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# Corporate Responsibility Developments in 2007







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# Corporate Responsibility Developments in 2007







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## The President's welcome

Introducing the 2006 annual report last year, I emphasised that 2007 would be a critical year for the European Investment Bank in the implementation of its new strategy of taking more risk for more value added. Ambitious lending targets were set in the COP (Corporate Operational Plan), notably as regards the use of the SFF (Structured Finance Facility). These targets were met and, in some cases, exceeded. For instance, the level of signatures under the SFF reached more than EUR 1.5 billion, an almost five-fold increase on 2006; at the same time, the EIB quadrupled its support for clean energy sources, signing loans of more than EUR 2 billion for renewable energy projects. A number of new initiatives became operational in partnership with the European Commission, in particular the RSFF (Risk Sharing Finance Facility for Research).

Outside the EU, a good start was made with implementing the new external mandate granted by the EU Council for the period 2007-2013. Although the corresponding Guarantee Agreement with the Commission was signed only in August, signatures in the enlargement, neighbouring and partner countries reached more than EUR 6 billion. In Turkey, the Western Balkans and the Mediterranean partner countries, the European Investment Bank is today the most active international financial institution.

To support this lending, the EIB raised nearly EUR 55 billion on the international capital markets – significantly more than the EUR 48 billion raised in 2006 – through 236 bond issues in 23 currencies. The European Investment Bank remains one of the largest capital market issuers, and its ability to tap these markets has held up strongly in the face of the financial turbulence since mid-2007. Quite clearly, investors have been reassured by the EIB's prudent risk management policies and its first-class credit rating, underpinned by the quality of the Bank's shareholders.

Such results are testimony to the hard work and professionalism of the staff. They are also a gauge of the confidence of both the shareholders and the Commission in the Bank's ability to deliver on key EU policies and generate value added through its operations.

However, the Member States' and Commission's trust brings additional responsibilities and challenges, as is evident from the 2008-2010 COP approved by the Bank's Board. The EIB will be expected to continue to deliver on its commitments in the fields of convergence, transport (with a reinforced focus on priority TEN projects), energy (especially renewable energy and energy efficiency), the environment, the knowledge economy (i2i) and SME financing.

Concerning this last area, following a consultation process with its banking partners, public authorities and SME associations, the EIB Group is currently looking at ways in which it can boost this support still further.

This year, as a further step towards better integrating Corporate Responsibility (CR) into the EIB's strategy, we have decided to consolidate our reporting in a single document: the "Activity and Corporate Responsibility Report". The main developments that took place in 2007 are further expanded upon in the supplementary information available on the CD-ROM and on our website.

As part of our objective to increase the transparency of our activities, a sub-section on CR has also been created on our website, where it will also be possible to find more information on our CR policies and practices. The EIB also decided to apply, as from June 2007, the provisions of the Aarhus Regulation (1367/2006) on public access to information, public participation in decision-making and public access to justice in environmental matters.

Alongside the updating and publication of the Environmental and Social Practices Handbook, which describes the internal processes and practices of the Bank, our Environmental and Social Statement has been revised and is undergoing a process of public consultation. These initiatives will further enhance the way that we assess and mitigate the environmental and social risks associated with our project-financing activities.



Of particular note in 2007 as far as the Bank's lending activities outside the Union are concerned, the Economic and Social Impact Assessment Framework (ESIAF) was modified in order to better meet the requirements of each individual mandate and provide a more refined measure of the Bank's value added. Applied to all EIB external mandates, ESIAF will enable the EIB to better evaluate and understand the impact of the projects it finances outside the Union, both ex ante and ex post, with a view to further enhancing its CR policies and practices in the future.

position as a major economic power; and the challenge of world solidarity, combating poverty in other parts of the world. The EIB is eager to help Europe face these challenges.

**Philippe Maystadt**  
President,  
European Investment Bank Group

The European Investment Bank can now look back on 50 years of activity. Set up in 1958 to contribute to the integration, balanced development and economic and social cohesion of the European Union, during its fifty years of operations it has gained significant experience in financing investment projects across a wide range of sectors. It has supported the Union's most important achievements, fostering Europe's economic growth; it has taken up the challenge of six enlargements, increasing its capital from one billion units of account to EUR 164.8 billion; and it played a major role in the run-up to the euro, launching initiatives that paved the way for the transition to a single currency.

Fifty years after the Treaty of Rome, the European adventure is only just beginning. It is now vital to embrace the challenges of the 21st century: the environmental challenge, and the fight against climate change; the scientific and industrial challenge to ensure Europe's

## Key lending figures

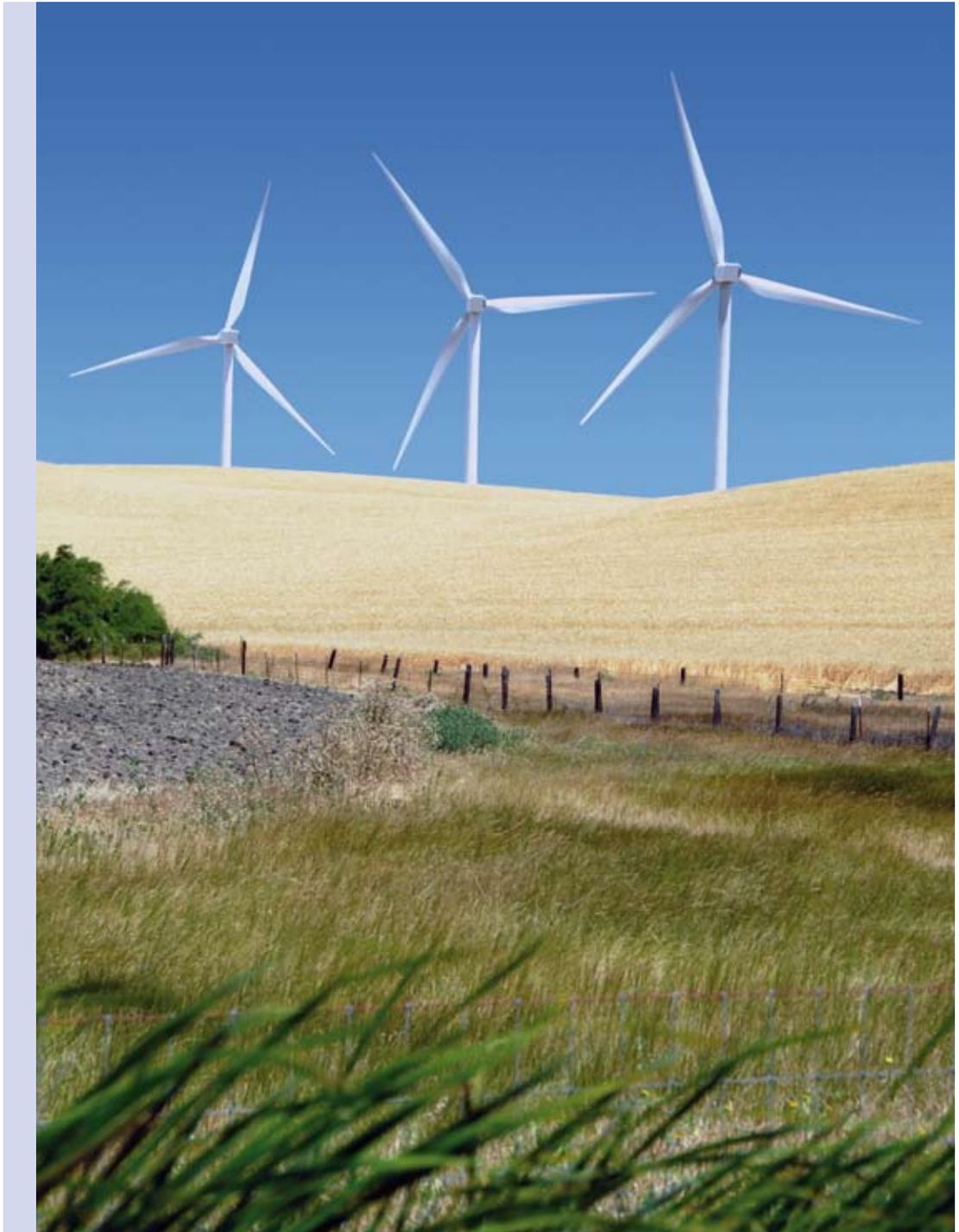
Key lending figures	EUR bn
<b>Economic and Social Cohesion in the EU</b>	<b>25.1</b>
Communications	9.8
Energy	4.1
Health, education	2.5
Water, sanitation, waste	1.7
Urban development	1.5
Industry	1.4
Other services	1.1
Credit lines for regional development	2.9
<b>Innovative and Knowledge-Based European Economy</b>	<b>10.2</b>
Research, development and innovation	7.1
Education and training	1.3
Information and communications technology networks	1.6
<b>Environmental Protection</b>	<b>14.6</b>
of which outside the EU	1.6
Climate change	4.5
Nature, biodiversity and natural resources	0.03
Environment and health	4.3
Natural resources and waste management	0.1
Urban environment	5.6
<b>Trans-European Networks</b>	<b>9.8</b>
<b>Small and Medium-Sized Enterprises in the EU</b>	<b>5.0</b>
<b>Support for EU Development and Cooperation Policies</b>	<b>6.4</b>
Neighbouring South-Eastern Countries	2.9
Russia and WNIS	0.2
FEMIP	1.4
Africa, Caribbean and Pacific	0.8
Republic of South Africa	0.1
Asia and Latin America	0.9



## Highlights

- The European Investment Bank held its annual Forum in Ljubljana, Slovenia, addressing Europe's new energy policy and diversification of energy supply. During this Forum, the Bank announced an increase in funds for projects aimed at more efficient and sustainable energy use. The Bank is in the process of defining a range of policies that reinforce the EIB's commitment to sustainable development, for example with regard to climate change, water, transport and energy (see Part III, Responsible financing).
- In 2007 the EIB's Environmental and Social Practices Handbook was updated and made available to the public. It describes the internal processes and practices of the Bank, particularly the work carried out by its Projects Directorate (PJ), to ensure that all financing activities are consistent with its environmental policy. In 2008, the Bank will publish a new Statement on its Environmental and Social Policy (Principles and Standards), as a strong reaffirmation of its environmental concerns and credentials. This Statement will be subject to a public consultation process before adoption.
- The European Investment Bank's EUR 100 million Post-2012 Carbon Fund was launched in Ljubljana during the above-mentioned 2007 EIB Forum. The Post-2012 Carbon Fund is designed to underpin the market value of carbon emission reduction units produced after the expiry of the current Kyoto Protocol in 2012. The Bank and its partners (national public financial institutions) have designed the Fund to encourage and facilitate investment in projects which will give rise to carbon credits in a longer-term time perspective than is currently generally the case. Through the mechanism of the Fund, "patient and catalytic public sector capital" will serve to enhance the role of carbon credits as a project finance instrument.
- A Memorandum of Understanding was signed between the EIB and Kreditanstalt für Wiederaufbau (KfW) Bankengruppe on the launch of the EIB-KfW Carbon Programme. The programme has a volume of EUR 100 million and constitutes the follow-up programme and second tranche of the KfW Carbon Fund. The Programme was launched at the Carbon Expo in Cologne in May 2007.
- 2007 also saw the launching of the Bank's Climate Awareness Bond, the first EIB bond sold via public offering in all 27 EU Member States to offer a unique investment opportunity focused on climate protection. The funds raised are earmarked for investment in future EIB lending projects in the fields of renewable energy and energy efficiency.
- The close cooperation between the EIB and the European Ombudsman's (EO) Office was further enhanced during 2007 by preparations for the introduction, in early 2008, of a Memorandum of Understanding (MoU) between the two institutions. Subject to further discussions between the EIB and the EO, the MoU will clearly set out the principles of cooperation between the two parties. In light of the objective to strengthen the EIB's complaints mechanism and to ensure equal treatment of all EIB stakeholders, the MoU will contain the Ombudsman's commitment to use his discretion where a complaint against the EIB lodged with the EO is considered inadmissible solely because the complainant is not a citizen of the European Union or a natural or legal person residing or having his registered office within the Union.
- In 2007 the EIB strengthened its internal environmental management system and decided to use the Greenhouse Gas (GHG) Protocol Initiative Standards for measuring and monitoring its direct environmental impact. A reduction target of 20-30% of its direct CO<sub>2</sub> emissions was set and will be achieved by implementing a set of measures to encourage the use of public or clean transportation, the reduction of energy consumption and better management of waste and recyclables.
- The Luxemburgish SuperDrecksKëscht Green Label was awarded to the Bank for its internal waste recycling practices in 2007. The criteria for obtaining the label are visible and accessible collection sites, safe and environmentally correct storage, and good management in terms of waste recycling and disposal.

## I – Responsible Reporting





## 1. Changes to the reporting method

### Activity and Corporate Responsibility Report

The Activity and Corporate Responsibility Report has a print run of 54 000 in 22 languages and contains additional information on corporate responsibility in the attached CD-ROM. It is used for official visits and external contacts in general. Its main target audiences are the key stakeholders, including MEPs and civil society, shareholder communities, investors, other political groupings (including non-EU), the business community, international organisations and IFIs, and members of the general public.

### Corporate responsibility developments in 2007

A CD-ROM is attached to the Activity and Corporate Responsibility Report, enabling readers to browse the Activity and Corporate Responsibility Report in three languages, together with the PDF version of the three volumes of the Annual Report in all available languages. It also contains the information on Corporate Responsibility Developments in 2007. The CD-ROM has an offline search function as well as a series of links to the EIB and EIF websites for accessing the most up-to-date information on the Statutory Bodies, Organisation Chart, etc.

### Corporate responsibility website

A separate section on corporate responsibility has been created on the EIB website. It contains information relating to the Bank's structure and activities in the area of corporate responsibility in earlier years, as well as 2007. It will also contain the electronic version of Corporate Responsibility Developments in 2007. An internal editorial committee validates all the information included in the Corporate Responsibility section of the Bank's website.

## 2. Report content and validation

As a result of the changes highlighted above, the 2007 report, while retaining the structure of last year's report, focuses more on the actual events that took place in 2007, and most of the information concerning the Bank's policies and processes will be found on the EIB website under the Corporate Responsibility section. Any re-statement of information already provided in previous reports has been avoided; in the GRI content index at the end of this report reference is therefore also made to previous years' reports, the annual report and the EIB's website.

A new feature of this report is that, for the first time, it also contains information on the European Investment Fund (EIF).

For the 2006 report the Bank followed the Global Reporting Initiative (GRI) standards (G3) published in October 2006. The same standards have been applied for the 2007 report. Furthermore, the Bank has applied the GRI Reporting Framework to meet a "B+" Application Level confirmed by the GRI, up from last year's self-estimated B level.

Assurance has been provided by our internal control systems on quantitative data presented in this report. Moreover, the financial data has been subject to the statutory audit and verification process. As has been the case in previous years, the report itself is the outcome of a careful in-house editorial process. The Bank has also obtained report assurance from its statutory external auditors. This assurance was performed within the framework of internationally recognised standards such as the GRI, AA1000 and ISAE3000. In seeking this assurance the EIB mainly aims to ensure that: (i) the information provided to stakeholders is credible, (ii) the risk of misstatement is reduced and (iii) the results will help in improving our reporting, our procedures and our controls.

## II – Governance and Accountability





## 1. Strategy and planning

Increased focus on the challenges of climate change has moved energy policy to the top of the EU agenda. The Board of Directors added energy as a new objective for the COP 2007-2009 in November 2006 and the Board of Governors endorsed the new energy lending policy in June 2007. At the same time, the launching with the European Commission of JESSICA (Joint European Support for Sustainable Investment in City Areas) drew greater attention to urban and sustainable communities.

As far as lending operations (investment loans) within Europe and in future Member States are concerned, a critical review of the value added (VA) methodology was undertaken in 2007 with the primary objective of improving the consistency and harmonisation of ratings across operations and types of loans. ✓

For lending operations (investment loans) outside Europe, the existing VA approach has been adapted. The Economic and Social Impact Assessment Framework (ESIAF) is now in force for all direct operations outside Europe. ✓

## 2. Compliance with laws and regulations

The Office of the Chief Compliance Officer (OCCO) identifies and addresses ex ante risks associated with non-compliance with laws, rules, regulations and policies applicable to the EIB. OCCO is responsible for integrity checks and Anti-Money Laundering and Combating the Financing of Terrorism controls on the Bank's counterparties and operations.

During 2007 no evidence was found of the EIB contravening any laws or regulations leading to fines for non-compliance with laws and regulations concerning the provision and use of products and services.

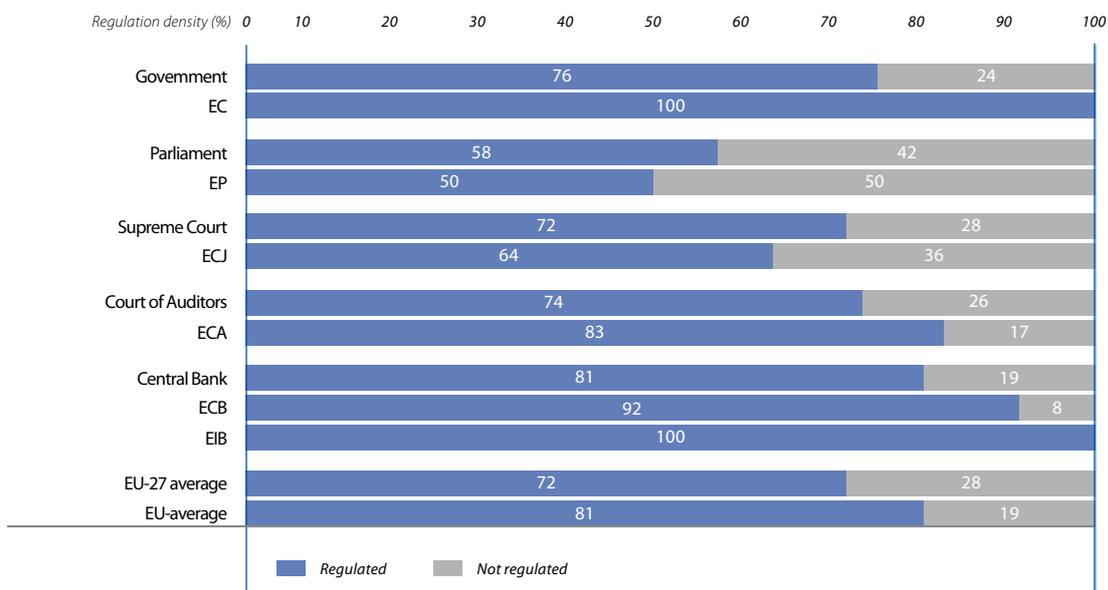
## 3. Rules and standards of professional ethics

In 2006 the European Commission asked the European Institute of Public Administration, in cooperation with the University of Helsinki, the University of Vaasa and the Utrecht School of Governance, to undertake a comparative study entitled: "Rules and Standards of Professional Ethics for Holders of Public Office in the Member States of the European Union and the EU Institutions."

According to the mandate given by the European Commission, this study was to analyse and compare the various rules and standards of professional ethics contained in the laws, regulations or codes of conduct for ministers or other members of the Government, elected members of parliament, Justices of the Supreme Court, and members or directors of the Court of Auditors and central or national banks. At EU level it was decided by the European Commission to analyse the situation in the European Commission itself, the European Parliament, the European Court of Justice, the European Court of Auditors, the European Central Bank and the European Investment Bank.

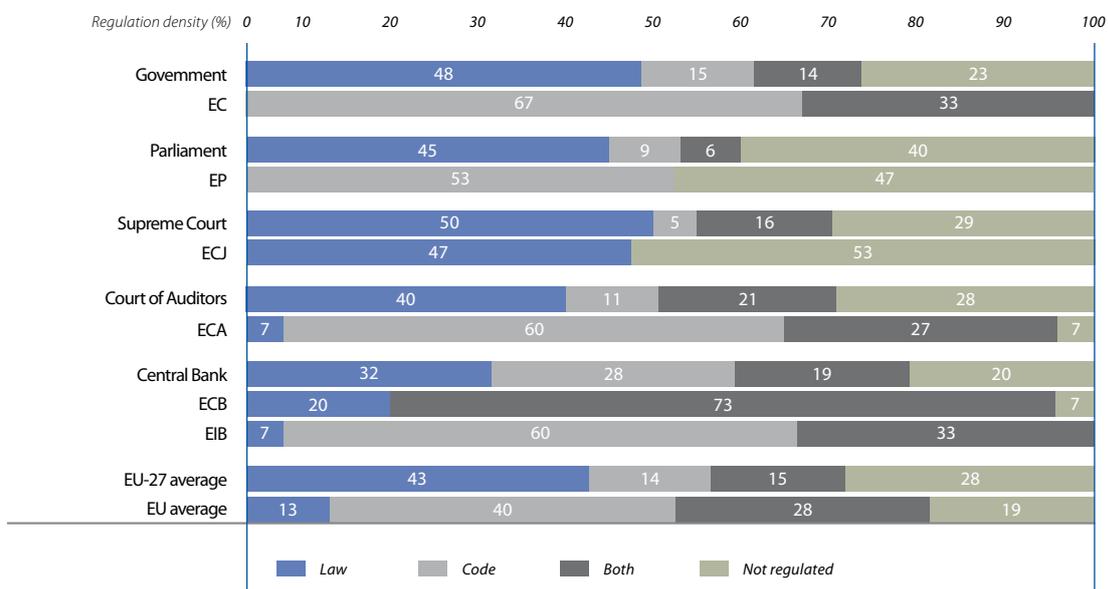
While the various EU institutions have entirely different and separate rules and standards regarding conflicts of interests for holders of public office, a study of regulation density amongst the six EU institutions has shown that the European Investment Bank and the European Commission rank first in terms of issues regulated, followed by the European Central Bank and the European Court of Auditors (ECA).

