



European Investment Bank Group  
**2011 Annual Statement on  
Corporate Governance**





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Corporate Governance at the  
European Investment Bank Group**

April 2012

The European Investment Bank Group consists of the European Investment Bank (EIB) and the European Investment Fund (EIF).

The European Investment Bank was created in 1958 by the Treaty of Rome establishing the European Economic Community. Its governance is determined by the EIB Statute that constituted Protocol No. 10 of the Treaty of Rome and is now drawn up as Protocol No. 5 annexed to the Treaty on the Functioning of the European Union (TFEU) and the Treaty on European Union (TEU). In accordance with Article 51 of the TEU, it forms an integral part of both Treaties, which were revised and renamed by the Treaty of Lisbon taking effect on 1 December 2009. The EIB Rules of Procedure, adopted by the Board of Governors, set out the provisions applying to the governing bodies of the EIB.

The EIB is both an EU body, owned by the EU Member States and embedded in the EU institutional framework of accountability and control, and a Bank that follows best banking practice applicable to it.

The European Investment Fund (EIF) was established in 1994 with the EIB as its majority shareholder. Other shareholders include the European Union represented by the European Commission and a number of financial institutions. Its governing principles are laid down in the EIF Statutes and in the EIF Rules of Procedure.

In line with best banking practice, the most significant corporate governance developments of the year 2011 are summarized below.

### *Table of Contents*

<b>1</b>	<b>NEW DEVELOPMENTS IN CORPORATE GOVERNANCE AT THE EIB IN 2011</b>	<b>3</b>
1.1	Renewal at Governing bodies' level	3
1.2	Changes in the structure of the services	7
1.3	Capital	8
1.4	New policies	8
<b>2</b>	<b>NEW DEVELOPMENT IN CORPORATE GOVERNANCE AT THE EIF IN 2011</b>	<b>10</b>
2.1	Renewal at Governing bodies' level	10
2.2	Changes in EIF's shareholders	11
2.3	Capital	11
2.4	Statutory Framework	11
<b>3</b>	<b>MAIN FEATURES OF THE EIB GROUP INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS</b>	<b>12</b>
<b>4</b>	<b>MAIN FEATURES OF THE EU SYSTEM OF ACCOUNTABILITY AND CONTROL ANNEXES</b>	<b>12</b>
	Annex 1 – EIB Management Committee Lead Responsibilities – 2011	14
	Annex 2 – Directors and Alternate Directors' attendance to 2011 meetings	15
	Annex 3 – Audit Committee members' attendance to 2011 meetings	17

## 1 NEW DEVELOPMENTS IN CORPORATE GOVERNANCE AT THE EIB IN 2011

### 1.1 *Renewal at Governing bodies' level*

The Bank is directed and managed by three governing bodies:

- the Board of Governors
- the Board of Directors
- the Management Committee

Together with the Audit Committee, they make up the statutory bodies of the Bank. The provisions relevant to the functioning of the EIB statutory bodies are set out in the Bank's Statute and Rules of Procedure. The list of members of these bodies and their *curricula vitae*, along with additional information on remuneration arrangements, are regularly updated and published on the Bank's website.

**1.1.1** The **Board of Governors**, which comprises Ministers designated by each of the 27 Member States, evolves according to government appointments in the EU Member States. Among the Governors of the EIB, eleven were designated in 2011:

- Mr. Michael NOONAN for Ireland (March)
- Ms. Maria FEKTER for Austria (April)
- Mr. Evangelos VENIZELOS for Greece (June)
- Mr. Jyri HÄKÄMIES for Finland (June)
- Mr. Vitor GASPAS for Portugal (June)
- Mr. François BAROIN for France (June)
- Mr. Kikis KAZAMIAS for Cyprus (August)
- Mr. Ole SOHN for Denmark (October)
- Mr. Mario MONTI for Italy (November)
- Mr. Luis de GUINDOS for Spain (December)
- Mr. Steven VANACKERE for Belgium (December)

The Board of Governors lays down credit policy guidelines, approves the annual accounts and balance sheet, and decides on the Bank's participation in financing operations outside the European Union as well as on capital increases. It also appoints the members of the Board of Directors, the Management Committee and the Audit Committee. Governors met for the Annual Meeting in May 2011. In line with its transparency policy, the EIB published on its website the agenda of the meeting and the summary of the decisions taken.

The Board of Governors is a non-remunerated governing body, but it sets the indemnities of the Board of Directors, the Management Committee and the Audit Committee.

**1.1.2** The **Board of Directors** consists of 28 Directors, one Director nominated by each Member State and one by the European Commission, as well as 18 Alternates, some nominated by individual Member States and some by several Member States. Board members have a collective mandate of five years, which will be renewed in 2013. In order to broaden its professional expertise, the Board has made use of the possibility to co-opt non-voting experts.

The EIB Board of Directors is not a resident board and many members of the Board occupy senior positions in national ministries or public institutions that usually bear some connection with EIB activities inside or outside Europe. As a result, it is not unusual for Board members to resign when they are appointed to other positions in ministries or public institutions, or when they retire. In 2011, as in every year previously, some members of the Board of Directors resigned for these reasons, or for personal reasons. No resignation was attributable in any way to a disagreement between the resigning members and the Bank.

