



European Investment Bank Group

2012 Annual Statement on Corporate Governance

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, which constituted Protocol No. 10 of the Treaty of Rome and is now 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 with effect from 1 December 2009. The EIB's 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 the 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. The EIF's governing principles are laid down in its Statutes and Rules of Procedure.

In line with best banking practice, the most significant corporate governance developments in 2012 are summarised below.

Table of Contents

1	New developments in corporate governance at the EIB in 2012	2
1.1	Renewal at governing bodies level	2
1.2	Changes in the structure of the services	7
1.3	Capital	8
1.4	New policies	8
2	New developments in corporate governance at the EIF in 2012	9
2.1	Renewal at governing bodies level	9
2.2	Changes in the EIF's shareholders	10
2.3	Capital	10
2.4	Updated policies	11
3	Main features of the EIB's Group internal control and risk management systems	11
4	Main features of the EU system of accountability and control	12
Annexes		13
	Annex 1 – Directors and Alternate Directors' attendance of 2012 meetings	13
	Annex 2 – Audit Committee members' attendance of 2012 meetings	15

New developments in corporate governance at the EIB in 2012

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, these make up the statutory bodies of the Bank. The provisions applying to the functioning of the EIB's statutory bodies are set out in the Bank's [Statute](#) and [Rules of Procedure](#), and explained in clear language for the general public in a brochure on the [Governance of the EIB](#), along with additional information on remuneration arrangements.

A list of all the members of the EIB governing bodies and their curricula vitae 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 Member States, evolves according to government appointments in the EU Member States. Among the Governors of the EIB, 15 were designated in 2012:

- Mr Bogdan Alexandru DRĂGOI for Romania (February)
- Mr Janez ŠUŠTERŠIČ for Slovenia (February)
- Mr Peter KAŽIMIR for Slovakia (April)
- Mr Vassos SHIARLY for Cyprus (March)
- Mr Philippos SACHINIDIS for Greece (March)
- Mr George ZANIAS for Greece (May)
- Mr Pierre MOSCOVOCI for France (May)
- Mr Florin GEORGESCU for Romania (June)
- Mr Vasilios RAPANOS for Greece (June)
- Mr Yannis STOURNARAS for Greece (July)
- Mr Vittorio GRILLI for Italy (July)
- Ms Annette VILHELMSSEN for Denmark (October)
- Mr Jeroen DIJSSELBLOEM for the Netherlands (November)
- Mr Jan VAPAAVUORI for Finland (November)
- Mr Daniel CHITOIU for Romania (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 2012. 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 compensation 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 of co-opting non-voting experts.

The EIB's 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 2012, 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:

- Ms Sanita BAJARE, nominated by the Republic of Latvia (January)
- Ms Dorothea Ivanova PANDOVA-GARGOVA, nominated by the Republic of Bulgaria (January);
- Mr Gerassimos THOMAS, nominated by the European Commission (January);
- Mr Pedro MACHADO, nominated by the Portuguese Republic (February)
- Mr Kasper LINDGAARD, nominated by the Kingdom of Denmark (February)
- Ms Dolores DURÁN BONO, nominated by the Kingdom of Spain (March)
- Mr Cristian SPORIS, nominated by the Romanian Republic (April)
- Mr Claudiu DOLTU, nominated by the Romanian Republic (July)
- Ms Jurgita UZIELIENÉ, nominated by the Lithuanian Republic (October)
- Mr Dejan KRUŠEC, nominated by the Republic of Slovenia (December)
- Ms Julie SONNE, nominated by the Kingdom of Denmark (December)

As Alternate Directors of the Board:

- Mr Lars OSTLING, nominated by the Kingdom of Sweden, the Republic of Estonia, the Republic of Latvia, the Republic of Lithuania, the Republic of Austria and the Republic of Finland (March)
- Mr Walter DEFFAA, nominated by the EU Commission (June)
- Mr Lucinio MUÑOZ, nominated by the Kingdom of Spain and the Portuguese Republic (June)
- Ms Dovilė JASAITIENÉ, nominated by the Republic of Estonia, the Republic of Latvia, the Republic of Austria, the Republic of Finland and the Kingdom of Sweden (October)
- Mr Franciscus GODTS, nominated by the Kingdom of Belgium, the Grand Duchy of Luxembourg and the Kingdom of the Netherlands (October)

In 2012, women made up 26% of the Board of Directors.

