposes on Parties and public authorities obligations regarding access to information and public participation and access to justice. See the *Glossary*.
- 32 [SEA Directive 2001/42/EC](#) on the assessment of the effects of certain plans and programs on the environment.
- 33 United Nations Economic Commission for Europe (UNECE) Convention on Environmental Impact Assessment in a Transboundary Context (Espoo, 1991) or the '[Espoo \(EIA\) Convention](#)'.
- 34 [Regulation \(EC\) Nr 1367/2006](#) on the application of the provisions of the Aarhus Convention. See footnote above and the *Glossary*.
- 35 The Environmental and Social Impact Assessment Framework (ESIAP) is a systematic framework that formalizes the existing monitoring and evaluation undertaken by the Bank, and is applied across all projects outside the EU since September 2007. For details see EIB 2007 Environmental and Social Practices Handbook, or the *Glossary*.
- 36 The European Cultural Heritage Convention (1954), the UN Convention Concerning the Protection of the World Cultural and Natural Heritage (1972), the work of UNESCO on World Heritage Sites, and that of the Council of Europe, particularly the Framework Convention on the Value of Cultural Heritage for Society (2005).
- 37 The variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems. See the *Glossary*.
- 38 The [Ramsar Convention on Wetlands](#) (1971, Ramsar, Iran) is an intergovernmental treaty which provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources. See the *Glossary*.
- 39 The [Convention on the Conservation of Migratory Species of Wild Animals](#) (also known as CMS or the Bonn Convention) aims to conserve terrestrial, marine and avian migratory species and their habitats throughout their range. See the *Glossary*.
- 40 The [Convention on the Conservation of European Wildlife and Natural Habitats](#) (Bern, 1979) has a threefold objective: to conserve wild flora and fauna and their natural habitats; to promote co-operation between states; and to give particular emphasis to endangered and vulnerable species, including endangered and vulnerable migratory species. See the *Glossary*.
- 41 [UNFCCC \(Art. 1\)](#) definition of Climate Change: 'a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods'.

## GLOSSARY

*These definitions have been compiled from various sources. Where a definition from an external authoritative source is used, a reference and where possible a link to the source glossary is provided. In the absence of such a definition, the EIB has provided its own.*

### **Sixth Environment Action Programme (6<sup>th</sup> EAP)**

The 6th EAP is a decision of the European Parliament and the Council adopted on 22nd July 2002. It sets out the framework for environmental policy-making in the European Union for the period 2002-2012 and outlines actions that need to be taken. The 6th EAP identifies four priority areas: climate change; nature and biodiversity; environment and health; and natural resources and waste. The 6th EAP calls for the development of seven Thematic Strategies in the field of soil and the marine environment (in the priority area of biodiversity), air, pesticides and urban environment (in the priority area of environment and health) and natural resources and waste recycling (in the priority area of natural resources and waste).

Source: [EC-DG Environment](#)

### **Aarhus Convention**

Shorthand for the (United Nations Economic Commission for Europe) UNECE Convention on Access to information, Public participation in Decision-Making and Access to Justice in Environmental Matters adopted in Aarhus, Denmark, in 1998 and entered into force in 2001. Source: [UNECE website](#) - Also see [EIB Public Disclosure Policy - July 2007](#)

### **Aarhus Regulation**

Regulation (EC) No 1367/2006 of the European Parliament and of the Council of 6 September 2006 on the application of the provisions of the Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters to Community institutions and bodies. Source: [EC-DG Environment](#)-Also see [EIB Public Disclosure Policy \(July 2007\)](#).

### **Acquis Communautaire**

The rights and obligations shared by the EU Member States. The 'acquis' includes all the EU treaties and laws, declarations and resolutions and international agreements on EU affairs and the judgments given by the Court of Justice. Candidate countries have to accept the 'acquis' before they can join the EU, and make EU law part of their own national legislation. Source: [Europa Glossary](#).