In the interim, in order to compensate for the resignation of some members of the Board of Directors, the Board of Governors appointed the following new members:

As Directors of the Board:

- Mr. Jan Willem VAN DEN WALL BAKE, nominated by the Kingdom of the Netherlands (May)
- Mr. Dietrich JAHN, nominated by the Federal Republic of Germany (September)

As Alternate Directors of the Board:

- Mr. Dov ZERAH, nominated by the French Republic (February)
- Ms. Jenya DINKOVA, nominated by the Republic of Bulgaria by common accord with the Czech Republic, the Republic of Cyprus, Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic (June)
- Ms. Melinda SIMMONS, nominated by the United Kingdom of Great Britain and Northern Ireland (June)
- Ms. Jurgita UZIELIENE, nominated by the Republic of Lithuania by common accord with the Republic of Estonia, the Republic of Latvia, the Republic of Austria, the Republic of Finland and the Kingdom of Sweden (August)
- Mr. Ralph MÜLLER and Mr. Rudolf LEPERS, nominated by the Federal Republic of Germany (September)
- Mr. Christophe BORIES, nominated by the French Republic (December);
- Mr. Zdenek PAGAC, nominated by the Czech Republic by common accord with the Republic of Bulgaria, the Republic of Cyprus, Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic (December)

The Board of Directors takes decisions in respect of granting finance, particularly in the form of loans and guarantees. The Board of Directors also approves a global borrowing authorization on an annual basis, implemented by the Finance Directorate under the supervision and delegation of the Management Committee. As well as seeing that the Bank is properly run, it ensures that the Bank is managed in keeping with the provisions of the Treaties, its Statute and the general directives laid down by the Governors. Directors and Alternate Directors are responsible only to the Bank.

In accordance with its Rules of Procedure, the EIB must convene its Board of Directors at least six times a year. As in previous years, it held ten scheduled meetings and no extraordinary meeting. In line with its transparency policy, the EIB published on its website the agenda of the meeting and a provisional summary of the decisions taken along with the list of conflicts of interest declared by the participants with respect to specific projects to be financed. In 2011, the meetings lasted between 3h30 to 5h45 and the number of decisions taken varied from 20 to 31. On average, Director attendance is 80 %. A register of individual Directors' attendance is detailed in annex 2.

As the Board of Directors is non-resident, full and alternate members of the Board do not receive remuneration from the Bank but they receive an attendance allowance of EUR 600 for each meeting day of the Board in which they participate. The attendance allowance amount has not been revised since 2002.

### 1.1.3. EIB Board Committees

Consistent with best banking practice, a **Risk Policy Committee**, an **Equity Participation Policy Committee** and an **Ethics and Compliance Committee** within the Board of Directors were established in 2010 and started working in 2011. Together with the **Committee on Staff Remuneration**, created in 2007, these committees were introduced in the EIB Rules of Procedure on the occasion of the 2010 revision and review of Board practices.

The Risk Policy Committee, the Equity Participation Policy Committee and the Committee on Staff Remuneration provide non-binding opinions to the Board of Directors in order to facilitate the decision-making process of the Board. The Ethics and Compliance Committee shall rule on any potential conflict of interest and shall inform the Board of Directors and the Board of Governors of the decisions adopted. The members are chosen among the Directors and Alternate Directors of the Board. A list of Board Committees members is available on the

Bank's website. According to EIB Rules of Procedure, the Secretary General of the EIB is the secretary of the four committees.

The **Committee on Staff Remuneration** examines proposals concerning the Bank's staff budget (pension & remuneration) and related issues. In 2011, it was composed of the following eight Directors:

- Mr. Ralph MÜLLER;
- Ms. Sandrine GAUDIN;
- Mr. Carlo MONTICELLI;
- Mr. Alvaro AGUIAR;
- Mr. Pim VAN BALLEKOM, replaced in May 2011 by Mr. Jan Willem VAN DEN WALL BAKE;
- Mr. Michael SOMERS;
- Mr. Kurt A. HALL;
- Mr. Zdeněk HRUBY.

The Committee on Staff Remuneration met twice in 2011.

The **Risk Policy Committee** reviews the Bank's policies with respect to credit, market and liquidity risks. It provides opinions to the Board of Directors as to whether these policies are appropriate and follows their implementation by reviewing the Bank's risk profile. The Board of Directors adopted the Rules of Procedure for this Committee on 21<sup>st</sup> September 2010. The nine members of the Risk Policy Committee, appointed at the beginning of 2011, are:

- Mr. Ralph MÜLLER;
- Ms. Sandrine GAUDIN;
- Mr. Carlo MONTICELLI;
- Mr. Mike GLYCOPANTIS;
- Mr. Gonzalo GARCÍA ANDRÉS;
- Mr. Gaston REINESCH;
- Mr. Stilpon NESTOR;
- Ms. Irena KRUMANE;
- Ms. Katarina KASZASOVÁ;

The first meeting of the Risk Policy Committee took place on 31<sup>st</sup> January 2011. In line with best banking practice, it shall meet on a regular basis, not less than four times a year. In 2011, the Risk Policy Committee held four meetings, on the occasion of discussions on the EIB quarterly risk report. The President of the EIB or, in his absence, one of the Vice-Presidents, chairs the meeting of the Risk Policy Committee. The Vice-President in charge of risk management and the Director General of the Risk Management Directorate have the right to attend every meeting.