The Board of Directors takes decisions in respect of granting finance, particularly in the form of loans and guarantees. It also approves a global borrowing authorisation 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. In 2012, it held nine scheduled meetings and no extraordinary meetings. In line with its transparency policy, the EIB published on its website the agenda of the meetings 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 2012, the meetings lasted between 3h45 to 6h45 and the number of decisions taken varied from 20 to 40. On average, Directors' attendance was 83% (80% in 2011). A register of individual Directors' attendance is detailed in annex 1.

As the Board of Directors is non-resident, full and alternate members of the Board do not receive remuneration from the Bank but do receive an attendance allowance of EUR 600 for each meeting day of the Board in which they participate. The attendance allowance amount has been kept constant in nominal terms (i.e. no increase for inflation) since 2002.

In 2012, six Directors, four Alternate Directors, one Observer and eight Directors' desk officers attended one of the four introductory seminars organised by the EIB for new Board members. The EIB also held five information seminars reviewing strategic topics in more detail for the Board of Directors in 2012.

1.1.3. EIB Board Committees

Consistent with best banking practice, there are committees within the EIB Board of Directors¹: a **Committee on Staff Remuneration**, created in 2007, and a **Risk Policy Committee**, an **Equity Participation Policy Committee** and an **Ethics and Compliance Committee**, established in 2010 and working since 2011.

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 rules on any potential conflict of interest and informs the Board of Directors and the Board of Governors of the decisions adopted.

The members are chosen from among the Directors and Alternate Directors of the Board. They receive the same attendance allowance as the one decided by the Governors for the Board of Directors, i.e. EUR 600 for each meeting day. Members of the Committees do not receive this attendance allowance if the meetings are held on the same day as those of the Board of Directors.

A list of Board Committee members is regularly updated and published on the Bank's website, together with their Rules of Procedure.

The **Committee on Staff Remuneration** comprises eight Directors. It examines proposals concerning the Bank's staff budget (pensions and remuneration) and related issues. In 2012, one new member was designated:

- Mr Pedro MACHADO, replacing Mr Alvaro AGUIAR (February)

The Committee on Staff Remuneration met twice in 2012.

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 monitors their implementation by reviewing the Bank's risk profile. The Risk Policy Committee comprises nine members. In 2012, three new members were designated:

- Ms Sanita BAJARE, replacing Ms Irena KRUMANE (January)
- Ms Dolores DURÁN BONO replacing Mr Gonzalo GARCÍA ANDRÉS (March)
- Mr Claudiu DOLDU, replacing Stilpon NESTOR (July)

In 2012, the Risk Policy Committee held four meetings, on the occasion of discussions on the EIB's quarterly risk report. The Director General of Risk Management attended the meetings and answered the Members' questions.

¹ A particular feature of EIB governance is that the Audit Committee (see § 1.1.5) is fully independent and not a committee of the Board of Directors.

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. The Equity Participation Policy Committee comprises nine members and, in 2012, two new members were appointed:

- Mr Lucinio MUÑOZ replacing Ms Carmen LAÍN
- Mr Kasper LINDGAARD replacing Mr Sigmund LUBANSKI

The Equity Participation Policy Committee meets on request. In 2012, it held one meeting.

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 2012, 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 (until May 2012) and then José RODRIGUES DE JESUS, Chairmen of the Audit Committee.

In 2012, the Ethics and Compliance Committee met eight times. Decisions of the Ethics and Compliance Committee were communicated to the Board of Directors and Board of Governors in April 2012, in an annual report describing its activities in 2011.

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 a new President and two new Vice-Presidents in 2012, appointed by the Bank's Board of Governors on a proposal from the Board of Directors:

- Dr Werner HOYER was appointed for a six-year mandate by the EIB's Board of Governors as new EIB President with effect from 1 January 2012
- Mr Pim van BALLEKOM, a Dutch national, took up his duties on 1 January 2012
- Mr Mihai Nicolae TĂNĂSESCU, a Romanian national, was appointed as Vice-President with effect from 1 August 2012.