Regulation density by type of institution and European institution



The study also noted that, due to a lack of secondary legislation, the most important regulatory instrument of the EU institutions is codes. As can be seen in the following graph, the EIB is fully regulated by laws, codes, or both. In addition, the Bank's Statement on Governance introduces the function of Chief Compliance Officer, although the study notes that there is no public evidence concerning this role and its practical application. Additionally, the Bank's codes of conduct deal with matters such as conflicts of interest as well as declarations of assets and financial interests for the President and members of the Management Committee. The study considers the Bank's conflicts of interest infrastructure to be relatively sophisticated in nature. ✓

Form of regulation by type of institution and European institution





## 4. Public consultation on the Bank's anti-fraud policy

During 2007, the EIB conducted a review of its policy, guidelines and procedures on fighting corruption, fraud, money laundering and the financing of terrorism. In line with the Bank's Transparency Policy, the review included a public consultation process. The process closely followed a set of guidelines based on the Bank's first public consultation, which focused on the EIB's Public Disclosure Policy (for its first consultation, the Bank used the procedures, principles and standards adopted by the European Commission and other IFIs as a benchmark). ✓

The web-based public consultation was launched on 12 February 2007, with a draft policy and procedures being published on the Bank's website in English, French and German. The consultation was divided into two rounds, the first taking place between 12 February and 18 April and the second between 12 July and 13 September. In addition, the Bank held two public consultation meetings to discuss its policy review with interested stakeholders. The meetings were announced on the EIB's website and invitations were sent to the 200 organisations and individuals on the consultation mailing list. The consultation process was completed on 13 September 2007.

In parallel to the public consultation process conducted on the Bank's policy, guidelines and procedures for fighting corruption, fraud, money laundering and the financing of terrorism, a consultation process involving the Bank's internal stakeholders also took place whereby they were encouraged to comment on the draft policy, which was distributed within the Bank together with details about the consultation process itself. EIB Directorates had an opportunity to submit contributions to the first draft prior to the launch of the public consultation process. The Inspector General made a presentation on the policy review and consultation process to interested members of staff, the Board of Directors and the Audit Committee.

The College of EIB Staff Representatives was also consulted and provided an opinion. This resulted in clarifications being added to the policy.

The new Policy and Procedures and Consultation Report will be approved and published on the EIB's website in early 2008.

### Anti-money laundering seminar arranged by the EIB in 2007

The first seminar – "Understanding money laundering to fight it and applying anti-money laundering international standards" – was organised by the Bank on 9 and 10 November 2007 in Douala, Cameroon, for a major African banking group that operates in a number of countries of the subregion. This was a joint initiative by the operational departments and the Office of the Chief Compliance Officer (OCCO) in the context of entering into a relationship with the banking group in question and took the form of technical assistance to improve corporate governance by helping people to properly understand arrangements for combating money laundering and the financing of terrorism and to put such arrangements in place. The aim of this two-day seminar, which was given by internal Bank experts, was to encourage the sharing of experiences and guarantee real value added for the participants, while at the same time taking account of the legal framework and local characteristics of Central Africa.

Some sixty or so top executives, including CEOs and managers of branches and auditing and compliance departments attended this seminar. The various participants found it very worthwhile and invaluable in helping them with their daily work. ✓



## 5. European Investment Fund

The European Investment Fund was established in 1994. It is an EU body and member of the EIB Group. Sixty-six per cent of its capital is owned by the EIB, 25 per cent by the European Community and 9 per cent by 31 financial institutions from EU Member States and neighbouring countries. The EIF provides risk finance cover to intermediaries for the benefit of small and medium-sized enterprises (SMEs). It operates primarily as an investor in venture capital and private equity funds and as a guarantor to financial institutions for SME financing.

In 2007 the EIF was mandated by the European Community with a new facility for venture capital/private equity and guarantee finance for the benefit of SMEs as part of the Competitiveness and Innovation Framework Programme (CIP); this programme provides for specific support for Eco-innovation. The EIF is also coordinating an advisory function of the EIB Group for the Global Energy Efficiency and Renewable Energy Fund (GEEREF), an innovative initiative launched by the European Commission together with various EU Member States as public donors, which combines public and private funding to support access to clean energy and development for economies in transition and developing countries.

It is part of the EIF's investment and guarantee policy to actively promote principles of good governance among its business partners and to oversee the implementation of such principles through hands-on monitoring. The EIF also applies the usual investment restrictions relating to arms production, tobacco and human cloning and imposes controls with regard to bioethics and genetically modified organisms (GMOs).

The EIF published a statement on Corporate Social Responsibility on 15 July 2007. Its CSR policy follows the guiding principles applied in the EIB. The EIF has a legal personality distinct from that of the EIB, with separate contractual employment relations, although the terms of employment are broadly in line with those of the EIB. The EIF has issued a Dignity at Work policy along the lines of the corresponding EIB policy and its code of conduct by and large follows the principles laid down in the EIB Code of Conduct. The EIF's CSR policy is coordinated by the EIF Compliance Function, which was established in March 2005.

## 6. Working with others

**The European Investment Bank: working in a strategic partnership with the European Union's institutions at the service of European citizens and enterprises and cooperating as a close partner with other international financial institutions and civil society organisations.**

*As the long-term financing institution of the European Union, the EIB, which was created in 1958 by the Treaty of Rome, works to further the Union's policy objectives, both inside and outside the EU, by implementing them on the basis of guidelines defined and formulated by its public shareholders, the Member States, under the auspices of its Board of Governors as well as within the institutional framework of the Council of the European Union.*

*The European Commission, together with the EIB, prepared Council discussions and decisions in 2007 focusing on the Bank's priority lending activities for the years ahead. In this context the EIB participated in Council (ECOFIN) meetings and very regularly interacted with the European Parliament and its Committees. The Bank also maintained close relations with consultative bodies such as the Committee of the Regions and the Economic and Social Committee, pursued its close working relationship with other international financial institutions and maintained its dynamic dialogue with civil society organisations, including non-governmental organisations.*

*All these initiatives, actions and contacts complement the EIB's own arrangements in the pursuit of its priority strategic objectives.*



## Intensive cooperation with the Council of the European Union

In 2007 increased focus on energy and climate change challenges resulted in energy policy being moved to the top of the EU agenda. Anticipating this, in late 2006 the Bank's Board of Directors approved the inclusion of energy as a priority lending objective.

In March 2007 the European Council adopted an "[Action Plan for Energy Policy 2007-2009](#)", which set specific energy targets that are to be met by 2020. In view of these ambitious targets the EIB decided to reinforce as from 2007 its contribution to EU energy and climate change policy.

The adoption by the Council of the 7th Framework Programme for research, technological development and demonstration activities in the last days of December 2006 paved the way for the first lending operations under the Risk Sharing Finance Facility (RSFF) in June 2007. Managed by the EIB, the RSFF blends EU budgetary funds with EIB own resources in order to stimulate investment in European research, development and innovation infrastructure.

Likewise, by adopting the TEN Financial Regulation in June 2007, the Council also gave the green light to the Loan Guarantee Instrument for TEN-Transport Projects (LGTT), an innovative financial instrument aimed at supporting project acceleration in the field of trans-European and access networks through close cooperation between the EIB, the European Commission and the international banking sector.

In line with the conclusions of the June Transport Council meeting regarding an agreed need for a [European energy strategy for transport](#), a new policy in this area was developed in close cooperation with the Commission. With increased attention being paid to climate change, the Bank also undertook to ensure that its lending activity in this sector remains sustainable, with greater priority being given to rail, maritime, inland waterway and intermodal projects. Priority lending under i2i placed emphasis on RDI activities to enhance vehicle energy efficiency and emission reduction.

Following the adoption by the Council in December 2006, of the [EIB's new external mandate](#), an assessment of the mechanisms for cooperation between the Bank, on one hand, and the European Commission and other international financial institutions and European bilateral Institutions, on the other, was carried out in 2007. In this context the consistency between the Bank's external action and the EU's external policy will continue to be strengthened. At the same time, at the request of the Council, the Bank started to examine ways of stepping up its cooperation with other international financial institutions with the aim of maximising synergies and ensuring balanced risk-sharing and appropriate project and sector conditionality.

By making its investment financing expertise available, the EIB contributed actively to the work of the ECOFIN Council and ECOFIN's preparatory bodies. Likewise the Bank also offered to several committees and working groups its full commitment to the preparation of other Council meetings.

During 2007 the Bank increased its activities under the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). At their November meeting, the 27 EU Finance ministers decided to reinforce FEMIP's strategic framework. Through its enhanced role, FEMIP has now become the key financial instrument for implementing the European Neighbourhood Policy on the southern shores of the Mediterranean, whilst transferring to the partner countries the experience gained over the years in Europe. In parallel FEMIP continued to cooperate closely with other international financial institutions active in the above-mentioned regions.

As part of the negotiations relating to the EIB's new external mandate covering the period 2007-2013 under the EU guarantee, the Bank was also invited by the Council to extend own resource lending without recourse to the EU guarantee. Consequently, the EIB took three decisions.

First, the Board of Governors agreed that the existing Pre-Accession Facility for own resource lending without EU guarantee could also be utilised for operations in Turkey, Croatia and the Former Yugoslav Republic of Macedonia. Financing under this Facility will also be available to potential candidate countries for projects meeting the credit criteria for operations within the EU.

The Bank's Governors also decided to put in place a second Mediterranean Partnership Facility, likewise for own resource lending without EU guarantee, thereby doubling the amount (EUR 2 000m) compared to the first Facility.

Finally, the Board of Governors authorised the Bank to establish a EUR 3bn Facility for Energy Sustainability and Security of Supply for the period 2007-2013 from its own resources, given the high priority attached to climate change and security of energy supplies, both having a clear international dimension. A first loan under this Facility was provided to the People's Republic of China in December 2007 to support China's efforts to mitigate climate change. ✓

### Working in close partnership with the European Commission

After a particularly productive year in 2006, during which quite a number of new initiatives were launched with the Commission, 2007 was characterised by a sustained operational partnership between the Bank and the Commission, with the focus not only on the operational implementation of previously launched initiatives but also on finalisation of the agreement for two new joint financial instruments (see the RSFF and LGTT below).

For the three joint initiatives taken the previous year together with the Directorate-General for Regional Policy (DG REGIO) – JASPERS (Joint Assistance to Support Projects in European Regions), JEREMIE (Joint European Resources for Micro-to-Medium Enterprises) and JESSICA (Joint European Support for Sustainable Investment in City Areas) – 2007 was a ramp-up year.

In particular, JASPERS (the upstream phase in the preparation of large investment projects) has become a key instrument in the cooperation with the EU Structural Funds, helping new Member States to present viable projects qualifying for substantial support from EU funding. Three regional offices – in Warsaw, Bucharest and Vienna – were established with a total of 25 dedicated experienced staff, coordinated and backed up by the JASPERS team at the EIB's Head Office. JASPERS has identified 260 technical assistance/advisory tasks in the 12 EU beneficiary countries. The majority of JASPERS technical assistance assignments involve transport, environment/energy and municipal infrastructure projects, with special attention being devoted to environmental sustainability implications. ✓

JEREMIE is aimed at enabling Member States and regional authorities to apply the EIB Group's SME financing expertise at national, regional and local level for improving financial conditions for small businesses. In 2007 the European Investment Fund conducted 36 SME finance gap analyses to assess the need for financial engineering instruments with a view to possible implementation of the JEREMIE initiative.

Alongside the Commission (DG REGIO) and the Council of Europe Development Bank (CEB), the EIB started to develop the JESSICA initiative, which aims to combine grants under the ERDF programmes for urban development and renewal or social housing with loans from the two banking institutions. The Bank provided technical assistance and disseminated its knowledge of best practice based on established expertise in lending to urban renewal/regeneration projects across Europe. In 2007 various focused studies were carried out in six Member States, and partnerships with key local players for specific projects were established in several EU countries.

The European Commission and the EIB also joined forces to set up a new financial instrument, the Risk Sharing Finance Facility (RSFF). The Cooperation Agreement between the European Community (Research Directorate-General - DG RTD, of the Commission) and the EIB was signed in June 2007. This innovative scheme, part of the EU's 7th Research Framework



Programme (FP7), is designed to foster private sector and public institutional investment across Europe in the field of research, development and innovation. Built on the principle of risk sharing, the RSFF extends the ability of the Bank to provide loans and guarantees with a low or sub-investment grade risk profile. This scheme is a key element of the Bank's contribution to the Lisbon Agenda and in particular to the Innovation 2010 Initiative (i2i). The first operations were signed in 2007 in Spain, Austria and Germany. The sectors concerned included solar and other forms of renewable energy, automotive research and biotechnology.



In order to ensure the successful launch of the RSFF, the Bank expanded its contacts with key players on the European research scene, such as European Technology Platforms (ETPs), EUREKA, the European Strategy Forum on Research Infrastructures (ESFRI) as well as industry associations.

The second financial instrument finalised with the Commission's Directorate-General for Energy and Transport (DG TREN) just before year-end 2007 was the Loan Guarantee Instrument for TEN Transport projects (LGTT), an agreement to be signed in early 2008. This facility, to be managed by the EIB, is intended to specifically assist private sector financing of trans-European transport network infrastructure projects, particularly in the form of public-private partnerships (PPPs), by providing security for traffic revenues, which entail a high degree of financial risk, especially during the most risky phase of a project, namely the first five to seven years of operations. The LGTT, which forms part of the Trans-European Transport Network (TEN-T) programme, is thus meant to be a guarantee instrument for subordinated debt, covering the ramp-up risk while retaining the projects' long-term financial viability.

Other actions involving cooperation with the Commission were initiated in 2007. Nine Member States, the Commission and the EIB together launched the "Infrastructure Trust Fund for Africa". This Trust Fund is a financial instrument of the EU-Africa Infrastructure Partnership, one of the pillars of the new EU Strategy for Africa adopted by the Council of the European Union in December 2005. Cooperation with the Commission was also evidenced by the implementation of the EU Water Facility, to which the Bank continued to make a significant contribution.

### **Sustained cooperation and partnerships with other international financial institutions (IFIs)**

During 2007 the EIB actively pursued its policy to enhance the effectiveness of its operations by further reinforcing and developing its operational partnerships with other international financial institutions. Cooperation continued to be an integral part of the EIB's activities, ranging from dialogue on institutional matters to collaboration on operational lending and co-financing, as well as mutual consultation on horizontal topics and thematic issues.

A number of Memoranda of Understanding facilitated cooperation between the Bank and other IFIs, gradually covering more regions outside the EU. Regular meetings at both senior management and field level took place and the EIB is also seeking to increase the number of projects jointly appraised and co-financed with other IFIs.

In 2007 a start was made on implementing the Tripartite Agreement between the Commission, the European Bank for Reconstruction and Development (EBRD) and the Bank on operational cooperation activities in Russia, the Eastern Neighbours and Central Asia, with an intensive dialogue between the three institutions and the establishment of a joint pipeline. The EBRD is also closely associated in other initiatives and partnerships (e.g. the JASPERS technical assistance initiative within the framework of EU regional policy).

Under the European Neighbourhood Policy a Memorandum of Understanding for Eastern Europe, the Southern Caucasus, Russia and Central Asia was signed in July 2007 between the co-signatories (European Commission, EIB, EBRD, Black Sea Trade and Development Bank (BSTDB), Council of Europe Development Bank, International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC) and Nordic Investment Bank (NIB)), replacing a previous agreement signed in 2000.

In 2007 a new Memorandum of Understanding was signed with the Asian Development Bank to promote collaboration in the Asian and Pacific region.

During 2007 the Bank also entered into formal collaboration with other IFIs in the environmental field: the Multilateral Carbon Credit Fund (MCCF) with the EBRD, the Carbon Fund for Europe (CFE), set up with the World Bank, and the EIB-KfW Carbon Programme. Finally, at the 2007 EIB Forum in Ljubljana, the Post-2012 Carbon Credit Fund was launched, the direct result of ongoing cooperation in the field of climate change between the EIB and four leading national financing institutions, namely Instituto de Crédito Oficial (ICO), KfW, Caisse des Dépôts et Consignations (CDC) and NIB.

It should also be mentioned that the EIB, EBRD, CEB, NIB and Nordic Environment Finance Corporation (NEFCO) remained committed to the terms of the European Principles for the Environment (EPE) Agreement, which is strongly supported by the European Commission.

### **Civil society organisations and non-governmental organisations (CSOs/NGOs)**

Over the years, the EIB has attached increasing importance to an open relationship and active dialogue with civil society organisations that take a particular interest in the European Union and the EIB. The Bank acknowledges that civil society can have a valuable input into the development of its policies and activities and contribute to its awareness of local issues and provide useful information on projects. A dedicated Civil Society Unit ensures consistency and quality of communication with these organisations by conducting a dialogue with them that also includes EIB experts, handling their enquiries and requests for information, and facilitating contacts between CSOs and other parts of the Bank.

In 2007, the Bank increasingly approached CSOs in a proactive and selective way, seeking interaction with organisations that can typically help the public, particularly citizens affected by the Bank's operations, in finding their way to the Bank. It also engaged with specialised CSOs, exploring possibilities for cooperation in areas of common interest, based on expertise and pragmatism. Many of these organisations also contributed to the public consultation process that the Bank conducted in 2007 on its Anti-Fraud Policy. The consultation of stakeholders on Bank policies, applied for the first time in 2005 for a review of the Bank's Public Disclosure Policy, greatly benefits the EIB's relationships with civil society.

2007 was a very active year for advocacy NGOs scrutinising the Bank. They conducted various campaigns relating to the Bank and communication with them on these campaigns and other matters took place at various levels and in a constructive way, involving many parts of the Bank.

Since a growing number of staff is involved in the Bank's expanding interaction with civil society, both at the corporate and project levels, the Bank is running an ongoing awareness and capacity building programme for staff on relations with civil society. The aim is to build and improve the knowledge base and commitment among staff for direct communication with civil society representatives.

In 2007, the Bank again organised its regular CSO events: a briefing for CSOs on the preliminary results of the previous financial year, organised in Brussels in February, back-to-back with the EIB's annual press conference. The Spring CSO Workshop was held in Paris in May on the topics "Partnering with NGOs in water and sanitation projects in developing countries" and "The EIB's environmental and social safeguards and appraisal guidelines". The Autumn Workshop took place in Lisbon on the occasion of the European Development Days and focused on the Bank's Economic and Social Impact Assessment Framework (ESIAF). The agendas for these meetings were set jointly by the EIB and interested CSOs and included speakers from both sides.

In July 2007, the EIB Public Disclosure Policy, governing and promoting public access to information, was reviewed to take account of the provisions of the Aarhus Regulation (Regulation (EC) No 1367/2006) on public access to information, public participation in decision-making and public access to justice in environmental matters, which has been applied by the Bank since June 2007.  The Bank also published a report on the implementation of its Public Disclosure Policy.

## **7. The EIB-Universities Research Action**

Education ranks high on the European Investment Bank's agenda. In parallel to its lending activity in this sector, the Bank has developed the EIB-Universities Research Action to channel its institutional support to higher education and academic research. The Action programme is designed to respond in a consistent way to the requests from European universities for financial assistance in particular but also for research input. It also facilitates the academic and research work of the Bank's staff. The EIB-Universities Research Action, which is supervised by the EIB Universities Committee, chaired by the President of the Bank, consists of three programmes: EIBURS, STAREBEI and EIB University Networks.