The Board **Equity Participation Policy Committee** examines the policy issues that arise from direct and indirect equity participations held or acquired by the European Investment Bank. Its Rules of Procedure were adopted by the Board of Directors on 21<sup>st</sup> September 2010. The Equity Participation Policy Committee comprises nine members, appointed at the beginning of 2011:

- Mr. Ralph MÜLLER;
- Ms. Sandrine GAUDIN;
- Mr. Carlo MONTICELLI;
- Mr. Mike GLYCOPANTIS;
- Ms. Carmen LAÍN;
- Mr. Olivier HENIN;
- Mr. Sigmund LUBANSKI;
- Mr. Wolfgang NITSCHKE;
- Mr. Kyriacos KAKOURIS.

The Equity Participation Policy Committee held its first meeting on 9<sup>th</sup> March 2011. It meets on request, to discuss specific issues relating to the Bank's policy on equity investment. In 2011, the Equity Participation Policy Committee held two meetings. The President of the EIB or, in his

absence, one of the Vice-Presidents, is the chairman of the Equity Participation Policy Committee.

The **Ethics and Compliance Committee** was created to reinforce the role of the Board of Directors in overseeing the implementation of corporate values, especially in the field of conflicts of interest that might emerge within the Management Committee or the Board of Directors. The Operating Rules of the Ethics and Compliance Committee also provide the possibility for a member of the Audit Committee to request the opinion of the Committee on a voluntary basis.

The Ethics and Compliance Committee is composed of the three longest-serving Directors, as well as the Chairman of the Audit Committee, while the EIB Group Chief Compliance Officer participates in the meeting without the right to vote. In 2011, the following persons were members of the Ethics and Compliance Committee:

- Mr. Gaston REINESCH, Chairman of the ECC;
- Ms. Tytti NORAS;
- Mr. Kurt HALL;
- Mr. Eric MATHAY, Chairman of the Audit Committee.

On 13<sup>th</sup> April 2011, the Board of Governors adopted the Operating Rules of the Ethics and Compliance Committee, which held its inaugural meeting on 21<sup>st</sup> June 2011. Since then, the Ethics and Compliance Committee has met three times. Decisions of the Ethics and Compliance Committee are communicated to the Board of Directors and Board of Governors in an annual report.

**1.1.4** The **Management Committee** is the Bank's permanent collegiate executive body. It has nine members: the President and the eight Vice-Presidents. The Management Committee welcomed one new Vice-President in 2011, appointed by the Bank's Board of Governors on a proposal from the Board of Directors:

- Mr. Wilhelm MOLTERER took up his duty on 1<sup>st</sup> July 2011, succeeding Ms. Eva SREJBER, who completed a four-year term as EIB Vice-President.

Under the authority of the President and the supervision of the Board of Directors, the Management Committee oversees the day-to-day running of the Bank, prepares decisions for Directors and ensures that these are implemented. In July 2011, the Management Committee decided to revise the distribution of its lead responsibilities, as part of the regular self-evaluation of its efficiency. The lead responsibilities of members of the Management Committee are provided in annex 1.

Members of the Management Committee are responsible only to the Bank. They meet as and when required by the business of the Bank. In 2011, 43 scheduled meetings were organised, nearly every week.

The remuneration of the Management Committee members is set by the Board of Governors, which is not chaired by the EIB President, and does not include individual reward. Since the beginning of the Bank's activities, the emoluments of the members of the Management Committee (President and Vice-Presidents of the EIB) have been modeled on those of the President and Vice-Presidents of the European Commission respectively.

In December 2011, the mandate of President Philippe MAYSTADT ended. At the Ecofin meeting of 30 November 2011, the Finance Ministers of the EU Member States put forward the name of Dr. Werner HOYER as future President of the European Investment Bank. The EIB Board of Directors formally nominated Dr. Hoyer in December 2011, who was appointed for a six-year mandate by the EIB Board of Governors as new EIB President with effect from 1<sup>st</sup> January 2012. Matthias KOLLATZ-AHNEN resigned as Vice-President with effective date of 31<sup>th</sup> December 2011.



**1.1.5** The **Audit Committee** is an independent body appointed by and answerable directly to the Board of Governors. The Audit Committee comprises six members with a non-renewable mandate of six consecutive financial years. A maximum of three observers can be appointed, also for a non-renewable mandate of six years, by the Board of Governors, on the basis of their qualifications, in particular banking supervision expertise.

In August 2011, the Audit Committee welcomed one new member:

- Ms. Bettina JAKOBSEN who succeeded Mr. Gerard SMYTH, whose term of office expired in May 2011. The decision to nominate Ms. JAKOBSEN was taken in August by common accord of Denmark together with Greece, Ireland and Romania. The term of her office will expire in 2017.

In July 2011, an observer to the Audit Committee was also appointed:

- Mr. Jukka VESALA.

The Audit Committee, in discharging their duties for the financial year ended December 31, 2011:

- ascertained that the operations of the Bank had been conducted and its books kept in a proper manner;
- confirmed that the financial statements gave a true and fair view of the financial position of the Bank;
- verified that the Bank's activities conform to best banking practice.