President MAYSTADT and Vice-President KOLLATZ-AHNEN left the Bank on 31 December 2011, while Vice-President ZAKELLARIS resigned with effect from 31 July 2012.

The renewal of the term of office of Mr Simon BROOKS as Vice-President and Member of the Management Committee, for a further period of six years commencing on 1 July 2012, was decided by the Board of Governors in June 2012. However, Mr BROOKS resigned as a Member of the Management Committee with effect from 31 December 2012. The appointment of his successor, Mr Jonathan TAYLOR, was approved by the Board of Governors on 10 December 2012, with effect from 1 January 2013.

In 2012, there was one female member of the Management Committee (11%).

The Management Committee oversees the day-to-day running of the Bank, prepares decisions for Directors and ensures that these are implemented. Members of the Management Committee are responsible only to the Bank. They meet as and when required by the business of the Bank. In 2012, 43 scheduled meetings were held, nearly one 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 rewards. 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 aligned with those of the President and Vice-Presidents of the European Commission respectively.

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 May 2012, the Audit Committee welcomed one new member:

- Mr Jean-Nicolas SCHAUS, who succeeded Mr Eric MATHAY whose six-year term of office had expired.

In addition, in May 2012, one member of the Audit Committee, Mr Joseph GALEA, tendered his resignation with immediate effect. The appointment of a replacement member by the designated constituency was pending as at 31 December 2012.

The Audit Committee, in discharging its duties for the financial year ended 31 December 2012:

- 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 its audit.

The Audit Committee met eight times in 2012. On average, attendance was 92.5% (95% in 2011). A register of Audit Committee members' attendance is detailed in annex 2.

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 1 050, an amount which is set by the Board of Governors and has not changed since 2002.

Changes in the structure of the services

The EIB's services are structured as follows:

- **General Secretariat (SG)** is responsible for implementing and monitoring the decision-making process in the Bank, defining strategy (including the Corporate Operational Plan), coordinating and developing relations with EU institutions, international and development financing agencies and NGOs, communications and corporate responsibility.
- **Finance Directorate (FI)** is responsible for all borrowing and treasury operations and back office support for 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 or EFTA Countries.
- **Projects Directorate (PJ)** assesses the economic, environmental and social, financial and technical sustainability of projects and compliance with EU and EIB sector policies.
- **Financial Control (FC)** is mainly responsible for informing internal and external stakeholders about the Bank's financial position, results and performance. FC has to ensure the integrity, completeness and accuracy of the Bank's financial statements and compliance with the applicable accounting standards and best practices.
- **Information and Corporate Centre (ICC)** is responsible for corporate services including information technology, buildings and logistics, and information management and reporting.
- **Inspectorate General (IG)** is responsible for internal audit, ex post and ongoing evaluation of operations and related policies and strategies, fraud investigation and the complaints mechanism.
- **Legal (JU)** is responsible for addressing any legal issue relevant to the Bank.
- **EIB Group Compliance Office (OCCO)** is responsible for assessing ex ante compliance and reputational risks and for implementing controls regarding money laundering and financing of terrorism risks.
- **Personnel Directorate (PERSONNEL)** is responsible for managing the Bank's human resources and the associated benefits, including health-care and pension rights.
- **Risk Management Directorate (RM)** is responsible for credit, market and operational risks and for the equity, lending, funding, treasury and derivative operations that the Bank performs
- **Transaction Management and Restructuring Directorate (TMR)** is responsible for the financial monitoring of counterparts inside the EU, and for fully invested funds and equity as well as distressed transactions and late payments inside and outside the EU.

In May 2012, the Human Resources Department was transformed into a Directorate and renamed Personnel, and a new Director General was appointed. The former Director of the Human Resources Department was appointed to be the Representative of the EIB on the Board of Directors of the European Bank for Reconstruction and Development as of 1 September 2012.

The EIB has regrouped its sponsorship activities into a single organisational unit called the "EIB Institute", which has, as an additional supervision mechanism, a dedicated Supervisory Board. The first meeting of the Supervisory Board took place in June 2012 and publicly launched the activities of the Institute².

