



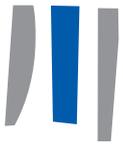
European Investment Bank • European Investment Bank • European Investment Bank • European Investment Bank

2005



# Corporate Responsibility Report





European Investment Bank • European Investment Bank • European Investment Bank • European Investment Bank

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The vast majority of EIB documents referred to are available on our website, and as such are marked with the symbol → [www.eib.org](http://www.eib.org). This 2005 EIB Corporate Responsibility Report will also be published on our website with embedded links to the reference documents.

## Cautionary statement regarding this report

The information presented in this report has been compiled in good faith and with the greatest care and circumspection.

To the best of our knowledge and information, the content (including charts, data and figures) presented in this report, does not contain any untrue statement. Nevertheless, no assurances can be given as to the accuracy of the report and we cannot be held liable for the correctness and completeness of the information provided therein.



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## President's Foreword



The EIB has long been reporting on Corporate Responsibility issues in different publications. I believe it is now time to create a new communication channel with our stakeholders. Accordingly, I see this first report on Corporate Responsibility as an essential piece of work for a better understanding of the EIB's contribution to sustainable development.

Within the framework of the Lisbon Strategy, and with a renewed focus on environmental sustainability, economic growth, social cohesion and job creation, the EIB places the core principles of Corporate Responsibility at the heart of its strategy. In our view, Corporate Responsibility underpins sustainability by fostering the rational and efficient use of resources, good governance and ethical behaviour (including anti-fraud and anti-corruption measures).

The EIB's prime task is to reinforce social and economic cohesion in the EU by financing projects in regions lagging behind in their economic development or grappling with structural difficulties. Its other lending priorities are the financing of SMEs, innovation, development of trans-European networks (TENs), and protection of the environment; outside the EU, the EIB also supports Community policy towards its neighbours and other parts of the world.

In 2005, the Bank's operational target of devoting between 30% and 35% of all individual loans in the EU-25 to projects safeguarding and enhancing the environment (both natural and urban) was once again achieved, with the share of environmental lending reaching 33% (including for urban renewal and urban transport projects). Furthermore, over 60% of our lending for new electricity generation projects went to renewable energy projects. We plan to gradually increase the share of renewable energy lending in the Bank's overall financing of new electricity generation capacity in the EU to 50% by 2010. In 2006 we will also focus on the development of appropriate financial instruments and initiatives, in partnership with the European Commission, which will address environmental technologies and biodiversity.

One of our challenges is to support private sector investment in parts of the world such as the Mediterranean region and Africa, while mitigating the environmental and social impacts of such operations. Against this background, in 2005 we launched the Development Impact Assessment Framework. This is a consolidated effort to provide a means of reporting on the economic, environmental and social impacts of EIB-financed projects in ACP countries, and to understand better how they fulfil both the Investment Facility's objectives and the Millennium Development Goals.

## President's Foreword

Since my appointment, I have listened carefully to the calls for greater accountability and transparency from a variety of stakeholders and I have encouraged the development of best practice in the disclosure of information to the public and mitigation of the environmental and social risks linked to our project financing activities. In 2005, we carried out our first formal public consultation – on our disclosure policy – and substantially widened public access to information on our activities. In addition, the Statement on Corporate Social Responsibility in the EIB Group was published: this highlights the approach we propose to adopt in widening and deepening public access to our work and public understanding of the investment decisions that we make.

I wish the Bank to travel further in these directions and to take up the various challenges associated with the development of more transparent and accountable procedures. We will develop our dialogue with external stakeholders while continuing to ensure that our internal functions operate effectively and enhance the value added of our operations.

The EIB will continue to work voluntarily on increasing its transparency by providing as much information as possible about its activities, both through interacting with the news media and organising or participating in public events, and through developing the Bank's website and publications. The ongoing dialogue with civil society organisations, particularly NGOs, will continue, with regular workshops and the forging of new partnerships.

This report is based on the United Nations Global Reporting Initiative (GRI) guidelines for financial sector reporting on environmental and social performance. I hope that it will provide you with useful information on how we work to finance sustainable development in the countries in which we operate, and I look forward to your feedback.

**Philippe Maystadt**  
President of the EIB Group



## 2005 Highlights

Key lending figures in EUR	
<b>Economic and social cohesion in the enlarged EU</b>	<b>34 bn</b>
Communications	12.9 bn
Industry	6.2 bn
Health and education	2.4 bn
Global loans for regional development	5.9 bn
<b>Innovative and knowledge-based European economy</b>	<b>10.7 bn</b>
Research, development and innovation	6.1 bn
Education and training	2.2 bn
Information and communications technology networks	1.9 bn
<b>Environmental protection</b>	<b>12.3 bn</b>
of which outside the EU-25	1.4 bn
Sustainable urban transport	5.4 bn
Urban renewal and regeneration	1.8 bn
Improving environment and health	2.5 bn
Energy efficiency and renewable energy	1.5 bn
Protecting nature, biodiversity and resources	678 m
Promoting sustainable use of natural resources and waste management	420 m
<b>Trans-European Networks</b>	<b>8.2 bn</b>
<b>Small and medium-sized enterprises in the EU</b>	<b>4.23 bn</b>
<b>Support for EU development and cooperation policies</b>	<b>3.6 bn</b>
FEMIP	2.2 bn
Asia and Latin America	756 m
Africa, Caribbean and Pacific	502 m
Republic of South Africa	145 m
Russian Federation	60 m

### Governors endorse new strategic orientations

At its 2005 annual meeting, the EIB's Board of Governors endorsed the EIB Group's new strategic orientations as follows:

The EIB's capital is expected to be sufficient until at least 2010 and the principle of financial self-sufficiency should be maintained.

As regards activity in Europe (EU, Acceding, Accession and Candidate Countries), the EIB Group intends to review its key priorities, introduce new instruments, focus more on the types of operation than on volume and allow for a controlled increase in its tolerance of risk on individual operations, notably by:

- adding SMEs to the Bank's key operational priorities
- aiming at a renewed partnership with the banking sector
- increasing in a controlled manner its tolerance of risk; making use of new financial instruments
- enhancing cooperation with the European Commission and with other IFIs.

Better serving the development objectives and policies of the Union calls for a more coherent and staff-intensive approach to EIB activity in partner countries that puts more emphasis on country and sector intervention strategies and involves more risk-taking coupled with greater availability of subsidies and closer cooperation with all actors (the Member States, who are the Bank's shareholders, the Commission, as well as multilateral and bilateral aid agencies). Being the largest European lender in North Africa, the Middle East and sub-Saharan Africa, the EIB has an important role to play in strengthening, expanding and better integrating the financial instruments supporting EU development policy.

### Corporate Responsibility

Some of the key events in this area:

EIB public consultation on its public disclosure policy  
Dialogue with civil society

Creation of the Inspectorate General  
Establishment of the Compliance function

Establishment of high-level policy principles for Corporate Social Responsibility  
Publication of the Corporate Social Responsibility Statement

Decision to report on Corporate Social Responsibility

Update of the Corporate Governance Statement.

## Responsibility Reporting



In publishing the CSR Statement, the EIB committed itself to reporting on the implementation of CSR. Previously, we reported separately over the years on some of the topics covered in this publication. This first integrated Corporate Responsibility report builds on the previously existing Environmental Report and is enriched by elements of our corporate governance and other developments regarding transparency, integrity, and ethical and social issues.

Although much of the information contained in this report is also available elsewhere in other documents published by the EIB, it is our aim to provide the reader with an extensive and comprehensive overview of our activities in the context of Corporate Responsibility.

We understand Corporate Responsibility to be a set of the “less-tangible” or “extra-financial” issues covering governance, ethical, environmental and social aspects. For us, Corporate Responsibility 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 involvement of the financial and business sectors, governments, employees and civil society working together for “our common future” is important to a public institution like the EIB.

The EIB Group promotes Corporate Responsibility. We do so through our mission and activities at the service of the European Union, through the way we implement these and through our internal management. In order to reach out to society at large, we take voluntary actions, over and above compliance with legal requirements, and consistently adapt our policies, standards and procedures. That is the reason why this report is important to us. Moreover, it provides evidence of the great importance we attach to our business contribution to sustainable development goals.

We acknowledge the direct impact on our customers, suppliers and employees as well as the environmental impact of our facilities. As a financial institution functioning in a modern economy, we are further aware of the possible major impacts of our investment decisions, and the way they may affect the global challenges of our society.

The Bank's high-level CSR policy is built upon the main pillars of our strategy: added value, transparency and responsibility. It is set in the framework of the Lisbon Strategy and forms part of the broader context of institutions and corporates taking account of social, environmental and sustainable development issues. We are now working on defining detailed policy guidelines for the different aspects of Corporate Responsibility.

This report aims to describe how the EIB voluntarily integrates CSR concerns into its business operations and its interaction with its stakeholders. It is part of an on-going process of building and improving our Corporate Responsibility policies and as such should be read as an element in a continuous improvement cycle. This process implies that a number of difficult issues, such as key performance indicators, benchmarking and the expectations of different stakeholders, need to be addressed. We are also aware of certain shortcomings in this first report (for example, we focus more on the way in which we do business and less on other aspects such as the business impacts); and we fully recognise that we are going through a learning process, in which we will invite our different stakeholders to participate in due course.

We certainly aim to make our stakeholders aware of what we do and how we conduct our business. In the future we will build on the information provided about our strategy, policies and processes, and next year's report will be much more focused on business impacts.

In this way, this report forms part of a "continuum" of engagement and trust-building that we hope will help us meet the reasonable expectations of our stakeholders in this area.

In compiling this report, we have followed relevant best practices and standards and international guidelines, namely the Global Reporting Initiative (GRI) 2002 Sustainability Reporting guidelines, including the special supplement for financial institutions. Measures reported are based on internal Key Performance, Core and Balanced Scorecard Indicators.

Assurance has been provided by our internal control systems, including internal audits, on quantitative data presented in this report. What is more, the financial data has been subject to the statutory audit and verification process. The report itself is the outcome of a careful in-house editorial process in which we have consulted external experts in the field of Corporate Responsibility and Sustainability, such as the London-based organisation "AccountAbility".

# I – MISSION AND BUSINESS PRINCIPLES



## *The financing institution of the European Union*

The European Investment Bank (EIB), the financing institution of the European Union, was created by the Treaty of Rome. The members of the EIB are the Member States of the European Union, who have all subscribed to the Bank's capital. The EIB enjoys its own legal personality and financial autonomy within the Community system. It is a public institution serving the policy objectives of the European Union. As a Community body, the EIB continuously adapts its activity to developments in Community policies. As a bank, it works in close collaboration with the banking community both when borrowing on the capital markets and when financing capital projects.

One of its main *raison d'être* is to foster the economic and social cohesion of the Member States through its lending operations. Outside the Union, the EIB makes an active contribution towards implementing the EU's development aid and cooperation policies in the framework of specific mandates given to it by its shareholders, the EU Member States.



The EIB is the majority shareholder of the European Investment Fund (EIF), a public-private partnership with legal personality and financial autonomy. Other shareholders are the European Community and several financial institutions from EU Member States. The EIF also qualifies as a multilateral development bank.

As a body of the European Union, the Bank falls within the remit of the European Anti-Fraud Office and the European Ombudsman for all its operations and activities, and within that of the European Court of Auditors in respect of specific EU funds and guarantees, including the European Development Fund (EDF) resources managed by the Bank under mandate.

The financing institution of the European Union

### Our mission: serving the policy objectives of the EU

Our mission is to further the objectives of the European Union by making long-term finance available for sound investment.

- We are at the service of the Union.

We were created by the Treaty of Rome, our shareholders are the 25 Member States, and our Board of Governors is composed of Ministers designated by each of the Member States, usually Finance Ministers.

- We provide service and value added
  - through our appraisal and follow-up of investment projects and programmes:  
To receive our support, projects and programmes must be viable in four fundamental areas: economic, technical, environmental and financial. We appraise each investment project<sup>1</sup> thoroughly and follow it through to completion.
  - through our financing:  
Through our own lending operations and our ability to attract other financing, we widen the range of funding possibilities. Through our borrowing activities, we contribute to the development of capital markets throughout the EU, Acceding, Accession and Candidate countries and elsewhere.
- We offer first-class terms and conditions.

Our financial soundness derives from the strength and commitment of our shareholders, the independence of our professional judgments and our record of achievement. It enables us to borrow on the finest terms, which we pass on in our lending conditions.

<sup>1</sup> Except for global loans, where the responsibility for appraisal and follow-up lies with the financial intermediary, and framework loans, where due to incomplete information at the appraisal stage, decisions concerning the financing of specific schemes have to be taken after Board approval at the time of approval and monitoring of the schemes. Global loans are credit lines made available to banks, leasing companies or financial institutions, which onlend the proceeds for small or medium-scale investment projects meeting the Bank's criteria. Framework loans are financial operations relating to multi-scheme investments.

- We work in partnership with others.

Our policies are established in close coordination with the Member States and the other institutions of the European Union. We also cooperate closely with the business and banking sectors and the main international organisations in our field.

- We attract qualified and multilingual staff from all the Member States.

We are motivated by our direct participation in the construction of Europe.

### Our role: borrowing for lending

The EIB serves as the European Union's long-term financing arm and operates on a non-profit-making basis. It grants loans mainly from the proceeds of its borrowings, which, together with "own funds" (paid-in capital and reserves), constitute its "own resources". The funds raised on the capital markets are assigned to financing, on the most favourable terms, capital investment projects that meet EU policy objectives. Outside the European Union, EIB financing operations are conducted principally with the Bank's own resources but also, under mandate, with Union or Member States' budgetary resources.



The financing institution of the European Union

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### Our contribution to sustainable development

The EIB aims to contribute to the sustainable development of the countries in which it operates. The key role of the Bank is to contribute towards the integration, balanced development and economic and social cohesion of the EU Member Countries and, in particular, to foster: regional development; Trans-European Networks for transport, telecommunications and energy; research, development and innovation; the improvement and protection of the environment; health and education. Outside the Union the EIB helps to implement the financial components of agreements concluded under the EU's development aid and cooperation policies. These various agreements enable the EIB to operate in some 130 countries in Central, Southern and Eastern Europe, the Mediterranean region, Asia and Latin America and the Africa, Caribbean and Pacific (ACP) region.

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### Our lending operations: value added, transparency and accountability

The EIB implements the quality cornerstones of its strategy: value added, transparency and accountability. The EIB adds value in particular through its appraisal and follow-up of investment projects and programmes – which must be viable not only economically, technically and financially but also as regards the environment. Following published eligibility guidelines, the EIB checks the consistency of EIB lending operations with EU objectives.



The financing institution of the European Union

### Lending in Europe: focus on innovation and quality

EIB lending activity in Europe focuses on five **operational priorities**:

- regional development and economic and social cohesion;
- implementation of the "Innovation 2010 Initiative";
- the development of trans-European and access networks;
- environmental protection and improving the quality of life;
- small and medium-sized enterprises.

Two recent decisions of the European Council have had a particular impact on the Bank's emphasis on social and environmental responsibility:

- The Lisbon European Council in March 2000. The EU set itself a new strategic objective for the next decade: *"to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion"*. Within the Lisbon framework, the European Council appealed directly to the business community: *"a special appeal to companies' sense of corporate social responsibility regarding best practices on lifelong learning, work organisation, equal opportunities, social inclusion and sustainable development"*.
- The European Council in December 2003, which set out the European Action for Growth, for strengthening Europe's long-term growth potential through increased investment in trans-European transport, telecommunications and energy networks as well as in innovation and R&D, including environmental technologies.

Through the EIF, which uses both own funds and funds held in trust under mandate agreements with the EIB, the European Commission, EU Member States and financial intermediaries, the EIB Group is also involved in:

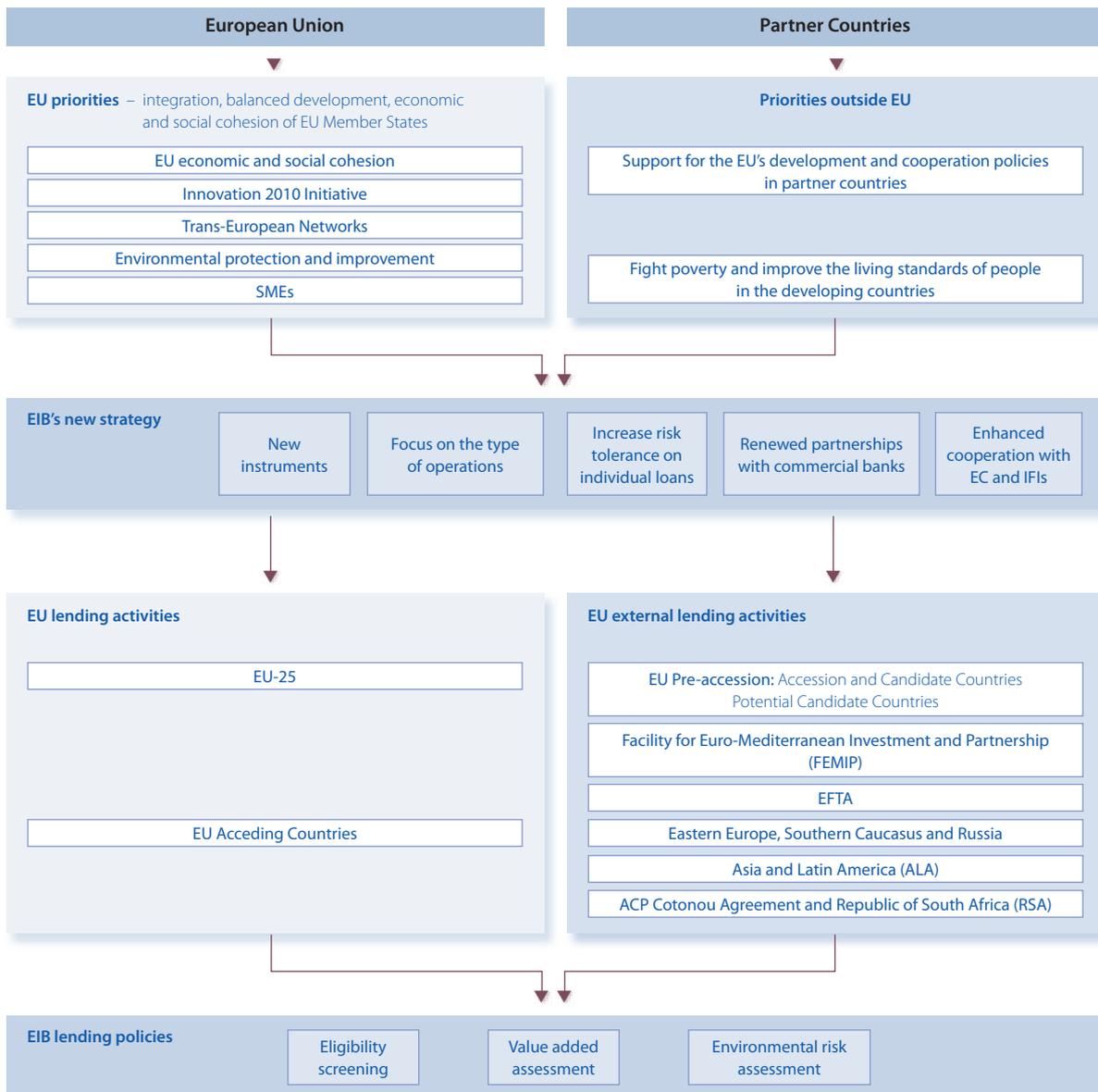
- equity investments in venture capital funds and business incubators that support SMEs, particularly those that are early stage and technology-oriented, and
- providing risk cover for SME financing to financial intermediaries mainly from the Member States of the EU and the Acceding, Accession and Candidate Countries.

### Lending in partner countries: developing partnerships

Outside the EU, the EIB's priorities are to better serve the development and cooperation objectives and policies of the European Union in partner countries, and to help fight poverty and improve the living standards of people in the developing world. Our key challenge here is to prove the Bank's worth as a development institution and to meet stakeholders' expectations regarding its contribution to achieving the goals of development aid, notably in the framework of the FEMIP and Cotonou mandates, which have raised the Bank's visibility as an institution financing development.

The financing institution of the European Union

### Investing according to EU policy



## II - GOVERNANCE AND ACCOUNTABILITY



## Governance, Organisation and Management

### The EIB Group

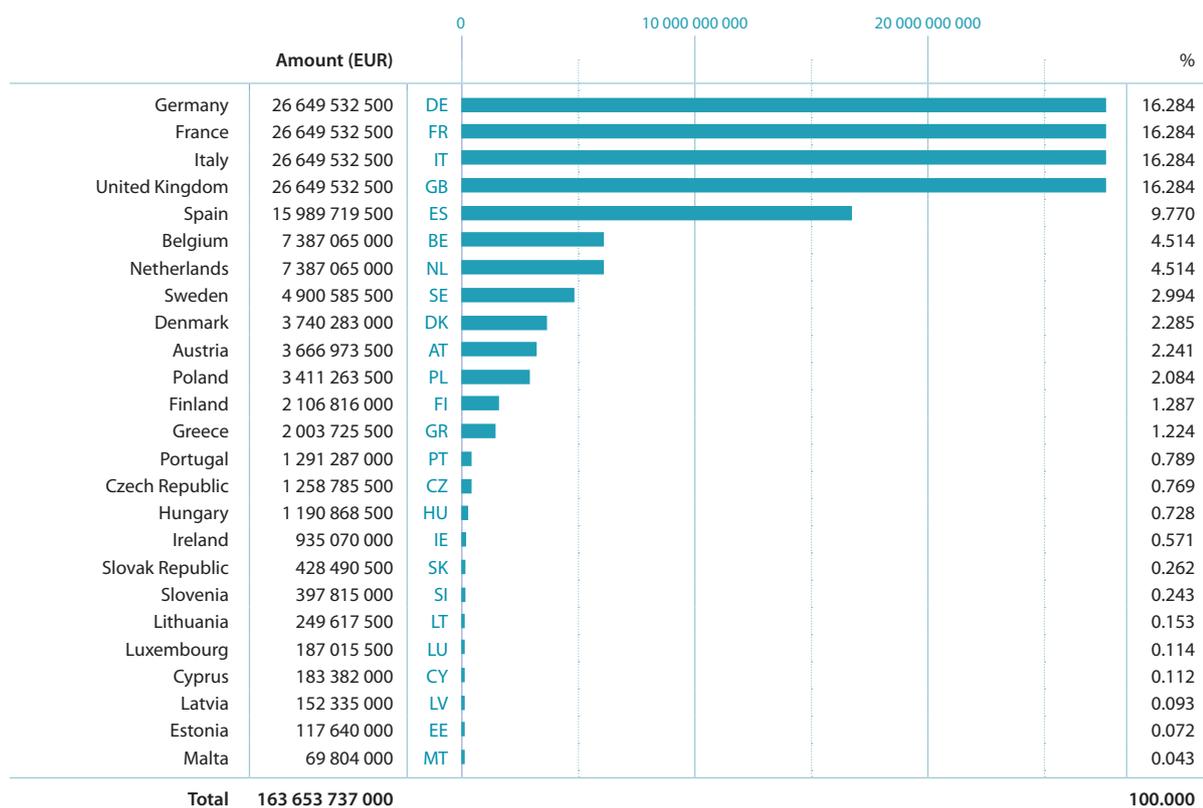
The EIB Group consists of the EIB and the EIF. The 25 Member States of the European Union are the shareholders of the EIB and they collectively determine the Bank's policies and approve investments. Each Member State's share in the Bank's capital is based on its economic weight within the European Union. In the context of EU enlargement, the provisions of the EIB's Statute have modified the Bank's capital shares and governance. The EIB's capital was increased on 1 May 2004 to EUR 163.65 billion. Under its Statute, the Bank is authorised to have maximum loans outstanding equivalent to two and a half times its capital.

The EIB is the majority shareholder (61.9%) of the EIF, a public-private partnership whose tripartite shareholding includes the European Commission (30%) and a number of European banks and financial institutions (8.1%). The EIF's authorised capital amounts to EUR 2 billion.

The EIB has also been a shareholder of the European Bank for Reconstruction and Development (EBRD) since 29 May 1990, with a capital subscription of EUR 600 million (3% of EBRD capital).

→ [www.eib.org](http://www.eib.org)

### Breakdown of the EIB's capital





The Management Committee

### Our corporate governance

"Governance" or "corporate governance" is generally taken to mean the system by which businesses are managed and controlled. According to the OECD Principles of Corporate Governance (2004): "Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined."

The Bank's guiding principles on governance take into account its dual role:

- as a financial institution, the EIB ensures that its financial statements give a true and fair view of its financial situation; it ensures that its business is conducted in accordance with the rules and procedures laid down in the Statute and the Rules of Procedure, and in line with best banking practice;
- as a European body serving the policies of the EU, the EIB carries out its statutory role and the tasks assigned to it in a transparent manner, in accordance with the provisions that are applicable to it.

→ [www.eib.org](http://www.eib.org)

The EIB's principles of sound governance are in accordance with the Commission Action Plan and the European Parliament's resolutions on corporate governance and the supervision of financial services. The publication in 2004 of the Bank's Statement on Governance, followed by a yearly update, bears witness to the EIB's continued commitment to good governance.

### Our governance structure

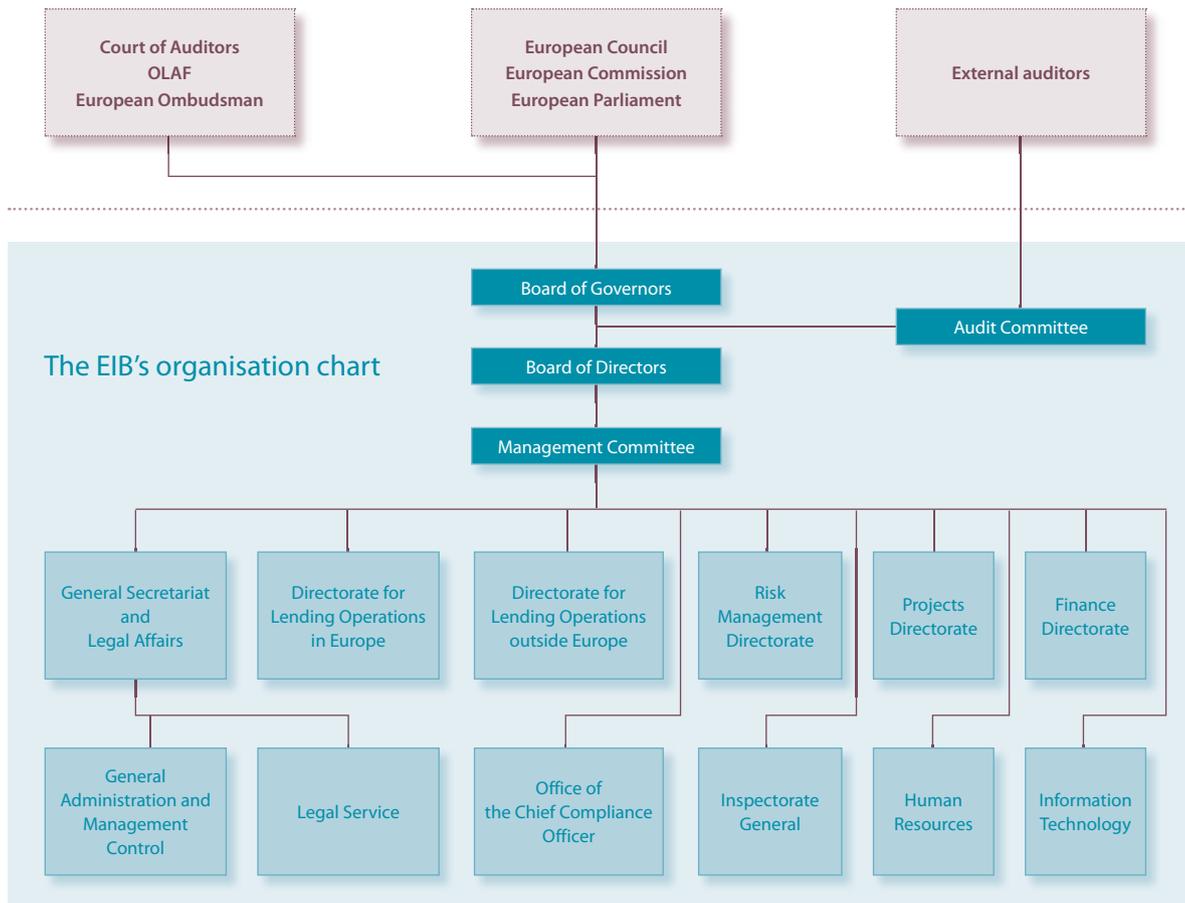
The governance structure of the EIB contains unusual features which make it strong in terms of management accountability and independent supervision and control:

- The Management Committee is the Bank's permanent collegiate executive body. Under the authority of the President and the supervision of the Board of Directors, it oversees the day-to-day running of the EIB, prepares decisions for Directors and ensures that these are implemented. The President chairs the meetings of the Board of Directors.
- The Audit Committee is an independent control body answerable directly to the Board of Governors, with its members (three members and three observers) being appointed by the Board of Governors. It is responsible for verifying that the operations of the Bank have been conducted and its books kept in a proper manner.