In relation to the oversight of the external audit process, the Audit Committee:

- reviewed and monitored the independence of the external auditor and the objectivity and effectiveness of the audit process;
- approved the scope and fees for audit services and oversaw compliance with the Bank's policies on the provision by the external auditor of non-financial services.

Private meetings were held with the external auditor without management being present to ensure that there were no restrictions on the scope or independence of their audit.

The Audit Committee met seven times in 2011. On average, attendance is 95 %. [A register of Audit Committee members' attendance is detailed in annex 3].

As the Audit Committee is a non-resident body, members are not remunerated by the Bank. For each meeting day in which they participate, members and observers of the Audit Committee receive an attendance allowance of EUR 1050, an amount which is fixed by the Board of Governors and has not changed since 2002.

## **1.2 Changes in the structure of the services**

The EIB's services are structured as follows:

- **General Secretariat and Legal Affairs (SG-JU)** is responsible for implementing and monitoring the decision-making process in the Bank, for coordinating and developing the relationships with EU institutions and with international or national financing agencies and for addressing any legal issue relevant to the Bank.
- **Strategy and Corporate Centre (SCC)** is responsible for strategy and management control, and for corporate services including information technology, communication, buildings and logistics.
- **Finance Directorate (FI)** is responsible for all borrowing and treasury operations and for the back office of all equity, lending, borrowing and funding operations.
- **Directorate for Operations in the European Union and Candidate Countries (Ops A)** is responsible for investment operations within the European Union, the Candidate and Potential Candidate Countries, and the EFTA Countries.
- **Directorate for Operations outside the European Union and Candidate Countries (Ops B)** is responsible for investment operations outside the European Union and in

other Partner Countries that are not Candidate or Potential Candidate Countries and the EFTA Countries.

- **Transaction Management and Restructuring Directorate (TMR)** is responsible for the financial monitoring of OPISA counterparts, OPISA and OPSB fully invested funds and equity as well as OPISA and OPSB distressed transactions and late payments.
- **Risk Management Directorate (RM)** is responsible for credit market and operational risks, for equity, lending, funding, treasury and derivative operations that the Bank performs.
- **Projects Directorate (PJ)** assesses the economic, environmental and social, financial and technical sustainability of projects and the compliance with EU and EIB sector policies.
- **Human Resources Department (HR)** is responsible for managing the Bank's human resources and the associated benefits, including health-care and pension rights.
- **Inspectorate General (IG)** is responsible for internal audit, *ex-post* and on-going evaluation of operations and related policies and strategies, fraud investigation and complaints mechanism.
- **EIB Group Compliance Office (OCCO)** is responsible for assessing compliance and reputational risks and for implementing controls against money laundering, the financing of terrorism, fraud and tax evasion.

The former Director General of Risk Management became head of **Operations inside the European Union** (Ops-A) in 2010. A new Head of the **Risk Management Directorate (RM)** was appointed and started working in April 2011. He participated in the meetings of the Risk Policy Committee and, according to an established practice for all Directors General, to the meetings of the Board of Directors and Board of Governors.

Within the Strategy and Corporate Centre, the appointment of a dedicated and separate **Financial Controller**, coupled with a new Financial Control Charter, reinforced the financial control function.

A new Director General of the **Transaction Management and Restructuring Directorate (TMR)** was appointed in April 2011.

A new Director General of the **Project Directorate (PJ)** was appointed in January 2011, who has put in place a new organisational structure since 1<sup>st</sup> April 2011, creating two additional departments in order to have a more balanced workload within the directorate.

### 1.3 Capital

Since 1<sup>st</sup> April 2009, the Bank's subscribed capital amounts to more than EUR 232bn.

### 1.4 New policies

*Revision of the Board of Directors, the Management Committee and the Audit Committee's Codes of Conduct*

The EIB's Statute was revised by the Treaty of Lisbon taking effect on 1<sup>st</sup> December 2009. In order to align itself with the new Statute and also in compliance with best practice, the EIB's Rules of Procedure were modified and adopted by the Board of Governors in May 2010 to introduce improvements to the governance set-up as part of a regular review of the Bank's decision-making process by the governing bodies (changes introduced by the revision of the EIB Statute and Rules of Procedure have been described in the [2010 Annual Statement of Corporate Governance at the EIB Group](#))

The implementation of Article 11.4 of the new EIB Rules of Procedure, which created the Ethics and Compliance Committee, and in particular the adoption of the Operating Rules of the Committee by the Board of Governors on 13<sup>th</sup> April 2011, were accompanied by several changes to the Codes of Conduct of the Board of Directors and of the Management Committee. In the course of this review, additional changes were also proposed to align the two Codes of Conduct with the new EIB Statute, as well as with other EU institutions' and IFIs' standards (e.g. 2011 Code of Conduct for EU Commissioners).

The main changes introduced in the Codes of Conduct of the Board of Directors and of the Management Committee are:

- a procedure to define the possible scope of the professional and non-professional activities of individual members of the Management Committee;
- a strengthening of the rules addressing conflicts of interest;
- an extension of the cooling-off period (12 months following the end of mandate for Members of the Management Committee).

The new Codes of Conduct for the Board of Directors and for the Management Committee, available on the EIB website, were approved by the Board of Directors on 19<sup>th</sup> July 2011.

The Code of Conduct of the Audit Committee was also updated to reflect changes made to the Board of Directors and Management Committee's Codes of Conduct in November 2011.