Environmental Acquis comprises approximately 300 Directives covering environmental protection, pollution and other activities, production processes, procedures and procedural rights as well as products, and cross-cutting issues (e.g. Environmental Impact Assessments, access to information on the environment and combating climate change). Quality and related emissions standards are set for air, waste management, water, nature protection, industrial pollution control, chemicals and genetically modified organisms, noise and nuclear safety and radiation protection. The key EU environmental Directives making up the Acquis are listed on the [EPE website](#). A more exhaustive list can be found at the [Eurolex website](#).

### **Bern Convention**

The Convention on the Conservation of European Wildlife and Natural Habitats was adopted in Bern on 19 September 1979 and came into force on 1 June 1982. Forty-five European and African States as well as the European Community are parties to the Convention. It has a threefold objective: to conserve wild flora and fauna and their natural habitats; to promote co-operation between states; and to give particular emphasis to endangered and vulnerable species, including endangered and vulnerable migratory species. Source: [Council of Europe](#) / EEA.

### **Best Available Techniques (BATs)**

Defined in the IPPC Directive as the most effective techniques to achieve a high level of environmental protection, taking into account costs and benefits. BATs not only refer to the technology used at an installation, but also to the way the installation is designed, built, operated and maintained. In the determination of the BATs, the authorities that issue permits have to take into account the BAT Reference Documents (BREFs) adopted by the European Commission. These BREFs are based on an

exchange of information through technical working groups consisting of experts from industry, Member State authorities, research institutes and NGOs, coordinated by the Commission's European IPPC Bureau in Seville (<http://eippcb.jrc.es/>), (part of the Institute for Prospective Technology Studies at EU Joint Research Centre in Seville, Spain). *Source: [Questions and Answers](#) about the [Proposal for a Directive on industrial emissions](#) (21/12/07) derived from the merger of the IPPC Directive and six other sector Directives.*

#### **Biological diversity (or Biodiversity)**

The variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems. *Source: [CBD Convention](#) - See also [DG-ENV Nature Conservation Home Page](#), including links to Habitats Directive and Birds Directive*

#### **Bonn Convention**

The [Convention on the Conservation of Migratory Species of Wild Animals](#), also known as CMS, aims to conserve terrestrial, marine and avian migratory species and their habitats throughout their range and on a global scale. 104 Parties from Africa, Central and South America, Asia, Europe and Oceania (as of 01/01/08) have signed this intergovernmental treaty that entered into force in 1983. *Source: [Convention of Migratory Species website](#)*

#### **Charter of Fundamental Rights (The)**

The Charter of Fundamental Rights of the EU (Official Journal of the European Union 2000/C 364/01) is a document containing human rights provisions, 'solemnly proclaimed' by the European Parliament, the Council of the EU, and the European Commission on December 2000. An adapted version was proclaimed on December 12 2007 in Strasbourg (OJEU [2007/C 303/01](#)), and is referenced in the Treaty of Lisbon (2007) making it legally binding. The Charter sets out the civil, political, economic and social rights of European citizens and all persons resident in the EU, defined as the EU's common values. It is organized in 6 main rights categories: human dignity, fundamental freedoms, equality, solidarity, citizens' rights, and justice. The provisions apply to the EU institutions and bodies, and to the Member States when they are implementing EU law. The European Court of Justice is charged with ensuring the respect of the Charter in all acts of the EU. *Source: [European Parliament website](#).*

#### **Civil Society Organisations (CSOs)**

The multitude of associations around which society voluntarily organizes itself and which represent a wide range of interests and ties, from ethnicity and religion, through shared professional, developmental and leisure pursuits, to issues such as environmental protection and human rights. *Source: [UNDP Programming Manual - Glossary \(1999\)](#).*

#### **Competent Authority(ies) (Environmental)**

Member States each appoint a Competent Authority/Authorities (CA) to oversee the implementation of European Directives in their Member State. In EU countries, the Competent Authority for Environment and/or Nature Conservation is the designated Authority responsible in the Member State for performing the duties arising from the EIA and Nature Directives. The Competent Authority is usually the national Environmental Protection Agency or a department of the Ministry of Environment but the responsibilities may be divided among several institutions. Outside the EU it is considered to be the Authority given responsibility to implement and enforce the legislation on environment and the protection of nature.