In December 2007 the first Annual Meeting of the EIB-Universities Research Action programme took place. Participants came from many universities in Europe, including Università Ca'Foscari di Venezia, Universidad Politécnica de Madrid, Università di Bologna, Oxford Brookes University, Technische Universiteit Eindhoven and Università degli Studi di Milano, the first to benefit from EIBURS sponsorship.

### **The EIB University Research Sponsorship (EIBURS) programme**

The EIBURS programme provides grants to EU university research centres working on certain research topics and themes of major interest to the Bank, selected by the EIB Universities Committee. The sponsorship is awarded via a competitive process. EIBURS sponsorship entitles the beneficiary centre to obtain up to EUR 100 000 a year, for a period of three years, to develop activities in the selected research area additional to those that would normally be carried out by the centre. These activities are jointly agreed and entail the delivery of a variety of outputs (research, education, networking, dissemination of results, etc.) that are the subject of a contractual agreement with the EIB. The initiative for academic and research activities is expected to come from the university. The Bank can, however, propose certain specific activities, in particular relating to research and continuous education involving EIB staff. Calls for proposals are launched through the Official Journal of the EU, the EIB website and invitations. Following a selection process, a contract between the Bank and the EIBURS beneficiary is signed for a period of three years (only renewable through a new bidding procedure).

### **STAgés de REcherche BEI (STAREBEI)**

The STAREBEI programme supports the joint interests of university centres and EIB staff by providing traineeships for junior researchers interested in carrying out research projects proposed by the Bank under the joint supervision of a university tutor and an EIB tutor. This synergy between the academic world and the Bank's professionals is designed to provide an enriching experience for young researchers and produce outputs contributing to the know-how of both the Bank and academia. Unlike EIBURS, which is based on activities proposed by the university centres, the research proposals for STAREBEI must originate from within the Bank. The programme is open to any university located in the EU and awarding doctorate level degrees in line with the Bologna process. It supports university researchers for periods of between six months and one year. The period is defined on a case-by-case basis in order to meet both the needs of the trainee and the requirements of the research. The STAREBEI programme is research-oriented and has tougher academic requirements.

### **EIB University Networks**

The EIB can also establish partnerships with university networks presenting characteristics that are of particular relevance to supporting its objectives. These networks are used by the EIB as preferred vehicles for disseminating information on EIBURS and STAREBEI projects and on other research requests from the services that cannot be accommodated by those two programmes. At the same time, these networks are expected to provide the Bank with information relevant to its activities. Where appropriate, universities will be entitled to use the EIB label in their promotion.

The EIB University Network label is available to any university network, defined as a cooperative network for educational, research and development activities with a specific purpose having a clear interest for the EIB. The network should have an academic focus, even though it could include non-university organisations. Proposals received from university networks should provide sufficient information on their activities and indicate their expectations from the proposed collaboration with the EIB. Accepted proposals are the subject of a specific agreement with the network in the form of a Memorandum of Understanding that has similar features for all sponsored networks. To date the EIB has signed a Memorandum of Understanding with two university networks (UNIMED and FEMISE), both of them focused on the development of the Mediterranean area. Although these first networks are geographic, others are expected to concentrate on specific knowledge sectors.

## 8. Raising staff awareness

### Corporate Responsibility Report presented to EIB staff members

In April 2007 President Maystadt presented to the staff the main features of the 2006 Corporate Responsibility Report, as he restated his personal conviction regarding the importance of sustainability issues relating to the Bank's activities. After the introduction, various presentations were made by staff members on topics reported upon in the 2006 report. A water and sanitation project in Ethiopia was presented, which clearly focused on the needs of the poor, the environment and sustainability. A solar power project in Spain was also described, the first of its kind in Europe to use the latest concentrated solar technology.

### Training for staff members regarding the role of non-governmental organisations

The EIB has developed, with the help of an independent consultant, a training programme for staff members of the Bank in order to raise awareness regarding the Bank's communication/interaction with non-governmental organisations/civil society organisations (NGOs/CSOs).

In July 2007 a first presentation to EIB staff members, entitled *From Curse to Blessing? The EIB's interaction with Civil Society*, took place. Categories of different NGOs and major NGOs with an interest in the EIB were presented. A rationale was offered as to why international corporations increasingly choose to interact with civil society organisations, including the risks, advantages, best practice and guiding principles for this kind of cooperation.

This presentation was followed up by a two-day workshop, which offered a closer look at the role of NGOs in today's society and how the Bank will have to adapt to participate in a meaningful dialogue with NGOs.

### Climate change awareness events

In November 2007, the Bank held a conference on climate change mitigation, to highlight the dangers of global warming and discuss what needs to be done to halt it. A Commission representative explained to staff members that a 30% reduction in carbon emissions was necessary by the year 2020, with the potential for a 60-80% decrease by 2050. The EU's vision of limiting global climate change to 2°C was confirmed as being economically viable with only a slight change in global GDP growth. Of special interest to staff members was the mention of lifestyle and behaviour patterns, which can make a genuine contribution to climate change improvements. The words of the Commission representative were echoed by a member of the Intergovernmental Panel on Climate Change (IPCC). Both speakers agreed that finance is a key element in any climate change programme.

### Compliance awareness

The Office of the Chief Compliance Officer (OCCO), in cooperation with Human Resources (HR), last year undertook a review of the whistleblowing policies and procedures existing in various EIB documents. Great importance was attached to this exercise following the requests made by several NGOs during the public consultation on the Anti-Fraud Policy for the Bank to have a comprehensive and fully-fledged policy on this matter. ✓

In carrying out this exercise OCCO and HR benefited from the assistance of an external consultant with extensive experience in these matters, who had carried out similar consultancy activities for the UN and the European Parliament.

An awareness-raising exercise was organised whereby the consultant presented his report to a selection of EIB staff members. A working group has now been created to further develop the policies and procedures. The Office of the Chief



Compliance Officer also organised during 2007 two staff presentations on the remit and functioning of the Office as well as on the responsibilities of staff as far as integrity matters are concerned. This same presentation is also systematically made to new members of staff. The Office also organised a presentation to staff in the Rome Office on the Staff Code of Conduct.

#### **The Sustainable Development Unit training programme**

The Sustainable Development Unit runs a yearly awareness-building and training programme, which is mainly addressed at the Bank's operational staff. It is essential that staff are cognisant of both social and environmental factors that have a big influence on the areas within which they work. The programme commenced at the beginning of 2007 with a presentation on the topic of human rights and business, which, amongst other things, proposed assessment tools, to enable the Bank to measure its performance in terms of human rights in the future. Biodiversity issues have so far been addressed in two sessions: the first, "Implementing investment plans or projects potentially affecting sites of the Natura 2000 network of protected areas", was given by the European Commission's Environment DG, and focused on biodiversity assessment in the EU and Accession Countries, and the second, entitled "EIB projects and their interrelation with biodiversity in developing countries", was provided by the IUCN.

Other topics explored during the year included:

- the EIB's Sustainable Development Strategy;
- the EIB's Climate Change Instruments;
- the work of the UN's Permanent Forum on Indigenous Issues and its relevance to the Bank's work in development financing;
- the Core Labour Standards for EIB staff.

In addition, members of the Sustainable Development Unit organised and attended various workshops, working group meetings and seminars held throughout the year, to highlight the role of the Bank and its link with sustainable development, as well as to learn more about progress in this field.

## **9. Handling complaints**

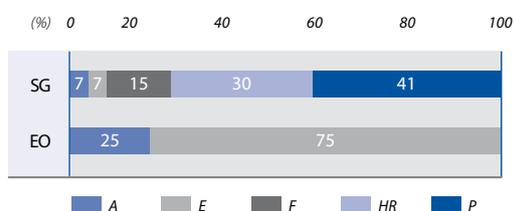
Information on how to lodge a complaint is available on our website.

### **Complaints in 2007**

The Complaints Office (CO) is a unit of the European Investment Bank designed to address citizens' and civil society organisations' concerns about the way the Bank carries out its activities. The Complaints Office ensures a centralised and structured investigation, internal and external reporting and a highly responsive and proactive approach. When handling complaints, the CO endeavours to favour conciliation and problem-solving with a view to facilitating amicable solutions with the parties concerned.

The CO deals with cases of maladministration, which occur when the Bank fails to act in accordance with the prevailing legislation or to respect the principles of good administration or when it violates human rights. Examples of failure to respect the principles of good administration, as put forward by the European Ombudsman (EO), are: administrative irregularities, unfairness, discrimination, abuse of power, failure to reply, undue refusal of information and unnecessary delay.

Types of complaint handled ✔



In 2007 the CO handled 27 complaints lodged with the EIB's Secretary General (SG) as well as four complaints filed against the Bank with the EO. The subjects of the complaints ranged from access to information (A) to the impact of projects financed by the EIB (E), and from issues pertaining to the EIB's human resources (HR) to internal or external procurement (P) or fraud and corruption (F), handled in conjunction with the Inspectorate General.

In 2007 four complaints against the Bank were lodged with the European Ombudsman, of which three concerned the environmental impact of projects financed by the Bank.

Comparative analysis 2006-2007: complaints received, dealt with and closed within the calendar year ✔

Complaints	Received	Dealt with	Closed
2006	15	15	9
2007	25	31	29

This table compares the workflow of the Complaints Office in 2006 and 2007. As shown by the table, out of 31 complaints dealt with by the CO in 2007, 25 were received in the same calendar year, and 29 were closed (and a final reply sent to the complainant) by no later than 31 December 2007.

**Complaints policy**

In order to enhance the accountability and transparency of the Bank vis-à-vis its stakeholders while ensuring the effective and efficient handling of complaints concerning maladministration, the EIB has felt the need to develop a Complaints Mechanism Policy (CMP).

This policy, which will be published in 2008, includes a Memorandum of Understanding between the EIB and the EO (see below) as well as internal procedures for the functioning of the Complaints Office. The CMP will define the internal accountability mechanism, what a complaint is, who may lodge a complaint and how. It will also define the subject of the complaint and the time frame within which an admissible complaint may be lodged as well as the required information to be attached to a complaint for it to be admissible.

The CMP will also describe the procedures according to which the Complaints Office is to deal with complaints, including details of the time limit within which the CO must deliver (and inform the complainant of) its findings. The CMP will also define the rules for the publication of documents relating to complaints, as well as data protection measures.

The CMP can be described as a two-tier mechanism; in addition to an internal dimension (the Bank's Complaints Mechanism), it will also provide for an external and fully independent dimension (the European Ombudsman). In this way, the CMP will provide all necessary information for those members of the public who wish to take their complaint further after having exhausted the Bank's internal mechanism. The policy will include a chapter on the European Ombudsman, i.e. the admissibility criteria for the complaints, as well as supplementary information about the procedure followed by the EO when dealing with complaints concerning maladministration lodged against the EIB. It is the Bank's intention to review the CMP in 2009 through a public consultation procedure based on prior benchmarking against the accountability mechanisms adopted by other IFIs.



## Memorandum of Understanding between the EIB and the European Ombudsman

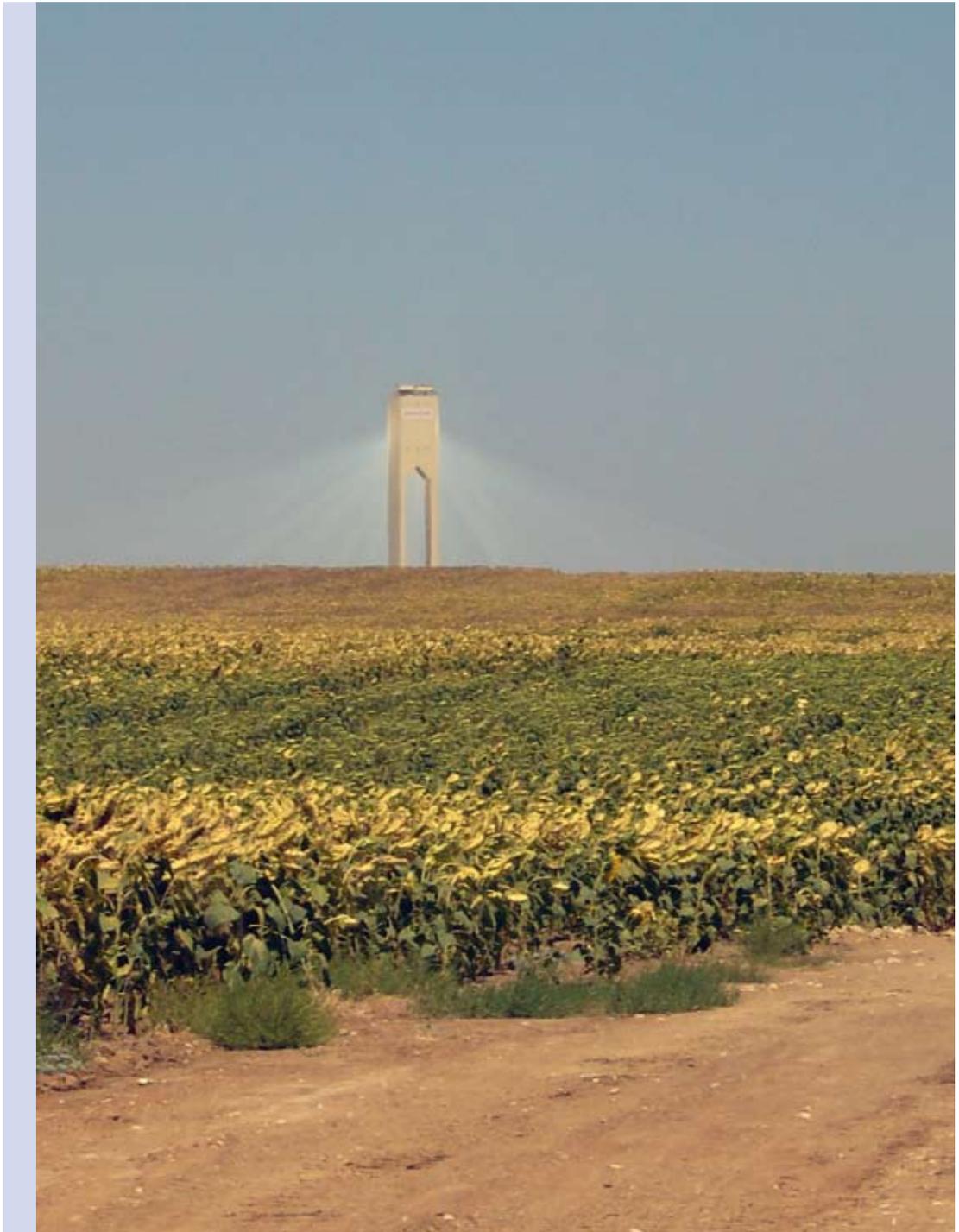
In October 2007, the European Parliament passed a resolution on the Report of the Committee on Petitions on the 2006 Annual Report of the European Ombudsman to the European Parliament. The European Ombudsman's Report mentions the interaction between the EO and the EIB and refers in positive terms to the EIB's centralised system for the handling of complaints lodged against the Bank as an example of good cooperation between the EO and European institutions/bodies.

In its core points, the Report highlights the following developments in the relationship between the EO and the EIB:

- endorsement of the MoU with the EIB on the procedures for cooperation regarding the Bank's Complaints Mechanism Policy;
- extensive interpretation of the concept of maladministration articulated in the EO's decisions;
- the invitation to adopt/review internal codes of good administrative behaviour – *erga omnes* effectiveness of the European Code of Good Administrative Behaviour;
- EO to regularly draft a list of "star cases" and "worst practices" and a report on the follow-up by the institutions to his critical or further remarks;
- EO's declaration to use his own-initiative inquiries when third-country citizens resident outside the EU lodge a complaint with the Ombudsman which in other respects falls within his mandate.

The MoU, which is due to be signed in the first half of 2008, will clearly set out the principles on which the cooperation between the two parties is to be based and the framework for such cooperation, provided that it does not supersede nor prejudge other forms of cooperation between the EIB and the EO. In light of the objective to strengthen the EIB's complaints mechanism and to ensure equal treatment of all EIB stakeholders, the MoU will contain the Ombudsman's commitment to use his power of own initiative whenever the sole reason for the inadmissibility of the complaint against the EIB lodged with the EO is the fact that the complainant is not a citizen of the European Union or a natural or legal person residing or having his registered office within the Union.

## III – Responsible Financing





## 1. Operating practices

### Value added

The Bank's strategy identifies three 'pillars' for measuring the 'value added' (VA) for beneficiaries of the Bank's lending activities. Investments are screened to determine their level of value added (high, medium, moderate or low).

#### Three pillar structure

- Pillar 1- the consistency between each operation and the priority objectives of the EU;
- Pillar 2- the quality and soundness of the project, focusing on identifying the economic and environmental sustainability of the operation; and
- Pillar 3- the contribution made by the EIB, both financial and non-financial.

In 2007, a critical review of the value added methodology was undertaken with the aim of improving the consistency and harmonisation of ratings across operations and types of loans. As a result, several adjustments have been implemented with effect from January 2008.

For lending operations (investment loans) outside Europe, the existing VA approach has been adapted. In 2007, the Development Impact Assessment Framework was implemented for ACP countries, and the Economic and Social Impact Assessment Framework is in force for all direct operations outside Europe. This new framework is meant to better respond to the specific needs of EIB operations in neighbouring and partnership countries (see below).

As a public policy-driven institution the Bank will continue to develop appropriate tools and allocate its resources to the areas where they generate the greatest value added for the objectives and for the financial beneficiaries. ✓

### Sustainability of EIB investment

No. of projects approved in 2007	Total projects				EU-27				Europe non-EU <sup>1</sup>			
	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	230	166	142	59.1%	207	153	122	60.2%	23	13	20	48.1%
Medium	51	110	128	39.1%	47	96	121	37.8%	4	14	7	51.9%
Moderate	0	4	11	1.4%	0	4	11	1.6%	0	0	0	0%
Low	0	1	0	0.4%	0	1	0	0.4%	0	0	0	0%
<b>Total</b>	<b>281</b>	<b>281</b>	<b>281</b>		<b>254</b>	<b>254</b>	<b>254</b>		<b>27</b>	<b>27</b>	<b>27</b>	

<sup>1</sup> Accession and Candidate countries.

### Economic and Social Impact Assessment Framework

The Development Impact Assessment Framework (DIAF), renamed in 2007 the Economic and Social Impact Assessment Framework (ESIAF) and modified in order to better meet the requirements of each individual mandate, aims to measure the value added when implementing the Bank's external mandates.

The main features of the framework are as follows:

Pillar 1 (“Contribution to overall mandate objectives and priorities”) is subdivided into two parts covering the project’s contribution to the overall objectives of the mandate (1A) and the contribution to specific regional objectives (1B). While section 1A is designed to be the same for all mandates, section 1B is tailored to the specific objectives of each particular regional mandate.

Pillar 2 (“Quality and soundness of the project”) is the expanded version that has been developed for ACP operations. In particular, in line with current EIB policy (Environmental and Social Practices Handbook), it is relevant and necessary to take into account the social and environmental impact of projects in all investment operations, irrespective of the nature and objective of the mandate under which such operations are financed.

Pillar 3 (“EIB contribution”) extends to all external lending mandates the distinction between the financial and the non-financial contributions of the Bank that was initially introduced for the ACP DIAF and recently extended to operations within the EU.

The outcome of the value added screening for the other partner countries<sup>2</sup> for 2007 is reflected in the table below:

#### *Signature of Approach Statement on Corporate Governance*

No. of projects approved in 2007	Total projects			
	Pillar 1	Pillar 2 <input checked="" type="checkbox"/>	Pillar 3	Pillar 2 / total
High	49	19	40	33.9%
Medium	6	32	15	57.1%
Moderate	0	2	0	3.6%
Low	0	1	0	1.8%
Projects not screened	1	2	1	
<b>Total</b>	<b>56</b>	<b>56</b>	<b>56</b>	

#### **Signature of Approach Statement on Corporate Governance**

One of the governance highlights of 2007 was the signing of the Approach Statement on Corporate Governance in emerging markets on Friday 19 October in Washington. The leaders of 31 Development Finance Institutions (DFIs) issued a joint statement, placing corporate governance at the forefront of their sustainable development agenda in emerging markets. This initiative highlights the increased role of good corporate governance as a facilitator of international capital flows to emerging market companies.

By signing the statement the EIB recognises the importance of good corporate governance practices for sustainable economic development; it also acknowledges the critical role that DFIs can play in promoting these values in emerging markets at both the private and public sector level. This will be done by developing and adopting guidelines, policies and procedures at an individual DFI level and also by collaborating with other DFIs to support the cause of good corporate governance.

<sup>2</sup> ACP, ALA and FEMIP.