#### *Update of internal governance procedures & documents*

A number of procedural guidelines were updated in 2011, in particular the Guide to Procurement (June), which is available on the Bank's website.

Following the annual review of best banking practice in the field of corporate governance by the Audit Committee, the European Banking Authority's *Guidelines on Internal Governance* have been retained as an additional source of best practice. The EIB pays careful attention to internal governance, and, in particular, maintains a register of its working groups. In 2011, the EIB launched a new registration procedure in order to regularly produce an updated list of its working groups, as they contribute to the internal decision-making process of the Bank.

#### *External Governance*

The EIB signed a "Corporate Governance Development Framework" alongside other Development Financial Institutions (DFIs), on 23<sup>rd</sup> September 2011, during the Annual World Bank and IMF Meeting. The "Framework" is a one-page document that requires each signatory to do the following, "at a pace and depth that suit their own circumstances subject to the relevant internal approvals":

- Integrate Corporate Governance ("CG") in its investment operations
- Ensure internal responsibility
- Provide or procure training
- Collaborate with other signatories
- Report on implementation

The EIB has decided to implement the Framework for direct equity investments in the private sector in all its countries of operation within and outside the European Union. A corporate governance questionnaire consistent with the obligation of the Framework is now included in the due diligence process in the Bank when relevant.

As part of best practice in external governance, the EIB also maintains an updated list of its staff members appointed to governing bodies of funds, banks or corporates.

#### *Risk management*

The EIB has developed a cartography of risks and produced its first report in January 2011. This report will now be produced annually in line with best practice.

The cartography process at the Bank aims to:

- identify key risks, classified and mapped to relevant processes, faced by the Bank;
- analyse and assess these risks;
- examine residual exposures against the risk policies of the Bank;
- identify appropriate mitigating actions to be undertaken;
- appropriate actions are identified to cover any gap in the management and monitoring of the identified exposures.

The EIB cartography of risks report was presented to the Audit Committee and was distributed to the Board of Directors to be used as a component of corporate governance and strategic discussion.

The Board of Directors of the EIB is aware of the risk portfolio of the Bank and receives, for making key risk management decisions, a quarterly risk report. These documents are and will remain confidential.

The EIB is also preparing the implementation of the Basel III Rules.

#### *A reinforced cooperation with the EU Commission*

Through its contribution to the Europe 2020 Strategy, the EIB has increased its cooperation with the EU Commission. A joint working group has designed potential joint initiatives, blending EC grant resources with EIB loans. Subject to endorsement by the Bank's Board of Directors, the project bond initiative will facilitate the financing by the market of the share of the project that would not receive direct EC or EIB funding.

#### *Enhanced project assessment requirements outside the EU*

Decision 1050/2011/EU of the European Parliament and of the Council of 25<sup>th</sup> October 2011 established a revised mandate for EIB lending activities outside the EU under an EU guarantee. The new mandate requires an enhanced assessment of the social, environmental and human right aspects of projects.

## **2 NEW DEVELOPMENT IN CORPORATE GOVERNANCE AT THE EIF IN 2011<sup>1</sup>**

### **2.1 Renewal at Governing bodies' level**

The European Investment Fund (EIF) is managed and administered by the following three authorities:

- Chief Executive
- Board of Directors
- General Meeting

The Chief Executive is responsible for the day-to-day management of the EIF and reports to the Board of Directors. Pursuant to Article 20(3) of EIF Statutes, a Deputy Chief Executive was appointed in 2008.

The **Board of Directors** consists of seven members and seven alternates, designated by the members of the Fund: four designated by the EIB, two designated by the European Commission, and one designated by the Financial Institutions. The members and alternates are appointed by and accountable to the General Meeting.

At the Annual General Meeting (AGM) of 10<sup>th</sup> May 2010, the General Meeting approved, as members of the Board, the re-appointments of:

- Mr. Philippe MAYSTADT, President of the EIB
- Mr. Matthias KOLLATZ-AHNEN, Vice-President of the EIB
- Ms. Tytti NORAS, Legal Counsellor, Ministry of Finance, Helsinki
- Mr. Carlo MONTICELLI, Director General, International Financial Relations, Treasury Department, Ministry of Economy and Finance, Rome
- Mr. Heinz ZOUREK, Director-General at the European Commission

as well as the appointments of:

- Mr. Gerassimos THOMAS, Director at the European Commission
- Mr. Marc AUBERGER, Director General of Qualium Investissement

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<sup>1</sup> For more detailed information on the European Investment Fund, please see EIF's Annual Report on [www.eif.org](http://www.eif.org).

As alternate members of the Board, the General Meeting approved the re-appointments of:

- Mr. Gaston REINESCH, Director General, Ministry of Finance, Luxembourg
- Mr. Zdeněk HRUBÝ, General Director, Ministry of Public Finance, Prague
- Mr. Rémy JACOB, Director General at the EIB
- Mr. Dirk AHNER, Director-General at the European Commission
- Mr. Peter BASCH, Principal Adviser at the European Commission

As well as the appointments of:

- Mr. Pier Luigi GILIBERT, Director General at the EIB
- Mr. Werner OERTER, Senior Vice President at the KfW Bank Group

The term of office of the Board of Directors is two years, ending on the day of the 2012 Annual General Meeting. Mr. Ahner retired from the European Commission end 2011 and consequently resigned from his position as alternate member as of 22 December 2011. The General Meeting will appoint his successor upon designation by the European Commission.