#### **Public Consultation**

A process through which the public is informed about proposals fashioned by a planning authority or developer and invited to submit comments on them. Public consultation is often a significant part of public participation and is always included in an EIA. [Consultation](#) is defined as a tool for managing culturally appropriate two-way communications between project sponsors and the public. Its goal is to improve decision-making and build understanding, by actively involving individuals, groups, and organizations with a stake in the project. This involvement increases a project's long-term viability and enhances its benefits to locally affected people and other stakeholders. *Source: [EIB Environmental and Social Practices Handbook \(2007\)](#). [Social Assessment Guidelines-Guidance Note 5](#).*

### **Core Labour Standards**

They are outlined in the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work:

- a) Child labour: no workers under the age of 15;
- b) Bonded labour and forced labour: no forced labour, including prison or debt bondage labour; no lodging of deposits or identity papers by employers or outside recruiters;
- c) Equal treatment and equal opportunity: no discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment;
- d) Freedom of association and the right to collective bargaining.

Source: ILO website and EIB [Environmental and Social Practices Handbook \(2007\)](#), *Social Assessment Guidelines-Guidance Note 3*.

### **Corporate Operational Plan-COP (EIB)**

A strategic document, approved by the EIB Board of Directors, for defining medium-term policy and setting operational priorities in the light of the objectives assigned to the Bank by its Governors. It is also an instrument for ex post evaluation of the EIB activities. The plan spans three years, although the strategic projections may be adapted during this period in order to take account of new mandates and changes in the economic climate.

### **Corporate Responsibility**

EIB understands Corporate Responsibility to be the "less-tangible" or "extra-financial" issues covering governance, ethical, environmental and social matters. It emphasises the importance of achieving a balance between economic growth, social well-being and the protection of the environment, in support of the goal of sustainable development. It underwrites institutional sustainability through competitiveness, the productive use of resources and good governance.

The EIB Group promotes Corporate Responsibility. It does so through its mission and activities at the service of the European Union, through the way it implements these and through its internal management. In order to reach out to society at large, it takes voluntary actions, over and above compliance with legal requirements, and consistently adapts its policies, standards and procedures. In addition to its evolving dialogue with external stakeholders, the EIB Group is concerned to ensure that its internal functions - including appraisal, internal audit and evaluation - operate effectively to enhance the value added of its operations. Source: [EIB 2005 Corporate Responsibility Report](#).

### **Countries of Operations (EIB)**

The EIB is active both inside and outside the European Union (EU) (see [EIB website](#)). The majority of EIB lending is attributed to promoters in the EU supporting the continued development and integration of the Union. The EU Council of Ministers has also entrusted the Bank with a series of mandates to operate outside the EU in support of EU development and cooperation policies.

Current EIB external lending mandates include:

- Enlargement Area of Southern and Eastern Europe: \*Accession Countries (Turkey and Croatia), \*Candidate Countries (the Former Yugoslav Republic of Macedonia - FYROM); \*Potential Candidate Countries: countries of the Western Balkans (excl. FYROM);
- Neighbourhood: \*the Mediterranean Neighbourhood and \*Russia and the Eastern Neighbourhood;
- Development and Cooperation countries: \*Africa, Caribbean and Pacific (and Overseas Countries and Territories), \*South Africa and \*Asia and Latin America.

### **Cultural Heritage**

Archaeological, historically significant, and sacred sites, and 'intangible' cultural heritage associated with particular investments such as tourist development. Source: EIB [Environmental and Social Practices Handbook \(2007\)](#). *Social Assessment Guidelines*.

### **Eco-efficiency**

For the EIB, eco-efficiency is a change in a process and/or product to achieve 'cleaner' production that at the same time yields economic benefits to the project Promoter. Eco-efficiency can be at the origin of innovation. Source: [EIB Environmental and Social Practices Handbook - 2007](#).