² For additional information regarding the EIB Institute: <http://institute.eib.org/>

In July 2012, the Management Committee decided other organisational changes that have now been implemented.

The Secretary General has been given an increasing role of coordinating the services and responsibility for elaborating strategy and operational planning. In order to support the Secretary General in this task, the division in charge of planning, budget and corporate performance, previously under the Strategy and Corporate Centre Directorate (SCC), and the Economics department, previously under the Directorate for Operations outside the European Union and Candidate Countries, have been placed under his responsibility. The Management Committee also decided to transfer the Corporate Responsibility and Communications Department from the Strategy and Corporate Centre Directorate to the General Secretariat.

The function of Secretary General is no longer combined with the function of General Counsel. A new General Counsel has therefore been appointed to head up the Legal Directorate.

A new Group Chief Compliance Officer has been appointed. The Office of the Chief Compliance Officer (OCCO) was transformed into a Directorate, as part of a set of initiatives to reinforce the compliance function. The Group Chief Compliance Officer has privileged and direct access to the President and to the Audit Committee. The procurement function, formerly in OCCO, has been transferred to the new Corporate Centre.

Financial Control, previously under the Strategy and Corporate Centre Directorate, became a Directorate and therefore saw its independence reinforced.

As a result of these changes, the Strategy and Corporate Centre Directorate has been renamed the Information and Corporate Centre (ICC). The former Director General of SCC became the Dean of the EIB Institute and a new Director General has been appointed for the new ICC Directorate.

Capital

Since 1 April 2009, the Bank's subscribed capital has amounted to more than EUR 232 billion.

On 31 December 2012, the Board of Governors unanimously approved the proposal to raise pro rata by EUR 10 billion the paid-in capital of the Bank subscribed by the Member States. This decision follows the request made by the European Council, earlier in 2012, to examine how to increase support for growth. The EIB will now provide up to EUR 60 billion, over a 3-year period, in additional lending for economically viable projects across the EU promoting innovation and skills, SMEs, clean energy and modern infrastructure. Most Member States will pay their shares in the capital increase no later than 31 March 2013. However, some will pay their respective share of the capital increase in three instalments, 50 per cent no later than 31 March 2013 and the remaining 50 per cent in two equal instalments no later than 31 March 2014 and 31 March 2015.

New policies

Revision of the EIB's Rules of Procedure

Following a recommendation of the Audit Committee and in order to comply with applicable EU Directives, the Board of Governors is requested to approve and publish the financial statements by the end of April each year. The Rules of Procedure have been modified accordingly: the Board of Governors may decide to approve the financial statements outside its Annual Meeting – which usually takes place in May – and by using the written procedure.

As a consequence of this change:

- the Chairmanship of the Board of Governors and of the Audit Committee, and the term of office of the Audit Committee expires at the end of the day of the Annual Meeting or of the approval of the financial statements, whichever is the later;

- The draft annual report of the Board of Directors, containing the draft financial statements, is submitted to the Audit Committee no later than two weeks before submission to the Board of Governors. The new Rules of Procedure also reflect the existence of the Board committees set up in 2011.

EIB external offices: Kiev and Beijing

In December 2012, the Kiev and Beijing EIB external offices moved in with the European External Action Service (EEAS), pioneering a new EIB policy on co-location with the EEAS adopted earlier in 2012. These new locations will enable the Bank to develop its operations in both regions, whilst intensifying its cooperation with the EEAS.

New developments in corporate governance at the EIF in 2012³

Renewal at governing bodies level

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

- Chief Executive,
- Board of Directors,
- General Meeting.

Together with the Audit Board, these make up the statutory bodies of the EIF. The provisions applying to the functioning of the EIF's statutory bodies are set out in its Statutes and Rules of Procedure. The list of members of these bodies and their curricula vitae, along with additional information on remuneration arrangements and Codes of Conduct, are published on the EIF's website.

The Chief Executive is responsible for the day-to-day management of the EIF and reports to the Board of Directors. The current Chief Executive, appointed on 7 April 2008, is Mr Richard PELLY. Pursuant to Article 20(3) of the EIF's Statutes, a Deputy Chief Executive, Mr Jean-Marie MAGNETTE, was appointed on the same date. Mr MAGNETTE concluded his mandate on 15 September 2012. Appropriate arrangements have been put in place to ensure continuity across the specific areas for which he was responsible.