**As stated in the Approach Statement, each DFI will endeavour to:**

- Develop or adopt guidelines, policies, or procedures on the role of corporate governance issues in its due diligence and investment supervision operations. These could cover such aspects as: commitment to good corporate governance, the rights and equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and the composition and responsibilities of the Board of Directors.
- Provide or procure training on corporate governance issues to its investment and supervision staff.
- Encourage companies in which it invests (whether directly or indirectly) to observe local codes of corporate governance in the spirit of best international practice. Engage company management and Board members in a dialogue to foster improvement in cases where corporate governance practices are weak.
- Promote the use of internationally recognised financial reporting standards and encourage investee companies to adopt or align their accounting principles and practices to such standards.
- Collaborate with other DFIs on an ongoing basis, and when appropriate, with its partners, to further advance the cause of good corporate governance.

## 2. 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 for it to ensure 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 for the Bank 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 (sustainable communities). 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 regeneration, sustainable urban transport projects, and health and healthcare 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.

## Environmental and Social Policy Statement

The Bank’s internal Environmental and Social Practices Handbook was made public in 2007. In 2008, the Bank will publish a new Statement on its Environmental and Social Policy (Principles and Standards), as a strong reaffirmation of its environmental concerns and credentials. In accordance with Bank policy, this Statement will be subject to a public consultation process before publication.

## Development of EU environmental policies in 2007

Climate change and the EU strategy to limit carbon dioxide (CO<sub>2</sub>) emissions in order to meet the EU Kyoto Protocol target of -8% by 2012 remained the principal policy priority in 2007. The EU is moving closer to achieving its Kyoto Protocol targets for reducing emissions of greenhouse gases but additional initiatives need to be adopted and implemented swiftly to ensure success. This is the conclusion of the Commission’s annual report 2007 on progress towards meeting the Kyoto objectives. The latest projections from Member States indicate that measures already taken, together with the purchase of emission credits from third countries and forestry activities that absorb carbon from the atmosphere, will cut EU-15 emissions in 2010 to 7.4% below levels in the chosen base year (1990 in most cases) – just short of the 8% reduction target for 2012. Additional policies and measures under discussion at EU and national levels will enable the target to be met and even take the reduction to 11.4% if implemented promptly and fully.

In order to reduce the risks and adverse consequences of floods in the European Union, a new directive (2007/60/EC) on flood risk management came into force in 2007. This directive requires flood risk management to be negotiated across national borders and contains important commitments to increase transparency and involve citizens. Member States are now obliged to identify river basins and associated coastal areas at risk of flooding and draw up flood risk maps and management plans for these areas.

In 2007 an important piece of EU legislation laying down liability rules for damage to the environment came into force. The groundbreaking new directive, the result of discussions which started in the late 1980s, is the first EU law specifically based on the “polluter pays principle” set out in the EC treaty. The directive establishes a framework based on environmental liability to ensure that environmental damage is prevented or remedied. Environmental damage includes damage to species and natural habitats protected at EU level under the 1979 directive on the conservation of wild birds and the 1992 directive on the conservation of natural habitats, damage to waters covered by the 2000 Water Framework Directive, and land contamination, which causes significant risk of harming human health.

The Commission adopted in 2007 four decisions that significantly extend the Natura 2000 network in four biogeographical regions. Given the large natural variation in biodiversity across the EU, the directive divides the European Union into different so called biogeographical regions: Atlantic, Continental, Alpine, Mediterranean, Boreal, Macaronesian and Pannonian. The decisions concerned the adoption of an initial list of Sites of Community Importance in the Pannonian region in the Czech Republic, Hungary and Slovakia and the updating of the existing lists in the Atlantic, Boreal and Continental biogeographical regions. Natura 2000 is an EU-wide network of nature protection areas established under the 1992 Habitats Directive (92/43/EEC). It is the centrepiece of EU nature and biodiversity policy.



## The EIB's environmental policies and procedures

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 biodiversity, dealing with the links between environment and health and promoting the sustainable use of natural resources and management of waste.

The 6th EAP includes seven thematic strategies that are finalised. 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 maximise the environmental benefits and minimise the environmental costs of the projects that it finances through appropriate screening, mitigation and compensation measures.

Environmental considerations are taken into account at all the main stages (pre-appraisal, appraisal and ex post evaluation) of the EIB project cycle. Internal staff guidance for this purpose is provided in the "Environmental and Social Practices Handbook". ✓

### Developing the European Principles for the Environment

In 2006, the EIB and four other leading European Multilateral Financing Institutions (MFIs) (CEB, EBRD, NEFCO and NIB) signed up to the European Principles for the Environment (EPE). This initiative, strongly endorsed by the Commission, was launched in response to the drive for increased harmonisation of environmental principles, practices and standards associated with the financing of projects, and is a joint effort to implement the "fundamental right of present and future generations to live in a healthy environment".

The European Principles for the Environment are defined as:

- the guiding environmental principles in the EC Treaty; and
- the practices and standards incorporated in EU secondary environmental legislation.

In 2007, the five EPE signatory banks decided to further develop the concept of EPE by preparing a single reference document of EU environmental legislation, principles and standards most relevant to the projects the EPE banks are financing. This work began in 2007 and the document is primarily intended for the use of the banks' own staff and that of project sponsors and financial intermediaries. To make the reference document user-friendly, it needs to set out EU environmental standards in layman's terms.

Through this common EU approach the MFIs will promote responsible stewardship and provide a consistent and visible mechanism for engaging with project sponsors in addressing environmental issues. In turn, this will allow the MFIs to better manage credit and project risk related to the environment.

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-mentioned handbook contains 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 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 Sustainable Development 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.

In support of these environmental and social concerns, the EIB applies a set of "safeguards" to ensure the application throughout its financing activities of good practice with regard to environmental issues, based on EU environmental principles and standards: i.e. the "European Principles for the Environment" (EPE).

#### **Improving environmental management**

A number of improvements were identified in 2007 and are currently being implemented. These include:

- The approval and publication of the EIB's "Environmental and Social Practices Handbook"
- Approval of updated Social Assessment guidelines, "Taking Social Issues into Account in Projects outside the EU"
- Further integration of environmental considerations into energy and transport sector lending policies
- Fulfilment of all quantitative environmental lending targets
- Further development of the European Principles for the Environment (EPE) by the EIB, EBRD, NIB, NEFCO and CEB, with the support of the European Commission and its Directorate-General for Environment (DG ENV).



## Climate change

### The EIB's approach to climate change

The EIB has come to regard climate change as not just a challenge to its corporate objectives but also as an opportunity to add value in support of EU policy. The overriding objective of the EIB is to promote economic development and social welfare, consistent with environmental sustainability. That means factoring considerations of climate change into all its activities.

But in turn the fast-moving nature of the debate is such that the mainstreaming of climate change into the activities of the EIB must be flexible, and it continues to evolve in line with Community objectives, targets and instruments.

The EIB has put in place a package of innovative products and processes, and is building up staff capacity and awareness in this field. The Bank's efforts are not only geared to the EU climate change objective of reducing GHG emissions by 20-30% by 2020 but also designed to help non-EU countries play their fair share in global efforts to combat climate change.

The general approach of the EIB to climate change is designed to reinforce the overriding goal of the Bank to promote sustainable development. Related to the three pillars of sustainable development – in the context of the activities of the Bank in developing countries – there are three interrelated components:

- To promote environmentally sustainable, cleaner energy growth paths, by promoting the transfer of clean technologies between the EU and developing countries.
- To help developing countries attract additional financial and other resources to support higher economic growth.
- To strengthen climate change governance in developing countries and to ensure that climate change-related initiatives are consistent with socially sustainable development, e.g. inclusion of minorities, public consultation.

### Financial instruments

The EIB has been developing its climate change approach, broadly consulting and often in specific partnerships with others, over the past five years. There are currently two main financial instruments:

- A Climate Change Technical Assistance Facility (CCTAF) of EUR 5m to assist promoters through the complex process of carbon credit generation, specifically in respect of CDM and JI.
- The establishment and co-management of a number of carbon funds, to provide a means to acquire carbon credits by buyers and a sales outlet for carbon credit sellers – with the World Bank (the Carbon Fund for Europe (CFE), of up to EUR 100m), the EBRD (the Multilateral Carbon Credit Fund (MCCF), of up to EUR 150m) and KfW (Carbon Programme, of up to EUR 100m).  The Bank has also developed a Post-2012 Carbon Fund, with a number of European financial institutions, of an estimated EUR 100m.

All three instruments are not just limited to the EU but have a strong developing country content. Central to the objectives of the EIB, is the promotion of the carbon market and within that the role of the CDM, generally regarded as a major innovative source of finance for developing countries to channel development along a low-carbon growth path. But it is important that CDM is applied correctly in the manner intended – critically, to promote sustainable development in host countries, to foster “additional” greenhouse gas abatement and to facilitate the transfer of appropriate clean technologies – and that it is extended in ways that increase its geographic and sector scope, e.g. for smaller projects and companies, particular sectors (especially forestry) and particular regions (especially the poorest developing countries, many of which are located in Sub-Saharan Africa, which so far have shared little in the carbon market).

But the EIB has also established a number of other dedicated financial mechanisms to promote clean energy – linked to carbon finance and technology transfer – in developing countries and emerging markets, including:

- A Global Authorisation for “Energy Sustainability and Security of Supply” of EUR 3bn from own resources to finance clean energy (energy efficiency (EE), renewable energy (RE), carbon capture and storage and energy supply infrastructure) in Neighbourhood Countries, ACP, South Africa and ALA,
- of which a EUR 500m China Climate Change Framework Facility, which was signed at the end of 2007.
- A Global Authorisation of EUR 50m for small and medium-sized projects aimed at promoting climate change mitigation and adaptation in countries outside Europe.

The aim of the EIB in its carbon credit activities is to identify aspects of the market at a formative stage that would benefit from the presence of a public bank able to provide financial and technical support not yet currently widely available from the private sector; at the same time, the Bank increasingly recognises the supply-side constraint, for various reasons, of worked up high quality carbon credit opportunities, notably in some sectors and some regions (e.g. Sub-Saharan Africa), and most of the activities described above are expected to generate carbon credits that comply with the requirements of the Kyoto Protocol and the EU ETS.

As the Stern Review<sup>3</sup> and other sources stress, mastering climate change depends on a strong and long price signal to encourage investment in the necessary clean energy of the future, and for that reason the EIB is playing a pioneering role in the post-2012 carbon market through its latest carbon fund, aiming to acquire credits through to beyond 2020, partly at the risk of the Bank.

Finally, the EIB is further using its technical assistance capacity to provide finance for a number of studies to inform and reinforce the activities of the Bank in the field of climate change, e.g. a “mini Stern” review and CDM identification, both focused on the South and Eastern Mediterranean region.

## Mainstreaming climate change

### Sectors

Climate change is a classic example of a cross-cutting environmental issue, of such importance that it needs to be factored into all activities of the EIB.

### Energy

In June 2007, the Board of Governors approved the “Clean Energy for Europe: a Reinforced EIB Contribution” in support of the new Corporate Operational Plan energy objective, and in turn the EU Energy Action Plan – “sustainable, competitive and secure energy” – focusing inter alia on the promotion of energy efficiency and renewable energy, which are key to the EU meeting its Kyoto targets as well as to developing countries achieving the Millennium Development Goals.

Projects will be routinely screened to identify energy efficiency potential and the role of energy audits is being explored. The renewable energy (RE) lending target for 2007 was in 2006 set at EUR 600-800m, with a goal of 50% of EIB lending for electricity generation in the RE sector. The experience gained by the Bank in these areas in the EU is being transferred to developing countries, where the scope for both energy efficiency (EE) and RE is enormous; given the often relatively small scale of the investments required, however, much of this activity is expected to be channeled through local financial intermediaries, which the Bank can support with technical assistance.

### Transport

The Bank has also sought approval from the Board of Directors for a “Renewed Policy for EIB Lending to the Transport Sector”, which addresses the challenge of balancing future EU transport demand with climate change objectives. The challenge in developing countries, where car ownership is still relatively low by EU standards, is to promote economic forms of mass mobility that are consistent with environmental sustainability.

The approach of the EIB in other sectors is also currently being reviewed, notably in the water sector, and sector-specific climate change issues will be explored in this context, e.g. the implications of climate change for water resource management.

<sup>3</sup> The Stern Review on the Economics of Climate Change

[http://www.hm-treasury.gov.uk/independent\\_reviews/stern\\_review\\_economics\\_climate\\_change/stern\\_review\\_report.cfm](http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/stern_review_report.cfm)



### Metro de Sevilla, Spain

The project concerns the construction and operation of a 19 km-long light metro line in the metropolitan area of Seville. Effective passenger transport in Seville and its area of influence is necessary to ensure the good operation of the urban economy and Seville's ability to maintain its role as the capital of Andalusia and a major tourist attraction site in Spain. The project will significantly enhance accessibility within the city centre (an area with a large number of administrative and commercial facilities) and several densely populated zones. Improving the quality of public transport services in Seville will enhance the economic potential of the whole metropolitan transport system and improve the quality of the urban environment. Achieving environmentally sustainable mobility is an EU policy objective and the project does so with an environmentally efficient mode of transport. The project aims to deliver high quality public transport services likely to generate important environmental advantages. These will include reduced bus and, to a minor extent, private car use and road congestion. According to estimations, traffic levels are expected to fall by 10-15% in the city centre. Experiences in other cities prove that a reduction of traffic demand within the same range is enough to alleviate congestion and hence dramatically cut local emissions and improve efficient energy use and quality of life for the citizens. The project will therefore result in a reduction in greenhouse gases when compared with the do-nothing scenario and will contribute to mitigating climate change. Overall, apart from some temporary inconvenience during the construction phase, the project will have a positive effect on the environment.



### EIB internal practices

Finally, the technical services of the EIB have introduced a number of increasingly routine practices to ensure appropriate consideration is given to climate change issues of projects proposed for Bank financing, to inform the opinion of its technical staff and/or the design of the project, including:

- More thorough project screening, to identify the scope for carbon credit generation and enhanced energy efficiency.
- Factoring in the economic costs of carbon into the economic rate of return calculation undertaken by the EIB, where appropriate (the figures derived from recent mainstream economics, and subject to regular review, are currently EUR 25 (2010) – 45 (2030)).

### Next steps

However, the EIB recognises the need to intensify and extend its activities – both financing and analytical – in the field of climate change as the subject matter continues to gain prominence and experience evolves, working with a variety of interests, including the Commission, other multilateral financial institutions and the private sector.

At the EIB, there is a rich variety of recent initiatives and work in progress – often initially with a focus on the EU but as experience is gained being rolled out to other parts of the world – including:

- An acceleration of lending for renewable energy, up by more than 100% in 2007.
- New lending activity in the field of biofuels (e.g. in the UK, maize and sugar to bioethanol).
- The development of EIB activity in the field of clean energy funds, of which three were approved in 2007 (EIB cornerstone investor, equity/quasi-equity, regional focus and EIB own resource participation of EUR 25 million each).
- Plans to promote energy efficiency audits and labels.
- Participation in discussions to support EU policy to establish a number of demonstration projects in the field of carbon capture and storage in power generation plant.
- Successful pan-European public offering of a Climate Awareness Bond, earmarking EIB financing for renewable energy and energy efficiency projects.
- The development of project screening techniques to identify the need to take appropriate measures to adapt to climate change, it being recognised that for reasons of inertia in the climate change system a degree of climate change is inevitable.

### The EIB's approach to biodiversity

The EIB has increasingly recognised that biodiversity has significant private but also public value and is committed to safeguarding and where possible enhancing that value through its financing activities. In all its activities, the EIB supports Community policy, and its approach to biodiversity is based on implementing the principles contained in the EU Nature Conservation Policy, namely the Habitats and the Birds Directives, Natura 2000, as well as the Convention on Biological Diversity (CBD), to which the EU is a signatory.

To meet the biodiversity challenges, the EIB has taken a balanced approach to managing its operations in order to minimise any negative impacts on biodiversity and to enhance biodiversity and natural habitats wherever practicable. Projects are screened for their potential impact on biodiversity and natural habitats. Additionally, the Bank works with international organisations, including the Commission and other MFIs, as well as the private sector and civil society, to explore how biodiversity concerns can best be addressed through its project activities. ✓

Recognising the need to work with others, through public consultation on individual projects and collective action, the EIB is a member of a number of biodiversity-related working groups:

- The Bank has been working closely with the **Biodiversity Unit of DG Environment** to improve its internal assessment process, discuss any potentially sensitive projects and train and raise the awareness of its staff on biodiversity and nature protection-related legislation and assessment tools and methodologies.
- **The Biodiversity Expert Group (BEG)** was established by the European Commission, DG Environment. Its members are Member States (MS) delegated experts as well as experts representing biodiversity stakeholders. The mandate of the BEG is to share information and promote the complementarity of action taken at Community and MS levels in the context of the implementation of the Biodiversity Strategy (COM (1998) 42) and its Action Plans (COM (2001) 162). The BEG's role includes the monitoring of implementation progress. The main responsibility for the BEG rests with DG Environment.
- **European Taskforce on Banking, Business and Biodiversity**, under the lead of DG Environment, was established in the framework of the Pan-European Biological and Landscape Diversity Strategy (PEBLDS). The Task Force also includes the EBRD, Rabobank Netherlands, Deutsche Bank, European Centre for Nature Conservation (ECNC), Royal Society for the Protection of Birds (RSPB) and interested governments and NGOs. The task force established the Biodiversity Technical Assistance Facility (BTAF) and the Biodiversity Finance Facility. The key function of the BTAF is to accelerate the development of market activities through the provision of information, advice and training. The challenge is to identify opportunities for channeling the private sector's entrepreneurial capacity towards activities that enhance biodiversity and away from activities that degrade it. The BTAF would then assess the financial needs of enterprises and assist access to the loan investment instruments of the EBRD and the EIB.
- As a result of its close cooperation with DG Environment, the EIB was asked to participate in a **Biodiversity and Business Working Group**, where advice is sought from institutions such as the EIB on how the finance sector can play a significant role in incentivising businesses to better manage the impact of their activities on biodiversity and ecosystems and meet the 2010 biodiversity targets. In fact, the EIB has taken a leading role in seeking to engage the financial sector as an investor in biodiversity businesses. The EIB's operational services have been working with other partners on establishing an ecosystem services fund, which is a real attempt to put in place a facility that squarely addresses the business and biodiversity interface.



In June 2007, as a result of the increased collaboration between IUCN (the World Conservation Union) and the EIB, and the Bank's increased proactive support of a number of EU biodiversity initiatives, the Head of Countdown 2010<sup>4</sup> requested that the EIB become a member of the Countdown 2010 Advisory Board. The role of the Advisory Board is to give strategic guidance to the Secretariat and oversee the achievement of the programme, decide on themes to be promoted during each EU Presidency, identify future Countdown 2010 activities and serve as ambassadors for Countdown 2010.

Lastly, internally, the Bank has made awareness of biodiversity and the tools to preserve it a priority. The SDU is responsible for the programme of awareness-building and the related training sessions. The programme comprises a regular series of workshops addressing social and environmental issues in different sectors. The purpose of the programme is to provide an open forum for internal discussion. Biodiversity issues have so far been addressed in two sessions: the first entitled "Implementing investment plans or projects potentially affecting sites of the Natura 2000 network of protected areas", given by DG Environment from the European Commission and focusing on biodiversity assessment in the EU and accession countries; and the second entitled "EIB projects and their interrelation with biodiversity in developing countries", provided by IUCN.

#### Principles of the EIB's approach to biodiversity

##### The EIB:

- aims to have a net positive effect on biodiversity by minimising the negative impacts of Bank-financed activities and by encouraging its clients to make appropriate contributions to conservation in the regions in which it operates;
- as an institution supporting EU policy, is committed to the conservation of threatened and endemic species and high priority conservation areas, and supports local, national, European and global conservation initiatives;
- uses a balanced and equitable approach to reconcile differing perspectives in biodiversity decisions and actions;
- enhances biodiversity outcomes through consultation and constructive relationships;
- integrates the identification, evaluation and management of biodiversity issues into its operational activities;
- applies appropriate expertise and resources to biodiversity issues, building internal capacity where necessary; and
- where appropriate, promotes the analysis and dissemination of biodiversity information and knowledge.

#### The evolving approach to social assessment at the EIB in 2007

Following the adoption of the Guidance Notes for Social Assessment by the Management Committee in the summer of 2006, greater attention has been given over the past year to ensuring that their application is mainstreamed in operations outside the European Union. ✓ The five guidance notes cover a) population movements and involuntary resettlement, b) minority rights, including the treatment of indigenous peoples, women and other vulnerable groups, c) labour standards, d) occupational and community health and safety, and e) public consultation and participation.