### **Ecosystem**

A dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit. *Source: [CBD Glossary](#).*

### **Corporate Governance (EIB)**

For the EIB, corporate governance involves a set of relationships between a company's management, board, shareholders and other stakeholders. Good governance is key to improving economic performance as well as enhancing investor confidence. In addition, corporate governance provides the structure through which company objectives are set, and the means to attain those objectives and monitor performance. The presence of an effective corporate governance system, within an individual company and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy. As a result, the cost of capital is lower and firms are encouraged to use resources more efficiently, thereby underpinning growth. *Source: [Press Release on EIB Corporate Governance Approach Statement, Oct. 2007](#).*

### **Eligibility (EIB)**

Consistency of EIB operations with the EU's priority objectives. During appraisal, projects are screened in terms of their specific contribution to EU policy, including environmental policy, known as its 'eligibility'. In addition there may be a specific environmental reason for financing the project - giving it 'environmental eligibility'.

### **EMAS**

The Eco-Management and Audit Scheme (EMAS) is the voluntary EU instrument which acknowledges organisations that improve their environmental performance on a continuous basis. EMAS registered organisations are legally compliant, run an environment management system and report on their environmental performance through the publication of an independently verified environmental statement. *Source: [EMAS website](#).*

### **Environment**

For the EIB and in so far as EIB financed projects affect human well-being, 'environment' means (a) fauna and flora; (b) soil, water, air, climate and landscape; and (c) cultural heritage and the built environment; (and includes occupational health and safety and projects' social effects in the non EU-countries). *Source: [EIB Environmental And Social Practices Handbook-2007, S201](#).*

#### **\* Natural Environment**

The EIB uses the term 'natural' to refer to all those processes and components in the environment, which are spontaneously formed and not, or minimally, influenced by man.

#### **\* Built Environment**

In contrast, the built environment is anywhere where development and construction has occurred (or is planned) and applies to both urban and rural areas.

*Source: [UK Government Department for Environment, Food and Rural Affairs-DEFRA website](#).*

### **Environmental Assessment**

A term applied by the EIB to describe the Bank's own assessment of the environmental and social implications of a project. The process involves an initial review of the promoter's own comprehensive feasibility studies and a preliminary assessment of environmental and social aspects of the project followed by detailed appraisal by an EIB team to inform the financing decision.

### **Environmental Impact Assessment (EIA)**

EIA is the term used to describe a formalised process, including public consultation, in which all the relevant environmental consequences of a project are identified and assessed before authorisation is given. In the EU, if an EIA is required, it is governed by EIA Directive 85/337/EEC as amended by Directives [97/11/EC](#) and [2003/35/EC](#) (see below). *Source: [EIB Environmental and Social Practices Handbook - 2007](#).*

### **Environmental Impact Study or Statement (EIS)**

In many but not all EIA Regimes, the Environmental Information provided by the Promoter to the Competent Authority is presented in the form of an EIS: the written report resulting from the EIA

process. This is a document or documents containing the Environmental Information required under Article 5 of EIA Directive 85/337/EEC as amended by Directives 97/11/EC and 2003/35/EC (see above).  
*Source: [EIB Environmental and Social Practices Handbook - 2007](#).*

#### **Environmental and Social Management Plan**

An action plan or system, which addresses the how, when, who, where and what of integrating environmental and social mitigation and monitoring measures throughout an existing or proposed operation or activity. It encompasses all the elements that are sometimes addressed separately in mitigation, monitoring and action plans. *Source: [EEA Glossary](#).*

#### **Economic and Social Impact Assessment Framework (ESIAF)**

is a document used to measure Value Added, initially applied to operations in the African, Caribbean and Pacific countries. In July 2007, it was extended to all Investment Loans outside the EU, Candidate and potential Candidate countries (i.e. to operations under the EIB mandates for Neighbourhood and ACP countries, Asia and Latin America, as well as South Africa). ESIAF is a set of indicators to better assess how operations contribute to sustainable development in these countries. This assessment tool uses qualitative ratings rather than numerical scores and relies on informed judgement rather than on weighted averages of a series of pre-defined indicators. To make a judgement on the development impact of individual projects, the ESIAF focuses on financial and economic performance, puts emphasis on environmental, governance and social issues and outlines the project's contribution to the relevant mandate and the Millennium Development. *Source: [EIB Environmental and Social Practices Handbook - 2007](#).*