The Audit Committee

## Governance, Organisation and Management



The EIB publishes on its website details of the composition of its decision-making bodies, including a curriculum vitae (summary of the professional qualifications and experience) of the members of the Board of Governors, the Board of Directors, the Management Committee and the Audit Committee. This information is updated when the composition of the decision-making and supervisory bodies changes, i.e. when new appointments are made to the Board of Governors, the Board of Directors, the Management Committee or the Audit Committee. → [www.eib.org](http://www.eib.org)

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### **Ethics and conflicts of interest**

The EIB has in place codes of conduct applicable to its decision-making bodies. Regarding possible conflicts of interest, individual declarations by members of the Board of Directors and abstentions from voting are recorded in the minutes of meetings; the Bank publishes the register of these declarations. Furthermore, the members of the Board of Directors sign and update personal statements on the other offices or positions they hold; these are summarised in the published CVs. → [www.eib.org](http://www.eib.org)

The members of the Management Committee sign a public declaration of financial interests similar to that applicable to members of the European Commission. → [www.eib.org](http://www.eib.org)

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### **Remuneration and other benefits**

The EIB publishes detailed information on the remuneration and other benefits applicable to members of its decision-making and supervisory bodies and to the members of its staff, in particular its salary scales.

→ [www.eib.org](http://www.eib.org)

## Integrity and Beyond



### Business ethics and values

The EIB maintains high standards of ethics and behaviour for management and staff, including rules on conflicts of interest, insider information, the acceptance of gifts, improper use of influence, etc., which are set out in the relevant codes of conduct.

The values promoted when working with colleagues include:

- courtesy and respect;
- acting loyally, honestly and impartially and subscribing to high standards of professional ethics;
- discharging duties professionally, with due diligence and efficiency and to the best of one's ability;
- clear instructions to be given by superiors so that staff members can fulfil their duties, with honest, constructive observations – free of prejudice, favouritism or ulterior motives – being made on their working practices;
- observing professional secrecy.

The values promoted in staff members' relations with the public include legality, non-discrimination, non-abuse of powers, fairness and loyalty, legitimate expectations and consistency, and courtesy.

### Privacy, integrity and data protection

The EIB respects the principles of privacy, integrity and data protection.

Within this context, it applies the rules laid down in: Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data; Regulation EC/45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data; and Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector.

The EIB has a Data Protection Officer who ensures, in an independent manner, the application of the provisions of these rules and who cooperates with the European Data Protection Supervisor. The latter is the independent supervisory authority responsible for monitoring the processing of personal data by the Community institutions and bodies.

### The EIB's codes of conduct

- *Code of Conduct for the members of the Board of Directors of the European Investment Bank;*
- *Code of Conduct for the members of the Management Committee of the European Investment Bank;*
- *Code of Conduct for the members of the Audit Committee of the European Investment Bank;*
- *EIB Staff Code of Conduct;*
- *EIB Code of good administrative behaviour for staff in relations with the public.*

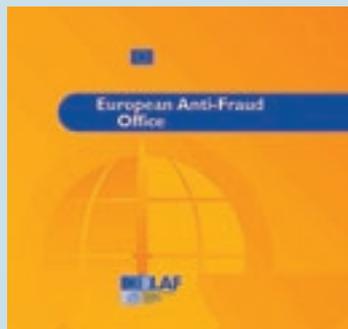
→ [www.eib.org](http://www.eib.org)



### European Anti-Fraud Office

*The European Anti-Fraud Office (OLAF) is an independent investigation service within the European Commission. The mission of OLAF is to protect the interests of the European Union and to combat fraud, corruption and any other irregular activity, including misconduct, within the European institutions. It is a European instrument in the fight against cross-border crime and fraud. Its independence is guaranteed by its special status and it is monitored by a supervisory committee.*

*OLAF consults and cooperates with the Member States through the Advisory Committee for the Coordination of Fraud Prevention (COCOLAF). The strong partnership with national investigators in the face of the international nature of crime is an added value of OLAF in the conduct of external investigations. At the same time, internal investigations are a guarantee of the smooth operation of the European institutions.*



### Fighting fraud and corruption: zero tolerance

The overriding principle is that the EIB Group has a zero-tolerance policy on fraud or corruption, whether perpetrated by its own staff or occurring in connection with projects, loans and equity to which EIB Group funds are committed. The EIB is determined to protect itself and the public from such unlawful activities, whether they are attempted from within or by outside individuals, groups or organisations. The Bank's key reference document is the EIB Guidelines on Fighting Corruption and Fraud.

→ [www.eib.org](http://www.eib.org) EIB Guidelines on Fighting Corruption and Fraud.

The EIB is committed to:

- ensuring the highest possible standards in the conduct of its business. As the policy-driven bank of the European Union (EU), the EIB supports and promotes policies and procedures adopted by the EU Member States to fight corruption and fraud, in compliance with the relevant EU directives;
- supporting initiatives taken by the Member States and the EU to ensure the adoption of best practice, e.g. to combat money laundering and international terrorism;
- implementing the OECD's Financial Action Task Force (FATF) recommendations for financial institutions on preventing money laundering, especially in countries on the Task Force's Non-Cooperative Countries and Territories list. This applies to EIB operations outside the EU or in the Acceding Countries;
- cooperating with the Member States' authorities and the Union's Anti-Fraud Office (OLAF) in combating fraud;
- protecting its financial interests and those of third parties by putting procedures in place to detect and take disciplinary and/or judicial action against corruption and fraud;
- maintaining a financial control framework. Control functions are exercised by the Bank's Internal

## Integrity and Beyond

Audit and external auditors and are reviewed by the Audit Committee;

- maintaining high standards of ethics and behaviour for EIB Management, control functions and staff, including rules on conflicts of interest, insider information, acceptance of gifts, improper use of influence, as set out in the relevant codes of conduct;
- providing guidance and rules for its project promoters and those providing goods or services to such projects on how to combat corruption and fraud, as outlined in the Bank's "Guide to Procurement".

- Information: to inform the Board of any connection the Bank's operations may have with any such jurisdiction, whether the connection became known before or after the date of the Board decision on the operation.

### Fighting money laundering

The EIB has specific policies as regards dealing with "monitored jurisdictions" i.e. countries that are classified by the OECD as "Offshore Financial Centres", as well as jurisdictions viewed (i) by the IMF as having weak financial and regulatory standards, or (ii) by the FATF as failing to comply with its recommendations for combating money laundering and the financing of terrorism. The EIB follows FATF recommendations on money laundering for its operations outside the Union, as the operations within the Union are governed by Community rules<sup>2</sup>.

The aim of these policies is to ensure that no project, structure or investment supported or undertaken by the Bank is used to facilitate tax evasion, fraud, money laundering or the financing of terrorism. These policies apply to lending as well as to borrowing and treasury operations, and focus on the following:

- Prohibition: not to arrange any operation in or with a "monitored jurisdiction", except where the project or the majority of the scheduled portfolio of projects financed by the operation is located in that jurisdiction.
- Vigilance and control: to exercise vigilance and impose additional<sup>1</sup> controls in the case of projects and investments that have a connection with a "monitored jurisdiction".



<sup>2</sup> In October 2005 the EIB applied for observer status at the FATF.

### Integrity policy and compliance

The Integrity Policy and Compliance Charter, published in 2005, sets out the fundamental ethical principles applicable to the EIB and the EIF and underlines the commitment of the EIB Group to a policy of integrity in the performance of its mission. → [www.eib.org](http://www.eib.org)

Observance of the integrity policy is an essential aspect of the reputation and image of the EIB Group. Adherence by the staff of the EIB Group to the principles contained in that policy helps to maintain and safeguard public confidence in the EIB Group's management and activities in the wider context of the European Union.

Implementation of these fundamental principles is a responsibility falling individually on each member of staff of the EIB Group and on each member of the relevant decision-making and supervisory bodies. Committed to ensuring that the conduct of its activities conforms to this Charter, the EIB Group has set up a Group Compliance Office responsible for policing observance of these principles.

#### **The Compliance Office**

*Headed by the EIB Group's Chief Compliance Officer, the Compliance Office is an independent function created in 2005, reporting directly to the President of the EIB under the functional authority of a Vice-President.*

*The remit of the Compliance Office is to identify, assess, advise on, monitor and report on the compliance risk of the EIB Group, that is, the risk of legal or regulatory sanctions, financial loss, or loss to reputation that a member of the EIB Group may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice. It acts as a first-line detector of incidents of non-observance or breaches of the rules on ethics and integrity and recommends the adoption of such protective or remedial measures as are appropriate.*

*The Compliance Office expresses an opinion on proposals for the adoption of new procedures, ensuring that such proposals conform to applicable standards and established policies, are complete and are supported by the requisite approvals or opinions.*

*The Compliance Office ensures that the directorates, departments or units of the EIB Group implement properly and promptly regulatory changes applicable to the relevant sector of their activity. It maintains a constant watch on the regulatory scene and provides briefings on the potential impact of relevant developments on the organisation or activities of the EIB Group.*

Integrity and Beyond



## Strategy and Planning



### The EIB's strategy

The endorsement by the Bank's Board of Governors in June 2005 of the general orientations on future strategy set out in the document "Towards a New Strategy for the EIB Group" confirmed the EIB Group's main task of supporting growth and employment within the Union and helping to advance the Lisbon Agenda while serving the development objectives and policies of the Union. The EIB Group's future operating environment will be influenced by such factors as developments in the capital markets as well as the adoption of the Financial Perspectives for the period 2007-13 and external lending mandates.

→ [www.eib.org](http://www.eib.org)

The Bank's Corporate Operational Plan (COP) for the period 2006-2008 was drawn up on the basis of the general orientations for future strategy endorsed by the Board of Governors in June 2005.

→ [www.eib.org](http://www.eib.org)

### The planning cycle for creating the Bank's Corporate Operational Plan

Throughout the year, there is an active dialogue with the Bank's stakeholders to identify different areas of EU policy where the EIB can contribute. The various options are examined by the Bank's services and dis-

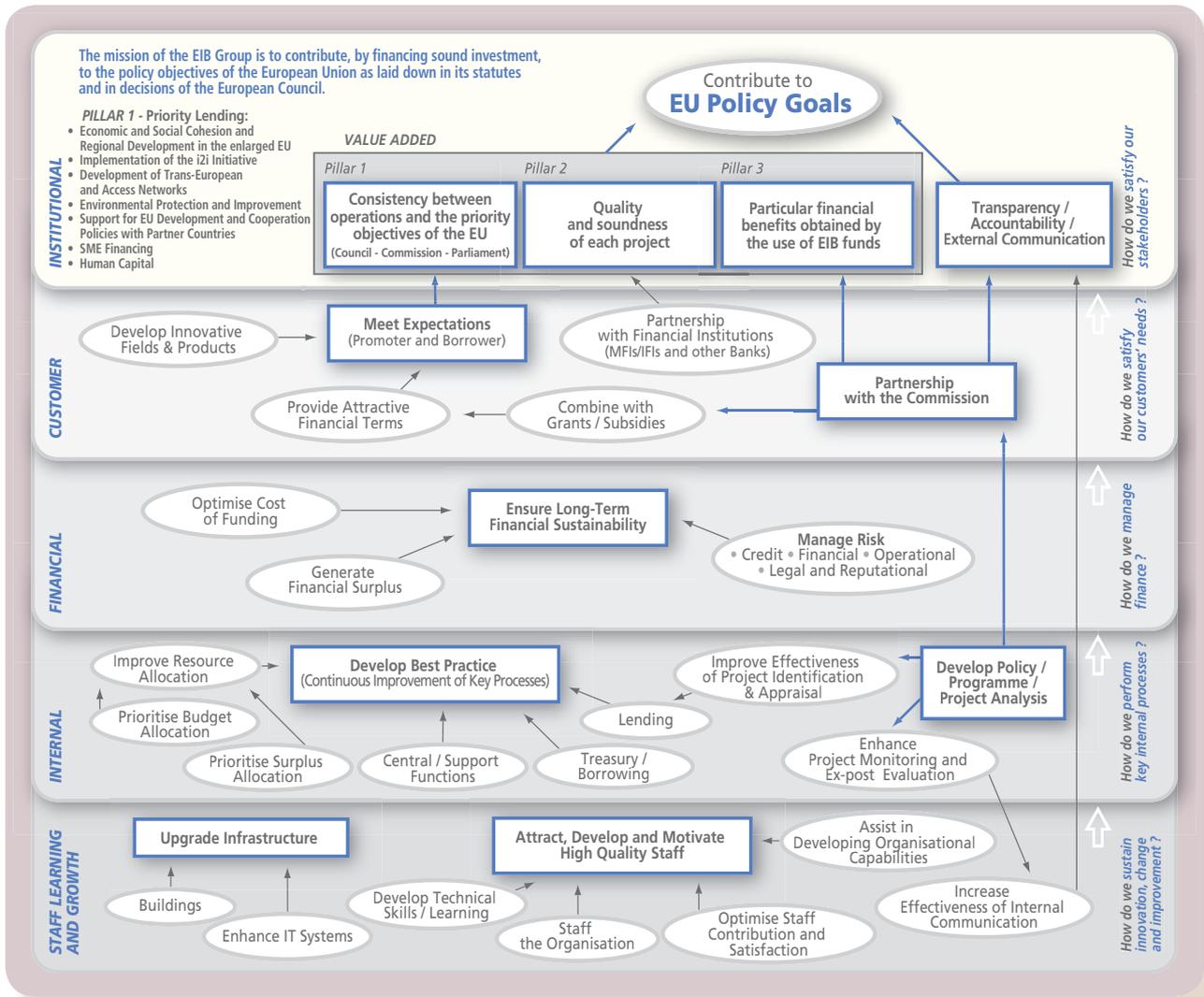
cussed with the management bodies in order to set priorities and define concrete actions for the short and medium term.

This process is part of a formal planning cycle that takes place every year for the establishment of the Bank's priorities for the medium term (three years) and translates into the Corporate Operational Plan (COP). The high-level objectives outlined in this document are then cascaded into more detailed objectives set for the Bank's services at the beginning of each year.

To support its mission and the execution of its strategy, the EIB has adopted the Balanced Scorecard (BSC) methodology in its planning process. The Strategy Map, a graphical representation of the Bank's strategic objectives, serves as the basis for each yearly planning cycle when defining the Bank's priorities. These priorities are supported by a balanced set of performance indicators. Targets are set for both the indicators and the different lines of the profit and loss account, and progress towards the execution of the strategy is monitored. To complement the BSC methodology in the planning process, other tools are used, such as a cost accounting system and traditional budget reports.

Strategy and Planning

Strategy Map of the EIB



The strategy map is a visual representation of the EIB's strategy and the processes and systems necessary to implement that strategy. It shows employees how their jobs are linked to the Bank's overall objectives.

# Corporate Responsibility

## The EIB's Statement on Corporate Social Responsibility

The EIB Group Statement on CSR was published in 2005. It includes the CSR High-Level Policy. → [www.eib.org](http://www.eib.org)

### CSR High Level Policy

1. *The EIB Group aims to integrate environmental and social concerns into its business activities. This includes giving recognition to the rights, interests and responsibilities of shareholders and other stakeholders in order to achieve sustainable outcomes.*
2. *The EIB Group contributes to the efforts of the European Union to enhance CSR. It also commits to contributing to the enhancement of international good practices, working with the international financial community.*
3. *In conducting its business, the EIB Group stresses good governance, including a high level of transparency and accountability for itself and its counterparts while recognising the need to respect confidentiality where appropriate and ensuring trust.*
4. *The EIB Group seeks value added through the careful selection, appraisal, monitoring and evaluation of investment projects and programmes. It checks the consistency of its lending activities with EU objectives and conducts its appraisals with a view to ensuring that investments are sustainable. In countries where governance structures are not well developed, the EIB Group also pays particular attention to the institutional competences of organisations with which it works.*
5. *The EIB Group recognises the role that financial institutions can play to promote more ethical and sustainable investments through their respective activities.*
6. *The EIB Group seeks to develop a mutually beneficial relationship between itself and its host communities. It also aims to minimise the environmental footprint of its buildings and the activities that take place in them.*

## Organisation

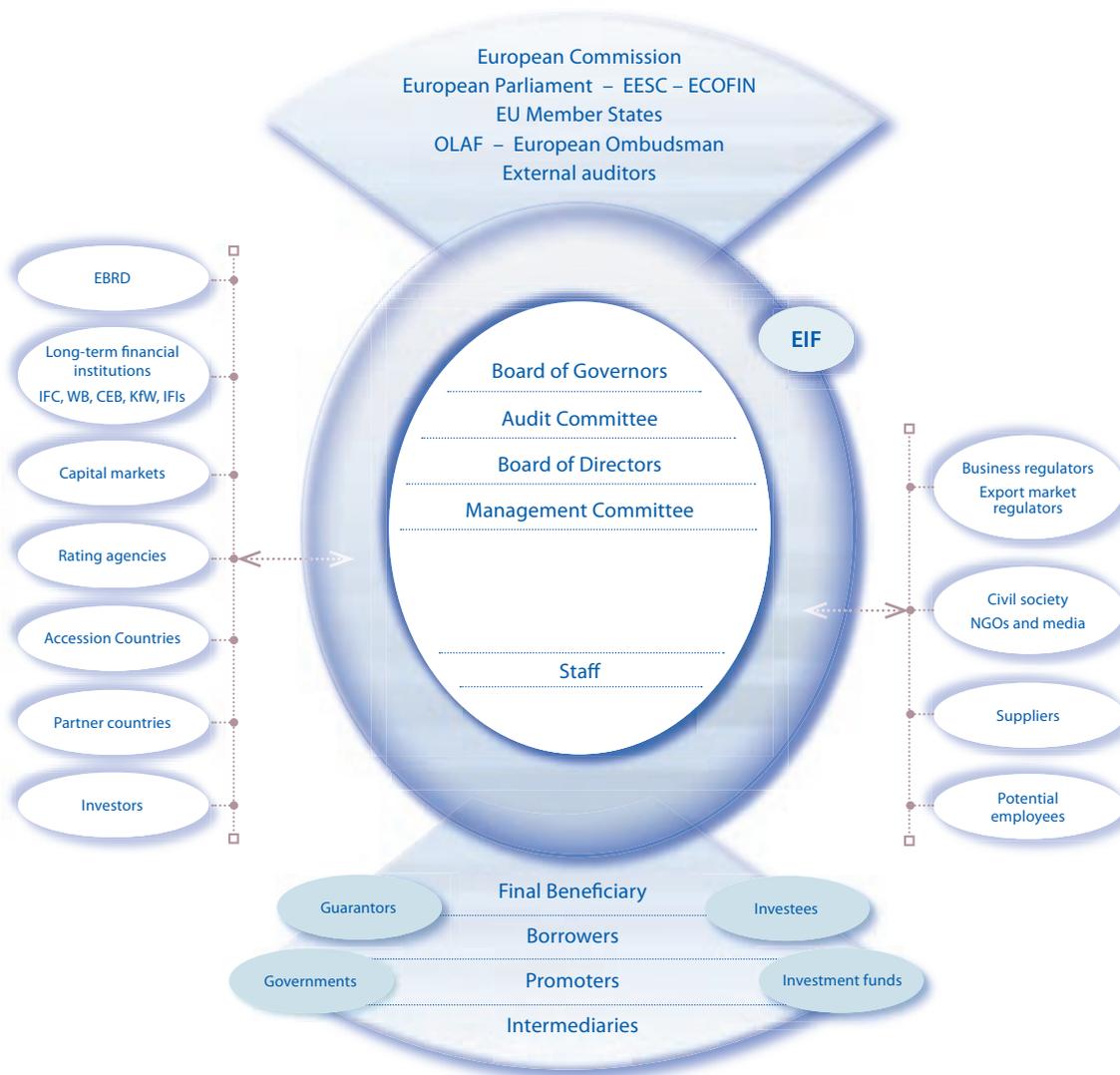
The Corporate Responsibility Unit is placed under the authority of the Secretary General. A CSR Steering Committee, comprising representatives of the Bank's directorates, is in place with the objective of achieving Bank-wide consensus regarding CSR policies, guidelines and reporting. This Committee reviews proposals and acts as an internal discussion forum on new ideas for possible ways forward. During 2005, we developed an internal CSR awareness programme. CSR awareness sessions targeted management and staff and aimed to make CSR part of the EIB Group's values and culture.

To manage the development and implementation of the Bank's CSR policy, it has been decided to use the EFQM (European Foundation for Quality Management) Framework for Corporate Social Responsibility. This framework is a self-assessment and management tool used to identify and track strengths and weaknesses and to help with reporting. Its implementation will take place in 2006.

## Mapping our stakeholders

We are committed to building long-term relationships of trust, respect and integrity with our stakeholders.

### EIB Stakeholders



## Control, Monitoring and Evaluation



### Financial Accountability

The consolidated financial statements of the EIB Group are drawn up in accordance with the International Financial Reporting Standards (IFRS). The EIB's unconsolidated accounts are drawn up in accordance with Council Directive 86/635/EEC of 08.12.1986 on the annual accounts and consolidated accounts of banks and other financial institutions (as amended by Directive 2001/65/EC of 27.09.2001). The Bank also publishes half-yearly consolidated accounts (unaudited). → [www.eib.org](http://www.eib.org)

Furthermore, the EIB ensures that accounting and supervisory methods and procedures are harmonised at EIB Group level as well as in respect of operations under mandate as appropriate. The Financial Controller is responsible for the preparation of the EIB's financial reporting. The financial statements are approved by the Management Committee and the Board of Directors before submission to the Board of Governors (representing the shareholders).

The Audit Committee is responsible for establishing whether the financial statements, as well as any other financial information contained in the annual accounts drawn up by Bank's management, give a true and fair view of the financial position of the Bank in respect of its assets and liabilities, and of the results of its operations and its cash flows for the financial year under review.

The independent external auditors report directly to the Audit Committee, which they inform each year of

their work programme and of the coordination of their activity with that of the Bank's Internal Audit. Following a competitive tendering procedure, the firm Ernst & Young was appointed by the Audit Committee.

According to the EC Treaty, the European Court of Auditors is responsible for examining the accounts of all revenue and expenditure of the Community. The results of audits conducted by the Court are published. Although the Bank has its own independent external audit structure, the deployment of EU public funds or European Development Fund resources managed by the Bank under mandate is also subject to auditing by the Court. A Tripartite Agreement governs cooperation between the institutions involved in the management of such funds: the Bank, the Commission and the Court of Auditors.

### Inspectorate General (IG)

The creation of IG in 2005 underlined the importance attached by the Management Committee to the two main independent ex post control functions: Internal Audit and Operations Evaluation. In particular, the new structure reflects the contribution of evaluation activities to the attainment of the Bank's strategic objectives and their positive impact on operational performance, accountability and transparency. The objective is to foster increased synergy between EV and IA and, in particular, a more coordinated approach to their work programmes.

Catering for audit needs at all levels of management of the EIB Group and acting with the guarantees of independence and professional standards conferred upon it by its Charter revised in 2001, Internal Audit examines and evaluates the relevance and effectiveness of the internal control systems and the procedures involved.

**Operations Evaluation** carries out ex post evaluations. It ensures transparency vis-à-vis the EIB's governing bodies as well as interested outside parties, by carrying out thematic, sector and regional/country evaluations of projects financed by the Bank, once they have

## Control, Monitoring and Evaluation

been completed. Through its work, this department familiarises external observers with the performance of the Bank and encourages the institution to learn from experience.

Since the creation of the Inspectorate General in 2005, **Fraud Investigations** has acted as a separate unit, reporting to the Inspector General. The Bank may also call upon external assistance or experts, including the services of the European Anti-Fraud Office (OLAF), according to the requirements of the enquiry.

Internal Audit has implemented an **Internal Control Framework** (ICF) based on BIS guidelines. Hence, Internal Audit reviews and tests controls in critical banking, information technology and administrative areas over a two to five-year cycle. The Bank maintains a single repository of operational risk exposures and internal controls that is owned by the Directorates. The annual certification letters from the Directors General to the Secretary General, which form the basis for the annual letter of representation signed by the Secretary General and the Financial Controller to the external auditors, are supported by individual ICF reports and their annual updates, by any audit reports issued during the year and by the annual operational risk exposure report.



### Six thematic ex post evaluations published in 2005

*About one in every six projects financed by the EIB is subject to an intensive ex post evaluation. The main objective is to learn from past experience, while contributing to increased transparency and accountability through publication of the findings of these ex post evaluations on the Bank's website.*

*Six thematic ex post evaluations were finalised and presented to the Bank's Board of Directors and subsequently published on its website in 2005. These focused on:*

- *Air infrastructure projects, mainly in the European Union*
- *Railway projects in the EU-15*
- *Public-private partnership projects*
- *Global loans to small and medium-sized enterprises in the EU-25*
- *Global loans in the Mediterranean Partner Countries (MPCs)*
- *Individual loans to projects in the MPCs*

*A summary of the findings and recommendations was posted on the EIB's website ("Operations Evaluation 2005 Overview Report"). This was the first time that such a report has been made public in the interests of transparency and accountability. In the years to come, EV plans to modulate its evaluations more systematically to the differing specific characteristics of operations inside and outside the European Union. In the Member States, its evaluations will track the achievements in meeting the Bank's five core objectives (economic and social cohesion, the Innovation 2010 Initiative, the development of Trans-European Networks, environmental protection and improvement, support for small and medium-sized enterprises). Outside the European Union, the EIB's lending activities are evolving, especially in developing countries where increasing attention is being paid to the development impact of the Bank's operations. EV will follow suit by routinely and consistently assessing the development impact of the Bank's operations, which is a key objective, particularly in the ACP countries.*

→ [www.eib.org](http://www.eib.org)

### Internal controls

The functional group Management Control Services (MCO), under the supervision of the **Management Controller**, brings together Financial Control, the Planning, Budget and Control Division and an Organisation Unit. This structure covers the entire process of translating strategy into objectives and ultimately monitoring the results actually achieved. A standing committee consisting of the Deputy Secretary General and the heads of Human Resources, Information Technology and Economic and Financial Studies, strengthens change management at the Bank within the framework of the EIB's strategic objectives.

The **Financial Control** department, set up as part of measures aimed at tightening financial controls within the Bank, is responsible for general accounting and for preparing the Bank's financial statements. Financial Control is also called upon to express a second opinion on certain aspects of the Bank's financial policies and their implementation. Financial Control covers all the Bank's activities whose data streams have an important impact on its financial position, such as credit risk, performance indicators, information and management systems, the administrative budget, ALM (asset and liability management) and market risks. Thus, the Financial Control function includes analysing financial management instruments as well as the associated systems. The Financial Controller chairs the Bank's New Products Committee and ensures that these products are correctly recorded in financial and accounting terms.

The EIB's Financial Report includes a statement on risk control. From the organisational point of view, the various risk control functions in the Bank – credit, ALM, operational and market risks – have been brought together under the responsibility of the Risk Management Directorate (RM). The Bank's risk management has been extended at EIB Group level to cover venture capital operations.

The EIB manages **operational risk** in accordance with the best banking practice recommended by the Basel Committee on Banking Supervision (BCBS) and within

the framework of RM's management of market, credit and operational risk. In line with the BCBS, the EIB defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risk, but excludes strategic and reputation risk"<sup>3</sup>. Although reputational risk is not in the scope of this definition, it may have a direct financial consequence and can be indirectly addressed (e.g. through appropriate internal controls, etc.).