The **General Meeting** consists of one representative of the European Investment Bank, usually its President or a Vice-President, one member of the European Commission representing the European Union, as well as a representative from each Financial Institution.

Furthermore, the **Audit Board** has the statutory responsibility of the audit of the accounts of the Fund. It confirms on an annual basis that, to the best of its knowledge and judgement, the operations of the Fund have been carried out in compliance with the formalities and procedures laid down in the Statutes and the Rules of Procedure, and that the financial statements give a true and fair view of the financial position of the Fund as regards its assets and liabilities, and of the results of its operations for the financial year under review. The Audit Board consists of three members, appointed by the General Meeting.

At the AGM of 9<sup>th</sup> May 2011, the General Meeting approved the appointment of Mr. Gerard Smyth as member of the Audit Board, joining Mr. Bernard Magenmann (Chairman) and Mr. Helmut Stermann.

## **2.2 Changes in EIF's shareholders**

In 2011, three of the financial institutions with an EIF shareholding opted to sell their shares to the EIB:

- FIH Erhvervsbank A/S ("Finance for Danish Industry") (eight shares);
- Dexia Crédit Local (ten shares);
- and Dexia Crediop (five shares).

As a result of these exiting shareholders, there are currently 25 financial institutions among EIF's shareholders. In total, the EIB holds 61.9% shares, the European Commission holds 30% and the financial institutions hold the remaining 8.1%.

## **2.3 Capital**

The Fund's subscribed capital amounts to EUR 3bn.

## **2.4 Statutory Framework**

At the AGM of 9<sup>th</sup> May 2011, upon a proposal by the Board of Directors, the General Meeting approved a small number of amendments to Articles 2, 8 and 9 of **EIF's Rules of Procedure**. The modifications covered certain matters of relevance for decision-making by the Board of Directors, including clarifications with regard to the use of written procedures and the treatment of abstentions.

### 3 MAIN FEATURES OF THE EIB GROUP INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Both at the EIB and at EIF, internal control, risk management and compliance are three separate functions, each having direct access to the relevant executive body (Management Committee for EIB, Chief Executive for EIF) and to their respective Boards of Directors (and, in the case of EIB, to the Risk Policy Committee of the Board). For each of these functions, there is coordination at group level between the EIB and the EIF.

The Director General of **Risk Management** has equivalent standing to the Directors General of Operations and to the Director General of Finance. He is exclusively in charge of risk management and has no other functional responsibilities. At the EIF, the Risk Management Division reports directly to the Deputy Chief Executive, who has no operational responsibilities.

The **Inspector General** is in charge of four control functions at group level, each under the responsibility of a Head of Division: the Internal Audit division, also in charge of the coordination of the Internal Control Framework, the Fraud Investigation division, the (ex-post) Operations Evaluation division and the Complaints Mechanism division. The Inspector General has privileged direct access to the President and the Audit Committee. In 2011, the Operating Procedures of the EIB Complaints Mechanism were adopted in order to clarify and improve the processes, to ensure a better handling of complaints and to facilitate a better cooperation among the Bank's services and with counterparts and other relevant stakeholders. The new operating procedures have been submitted for consultation to the European Ombudsman.

In addition to continuous review by internal audit, the Bank is subject to the audit review of external auditors and of the Audit Committee, which is composed of members appointed for their competence by the Board of Governors and who do not belong to the Board of Directors. At the EIF, the Audit Board and the external auditors carry out a similar function, and there is coordination at group level between the Audit Committee and the Audit Board.

The **Strategy and Corporate Centre** directorate exercises several internal control functions, including the Bank's rolling three year Corporate Operational Plan, budgetary control, management reporting and accounting. In order to improve transparency and with the objective to provide an unbiased true and fair view on its financial position and results, the statutory financial statements are drawn-up in accordance with EU AD while the consolidated financial statements are prepared in two sets; one in accordance with IFRS as approved by the European Union and the second based on EU AD.

SCC also exercises non-financial risk management functions incorporating Business Continuity Management and several reputational risk management activities within the communications domain.

The **Compliance Office**, headed by the Group Chief Compliance Officer (GCCO), carries out integrity checks on potential EIB counterparts, ensures compliance with the EIB rules applicable to non-compliant jurisdictions (e.g. tax havens), ensures compliance with the rules on EIB procurement for its own benefit, monitors compliance of staff with the ethical rules (especially the Staff Code of Conduct available on the Bank's website) and contributes, with the Ethics and Compliance Committee of the Board, to reviewing the compliance of members of EIB governing bodies with the ethical rules applicable to them. The EIF's Compliance Officer holds an equivalent role at the EIF, and there is coordination at group level by the GCCO.

### 4 MAIN FEATURES OF THE EU SYSTEM OF ACCOUNTABILITY AND CONTROL

In addition, the Bank is integrated with the EU system of accountability and control. In particular:

- The European Commission provides an opinion on every operation presented for approval by the EIB to its Board of Directors. Where the Commission delivers an unfavorable opinion, the Board of Directors may not grant the finance concerned unless its decision is unanimous, the Director nominated by the Commission abstaining.