#### **Environmental and Social Screening**

The process, during EIB's pre-appraisal of a project, by which its Projects Directorate determines the nature/scope of the environmental and social assessment, with reference to a series of issues listed in [EIB's Environmental and Social Practices Handbook](#) (Table E). All environmental and social issues must be screened.

#### **Equator Principles**

Adopted in June 2003 by ten international commercial banks, the Equator Principles are a voluntary set of guidelines for managing environmental and social issues in project finance. The Principles are based on the International Finance Corporation's (IFC) environmental and social standards and were developed with its advice and guidance. As of June 2006, 41 banks had adopted the Principles, and it is estimated that they now cover approximately 80 percent of global project lending. On July 6, 2006, a revised version was adopted, reflecting recent revisions to International Finance Corporation's own [Performance Standards on Social and Environmental Sustainability](#). The new Equator Principles apply to all countries and sectors, and to all project financings with capital costs above US\$ 10 million. *Source: [Equator Principles website](#).*

#### **Espoo Convention on Environmental Impact Assessment**

Entered into force in 1997, the UNECE (United Nations Economic Commission for Europe) Convention on EIA in a Trans-boundary Context or the Espoo (EIA) Convention sets out the obligations of Parties to assess the environmental impact of certain activities at an early stage of planning. It also lays down the general obligation of States to notify and consult each other on all major projects under consideration that are likely to have a significant adverse environmental impact across boundaries. *Source: [UNECE website](#)*

#### **European Principles for the Environment (EPE)**

An initiative committing the five signatory European-based Multilateral Financing Institutions - Council of Europe Development Bank (CEB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Nordic Environment Finance Corporation (NEFCO) and Nordic Investment Bank (NIB) - to use the EU environmental principles, standards and practices as the main benchmark for their respective financing activities across all sectors and throughout their regions of operation, not just among EU Member States, where such requirements are mandatory, but also in the near neighbours of the EU and other regions of the World. Its aim is to ensure environmental protection and promote sustainable development globally. *Source: [EIB website](#).*

### **Finance Contract**

Term used by the EIB to describe the loan agreement between the Bank and its Borrowers.

### **Forest Stewardship Council (FSC)**

The FSC is a stakeholder owned international non-profit organization gathering forest owners, managers, forest product manufacturers, local communities, non-governmental organizations and other interest groups and devoted to encouraging the responsible management of the world's forests. *Source: [FSC website](#).*

### **International Labour Organization (ILO)**

A specialised tripartite agency of the United Nations that brings together governments, employers and workers of its member states in common action to promote decent work throughout the world. Its secretariat is known as the International Labour Office. *Source: [ILO website](#).*

### **The Integrated Pollution Prevention and Control (IPPC) Directive (96/91/EC)**

Aims to minimise pollution from various industrial sources throughout the EU. Operators of industrial installations covered by Annex I of the Directive are required to obtain an authorisation (environmental permit) from the relevant authorities. About 50.000 installations are covered by the Directive, and the deadline for full implementation was 30 October 2007. The Directive is based on several principles, namely (1) an integrated approach, (2) best available techniques, (3) flexibility and (4) public participation. *Source: [EC, DG Environment's website](#).*

### **ISO 14000**

The ISO 14000 series is a family of environmental management standards developed by the International Organization for Standardisation (ISO). The ISO 14000 standards are designed to provide an internationally recognised framework for environmental management, measurement, evaluation and auditing. They do not prescribe environmental performance targets, but instead provide organisations with the tools to assess and control the environmental impact of their activities, products or services. The standards address the following subjects: environmental management systems; environmental auditing; environmental labels and declarations; environmental performance evaluation; and life cycle assessment. *Source: [EEA Glossary](#).*