The objectives of the operational risk management process at the EIB can be summarised as follows:

- develop and maintain an appropriate risk management environment.
- implement an effective risk management process. Such a process encompasses risk identification (also for new products and activities), assessment, monitoring and reporting, control and mitigation.
- ensure the transparency of the Bank's approach to operational risk management.

The EIB puts policies, procedures and systems in place in order to minimise financial losses resulting from any operational risk event.

<sup>3</sup> "International Convergence of Capital Measurements and Capital Standards", Basel Committee for Banking Supervision, June 2004, §644, page 137.

## Working with Others



### A partner to the European institutions and international financial institutions

A constant dialogue with the European institutions that prepare, propose and decide on the Union's policies is crucial for the EIB, which operates on the basis of guidelines laid down by its shareholders in the Board of Governors and in the framework of the European Council of Ministers.

### Working together with the Council

Cooperation with the other EU institutions, including the Council of Ministers, entails contributing to the work of the ECOFIN Council on a regular basis by participating in the Council meetings and by making the EIB's capital investment financing expertise available, not only to ECOFIN's preparatory bodies but also to several committees and working groups coordinating and preparing the work of other Council configurations.

Both the spring 2005 European Council, which reviewed the implementation of the Lisbon Agenda, and the December 2005 Council, which discussed the 2007-2013 EU budget, underlined the continuing importance of the Bank's role. In this context, the Council called on the EIB to extend its Structured Finance Facility to research, development and innovation projects and, together with the Commission, explore new ways of using Community funds as levers

for EIB loans. The Council also urged the EIF to diversify its financing of innovative small and medium-sized enterprises through individual-investor (business angel) and technology-transfer networks.

### Working in partnership with the European Commission

Operational cooperation with the European Commission is traditionally strong, but has been particularly intensive for the preparation of the 2007-2013 programming cycle, with the objective of developing new synergies and complementarities between the operations of the Bank and those of the Commission. The most significant development in this context is JASPERS (Joint Assistance for Supporting Projects in European Regions), an ambitious technical assistance partnership between the Commission (DG REGIO) and the EIB, also involving the EBRD, aimed at fostering the successful implementation of EU Cohesion Policy.

In addition, a Memorandum of Understanding has been signed by the EIB and the Commission (DG TREN), confirming the framework for cooperation on policy and investment in transport and energy, notably for the development of Trans-European Networks.

The EIB Group and the Commission are working on a number of proposals for joint initiatives: the Risk Sharing Finance Facility (RSFF), the Community Guarantee Instrument for TEN-Transport (CGIT), the Joint European Resources for Micro to Medium Enterprises (JEREMIE) and the Technology Transfer Accelerator (TTA). In 2005, the European Investment Fund continued to manage the financial aspects of the EU's Multi-Annual Programme for Enterprises 2000-2005 (MAP).

In the new Member States, EIB global loans are advanced in close cooperation with EU funding, in particular under the SME Finance Facility, which was set up under the PHARE programme. This contributes to the development of financial markets and improves the framework conditions for SME finance and municipal infrastructure.

## Working with Others

**Pooling of resources**

*In parallel, the EIB and the Commission recently signed a Memorandum of Understanding proposing the establishment of an EU-Africa Infrastructure Partnership, a new initiative aimed at combining the resources of the EIB, the EC and EU Member States in support of regional infrastructure projects in Africa. This initiative will be complementary to, and coordinated with, the new G8-sponsored Infrastructure Consortium for Africa.*



Outside the EU, the EIB operates under specific mandates given by the Council, on the basis of proposals made by the European Commission. This involves very close cooperation between the EIB and the EC in preparing such proposals on the basis of a common vision of the objectives and content (eligibility criteria, financial instruments and amount of resources) of each specific mandate, as is currently the case with regard to the renewal of the Bank's EU-guaranteed external lending mandates for the period 2007-2013.

**Dialogue with the representatives of Europe's citizens**

*The European Parliament "congratulates the EIB on its activity report for 2003 and the general improvement in the transparency of the information made available to the public, and welcomes the good relations established with the EIB". European Parliament resolution on the activity report for 2003 of the European Investment Bank (2004/2187(INI)) – 8 March 2005*



In 2005, the Bank kept on dynamically pursuing its dialogue with the European Parliament. President Maystadt presented the strategy and activities of the EIB Group before several parliamentary committees, notably the Committee on Economic and Monetary Affairs, the Committee on Development, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Foreign Affairs and the Committee on Industry, Research and Energy. The review of the Bank's public disclosure policy also offered a forum for dialogue with Members of the European Parliament.

In addition, the EIB President was invited to a European Parliament plenary session on the Bank's activities. The Parliament also called on the Bank, in a number of round-table discussions, to make available its expertise in financing Trans-European Networks and research, development and innovation projects.

## Working with Others

In acknowledgment of the EIB's performance in the Mediterranean region, the Bank was granted permanent observer status at the Euro-Mediterranean Parliamentary Assembly in 2005.

The Bank also continued its dialogue with the European Economic and Social Committee (EESC) by participating in a meeting with the EESC-NGOs liaison group and by providing the EESC with expert advice on public-private partnerships. The EIB President presented the EIB Group strategy and public disclosure policy before a plenary meeting.

Finally, the Bank actively contributed to the debate on how to assist the Member States and regions in their preparations for the 2007-2013 generation of Structural Funds programmes and instruments in the forum of the "Open days 2005 - European Week of Regions and Cities", jointly organised by the Committee of the Regions and the European Commission's Regional Policy Directorate-General.

existing MoU between the European Commission and international financial institutions regarding cooperation in Eastern Europe, the Southern Caucasus, Russia and Central Asia in the context of the European Neighbourhood Policy. Finally, the EIB signed a Letter of Intent with Agence française de développement (Afd) and KfW Entwicklungsbank (KfW) with a view to strengthening cooperation in the Mediterranean Partner Countries and African, Caribbean and Pacific States in which they operate.

### Cooperation with other international financial institutions (IFIs)

A key feature of institutional cooperation is the promotion of a consistent approach between the EIB and the various multilateral development banks and IFIs. This is particularly important in reinforcing cooperation on sectoral policies or specific issues such as procurement and the environment, the Highly Indebted Poor Countries (HIPC) initiative and the fight against corruption and money laundering. This policy of partnership translates into regular consultation at both senior management and staff levels, project cofinancing and joint participation in working groups.

In 2005, a new MoU was signed regarding cooperation in the new Member States and Candidate Countries between the European Commission and international financial institutions (EIB, EBRD, World Bank, NIB, etc). A tripartite MoU between the European Commission, the African Development Bank and the EIB formalised an "Enhanced Strategic Partnership for Cooperation in the African Countries". The Bank also signed up to an



## Working with Others

Inauguration of regional  
office in Tshwane (Pretoria)  
by EIB Vice-President  
Torsten Gersfelt



Inauguration of regional  
office in Tunis  
by EIB Vice-President  
Philippe de Fontaine Vive



Opening of Dakar office  
in presence of Senegal's  
President Wade



### Developing our regional representations

The Bank realises the importance of maintaining an on-going dialogue with its various stakeholders in the regions in which it operates. It has therefore embarked on a process of opening regional representations outside the EU, starting with its Cairo regional office in 2003, followed by local offices in Tunis (Tunisia) and Rabat (Morocco) in 2005. Regional offices were also opened in Nairobi (Kenya) for Central and Eastern Africa, Dakar (Senegal) for Western Africa and Tshwane (Pretoria) for the Southern Africa and Indian Ocean region during 2005.

These offices are intended to ensure increased coordination with local authorities, operators and lenders, while helping to identify new projects and monitor existing ones. Overall they are viewed as essential to facilitating the implementation of the Bank's mandates in partner countries and increasing the information flow and sense of ownership with and among local partners.

In 2006, the Bank envisages setting up new external offices in Vienna, Warsaw and the Acceding Countries to support the implementation of the JASPERS and JEREMIE programmes with the European Commission. It is also considering opening an office in the Nordic Countries to promote the Bank's operations in the region, develop institutional cooperation with IFIs (NIB) and take forward regional initiatives such as the Northern Dimension Environmental Partnership, while new regional representations for the Caribbean and Pacific regions are due to be established during the second half of 2006.

## Communication, Information and Transparency

### Information policy principles

The Bank's information policy reflects its commitment to EU policy initiatives on transparency and public disclosure of information as well as to the principles and restrictions embodied in Regulation EC/1049/2001 on public access to European Parliament, Council and Commission documents. While the EIB is not directly covered by the regulation, it has responded to the call by the three institutions for other EU institutions and bodies to review their own rules on public access to documents taking account of the regulation's principles and restrictions. In common with the "Rules on Public Access to Documents" adopted in 2002 and the "Code of good administrative behaviour for the staff of the European Investment Bank in its relations with the public", the following policy principles are derived from the framework outlined above:

- the EIB aims to provide the public with information on its policies, activities and procedures to the maximum possible extent.
- the EIB conducts an active information policy in respect of both the general public and specific interest groups, aiming to release information whenever possible and as early as feasible.

Greater transparency on how it makes decisions, works and implements EU policies is a key corporate objective of the European Investment Bank. The Bank considers that openness and transparency strengthen its credibility and accountability to Europe's citizens. In 2005, the Bank implemented most of the commitments laid down in its transparency policy ("Transparency – Report and Prospects") of June 2004. Over 85% of the transparency policy's action plan to boost disclosure of information was achieved.

### Public disclosure policy

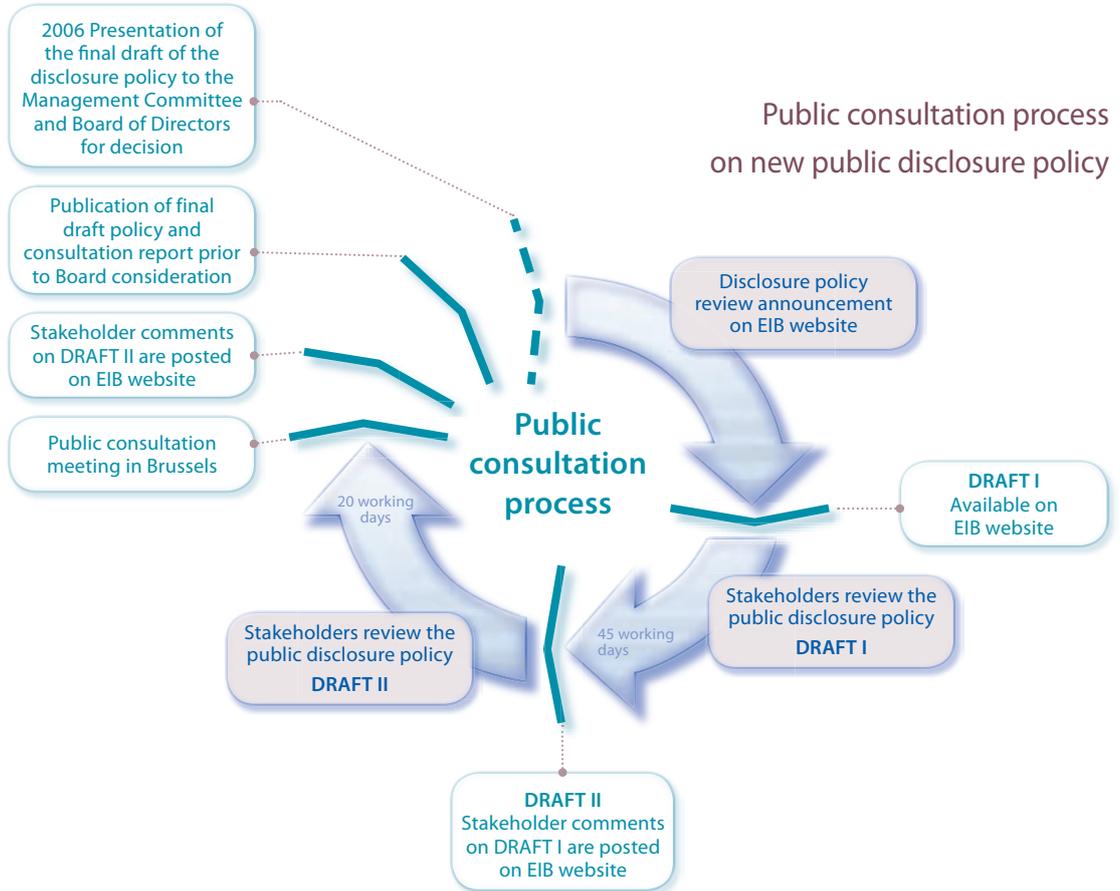
*The European Parliament "warmly endorses the proposals on transparency adopted on 15 June 2004 by the Board of Directors; intends to participate actively in the consultation procedure envisaged in this report, in connection with the implementation of the UN Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention); stresses the importance of taking into account the requests made, in the course of this consultation procedure, by the institutions and NGOs." European Parliament resolution on the activity report for 2003 of the European Investment Bank (2004/2187(INI)) – 8 March 2005*

The Bank's public disclosure policy forms a crucial reference for implementing its commitment to achieving the highest possible level of transparency in all its activities. Its disclosure and information policy from June 2002, including "Rules on Public Access to Documents", was reviewed in 2005.

As part of its disclosure policy review, in May 2005 the Bank launched a flexible public communication process on its proposed new disclosure policy. This process consisted of two rounds of consultation of respectively 45 and 20 working days, in addition to which two public consultation meetings were held in Brussels. The President of the EIB and other repre-



Communication, Information and Transparency



representatives of the Bank discussed the draft disclosure policy with Members of the European Parliament and NGOs and presented the policy review to members of the European Economic and Social Committee. The final draft policy and report on the consultation process were published for information on the EIB website three weeks prior to Board consideration.

Publication of the revised public disclosure policy, together with the consultation report, completed the

policy review after approval by the Board of Directors in March 2006. The new policy has been published in the Official Journal of the European Union.  
 → [www.eib.org](http://www.eib.org)

Key to the revised disclosure policy is a presumption of disclosure of information, which means that all information held by the Bank is subject to disclosure upon request, unless there is a compelling reason for non-disclosure. As the EIB operates as a bank,

**Improving the building blocks of our communication and information policies**

Before 2005: key policy documents	After 2005: a single document
<p><i>Information Policy Statement</i>  <i>Public Access to Information</i>  <i>Rules on Public Access to Documents</i>  <i>How the EIB Communicates – An Overview</i></p>	<p><i>Public disclosure policy – the new policy (2006) will set 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.</i></p>

## Communication, Information and Transparency

there are certain constraints on the information that it discloses, which are set out in the policy. A typical category of documents subject to the Bank's duty to respect business confidentiality relates to private sector projects.

Formal reviews of the disclosure policy will take place every three years. In addition, the Bank will review, from a legal perspective, the public disclosure policy

after the European Union's legislative bodies have approved the "European Parliament and Council Regulation 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 EC institutions and bodies" (the "Aarhus Regulation"). The EIB also maintains a dedicated mailbox on its website (infopol@eib.org) to receive comments throughout the year and is considering public consultations on further EIB policies.

### Release of EIB historical archives

*In March 2005 the Management Committee approved a historical archives policy, authorising the release of the EIB's historical archives for public access and consultation at the Archives of the European Union in Florence.*

*The Historical Archives of the European Union, which is already home to the archives of the other European institutions, provides scholars and the public alike with an ideal location for researching the Bank's role within a wider European context.*

*The Bank's historical archives are those documents, typically more than 30 years old, which have been declassified by the Bank's archivists. Following detailed appraisal and description of the documents by the Banks archivists, permission is sought from the Bank's counterparties for the subsequent transfer and release of documents at the Archives in Florence. Under the new rules governing access to documents, the Bank will ensure that the confidentiality of its counterparties is respected while at the same time broadening access to its documented history.*

*The adoption of the Bank's historical archives policy was announced to the Board of Directors in July 2005. A regulation concerning the Bank's historical archives policy was approved by the Management Committee in September 2005 and appeared as Regulation 2005/C 289/07 in the Official Journal of the European Union in November 2005. The first transfer of the Bank's historical archives took place in December 2005.*

### Relations with civil society organisations

*The European Parliament "congratulates the EIB on the progress achieved in its dialogue with the public and with non-governmental organisations (NGOs) and on the publication of its reports on the environment and on the social impact assessment of EIB projects in developing countries". European Parliament resolution on the activity report for 2003 of the European Investment Bank (2004/2187(INI)) – 8 March 2005*

The EIB continues to develop a proactive approach towards civil society organisations (CSOs), including non-governmental organisations (NGOs), exploring new ways of dialogue and working together. The Bank acknowledges that NGOs, as public interest groups, can have a valuable input into policy development and help to ensure that the EIB is more aware of, and sensitive to, local issues.

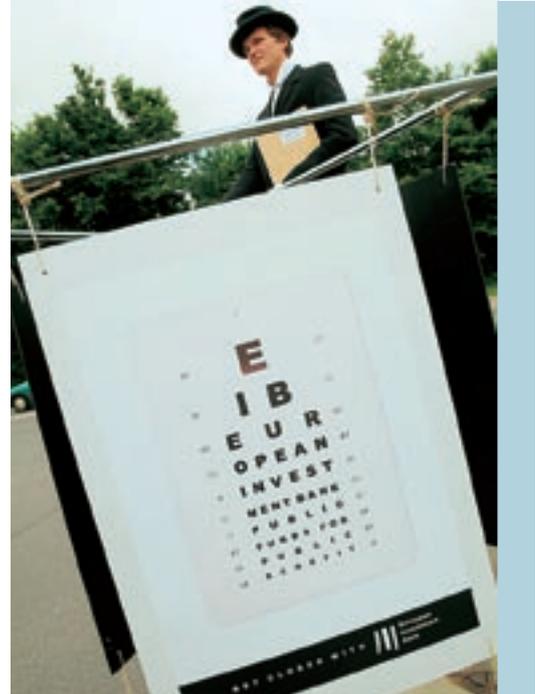
A civil society unit was put in place in the Communication and Information Department in early 2005 to coordinate relations with CSOs. The unit's core activities include:

- Coordination of the Bank's replies to enquiries and requests for information from NGOs and other CSOs.
- Organisation of regular workshops with CSOs on topics of common interest, in principle twice

a year. In April 2005, a workshop was held outside Europe for the first time, in Johannesburg (Republic of South Africa). In February 2006, the President of the EIB presented an overview of EIB activity in 2005 to CSOs in Brussels.

- Facilitation and coordination of contacts with local and regional CSOs, notably NGOs, by holding meetings on specific projects and organising EIB participation in general CSO events.

As staff support and ownership are indispensable to its proactive relations with civil society, the Bank holds awareness-building sessions for staff members on transparency-related issues, such as corporate social responsibility. From November 2004 to June 2005, an NGO awareness-building programme was run as part of a wider training programme. Its key objective was to meet a growing need among staff to improve their knowledge of NGOs and increase their preparedness for contacts with them. The programme will be continued.



#### **Examples of lending-related NGO enquiries and disclosure requests**

*The Bank received some 90 enquiries, requests for disclosure of documents and complaints from NGOs.*

*Examples included road projects in the Czech Republic (D8 Motorway), Hungary (M0 Motorway), Poland (A1 Motorway), Bulgaria (Trakia Motorway), Romania (Bucharest Urban Infrastructure) and Macedonia (FYROM Roads II). Rail projects including rail transport infrastructure in Belgium and Slovakia (Slovakian Railways Modernisation) gave rise to questions from NGOs, as did port infrastructure schemes in Spain (Puerto de La Coruña and Puerto de Gijón).*

*NGO attention also focused on energy infrastructure projects, such as the West African Gas Pipeline, the Brazil-Bolivia Gas Pipeline, and the Mozambique-SA Natural Gas project. A number of energy plants also raised queries and criticism: Vlora Thermal Power Plant in Albania, Harel Bellevue Coal-Bagasse Power Plant in Mauritius, Gilgel Gibe II Hydropower Plant in Ethiopia, and the Nam Theun II Hydropower project in Laos. The Bank's renewable energy financing activities were also subject to NGO enquiries.*

## Dealing with Complaints

Any person or entity, including members of staff, who feels that he/she is not treated by the EIB according to the standards and procedures formally adopted by the Bank, may lodge a complaint with the EIB's Secretary General. The EIB has put in place a centralised procedure, under the authority of the Secretary General, to deal with all types of complaints received directly from counterparties or the general public. This comprises single central registration, case investigation, assessment of compliance with EIB policies and procedures and a problem-solving approach in line with EIB policies.

The subject of complaints may be: access to information, handling of external requests, project procurement, environmental impacts, suppliers' contract management, job applications, or others.

### European Ombudsman

The European Ombudsman conducts investigations into alleged instances of maladministration by the Community institutions and bodies. The Treaty vests the Ombudsman with full independence in

the performance of his duties. The Ombudsman publishes the results of his enquiries.

In accordance with his mandate, the Ombudsman considers representations from EU citizens or any natural or legal person residing or having his/

her registered office in an EU Member State. The Ombudsman also has the power to open inquiries on his own initiative. Using this capacity, the Ombudsman may investigate a possible case of maladministration raised in a complaint, even if the complainant does not meet the abovementioned eligibility criteria. In fact, there has never been an instance of a complaint being rejected for the sole reason of non-EU origin.

To date, the Bank has received twenty one requests for information or opinions from the European Ombudsman, following complaints of maladministration, to which it has responded. The Bank's responses to requests for information or opinions, in the context of either a citizen's complaint or an investigation opened on the Ombudsman's own initiative, aim to demonstrate the Bank's compliance with the rules that are binding on it. All the European Ombudsman's decisions are available on his website.

In the two cases in which maladministration was found, only marginal aspects of the complaints were considered to constitute maladministration, not the central criticism. In both cases, moreover, all appropriate measures have been taken to avoid such incidents recurring.



Conclusion by the Ombudsman	Cases closed in 2005	Total
Recommendations issued	2	2
No maladministration	2	12
No case	1	1
Case dropped by the complainant	1	1
Case closed pending legal proceedings	–	1
Open	–	3
<b>Total</b>	<b>6</b>	<b>20</b>

### III – RESPONSIBLE FINANCING



## Operating Practices

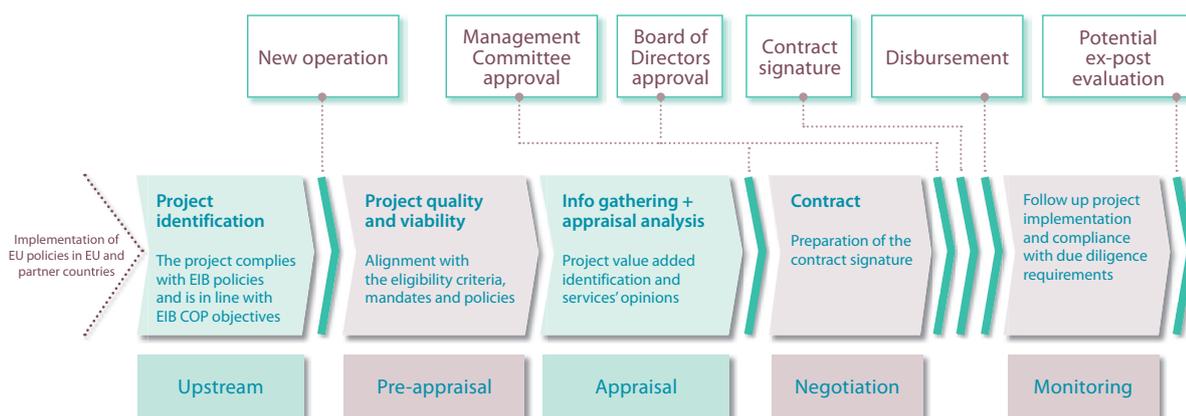
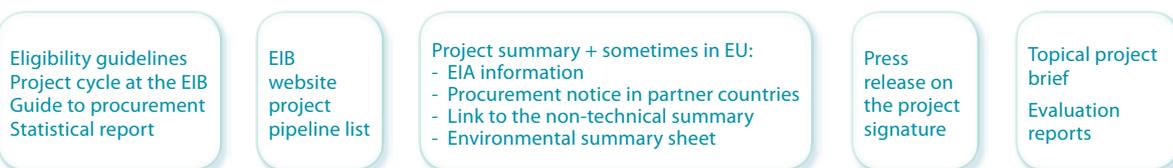
### Project cycle objectives and quality criteria

The EIB project cycle is managed to the highest standards of quality, responsibility and integrity with respect to the EU, society as a whole, the promoters and EIB staff. The EIB operates with professional, reliable and consistent methods to **identify high-quality projects**, in line with EU policies and objectives, while mitigating the risks.

This result is achieved by ensuring the quality of the internal processes, by developing and empowering highly skilled staff, by preserving the Bank's independence of judgment, and by being committed to continuous improvement.

### Project cycle steps and their related published documents

#### Published documents



## Identification of EIB Investments' Value Added

In order to support the EIB's objective of contributing to the implementation of EU policies by providing medium and long-term finance to investment projects on the best possible terms, the EIB introduced in 2005 a system for the identification of the value added of its operations within Europe. The value added screening is performed for all types of loans and is based on a three pillars approach (presented in the EIB strategy map p.27):

- **Pillar I:** Consistency with the priority objectives of the EU:

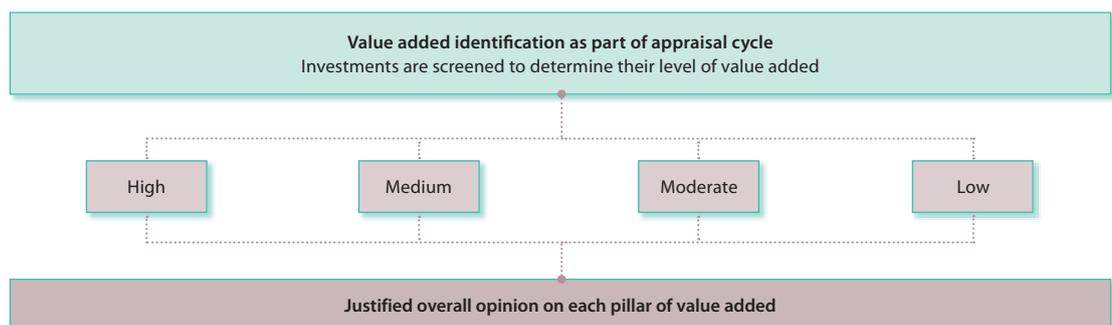
The value added is identified by evaluating the level of contribution of each project towards a maximum of two EU priority objectives and associated categories of investment (as per the EIB eligibility classification).

- **Pillar II:** Quality and soundness of the underlying investment or of the intermediary, focusing on identifying the economic and environmental sustainability of the operation:

The value added is identified by assessing the economic and environmental impacts of each project, except in the case of framework, mid-cap and global loans. Economic sustainability is calculated via the economic and financial profitability (based on the project's Economic Rate of Return (ERR) and Financial Internal Rate of Return (IRR), or other applicable methods) while the Bank carries out an environmental risks screening. Other quality elements such as the EIB technical assistance, contribution to the project's quality, significant risks and social issues are also assessed, as well as, where applicable, the intermediaries' capacity and experience in the relevant sector, their administrative and management competences and the effectiveness of monitoring and reporting procedures.