<sup>4</sup> Countdown 2010 is a network of active partners working together towards the 2010 biodiversity target.

This mainstreaming has paralleled the increasing attention given to corporate responsibility reporting and the extension of efforts to ensure greater transparency and accountability following the ratification of the Aarhus Convention. Social assessment has become an integral part of development impact assessment for appraisal exercises outside the EU, particularly those that are likely to have major environmental consequences. This is particularly important in projects associated with the extractive industries and was a significant feature of projects appraised in Madagascar and in the Democratic Republic of Congo. It was also uniquely, a feature of the appraisal of a global loan for supporting sustainable urban livelihoods in a social housing programme in South Africa.

The Social Assessment Guidance Notes were made publicly available during the year and were the subject of informed discussion at the November workshop that the Bank convened in Lisbon to lay out its overall approach to impact assessment through the Economic and Social Impact Assessment Framework (ESIAF). Constructive but critical reviews of both the Social Assessment Guidance Notes and the ESIAF were provided by representatives of civil society organisations. ✓

In addition to enhanced oversight of social safeguard issues, the ESIAF also seeks to assess how investment projects will impact on jobs, how promoters deal with and wish to improve performance, transparency and accountability in the achievement of more sustainable development, how they manage their upstream and downstream suppliers and customers, and how investment projects contribute to the achievement of the Millennium Development Goals.

While the Bank recognises the increasing importance of understanding the developmental outcomes of its investment decisions, the ways in which these might be measured is still evolving. It is likely to involve giving greater attention to consultations with relevant and informed stakeholders as to what the most appropriate indicators for success might be and to ensuring that sound baseline data is available to track achievements during implementation.

Moreover, the EIB maintains a dialogue with NGOs through discussions on general policy issues, such as its environmental activities. ✓ For individual projects where environmental issues could attract public interest groups, the EIB encourages dialogue. The Bank is initiating better contacts with NGOs, particularly nature conservation ones, to follow up on specific issues that may arise in a project and to facilitate understanding of the EIB's environmental appraisal process by NGOs.

## The EIB's lending policy for environmental protection and sustainable communities

The EIB's Environmental Statement and Corporate Operational Plan (COP) define lending objectives and eligibility for environmental projects. The COP for the period 2008-2010 includes the following environmental objectives:

- The overall target for all EIB lending activity in the area of environmental protection and sustainable communities remains at 25-30% of total signatures.
- For an initial 3-year period 2008-2010, a sub-target of 10-12% of total activity has also been defined for the natural environment.

### Lending priorities for the natural environment

Priority for the protection of the natural environment will primarily be given to specific investments or actions that promote environmental protection and, when appropriate, support the mitigation of, and adaptation to, climate change. Activities in this field will include projects in the areas of water, wastewater and solid waste management and air pollution abatement with specific emphasis on water and general environmental preservation issues.

- The **climate change** policy of the EIB will be kept under continuous review in the light of changes in circumstances and improved knowledge and includes energy-related activities. The focus in 2008 is to ensure that all approved climate change financing initiatives are fully operational, that existing carbon funds begin to fulfil their respective targets and that the Bank plays its role in the post-2012 context.



- **Water policy:** The Bank is currently reviewing its lending policy in the water sector with the aim of adopting a comprehensive action plan that includes activities encompassing the full range of water management issues (water resources, water use and water disposal). Water management and environmental preservation are gaining increasing importance in Europe, as well as outside Europe, partly reinforced by climate change phenomena. The Bank's emphasis in this field responds to the recommendations of the Water Framework Directive approved in 2000, as well as the July 2007 Communication from the Commission on water scarcity and droughts in the European Union. This is also in line with the conclusions of the Informal Environment Council held in Lisbon on 1 September 2007.
- **Waste management:** the Bank also aims to step up its funding in the area of solid waste management, in line with the emphasis placed by the EU Commission (DG ENV) on waste issues and in the knowledge that some of the relevant EU Directives are under review. Solid waste management projects should impact positively on environment and health and may also contribute to the mobilisation of alternative energy sources.

#### HVC Alkmaar Biomass, the Netherlands

The project is located in Alkmaar, Noord-Holland, the Netherlands, and comprises a solid biomass combustion unit next to an existing incineration plant. The biomass combustion unit will provide treatment capacity for construction and demolition waste wood, non-compostable wood fraction from green waste, bulky refuse delivered at bring sites, and wooden packaging material and pellets. Most of these solid wood waste volumes are arising within the service area, and are currently being exported to Germany for incineration. The project is expected to improve the current disposal practices for waste wood arising in the service area, avoid the landfilling of biodegradable waste wood and the long-distance export of waste. The project contributes to meeting the renewable energy targets of the Netherlands and to achieving the national objectives concerning electricity produced from renewable energy sources as set out in the EU Directive (2001/77/EEC). The project will further support the reduction targets for biodegradable waste going to landfills as set out in the Landfill Directive (99/31/EC).

#### Lending priorities for renewable energy

For renewable energy activities within the EU, the sub-target will be set at EUR 900m for 2008 and EUR 1 000m for 2009 and 2010. The Board of Governors has also approved a separate Facility for Energy Sustainability and Security of Supply (ESF) specifically under Article 18 of the Bank's Statute. This facility is intended to enhance the EIB's lending capacity by up to EUR 3bn from own resources in Neighbourhood Countries, ACPs, South Africa and ALA until end 2013.

#### Carbon funds

The Bank has established carbon funds with the EBRD, the World Bank and KfW, and is developing a second generation fund in cooperation with Instituto de Crédito Oficial, the Nordic Investment Bank and KfW in order to promote the long-term carbon market also post-2012, after the expiry of the Kyoto Protocol.

### Andasol II, Spain

Last year we reported on the Andasol I project in Spain. 2007 saw the signing of Andasol Solar Thermal Power project II. As with the Solucar Thermal Power Project, described below, this project is in line with the EU's promotion of the use of indigenous renewable energy in the effort to combat climate change.

Andasol II concerns the construction and operation of the second of two adjacent concentrating solar thermal power plants, each comprising an array of parabolic trough collectors that cover an area of 2 km<sup>2</sup>. One of the main innovative features of the Andasol I and II plants is the addition of a high temperature thermal storage system, using molten salt technology, to store excess thermal energy collected during the day and then to release it back to the plant to allow power generation to be continued over an extended period during cloudy periods or for part of the night. Other innovative features include improvements to the solar thermal trough collector units and sophisticated electronic tracking, control and related IT systems. The plants have been designed for auxiliary firing with natural gas, which can be used as a back-up and will account for up to 15% of the electricity generated, as permitted under the applicable Spanish legislation. The Andasol II plant will share the natural gas and water infrastructure with Andasol I. The availability of adequate water supplies for both plants has been confirmed by the competent water authority.



This project will not only contribute to EU environmental goals, it will also assist the creation of approximately 45 permanent jobs for the operation and maintenance of the plant.

### Lending priorities for sustainable communities

In line with the integrated urban development approach adopted most recently by the responsible ministers under the Leipzig Charter, the Bank will give more emphasis to supporting sustainable cities and communities, by continuing to promote sustainable transport, notably urban public transport and coordinated links with the city-region transport networks, as well as by backing investments that foster the quality of life and other aspects of the human environment, such as health and healthcare.

Following the inclusion of urban renewal and development policy as a main area of common EU interest in the new programming period and the establishment of new revolving and leveraging financing with structural and social funds through JESSICA, the Bank will propose an action plan for sustainable cities and communities for the period 2007-2013.

This will be done notably by developing lending operations specifically structured to address urban needs under EIB financing, and – if requested by the Member State – cofinancing under the JESSICA initiative (by using, where appropriate, the SFF and/or by promoting revolving financing instruments such as urban development funds; and by providing advisory services).



### RBS Urban Renewal II B, United Kingdom

The project aims to support the rehabilitation of social housing in degraded urban areas in the United Kingdom. The UK's Deputy Prime Minister has adopted a national five-year plan called 'Sustainable Communities: Homes for All'. A fundamental principle of the sustainable communities agenda is that everyone should have the opportunity of a decent home at a price they can afford, in a place in which they want to live and work. The practical goal, amongst other measures, is to bring all social housing into decent condition by 2010 and bind tenants and owners into greater community participation. Works undertaken on the components selected will involve a high degree of thermal improvements to reduce energy consumption. The project is eligible for investment under Article 267 points (a) and (c) of the Treaty on European Union (improvement of the urban environment in regionally assisted areas). The principle benefits will be a substantial reduction in energy consumption and urban improvements resulting in a significant improvement in the built environment and a higher quality of life for residents. The residential environment will also benefit from regular annual maintenance to retain the attractiveness and asset life of the properties. Neighbourhoods will also benefit from environmental improvements such as traffic calming, improved street furniture and landscaping as part of urban renewal works.

## 3. Environmental lending 2007

Summary lending data for comparison 2003-2007 (in EUR million)

	2003	2004	2005	2006	2007 
<b>Total lending <sup>5</sup></b>	<b>42 273</b>	<b>43 188</b>	<b>47 372</b>	<b>45 598</b>	<b>47 820</b>
EU-27 <sup>6</sup>	38 716	39 755	43 223	40 560	41 431
Partner countries	3 557	3 433	4 150	5 038	6 389
<b>Total lending, individual projects</b>	<b>29 929</b>	<b>31 308</b>	<b>37 167</b>	<b>33 171</b>	<b>37 405</b>
EU	27 353	28 800	34 115	29 094	32 793
Partner countries	2 576	2 508	3 053	4 077	4 612
<b>Total lending, credit lines <sup>7</sup></b>	<b>12 344</b>	<b>11 880</b>	<b>10 205</b>	<b>12 427</b>	<b>10 414</b>
EU	11 363	10 955	9 108	11 465	8 638
Partner countries	981	925	1 097	761	1 777
<b>Total environmental lending</b>	<b>12 239</b>	<b>11 176</b>	<b>12 284</b>	<b>10 849</b>	<b>14 600</b>
EU	11 483	10 407	11 206	9 779	13 021
Partner countries	757	769	1 077	1 070	1 579

<sup>5</sup> Including some guarantees and investment facilities.

<sup>6</sup> Including Iceland.

<sup>7</sup> Includes global loans and investment facilities.

Summary of environmental lending by environmental eligibility 2007 (individual projects) in EUR million ✔

<b>Tackling climate change</b>	<b>4 523</b>
Renewable energy	2 611
Energy efficiency	945
GHG emissions reduction from transport	967
<b>Protecting nature and wildlife</b>	<b>34</b>
Natural disasters	34
<b>Addressing environmental and health issues</b>	<b>4 337</b>
Water	2 558
Industrial pollution	194
Reduction of transport pollution	1 585
<b>Preserving natural resources and managing waste</b>	<b>89</b>
Improvement of eco-efficiency	50
Waste management	39
<b>Improving the quality of life in the urban environment</b>	<b>5 616</b>
Sustainable transport	2 369
Urban renewal	3 247

**Environmental loans within individual lending**

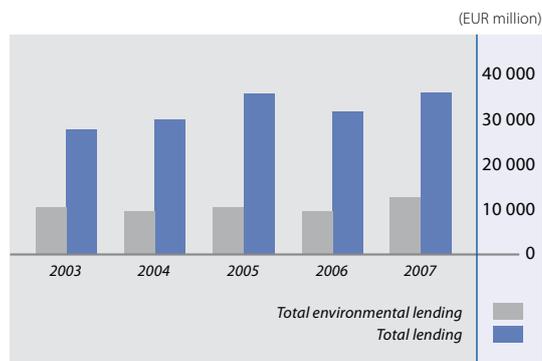
In 2007, the European Investment Bank signed loan agreements for 110 environmental projects, amounting to EUR 14.6bn, which represents 31% of its total lending.

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 ‘credit lines’ and may be dedicated to environmental objectives or contain environmental components.

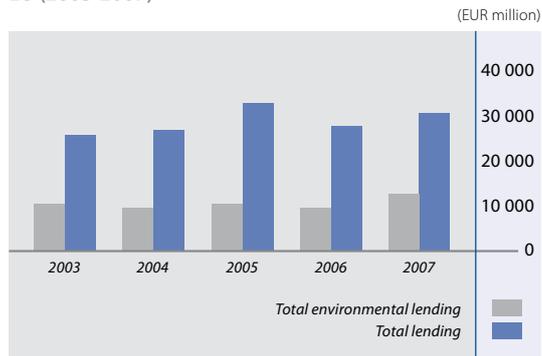
**Environmental individual loans in the EU**

The bulk of environmental lending goes to EU countries: in 2007, the EIB provided direct financing for 98 environmental projects for a total of EUR 13.0bn in the European Union, equivalent to 40% of the overall lending total in the EU over that period. This is 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 (as a proportion of total lending for individual projects) All regions (2003-2007)



Total environmental lending (as a proportion of total lending for individual projects) EU (2003-2007)

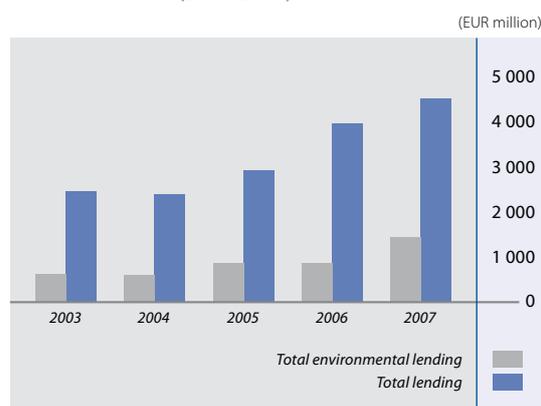




## Environmental individual loans in partner countries

In the partner countries the volume of environmental protection projects was EUR 1 579m or 25% of total lending devoted to the environment. The bulk of environmental lending in the partner countries went to accession and candidate countries (EUR 628m). In the Mediterranean partner countries, EUR 120m in individual loans was advanced for environmental schemes. A further EUR 141m went to environmental projects in the ACP countries, EUR 560m to two projects in Asia, EUR 103m to projects in the Balkans and EUR 27m to Latin America, all contributing to the Bank's overarching goal of promoting environmentally sustainable development in the partner countries.

Total environmental lending  
(as a proportion of total lending for individual projects)  
Partner countries (2003-2007)



### Share of environmental loans in 2007 (in EUR million) ✓

	Individual loans	Environment	%
EU-27	32 793	13 021	40
Accession and candidate countries	1 544	628	41
EU-27 + accession and candidate countries	34 337	13 649	40
Other partner countries	3 068	951	31
<b>Total</b>	<b>37 405</b>	<b>14 600</b>	<b>39</b>

### Share of environmental loans in 2007, total lending (in EUR million) ✓

	Total lending	Environment	%
EU-27	41 431	13 021	31
Partner countries	6 389	1 579	25
<b>Total</b>	<b>47 820</b>	<b>14 600</b>	<b>31</b>

## Environmental components of credit lines

The above figures for overall environmental lending do not include small-scale environmental schemes financed through credit lines to financial intermediaries, which are mostly carried out by local authorities. Out of total lending of EUR 47.8bn, credit lines amounted to EUR 10.7bn, of which EUR 2.6bn – dispatched via 26 credit lines – was specifically dedicated to projects with environmental and renewable energy objectives using specialist financial intermediaries, ✓ notably in Germany with 10 credit lines, 5 in Austria and 4 in Italy. Most credit lines have multiple objectives; many projects may qualify for one or more objective, including environmental improvement and the promotion of renewable energy and energy efficiency. The trend in environmental lending through credit lines shows a sharp increase in 2007 in comparison with previous years.

## Environmental lending in support of the EU's 6th Environment Action Programme

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

- Tackling climate change
- Protecting nature and wildlife
- Addressing environment and health issues
- Preserving natural resources and managing waste

In addition to these main areas, the 6th Environment Action Programme is augmented by seven thematic strategies. The four key areas of the Action Programme and the strategy for the urban environment translate into the five different eligibility criteria the EIB uses for its environmental lending. The number of environmental projects signed in 2007 is presented for each of these objectives in the table below.

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	2007: number of projects
<p><b>Tackling climate change</b> 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 2008-2012. 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>	30 projects
<p><b>Protecting nature and wildlife</b> 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 the environment and biodiversity into agricultural, 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>	1 project <sup>a</sup>
<p><b>Addressing environmental and health issues</b> 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>	36 projects

<sup>a</sup> Biodiversity and nature protection concerns are integrated and mainstreamed into the projects and programmes.



<p><b>Preserving natural resources and managing waste</b> 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. To 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>	3 projects
<p><b>Sustainable communities</b> To provide, support and promote best practice in the Member States in land-use planning, public transport and planned development, health and healthcare.</p>	<ul style="list-style-type: none"> <li>• Urban renewal and regeneration (including urban infrastructure, commercial/cultural/administrative buildings, social housing and community health, healthcare 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; bypasses; traffic management schemes)</li> </ul>	40 projects

## Tackling climate change, promoting 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 European Commission's biomass action plan; the 2005 Green Paper on energy efficiency and the recently presented action plan on the priorities of the Green Paper; and the directive concerning the promotion of co-generation, reinforced by measures taken to implement the Kyoto Protocol within the EU.

The targets set by the European Commission include increasing the share of renewable energy consumption from 6% to 12% by 2010, the amount of electricity produced from renewable energy sources to 22% of electricity production by 2010 and the proportion of biofuels to 5.75% of diesel and gasoline used for transport in the same year.

The Bank has set increasingly ambitious targets for renewable energy lending with the aim of stepping up the Bank's support for the European Union's climate change policies. The initial target set in 2001 was to double the share of renewable energy projects in overall EIB energy sector financing between 2002 and 2007 from 7% to 15%. This target was made more ambitious in 2004 when the Bank pledged to increase its lending for renewable energy from 15% of new electricity generation capacity to 50% by 2010. For 2007 a sub-target for renewable energy lending was set at EUR 600-800m. In 2007 the renewable energy lending target for 2008 was set at EUR 900m and EUR 1 000m for 2009 and 2010.

In addition, the Bank has adopted a policy of supporting new and innovative renewable energy technologies with the potential to provide competitive long-term solutions to reducing the dependence on fossil fuel-fired generation, including loans signed during 2005-2006 for offshore wind farms and concentrating solar power generation.

In 2007, loans for renewable energy projects totalled EUR 2 611m, or 58% of lending for new electricity generation, which is significantly higher than the figure for the previous year of EUR 517m. The share of renewable energy has increased over the years. The average for the five previous years (2003-2007) was 45%.

### “Sustainable, competitive and secure energy” as a new COP objective

Recent developments, including the EU Commission’s Green Paper, point to a reinforcement of the policies of combating climate change and limiting the threats to the security of the energy supply. In order to support the EU’s key energy objectives, the EIB’s Board decided to retain an energy objective in the COP 2008-2010 (this objective was introduced for the first time in the COP 2007-2009), on a par with the previous five main objectives of the Bank. This has implications for our activities both inside and outside the EU. The proposed five priority areas of the Bank are the following:

- Renewable energy;
- Energy efficiency;
- Research, development and innovation on energy matters;
- Diversification and security of internal energy supply;
- External energy security and economic development.

In the most recent COP 2008-2010, value added will be a key guiding principle for the development of operations in support of these priorities. Action foreseen includes the development of lending in priority areas and other instruments such as technical assistance contributions. A number of quantitative targets have been set, including sub-targets for RE projects (see above).

As part of the energy objective, in 2007 the Bank supported several energy projects in Europe. These comprise two major solar thermal power projects in Spain, which promote EU energy policy by using indigenous renewable energy and by contributing to national and EU efforts to combat climate change. Another example of a renewable energy project financed by the Bank is a biomass project in the Netherlands using waste wood.

### Solucar, Spain

The Solucar Thermal Power project is closely aligned with EU energy policy to promote the use of indigenous renewable energy and thus contributes to both national and EU efforts to combat climate change. The project includes the construction and operation of two grid-connected solar power plants on the Casa Quemada estate in the municipal district of Sanlúcar la Mayor about 20 km west of Seville, Spain. The plants have capacities of 11 and 20 MWe, and use solar concentration technologies with tower mounted thermal receivers. The location of these plants benefits from one of the best solar resources in Europe, access to river water for cooling and ready access to high voltage transmission lines nearby.

Both power plants are of a similar design and comprise a field of solar reflectors (heliostats) which are placed in semi-circles at ground level around a tower with a thermal solar receiver mounted at the top. The heliostats track the sun’s position and concentrate the solar radiation on to the receiver. The receiver is a large heat exchanger in which the solar heat vaporises water into steam, which drives the electric generator by means of a steam turbine.