### **IUCN - the World Conservation Union**

The World Conservation Union is the world's largest and most important conservation network. The Union brings together 83 States, 110 government agencies, more than 800 non-governmental organizations (NGOs), and some 10,000 scientists and experts from 181 countries in a unique worldwide partnership. The Union's mission is to influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable. *Source: [IUCN website](#).*

### **Loans types (EIB)**

The Bank finances projects using a number of different financing instruments forming 5 distinct types:

**Investment Loans (IL)**: Cover all operations (whether single or multi-schemes, single or multi-Promoters) where there is adequate information for approval in one stage before a decision by the Board of Directors. The ILs can be further divided into two subcategories:

- Projects for classical stand-alone investments (in principle, one scheme, one Promoter); and,
- Programmes for multi-scheme operations with a feature of commonality (Promoter or objective or sector). Examples include R&D corporate programmes, infrastructure programmes and municipal programmes.

**Framework Loans (FL)**: Multi-scheme operations where, due to incomplete information at the appraisal stage, decisions concerning the financing of specific sub-schemes have to be taken after Board approval on the basis of additional information. Structural Programme Loans, which consist of co-financing programmes benefiting from EU Structural or Cohesion Funds, is part of this category.

**Mid-Cap Loans (ML)**: A line of credit with financial intermediaries to support medium-sized industrial operations, in principle between €25m and €50m investment cost and not necessarily identified at the time of submission to the Board.

Intermediated Loans (former Global Loans): Credit line to a financial intermediary with expert knowledge of the local market to select and finance small operations (total investment cost of €40.000 to €25m) contributing to pre-determined objectives fixed by the Bank, not being identified at the time of submission to the Board.

Funds: An investment operation where the Bank invests equity into a Fund, which then makes investments into projects. *Source: [EIB Environmental and Social Practices Handbook - 2007](#) - Table D in Section A3.*

#### **Millennium Development Goals (MDGs)**

The United Nations' eight MDGs - which range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015 - form a blueprint agreed to by all the world's countries and all the world's leading development institutions on November 2000 to meet the needs of the world's poorest. *Source: United Nations' website.*

#### **NATURA 2000**

An EU-wide network of nature protection areas established under the 1992 so-called "**Habitats Directive**" on the conservation of natural habitats and of wild fauna and flora, and containing over 26,000 protected areas totalling approximately 850.000 km<sup>2</sup> - more than 20% of total EU territory. The aim of the network is to assure the long-term survival of Europe's most valuable and threatened species and habitats. It comprises Special Areas of Conservation (SACs) designated by Member States under the Habitats Directive, and Special Protection Areas (SPAs) designated under the Directive 79/409/EEC on the conservation of wild birds, commonly referred to as the **Birds Directive**. Sites are classified according to the EU's nine biogeographical regions: Alpine, Black Sea, Atlantic, Boreal, Continental, Macaronesian, Mediterranean, Pannonian and Steppic. Natura 2000 is not a system of strict nature reserves where all human activities are excluded; most of the land is likely to continue to be privately owned and the emphasis will be on ensuring that future management is sustainable, both ecologically and economically. The establishment of Natura 2000 also fulfils a Community obligation under the UN Convention on Biological Diversity. *Source: DG ENV.*

#### **Non-Technical Summary (NTS)**

A term used to describe a summary document of the Environmental Impact Assessment or the Strategic Environmental Assessment, written in a non-technical language, so that the public can easily understand it.

**Practices, Environmental and Social** The internal processes and practices of the Bank, particularly the work carried out by its Projects Directorate (PJ), to ensure that all financing activities are consistent with its environmental policy - described in the Bank's [Environmental and Social Practices Handbook \(2007\)](#).

#### **Project**

For the EIB, a project is an investment with a technically and economically clearly defined scope. In addition to the core investment it comprises all additional expenses that are required to achieve the project scope.