- **Pillar III:** the particular financial benefits obtained by the use of EIB funds, or the transparency of the process of transferring the EIB financial advantage:

### EIB value added identification



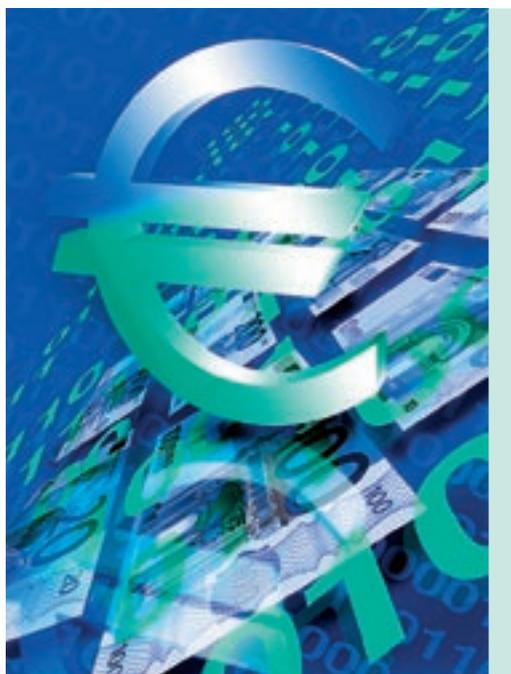
## Identification of EIB Investments' Value Added

## Sustainability of EIB investment

Nr. of projects	Total projects				EU-25				Europe non-EU			
	Pillar 1	Pillar 2	Pillar 3	Pillar 2 / total	Pillar 1	Pillar 2	Pillar 3	Pillar 2 / total	Pillar 1	Pillar 2	Pillar 3	Pillar 2 / total
High	232	143	131	49%	202	129	100	50%	30	14	31	42.5%
Medium	52	130	135	45%	50	114	135	45%	2	16	1	48.5%
Moderate	3	13	21	5%	3	10	20	4%	0	3	1	9%
Low	1	2	0	1%	0	2	0	1%	1	0	0	0%
<b>Total</b>	<b>288</b>	<b>288</b>	<b>288</b>		<b>255</b>	<b>255</b>	<b>255</b>		<b>33</b>	<b>33</b>	<b>33</b>	

The qualitative elements that EIB funds can provide to promoters are (i) a longer maturity or grace period than those usually available to the borrower from other sources; (ii) diversification of funding sources; (iii) the provision of currencies which otherwise would not be available or difficult to obtain; (iv) possible cofinancing with the Commission and/or other IFIs, including also the blending of EIB loans with grant funding; (v) the contribution to the development of capital markets through the introduction of innovative features in the Bank's products; (vi) the signalling and/or catalytic effect; (vii) the contribution to better market coverage and/or increased competition in the financial sector.

In 2005, 94% of EIB investments screened against value added pillar II proved to be sustainable projects integrating economic, environmental and social sustainability concerns.



## Environmental Issues



### The EIB's definitions of environmental responsibility

The EIB has three main objectives for defining its environmental responsibility. The first and most important is that it ensures that **the projects that it finances are compliant with EU environmental principles and standards in support of EU policies**. This is summarised in the Environmental Statement 2004. The requirements for the projects are to:

- comply with EU environmental policies, principles and standards
- take into account local conditions in countries outside the EU
- use EU standards as benchmarks for measuring performance
- comply with the EU directive on Environmental Impact Assessment
- apply 'best available techniques' as appropriate
- apply good environmental management practice during implementation and operation

- adhere to international good environmental practice
- accord with internationally recognised social safeguard measures, including labour standards
- implement applicable multilateral environmental agreements.

The second main objective is that the Bank is to **promote projects that protect and improve the natural and built environments and foster social well-being in the interests of sustainable development**. The EIB applies a relatively broad definition of the term "environment" to cover the natural environment, and the human living and working environment as well as a number of social aspects. Provided that the projects are economically, technically and financially viable, the EIB supports specific environmental investments that focus on:

- tackling climate change, including energy efficiency and renewable energy;
- protecting and enhancing biodiversity;
- safeguarding the environment and health (e.g. reduction of industrial pollution, provision of water and wastewater treatment);
- promoting the sustainable use of natural resources and waste management, including minimisation, recycling, re-use and disposal of domestic, commercial and industrial waste;
- improving the quality of life in the urban environment, particularly through urban renewal and sustainable urban transport projects.

The third objective is for the Bank to **assume environmental responsibility for its "corporate environmental footprint"**. Although the Bank's footprint in this sense does not have the same magnitude as its footprint from financing projects, the EIB works continuously to improve the environmental performance of its buildings and the housekeeping of its offices. The main areas of activity are improving energy efficiency, collecting and recycling waste streams and gradually introducing environmentally responsible procurement, as part of an integrated environmental management system.

### Development of EU environmental policies in 2005

The European Commission has taken many climate-related initiatives since 1991, when it issued the first Community strategy to limit carbon dioxide (CO<sub>2</sub>) emissions and improve energy efficiency, and has continued to develop thematic strategies that will provide clear objectives and targets for the Sixth Environment Action Programme. In October 2005 preparations for the second European Climate Change Programme (ECCP II) got underway. The Commission also adopted its review of the Sustainable Development Strategy in December 2005 and transmitted it to the European Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions (see box: The Sustainable Development Strategy).

### The Sustainable Development Strategy (SDS)

*The EU's Sustainable Development Strategy aims, in tandem with the Lisbon Strategy for growth and jobs, to create a more prosperous, cleaner and fairer Europe. Sustainable development is an overarching concept. The EU Treaty requires the integration of sustainable development into all European policies, so that they are designed in a balanced and mutually reinforcing way to meet economic, environmental and social objectives. The Commission concluded the third and final step in the review process and adopted the review of the Sustainable Development Strategy on 13 December, transmitting it to the European Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions. The main features of the SDS are that it:*

- *provides a platform for action for business leaders, regional and local authorities, NGOs, academia and citizens' organisations – who, together, can make change happen;*
- *identifies key issues such as climate change and energy efficiency where action needs to be speeded up;*
- *makes links between how EU policies affect sustainability in third countries and vice versa;*
- *is a starting point for ensuring that the EU institutions and Member States work in an effective partnership to achieve change, measuring progress and regularly reviewing priorities.*



The work on the Environmental Technology Action Programme (ETAP) also made considerable progress in 2005 (see box: The Environmental Technologies Action Plan).

The Commission adopted a number of thematic strategies in 2005, including on Air Pollution, Prevention and Recycling of Waste, Protection and Conservation of the Marine Environment, and Sustainable Use of Natural Resources. The thematic strategies represent the next generation of environment policy. Additional thematic strategies are being developed for adoption in 2006, including on Soil, Sustainable Use of Pesticides and Urban Environment. The EIB will support the implementation of these strategies wherever possible within its environmental lending framework.

#### **The Environmental Technologies Action Plan (ETAP)**

*The Environmental Technologies Action Plan (ETAP) is one of the important contributions of environmental policy to the growth and employment goals of the Lisbon Strategy. By the end of 2005, eight EU Member States had made available their ETAP National Road Maps, which set out national strategies and action plans relating to environmental technologies. When all national road maps have been finalised, the Commission will issue an analysis of the situation at European level.*

*The EIB actively participates in the implementation of ETAP by sharing its experience of financing in a number of relevant areas, while the creation of a new joint EC/EIB instrument is presently being considered. The scope for EIB support for environmental research is wide, ranging from investment in research and the development of environmentally cleaner processes and more easily recyclable products to the application of environmentally cleaner technologies. In certain sectors, industry, research organisations and regulatory bodies are forming technology platforms, which are most likely to yield bankable projects in the following fields: hydrogen and fuel cells, nanoelectronics, nanomedicine, water, photovoltaics, road transport, rail transport, eMobility, innovative medicines, space technology and steel.*

#### **Improving environmental management**

*A number of improvements were identified in 2005 and are currently being implemented. These include:*

- strengthening the capacity of ENVU and its relationship with the Directorates within the Bank and the European Commission, in particular DG Environment;*
- developing internal guidance specific to the environmental assessment of projects;*
- developing guidelines for the social assessment of projects outside Europe;*
- developing European Principles for the Environment with other European-based IFIs, a set of principles promoting the distinctive EU approach to environmental sustainability;*
- developing guidelines for the implementation of the Climate Change Technical Assistance Fund;*
- developing new instruments for environmental financing;*
- improving the guidance given to financial intermediaries for environmental assessment to meet EIB objectives;*
- improving the screening of projects for their potential climate change effects.*

#### **The EIB's environmental management system**

The European Investment Bank promotes environmental sustainability in support of EU policy on sustainable development. The general approach of the Bank in this regard is described in its "Environmental Statement" and "The EIB and its Contribution to Sustainable Development".

The general approach is guided by EU environmental policy, including EU environmental law. EU environmental policy is elaborated in the Sixth Environmental Action Programme (EAP) "Environment 2010: our future, our choice". The main areas for urgent action are climate change, protecting nature and bio-diversity, dealing with the links between environment and health and promoting the sustainable use of natural resources and management of waste. The 6th EAP

## Environmental Issues



includes a number of thematic strategies that are either finalized or under preparation. EU environmental policy is also expressed through the Treaty on the European Union as well as an extensive range of secondary legislation, including a number of Multilateral Environmental Agreements (MEAs). It is also informed by various other official EU documents, including Communications on specific topics.

The EIB exerts most influence on the environment through its financing activities and hence the way in which environmental concerns are integrated into its project-related work is central to its environmental management system. The Bank aims to maximize the environmental benefits and to minimize the environmental costs of the projects that it finances through appropriate screening, mitigation and compensation measures.

In support of these concerns, the EIB applies a set of "safeguards", to ensure the application throughout its financing activities of good practice towards environmental issues, based on EU environmental principles and standards, that in future will be referred to as the "European Principles for the Environment" (EPE). Environmental considerations are taken into account at all stages of the EIB project cycle. Internal staff guidance for this purpose is provided in the "Environmental and Social Practices Handbook".

The EIB itself creates its own environmental footprint notably through the materials it consumes and the waste it generates; "housekeeping" in this sense is the subject of an internal environmental management

system which is being strengthened to bring it into line with the requirements of the EU Regulation on the Eco-Management and Audit Scheme (EMAS).

Traditionally, the EIB has applied a broad definition of the term "environment" to include a number of related economic and social issues, and these are now being given greater attention as the general approach of the Bank evolves into a more holistic treatment of the interrelated environmental, social and economic strands of sustainable development. In this respect, for instance, the above referenced Handbook under preparation will contain a section on the Social Assessment Guidelines of the Bank in regions outside the EU.

The main responsibility for the environmental aspects of projects lies with the Projects Directorate, which has about 80 engineers and economists, all with specialist environmental skills, and carries out the environmental assessment of projects at the EIB. For each project a project team is formed. Project teams are made up of economists, engineers, financial analysts and lawyers. These teams retain responsibility for the application of EIB policies to individual projects, bringing together significant cross-sectoral and cross-regional resources. Whereas the project team has front line responsibility for managing environmental issues, environmental management at the Bank is reinforced by a number of dedicated units, at the centre of which is its Environment Unit.

These arrangements are designed to provide direction and advice on the Bank's environmental policy, ensure a consistently high quality of assessment, improve visibility and create a stronger capacity for external dialogue. The Bank believes that in general these objectives are being met.

### The EIB's environmental sustainability lending policy

The EIB's Environmental Statement and Corporate Operational Plan (COP) define lending objectives and eligibility for environmental projects. The COP for the period 2006-2008 includes the following environmental objectives:

- to maintain environmental lending at 30-35% of the EIB's overall lending activity in the EU
- to gradually increase the share of renewable energy (RE) in total new electricity generation capacity financed by the Bank in the EU to 50% by 2010, including an increased share of non-wind power
- to allocate the EUR 500 million Climate Change Financing Facility (CCFF) for projects abating climate change and, when fully used, prepare a proposal for a second tranche within the existing budgetary framework and for a similar amount to be submitted to the Board
- to make a number of carbon funds fully operational and start developing the project portfolios
- to integrate more closely the priority policy objectives at EU level and EIB lending and products, in particular through the development of financial instruments and initiatives, structured and negotiated with the Commission, e.g. in relation to environmental technologies.

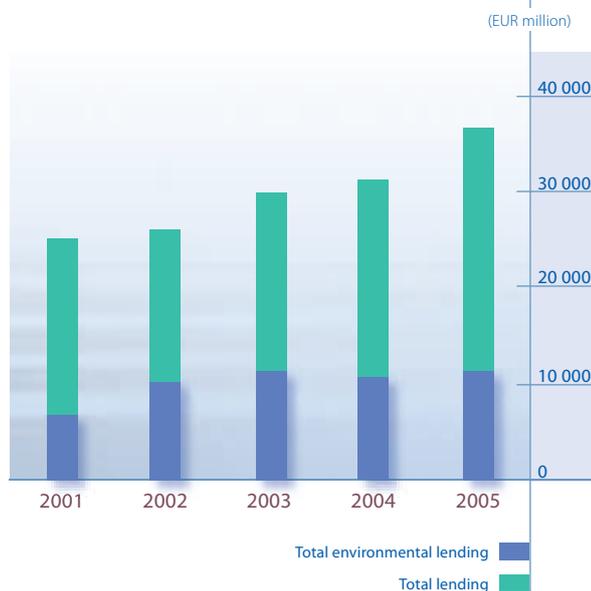


## Environmental Lending 2005

Summary lending data for comparison 2001-2005 (in EUR million)

	2001	2002	2003	2004	2005
<b>Total Lending</b>	<b>36 758</b>	<b>39 623</b>	<b>42 332</b>	<b>43 204</b>	<b>47 406</b>
EU	33 663	36 614	38 213	39 661	42 276
Partner Countries	3 095	3 009	4 119	3 543	5 131
<b>Total Lending, Individual Projects</b>	<b>25 059</b>	<b>26 535</b>	<b>30 158</b>	<b>31 448</b>	<b>37 319</b>
EU	22 659	23 835	26 975	28 776	33 293
Partner Countries	2 400	2 701	3 183	2 672	4 026
<b>Global Loans</b>	<b>11 699</b>	<b>13 087</b>	<b>12 174</b>	<b>11 757</b>	<b>10 089</b>
EU	11 005	12 779	11 238	10 885	8 983
Partner Countries	695 000	308 000	936 000	872 000	1 106
<b>Environmental Lending</b>	<b>7 099</b>	<b>10 688</b>	<b>12 329</b>	<b>11 136</b>	<b>12 313</b>
EU	6 421	10 382	11 572	10 378	10 924
Partner Countries	678	306	757	758	1 390

Total environmental lending 2001-2005  
(as a proportion of total lending for individual projects)  
All regions



### Environmental loans within individual lending

In 2005, the European Investment Bank signed loan agreements for 97 environmental projects, amounting to EUR 12.3 billion, which represents 26% of its total lending.

The EIB finances a wide variety of activities, including renewable energy projects in the EU, programmes for environmental infrastructure improvements supported by EU funds, and water and sanitation programmes in the ACPs. The Bank also provides finance through financial intermediaries. These are referred to as 'global loans' and may be dedicated to environmental objectives or contain environmental components.

Environmental Lending 2005

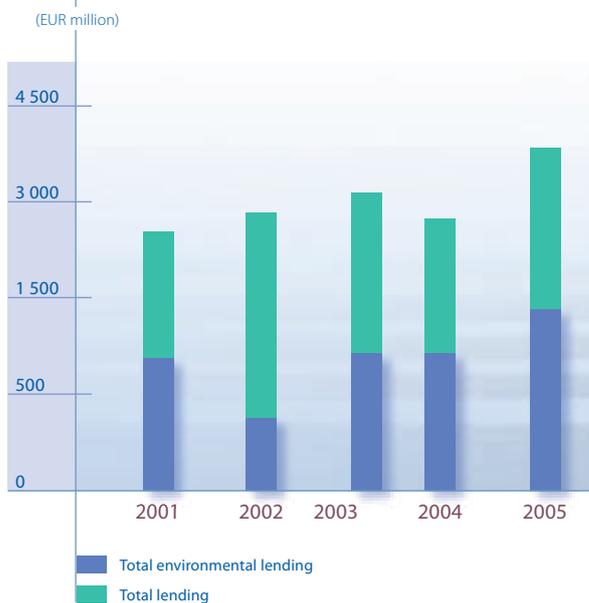
**Total environmental lending 2001-2005 (as a proportion of total lending for individual projects) EU**



**Environmental individual loans in the EU**

The bulk of environmental lending goes to EU countries: in 2005, the EIB provided direct financing for 83 environmental projects for a total of EUR 10.9 billion in the European Union, equivalent to 33% of the overall individual lending total in the EU over that period. This is fully in line with the COP objective for environmental lending of 30-35% of the EIB's overall lending in the EU. These figures do not include environmental components of projects where the overall objective is not directly related to the environment. This component is currently not recorded by the Bank.

**Total environmental lending 2001-2005 (as a proportion of total lending for individual projects) Partner Countries**



**Environmental individual loans in Acceding, Accession and Partner Countries**

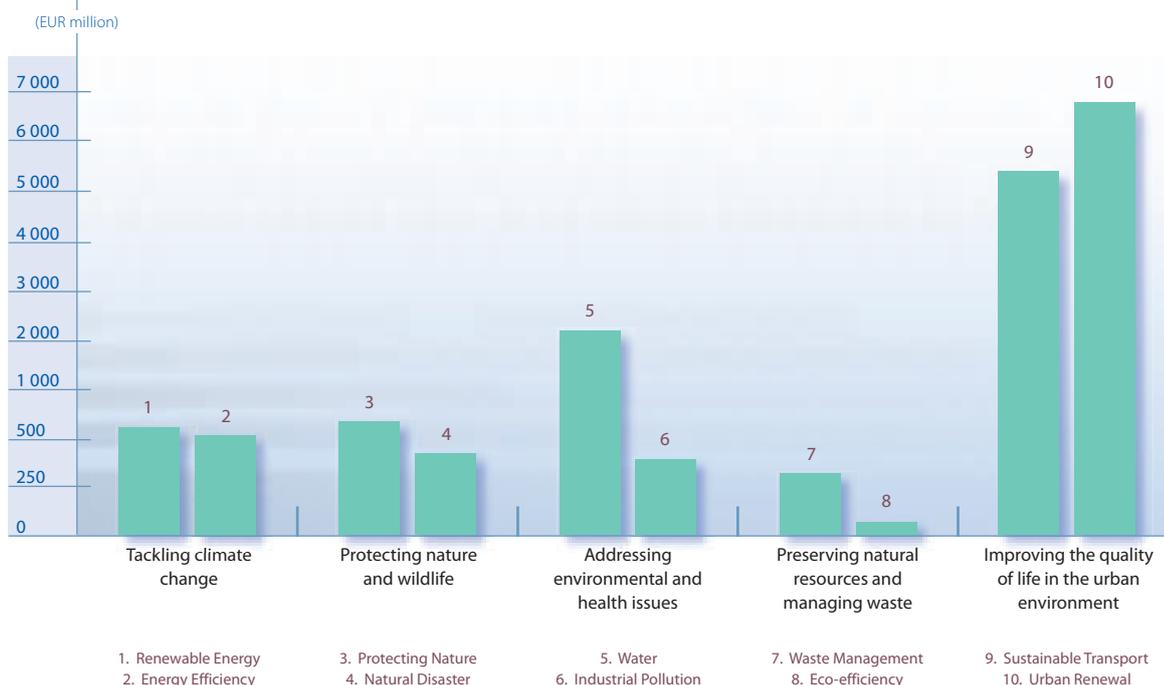
In the Acceding (Bulgaria and Romania) and Accession (Croatia and Turkey) Countries the share of environmental protection projects was even higher than in the EU, with EUR 853 million or 56% of total lending devoted to the environment. In the Mediterranean Partner Countries, EUR 260 million in individual loans was advanced for environmental schemes. A further EUR 90 million went to environmental projects in the ACP countries, EUR 85 million to a project in South Africa, EUR 60 million in Russia, and EUR 42 million in Asia, all contributing to the Bank's overarching goal of promoting environmentally sustainable development in the partner countries.

## Environmental Lending 2005

Summary of environmental lending by eligibility 2005 (individual projects) in EUR million

Regions	Tackling climate change	Protecting nature and wildlife	Addressing environmental and health issues	Preserving natural resources and managing waste	Improving the quality of life in the urban environment	Total environmental lending
EU	1 131	338	2 329	400	6 796	10 924
Partner Countries	392	340	188	20	450	1 390
<b>Total</b>	<b>1 523</b>	<b>678</b>	<b>2 516</b>	<b>420</b>	<b>7 246</b>	<b>12 314</b>

Environmental lending 2005 for individual projects by eligibility



Share of environmental loans in 2005 (in EUR million)

	Individual loans	Environment	%
EU-25	33 293	10 923	33
Accession and Acceding Countries	1 529	853	56
EU-25 + Accession and Acceding Countries	34 821	11 776	34
Other Partner Countries	2 456	537	22
<b>Total</b>	<b>37 277</b>	<b>12 313</b>	<b>33</b>

### **Olkaria II Extension, Kenya**

*This project involves the latest stage of development at the Olkaria geothermal complex, which is located in south-western Kenya, some 85 km northwest of the capital Nairobi. The EIB provided funding for the first two stages of the power plant in 1982 and 1999, and the current operation makes further use of the geothermal resource in the Olkaria East and Northeast geothermal fields, both of which have substantial spare capacity. The investment includes implementation of a third steam turbogenerator with a capacity of 35 MWe, which will bring the generating capacity of the complex up to a total of 105 MWe.*

*The project also includes the drilling of 7 new geothermal wells and 2 reinjection wells, at depths of up to 2 500m, as well as adaptation of the existing steam-field layout. It will help the promoter – Kenya Electricity Generating Company – to meet growing electricity demand in the region with renewable energy provided at a competitive cost and with a limited impact on the environment. The project will also reduce the country's dependence on imported fossil fuels for electricity production.*

### **Environmental lending in support of the EU's 6th EAP**

Environmental issues transcend all sectors. In 2001, in the spirit of the Rio agenda, the European Commission identified in the 6<sup>th</sup> Environment Action Programme "Environment 2010: our future, our choice" four areas where new effort and impetus is needed:

- Tackle climate change.
- Protect nature and wildlife.
- Address environmental and health issues.
- Preserve natural resources and manage waste.

### **Environmental components of global loans**

The above figures for overall environmental lending do not include small-scale environmental schemes financed through global loans to financial intermediaries, which are mostly carried out by local authorities. Out of total lending of EUR 47.4 billion, global loans amounted to EUR 10.1 billion, of which EUR 210 million – dispatched via 31 global loans – was specifically dedicated to projects with environmental objectives using specialist financial intermediaries, notably in Austria and Germany. Most global loans have multiple objectives; many projects may qualify for one or more objective, including environmental improvement. The trend in environmental lending through global loans shows an increase in relative terms but remains at a rather moderate level in absolute terms.

## Environmental Lending 2005

## How the majority of EIB environmental lending supports EU policy

Strategic references and objectives of EU policy	Corresponding eligibility categories for the Bank's operations	2005: number of projects
<p><b>Tackling climate change</b></p> <p>To stabilise the atmospheric concentrations of greenhouse gases (GHG) at a level that will not cause unnatural variations of the earth's climate thanks to the ratification and implementation of the Kyoto Protocol to cut greenhouse gas emissions by 8% over 1990 levels by 2008-12. This must be considered as a first step to the long-term target of a 70% cut.</p>	<ul style="list-style-type: none"> <li>• Energy efficiency (including fuel switching, CHP, district heating and plant modernisation)</li> <li>• Renewable energy (wind, solar, biomass, biofuels, etc.)</li> <li>• Measures to reduce GHG other than CO<sub>2</sub> (including methane capture from landfills and plant modernisation)</li> <li>• Biological sequestration (including afforestation and reforestation) and carbon storage</li> <li>• Significant reduction of GHG emissions from transport (inter-urban transport – primarily rail and inland navigation – and ad hoc technologies)</li> </ul>	17 projects
<p><b>Protecting nature and wildlife</b></p> <p>To protect and restore the functioning of natural systems and halt the loss of biodiversity in the European Union and globally. Protecting soils against erosion and pollution by fully implementing the Natura 2000 programme and extending protection to the wider countryside requires a deeper and effective integration of environment and biodiversity into agriculture, landscape, forestry and marine policies, coupled with new initiatives, for example to develop a soil strategy for Europe. More attention will be given to protecting the marine environment.</p>	<ul style="list-style-type: none"> <li>• Protection/improvement of areas of nature conservation (including the Natura 2000 network)</li> <li>• Protection and management of natural resources (including soil, river basins and the marine environment); sustainable forestry</li> <li>• Natural disaster prevention and alleviation (including flood defence and investment following natural disasters and accidents, e.g. oil spills)</li> <li>• Rehabilitation of contaminated land</li> </ul>	4 projects
<p><b>Addressing environmental and health issues</b></p> <p>To achieve a quality of the environment where the levels of man-made contaminants, including different types of radiation, do not give rise to significant impacts on or risks to human health through a holistic and comprehensive approach to the environment and health, with precaution and prevention of risk and account taken of particularly vulnerable groups such as children and the elderly.</p>	<ul style="list-style-type: none"> <li>• Reduction of industrial pollution (including a reduction in air, noise and water pollution and production of hazardous chemicals)</li> <li>• Reduction of pollution from transport (measures resulting in a significant reduction in air, noise and water pollution)</li> <li>• Drinking water/wastewater treatment</li> </ul>	28 projects
<p><b>Preserving natural resources and managing waste</b></p> <p>To ensure the consumption of renewable and non-renewable resources does not exceed the carrying capacity of the environment. To achieve a decoupling of resource use from economic growth through significantly improved resource efficiency, dematerialisation of the economy, and waste prevention. Waste prevention will be a key element of an integrated product policy approach. Encourage recycling and recovery of wastes.</p>	<ul style="list-style-type: none"> <li>• Measures to improve eco-efficiency (including the efficient use of resources and sustainable consumption of renewable and non-renewable resources); environmental technologies</li> <li>• Waste management (including waste reduction, re-use, recovery and disposal)</li> </ul>	6 projects
<p><b>Improving the quality of life in the urban environment</b></p> <p>To provide, support and promote best practice in the Member States in land-use planning, public transport and planned development.</p>	<ul style="list-style-type: none"> <li>• Urban renewal and regeneration (including urban infrastructure, commercial/cultural/administrative buildings, social housing and community health and safety measures); cultural heritage (including conservation of listed buildings)</li> <li>• Sustainable urban transport (public transport: rail, metro, bus, etc; measures to reduce the pressure of urban road traffic; traffic calming and pedestrian zones; bi-passes; traffic management schemes)</li> </ul>	44 projects

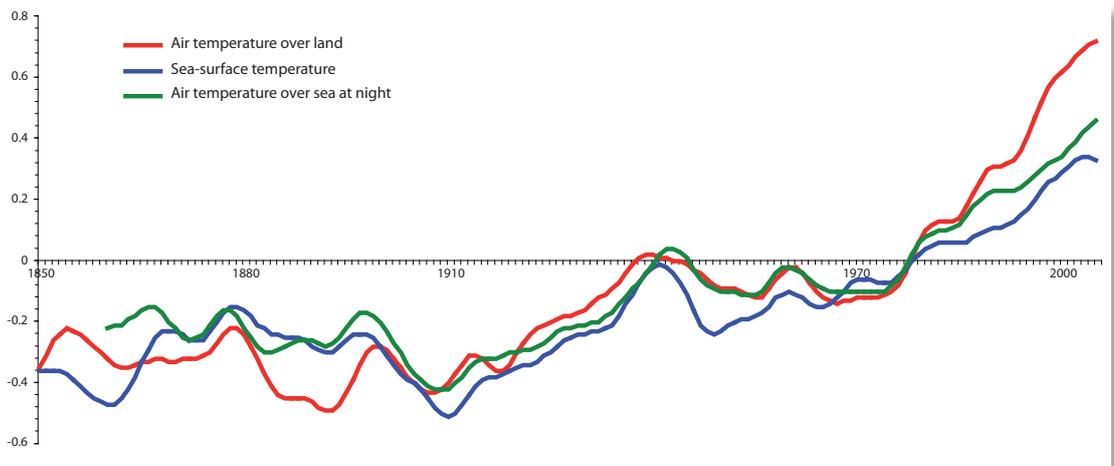
NB: As certain projects meet multiple objectives, the total number of environmental projects is 97 although the sum of projects in the right-hand column is 99.

### Tackling climate change

Climate change and its underlying forces give rise to among the most – if not the most – serious set of environmental, societal and economic issues faced by the world today. There is an international scientific consensus that increasing atmospheric levels of man-made greenhouse gases are leading to global cli-

mate change. The heat waves across Europe in 2003, the worldwide melting of glaciers, the reduction in the size of the Arctic ice pack in the summer, widespread melting of permafrost, earlier spring activity of plants and animals across the northern hemisphere, rising sea levels and increased intensity in extreme rainfalls, drought and violent storms clearly demonstrate the world's vulnerability to climate change-related disasters.

Global warming trends from three independent measurements



Source: Graph provided by the Met Office Hadley Centre, Crown Copyright 2006

The UN Intergovernmental Panel on Climate Change (IPCC), in its 3rd Assessment Report, indicated that the greenhouse gas (GHG) concentration would continue to grow through this century leading to temperature increases of between 1.5 and 5.8 C. Such changes could have dramatic implications. In particular, research and modelling have shown that a temperature increase of about 2°C. (CO<sub>2</sub> concentrations of 550 ppm) represents a major threshold in terms of likely impacts on natural ecosystems and species. For example, recent research carried out by NASA and the UK Hadley Centre have suggested that irreversible melting of the Greenland ice sheet may begin to occur with

a global temperature rise of only 1.5°C, possible consequences of which are changing sea levels, changes to ocean circulation and impacts on global weather systems as well as the alteration and eventual extinction of plant and animal habitats and species.