Excess solar heat is stored in the form of steam in a storage vessel. The steam storage system, which has a capacity of approximately one hour at 50% load, allows each plant to continue operating during cloudy periods of limited duration. The steam cycle can be supplemented by auxiliary heating using natural gas, which is stored on site in liquefied form (LNG). This is the first industrial-scale project in the world to supply electricity to the grid using concentrating solar power technology with heliostats and tower-mounted thermal receivers.

With Spanish electricity demand growing by 2% per annum, the Solucar Thermal Power project curbs CO<sub>2</sub> emissions while supplying energy to Spain’s national grid.



## Protecting nature and wildlife

In recent years, the EIB has seen an increase in lending for reconstruction and rehabilitation projects following natural disasters, e.g. floods, forest fires, earthquakes, big oil spills etc. 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 2007, the Bank approved a loan for natural disaster prevention and alleviation in Spain, which consists of air and maritime equipment for natural disaster prevention.

### Sasemar natural disaster prevention, Spain

The project consists of the acquisition of fixed-wing aircraft, helicopters and ships dedicated to natural disaster prevention and alleviation as well as coast guard search and rescue for the Spanish Maritime Safety and Rescue Agency, SASEMAR (Sociedad de Salvamento y Seguridad Marítima). SASEMAR is entrusted with maritime search and rescue, as well as anti-pollution detection and control, within Spain's geographical area of responsibility, comprising approximately 1 500 000 km<sup>2</sup> of open sea. The project aims to establish an appropriate prevention system for reducing the number of maritime emergencies and pollution incidents. Another goal is to increase the pollutants collection capability to 7 300 m<sup>3</sup> by 2009 and to have the physical presence of a rescue helicopter at sea at any point up to 25 miles from the Spanish coastline within a deadline of 60 minutes and reduce response times for the deployment of pollution combat equipment and resources to a quarter of present response times.

## Addressing environmental and health issues

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 and ISO 14001. Projects in this sector 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 with the aim of enhancing industry efficiency and competitiveness and ensuring compliance with EU law on environmental norms and standards.

In 2007, loans for EU-based projects improving the environment in terms of reducing industrial pollution totalled EUR 194m.

### 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. those on 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. The EIB adds value by assessing project viability and ensuring financial sustainability through pricing and cost 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 2.3bn in the EU in 2007. In total, 20 water and wastewater treatment projects in the EU were signed in 2007, several of which were in Belgium, Bulgaria, Cyprus, Germany, Italy, Portugal, Romania, Spain and the United Kingdom. Outside the EU, six water and wastewater projects were signed in Benin, Lesotho, Senegal, Panama, the Philippines and Israel.



### Financing water and wastewater projects in Africa

In 2007, the Bank financed three water and sanitation projects in Africa. These are located in Benin, Lesotho and Senegal.

The project in Benin concerns the extension of the water network in Cotonou and suburban areas in the south of the country. Some 218 km of water network will be built and the number of people served will increase by 100 000. The project aims to supply clean water to a large number of poor people and it is expected that hygiene conditions will improve considerably.

The project in Lesotho will significantly improve sanitation in the capital city, Maseru, with a population of 350 000, of which 74% are considered either poor or with a low income. Some 100 000 inhabitants in urban and suburban areas will benefit from the project, which will increase sanitation coverage from 49% to 85%. This will contribute to the Government of Lesotho's efforts to achieve its Millennium Development Goal (MDG) of halving the number of people without access to sanitation by 2015. For more details on this project, see also the description in the ACP section.

The project in Senegal is a part of the long-term water sector programme in the country. The objective of the project is to improve access to clean water, particularly for the poorer sections of the population. Access to clean and safe water for 500 000 people is expected to bring positive social benefits and will significantly reduce the cases of waterborne diseases.



## Preserving natural resources and managing waste

### Waste management

The EU Framework Directive on Waste (75/442/EEC), the Incineration Directive (2000/76/EC), the Landfill Directive (1999/31/EC) and the IPPC Directive (96/61/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. Furthermore, many waste management plants are upgraded and modernised in order to improve the sorting of the recyclable part of the waste.

In 2007, the Bank supported waste management projects in Austria, France, Germany, the Netherlands and Romania with loans amounting to a total of EUR 266m.

### Thermische Abfallbehandlung Suhl, Germany

The project concerns the construction and operation of a waste incineration plant to dispose of the residual municipal solid waste and commercial and industrial waste generated within the municipalities of the southwest region of the German Federal State of Thuringia. The plant will be located on an established site, previously used by a lignite power plant, in the north of the city of Suhl. The project will help to avoid the landfilling of untreated municipal solid waste, in line with EU environmental policy, and provide the municipalities concerned with a long-term solution for the treatment and disposal of municipal solid waste in accordance with the new legal requirements. The project will enable the rational recovery and use of energy from waste combustion through environmentally bound co-generation of electricity and heat.

## Sustainable communities, improving the quality of life in the urban environment

### Urban renewal and regeneration

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 localised 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 sub-urbanisation pressures, prevent sprawl and reduce demand for the development of scarce land resources in outlying rural areas. The consolidation of cities, and the general rationalisation of settlement patterns, is also more energy-efficient, reducing demand for car travel and facilitating public transport use. 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 of 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 2.9bn and included social housing and school projects in Austria, Belgium, France, Germany, Hungary, Poland, Portugal, Spain and the United Kingdom.

#### Gdańsk municipal infrastructure, Poland

This framework loan targets a general reinforcement of basic infrastructure to support sustainable growth in Gdańsk and the surrounding region. Gdańsk is the principal Polish seaport on the Baltic Sea, sixth-largest city in Poland, capital of the Pomeranian province and capital of the Pomeranian Voivodship. The city lies on the southern coast of the Gdańsk Bay on the Baltic Sea, in a conurbation with the spa town of Sopot and the city of Gdynia, which together form a metropolitan area (greater Gdańsk) with a population of over a million people. Gdańsk has a population of 460 500. The project focuses on small and medium-sized investments in the fields of transport, education, RDI, environment, urban renewal, rehabilitation of municipal infrastructure and community facilities in the City of Gdańsk. Looking to the future, the city has developed a development strategy up to 2015 founded on the principles of sustainable development. This is supplemented by a sub-set of 22 operational programmes relating to strategic goals. The road schemes included in the framework loan are likely to bring about positive environmental effects from improved traffic fluidity, increased road safety and general positive externalities for the quality of life of city dwellers.



### Newcastle schools project, United Kingdom

The Building Schools for the Future (BSF) programme is a major capital investment programme in the English secondary school estate. The programme aims to provide modern secondary school facilities for every secondary school pupil in England by 2019 thereby increasing the quality of the school environment, raising educational aspirations and improving students' educational attainment levels. The programme is being implemented by Partnerships for Schools (Pfs) together with Local Education Authorities (LEAs). A key role of Pfs is to prioritise the investment programmes put forward by LEAs, primarily on the basis of educational need and deprivation

In the city of Newcastle there are some excellent schools, but also schools where pupils under-perform significantly when compared with a national standard. These low-performing schools tend to be located in deprived communities, often with above-average proportions of ethnic minorities and high unemployment rates. The project schools are mostly located in relatively deprived neighbourhoods with high proportions of low-performing students.

The Newcastle City Council BSF project comprises the construction or refurbishment of sixteen schools. The new schools will replace existing but dilapidated buildings. The design specifications for the new schools envisage efficient and high-quality learning environments for children that also incorporate infrastructure components for wider community use, including public libraries, sports facilities and multi-media laboratories for continuing education and distance learning. The project will also see the construction of two new special schools for children with severe learning difficulties.

Each individual project component is subject to standard environmental approval and inspection by the authorities. Two of the school sites are close to protected sites of natural and cultural significance. The competent authorities are aware of these sites and will ensure that construction work will not affect these special heritages.

Overall, the project is expected to enhance educational aspirations, strengthen learning outcomes and improve work environments for both students and teachers. It also provides for mainstream school inclusion for pupils with special learning needs and behavioural difficulties and incorporates infrastructure components for wider community use. The project is expected to have a particularly positive impact on the economic and social inclusion of deprived and ethnically diverse communities and will thus contribute to improving community morale, social cohesion and regional economic development.



### Sustainable urban transport

Investment in sustainable urban public transport goes hand-in-hand with urban renewal. In 2007, the EIB lent some EUR 2.1bn 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.

#### Izmir commuter train, Turkey

Izmir, with a population of some 3.2 million, is the third largest metropolitan area in Turkey and the second most important port. The main economic activities are agriculture and tourism, along with general commerce and industry. According to estimates the number of inhabitants will reach around 5 million in 2020. This is resulting in large, densely populated developments on the outer fringes of the city, whose residents are typically employed in the main city, thus generating a large number of commuters who must travel to and from the city on a daily basis. This further leads to immense congestion, increased pollution, and degradation of the area's environment, as well as increased traffic incidents. By developing a rail-based commuter system, based on Izmir's Mass Transport Master Plan, the aim is to improve the quality and enhance the attractiveness of public transport services. The project consists of the upgrading of two existing suburban railway lines, 80 km in total length, in order to allow their partial operation as part of the integrated public transport system in the Greater Izmir metropolitan area. By eliminating at-grade road and pedestrian crossings and offering a reliable service, the project will alleviate congestion and traffic-related environmental and safety problems, particularly in the central areas of the city.

## 4. Support for EU development and cooperation policies in partner countries

The European Investment Bank supports the European Union's cooperation and development policies in partner countries. In managing its loans in partner countries the Bank is required to ensure the wider development impact of the projects it supports, whilst also guaranteeing strict accountability for public funds. In line with the aims and objectives that were expressed by the international community in the UN Millennium Development Goals, it supports projects that will deliver sustainable social, economic and environmental benefits.

### FEMIP

The main remit of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) is to promote the economic development of nine Mediterranean countries. This remit is to be fulfilled by investing in two main areas: support for the private sector and the creation of an investment-friendly environment by means of efficient infrastructure and appropriate banking systems.

The total volume of operations in 2007 was EUR 1.4bn  (slightly higher than in 2006) of which 68% went to private sector investments (compared with 30% in 2006) reflecting a strategic choice in line with the recommendations of the European Council.



In 2007, FEMIP continued its support for major infrastructure projects in the partner countries, with EUR 465m (32% of the total) being provided for energy infrastructure, including the construction of two natural gas-fired power stations in Egypt, the optimisation of hydroelectricity generating capacity in Morocco and the expansion of the Transmed pipeline connecting Algeria to Italy via Tunisia (this project is one of the priority energy TENS).

FEMIP also initiated and promoted the first privately managed start-up fund in Tunisia. The "Phenicia Seed Fund" is focused on innovative Tunisian companies that are in the process of being set up or have been established for less than five years. This operation is the first private equity operation financed under the FEMIP Trust Fund.

#### **A Trust Fund for the Mediterranean**

The FEMIP Trust Fund was created in 2004, following a decision by the EIB and a number of donor countries to establish a fund dedicated to the Mediterranean partner countries.

The purpose of the FEMIP Trust Fund is to direct resources to operations in certain priority sectors in order to foster private sector development in the region. To attain this objective, two windows were defined: upstream technical assistance and support for private equity.

By December 2007, 15 Member States and the European Commission (EC) had contributed EUR 34.5m. As of December 2007, 18 operations for a total amount of EUR 6.9m had been approved.

#### **Phenicia Seed Fund, Tunisia**

Three years of close cooperation with the Tunisian Ministry of Finance has culminated in the launching of the Phenicia Seed Fund project, the first of its kind in this country. This project is being carried out under the FEMIP Trust Fund. It is based in Tunisia and provides seed capital to local young companies making use of new technologies.

Under the direction of the Bank, a dedicated fund manager was identified and recruited. The latter helped assemble other investors in addition to the Bank, who took 30% of total financing needs on its account. CDC Enterprises of France took a 20% stake in the fund, whilst the remaining 50% was subscribed by local institutional investors. Because of the unique design of this project, changes to the law to allow it to proceed were necessary, hence the extensive partnership with the Ministry of Finance and the local financial market authorities in order to provide an adequate legislative framework.

In addition, technical assistance will be provided to the project's fund management team for the first year of operation. The management team will benefit from the knowledge of an international seed capital specialist, in order to implement the highest international standards in this field.

The financing of this operation by the EIB meets the strategic needs of the Euro-Mediterranean region regarding job creation, the use and dissemination of new technologies and the development of the private and financial sectors. Furthermore, it helps the Mediterranean partner countries' modernisation process, in anticipation of a Euro-Mediterranean Free Trade Area (EMFTA) by the target date of 2010.

### Elaboration of a Mediterranean Hot Spot Investment Programme (MeHSIP)

The Mediterranean environment is one of the richest and at the same time most vulnerable in the world with its marine and coastal environments being exposed to a combination of pressures whereby 80% of pollution comes from land-based sources. The human pressures on the Mediterranean marine environment include agricultural wastes, airborne particles and river run-off, carrying nutrients, pathogens, heavy metals, persistent organic pollutants, oil and radioactive substances. Focusing on human activities, 131 “pollution hot spots” have been identified by the countries in the framework of the Strategic Action Programme (SAP) of UNEP.

On the occasion of the 10th Anniversary of the European Mediterranean Process, in November 2005, the partners committed to a programme of targeted de-pollution of the Mediterranean Sea by 2020, providing appropriate financial resources and technical support to facilitate its implementation (the Horizon 2020 Initiative).

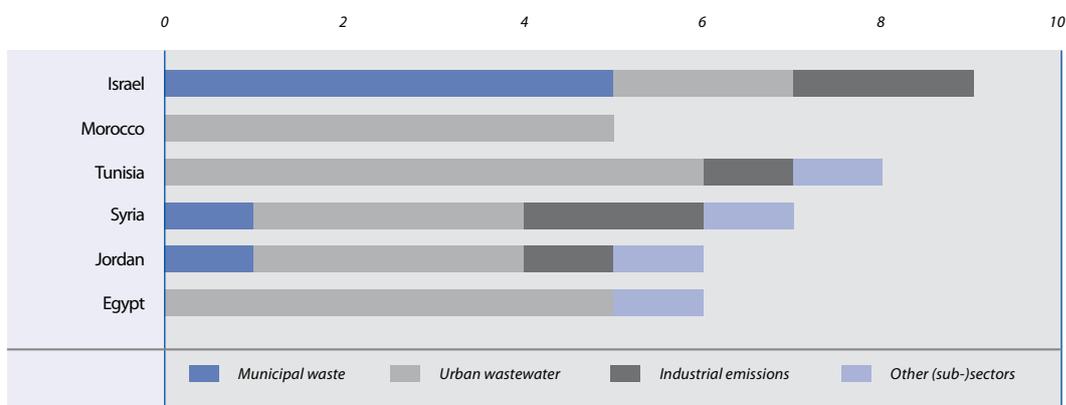
The EIB has, with the help of the FEMIP Support Fund, launched a study to assess the potential of a pipeline of pollution prevention investments addressing pollution Hot Spots in the European Neighbourhood Policy (ENP) countries and the need for a Mediterranean Hot Spot Investment Programme (MeHSIP).

The overall objective of the MeHSIP is to support the ENP countries in the implementation of priority pollution reduction investment projects. The MeHSIP aims to accelerate the rate of preparation of loan commitments by the EIB and IFIs and provide critical inputs during the project cycle for which alternate funding could not be provided in a timely and cost-effective manner.

The conclusions of the study underline the need for the MeHSIP. Based on the country visits conducted and meetings with relevant authorities held, a total of 43 projects appearing bankable were identified for possible funding under the MeHSIP (see figure below).

The next step will be to decide whether technical assistance activities for pollution prevention investment preparation will be structured or whether project preparation would take place on a country-specific case-by-case basis.

Projects per country





### Building capacity in Mediterranean partner countries: the FEMIP Internship Programme

A programme offering young, motivated Mediterranean partner countries' nationals aiming to complement their academic knowledge with practical, proven experience, an opportunity for professional development and global experience in the international environment of the EIB through a 3-12 month internship.

#### FEMIP Internship Programme

Launched in early July 2006, this pilot-programme received an encouraging response with 310 applications for 10 positions in the different services of the Bank (Legal Department, Financial Control, Projects Department, Africa, Caribbean and Pacific, FEMIP and Information Technology). As some of the candidates applied for two or more opportunities, the actual total number of candidates was 127. The Internship Programme is open to students who are nationals of the Mediterranean partner countries (Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and Turkey). All 10 countries were represented. Of the total applications received, 55% came from Turkey, followed by Morocco, Tunisia and Algeria. Female applicants represented 42%.

Completed files were submitted to the services and at the end of the selection process interns received their contract and appropriate information relating to their stay in Luxembourg. The first interns started the programme in January 2007. A second recruitment campaign was launched in the second quarter of 2007, the total number of candidates being 137 for 16 positions. Again, most applications came from Turkey (62), followed by Lebanon (20), Morocco (17) and Gaza/West Bank (14).

To be eligible for the Internship Programme, candidates must have a degree from a Higher Education Institution (or be in their final year of study). Generally, successful candidates are enrolled in a graduate study programme (pursuing a Master's degree) and already have some work experience. Candidates must be 32 years of age or younger, and proficient in English and/or French.

The Programme seeks candidates specialised in a field relevant to International Development Banking, such as economics, finance, environment, engineering (ports, roads, energy) and urban planning.

As part of the initiative, a one-day conference on "The Role of Human Resources in Private Sector Development in Mediterranean Partner Countries" will be held in Luxembourg in the second half of 2008. It will be addressed to all the interns, with lectures given by distinguished speakers on the partner countries' labour market and human capital issues.

### ACP

The European Investment Bank supports the European Union's cooperation and development policies in the African, Caribbean and Pacific regions in the framework of the Cotonou Partnership Agreement between the EU and 79 African, Caribbean and Pacific (ACP) countries.

In 2007, EIB lending from own resources in the ACPs and Overseas Countries and Territories (OCTs) reached EUR 432m. Total signatures under the Investment Facility (IF) amounted to EUR 325m. ✓ The IF is a EUR 2037m risk-bearing instrument funded from the European Development Fund, established to support investment in private enterprises and commercially-run public sector entities over the period 2003-2007. The new ACP IF, providing for more than EUR 1.5bn in loans over the period 2008-2013 will come into force in 2008.

During 2007 a careful selection of the projects financed under the Investment Facility enabled the EIB to further expand the portfolio of investment loans designed to promote the sustainable development of ACP countries. With the objective of contributing as much as possible to the Millennium Development Goals, the Bank has ensured that all new projects in the ACP now benefit from the agreed development criteria contained in the ESIAF framework.

## Microfinance

As part of its efforts in the microfinance sector, the Bank has continued to support already well-established institutions, but is also putting greater emphasis on promoting the creation of new institutions through its portfolio of microfinance investment vehicles aimed at expanding the provision of financial services to the poorer segments of the population.

### Microfinance projects in 2007

- The EIB became a shareholder of MicroCred via a EUR 3.0m equity investment. ✓ MicroCred is an investment company created by a French NGO which aims to “create a group of commercial microfinance companies offering financial services to low-income entrepreneurs” and as such it invests in microfinance institutions and provides them with technical assistance for capacity-building.
- Together with other major investors (IFC, BIO and FMO) the Bank is investing a total of EUR 3.0m in the Rural Impulse Microfinance Fund which was launched in 2007 ✓ and is a limited-life fund which aims to make debt and/or equity investments in proven microfinance institutions that bridge the gap in financial services to the rural poor.
- Following on from the first AfriCap investment fund, the EIB has agreed to invest up to EUR 5.0m in the successor AfriCap II Microfinance Investment Company Ltd (AfriCap II), ✓ which will take equity participations in microfinance companies and contribute to their development through a technical services facility funded by European and international donors. Ultimately, it should strengthen the capital structures of MFIs, improve corporate governance and diversify their business networks and increase access to financial services.

## Other projects

Environmental protection and sustainable development are high on the EU and international agenda. During 2007 the Bank signed two innovative operations in the OCTs: two credit lines each to the value of EUR 5.0m with Banque Calédonienne d'Investissement (BCI), based in New Caledonia, and Banque SOCREDO, based in French Polynesia. These long-term funds are innovative and worthy of mention due to their specific focus on local projects in the fields of renewable energies and the environment.

### Maseru upgrading of wastewater and sanitation facilities, Lesotho

In July 2007 the EIB signed a loan with Lesotho's Water and Sewerage Authority (WASA) for the expansion and rehabilitation of wastewater and sanitation facilities in Maseru, Lesotho's capital. The EIB's loan will cover 50% of the total project cost of EUR 28.6m, while the European Commission will provide a EUR 10m grant under the EU Water Facility. The Government of Lesotho will provide the balance of EUR 4.3m.