#### **Project List (EIB)**

The EIB Project List, also called the EIB **Project Pipeline**, is a list of new investment projects that have reached an advanced stage in the discussions with the Promoter on possible EIB involvement. It is built up as work progresses on project identification and appraisal. The Project List is published on the Bank's website.

#### **Promoter**

Developer, sponsor, organiser, 'owner' of an investment project.

#### **Public Disclosure Policy (EIB), 2007**

Policy document that sets out the principles and rules for disclosure of information. The policy is founded on a presumption of disclosure, unless there is a compelling reason for non-disclosure. It also includes the procedures for handling requests for information and the appeal mechanisms for applicants. The EIB Public Disclosure Policy, which governs and promotes public access to information, is currently under review to take account of the relevant provisions of the Aarhus Regulation. Where the provisions of the

Disclosure Policy and those of the Aarhus Regulation diverge in the environmental field, the Regulation applies. A revised Public Disclosure Policy is scheduled in 2008. *Source: EIB website.*

#### **Ramsar Convention (The)**

The Ramsar Convention on Wetlands, signed in Ramsar, Iran, in 1971, is an intergovernmental treaty which provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources. *Source: Ramsar Convention website.*

#### **Shareholders (EIB)**

The 27 Member States of the European Union, represented in the Bank's Board of Governors by their Finance Ministers.

#### **Stakeholders**

All individuals and/or groups who are affected by, or can affect, a given operation. Stakeholders can be individuals, interest groups, corporate organizations. They can be both internal (such as shareholders, managers, employees and government officials) or external (persons with an interest in the land or the development, property owners, neighbours, residents adjacent to a new development, resident groups, environmental and amenity/heritage organisations, local community councils and Authorities, civil society organisations, local enterprises, companies, trade unions, employees, customers and suppliers. *Source: [EIB's Environmental and Social Practices Handbook](#), 2007.*

#### **Standards**

A requirement of a quantitative form that is mandated by the Bank to ensure minimum requirements and is independently verifiable.

**Emission standards:** The maximum amount of discharge set in relevant EU Directives allowed from a single source, mobile or stationary. (*Source: EEA*)

**Ambient standards:** the legal norms set in the relevant EU Directives to safeguard the quality of the air, water and soils in the EU.

**Process standards:** The manner in which a promoter manages the environmental aspects of a project. A number of EU Directives contain process standards, the most pertinent to the EIB's work being the EIA Directive. Others include the various sector Framework Directives, the IPPC Directive, the Liability Directive and Directives related to the objectives of the Aarhus Convention.

#### **Strategic Environmental Assessment (SEA)**

The formal process of ensuring that environmental consequences of certain public sector plans and programmes are identified and assessed during their preparation and before their adoption. In the EU, the SEA procedure is governed by the SEA Directive 2001/42/EC. *Source: [DG Environment - SEA Legal Context](#).*

#### **Sustainable communities**

Communities within which people want to live and work, now and in the future. They meet the diverse needs of existing and future residents, are sensitive to their environment and contribute to a high quality of life. They are safe and inclusive; well planned, built and run; and offer equality of opportunity and good services for all. *Source: [European Parliament study - 03/2007 'The possibilities for success of the sustainable communities approach and its implementation'](#)/ European urban Knowledge Network ([Bristol Accord](#) by the European Ministerial Informal meeting in Bristol, UK, 6-7/12/2005. Also see [EIBURS Working Paper 07/2007 'Measuring Social Sustainability: Best Practice from Urban Renewal in the EU'](#) (Oxford Brookes Univ.-EIB).*

#### **Vulnerable Communities**

Amongst the most important defining characteristics of vulnerable groups are age, sex, ethnicity and location, disabilities and stigmatised illnesses, such as mental ill-health. In areas facing war or civil conflicts displaced people and refugees form an important vulnerable group. These groups are vulnerable to human rights abuses under any circumstances and their resource endowment is inadequate to provide sufficient income for a decent living. *Sources: UN's [Food and Agricultural Organisation](#); [International Council on Human Rights Policy](#)*