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 AGM of 23 April 2012, the General Meeting approved, as members of the Board, the appointments of:

- Mr Dario SCANNAPIECO, Vice-President of the EIB
- Mr Pim VAN BALLEKOM, Vice-President of the EIB
- Mr Christophe BORIES, Head of Bilateral Affairs and Financial Instruments Office, Directorate General for the Treasury, Ministry for Economic Affairs, Finance and Industry, Paris
- Mr Daniel CALLEJA CRESPO, Director-General, Directorate-General for Enterprise and Industry, European Commission, Brussels
- Mr Werner OERTER, Senior Vice-President, Head of the SME Division, KfW Bankengruppe, Frankfurt/Main

and the re-appointments of:

- Ms Tytti NORAS, Legal Counsellor, Ministry of Finance, Helsinki
- Mr Gerassimos THOMAS, Director, Directorate-General for Economic and Financial Affairs, European Commission, Luxembourg.

³ For more detailed information on the European Investment Fund, please see the EIF's Annual Report on www.eif.org.

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

- Mr Alfonso QUEREJETA, Secretary General of the EIB
- Mr Walter DEFFAA, Director-General, Directorate-General for Regional Policy, European Commission, Brussels
- Mr Marc AUBERGER, Director General, Qualium Investissement, Paris

as well as the re-appointments of:

- Mr Pierluigi GILIBERT, Director General, Directorate for Operations in the European Union and Candidate Countries, EIB
- Mr Zdeněk HRUBY, General Director, Ministry of Public Finance, Prague
- Mr Gaston REINESCH, Director General, Ministry of Finance, Luxembourg
- Mr Peter BASCH, Principal Adviser, Directorate-General for Economic and Financial Affairs, European Commission, Luxembourg.

The term of office of the Board of Directors is two years, ending on the day of the 2014 Annual General Meeting.

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, and a representative from each financial institution.

The Audit Board has the statutory responsibility for auditing 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, designated on a rotating basis by the members of the Fund and appointed by and accountable to the General Meeting. At the AGM of 23 April 2012, the General Meeting approved the appointment of Mr Sunil BEERSING, Head of Unit in the Internal Audit Service of the European Commission, designated by the European Commission, as member of the Audit Board. Taking effect the same date, Mr Helmut STERMANN, Deputy Director, Landeskreditbank Baden-Württemberg – Förderbank, nominated by the financial institutions and appointed by the General Meeting on 10 May 2010, resigned from the Audit Board. By decision of the General Meeting dated 14 May 2012, Mr Branimir BERKOVIC, Senior Executive Director, HBOR (Croatian Bank for Reconstruction and Development), was appointed as member of the Audit Board for the remaining term of office, ending on the day of the 2013 Annual General Meeting. Mr Gerard SMYTH is the third member, and current chairman, of the Audit Board.

Changes in the EIF's shareholders

In June 2012, Finnvera opted to sell its full shareholding of six shares to the EIB. As a result, the EIB now holds 62.1% of the shares, the European Commission holds 30% and 24 financial institutions hold the remaining 7.9% (as at end-November 2012).

Capital

The EIF has authorised capital of EUR 3 billion, which is divided into 3 000 fully subscribed shares with a nominal value of EUR 1 million each.

Updated policies

Statutes

In March 2012, the General Meeting approved an update of EIF's Statutes. The key amendment introduced the possibility of extending, on a case by case basis, the geographical scope of EIF's activities according to the requirements of specific mandates entrusted to EIF by third parties and in accordance with EIF's statutory task of contributing to the pursuit of European Union objectives. The update also included a revision of certain terminology to reflect changes in EU legislation, amendments to ensure consistency between the Statutes and EIF's Rules of Procedure, and an updated reference to EIF's authorised capital.

Transparency Policy

In April 2012, EIF's Board of Directors approved EIF's Transparency Policy. The Policy constitutes, together with the EIB's Transparency Policy, an integral part of the corporate responsibility policies applicable within EIB Group. EIF is committed to achieving the highest possible level of transparency in all its activities towards external and internal stakeholders. The Policy takes account of and commits to comply with the EU policy initiatives and legislative framework on transparency and public disclosure of information, whilst taking account of the specific governance structure of EIF and a business-sensitive approach towards EIF's various activities.