Whereas water as an export commodity plays an important role in Lesotho's economy, the provision of water and wastewater services for the local population is still poor. Only 53% of the people living in urban areas have access to or are served by piped water distribution. Urban sanitation coverage is estimated to be slightly higher at 61%, but with only 6% of piped sewerage. The improvement of water and wastewater services figures prominently in the country's strategies for poverty alleviation, and the sector enjoys support from several donors (including the EU, World Bank, US Government and Arab financiers) committed to helping the achievement of the Millennium Development Goals (MDGs).



In the early stages of the project, the EIB financed the main preparatory consultancy assignment that supported WASA *inter alia* during the application process for the EU Water Facility to be selected as one of the beneficiaries of European Commission funds.

The project foresees the increase of sanitation coverage in Maseru's urban and peri-urban areas for some 100 000 inhabitants and will thus significantly contribute to Lesotho's efforts to meet the sanitation MDGs. The investment programme is adapted to the different income levels of the beneficiaries and includes the connection to central sewer networks as well as the construction of low-cost on-site sanitation facilities. Together with the refurbishment of an existing treatment plant and the construction of a new plant, this will contribute to reducing the pollution of Maseru's raw water sources and to lowering the incidence of water-related diseases.

Overall, the Maseru Wastewater Project is expected to be a major contributor to environmental sustainability through the construction of affordable infrastructure that will redress the large backlog and shortfalls in basic sanitation coverage affecting poorer communities in Maseru.



### The Ambatovy Nickel Project, Madagascar

The Ambatovy project concerns the development of a new, open pit lateritic nickel mine near Moramanga. It will also involve the construction and operation of a hydrometallurgical refinery near Madagascar's main port Toamasina, a 220 km slurry pipeline connecting mine and refinery, a tailings disposal plant close to the refinery and related infrastructure. It foresees the production of some 60 000 t of LME grade 1 nickel and 5 600 t of cobalt metal per year. With an estimated cost of USD 3.7bn, the Ambatovy project is one of the largest nickel mining and processing developments presently being prepared and its favourable geological characteristics should place it amongst the lowest cost producers worldwide.

The Ambatovy project is fully in line with the core objectives of the Cotonou Agreement and the Bank's strategy in the ACPs as it significantly contributes to sustainable social and economic development and poverty alleviation through the financing of productive investments promoted by the private sector. The majority of the investment costs (approximately 80%) concern the refining component, which will generate high value added in Madagascar. It is in line with the Bank's Extractive Industries Review and will noticeably contribute towards achieving strategic elements of Madagascar's Poverty Reduction Strategy. Furthermore, the project will directly contribute to opening up the country to regional and global economic integration.

In total the project includes over USD 300m (EUR 221m) worth of programmes that will contribute to long-term economic development through (i) health, safety and other social programmes; (ii) infrastructure improvement in road, rail, port upgrade/expansion, water/waste treatment, communication infrastructure; and (iii) industrial infrastructure to benefit other projects and industries. The project's "Local Resource Development Initiative" will develop the skills of individual workers and will indirectly – and significantly – promote the business of local suppliers, contractors and service industries. The important environmental and social (including gender) issues have been properly addressed by the promoter and mitigating measures have been incorporated into the project design or are foreseen.

Madagascar is a biodiversity hotspot with a number of endangered species. The project sponsors are acutely aware of this issue and have put in place measures to manage biodiversity conservation, enhance the sustainable management of existing natural resources and contribute to improved environmental protection. A very detailed, independent Environmental and Social Impact Assessment, compliant with EU Directive 97/11, was prepared for the project and approved in early 2007 by the Office National de l'Environnement, the competent local authority. NGOs present in Madagascar have commented favourably on the contribution that the Ambatovy project can make to help preserve Madagascar's endangered environment, which would otherwise continue to suffer critical damage from traditional, poverty-driven (slash and burn) farming techniques.



## ALA

In 2007, lending in Asia and Latin America (ALA) was carried out under the new mandate covering the period 2007-2013 during which the Bank will have the possibility to lend up to EUR 3.8bn in ALA partner countries. In sector terms, the objectives have been broadened and now also target environmental protection, including climate change mitigation, and projects that contribute to the energy security of the EU. Lending for projects located in ALA totalled EUR 925m, of which 365m for projects in Brazil, Panama, Peru and Uruguay, EUR 60m for projects in the Philippines and EUR 500m in China for a large-scale multi-investment scheme designed to support investment projects in the energy and industrial sectors that will help prevent or reduce greenhouse gases and other polluting emissions.

In the ALA region the Bank has focused on projects that have a good potential to generate significant value added, as estimated in the context of the ESIAF. EIB lending in ALA has also continued to support the EU's presence in Latin America and in Asia through the financing of foreign direct investment and transfer of technology and know-how.



### Manila Water Company project, Philippines

In 2007, the Bank provided EUR 60m to the Manila Water Company for the expansion and improvement of water source and water distribution projects. Manila Water is a domestic publicly listed company that operates a water concession on the eastern side of Metro Manila, Philippines. For the past 10 years, Manila Water has managed to significantly improve the water services to more than 5 million customers in the East Zone of Metro Manila.

The East Zone of Manila spans approximately 1 400 Km<sup>2</sup> and comprises the cities of Makati, Pasig, Mandaluyong, Marikina, San Juan, Taguig, most parts of Quezon City, some parts of Manila, and the municipality of Pateros as well as cities and municipalities in the Rizal province, further east of Metro Manila. Overall, the project will provide access to safe water to a population of more than 600 000 people (approximately 100 000 households) that currently get their water from a combination of private wells, vendors and the purchase of bottled water. The investment will lead to increased consumption of safer water and to the reduction of the average expenditure on water as a share of household income.

Part of the extension of the coverage of water services focuses on deprived communities through "Water for the Poor Communities" projects and will allow families to share costs and benefit from much lower tariffs. Manila Water estimates that about 1.2 million people have benefited from this programme so far. The investment financed by the EIB will provide, for the first time, safe water services to at least 350 000 additional customers from these communities, thus further contributing to the water Millennium Development Goals in the Philippines.

As a result of the improvement of the reliability and efficiency of the water supply service, the main benefits of the project are the enhancement of the quality of life and a reduction of the health risks stemming from water-borne diseases, by including people living in areas not yet or not properly served. There is also an improvement in the use of scarce existing water resources, with the reduction of leakage in the distribution system. Environmental benefits will come from more efficient management of the existing water resources, particularly through the upgrading and extension of the existing facilities and the reduction of water losses.



## 5. Independent ex post evaluation of projects

Operations Evaluation (EV) independently provides 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 been completed. Through its work, it reinforces accountability and encourages the organisation to learn from experience. Its mandate has recently been enlarged to cover all activities of the EIB Group through ex post evaluations.

In 2007, the Board of Directors endorsed a revised strategy for Operations Evaluation, which reinforced its role within the EIB Group. EV activity is based on the Group's main priorities both within and outside the European Union.

Recently, EV performed three evaluations on operations (financed between 1995 and 2006) within the European Union based in the fields of: education and training; health; and research, development and innovation.

A specific assessment of the relevance of the Bank's strategy was accomplished referring to EU policies and more particularly the Lisbon process. All operations evaluated were fully consistent with EU policies and country priorities. Focusing on the Bank's sector strategy, the findings were mixed.

### Methodology used

Operations are assessed using internationally accepted evaluation criteria and include an examination of EIB performance.

- A. At **sector** level, the relevance of the EIB portfolio is assessed, which includes: the extent to which the objectives of the operations are consistent with EIB strategies, and whether the EIB strategies are consistent and coherent with EU policies and Member State priorities.
- B. For all **operations evaluated in depth**, the following criteria are considered:
  - Relevance as defined above;
  - Effectiveness: the extent to which the objectives of the project have been achieved;
  - Efficiency: the extent to which project benefits/outputs are commensurate with resources/inputs;
  - Sustainability: the likelihood of continued long-term benefits and the resilience to risk over the intended life of the projects;
  - Environmental assessment.
- C. The **role of the EIB** is assessed on the following criteria:
  - Financial contribution to the operation;
  - Other contributions such as technical assistance or expert advice;
  - EIB management of the project cycle from project identification to appraisal and monitoring.

*For each criterion, operations are rated: Good – Satisfactory – Unsatisfactory – Poor*

From the findings, EV proposes a series of recommendations. The Bank's services comment on these and agree on specific measures that need to be taken. EV reports are discussed by the Board.

In the education sector, the funds have exclusively been used for the rehabilitation, expansion and new construction of physical infrastructure. EV advised the Bank to target projects which maximise its contribution to EU policy objectives of access, education quality and educational attainment and to be more open to accepting projects which are not based on physical assets.

In the health sector, the EIB portfolio shows a concentration of large healthcare infrastructure (mostly hospitals). EV recommended developing a coherent health sector strategy linking Member State and EU health objectives with the Bank's objectives and priorities; ultimately, this should give guidance for more proactive project identification and appraisal.

In the RDI sector, the Bank's intervention was more oriented towards projects at the innovation end and less focused on the development stage. EV recommended that the Bank strengthen its intervention at all levels of RDI.

In all cases, the Bank's services responded positively and are currently preparing new or renewed strategy papers which will be completed, when justified, by detailed guidelines for the identification and appraisal of operations.

## **EV and evaluation of environmental impact**

At the same time, EV, which has always assessed the environmental impact of the projects evaluated, has decided to add specific environmental ratings in order to increase awareness. For all individual operations evaluated in depth in 2007, the environmental rating has been either satisfactory or good.

Evaluation reports highlighted the importance of assessing promoters and their awareness of regulatory compliance and ethical issues, in particular where the Bank's financing programme includes a large number of smaller operations. Assessments were found to be satisfactory or good in all cases evaluated.

### **For the health sector, the methodology was adapted:**

Environmental and social impact assessment evaluates the hospital from an ecological point of view. This criterion goes beyond the impact of the investment on healthcare provision as it also includes carbon emission, energy efficiency, green spaces, involvement of local communities, transport, local employment, social cohesion, urban network, attractiveness of the region, competitiveness of biotech industries, etc.

All projects were in line with national and EU environmental legislation and in general had a positive impact, in particular on the social environment.



#### **Case study on RDI eligibility – new process for treating industrial waste**

The project was located in an industry that had traditionally disposed of waste in landfills but which was becoming increasingly regulated. Existing processes were available, but these only partially treated the waste. The promoter invented a new process for treating industry waste which produced 100% marketable by-products. Following a successful pilot plant (also supported by the EIB) the process was scaled up to a first industrial application. This required the solution of substantial additional technical problems, and the project ran into difficulties at one stage. However, these were successfully resolved (partly through the buyout of the company by its largest customer) and the process is now operational and finding additional markets. The project is an example of one where new technology is producing environmental improvement.

## IV – Capital Markets



### 1. Socially responsible investors attracted to EIB bonds

Socially responsible investment (SRI) typically combines investors' financial objectives with concerns that may encompass one or more of the following: social, environmental, ethical or corporate governance issues. The appeal of EIB bonds for SRI audiences has therefore benefited from a variety of factors: on the one hand the EIB's attractive corporate responsibility credentials, but also purely financial merits, including the Bank's top-quality credit standing, its strategic approach to markets and its product offering. ✓

Regular EIB bonds – for instance certain liquid benchmark bonds – have for some time attracted demand from socially responsible investors. However, during the past year, the Bank substantially widened this appeal through the issuance of a product specifically geared to the SRI market, the "Climate Awareness Bond".

#### **Climate Awareness Bond: SRI innovation and pan-EU access**

Energy is the main factor in climate change, accounting for some 80% of the EU's greenhouse emissions. The European Council adopted an ambitious action plan that aims to protect the climate via a "sustainable integrated European climate and energy policy", in which sizeable investments in renewable energy and energy efficiency, as well as substantial reductions in EU carbon emissions, are key. Following this Council decision, the EIB launched an innovative capital market transaction: the "Climate Awareness Bond". This EUR-denominated structured bond addressed the relatively new and growing market in Europe for fixed-income SRI products.



The bond offered a unique combination of environmental characteristics. The proceeds were earmarked for the Bank's future projects supporting climate protection, in the fields of renewable energy and energy efficiency. It incorporated an option to purchase and cancel CO<sub>2</sub> allowances (European Carbon Allowances or "EUAs") via the European Union's Emission Trading Scheme. Also, the return on the bonds is linked to the performance of a new equity index created specifically by the FTSE for this transaction – the FTSE4GOOD ENVIRONMENTAL LEADERS 40 INDEX. The index includes the largest European companies in terms of capitalisation, provided that they obtain the "best practice" ranking in an environmental scoring of their activities, as independently performed by the FTSE.

To maximise access for European investors, the bond was publicly offered across all 27 EU Member States, a market first. Access was further enhanced through the use of an exceptionally broad syndicate of 15 banks. Also, roadshows across Europe and an unusually extensive marketing and public relations campaign generated widespread visibility. ✓

Overall, the Climate Awareness Bond extends climate awareness to capital markets, demonstrating that public benefits can be pursued without renouncing economic returns and that European capital markets are more dynamic than others in this field, thanks to the initiatives of the EU. Through this bond, the EIB is inviting investors and the banking community to join the fight against climate change, thus reinforcing the EIB's commitment to promoting EU objectives.

## Development impact

The Bank has a long-standing track record of contributing to capital market development internationally, both in developed and emerging currencies. In emerging currencies the Bank has in particular focused on currencies of new/future Member States and EU partner countries. Here the Bank's concrete contributions to market development relate both to development of the framework for issuance according to international standards and also to execution of issuance that adds diversity to the market, for instance by offering more liquid alternatives and new maturities and products. The EIB is often the first foreign issuer in its asset class to enter such markets. Such issuance may also provide a step towards potential future lending in local currency.

Among partner countries in the developing world, selected African markets have been a key focus in recent years. In Africa, under the Cotonou Partnership Agreement of 2000, the EIB complements its lending operations through its issuance activities in regions where it has been a development partner over decades. Such issues give the EIB the opportunity to expand its presence in African partner country currencies in a way that contributes to the development of the local capital market, both by directing international investors' attention to African debt markets and by providing a top-quality alternative to local investors in markets with very limited supply.

In 2007, the Bank further extended its developmental activities in new/future Member States and EU partner countries, including issues in new currencies. The debut in Romanian leu added diversity to the market by offering the longest-dated and largest bond at the time of issuance. In Mauritian rupee the Bank's first issue was also the first by a foreign issuer. The debut in Ghanaian cedi added a top-quality alternative in a market with limited supply. In Turkish lira the Bank issued the largest-ever single tranche Eurobond (TRY 1bn), providing a new benchmark for the market.

## Proactive dialogue with the SRI community

The EIB's Capital Markets Department is involved in an open and proactive dialogue with the SRI community. There is regular distribution of the Bank's Corporate Responsibility Reports to a wide range of SRI investors and analysts. Furthermore, the Bank has conducted meetings with a large number of these market participants, notably in the context of the recent Climate Awareness Bond transaction. It has also explored potential new sources of SRI bond demand internationally through dialogue with investors considering entry into this market.

## V – Direct Footprint





## 1. Internal environmental management

### Internal footprint

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 was strengthened in 2007.

The EIB is committed to reducing the impact of its activities in terms of climate change. To that end, it has set a reduction target for its direct CO<sub>2</sub> emissions of 20-30%, to be attained by 2020. The Bank will use the Greenhouse Gas (GHG) Protocol Initiative Standards for measuring and monitoring its direct environmental impact. The Bank has defined the limits of its carbon footprint responsibility and a set of measures is being implemented that will progressively reduce direct emissions.

The EIB took the decision in 2007 to buy electricity originating 100% from renewable sources (hydropower, wind power and biomass) through the purchase of renewable electricity certificates. ✓

Other measures being implemented with the aim of reducing direct emissions relate mainly to:

- encouraging the use of public or clean transportation;
- reducing levels of energy consumption;
- better waste and recyclables management.

In order to ensure that targets are being met, the Bank is closely monitoring the emission levels and remedial action will be taken as necessary.

The EIB will offset its residual emissions, after taking appropriate measures to reduce them, by means of high-quality carbon credits.

An internal information campaign to raise staff awareness on environmental issues, the impact of climate change and the importance of the measures being proposed is being carried out with the participation of both external and internal speakers.

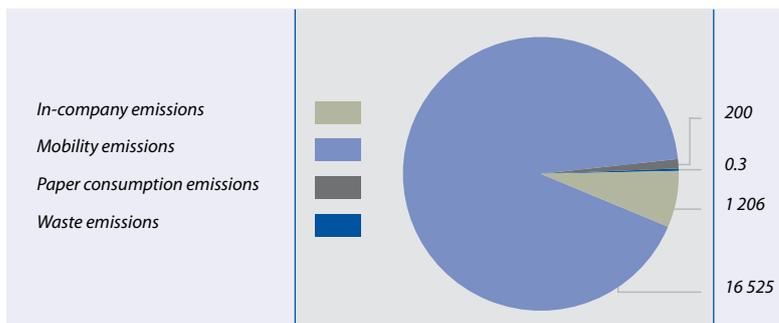
#### **Presentation of the internal footprint to staff**

In June 2007 President Maystadt underlined his commitment to reducing the climate change impact in a presentation to staff of the Bank's plan to reduce the EIB's carbon footprint. A working party with staff from various areas within the Bank had prepared proposals on measures to be implemented, focusing on the three topics of energy, transportation and waste disposal and generation, as well as initiatives such as exhibitions, articles, and the introduction of a climate change awareness campaign. The main aim of this presentation was to raise awareness of the small steps that each staff member can take that can also have a significant impact in terms of reducing the Bank's direct CO<sub>2</sub> emissions.

## 2. Emissions, energy and waste

The basic calculations for establishing the baseline CO<sub>2</sub> emissions (2007) against which future performance in terms of emissions reduction could be measured were carried out by an external consultant certified to use the recognised Bilan Carbone® methodology. The full report from the consultant is available on the EIB website.

Global Footprint (tonnes of CO<sub>2</sub>)

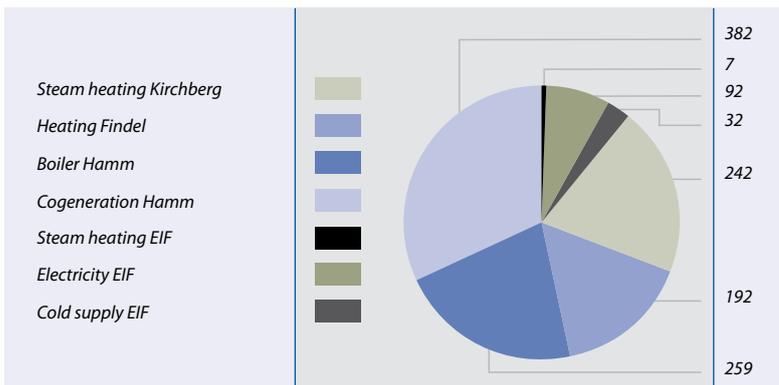


### Energy

Since the beginning of 2007, all the electricity purchased by the Bank (excluding the EIF) originates from renewable sources (hydroelectric, biomass and wind).

The energy measures taken in 2007 related mainly to staff awareness (switching off lights and computers at the end of the day and during long absences).

EIB & EIF In-company (tonnes of CO<sub>2</sub>)

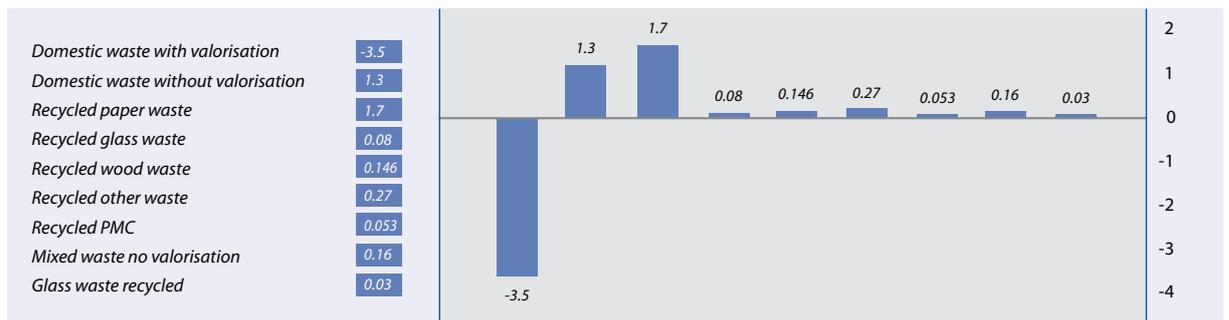


Computers are now shut down centrally at night. A study on modifications to the lighting system (movement detectors) will be carried out in 2008, with work expected to be carried out in 2009.

### Waste management

Insofar as possible the Bank intends to purchase office materials from recycled sources. The printers and photocopying machines have been programmed to print or copy on both sides in order to reduce paper consumption.