In considering such threats, the European Union has introduced several policies to combat climate change. The European Climate Change Programme (ECCP) was adopted in March 2000. The cornerstone of this policy, the EU's Emissions Trading Scheme (ETS), was launched on 1 January 2005.

## Environmental Lending 2005

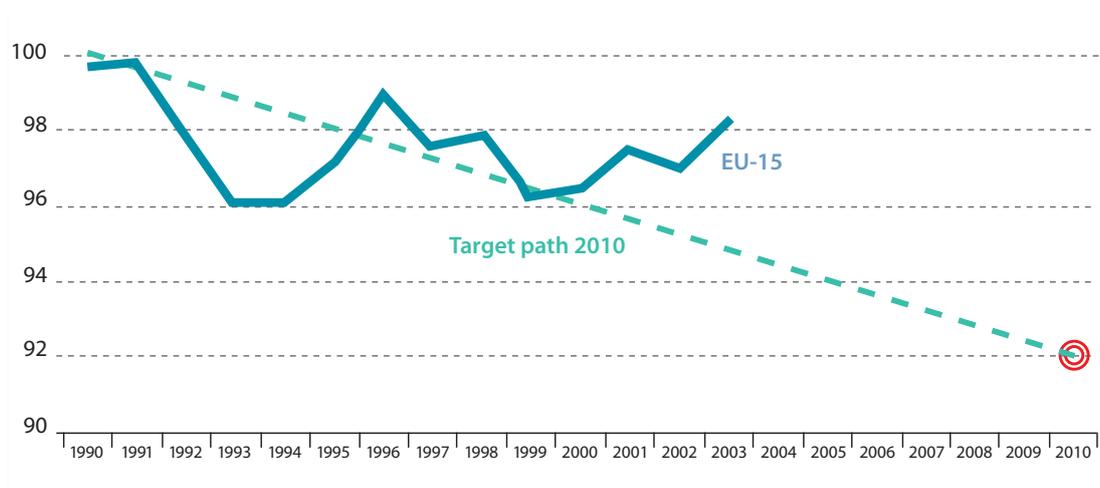
The ECCP has three main tracks:

- the Kyoto track which builds on the UNFCCC and the Kyoto Protocol with its system of legally binding absolute emission reductions and a compliance regime;
- the Greening track which supports the rapid introduction of clean technologies that can reduce emissions and meet sustainable development objectives in developing countries that do not have any commitments yet under the Kyoto Protocol; and
- the Adaptation track, which is designed to provide resources to the most vulnerable regions to deal with unavoidable climate change impacts.

The Kyoto Protocol entered into force on 16 February 2005. Under the Protocol, the EU-15 (the 15 countries that were members of the EU at the time of ratification of the Protocol) is committed to reducing its greenhouse gases emissions by 8% below 1990 levels during

the first commitment period from 2008 to 2012. This target is shared between the 15 Member States under a legally binding burden-sharing agreement, which sets an individual emissions target for each Member State. Of the ten Member States that acceded on 1 May 2004, eight have individual reduction targets of 6 or 8% under the Kyoto Protocol. Only Cyprus and Malta do not have Kyoto targets. In 2003, the most recent year for which data is available, the EU-15 had reduced its emissions by 1.7%. EU-wide emissions were down by 8%. Projections show that additional policies and measures planned by the Member States but not yet implemented and use of the Kyoto flexible mechanisms will take EU-15 emissions to 9.3% below 1990 levels by 2010 – more than enough to meet the 8% reduction target – while EU-25 reductions will reach 11.3%. Only six Member States were not on track at the time to meet their targets: Denmark, Ireland, Italy, Portugal, Slovenia and Spain.

EU-15 total GHG emissions and target according to Kyoto Protocol for 2008-12 (as percentage of base year emissions).



NB: The dotted line shows the linear path of the reduction target for the first commitment period, 2008-12.

Source: EUROSTAT

Greenland Glacier continues its course into the fjord in south-eastern Greenland in 2005



In October 2005, under the UK Presidency, the EU launched the second European Climate Change Programme (ECCP II), which involves reviewing and developing existing EU climate change policies, including the role of aviation and road transport, carbon capture and storage as well as the measures to adapt to climate change. A key aspect is that immediate action is required to prevent global temperatures rising by more than 2°C, a major challenge considering that the growing populations, industrial development and basic energy needs in the developing world are raising energy demand by some 60-70% according to the IEA.

In the context of the Kyoto Protocol and the ETS, EIB activities in the field of climate change are targeted at supporting the implementation of EU climate change policy by helping economies to achieve lower carbon emission trajectories through investments involving fuel switching, the development of renewable energy and energy efficiency. In particular, EIB investments and operations focus on:

- supporting underlying investments contributing to climate change mitigation and adaptation;
- providing financial and technical assistance to promoters for carbon credit development;
- supporting shareholders and EU companies seeking to purchase project-based carbon credits, developing their own capacity to promote the carbon market.

### EIB contribution to climate change mitigation

The Bank has two dedicated instruments to address climate change mitigation:

- The Climate Change Financing Facility (CCFF), with two financing windows: (i) a EUR 400 million window for financing GHG emission reduction projects undertaken by companies operating under the EU Emissions Trading Scheme (of which about EUR 200 million has been committed by approving the financing of the modernisation and environmental upgrading of pulp and paper mills in Portugal and the construction and operation of two run-of-river hydropower plants in Slovenia); and (ii) a EUR 100 million window for financing projects eligible for the Clean Development Mechanism (CDM) and Joint Implementation (JI) instruments of the Kyoto Protocol.
- The Climate Change Technical Assistance Facility (CCTAF) with EUR 5 million to provide advance funding for activities associated with the development of project-based carbon credits under the CDM and JI instruments of the Kyoto Protocol, on a conditional financing basis.

The EIB is also working on the co-sponsorship of and/or participation in carbon funds with the EBRD, includ-

## Environmental Lending 2005

ing talks on the detailed structure of a Multilateral Carbon Credit Fund (MCCF). Discussions and negotiations have also been ongoing with the World Bank on the establishment of the Carbon Fund for Europe (CFE). The launch of both funds is planned for mid-2006. Once launched, each fund would provide additional outlets for projects financed by the EIB, EBRD and IBRD throughout their respective countries of operation to sell their carbon credits as well as creating additional organisational capacity to help both the public and private sectors meet their compliance requirements. Opportunities for sponsoring and/or participating in other targeted funds are being investigated, notably with KfW Entwicklungsbank.

Lastly, the EIB is an active member of the MDB working group involved in the preparation of the Investment Framework – for energy investment to accelerate the adoption of technologies which enable cleaner, more efficient energy production and use – requested by the G8 at the Gleneagles Summit in June 2005.

### Appraising climate change aspects

*The Bank incorporates climate change aspects into its internal appraisal procedures, mainly in two respects:*

- *All projects are routinely screened for their potential to mitigate climate change and generate carbon credits, which could be used for Kyoto compliance purposes and/or in the EU Emissions Trading Scheme.*
- *The economic value of likely greenhouse gas (GHG) emission reductions, where significant, is as far as practical internalised in the economic analysis of the project. The revenue from the sale of carbon credits is incorporated in the financial risk analysis. Project teams have also started to assess the adaptability of projects to climate change in cases where the potential adverse impacts of climate change on the project's performance are likely to be significant.*

### Renewable energy and energy efficiency

EIB lending in the energy sector in the EU ranges from upstream exploration to the supply of energy in its various forms. Many projects meet environmental objectives because they significantly improve the efficiency of existing facilities (through plant upgrades) or promote the use of cleaner and more renewable fuels.



Key legislative drivers for energy efficiency and renewable energy in the EU include the directive on the promotion of electricity from renewable energy sources (2001/77/EC), the Integrated Pollution Prevention and Control Directive (96/61/EC) and the draft directive concerning the promotion of co-generation, reinforced by measures taken to implement the Kyoto Protocol within the EU.

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The targets set by the European Commission include increasing the share of renewable energy consumption from 6 to 12% and the amount of electricity produced from renewable energy sources to 22% of electricity consumption by 2010.



#### **Gamesa Wind Power RDI, Spain**

*Gamesa is a diversified group of companies specialised in the renewable energy sector. Already well established in the field, it has become the fourth largest international wind turbine manufacturer and one of the largest developers of wind parks worldwide. The project concerns investments in research, development and innovation (RDI) for the mechanical and electric components of wind-powered electric generators. The activities will be carried out at Gamesa Eólica's central R&D facilities in Pamplona and other locations, and will find applications in products and their manufacturing processes at Gamesa Eólica's manufacturing plants in Spain. The improvement of wind power generators is an area of critical importance to Gamesa. The project will allow the company to keep abreast of developments in the EU and the US and will allow it to improve the performance and cost efficiency of its wind turbines, power converters and control systems.*

The Bank's target for renewable energy was adapted in 2004 with the aim of stepping up the Bank's support for the European Union's climate change policies. The earlier target was "to double the share of renewable energy projects in overall EIB energy sector financing between 2002 and 2007 (from 7 to 15%)". The new target was made even more ambitious when the Bank pledged to increase its lending for renewable energy from 15% of new electricity generation capacity to 50% by 2010. This is in line with the EU's target of increasing renewable energy's share of electricity generation in the EU to 22% by the end of the decade.

In 2005, loans for renewable energy projects totalled EUR 593 million, or 64% of lending for new electricity generation, which is significantly higher than the average for previous years of around 35%.

In Finland, the EIB lent EUR 25 million for the upgrading of two hydroelectric power plants on the Kemijoki river in Lapland. This investment will increase power generating capacity by 30% and at the same time help Finland to meet its commitments with respect to greenhouse gas emission reductions. Renewable energy projects included wind farms in Portugal and Sweden.

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### Flood relief and natural disaster prevention and alleviation

In recent years, the EIB has seen an increase in lending for reconstruction and rehabilitation projects following natural disasters, e.g. floods, forest fires and earthquakes. This has been the result of:

- the growing frequency of these events;
- the willingness of public authorities to fund the reconstruction process through loans rather than grants;
- the Bank offering special loan conditions for rebuilding after catastrophic events within the EU and neighbouring countries.

While EIB loans have concentrated principally on the reconstruction of damaged infrastructure and short-term clean-up operations, a number of projects financed by the Bank have focused on preventive measures, in particular flood prevention, the main purpose being to safeguard the urban environment. In this instance, decision-making is essentially based on the economics of damage prevention rather than the environmental impact of the defences themselves. In some countries a transition is being made from hard to soft defences, although the greening of flood defence policies is a slow process. In 2005, the Bank financed a flood protection project in Romania – flood-damaged roads reconstruction – which mainly con-

sists of repair works, road reconstruction and protection and riverbank protection that became necessary after the major flooding in 2004, as well as emergency reconstruction measures following the 2005 floods. In Spain the Bank financed a loan in response to the catastrophic economic and ecological consequences of oil spilled from the tanker Prestige off Spain's Atlantic Coast: the Galicia Oil Slick Economic Recovery loan.

### Environment and health

A wide range of projects contribute to the quality of the environment in terms of improving air quality, reducing the pollution of land through industrial activities, and protecting and improving water resources. All have a direct impact on the natural environment and human health.

#### Reduction of industrial pollution

The European industrial sector is witnessing a general improvement in the efficiency of its operations and a shift to cleaner products and processes. Direct emissions to air and water have substantially decreased, and important progress has been made in reducing energy and material inputs and the generation of waste. These improvements have been in part encouraged by the European environmental legal framework, in particular through the application of the Integrated Pollution Prevention and Control (IPPC) Directive (96/61/EC), as well as by sound business practice.

EIB support for the industrial sector is in line with European policy and aims to ensure better protection of the environment while maintaining a competitive industrial base. For all individual projects, safety and environmental aspects are analysed by the Bank's technical experts to ensure that the promoter actively incorporates innovation and best practice in environmental matters from the start.

The chemical industry in the EU is responding to the need to improve its environmental performance by developing new, cleaner technologies and by implementing efficiency-improving management standards such as EMAS or ISO 14001. Projects in this sector

## Environmental Lending 2005

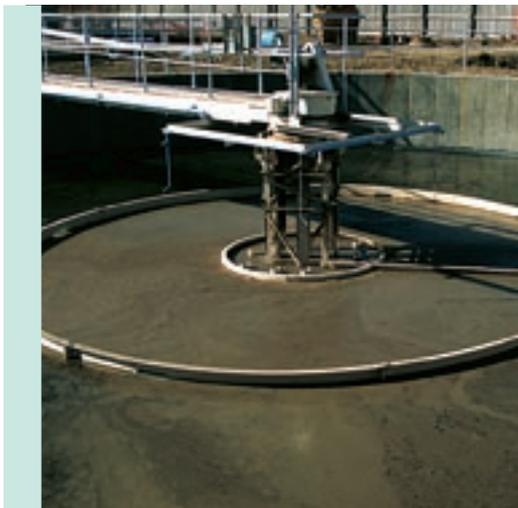
improve the environment by promoting eco-efficiency through the update of existing processes and/or products. Under its Innovation 2010 Initiative, the EIB supports the development and marketing of new environmentally friendly technologies.

In Central and Eastern Europe, major investments are still needed to raise the environmental standards of the industrial sector to those required by the accession process. This leaves considerable scope for financing the rehabilitation, modernisation and expansion of existing industrial installations. This aims to enhance industry efficiency and competitiveness and to ensure compliance with EU law on environmental norms and standards.

In 2005, loans for EU-based projects improving the environment in terms of reducing industrial pollution totalled EUR 410 million.

### **Tessenderlo chemie ELY-3, Belgium**

*The project concerns replacement of mercury-based electrolysis cells by membrane technology for the production of chlorine plus a number of supporting investments at the promoter's production site at Tessenderlo, in the province of Limburg, Belgium. The main aim is to significantly reduce the environmental impact of operations on the site. EuroChlor, the European Chlor-alkali producers association, has set a target for Western European installations to reduce overall emissions of mercury by 2007. This target foresees that no individual plant will exceed 1.5 g/te and that plants will average 1 g/te on a national basis. This project is eliminating mercury emissions from the plant completely and also helping Belgium to meet its national target. It is also resulting in a significant reduction in a number of emissions. Expressed as a percentage of total company emissions, atmospheric emissions of mercury are being reduced by 12%, CO, SOx and dust by 50-60%, NOx by 21%, inorganic components (Ni, V) by 70%, dioxins by 9% and benzopyrene by 52%. In addition the high temperature direct chlorination sub-project is producing significant energy consumption reductions (steam and electricity equivalent to about 16 MW), enabling the site to fully meet its obligations under the Kyoto Protocol, as agreed with the Flemish authorities.*



### **Water and wastewater treatment**

Within the scope of the EU Water Framework Directive (WFD), the EIB supports investment projects and programmes, often co-financed with other EU instruments, aimed at complying with investment-intensive directives, e.g. Urban Wastewater, Drinking Water and Bathing Water. The Bank promotes the sustainable management of water resources through demand management, integrated river basin planning and integrated flood defence management. Outside the EU, water and wastewater infrastructure account for almost a quarter of all environmental lending. The EIB adds value by assessing project viability and ensuring financial sustainability through pricing and cost

## Environmental Lending 2005

recovery, while encouraging affordability, the use of the appropriate technology, the phasing of investment and efficiency gains prior to new production. It supports the development of financially viable and efficient water service companies and assists pilot project preparation with upstream technical expertise. The main risks in the water sector include poor management of projects, low tariffs, low affordability and over-ambitious projects supported by grants or subsidies.

Water and wastewater treatment remains a key area for EIB lending, attracting more than EUR 2.2 billion in the EU in 2005.

#### Aquanet water and wastewater, Poland

*The objective of the project is to improve the urban environment of a major conurbation in Poland. Poznań is among the hot spots identified by the Helsinki Commission for the environmental protection of the Baltic Sea (HELCOM). The project's wastewater schemes will reduce the pollution load originating from some 750 000 residents of Poznań and seven neighbouring municipalities in line with the sensitive area requirements of the EU's Urban Wastewater Directive (91/271). The schemes are also compatible with the broad objectives of the Water Framework Directive (2000/60/EC) to promote sustainability by improving water quality and reducing the pollution of rivers draining into the Odra river and eventually the Baltic Sea.*

*The project is part of international programmes for reducing the pollution load of the Odra river and the Baltic Sea in which the Bank is a major participant. It will thus also help Poland to comply with its obligation under the international treaties. Economic benefits associated with modern wastewater systems relate to improved public health and positive effects on recreation, agriculture and fisheries in Poznań and downstream municipalities along the Warta and Odra rivers as well as in the Baltic Sea area.*

#### Greater Beirut

*The project concerns investments in wastewater treatment (Dora wastewater treatment plant) as well as related primary and secondary collectors and tertiary networks. It will allow for a phased treatment of wastewaters that originate from the central and northern part of Beirut and are currently discharged into the Mediterranean Sea without treatment or seep into watercourses or underground.*

*The project's economic interest is directly linked to improved environmental services, reduced public health risks and a positive impact on the region's attractiveness for tourism. A natural crest line divides Greater Beirut into a northern and a southern part. Wastewater from Beirut and parts of the surrounding cazas will be collected and transported to two main coastal collectors: the northern main collectors (17 km) converge on Dora, where a wastewater treatment plant (design capacity 2 000 000 people equivalent) and associated outfall will need to be constructed; and the southern collectors (9 km) converge on Ghadir, where a preliminary wastewater treatment plant (grit and scum removal only) has been rehabilitated (784 000 people equivalent). Although works on the northern coastal collectors were completed in 2001, the collectors are likely to remain idle for several years because the Dora plant and secondary collectors have to be built.*

In Belgian Flanders, the Bank lent EUR 75 million for wastewater treatment, the last instalment of a EUR 250 million financing agreement with the municipal wastewater management company Aquafin. The agreement encompasses 219 individual projects, providing for the construction and upgrading of main sewers, treatment plants and pumping stations. The investments result in significant environmental benefits to the water quality of the Escaut and Meuse rivers and the downstream North Sea area.

## Environmental Lending 2005

Another project worth mentioning is the modernisation and extension of water infrastructure in the city of Plzen in the Czech Republic. This was supported with a EUR 15 million loan, which went to the upgrading of the drinking water supply as well as the construction of stormwater retention and drainage facilities and extension of the city's sewerage network. The project was co-financed with European Commission Cohesion Fund grants.

### Waste management

The EU Framework Directive on Waste (75/442/EEC), the Incineration Directive (2000/76/EC) and the Landfill Directive (1999/31/EC) continue to drive waste management investment in the European Union. Under the requirements of the Landfill Directive, the waste management industry is focused on reducing the amount of biodegradable waste going to landfills. This is likely to provide an increasingly important niche for developing technologies to process bio-waste, including bio-methanisation and other energy-generating processes. In 2005, the Bank supported waste management projects in Denmark, France, Ireland, Spain and Russia with loans amounting to a total of EUR 331 million.



### Improving the quality of life in the urban environment

#### Urban renewal

The protection and enhancement of the urban environment has become a key objective for European action. Public policy analysts have also become increasingly aware of the consequences of local-

#### Urban Infrastructure Framework Loan, Cyprus

*The island of Cyprus has always suffered from spatial disparities, but these have intensified since independence and the establishment of the Republic. Rural areas have undergone demographic weakening, while population and business activities have concentrated in the major urban centres and the coastal areas, which have experienced rapid tourist growth. Furthermore, the inner parts of urban areas are in decline, especially in the capital, Nicosia, which is divided by the cease-fire line. The regeneration of those urban areas in decline is now a priority for government action, with policy directed specifically at improving the urban built environment whilst protecting the island's cultural heritage.*

*Against this backdrop, the project comprises the co-financing of small and medium-scale urban development schemes and/or sub-projects primarily in the fields of urban renewal and the rehabilitation of urban infrastructure and community facilities but, where appropriate, also embracing projects of modest scale in environmental protection, energy saving, health, education, and supporting social infrastructure targeting vulnerable groups. The selected sub-projects reflect prevailing priorities in the development plans of the parent municipalities, and it is anticipated that the investments will act as catalysts for significant and sustainable regeneration in the respective localities, bringing further economic benefits in the future.*

## Environmental Lending 2005

ised deprivation and social exclusion on the quality of life and economic performance of urban areas. EU, national, regional and local policy makers have responded by encouraging the regeneration of urban areas as part of integrated urban renewal programmes.

The EIB's lending strategy for urban renewal reflects EU policy, in particular the Communication "Towards a Thematic Strategy on the Urban Environment", which seeks to promote urban concentration, curtail suburbanisation pressures, prevent sprawl and reduce demand for the development of scarce land resources

#### **Brno Municipal Infrastructure Framework Loan, Czech Republic**

*Following decades of relative stagnation in the post-war period, Brno has benefited considerably from the systematic and socio-economic transformation of the Czech Republic since 1989. The city is the natural administrative, transport and commercial capital of South Moravia, as well as being a major cultural, sports and entertainment centre. There are numerous listed buildings and historic monuments (for example, the Tugendhat Villa is one of UNESCO's World Heritage Sites), and the city also boasts six universities plus numerous scientific institutions and specialised health facilities. It is therefore only natural that it should endeavour to exploit these comparative advantages in pursuit of its development objectives, but this has placed intense pressure on municipal infrastructure and exposed the fragility of a built environment suffering from years of neglect.*

*The protection and enhancement of the urban environment has become a key objective for European action, and the project therefore explicitly meets current EU priorities. The facility will support the repair, rehabilitation and upgrading of municipal infrastructure, and seeks to respond to the need for regeneration and restructuring as reflected in the intent of the city's urban development strategy and associated local plans.*

#### **Metro Municipality II – eThekweni, South Africa**

*The eThekweni Municipality (formerly Durban) is located on the eastern seaboard of South Africa within the province of KwaZulu-Natal. The municipality requires significant investment to foster development and to integrate physically, economically and socially, those areas and population groups that were artificially segregated by the apartheid regime. Against this backdrop, the project comprises the co-financing of eligible components of the municipality's 2005-2008 multi-sector investment programme which, in turn, reflects the municipality's Long-Term Development Framework to encourage economic growth, improve the quality of life of its citizens and redress observed social and spatial inequalities. Improvements in urban infrastructure, including better access to public utilities and better housing, are seen as pivotal in the strategy, and are hence the focus of the Bank's loan. The individual sub-projects have been identified according to well-defined and integrated strategies for regeneration and development as set out in the municipality's Integrated Development Plan, and selected through a prioritisation procedure that addresses urgent needs and ensures adequacy of supply. The intention is to promote community development and a more sustainable settlement pattern and, in this regard, the project will contribute explicitly and significantly to the transformation objectives at the heart of the country's development strategy.*



## Environmental Lending 2005



in outlying rural areas. Consolidation of cities, and the general rationalisation of settlement patterns, is also more energy-efficient, reducing demand for car travel and facilitating public transport usage. Meanwhile, the rich cultural and architectural legacy of older cities has been recognised as a valuable resource in the rejuvenation of urban areas that, if properly exploited, can have a catalytic effect in promoting broader-based regeneration and the creation of more sustainable urban communities.

Many European cities have urban development plans in which there are areas showing signs of physical decay, and where more generalised social and economic deprivation are identified as requiring special attention. These are the "action areas" usually specified in any urban renewal/regeneration plan or strategy. They tend to be the focus for EIB lending. Such plans are by definition geographically specific and are likely to be multi-sector oriented, encouraging mixed-use development to optimise land-use, improve the physical environment, stimulate economic development and promote more sustainable urban communities.

By improving areas of deprivation, urban renewal projects can have a strong social cohesion impact and represent the best option for making use of valuable and scarce assets in city centres. At the same time, urban renewal may reduce the pressure towards further occupation of surrounding agricultural and natural land and contribute to a more balanced urban structure that is less demanding environmentally.

Loans for urban renewal amounted to EUR 1.8 billion and included, for example, EUR 125 million for the modernisation of municipal infrastructure in the Polish capital of Warsaw. The money will support small and medium-scale urban renewal projects, investment in local transport, environmental protection, health and education, conservation and cultural heritage, and the provision of priority community facilities.

### Sustainable urban transport

Investment in sustainable urban public transport goes hand-in-hand with urban renewal. In 2005, the EIB lent some EUR 4.9 billion for sustainable urban transport projects. To qualify for EIB support, urban transport projects need to contribute positively to the enhancement of the urban environment. This is typically the case with investment in public transport infrastructure. All urban transport initiatives are subject to environmental assessment to ensure that the net environmental impacts of projects are acceptable and that care is taken to see to it that suitable mitigation measures are implemented where needed.

Light rail and tramway systems also featured prominently, reflecting the trend towards more cost-effective and flexible mass transport systems. In the United Kingdom, the EIB lent EUR 145 million for the extension of the Docklands Light Railway, providing a new transport link across the River Thames in South London. This public transport project is expected to create opportunities for deprived communities on both sides of the River Thames, improving their access to facilities and making development sites in the areas concerned more attractive to developers.

## Environmental Lending 2005

**East London Line**

*The project involves the creation of a new 25 km heavy rail metro service in London using a combination of upgraded existing infrastructure and new-build, together with the provision of rolling stock to run the service. The existing East London Line is operated as part of the London Underground and provides underground services between inner east and inner south-east London over an 8 km line originally constructed in 1869. The East London Line project will upgrade this line to heavy rail standards and extend it in two phases.*

*The current project represents the first phase, extending the existing line north for 4 km to Dalston through Objective 2 areas in Shoreditch and Haggerston, and south to New Cross, Crystal Palace and Croydon, as well as significantly increasing its capacity. The extension will provide extensive interchange with other heavy rail and metro routes, thereby improving the accessibility of the deprived areas served to the rest of the London labour market. The new service will also supply important new cross-Thames heavy rail capacity, potentially reducing the pressure on the Thameslink line. Provision will be made for subsequent further extension as part of a future Phase 2. The benefits of the project include the introduction of greater transport choice in an area currently poorly served by public transport, and the assistance to economic development provided by better access for businesses and jobs.*

*The project will secure the use of existing historical infrastructure and re-use a section of disused former railway. It will also make more efficient use of existing surface lines south of the Thames and, by encouraging the use of public transport, contribute to an overall reduction in adverse traffic-related impacts within the wider travel catchment area of the scheme.*

**Budapest Metro Rolling Stock**

*BKV (the operator of the underground network in Budapest) is currently carrying out two projects financed by the EIB. The first consists of the rehabilitation and technical upgrading of an existing line (M2) and the second comprises the construction of a new line (M4). In order to achieve economies of scale, BKV intends to use rolling stock with the same characteristics on M2 and M4. Thus, BKV will procure the rolling stock for M4 (15 trains, plus 7 in option) simultaneously with the rolling stock for M2 (22 trains). In the latter case, the new rolling stock will replace obsolete Russian-type rolling stock, which is up to 35 years old.*

*The replacement of the old metro trains will improve the level of service on M2 and offer a higher level of comfort for all and better access for passengers with mobility problems. The metro trains are replacing older and less energy-efficient stock that has reached the end of its economic life. Train units will be continuous internally (i.e. without doors between carriages) to improve passengers' comfort and feeling of safety, as well as making cleaning easier. These characteristics also require the upgrading of an existing depot. The interiors are also designed to accommodate passengers with disabilities including brightly coloured handholds to assist the partially sighted. The operation of these new vehicles in place of the old vehicles will therefore have a positive impact on the environment. Owing to the use of new technology, the operating and maintenance costs of the metro system will be significantly reduced.*

Environmental Lending 2005



## Social Concerns

### Supporting economic and social cohesion

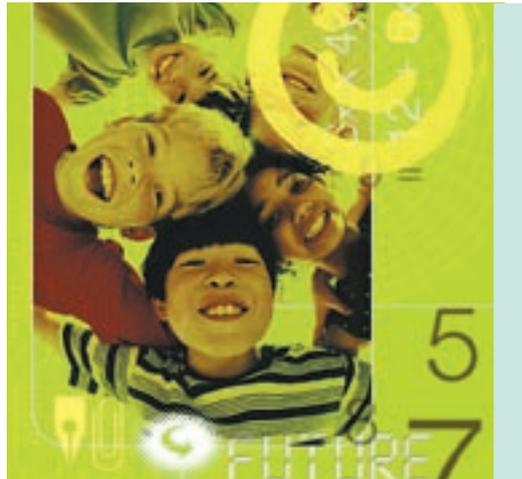
Fostering economic and social cohesion in the less favoured regions of the EU is the prime task assigned to the Bank by the Treaty establishing the European Community, and continues to be a core lending objective of the Bank, as confirmed by the Board of Governors when it reviewed the Bank's strategy in 2005. The enlarged European Union and the future cohesion policy for the 2007-2013 period put economic and social cohesion high on the EU agenda: adding further importance to this objective is the Lisbon Strategy, with its focus on investment in education, research and innovation as a means of achieving sustained economic growth and employment.