- For EIB activities within the EU, no finance can be granted in the case of a negative opinion by the Member State in which an operation is located.
- The European Parliament reports every year on the EIB Group's annual report.
- The Court of Justice of the EU rules on any disputes which may arise between the EIB or the EIF and the Member States and, where necessary, assesses the legality of the decisions taken by the Board of Governors and Board of Directors. The Court may also, if stipulated in the contracts, decide on disputes between the Bank and its borrowers or lenders.
- Loan operations under the mandate conferred by the European Union on the EIB Group and operations management by the group which are entered into, and guaranteed by, the general budget of the European Communities, are subject to documentary audits and if necessary on-the-spot audits by the European Court of Auditors according to rules set out in a tripartite agreement available on the EIB website. This tripartite agreement, signed on 27<sup>th</sup> October 2003 between the Court of Auditors, the EU Commission and the EIB, was renewed in 2007 and subsequently in 2011, for a further four years.
- The EIB Group Fraud Investigation division fully cooperates with OLAF on potential fraud cases within the OLAF remit.
- The EIB and EIF Data Protection Officers monitor compliance with the rules regarding personal data protection and in particular with Regulation 45/2001. They cooperate with the European Data Protection Supervisor and inform him of any processing operation involving sensitive data.
- In addition to their possible review by the Group Complaints Mechanism, any physical or legal person may lodge a complaint for maladministration against the Bank with the European Ombudsman.

Since 2009, the European Investment Bank has access to the liquidity mechanism of the Eurosystem and, as such, complies with the relevant regulatory requirements, which are monitored by the Central Bank of Luxembourg on behalf of the European System of Central Banks.

**ANNEXES****Annex 1 – EIB Management Committee Lead Responsibilities – 2011**

	<b>COP priorities</b>	<b>FUNCTIONAL RESPONSIBILITIES</b>	<b>INSTITUTIONAL RESPONSIBILITIES</b>	<b>OPERATIONAL RESPONSIBILITIES</b>
<b>P. Maystadt President</b>		General Strategy (SCC); Human Resources (HR) (incl. COPEC); Internal Communication; Institutional Matters; Relations with EU institutions and other international financial institutions; Implementation of Basel II – III; Technical and Financial Advice; Reporting from FC, IG and CCO	EIF Chairman of the Board; Budget Committee Chairman	
<b>P. de Fontaine Vive</b>		External Communication; Transparency and Information Policy; Dialogue with NGOs	Relations with Mediterranean institutions (in coordination with D. Scannapieco)	France; Southern Neighbours (Med. Countries)
<b>S. Brooks</b>	Environment	Environmental protection and climate change; Control functions: Internal Audit, Audit Committee and External Auditors, Compliance Office, Court of Auditors, OLAF, Ombudsman; Buildings, Facilities and Logistics	ALCO	United Kingdom; Netherlands
<b>M. Kollatz- Ahnen</b>	SMEs; Convergence (incl. JASPERS)	New Products and Special Transactions (NPST); JESSICA; Baltic Sea Region Strategy	EIF member of the Board; Subsidies Committee Member; Relations with Black Sea institutions (in coordination with W. Molterer)	Germany; Latvia; Lithuania; Estonia; Russia; Turkey
<b>D. Scannapieco</b>	Cost effectiveness (incl. Streamlining of business processes)	Budget (incl. Budget Committee); TMR	EBRD Governor; Arts Committee Member	Italy; Malta; Western Balkans
<b>P. Sakellaris</b>	Energy	Risk Management; Economics Department; Accounting	Arts Committee Chairman	Ireland; Denmark; Greece; Cyprus; ACP; South Africa;
<b>M. Alvarez Arza</b>		Legal Aspects of Operations and Products (SG/JU); Funding and treasury		Spain; Portugal; Belgium; Luxembourg; Latin America; Asia
<b>A. Rop</b>	TENs (incl. LGTT)	Corporate Social Responsibility	Subsidies Committee Chairman; EBRD Vice-Governor	Poland; Czech Republic; Hungary; Slovakia; Slovenia; Ukraine; Belarus
<b>W. Molterer</b>	Knowledge economy (incl. RSFF)	Ex-post Evaluation of Operations (EV); IT (incl. ISIS); Danube Region Strategy		Finland; Sweden; Austria; Bulgaria; Romania; Croatia; Moldova; Georgia; Armenia; Azerbaijan; Central Asia; EFTA Countries