Main features of the EIB Group's internal control and risk management systems

At both the EIB and EIF, internal control, risk management and compliance are three separate functions, each having direct access to the relevant executive body (Management Committee for the EIB, Chief Executive for the EIF) and to their respective Boards of Directors (and, in the case of the 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.

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 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 **Secretariat General** also exercises internal control functions, such as the Bank's rolling three-year Corporate Operational Plan and reputational risk management activities within the communications domain.

The **Financial Control** Directorate is responsible for budgetary control, reporting and accounting. In order to improve transparency and with the objective of providing an unbiased true and fair view of 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 other based on EU AD.

The **Information and Corporate Centre** Directorate is in charge of business continuity management.

The **Compliance Directorate**, 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. countries listed by FATF as weakly regulated regarding money laundering and financing of terrorism risks), ensures compliance with the rules on EIB procurement for its own account, monitors the 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.

Main features of the EU system of accountability and control

In addition, the Bank is integrated into 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 unfavourable opinion, the Board of Directors may not grant the finance concerned unless its decision is unanimous, with 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.
- 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.
- If not satisfied with the review by the Group Complaints Mechanism, any physical or legal person may then 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 – Directors and Alternate Directors' attendance of 2012 meetings

a- Directors' attendance of meetings

Countries	Name	Appointment Date	Number of meetings	Attendance	Total (%)
Germany	Mr Dietrich JAHN	28/09/11	9	9	100%
France	Ms Sandrine GAUDIN (alternate from 09/10/2009)	29/09/10	9	4	44%
Italy	Mr Carlo MONTICELLI	02/10/08	9	9	100%
UK	Mr Peter CURWEN	03/06/08	9	5	56%
Spain	Mr Gonzalo GARCÍA ANDRÉS (until 13/03/2012)	19/10/10	1	1	100%
	replaced by Ms Dolores DURAN BONO	13/03/12	8	8	100%
Portugal	Mr Álvaro AGUIAR (until 4/01/2012)	17/12/09	0		
	replaced by Mr Pedro MACHADO	13/02/12	8	8	100%
Belgium	Mr Olivier HENIN	06/06/06	9	6	67%
Luxembourg	Mr Gaston REINESCH	30/10/95	9	6	67%
Netherlands	Mr Jan W. van den WALL BAKE	14/04/11	9	9	100%
Denmark	Mr Sigmund LUBANSKI (until 17/01/2012)	16/09/05	0		
	replaced by Mr Kasper LINDGAARD (until 1/09/2012)	22/02/12	4	3	75%
	replaced by Ms Julie SONNE	06/12/12	1	1	100%
Greece	Mr Stilpon NESTOR	06/06/10	9	8	89%
Ireland	Mr Michael SOMERS (alternate from 16/09/2005)	03/06/08	9	8	89%
Romania	Mr Bogdan Alexandru DRAGOI (until 9/02/2012)	18/02/09	1	0	0%
	replaced by Mr Cristian SPORIS (until 11/06/2012)	12/04/12	2	0	0%
	replaced by Mr Claudiu DOLTU	06/07/12	5	5	100%
Estonia	Mr Ivar SIKK	03/06/08	9	9	100%
Latvia	Ms Sanita BAJARE	09/01/12	9	9	100%
Lithuania	Mr Miglė TUSKIENĖ (alternate from 12/2007 to 02/2009) (until 1/10/2012)	07/12/10	6	6	100%
	replaced by Ms Jurgita UZIELIENE (alternate from 12/08/2011)	12/10/12	3	3	100%
Austria	Mr Wolfgang NITSCHKE (alternate from 09/06/2004)	03/06/08	9	9	100%
Finland	Ms Tytti NORAS	03/06/03	9	8	89%
Sweden	Mr Kurt A. HALL	19/02/02	9	9	100%
Bulgaria	Ms Dorothea Ivanova PANDOVA-GARGOVA	25/01/12	9	7	78%
Czech Republic	Mr Zdeněk HRUBÝ	10/05/04	9	8	89%
Cyprus	Mr Kyriacos KAKOURIS	10/05/04	9	9	100%
Hungary	Mr Zoltán URBÁN	14/09/10	9	7	78%
Malta	Mr Vincent GRECH	10/05/04	9	9	100%
Poland	Mr Jacek DOMINIK	13/11/06	9	9	100%
Slovenia	Ms Katja BOŽIČ (until 2/10/2012)	11/06/09	6	6	100%
	replaced by Mr Dejan KRUŠEC	04/12/12	1	1	100%
Slovakia	Ms Katarina KASZASOVÁ	14/03/05	9	9	100%
EU Commission	Mr Gerassimos THOMAS	25/01/12	9	9	100%
Experts	Mr Pierre RICHARD	05/05/04	9	8	89%
	Mr Rainer MASERA	05/05/04	9	9	100%
	Mr Timothy STONE	05/05/04	9	7	78%