In 2005, the Bank granted loans of almost EUR 28 billion in the 25-member Union for projects to assist regions lagging behind in their economic development (Objective 1 regions), grappling with structural difficulties (Objective 2 regions), or suffering from both – which is equivalent to 84% of total individual loans in the EU. Global loans to financial intermediaries, for on-lending in support of small and medium-scale investments in assisted areas, reached EUR 5.9 billion, bringing total lending for economic and social cohesion to some EUR 34 billion in 2005, equivalent to 80% of all lending in the EU. In 2006, the Bank intends to focus at least two thirds of its individual loans and half of its global loans on projects supporting economic and social cohesion.

#### Eastward integration

Reflecting the priority given to the development of EIB activities in the new Member States, lending in these countries was particularly strong at EUR 4.9 billion. This is partly the result of a significant increase in Structural Programme Lending (SPL) operations, which consists of EIB co-financing of programmes benefiting from EU Structural and Cohesion Funds. Launched in Italy and Spain in 2001, SPL has been extended to other EU countries over the years and has now become a common instrument in the new Member States.

Support for investment in assisted areas was also strong in Spain (EUR 6.1 billion), Germany (EUR 4.8 bil-



lion), Italy (EUR 3.9 billion) and the United Kingdom (EUR 2.9 billion). Future growth in lending is expected primarily from projects in the new Member States and the Acceding and Accession Countries.

EIB loans for economic and social cohesion covered all sectors of the economy, with communications (46%), industry (22%) and health and education (9%) absorbing the largest share in 2005. These loans also benefited other EU priority objectives. Just under 80% of lending for TENs and other major European networks – including energy networks – went to assisted areas; this was likewise true of 82% of Bank loans aimed at improving the environment and 84% of loans to underpin the Lisbon Strategy.

With a view to creating new synergies and complementarities between the operations of the Bank and those of the Commission in support of economic and social cohesion and maximising the value added of the EIB's activities in this field, the most significant development in 2005 was the launch of JASPERS (see box), an ambitious technical assistance partnership between the Commission's DG REGIO and the EIB, as well as the EBRD, designed to support the successful implementation of future EU cohesion policy.



### The JEREMIE initiative

*The JEREMIE initiative (Joint European Resources for Micro-to-Medium Enterprises) will help to increase access to finance in the regions to encourage more business start-ups and new ventures. JEREMIE will offer the authorities the chance to work with the European Investment Fund in order to improve capacity in the field of financial engineering. The initiative will contribute to encouraging business development including highly innovative activities, for the benefit of the regions concerned and of the Union's economy as a whole.*

### JASPERS: enhanced EIB/Commission cooperation for the regions

In 2005, the EIB and DG REGIO, the Regional Policy Directorate-General of the European Commission, stepped up their coordinated approach to policy development and operational activities with a view to launching a new policy for the period 2007-2013.

In October 2005, the European Commission, the EIB and EBRD presented the Joint Assistance for Supporting Projects in European Regions (JASPERS) initiative to the Member States and Accession Countries. JASPERS' objective is to help beneficiary countries absorb Structural and Cohesion Funds, financing badly needed investment over the EU's next budgetary planning period 2007-2013 while ensuring that the money is used in good time and with the best possible economic return in terms of growth and jobs. The key role of JASPERS will be to provide upstream technical expertise in programming and project preparation, but also in project appraisal. Hence, assistance will be offered from the early stages of project development and will have comprehensive sectoral and geographical coverage within its remit.

The objective is to enhance high-quality project applications with a view to rapid approval of grant support by the Commission.

Key areas for JASPERS include:

- trans-European networks (TENs)
- the transport sector outside of TENs, including rail, river and sea transport
- inter-modal transport systems and their interoperability
- management of road and air traffic
- clean urban and public transport
- the environment, including energy efficiency and renewable energy
- public-private partnerships.

JASPERS will be managed from the EIB's headquarters in Luxembourg. It will have recourse to some 50 dedicated experts in technical, economic and financial analysis. Many of these experts will be posted in the field to provide technical assistance to the Member States and regions, in particular in the new Member States, for preparing investment projects.

As appropriate, the experts will work in close cooperation with partner international financial institutions, notably the EBRD, which will be a full member of the team together with the EIB and the Commission. JASPERS will be complementary to the project preparation work carried out by national and local authorities, and countries requesting assistance will be under no obligation to borrow from the EIB or EBRD. This service is free of charge to the public authorities wishing to avail themselves of it.

## Social Concerns



### Innovation 2010 Initiative

At the Lisbon European Council of March 2000, the European Union set itself the strategic goal of establishing a competitive, knowledge-based economy, capable of sustainable growth with more and better jobs and greater social cohesion by 2010. Soon after the Lisbon Council, the EIB created a special lending facility, the Innovation 2010 Initiative (i2i), in order to support the EU's innovation drive with the Bank's financial resources.

Since it set up i2i in 2000, the EIB has advanced loans for innovative investment projects worth EUR 34.8 billion, EUR 10.7 billion of which in 2005 alone. The overall quantified objective is to lend a minimum of EUR 50 billion under the i2i programme over the current decade.

The EIB's lending is concentrated on three main areas:

- research, development and innovation (RDI) – private and public sector investment in research, the development of centres of excellence and academic research centres, as well as downstream investment (products and processes), notably in the private sector (45% of individual loans provided since 2000);
- education and training – support for university training by improving access to training as well as life-long learning, integration of research into tertiary education projects, helping to finance upgrad-

ing of related IT infrastructure, digital literacy and e-learning, as well as primary and secondary education (30%);

- the diffusion of technologies and development of information and communication technology (ICT) – involving the rollout of fixed and mobile broadband networks and access technologies, the creation of communications networks in a number of sectors (such as health and transport), and the development of electronic commerce platforms (25%).

### i2i education lending

In 2005, 24 individual projects for investment in education and training under the i2i umbrella amounted to almost EUR 2.2 billion (EUR 1.7 billion in 2004). In the United Kingdom, the construction, refurbishment and maintenance of primary and secondary schools took up a substantial portion of the Bank's lending. In Scotland, two public-private partnership projects involve the construction and maintenance of 21 primary and secondary schools in North Lanarkshire and 28 schools in Argyll and Bute. In Finland, schools, social care centres and higher education facilities received a total of EUR 255 million in EIB loans, while EUR 320 million went to the rehabilitation and modernisation of higher education facilities in North Rhine-Westphalia in Germany.

### Increased access to education in Hungary

*The EIB granted a EUR 100 million loan to Diákhitel Központ, Hungary's student loan centre, which is in turn channelling the funds as student loans to higher education students on favourable terms and conditions. This student loan scheme addresses the needs of eligible undergraduate and graduate students regardless of their social or educational background. Hungary's higher education system has undergone massive transformation in recent years. Undergraduate and graduate numbers have more than doubled over the past decade, reflecting an evolution towards a more inclusive educational system.*



### The EIB's approach to social assessment in developing countries

Issues of environmental and social impact have gained importance over the last few years, and social assessment has emerged as a key area of interest for all stakeholders, including ethical investors and shareholders.

As far as the Bank is concerned, the coverage of social issues is grounded in its external mandates and the social policies of inclusion and non-discrimination adopted by the EU as well as its evolving development policy. The EIB has taken social issues into account for many years, as part of its overall environmental assessment of projects. As a policy-driven bank, the EIB strives to ensure that agreed EU standards with respect to human rights, employment, occupational health and safety (including major communicable diseases) and integration and non-discrimination are adhered to, and uses EU law as a benchmark against which to judge the acceptability of national legislation. The case for any significant variations from EU principles and standards is explored in terms of incremental costs and benefits

During 2005, the Bank expanded and refined its guidelines on social safeguard standards, drawing on existing international good practice. Generally speaking, steps are being taken to take greater account of

the social and employment policy consequences of investment projects financed by the Bank, for instance when lending to the private sector in areas and sectors where enhanced managerial care is required because of weak governance structures.

For projects in the developing world, guidelines focus on compliance with existing international standards, including ILO core labour standards and, where appropriate, OECD guidelines for multinational enterprises. They try to reflect the particular characteristics of the European 'social model'. The social assessment of projects considered for EIB financing routinely includes an analysis of any significant impacts on income distribution and the likely effect on poverty alleviation. It comprises the summary evaluation of labour standards, occupational health and safety, resettlement issues, impacts on indigenous people and cultural heritage. In the specific case of large complex projects cofinanced with other IFIs as co-investors, responsibilities for appropriate social assessment are often shared with these institutions to the extent that they are committed to the application of international good practice on social issues.

## Social Concerns

### *Testing a Development Impact Assessment Framework (DIAF) for projects in the ACPs financed under the Cotonou Investment Facility (IF)*

With about half of its members officially on the list of “least developed countries” and many more at a low level of development, the ACP group includes most of the world’s poorest countries. Over the past ten years, this reality has pushed the international community to focus its efforts increasingly on the overarching objective of reducing poverty – and tackling its many dimensions as reflected in the UN Millennium Development Goals (MDGs) – which is also the central objective of the Cotonou Partnership Agreement. In this context, the Bank has developed a new methodology deriving from its standard economic evaluation of projects based on social cost-benefit analysis summarised in the calculation of the ERR of projects. This new methodology goes further by defining more precisely and formalising in a simple, efficient and systematic manner the added value of a given project from an environmental, social and governance perspective as a contribution to the overall development impact. The implementation of this new framework will be instrumental in striking a balance between, on the one hand, meeting the IF’s development objectives spelt out in the Cotonou Agreement, and on the other, ensuring the IF’s financial sustainability.

The Development Impact Assessment Framework (DIAF) was implemented on an experimental scale in respect of a small number of IF projects in 2005. The DIAF, in its pilot structure, comprises seven areas where an assessment of development performance is made: financial performance, economic performance, social performance, governance, environmental performance, the IF’s strategic role, and its contribution to MDGs. The assessment in each area is based on both qualitative elements and quantitative indicators. The following indicators on social and governance issues are incorporated into the DIAF:

#### **Social performance indicators:**

1. Numbers of affected persons and anticipated impacts
2. Impacts of resettlement/migration
3. Poverty level in region
4. Impact on poorest decile
5. Quality of labour standards
6. Impact on women
7. Social and human capital generated
8. HIV/AIDS prevention programme
9. Impact on disadvantaged/excluded groups
10. Contribution to social facilities

#### **Governance/institutional aspects:**

1. Degree of executive board independence
2. Standards of information disclosure and reporting
3. Standards of financial transparency
4. Degree of consultation with affected communities
5. Impact on existing legal framework
6. Partnerships with public, private and civil society sectors



## Support for EU Development and Cooperation Policies in Partner Countries



The EIB has been a development partner and has supported projects in developing countries, notably the ACPs, for more than 40 years. Over these years, it has acquired an extensive knowledge of the various countries in which it operates, their investment climate and the reality of operating in such countries. The Bank has proven its ability to support EU cooperation policies in two major ways:

- through the use of a wide range of financial products (loans, equity, guarantees or quasi-equity instruments);
- by financing sound and productive investments mainly in sectors which generate revenues for products and services provided.

This has gradually developed into an operational demarcation between the Commission and the Bank, with the former operating in the social, educational and small-holder agricultural sectors (i.e. in support of non-revenue generating investments), thereby ensuring complementarities between the two EU institutions.

### Supporting the Millennium Development Goals

Over the past five years, the Millennium Development Goals have become the focal point of develop-

ment policy and programmes. Building on previous attempts to define key development objectives, the MDGs have clearly become the new keystone of the development community's agenda.

Their importance derives from two main features:

- the highly visible political commitment made at the UN Summit by the Heads of State to gear development policy to the objective of achieving the MDGs by 2015, since repeated at every major development forum;
- the definition of quantitative and time-bound benchmarks against which progress can and will be assessed.

The main objective of the Cotonou Investment Facility is to support private sector development (PSD), which

### *The Millennium Development Goals for 2015*

- 1 – Eradicate poverty and hunger
- 2 – Achieve universal primary education
- 3 – Promote gender equality and empower women
- 4 – Reduce child mortality
- 5 – Improve maternal health
- 6 – Combat HIV/AIDS, malaria and other diseases
- 7 – Ensure environmental sustainability
- 8 – Develop a global partnership for development

## Support for EU Development and Cooperation Policies in Partner Countries

is seen as essential to fostering economic growth and thus, ultimately, to achieving poverty reduction and contributing to the MDGs. In other words, while the IF is not necessarily meant to be used directly for the purpose of attaining the MDGs, its contribution to the development of the private sector is seen as a key support to sustainable poverty reduction and social improvement.

*The European Parliament “welcomes both the fact that the EIB supports the EU’s development policy objectives set out in the Cotonou Agreement and defined in accordance with the eight MDGs, and the fact that the EIB stipulates that lending be conditional on the relevance of the projects being supported to the attainment of the MDGs with its new Development Impact Assessment Framework for projects under the Investment Facility; calls, however, for these criteria to be extended to cover all projects supported by the EIB in developing countries”. European Parliament resolution on the impact of the lending activities of the European Community in developing countries (2004/2213(INI)) – 7 July 2005.*

Similarly, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) has the objective of (directly and indirectly) supporting the development of the private sector in Mediterranean Partner Countries. Contributing to the MDGs is not an explicit objective (although health and education, largely within the public sector, are explicitly targeted). The Bank’s operations in Asia and Latin America have the aim of supporting projects of mutual interest for the recipient countries and the EU, and this is not designed to include the attainment of the MDGs.

Nevertheless, EIB-financed projects have a positive impact on the achievement of some of the MDGs. In most cases, such an effect is indirect and focused on Goal 1 (eradication of extreme poverty) inasmuch as it relates to the favourable impact that projects with a strong economic return are expected to have on economic growth and, eventually, on poverty reduction and other social outcomes. The fact that the impact of EIB activity on the MDGs is mostly both indirect and difficult to assess and measure does not necessarily imply that it is small. Indeed, the impact on pov-

erty and related indicators achieved through higher growth, although difficult to demonstrate and quantify, is likely to be quite substantial. In some cases, EIB projects may also have a direct effect on specific MDGs (other than Goal 1) or related sub-targets. The most obvious case is probably in the water sector (provision of clean water). Some projects may also contribute to the achievement of better health or education, whether directly (health and education projects) or indirectly (e.g. industrial projects with significant health or education programmes as a by-product, for example when a project leads to the establishment of a school or hospital which will typically serve a substantial number of people living in the area surrounding the project or when there is augmented health and safety at work).

#### **EIB contribution to debt relief and debt sustainability in low-income countries**

As a multilateral creditor operating in low-income countries to support their economic development, the EIB has been **actively involved in the HIPC debt relief initiative** from the very start. It actively participates in MDB coordination on the matter and provides debt relief to eligible countries where it has claims outstanding on its own resources. While the Bank has relatively limited exposure to countries eligible for the HIPC initiative, it endeavours to play its part and to equitably share the burden with other multilateral creditors, in line with the principles and rules governing the HIPC initiative.

In addition to its contribution as a creditor, the EIB acts as the implementing agency to deliver debt relief on behalf of the European Community, upon instructions received from the Commission.

The EIB has followed closely and is fully aware of **the recently approved Multilateral Debt Relief Initiative (MDRI)**, which will lead to the full cancellation of debts owed by eligible countries to IDA, the African Development Fund and the IMF. However, it is not directly involved in this initiative and any such involvement is not contemplated at this stage, as its shareholders

## Support for EU Development and Cooperation Policies in Partner Countries

have not requested its participation and have not earmarked the corresponding financial resources as has been the case with other development banks.

As a **responsible creditor and multilateral development finance institution, the EIB provides appropriately concessional lending terms** to its public sector borrowers in low-income countries, also taking into account project-specific circumstances. In particular, interest rate subsidies are applied in order to meet minimum grant-element requirements defined in the framework of IMF-supported programmes (or other similar frameworks) for HIPC eligible and other low-income countries where long-term debt sustainability is at risk. For that purpose, the EIB maintains regular contacts with the IMF and the World Bank in order to monitor possible changes to the existing framework. Its lending instruments under the Cotonou Agreement have been adapted to allow the Bank sufficient flexibility to meet the requirements. If and when necessary, further adaptation would be sought with the consent of the Bank's shareholders. In addition to interest subsidies, close cooperation with the European Commission and other financing partners can be an effective way of putting together a coordinated financing package with an appropriate level of grant element.

## FEMIP

**A better understanding of the Mediterranean region and a more appropriate answer to its future challenge**



Established in October 2002, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) is a product of the political will, expressed on both sides of the Mediterranean, to give new impetus to financial cooperation between Europe and the Mediterranean Partner Countries<sup>4</sup>.

In line with the Barcelona Process and the Wider Europe-Neighbourhood Policy that aim at founding a common Euro-Mediterranean area of peace and stability and creating a free-trade area by 2010, FEMIP strives to help the partner countries meet the challenges of economic and social modernisation and regional integration. Its lending operations are conducted mainly from the Bank's own resources under the European Commission-guaranteed Euromed II mandate of EUR 6.5 billion, and the EUR 1 billion Mediterranean Partnership Facility.

In this regard, FEMIP gives priority to financing the private sector, particularly small and medium-sized enterprises, and projects that help to create an attractive environment for local and foreign investment. In countries where economic and financial activities are still heavily dominated by the state, the development of new private sector initiatives and the modernisation of existing companies play a decisive role in generating the jobs needed each year to provide the new entrants into the labour market with employment opportunities. Developing an environment that is conducive to job creation is hence considered as one of the main targets of FEMIP activity in the region.

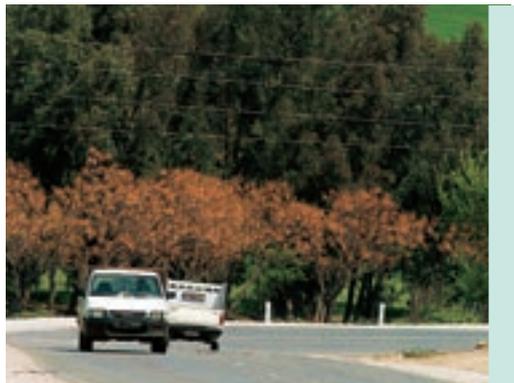
FEMIP also supports infrastructure projects (mainly in the energy, transport and industry sectors), mostly targeting schemes that have a leverage effect on the economy. Although contributing to the MDGs is not an explicit objective, the environment (mostly wastewater treatment, pollution reduction on industrial sites and the upgrading of existing facilities), human capital (healthcare and education) and social housing also count among FEMIP's priority objectives.

<sup>4</sup> Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia. Turkey is an Accession Country which remains an active participant in the Barcelona Process.

## Support for EU Development and Cooperation Policies in Partner Countries

Since its inception, FEMIP has conducted 77 operations in the region for a total amount of EUR 7.2 billion aimed at providing support to the modernisation of economies, establishment of a propitious climate for investment, development of the private sector and creation of job opportunities.

FEMIP's success in reaching its assigned targets for the period 2002-2005 relied strongly on the dialogue established with all those involved in the Euro-Mediterranean financial partnership, comprising partner countries and international financing institutions. Conducted both on the institutional front through the annual ministerial meeting and with the representatives of the private sector and civil society during regular seminars and workshops, dialogue has proven to be a crucial asset in identifying the partner countries' needs and shaping the proper instruments to address



### Rural Roads II (Morocco)

*The aim of the project is to finance improvements to 2 290 km of rural roads across the country, which are targeted by the first phase of the new national programme for the upgrading and reconstruction of rural roads covering the period 2005-2015. FEMIP's financing, which amounts to EUR 60 million, is equivalent to 64% of the project cost for its first three years of implementation.*

*The main expected social impacts of the project will be in the areas of health and education. Physical access to schools and health centres is a vital factor for the development of rural areas. The lack of road links providing a minimal degree of accessibility accounts for the backwardness of rural regions in these two fields. Improving the rural road network will bring other benefits including a more varied diet for the rural population, a reduction in the average time spent accessing water distribution facilities and a switch from firewood to gas for heating – all factors which will help to improve public health and the environment. Technical assistance of around EUR 1 million designed to bring international expertise into the setting-up of a project management unit will complement FEMIP's support for the project.*

them. FEMIP's direct presence in the field, with its Cairo, Tunis and Rabat offices, has greatly contributed to strengthening this proactive approach.

Aware of the need to provide not only financial but also technical assistance and expertise transfer, FEMIP has also developed its technical assistance activities, which consist of non-repayable aid granted by the European Commission and EU member countries. The purpose of technical assistance is to help partner countries and private promoters to better prepare, manage and supervise their investment projects, to improve the quality and development impact of investment and to strengthen the management capacities of local partners in the medium and long term.

Furthermore, acknowledging the need for a better understanding of economic and financial issues associated with development in the region, FEMIP has made available studies that enhance the comprehension of factors that can help to strengthen the financial and banking sector of the partner countries. In this context, it has published a study funded by the FEMIP Trust Fund on financial flows from Mediterranean migrants in Europe, an overlooked subject that has not yet been fully measured. The study shows the extent of the phenomenon: some EUR 7.1 billion is "officially" transferred every year from Europe to eight Mediterranean countries (between EUR 12 and 14 billion if "informal" transfers are included). It also shows that the methods of transfer used remain expensive for those sending the money and that the funds are not

## Support for EU Development and Cooperation Policies in Partner Countries



being put to sufficiently good use in order to finance the recipient countries' economies. The study finally identifies measures that could help improve the remittances' efficiency on the local economy.

Over time, FEMIP has grown to become a solid and valued financial instrument, an ideal forum for economic and financial dialogue between EU and Mediterranean countries, and a space where innovative ideas can be nurtured and evolve. In this sense, it has contributed to the progress made towards creating an area of shared prosperity on all sides of the Mediterranean sea.

#### **Electricity Network Upgrading (Gaza/West Bank)**

*The project consists of a number of schemes to reinforce Palestinian electricity networks by improving the quality and reliability of supply and reducing technical and non-technical losses, to meet the rapidly growing demand for electricity. The investments are dispersed across the Gaza Strip and the West Bank and will help to supply some 75 villages, mainly in the north of the territories, which are not yet connected to the electricity grid. FEMIP's financing amounts to EUR 45 million, equivalent to 46% of the project cost. In addition, the improved efficiency of the power system should help to lower the cost of supply to consumers. Increased use of modern technology through the supply of some 50 000 electricity meters or remote controlled meters will also provide the utility companies with accurate data, contributing to the correct and timely collection of payment. Financing of up to EUR 2 million from the FEMIP Technical Assistance Fund will be made available to support project implementation and monitoring by experienced international consultants, as well as to help determine the sector's future investment needs and institutional organisation (with the creation of the Northern Electricity Utility).*

## Support for EU Development and Cooperation Policies in Partner Countries

### The ACP Cotonou Partnership Agreement and the Investment Facility

The entry into force in 2003 of the Cotonou Partnership Agreement and of one of its key instruments, the Investment Facility, introduced a number of significant changes to the nature of the EIB's operations in the ACP countries and in the Overseas Countries and Territories (OCTs). Combating poverty and integrating ACP countries into the global economy are core objectives of the Cotonou Agreement, whilst the establishment of the IF, a EUR 2 037 million risk-bearing instrument whose remit is to be prepared to invest in situations where private sector investors are reluctant to do so, reflects the recognition of the private sector's central role in the promotion of sustainable growth, itself a determinant factor in reducing poverty.

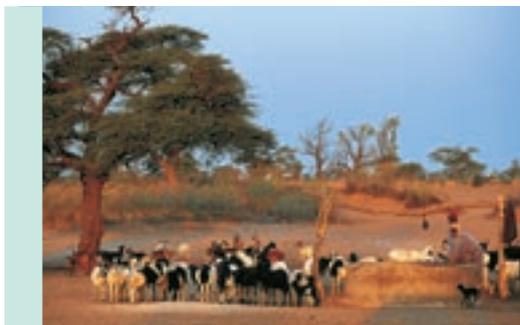
The IF aims to operate in all economic sectors, whenever possible, and to support investment by private enterprises and commercially run public sector entities, including revenue-generating infrastructure critical for the private sector. It endeavours to have a catalytic effect by encouraging the durable and sustainable mobilisation of long-term financial resources, both domestic and international, to fund investment that stimulates long-term productive development and economic growth. While being bound by the development objectives spelt out in the Cotonou Agreement, the IF has been designed as a revolving mechanism that over time must generate reflows for

reinvestment. It is managed on a portfolio basis, its financial sustainability being ensured through the portfolio as a whole and not from individual interventions. A key source of the IF's value added stems from its nature as a risk-sharing facility, i.e. its ability to offer an extended range of flexible financial instruments – denominated in EUR, other widely traded currencies or even local currencies – that can be used in supporting the financing of development projects.

By the end of 2005, after just over two and half years of activity in an overall difficult operating environment, the IF had built up a fairly diversified portfolio of investments in all the ACP regions covering various sectors of economic activity. The current portfolio, consisting of over fifty projects for a total of EUR 829 million of financing, demonstrates a clear focus on supporting private sector development (nearly 80% of the portfolio at the end of 2005). Both infrastructure, which covers energy, water, transport and telecommunications investments and is widely recognized as a prerequisite for economic development, and the financial sector, involving both enhancement and the funding of smaller projects, SMEs and micro-enterprises, appear prominently in the portfolio. Regional co-operation and integration is high on the agenda for accomplishing some of the core MDGs and the IF recognizes the need to support regional projects, whilst acknowledging the difficulties in developing regional initiatives. Regional operations covering the whole of the ACPs accounted for 16% of the IF portfolio at the end of 2005, in addition to a number of operations targeting individual sub-regions (for instance, West Africa where 23% of the sub-region's lending is made up of regional operations).



### **EU Water Initiative in Africa: Community involvement in project preparation and implementation**



The EU Water Initiative was launched at the Johannesburg Summit in 2002 and initially focused on Africa. Its broad goal is to improve cooperation, coordination, policy coherence and demand responsiveness in the water sector in the ACP countries.

The ACP-EU Water Facility (WF) adds a financial dimension to this initiative by proposing a dedicated instrument providing grant funds for technical assistance for projects in the water and sanitation sector. This has lifted one of the key constraints faced by the EIB in pursuing MDG-related projects – the lack of access to grant financing.

The Bank has been actively involved in the design and launch of the WF since President Maystadt's speech at the EU-ACP meeting on 16 May 2003. Considerable donor coordination is also taking place beyond the project level, which is vital to strengthening the institutional framework for projects in the sector. The Bank's services have identified a number of projects suitable for WF funding and are assisting promoters in the preparation of proposals for WF grant financing, alongside EIB co-financing. Following a first call for proposals launched in November 2004, five proposals involving the EIB were accepted, for a total grant contribution of close to EUR 70 million, representing approximately 30% of the funds available.

The proposals include four projects in Ethiopia, Madagascar, Mozambique and Tanzania (the latter for the preparatory phase), plus the creation of an EIB-ACP Project Preparation Facility. They herald a new era in the Bank's involvement in the ACP water sector, marked by increased financing volumes and a new approach in terms of:

- *Design and implementation.* The new projects will: (i) substantially contribute to the MDGs by providing first-time access to drinking water for almost 1.3 million people, the majority of which are poor; (ii) address institutional and governance issues and promote sector reforms, in coordination with other donors; (iii) include tailored private sector participation, focusing on local entrepreneurs; and (iv) promote innovative partnerships between public institutions, donors, the private sector, NGOs and community-based organisations. At the local level, this will ensure greater participation of affected communities in project design and implementation. Thus, project benefits will extend beyond the direct impacts of service provision by offering communities a chance to be actively involved in the process.
- *Financing.* The projects blend grants and loans to achieve a financing structure that ensures financial sustainability and affordability of services. The innovative aspect of such blending is that it favours the co-financing of projects with a broader scope, over parallel financing of separate components where grants would go to small-scale interventions in low-income areas. It is expected that integrated projects will magnify the effectiveness of grants by making interventions in low-income areas attractive for service providers thanks to (i) parallel interventions in high-income areas that ensure increased revenue, and (ii) the provision of grants linked to demonstrated achievements in low-income areas.