**Annex 2 – Directors and Alternate Directors' attendance to 2011 meetings**

## a- Directors' attendance to meetings

EU Member States	Member	Name	Number of meetings	Attendance	Represented by an Alternate	Total attendance
Germany	Director	Ralph MÜLLER	7	7	0	100%
		replaced by Dietrich JAHN (September)	3	3	0	100%
France	Director	Sandrine GAUDIN	10	4	6	40%
Italy	Director	Carlo MONTICELLI	10	9	1	90%
UK	Director	Peter CURWEN	10	6	4	60%
Spain	Director	Gonzalo GARCÍA ANDRÉS	10	7	3	70%
Portugal	Director	Álvaro AGUIAR	10	9	1	90%
Belgium	Director	Olivier HENIN	10	10	0	100%
Luxembourg	Director	Gaston REINESCH	10	9	1	90%
Netherland	Director	Pim van BALLEKOM	3	3	0	100%
		replaced by Jan van den WALL BAKE (April)	7	7	0	100%
Denmark	Director	Sigmund LUBANSKI	10	0	10	0%
Greece	Director	Stilpon NESTOR	10	9	1	90%
Ireland	Director	Michael SOMERS	10	9	1	90%
Romania	Director	Bogdan Alexandru DRAGOI	10	1	9	10%
Estonia	Director	Ivar SIKK	10	10	0	100%
Latvia	Director	Irēna KRŪMANE	10	10	0	100%
Lithuania	Director	Miglė TUSKIENĖ	10	10	0	100%
Austria	Director	Wolfgang NITSCHKE	10	10	0	100%
Finland	Director	Tytti NORAS	10	9	1	90%
Sweden	Director	Kurt A. HALL	10	9	1	90%
Bulgaria	Director	Dimitar IVANOVSKI	10	0	10	0%
Czech Republic	Director	Zdeněk HRUBÝ	10	8	2	80%
Cyprus	Director	Kyriacos KAKOURIS	10	10	0	100%
Hungary	Director	Zoltán URBÁN	10	9	1	90%
Malta	Director	Vincent GRECH	10	10	0	100%
Poland	Director	Jacek DOMINIK	10	10	0	100%
Slovenia	Director	Katja BOŽIČ	10	7	3	70%
Slovakia	Director	Katarina KASZASOVÁ	10	10	0	100%
EU Commission	Director	Marco BUTI	10	3	7	30%
Experts	Member	Pierre RICHARD	10	8		80%
	Member	Rainer MASERA	10	8		80%
	Member	Timothy STONE	10	8		80%

According to the EIB Statute and Rules of Procedure, each Director shall have one vote on the Board of Directors, and may be replaced by an Alternate Director. Where a director, prevented from attending, is unable to arrange for an alternate to represent him, he may delegate his vote in writing to another member of the Board of Directors. However, no member of the Board of Directors may have more than two votes.

Experts are non-voting members of the Board of Directors.

## b- Alternate Directors' attendance to meetings

EU Member States & Constituency	Member	Name	Number of meetings	Attendance	Total attendance
Germany	Alternate	Michael KRUSE	7	6	86%
		replaced by Ralph MULLER (September)	3	3	100%
	Alternate	Rudolf LEPPERS (September)	3	3	100%
France	Alternate	Jean BOISSINOT	9	6	67%
		replaced by Christophe BORIES (December)	1	1	100%
	Alternate	Dov ZERAH	9	5	56%
Italy	Alternate	Francesca MERCUSA	10	10	100%
	Alternate	Vacant position			
UK	Alternate	Mike GLYCOPANTIS	10	5	50%
	Alternate	Melinda SIMMONS	6	4	67%
Spain & Portugal	Alternate	Carmen LAÍN	10	10	100%
Belgium, Luxembourg & Netherland	Alternate	Rudolf de KORTE	10	10	100%
Denmark, Greece, Ireland & Romania	Alternate	Angela CARABAŞ	10	6	60%
	Alternate	Alf THERKILDSEN	10	10	100%
Estonia, Latvia, Lithuania, Austria, Finland & Sweden	Alternate	Mattias HECTOR	10	5	50%
	Alternate	Andzs Übelis	5	4	80%
		replaced by Jurgita UZIELIENE (August)	4	4	100%
Bulgaria, Czech Republic, Cyprus, Hungary, Malta, Poland, Slovenia & Slovakia	Alternate	Ivana VLKOVÁ	6	6	100%
		replaced by Zdenek PAGAC (December)	0	0	
	Alternate	Zsuzsanna VARGA	4	0	0%
		replaced by Jenya DINKOVA (June)	6	6	100%
	Alternate	Vacant position			
EU Commission	Alternate	Dirk AHNER	10	5	50%
Experts	Alternate	Antoni SALA	10	7	70%
	Alternate	Axel NAWRATH	10	4	40%
	Alternate	Vacant position			

According to EIB Statute and Rule of Procedure, Alternate Directors may take part in the meetings of the Board of Directors, but shall not be entitled to vote, except where they replace one or more directors or where they have been delegated to do so.

**Annex 3 – Audit Committee members' attendance to 2011 meetings**

Name	Status	Number of meeting days	Attendance	Total attendance
<b>Eric MATHAY</b>	Member & Chairman from May 2011	11	11	100%
<b>Gerard SMYTH (until May 2011)</b>	Chairman until May 2011	6	6	100%
<b>José RODRIGUES de JESUS</b>	Member	11	11	100%
<b>Danièle NOUY</b>	Member	11	10	90%
<b>Joseph G. GALEA</b>	Member	11	11	100%
<b>Madis UURIKE</b>	Member	11	11	100%
<b>Bettina JAKOBSEN<sup>1</sup></b>	Member	4	4	100%
<b>Jukka VESALA<sup>2</sup></b>	Observer	5	3	60%
<b>Total</b>		<b>70</b>	<b>67</b>	<b>95%</b>

<sup>1</sup> Ms Jakobsen was appointed by a decision of the Board of Governors on 4 August 2011

<sup>2</sup> Mr Vesala was appointed by a decision of the Board of Governors on 17 May 2011







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