According to the EIB's Statute and Rules of Procedure, each Director has one vote on the Board of Directors and may be replaced by an Alternate Director. Where a Director is prevented from attending but 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 of 2012 meetings

Countries & Constituencies	Name	Appointment Date	Number of meetings	Attendance	Total (%)
Germany	Mr Ralph MULLER (director from 18/09/2008)	28/09/11	9	9	100%
	Mr Rudolf LEPERS	28/09/11	9	8	89%
France	Mr Christophe BORIES	12/12/11	9	8	89%
	Mr Dov ZERAH	16/02/11	9	5	56%
Italy	Ms Francesca MERCUSA	25/11/09	9	6	67%
	Vacant position				
UK	Mr Mike GLYCOPANTIS	21/04/09	9	4	44%
	Ms Melinda SIMMONS	10/06/11	9	3	33%
Spain & Portugal	Ms Carmen LAÍN (until 21/02/2012) replaced by Mr Lucinio MUNOZ	14/11/08	1	1	100%
		11/06/12	5	3	60%
Belgium, Luxembourg & Netherlands	Mr Rudolf de KORTE (until 16/01/2012) replaced by Mr Franciscus GODTS	10/07/00	0		
		24/10/12	2	2	100%
Denmark, Greece, Ireland & Romania	Ms Angela CARABAŞ	25/01/10	9	8	89%
	Mr Alf THERKILDSEN	03/06/08	9	7	78%
Estonia, Latvia, Lithuania, Austria, Finland & Sweden	Mr Mattias HECTOR (until 17/02/2012) replaced by Mr Lars ÖSTLING	07/04/10	1	0	0%
		09/03/12	8	9	100%
	Ms Jurgita UZIELIENE (until 11/10/2012) replaced by Ms Dovilė JASAITIENE	12/08/11	6	6	100%
		12/10/12	3	3	100%
Bulgaria, Czech Republic, Cyprus, Hungary, Malta, Poland, Slovenia, Slovakia	Mr Zdenek PAGAC	21/11/11	9	9	100%
	Ms Jenya DINKOVA	02/06/11	9	7	78%
	Vacant position				
EU Commission	Mr Dirk AHNER (until 22/12/2011) replaced by Mr Walter DEFFAA	18/04/07	0		
		06/06/12	5	0	0%
Experts	Mr Antoni SALA	05/05/04	9	6	67%
	Mr Axel NAWRATH	12/05/09	9	4	44%
	Vacant position				

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

Annex 2 – Audit Committee members' attendance of 2012 meetings

Name	Status	Number of meeting days	Attendance	Total Attendance
Mr Eric MATHAY	Chairman until May 2012	8	8	100%
Mr José RODRIGUES de JESUS	Member & Chairman from May 2012	12	12	100%
Ms Danièle NOUY	Member	12	12	100%
Mr Joseph GALEA	Member (resigned in May 2012)	8	8	100%
Mr Madis UURIKE	Member	12	12	100%
Ms Bettina JAKOBSEN	Member	12	9	75%
Mr Jean-Nicolas SCHAUS⁴	Member	4	4	100%
Mr Jukka VESALA	Observer	12	9	75%
Total		80	74	92.50%

⁴ Mr Jean-Nicolas SCHAUS was appointed by a decision of the Board of Governors on 15 May 2012.



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