## Support for EU Development and Cooperation Policies in Partner Countries

**ALA**

Under three consecutive EU mandates, the EIB has been authorised to lend up to EUR 4 405 million in Asia and Latin America. The first mandate was delivered in 1993 and the current mandate (ALA III) of EUR 2 480 million covers the period 1 February 2000 to 31 January 2007. At present, 35 countries are eligible for Bank financing under the ALA III mandate.

The funds are utilised to finance productive investment contributing to economic development in Asian and Latin American partner countries. Projects are selected in line with European Union cooperation policy objectives and must present a mutual interest for both the country in which the investment is implemented and the EU. Particular emphasis is given to investment projects that comply with one or more of the following criteria: subsidiaries of European companies; joint ventures bringing together European and local firms; private enterprises holding concessions to invest in and run public services; transfer of European technology; and enhancement of the objectives of EU cooperation agreements.

The EIB supports viable public and private sector projects in infrastructure, industry, agro-industry, mining and services. Special emphasis is given to the improvement or protection of the environment. EIB loans are project-oriented and linked to the financing of the fixed-asset components of an investment. The financing of modern industries in the ALA countries is essential for sustainable growth and poverty alleviation.

**Several loans to help countries affected by the Tsunami**

Following the devastating earthquake and tsunami of 26 December 2004 the EIB reacted promptly. President Maystadt announced that the Bank would contribute to the significant financial aid package that was put together at the Jakarta Summit on 6 January 2005.

The Bank took immediate action and identification missions were organised together with the European Commission. The EIB focused its contribution on Indonesia, Sri Lanka and the Maldives, the three worst hit countries.

While the international community's response to the catastrophe was extraordinary, and in particular the amounts of grant aid and concessional loans largely covered the requirements for immediate reconstruction and relief operations, the challenge for the future is to re-establish the local economy, maintain employment and create new job opportunities.



The EIB's first concrete measure was a EUR 50 million global loan to Rabobank International Indonesia, to support small and medium-sized investment in Indonesia. The access to funds under this global loan was specifically opened to businesses which suffered from the tsunami. Indonesia was indeed the country with the highest number of victims, due to its proximity to the quake's epicentre. Casualties and damage were concentrated in the provinces of Aceh and parts of North Sumatra. North-western Aceh was hit first by the earthquake before the tidal waves swept up to 6 km inland. Entire villages and towns, coastal roads, bridges, telecom lines as well as education and health facilities were destroyed. Ecosystems and part of the agricultural lands have also been affected.

The magnitude of the natural disaster and the subsequent combined reconstruction effort of the Indonesian Government and the international community

## Support for EU Development and Cooperation Policies in Partner Countries

had a pacifying effect on the Free Aceh Movement, which eventually led to the signature of a peace agreement in August 2005.

In Sri Lanka, a EUR 70 million global loan has been made available to eight selected national financial institutions in order to achieve complete coverage of the areas affected by the tidal waves. The loan will be used to finance small-scale private sector projects in the industrial, tourism and services sectors throughout Sri Lanka. DFCC Bank will be the administrative unit for the credit line, processing and coordinating applications received by the intermediaries.

Another EUR 50 million global loan for the Maldives, channelled through Bank of Maldives, is focused on the reconstruction and rehabilitation of facilities in the tourism sector. This industry, which was severely hit – not only by physical destruction, but also by a drop in tourist arrivals – is by far the largest employer and largest source of foreign exchange earnings in the Maldives. In order to enable the EIB to advance loans to the Maldives, the European Council extended the geographical coverage of the ALA mandate to include the Maldives.

As established by EIB funding criteria for reconstruction and restoration projects following natural disasters, the global loans to Sri Lanka and the Maldives benefit from downward modulation of the interest rate and the intermediaries may finance up to 75% of project cost with the EIB funds (rather than up to 50%, which is the usual limit).

The projects financed under all three facilities will be appraised by the intermediaries in line with the EIB's usual criteria, in particular regarding financial and economic sustainability, compliance with environmental and social standards, and transparency.



Support for EU Development and Cooperation Policies in Partner Countries

### *The EIB extended a EUR 45 million loan to the Lao Government to help finance the Nam Theun 2 project*

The "Nam Theun 2" (NT2) is a major hydroelectric power project in the Lao People's Democratic Republic (PDR). The EIB is co-financing the project inter alia with the World Bank, the Asian Development Bank, the Nordic Investment Bank, and bilateral agencies (AFD and Proparco). The NT2 project will generate substantial revenues for Laos, which can provide significant, incremental support to the Lao PDR's poverty reduction and biodiversity conservation efforts.

The project is supported by the Bank and its co-lenders because of its high development impact, its contribution to climate change mitigation (promoting sustainable use of renewable natural resources), and its contribution to the conservation of one of the remaining regions of outstanding biodiversity in South East Asia, which would be endangered should the safeguard measures designed under the project not be implemented.

The NT2 project was subjected to careful preparation by its sponsors and its financiers, including an EIA, and involved extensive consultation with the public, both locally and internationally. The Bank and its co-lenders acknowledged from the outset that the project could have significant environmental and social impacts, which had to be carefully identified, and appropriately mitigated and/or compensated for, to ensure that the project will generate overall net environmental benefits to the region and improved living standards and economic development for the local population.

At the local level, the project is expected to benefit the population in terms of improved living standards and economic development. This includes the provision of better housing, the creation of education and health infrastructures, connection to the electricity grid, the acquisition of sustainable farming techniques providing higher yields, the development of proper roads and irrigation infrastructures and increased employment at local and provincial levels.

For the country as a whole, the large fiscal revenues that will be generated by the project are expected to provide significant incremental support to the Lao PDR's poverty reduction and biodiversity conserva-

tion efforts. To ensure that the project's revenues to the Lao State will effectively serve the country's long-term development, the government has undertaken structural reforms and is setting up, with IFI support, a revenue management framework that will help to ensure that the revenues from the project are used in a transparent and efficient manner, to reduce poverty, sustain development and improve the environment. The project is now subject to extensive and stringent project and structural conditionality ascertaining the implementation of the safeguard measures (mitigation or compensation). Detailed implementation and monitoring arrangements were agreed among the various parties involved in the project, including environmental and social mitigation measures, as well as extensive external monitoring and evaluation arrangements.

Environmental and social management plans for the project propose extensive measures to mitigate negative impacts and feature a number of initiatives to take account of lessons learnt from past hydro-power projects. These include the establishment of long-term watershed protection and management systems for the Nakai Nam Theun National Protected Area and associated corridors; compensatory forestry to offset loss of primary forest in the reservoir; livelihood development initiatives for people to be resettled, with clearly specified poverty reduction objectives; reservoir fisheries managed by local people; extensive independent monitoring; and performance bonds for non-compliance. A pilot resettlement village and demonstration farms have been established and provide a focus for consultations on the design of the main resettlement programme. Other measures include compensation for livelihood losses resulting from the river diversion, a limited release of reservoir water to the Nam Theun, operating rules to reduce flood risk, and provisions to mitigate construction and health impacts.

The involvement of the IFIs in the project will help to ensure a high level of monitoring and disclosure on the implementation of the project and on the related environmental and social issues. Regular progress reports on the project will be disclosed to the public.



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## Russia

A Framework Agreement was signed between the European Investment Bank and the Russian Federation in December 2002 and entered into force in July 2004. The Bank's first mandate for activities in Russia, granted in the form of a special lending action under the Northern Dimension for EUR 100 million for selected environmental projects on the Baltic Sea rim of Russia, expired in May 2005. Under that mandate, four operations accounting for the full amount of EUR 100 million were approved by the Board of Governors, three of which totalling EUR 85 million have been signed as follows:

- a first loan of EUR 25 million was signed with Vodokanal of St Petersburg in December 2003 for the St Petersburg South West Wastewater project (the wastewater treatment plant was successfully completed in 2005 and inaugurated in September 2005);
- a second loan was signed with St Petersburg Vodokanal in April 2005 for EUR 20 million (see box: St Petersburg Vodokanal II project);
- a loan of EUR 40 million was signed with the Russian Federation in May 2005 for the St Petersburg Flood Barrier project.

## Support for EU Development and Cooperation Policies in Partner Countries

### *St Petersburg Vodokanal II*

In line with the Baltic Sea environmental objectives of its first lending mandate for Russia, the European Investment Bank lent EUR 20 million to the St Petersburg water company Vodokanal for the rehabilitation and modernisation of the city's Northern Wastewater Treatment Plant, with particular emphasis on improving the current situation of sludge treatment and disposal. The loan is serving to help solve the sewage sludge disposal problems in St Petersburg, which are the result of limited landfill capacities. The project is environmentally driven and intends to improve current sludge disposal practices by installing a treatment system that includes three identical incineration units capable of treating around 120 tonnes of dry sludge per day.

The project will reduce the environmental risk of groundwater pollution caused by the landfilling of partly de-watered sludge. Over the years, several areas of landfill (lagoons) have been developed for the long-term storage of sludge. Some of these areas are now disused. Certain lagoons are partly lined with clay to prevent leaching but modern good practice such as daily covering to reduce odour and vermin is not followed. As the project provides a new and environmentally acceptable sludge disposal solution, these open lagoons, which pose significant health and safety risks to humans and animals, will be obsolete in the near future and the area is set to be restored accordingly. The incinerator will generate heat and

power and be equipped with an air pollution abatement system to meet emission limits in compliance with EU legislation.

The project is being co-financed by the EBRD, NIB and BNP Paribas, as well as the Northern Dimension Environmental Partnership (NDEP) and Finnish Environment Ministry.

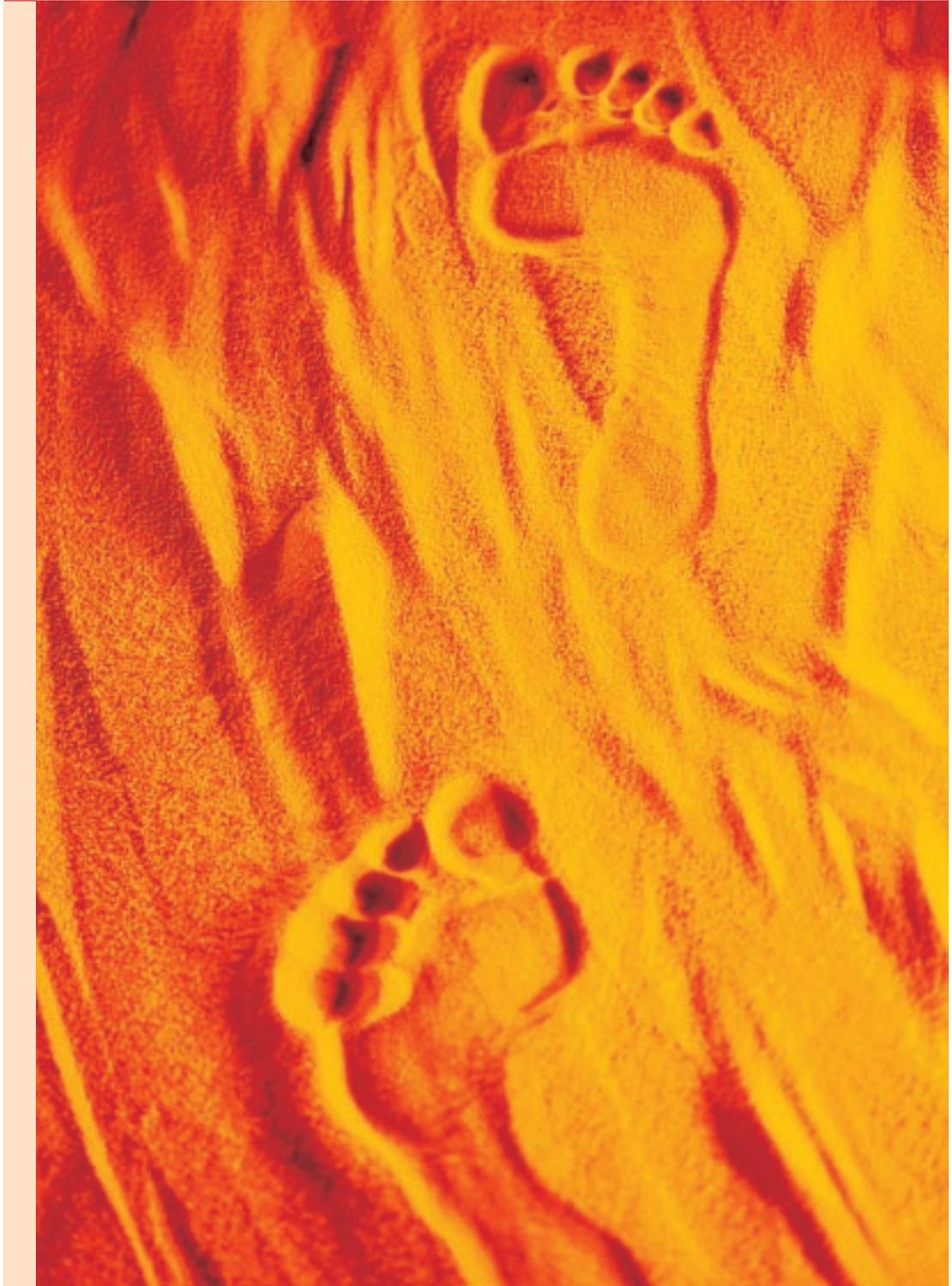
The incineration plant was designed in accordance with the environmental standards of EU Directive 2000/76/EC (waste incineration) and the emission of polluting gases from sludge incineration will therefore be significantly reduced. Additionally, the improvements to the wastewater inlet installations will assist in meeting HELCOM<sup>5</sup> recommendations for wastewater treatment (reduction of BOD<sup>6</sup> and nutrients load in the Gulf of Finland).

Furthermore, the proposed incineration scheme will cut the number of vehicle movements for the transport of the current partly de-watered sludge by around 90% compared to the present situation while reducing the impact of the vehicles on the environment. Incinerated ash will be disposed of in the short term into void or cleared lagoons at the existing landfill site. All in all, the sludge incineration plant will progressively reduce adverse impacts on the environment and public health.

<sup>5</sup> Helsinki Commission – Baltic Marine Environment Protection Commission.

<sup>6</sup> BOD = Biochemical Oxygen Demand.

## IV – DIRECT FOOTPRINT



## *Internal Environmental Management*

The EIB seeks to promote the development and implementation of good internal environmental management practices in project implementation and operation, such as those enshrined in the EU's Eco-Management and Audit Scheme (EMAS) and ISO 14 000. The EIB acknowledges that its administration has an impact on the environment through water and energy management, waste sorting and recycling and procurement. Environmental considerations also play an important role in the construction of its new building.

As the development and application of formal environmental management systems such as EMAS takes hold, particularly in the public and financial sectors, the Bank will address the appropriateness of such a system for application to its own administration. The EIB applies a number of practices that aim to reduce the impact of its administration on the environment, including water and energy management, waste sorting and recycling and procurement.

### **Energy**

The Bank has in the past years made considerable efforts to improve the energy efficiency of the heating system of its main building in Kirchberg. In the second half of 2003, the Bank switched from local boilers in the office building to municipal district heating, which has contributed to considerable savings, with reductions of around 40% in heat consumption, depending on the reference year of comparison. The district heating is today entirely delivered from a gas-fired combined heat and power plant in the Kirchberg district. The consumption of thermal power in 2005 was 4.65 GWh, which approximately corresponds to annual emissions of 442 tonnes of carbon dioxide.

Electric energy is purchased from the municipal energy entity of Luxembourg City, the City's Electricity Office. Roughly 8% of the company's energy portfolio originates from renewable energy sources. The consumption of electricity was 10.35 MWh in 2005. Based on the emission factors of the energy producer, it is estimated that the consumption of the Bank cor-

responds to annual emissions of about 7 300 tonnes of carbon dioxide.

Total energy consumption in 2005 for the headquarters was 15.0 GWh. This figure includes both thermal energy for heating and electricity consumption.

### **Waste management**

For waste management, the EIB complies with the high standards of the Luxembourg authorities. Waste is segregated at source and managed accordingly. Waste generated on site and disposed of (not recycled) amounted in 2005 to 90 tonnes.

The Waste Utility of Luxembourg City collects disposed non-toxic household waste. The collected waste is treated in an authorised waste-to-energy plant. The recycled fraction of the waste includes paper, cardboard, plastics, electronic equipment, toner cartridges, glass and metal. The volumes of difficult waste streams are very small in absolute figures, including various forms of fluorescent and halogen lamps. Such special waste is collected and transported to appropriate waste management facilities for further treatment and disposal. The companies responsible for the management of hazardous waste are specialized and carry special licenses issued by the competent national environmental authorities.

In 2005, the EIB decided to apply for the local green label "SuperDrecksKëscht". To obtain this green label the staff were asked to pay special attention to the segregation of waste at source, in respect for our environment and future generations. To this effect individual garbage multi-containers have been installed in every office in order to segregate paper from organic waste.

Internal Environmental Management

**Water and wastewater**

Water is purchased from Luxembourg City. The City purchases the water from a regional water company. The fresh water sources for the regional water entity are roughly one third extracted from ground water wells and two thirds surface water, mainly rivers and lakes in the northern part of Luxembourg. Total consumption in 2005 of water in the Kirchberg main building was 43 769 m<sup>3</sup> including the water used for irrigation of the office grounds in the summer period.

The wastewater from the main building is collected in the municipal sewer and treated in a biological wastewater treatment plant, based on activated sludge treatment technology.

**Paper consumption**

The Bank uses considerable amounts of paper, both copying paper and printing paper for its publications. The copying paper used in the Bank is chlorine-free paper produced in paper mills with EMAS or ISO 14001 certificates. The copying paper carries the Nordic Environmental Eco-label. Paper consumption in 2005 was 75.6 tonnes of copying paper and 28.2 tonnes of printing paper. Waste paper is collected and recycled.

In 2005, the staff's attention was drawn to the importance of reducing paper consumption in the interests of environmental protection and they were asked to use recto-verso printing as much as possible. At the same time, copy machines were programmed recto-verso as default.



**New building with high environmental performance**

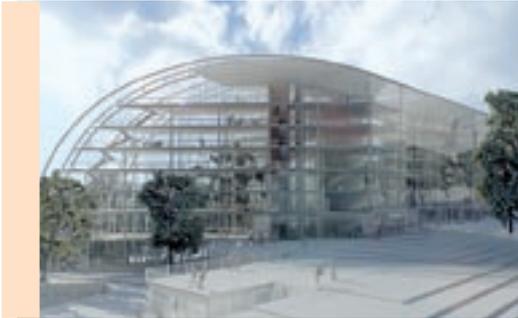
The Luxembourg Government authorised the excavation and construction works for the new EIB building in 2004, to be completed in 2007. The authorisation sets very strict limits on noise and vibration, as well as the treatment of wastes, in particular concerning the removal of existing infrastructure and small buildings from the site.

Environmental indicators 2005

	Total annual consumption	Annual consumption per full time employee (FTE)
Heat consumption	4.65 GWh	4 946 kWh/FTE <sub>K</sub>
Electricity consumption	10.35 GWh	11 010 kWh/FTE <sub>K</sub>
Total energy consumption	15.0 GWh	15 956 kWh/FTE <sub>K</sub>
CO <sub>2</sub> emissions from energy consumption	7 740 tonnes CO <sub>2</sub>	6.2 t CO <sub>2</sub> /FTE <sub>K</sub>
Waste disposed	90 tonnes	95.7 kg/FTE <sub>K</sub>
Water consumption	43 769 m <sup>3</sup>	233 litres/FTE <sub>K</sub> per day
Copying paper consumption	75.6 tonnes	60.4 kg/FTE <sub>LUX</sub>

FTE<sub>K</sub> Number of full-time employees in EIB main office in Kirchberg: 940  
 FTE<sub>LUX</sub> Number of EIB full-time employees in Luxembourg (Kirchberg, Findel, Hamm): 1 252

## Internal Environmental Management



The application for the construction permit (including environmental aspects) included detailed proposals for the management and prevention of waste, noise, and emissions to air and surface/ground water. An independent company also performed an energy audit.

The design of the new building has been subject to strict health, safety and environmental criteria. The building has received the environmental certification "Very Good", using the British method BREEAM (Building Research Establishment Environmental Assessment Method). This certification was the first one in Continental Europe.

The building site will inevitably have an impact on the environment during the construction period through noise, vibrations, dust and mud. It may also have an impact on working conditions at the EIB in general, such as the security of Bank staff and access to the Bank.

Measures have been taken to ensure that these disturbances are limited to a minimum:

- noise barriers are placed in zones moderately exposed to noise and the most exposed staff members will be moved to other areas of the Bank
- an interim access route has been made available for staff parking and deliveries
- health and safety procedures are implemented

The construction also includes removal of some trees from the site. However, the remaining green area will be upgraded to a higher quality and additional trees will be planted. In compliance with Luxembourg

requirements, the number of car park spaces (ratio of spaces to number of staff) is designed to promote the use of public transport.

### EMAS

As the development and application of formal environmental management systems such as EMAS and ISO 14001 evolves, particularly in the public and financial sectors, the Bank has begun to address their application to its own administration. In 2005, a review took place to assess the appropriateness of applying EMAS (the EU Eco-Management and Audit Scheme) to the Bank. The Bank is also participating in the work of an Inter-institutional Environmental Management Encounter Group, exploring the possibility of introducing EMAS in a number of European institutions, such as the European Commission, European Parliament, Eurocontrol and the EIB.

The EIB is considering a staged approach in which the first phase focuses on internal "housekeeping" matters. This will include direct aspects of office management such as the use of thermal energy for heating, the consumption of electricity and the sources of thermal and electric energy. Another important aspect is the generation of waste, the sorting of waste, recycling of different fractions of waste and how non-recyclable waste is disposed of. Other environmental aspects that are very visible to the employees are the consumption of copying paper, cleaning of the facilities, use of water and disposal of electronic equipment and old furniture. Procurement issues are equally important, considering the potential for green procurement not only for office equipment but also for power, services and catering. The Bank is committed to continuing its work on the introduction of EMAS.

## Health and Well-being



### EIB Health Charter

*The European Investment Bank, as a caring and considerate employer, is committed to nurturing its human capital. Equally, the Bank has a legitimate interest in maximising its staff members' potential in order to increase performance and productivity. The EIB therefore intends to protect its staff by developing and modifying policies and procedures to reflect best practice and to meet the requirements of evolving legislation.*

*The Bank will seek to encourage the development of a healthy lifestyle including the maintenance of a sustainable and enjoyable work/life balance. The EIB will develop its health and safety services in order to identify and reduce health risks and work-related medical conditions. In addition, the Bank will enhance its medical services to provide high-quality occupational health care, to promote health at work, to ensure a healthy work environment, and to facilitate the rehabilitation back to work of ill, injured or disabled employees.*

*The Bank commits to continuous improvement in performance in this respect. To this end, the EIB will develop, implement and maintain management systems consistent with internationally recognised standards, including regular review and reporting on the policy and its performance.*

### Background

From early in the Bank's existence, a major part of its occupational health programme was managed in cooperation with the Commission's medical service. This arrangement having outgrown its capacity, an audit carried out in 2004 advised the EIB to establish its own services and recommended a number of actions to ensure regulatory compliance and adherence to best practice. As a result, the EIB Health Charter – guiding principles for the organisation's occupational health policy – was adopted.

However, ambitions in this area go beyond establishing a service. As an international organisation striving to be an employer of choice, the Bank intends health and well-being to be an integral element of its corporate self-image and a tangible topic of its social discourse.

### Beyond the Charter

While observance of the regulatory framework (the relevant EU directives) is a prerequisite, the premise of the Bank's policy is, in accordance with the COP 2005-2007, that occupational health, prevention and medical care are areas of particular attention, among the priorities for resource allocation.

In a recent review of the internal control framework, the Administration Division, the organisational entity responsible for the matter, undertook to formalise all aspects of its staff occupational health policy by end-2006, including a schedule for the implementation of a management system. The aim is to seek certification based on the Occupational Health and Safety Management Systems (OHSAS) 18001-2, or in the broader context of the Eco-Management and Audit Scheme (EMAS).

### Managerial process

Day-to-day management of occupational health and well-being is the responsibility of the Health, Prevention and Social Unit (USPAS). The formal vehicle for collaboration with staff and their representatives is the Joint Committee on Risk Prevention and Protection at Work. Internal communication through various means

is widely used to establish services and make objectives known throughout the organisation.

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## Activities and benefits

### Occupational health

2005 saw the introduction of a smoke-free environment policy at the Bank, accompanied by assistance to those who wanted to give up the habit. While certain adjustments to smoking areas outside the buildings remain to be completed, the new policy has been a success, appreciated by the majority of staff.

Over the past decade, the Bank has witnessed the emergence of partly work-related health problems – stress, demotivation and musculo-skeletal problems – adding to, or replacing, more traditional physical ills as causes of absence and disability. To help counter this, the Bank's own Occupational Health Centre started operating in 2005. Pre-employment and in-service medical examinations will now take place at the Centre or, in the case of some in-service examinations, either with a contracted provider or a practitioner of a staff member's own choice. The intention is to use pre-employment and periodic medical examinations more consciously to assess risk and to target prevention and health promotion, at both individual and group levels.

EIB staff travel extensively in the course of work. Strengthened in the course of the year, travel health services include advice by a certified travel health adviser, improved immunisation services, on-line access to health and security information, and medical assistance (International SOS) while on mission. Plans are in hand to further improve these services, including for staff at the growing number of EIB offices outside the EU.

Ergonomic services were improved in the course of 2005. Lastly, a group of almost 80 staff members took part in voluntary first aid training, to be completed early in 2006.

### Health insurance

Also under the auspices of USPAS, the Bank and staff co-finance a comprehensive health insurance scheme for current and retired members of staff and their dependents. In 2005, enhancements to the scheme's administration shortened the 'turn-around' reimbursement time. Further improvements will be initiated in 2006.

### Social benefits

The Bank operates its own crèche facility for children of members of staff. Situated near the Bank's headquarters and offering childcare in English, French and German, the nursery's services are in high demand and capacity is fully utilised. A study to assess the feasibility of opening a second crèche is underway.

## Working Responsibly

### Work relations

Work relations between the Bank and staff members are governed by individual contracts, which take the form of appointment letters, in conjunction with the Staff Regulations and the internal rules. The appointment letter specifies the remuneration, length of contract and other terms of employment. The remuneration comprises the basic salary plus applicable allowances.

Contracts can be stipulated for a definite or an indefinite period. Internal rules establish the criteria governing the appointment of staff on fixed-term contracts.

Staff are mainly based in the Luxembourg headquarters. A map showing the location of all EIB offices can be found on the inside back cover of this report.

It should be stressed that the Bank has had no layoffs or dismissals.

### Recruitment

The Bank has created panels to help ensure balance, fairness and transparency in the decision-making process for filling external and internal vacancies. The use of panels is required when filling a published vacancy at managerial level. It is also encouraged, to the extent possible and where appropriate, when filling vacancies in other categories of position. The panels include the broadest possible representation of management and comprise male and female members. They include at least one representative of Human Resources and one representative of a directorate different from the one filling the vacancy. Their task is to establish and rank the specific objective criteria for the post in question based on the vacancy publication and to evaluate the candidates in the light of the criteria established.

In 2005, the Bank recruited 121 new staff members, including 78 at managerial or executive level (of which 34 were women) and 43 support staff, thus bringing

the total staff complement to 1 299. The equivalent 2004 figures were 93 new staff members, of which 54 management or executive staff (including 20 women) and 39 new support staff. In 2005, recruitment efforts were made to increase the intake of professional women and of nationals of the new Member States. 50% of EIB employees are women; 11.5% of women are employed in management positions.

### Sports facilities

*Sports facilities at the Bank's headquarters are open to staff members and, within certain limits, to their families. Likewise, a large number of activities are actively supported via the Cercle, the Bank's association of sports, cultural and recreational clubs whose main objective is to facilitate, promote, organise and coordinate the cultural, sporting and leisure activities of the Bank's personnel.*

### European School

*Children of Bank staff members can be enrolled at the European School. Basic instruction is given in eleven official languages of the Community, so that each school comprises several language sections. To foster the unity of the school and encourage genuine multicultural education there is a strong emphasis on the learning, understanding and use of foreign languages.*

### Remuneration policy

The Bank's remuneration policy is based on the principle of merit. Staff members receive a basic salary as well as allowances based on their personal circumstances. In addition, staff are entitled to an annual bonus, provided this is warranted by performance. In this context, improving the link between performance and rewards remains a central objective. An annual performance appraisal exercise results in a mark for each staff member.

## Working Responsibly

In accordance with the Protocol on the Privileges and Immunities of the European Communities annexed to the Treaty of Rome, staff members are exempt from national taxes on salaries, wages and emoluments paid by the Bank. Nonetheless they are liable for a tax on those salaries, wages and emoluments established for the benefit of the European Communities, i.e. the Community tax.

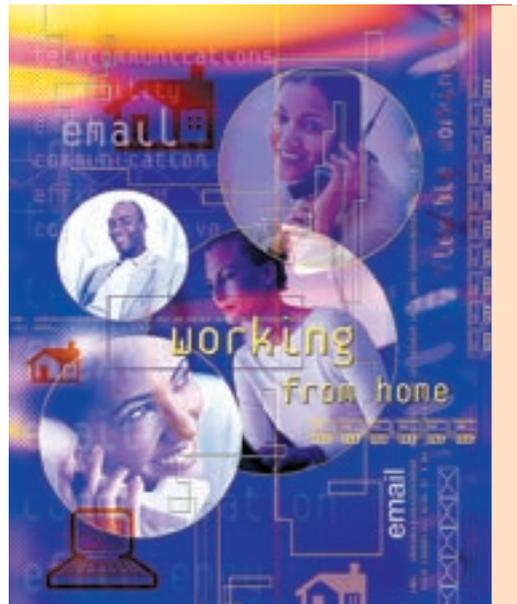
### Work-life balance

#### Working hours

Staff members are subject to a flexible working time system, based on an average of 8:00 hours/day for staff working full time and a pro rata for those working on a part-time basis. Also, they cannot be obliged to start work before 08h00 or finish later than 20h00. In agreement with their line managers, part-time staff have the possibility of working to individually defined schedules.

Working hours and absences are registered by means of an electronic system. In order to offer maximum flexibility and transparency, direct access (in real time) to their individual time registration and leave entitlement is provided to every staff member via his/her own PC. In order to compensate for any surplus of working hours all staff are offered the possibility of taking up to four half days off during a calendar month, provided that the normal functioning of work remains assured.

In line with the corresponding European directive, overtime in excess of 8 hours per 7 calendar days, cal-



culated over a reference period of 4 months, is automatically notified to the individual concerned and to his/her line manager.

#### Career Adviser

Managers and staff may call upon the Career Adviser to assist them in addressing specific career issues in complete confidence. The career adviser's role includes providing advice on career management and career options at the Bank as well as coaching to assess a person's career strengths and weaknesses, setting goals and priorities, individual career planning, and supporting managers in their task of providing career guidance to staff in their reporting line.

#### Flexible arrangements

*A range of other flexible work options is open to staff. These include part-time work on a half or three quarter-time basis; teleworking; parental leave to look after a young child; family leave to care for a seriously ill or otherwise incapacitated child or close relative; and unpaid leave.*

#### Employment equity

##### Equal opportunities

The Bank is committed to promoting equal opportunities. In 1994 it established the Joint Committee on Equal Opportunities (COPEC). The activities of COPEC

are governed by a Convention, jointly signed by the Staff Representatives and the Administration.

As a Joint Committee, COPEC is composed of members of the Bank's Administration and Staff Representatives in equal numbers. Its main duty is to participate in the implementation of the equal opportunities policy for the staff in relation to career development, training, recruitment and social welfare infrastructure. In this respect, it proposes to the Human Resources Department (HR) any actions and measures conducive to achieving in practice a genuine equal opportunities policy, and it is informed of any proposal affecting personnel policy to be submitted to the Management Committee.

In 2004 COPEC, jointly with the Human Resources Department, approached the Management Committee to outline the current gender balance situation at the Bank and proposed a set of recommendations to ensure that the Directors General would be responsible and accountable for improving the gender balance in their directorates. These measures were mostly supported.

Annual reports, available on the EIB website, set out the main targets achieved each year and the action programme for the coming year.

#### **Fighting against discrimination**

The Bank's Code of Conduct prohibits any form of discrimination or harassment, particularly discrimination based on race, sex, age, nationality, political opinions, philosophical views or religious convictions. A specific dignity at work policy has been created to prevent incidents of bullying and harassment in the work environment and to provide a structure for handling alleged cases. The policy provides for an informal procedure, including a volunteer network of specially selected and trained confidential counsellors, and a more formal complaints procedure.

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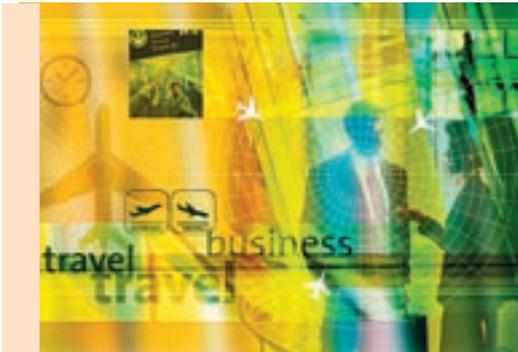
#### **Learning and development**

The Bank is committed to staff development and aims to create an environment encouraging an optimal

contribution and job satisfaction in order to facilitate the achievement of its objectives. In its training and learning policy, the Bank identifies training and learning, along with the performance appraisal process, as a key driver for staff development. Staff and management share the responsibility for staff development. The training and learning policy applies to staff members appointed both with indefinite and fixed-term contracts. Managers and staff are encouraged to develop a culture of knowledge-sharing and to use formal as well as informal learning options, i.e. short-term job assignments, networking, participation in discussion forums, etc.

The Training Unit endeavours to ensure the continuous adaptation of training activities to the Bank's needs, the quality and relevance of the content to the stated objectives, as well as the adequacy and effectiveness of the training solutions offered. An extensive range of courses is available, including professional training (EIB training modules), internal and external courses and seminars, IT training and language courses. Furthermore, the Bank has a dedicated Management Skills Development Programme. This is a voluntary programme that gives each manager the opportunity to choose a tailor-made people-management development programme matching her or his specific needs. Finally the Bank organises multiple training sessions for staff on various environmental topics, based on an annual programme launched and coordinated by the Environment Unit.

The Bank covers the full cost of all work-related training courses, and the time spent on activities meeting the above requirements is considered working time. In certain circumstances, a financial contribution to studies and longer-term training (professional diplomas and certificates, specific courses) undertaken on the staff member's own initiative can be agreed, provided that they are in a field relevant to the Bank. In addition, under specific conditions, the possibility of mid-career research leave is offered to staff who wish to carry out in-depth research in subjects of interest to the Bank.



### Travel policy

Travel on professional grounds requires members of staff to combine optimum operational and technical efficiency with the optimum impact in terms of image. The Bank provides members of staff with the best possible conditions for achieving this dual goal. It covers the professional expenses connected with official travel in full. Lastly, safety cover is adjusted to each destination and the Bank ensures the particular health monitoring of members of staff travelling, especially in risk countries.

To enable employees to obtain efficiently their travel vouchers and other associated services, the Bank concludes periodic contracts with approved travel agencies.

### Social relations

The College of Staff Representatives (SRs) is the sole Bank staff representation. It consists of 13 members elected by secret ballot and its composition guarantees the representation of each staff category. The SRs represent the interests of staff in relation to their contract of employment, the Staff Regulations, the Staff Rules and all agreements with the Bank. They are consulted by management on issues of staff policy, in areas such as remuneration, the staff appraisal procedure, Bank policy on titles and careers, training, welfare schemes, etc., and on more general matters which

may affect the Bank and consequently its staff. The SRs ensure that the staff has a collective voice, enabling its interests to be permanently taken into account.

The detailed rules governing the SRs are set out in an agreed Convention.

The SRs are consulted in regular meetings with the HR Department, the joint working groups with the HR Department and the Joint Committees (e.g. Health Insurance Scheme, Pension Scheme). Furthermore, they participate in the discussions of the Management Committee when proposals concerning staff interests are examined and they have the right to present their point of view. The SRs can also attend, as observers, the meetings of the Board of Directors whenever the latter is discussing a proposal concerning the general interests of the staff.

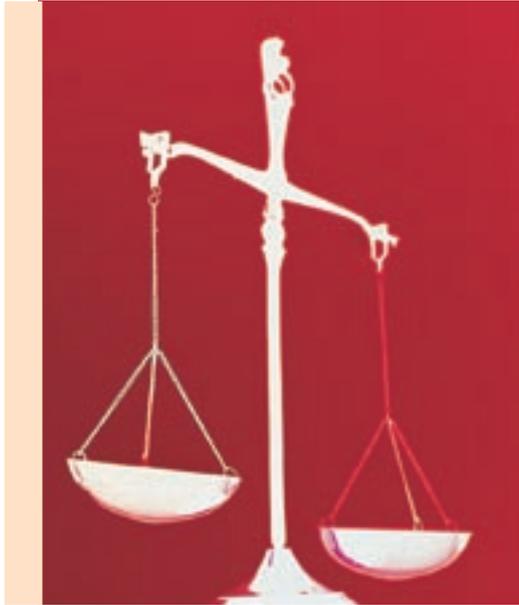
### Departure

#### Staff Pension Scheme

The Bank provides its staff members with an independent staff pension scheme whose purpose is to grant a financial income following invalidity or retirement and to provide a financial benefit to the surviving rightful claimants of staff members.

It is a defined benefit scheme, meaning that benefits are calculated and expressed as a percentage of salary. Membership is automatic and contributions are made by both staff members and the Bank, which contributes twice as much as staff members. The pension benefits are adapted annually to reflect increases in the cost of living.

The Pensions Board is responsible for applying the rules and regulations of the pension scheme.



### Dispute resolution

The Bank provides its staff with several dispute resolution committees and procedures to deal with dismissal, disciplinary action, grievances and complaints in the workplace:

The *Disciplinary Committee* (Article 40 of the Staff Regulations) is called on to deliver its opinion to the President when the application of a disciplinary measure is proposed. A staff member dismissed for professional incompetence may request the intervention of the *Joint Committee* (internal rules), which delivers its findings to the Management Committee. The *Conciliation Board* (Article 41 of the Staff Regulations) offers the possibility of an amicable agreement being reached between the Bank and individual staff members in disputes of any nature. The *Conciliation Committee* (internal rules) may be requested by an individual staff member to settle disputes between him/herself and the Bank, concerning his/her individual interests. A *Conciliation Procedure* (internal rules) may be used to seek a solution for disputes of any nature arising between the Bank and the Staff Representatives, con-

cerning either decisions to be taken with regard to the general interests of the staff, or implementation of such decisions. Finally, an *Adjudication Panel* (internal rules) may be called on to settle disputes between staff members and the Bank concerning the annual appraisal procedure.

This structured system for solving work-related problems does not prevent the staff member from bringing the dispute directly before the European jurisdictions.

*European jurisdictions* – Disputes of any nature between the Bank and individual staff members can be brought before the European Civil Service Tribunal.

*European Ombudsman* – Staff members' complaints about maladministration can be brought before the European Ombudsman, who investigates any failure of the institutions and bodies of the European Community, including the Bank, to act in accordance with a rule or principle that is binding upon it.

### Audit on social responsibility

The Bank recently launched an exercise to review the legal framework of its employment conditions. This audit will be carried out by a selected law firm specialising in European labour and social law, which will be called on to provide professional and independent advice on the rules governing social responsibility. The final report will include a study on both the internal coherence of the legal framework and the external consistency of the Bank's employment conditions (in particular with European legislation and best practice).

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### Employee satisfaction surveys

The Bank conducts periodic Staff Attitude Surveys (the last being in 2003) which solicit the opinion of all staff on matters of importance to them, such as HR policies, management, organisational culture, information and communication, staff appraisal, etc. In addition, since 2004, the Bank has conducted an annual Central Services Survey focusing particularly on the services provided by Human Resources, Information Technology and the General Secretariat. The purpose of this survey is to identify areas where services could be improved and to highlight horizontal corporate issues that need further attention. This questionnaire is sent to all staff members, giving them the opportunity to express their views.

# GRI Content Index

GRI Ref Number	GRI Indicator	Reporting status	Page(s)
<b>Vision and Strategy</b>			
1.1	Statement of the organisation's vision and strategy regarding its contribution to sustainable development	Reported	13
1.2	Statement from the President describing key elements of the report	Reported	4-5
<b>Profile</b>			
<b>Organisational profile</b>			
2.1	Name of reporting organisation	Reported	Cover page
2.2	Major products and/or services, including brands if appropriate	Reported	12-15
2.3	Operational structure of the organisation	Reported	18-19
2.4	Description of major divisions, operating companies, subsidiaries, and joint ventures	Reported	19
2.5	Countries in which the organisation's operations are located	Reported	EIB Annual Report
2.6	Nature of ownership; legal form	Reported	17
2.7	Nature of markets served	Reported	EIB website
2.8	Scale of the reporting organisation	Reported	6, 92
2.9	List of stakeholders, key attributes of each, and relationship to the reporting organisation	Partially reported	29
<b>Report scope</b>			
2.10	Contact person for the report, including e-mail and web addresses	Reported	104
2.11	Reporting period for information provided	Reported	Cover page
2.12	Date of most recent previous report	Not applicable	-
2.13	Boundaries of report and any specific limitations on the scope	Reported	8
2.14	Significant changes that have occurred since the previous report	Not applicable	-
2.15	Basis for reporting on situations that can significantly affect comparability	Not applicable	-
2.16	Explanation of any re-statements of information provided in earlier reports	Not applicable	-
<b>Report profile</b>			
2.17	Decisions not to apply GRI principles or protocols in the preparation of the report	Not applicable	-
2.18	Criteria/definitions used in any accounting for economic, environmental, and social costs and benefits	Reported	EIB Annual Report
2.19	Significant changes from previous years in the measurement methods applied	Not applicable	-
2.20	Policies and internal practices to enhance and provide assurance	Reported	9
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<b>Structure and Governance</b>			
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3.16	Policies and/or systems for managing upstream and downstream impacts	Partially reported	46-49
3.17	Reporting organisation's approach to managing indirect economic, environmental, and social impacts resulting from its activities	Partially reported	46-49
3.18	Major decisions during the reporting period regarding changes in operations	Partially reported	7, 50
3.19	Programmes and procedures pertaining to economic, environmental, and social performance	Partially reported	EIB website, 46-48
3.20	Status of certification pertaining to economic, environmental, and social management systems.	Partially reported	87, 89
<b>GRI Content</b>			
4.1	GRI report contents table	Reported	98-102

## GRI Content Index

Economic Performance Indicators			
<b>Customers</b>			
EC1	Net sales	Reported	6
EC2	Geographic Breakdown of markets	Reported	EIB Annual Report
<b>Suppliers</b>			
EC3	Cost of all goods, materials and services purchased	Not reported	–
EC4	Percentage of all contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements	Not reported	–
<b>Employees</b>			
EC5	Total Payroll and benefits (including wages, pension, other benefits, redundancy payments) broken down by country or region	Reported	EIB website (COP)
<b>Providers of Capital</b>			
EC6	Distributions to providers of capital broken down by interest / dividends on all classes of shares	Not applicable	–
EC7	Increase/decrease in retained earnings at end of period	Reported	EIB Annual Report
<b>Public Sector</b>			
EC8	Total sum of taxes of all types paid broken down by country	Not applicable	–
EC9	Subsidies received broken down by country or region	Not applicable	–
EC10	Donations to community, civil society and other groups	Not reported	–
Environmental Performance Indicators			
<b>Materials</b>			
EN1	Total materials used other than water, by type	Partially reported	87-89
EN2	Percentage of materials used that are wastes from sources external to reporting organisation	Not reported	–
<b>Energy</b>			
EN3	Direct energy use segmented by primary source	Partially reported	88
EN4	Indirect energy use	Not reported	–
<b>Water</b>			
EN5	Total water use	Reported	88
<b>Biodiversity</b>			
EN6	Location and size of land owned, leased, or managed in biodiversity-rich habitats	Not reported	–
EN7	Description of the major impacts on biodiversity	Not reported	–
<b>Emissions, Effluents, and Waste</b>			
EN8	Greenhouse gas emissions	Not reported	–
EN9	Use and emissions of ozone-depleting substances	Not applicable	–
EN10	NOx, SOx, and other significant air emissions	Not applicable	–
EN11	Total amount of waste	Reported	88
EN12	Significant discharges to water	Not applicable	–
EN13	Significant spills of chemicals, oils and fuels	Not applicable	–
<b>Products and Services</b>			
EN14	Significant environmental impacts of principal products and services	Partially reported	46
EN15	Percentage of the weight of products sold that is reclaimable at the end of the products' useful life	Not applicable	–
<b>Compliance</b>			
EN16	Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues	Not reported	–
<b>Environmental performance - Indicators specific to the banking sector</b>			
F 1	Description of environmental policies applied to core business lines	Reported	46-48
F 2	Description of process(es) for assessing and screening environmental risks in core business lines	Not reported	–
F 3	State the threshold(s) at which environmental risk assessment procedures are applied to each core business line	Not reported	–
F 4	Description of processes for monitoring clients' implementation of compliance with environmental aspects raised in risk assessment process(es)	Not reported	–
F 5	Description of process(es) for improving staff competency in addressing environmental risks and opportunities	Partially reported	49
F 6	Number and frequency of audits that include the examination of environmental risk systems, and procedures related to core business lines	Not reported	–
F 7	Description of interactions with clients/investee companies/business partners regarding environmental risks and opportunities	Partially reported	49
F 8	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has engaged on environmental issues	Not reported	–
F 9	Percentage of assets subject to positive, negative and best-in-class environmental screening	Not reported	–

## GRI Content Index

Environmental performance - Indicators specific to the banking sector			
F 10	Description of voting policy on environmental issues for shares over which the reporting organisation holds the right to vote shares or advise on voting	Not reported	–
F 11	Percentage of assets under management where the reporting organisation holds the right to vote shares or advise on voting	Not reported	–
F 12	Total monetary value of specific environmental products and services	Reported	6
F 13	Value of portfolio for each core business line broken down by specific region and by sector	Reported	EIB Annual Report
Social Performance Indicators			
Labour Practices and Decent Work			
Employment			
LA1	Geographical breakdown of workforce, status (employee/non-employee), employment type (full-time / part-time) and by employment contract (indefinite or permanent/fixed term or temporary)	Not reported	–
LA2	Net employment creation and average turnover segmented by region/country	Reported	92
LA12	Employee benefits beyond those legally mandated. (e.g., contributions to health care, disability, maternity, education, and retirement)	Reported	92-93
Labour Management Relations			
LA3	Percentage of employees represented by independent trade union organisations or other bona fide employee representatives	Reported	95
LA4	Policy and procedures on information, consultation, and negotiation with employees	Reported	96-97
LA13	Provision for formal worker representation in decision-making or management, including corporate governance	Reported	18
Health and Safety			
LA5	Practices on recording and notification of occupational accidents and diseases (relation to ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases)	Partially reported	91
LA6	Description of formal joint H&S committees	Reported	90
LA7	Standard injury, lost day and absentee rates and number of work-related fatalities	Not reported	–
LA8	Description of policies or programmes (for the workplace and beyond) on HIV/AIDS	Not reported	–
Training and Education			
LA9	Average hours of training per year per employee by category of employee	Not reported	–
LA17	Specific policies and programmes for skills management or for lifelong learning	Reported	94
Diversity and Opportunity			
LA10	Description of equal opportunity policies or programmes	Reported	94
LA11	Composition of senior management and corporate governance bodies	Reported	18, EIB website
Human Rights			
Strategy and Management			
HR1	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results	Partially reported	72
HR2	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors	Partially reported	72
HR3	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring	Not reported	–
Non-discrimination			
HR4	Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring	Partially reported	72
Freedom of Association and Collective Bargaining			
HR5	Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue	Not reported	–
Child Labour			
HR6	Description of policy excluding child labour, description of procedures/programmes, including monitoring systems and results of monitoring	Not reported	–
Forced and Compulsory Labour			
HR7	Description of policy to prevent forced and compulsory labour, procedures/programmes, including monitoring systems	Not reported	–
Disciplinary Practices			
HR9	Description of appeal practices, including, but not limited to, human rights issues	Reported	41, 96
HR10	Description of non-retaliation policy and effective, confidential employee grievance system	Not Reported	–
Indigenous Rights			
HR13	Description of jointly managed community grievance mechanisms/authority	Reported	41
HR14	Share of operating revenues from the area of operations that are redistributed to local communities	Not applicable	–

## GRI Content Index

<b>Society</b>			
<b>Community</b>			
SO1	Description of policies to manage impacts on communities in areas affected by activities	Partially reported	72-75
<b>Bribery and Corruption</b>			
SO2	Description of the policy, procedures/ management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption	Reported	21-24
<b>Political Contributions</b>			
SO3	Description of policy for managing political lobbying and contributions and compliance mechanisms	Partially reported	24
<b>Product Responsibility</b>			
<b>Customer Health and Safety</b>			
PR1	Description of policy on customer health and safety during use of products and services	Not applicable	–
PR6	<i>Voluntary code compliance, product labels or awards with respect to social and/or environmental responsibility that the reporter is qualified to use or has received</i>	<i>Not applicable</i>	–
<b>Products and Services</b>			
PR2	Description of policy related to product information and labelling	Not applicable	–
<b>Respect for Privacy</b>			
PR3	Description of policy for consumer privacy	Reported	39
<b>Corporate Social Responsibility (CSR) Management – indicators specific to financial services sector</b>			
<b>Management system</b>			
CSR 1	CSR Policy	Reported	28
CSR 2	CSR Organisation	Partially reported	28
CSR 3	CSR Audits	Not reported	–
<b>Sensitive Issues</b>			
CSR 4	Management of Sensitive Issues	Not reported	–
<b>Compliance</b>			
CSR 5	Non-Compliance	Not reported	–
<b>Participation</b>			
CSR 6	Stakeholder Dialogue	Reported	39-40
<b>Internal Social Performance</b>			
<b>Policy</b>			
INT 1	Internal CSR Policy	Reported	28
<b>Employment and Social Protection</b>			
INT 2	Staff Turnover and Job Creation	Reported	92
INT 3	Employee Satisfaction	Reported	97
<b>Compensation</b>			
INT 4	Senior Management Remuneration	Reported	EIB website
INT 5	Bonuses Fostering Sustainable Success	Reported	EIB website
<b>Equal Opportunity</b>			
INT 6	Female-Male Salary Ratio	Not reported	–
INT 1	Employee Profile	Reported	EIB website
<b>Performance to society</b>			
<b>Contributions</b>			
SOC 1	Charitable Contributions	Not reported	–
<b>Economic Value Creation</b>			
SOC 2	Economic Value Added	Reported	44-45
<b>Performance of Suppliers</b>			
SUP 1	Screening of Major Supplier	Not reported	–
<b>Performance towards Suppliers</b>			
SUP 2	Supplier Satisfaction	Not reported	–

## ***GRI Content Index***

<b>Assets management</b>			
<b>Policy</b>			
AM 1	Asset Management Policy (socially relevant elements)	Not reported	-
<b>Fostering Social Capital</b>			
AM 2	Assets under Management with High Social Benefit	Not reported	-
AM 3	SRI Oriented Shareholder Activity	Not reported	-

## Glossary

ACP	African, Caribbean and Pacific	IPPC	Integrated Pollution Prevention and Control
AFD	Agence Française de Développement	ISO 14000	International Standards Organization environment management systems and standards
ALA	Asia and Latin America	JASPERS	Joint Assistance to Support Projects in European Regions
ALM	Asset and liability management	JEREMIE	Joint European Resources for Micro to Medium Enterprises
BCBS	Basel Committee on Banking Supervision	Lao PDR	Lao People's Democratic Republic
BIS	Bank for International Settlements	MAP	EU's Multi-Annual Programme for Enterprises 2000-2005
BREEAM	Building Research Establishment Environmental Assessment Method	MCO	Management Control Services
BSC	Balanced Scorecard	MDGs	UN Millennium Development Goals
CCFF	Climate Change Financing Facility	MDRI	Multilateral Debt Relief Initiative
CCTAF	Climate Change Technical Assistance Facility	MEA	Multilateral Environmental Agreements
CFE	Carbon Fund for Europe	MoU	Memorandum of Understanding
CGIT	Community Guarantee Instrument for TEN-Transport	MPCs	Mediterranean Partner Countries
CO <sub>2</sub>	Carbon dioxide	MWe	Megawatt
COCOLAF	Advisory Committee for the Coordination of Fraud Prevention	NGOs	Non-Governmental Organisations
COP	Corporate Operational Plan	NIB	Nordic Investment Bank
COPEC	Joint Committee on Equal Opportunities for Men and Women	NT2	Nam Theun 2
CSOs	Civil Society Organisations	OCTs	Overseas Countries and Territories
CSR	Corporate Social Responsibility	OECD	Organisation for Economic Cooperation and Development
CVs	Curricula Vitæ	OHSAS	Occupational Health and Safety Management Systems
DG REGIO	Regional Policy Directorate-General	OLAF	European Anti-Fraud Office
DG TREN	Directorate-General for Energy and Transport	ppm	Parts per million
DIAF	Development Impact Assessment Framework	RDI	Research, Development and Innovation
EBRD	European Bank for Reconstruction and Development	RE	Renewable energy
EC	European Commission	RSA	Republic of South Africa
ECCP	European Climate Change Programme	RSFF	Risk Sharing Finance Facility
ECOFIN	Economic and Financial Affairs Council	SDS	Sustainable Development Strategy
EESC	European Economic and Social Committee	SMEs	Small and medium-sized enterprises
EFQM	European Foundation for Quality Management	SPL	Structural Programme Lending
EIB	European Investment Bank	SRs	College of Staff Representatives
EIF	European Investment Fund	TTA	Technology Transfer Accelerator
EMAS	Eco-Management and Audit Scheme	UNESCO	United Nations Educational Scientific and Cultural Organisation
ENVU	EIB Environment Unit	UNFCC	United Nations Framework Convention on Climate Change
ETAP	Environmental Technology Action Programme	USPAS	Health, Prevention and Social Unit
ETS	Emissions Trading Scheme		
EU	European Union		
EUR	Euros		
EV	Operations Evaluation		
FATF	Financial Action Task Force		
FEMIP	Facility for Euro-Mediterranean Investment and Partnership		
FTE	Consumption per full time employee		
FYROM	Former Yugoslav Republic of Macedonia		
GHG	Greenhouse gas		
GWh	Giga Watt hour		
HIPC	Highly Indebted Poor Countries		
HR	Human Resources Department		
IA	Internal Audit		
ICF	Internal Control Framework		
ICT	Information and communication technology		
IDA	International Development Association		
IF	Cotonou Investment Facility		
IFIs	International Financial Institutions		
IFRS	International Financial Reporting Standards		
IG	Inspectorate General		
ILO	International Labour Organization		
IMF	International Monetary Fund		
IPCC	UN Intergovernmental Panel on Climate Change		

**Contacts:****Felismino Alcarpe**

*Corporate Responsibility  
General Secretariat*

☎ (+352) 43 79 30 16

☎ (+352) 43 79 30 63

✉ f.alcarpe@eib.org

**Roland Randefelt**

*Environment Unit  
Projects Directorate*

☎ (+352) 43 79 85 30

☎ (+352) 43 79 88 14

✉ r.randefelt@eib.org

**Yvonne Berghorst**

*Head of Civil Society Unit  
Communication and Information Department*

☎ (+352) 43 79 31 39

☎ (+352) 43 79 31 91

✉ y.berghorst@eib.org

**European Investment Bank**

100, boulevard Konrad Adenauer – L-2950 Luxembourg

☎ (+352) 43 79 1

[www.eib.org](http://www.eib.org) – ✉ [info@eib.org](mailto:info@eib.org)

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