EIB & EIF waste emissions (tonnes of CO<sub>2</sub>)





### EIB awarded Green Label for sorting of waste in 2007

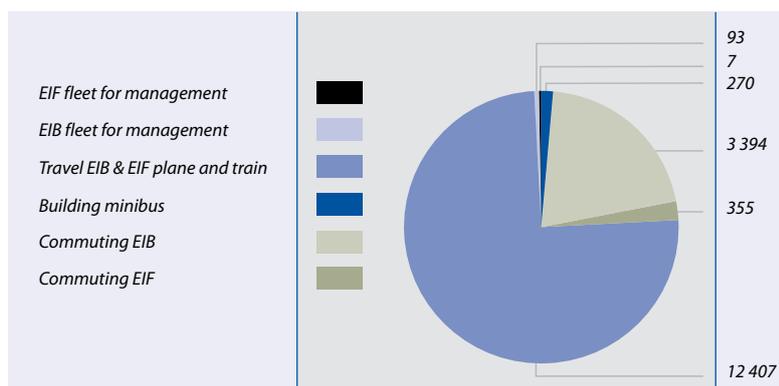
Throughout 2007 one of the things that the Bank focused on was managing its waste and it therefore stepped up its efforts to comply with the Green Label criteria. In order to obtain this label, the Bank introduced an improved waste management system. No less than 30 types of waste are now sorted, with most of them being recycled.

SuperDrecksKëscht, a body which comes under the Grand Duchy of Luxembourg's Environment Ministry, arranged an audit of the EIB's three buildings in 2007 and awarded the Bank the SuperDrecksKëscht® fir Betriber quality label for its three sites in Luxembourg.  This label attests to the fact that waste is being properly managed. It is valid for only a year and confirmation audits will be carried out at the EIB annually.

### Mobility

The Bank currently provides around 80 cycle racks and a further 30 will be installed in the outside parking area under construction. Staff are systematically advised to travel by rail for all short journeys where train connections are available. The teleconference facilities are currently being improved in order to avoid some of the business travel.

EIB & EIF mobility emissions (tonnes of CO<sub>2</sub>)



### Environmental indicators 2007

	Tonnes of CO <sub>2</sub>	Tonnes of CO <sub>2</sub> per staff member
Energy emissions (electricity, heating, refrigeration)	1 206	0.8
Mobility emissions	16 525	11
Waste disposed of	0.3	0.0002
Copying paper consumption	200	0.13
<b>TOTAL</b>	<b>17 931.3</b>	<b>11.9</b>
	<b>m<sup>3</sup></b>	<b>m<sup>3</sup> per staff member</b>
Total water consumption (EIB only)	55 874	41
	<b>kWh</b>	<b>kWh per staff member</b>
Total electricity consumption (with green certificates) <sup>9</sup>	13 868 956	10 205.3 <input checked="" type="checkbox"/>
	<b>Tonnes</b>	<b>Tonnes per staff member</b>
Total paper consumption	99	0.07 <input checked="" type="checkbox"/>

<sup>9</sup> Excluding EIF electricity consumption.

### 3. Health and well-being and working responsibly

#### Human resources strategy

Like all major financial institutions, the Bank is faced with significant changes in human resources terms. Consequently, in 2007 HR's strategy was reformulated and its priorities redefined. Taking into account those changes and with the aim of maintaining the quality of the administrative services, the new strategy is based on the following three pillars: excellence in staffing; motivation and individual development; and well-being at work.

The main objectives of the new strategy are to:

- attract high-quality candidates to the Bank;
- 'put the right people in the right place at the right time';
- provide staff members with the means to work to the best of their ability, so that they can contribute as fully as possible to the achievement of the Bank's objectives;
- develop the abilities of managers and clearly define their roles and responsibilities in order to ensure their involvement, at all levels, in the day-to-day management of the performance and professional development of their co-workers (role of motivator);
- address the social, medical and psychological problems of staff members through a multidisciplinary approach (to help attract and retain staff, improve productivity and reduce absenteeism and conflicts in the workplace).

#### Improvement of terms of employment and staff representation

In July 2007, the Board of Directors approved a number of measures designed to improve the terms of employment and dialogue with management at the EIB.

The first of these measures concerned the granting of the same status as marriage to registered partnerships, thus making registered partners eligible for the majority of staff entitlements and benefits that are granted to married couples.

Secondly, the maximum period of leave on personal grounds was increased from three months to three years.

Thirdly, the Staff Representatives' right to express their views at Board of Directors meetings whenever issues of general interest to the staff are being discussed was granted. Previously, the Staff Representatives were only entitled to attend the meetings without the right to speak.

Finally, the automatic participation of the pensioners' association (AABEI) on the Pensions Board was granted. The Pensions Board is the joint body responsible for seeing to it that the Staff Pension Scheme is properly run. For several years, the AABEI had been represented on this Board under an arrangement with the Staff Representatives.

#### Breakdown of staff by nationality

The breakdown of the Bank's staff by nationality meets the requirements of the EIB's Statute, which states that "in the selection of staff, account shall be taken not only of personal ability and qualifications but also of an equitable representation of nationals of Member States".

#### Training statistics

The average number of formal training days attended by staff members was 5.8 in 2007.



## Health and well-being

### Strategy

Approved in early 2007, HR's strategy for the coming years includes staff well-being as one of its three strategic pillars. Organisationally, this occasioned the creation of a division for Well-being and Work/Life Balance. Based on best available data, the division has identified a number of areas for development in the medium term. These include strengthening psychosocial services; enhancing options for work-life balance; improving services in relation to expatriation and integration; and increasing emphasis on health and safety, stress management, disease prevention, and physical fitness.

### Crèche facilities

Since the mid 1990s, the Bank has offered crèche facilities to its staff. Over time, demand for places at the crèche has exceeded capacity, to the point where it was beginning to affect staff members' ability to return to work at the end of their maternity or parental leave periods.

To remedy this, an additional 60 places – a capacity increase of 60% - were provided at a recently opened private crèche in the vicinity of the Bank's headquarters. These places are exclusively for children of EIB Group staff members and are subsidised as a function of household incomes.

### The Staff Assistance Programme

People in an international, multicultural context are likely to be disproportionately vulnerable to the inevitable so-called "life events". In fact, even the informal networks on which people usually depend for everyday practical advice are often inadequate in such circumstances. To help prevent issues from turning into real distractions, HR made a staff assistance programme available to staff members and their families. Operated by an external provider, the Staff Assistance Programme was launched in September 2007. ✓

The programme offers a counselling service ranging across issues relating to personal, relationship, emotional or workplace problems as well as providing practical advice concerning family, addiction, legal, financial, or housing matters. The service is accessed via telephone, but with face-to-face sessions, by appointment, for more serious problems. It is strictly confidential, even anonymous if so preferred by the user. ✓

### Dignity at work

A Dignity at Work Policy was introduced at the Bank in 2004 with the following aims:

- to raise awareness of and thus help prevent harassment and bullying;
- to provide a structure and procedures for dealing with alleged cases of harassment or bullying.

Although confidentiality limits the scope for evaluating the policy, the opportunity to discuss with or be advised or consoled by a confidential counsellor in matters relating to dignity at work appears to be greatly appreciated. As a consequence, the policy has also been adopted by the EIF and a number of new volunteers are being trained to complement the counsellors appointed when the policy first became effective.

### Health Awareness Week

In collaboration with the Joint Committee on Risk Prevention and Protection at Work, the Well-being division held a health awareness week in October 2007. Focusing on musculoskeletal disorders, the theme of the week sponsored by the European Agency for Safety and Health at Work, the programme included a series of events and presentations aimed at enhancing general well-being among staff.

### The Medical Service

Although in operation only since late 2005, the Bank's Medical Service continued to experience solid growth in demand. In particular, the annual medical exam was taken up by an increasing number of staff members. Travel health advice, ergonomics and laboratory tests also saw a marked expansion in demand.

### Sports facilities

The Bank's sports facilities and the broad range of activities sponsored by "Le Cercle" contribute considerably to the well-being of members of staff. However, without an expansion of the sports areas commensurate with the significant growth in staff numbers in recent years, space will become severely constrained.

As a first measure to help overcome this, the restrictions on access to the current facilities – previously only open outside 'core working hours' – were lifted. It was also agreed that additional space for sports activities would be made available as the opening of the new building permitted.

### Injury rate

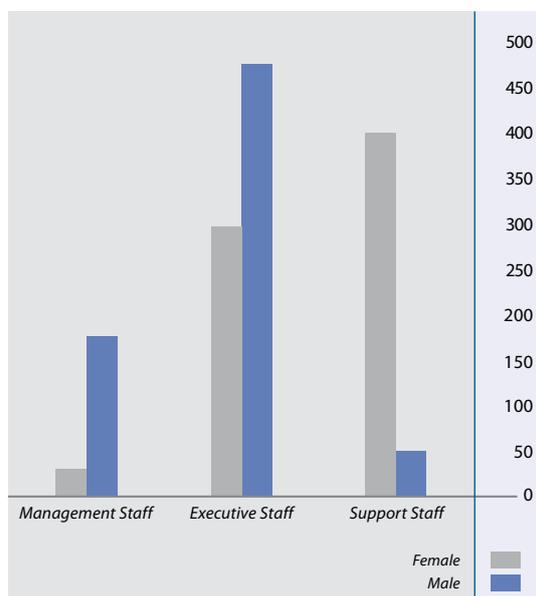
The EIB injury rate includes accidents occurring when using EIB sport facilities and was 0.4% of total staff in 2007.

### Sickness absence rate

In 2007 the sickness absence rate at the EIB was 3.5%, an average of 7.63 days lost per staff member.

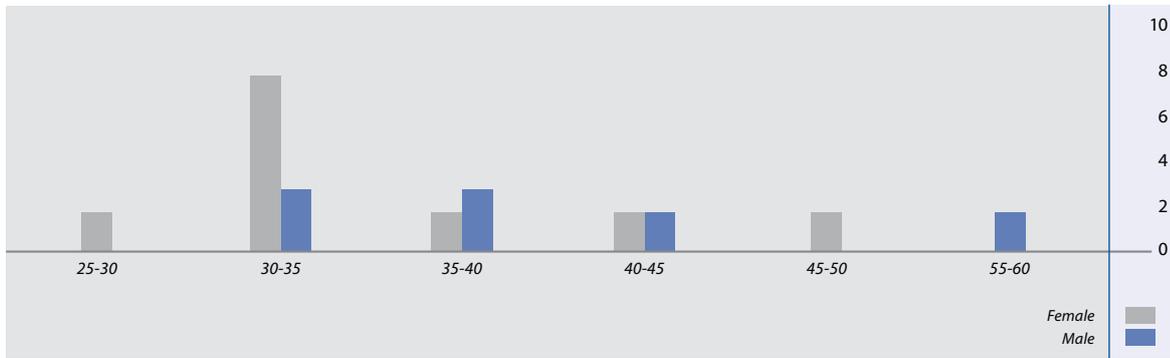
Active staff by category and gender as at 31/12/2007

	Management Staff	%	Executive Staff	%	Support Staff	%	Total
Female	28	13.27	301	38.69	404	87.07	733
Male	183	86.73	477	61.31	60	12.93	720
<b>Total</b>	<b>211</b>		<b>778</b>		<b>464</b>		<b>1 453</b>





Staff turnover by age group and gender



## Report indicators

### Undertakings in 2006

	CRR 2006	Actual status 2007
DIAF	Following the completion of the negotiations on the external mandates <b>DIAF</b> could be extended to other mandates.	DIAF is now known as the "Economic and Social Impact Assessment Framework" (ESIAF) and is applied to all external lending mandates.
EFQM	<b>EFQM Framework for CSR (used):</b> In 2006 in particular, the Bank started to implement the internal management framework for corporate responsibility using the EFQM Framework for CSR. This was done in 2006 and 2007 through two self-assessment exercises using the EFQM Framework for CSR.	It is intended to continue to use the EFQM Framework for Corporate Responsibility to implement and manage the Bank's progress. However, an external audit of CR policies will also be performed in 2008. <input checked="" type="checkbox"/>
New offices		See list of offices opened in 2007 on the Bank's website.
EIF information	<b>The 2007 CR Report will apply to the whole EIB Group.</b>	ACRR 2007 includes for the first time information on the EIF.
EIB website	2006 also saw the start of a major overhaul of the content of the website, which should be finalised at the end of 2007.	The overhaul of the Bank's website was completed in October 2007.
CR website	For next year's CR report (2007), the Bank intends to improve the reporting method, making it more web-based. In this context <b>a dedicated Corporate Responsibility sub-section will be created in 2007 on the EIB website.</b>	The dedicated Corporate Responsibility sub-section of the website is now in place.
Governance	<b>Joint statement on governance</b> promised for whole of the EIB Group.	The statement on Corporate Governance is due for revision and will cover the whole of the EIB Group
Public consultation	On policy, guidelines and procedures for combating corruption, fraud, money laundering and the financing of terrorism.	The public consultation took place in 2007 and the policy is due to be finally approved and published in 2008
European Development Days	The EIB will also participate in the next <b>European Development Days</b> , to be held in Lisbon in 2007.	The Bank was present with a stand and a workshop with NGOs was also organised.
EU-Africa Partnership for Infrastructure Trust Fund	<b>The EU-Africa Partnership for Infrastructure Trust Fund</b> agreement between the EC and the EIB was signed in July 2006. Initial financing under the Partnership is expected to commence in the first half of 2007.	The Partnership was officially launched in April 2007 and financing is under way. <input checked="" type="checkbox"/>
EIB Foundation	The EIB has started the process of creating a separate and autonomous legal entity – the "EIB Foundation".	The work on the creation of the Foundation is still ongoing but no formal decision has been taken. <input checked="" type="checkbox"/>
Complaints Policy	In 2007, the <b>Complaints Policy</b> will be communicated externally.	The Complaints Policy will be approved in early 2008, and will include a Memorandum of Understanding between the Bank and the European Ombudsman as well as internal procedures for the functioning of the Complaints Office. <input checked="" type="checkbox"/>
TEN-T pipeline	The <b>TEN-T pipeline</b> remains healthy, with many projects expected to be signed in the first quarter of 2007.	The targets for TEN-T for 2007 have been exceeded.



	CRR 2006	Actual status 2007
<b>COP/environmental objectives</b>	The COP for the period 2007-2009 includes the following environmental objectives: to start to prepare in 2007 a new Environmental Policy Statement that defines the environmental principles and standards of the EIB, due for release in 2008.	The work is well advanced on the preparation of the new Environmental and Social Statement, which is due for public consultation and release in 2008. ✓
<b>Pollution survey for the Mediterranean region</b>	The Bank is also planning to carry out a survey in 2007 to identify the three to five largest sources of pollution for a number of countries on the southern rim of the Mediterranean. The aim is also to assess the need for future technical assistance support. The overall goal is to develop an investment programme for Mediterranean pollution hotspots, in support of the Horizon 2020 initiative.	The survey has been carried out and the results can be found on page 52. ✓
<b>JASPERS</b>	As from 2007, the EU will more than triple the structural funds to modernise infrastructure in the new Member States and help them to achieve convergence and implement EU standards, especially in the the environmental and infrastructure field. Activities for 2007 are being jointly defined with the national authorities and will begin in all countries concerned in the first quarter of 2007.	JASPERS has identified around 260 projects and horizontal tasks in the twelve beneficiary countries under the 2007 Action Plan. More on page 16. ✓
<b>Lebanon</b>	During his visit to Beirut in October 2006 and in January 2007 at the Paris Donors' Conference, EIB President Maystadt confirmed the Bank's commitment to supporting the reconstruction and recovery process in Lebanon through the instruments and tools provided by FEMIP.	At the Paris III International Conference on Support for Lebanon held in January 2007, the EIB pledged EUR 960 million in new finance over the next five years for key projects as part of Lebanon's recovery, reconstruction and reform plan. Following the pledge, a new direct global loan intermediated by selected Lebanese private banks was signed at the end of the year for a total amount of EUR 195 million. The operation supports lending in favour of private sector (SME) development in all productive sectors of the Lebanese economy. ✓
<b>Internal footprint</b>	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. These measures are to be stepped up in 2007, with the main focus initially on GHG inventory and carbon emission offsets.	The framework for the management of the internal footprint has been approved. The 2007 baseline figures have been established and will form the basis against which attainment of the targets (20-30% reduction by 2020) will be measured.

## Disclosure on Management Approach

### Economic performance

The Bank reports upon its economic performance in accordance with internationally recognised accounting practices and standards. Furthermore, it adheres to good governance practices in the performance of its task as the Bank promoting European objectives. Please see page 6 of this report and our website for further details of the Bank's economic performance in 2007.

### Environment

The EIB has a Facilities Management team charged with measuring and reducing the resources consumed by Bank staff. Our report gives details of the Bank's direct footprint and its internal environmental management system. Resources reported upon include paper, water, heat and electricity consumption, as well as the total equivalent CO<sub>2</sub> emissions from staff commuting. In addition, since the Bank's work requires staff to travel to project sites to assess their suitability, the number of air miles travelled each year by staff members is recorded and reported upon. These air miles are then converted into their CO<sub>2</sub> equivalents.

The Bank's Internal Environmental Management Working Group is charged with seeking opportunities to constantly improve the Bank's use of precious resources. Please see pages 63 to 65 of this report for further details of the Bank's working environment.

The EIB's "Environmental and Social Practices Handbook" describes the internal processes and practices of the Bank, particularly the work carried out by its Projects Directorate (PJ), to ensure that all financing activities are consistent with its environmental policy. In turn, the Bank's environmental policy is in line with existing EU environmental legislation.

Beyond the EU-27 and the Candidate and potential Candidate Countries, the environmental standards of the Bank are also subject to local conditions.

The EIB supports the pursuit of sustainable development through its lending activities, by financing environmental projects, by safeguarding the environment where possible, and by trying to improve, where practicable, the environmental and social outcomes of all projects.

In all cases, the EIB follows stringent guidelines in deciding which projects it should finance.

### Labour practices

The Human Resources team ensures that staff members are aware of the conditions of employment and their rights and duties under the Bank's employment policy. Staff members are also informed of their access to suitable training opportunities, and the number of hours of training per staff member is recorded and reported upon each year. The Bank has also introduced staff representation mechanisms, notably through the College of Staff Representatives and various Joint Committees, dealing in particular with equal opportunities between men and women (COPEC) and health and safety matters (CPPPT) with the aim of addressing/engaging with the important issues as far as treatment of the staff is concerned. The breakdown of staff by job category and gender is closely monitored. Please see pages 66 to 69 of this report for further details.



## Human rights

Within the Bank, a Dignity at Work policy is in place which aims to help prevent incidents of bullying and harassment in the EIB's working environment. In terms of the projects that the EIB finances, the Bank aims to ensure that social safeguards are in place to prevent human rights abuses. Projects to be financed within the EU will, in any case, comply with EU law, policy, principles, standards and practices. All projects outside the EU are assessed against the social safeguards of the Bank, which are defined in a number of guidelines covering the following topics: population movement, including involuntary resettlement, the core labour standards of the International Labour Organisation (ILO), the treatment of potentially disadvantaged minorities, including indigenous peoples and gender issues, occupational and community health and safety, and consultation and public participation. Please see pages 13, 35, 36 and 67 of this report for further details.

## Society

During 2007, the EIB conducted a review of its policy, guidelines and procedures on fighting corruption, fraud, money laundering and the financing of terrorism. In line with the Bank's Transparency Policy, the review included a public consultation process, with the promise of improved staff training to ensure adequate awareness of the issues surrounding fraud.

In addition, the Office of the Chief Compliance Officer (OCCO) identifies and addresses ex ante risks associated with non-compliance with laws, rules, regulations and policies applicable to the EIB. OCCO is responsible for integrity checks and Anti-Money Laundering and Combating the Financing of Terrorism controls on the Bank's counterparties and operations. Please see pages 11 to 13 and 20 of this report for further details of the Bank's working environment.

## Environmental performance indicators

### F1

The Bank is following the recommendations in the Sustainability Report Guidelines issued by the Global Reporting Initiative (GRI). The environmental performance indicators as defined by GRI (indicators EN1-EN30) are reported on in the section on the direct footprint of the Bank, beginning on page 62. However, in 2005 the GRI produced a separate set of environmental performance indicators for the financial sector (F1-F13), which the Bank is following insofar as possible.

The environmental policy of the Bank is publicly communicated and has been formally adopted by the Board of Directors. The full Environmental Statement is available on the Bank's website. The environmental policy covers all operations of the Bank regardless of the location and size of the project. The policy was adopted in 2004 and is subject to review. A review started in 2007 and the new policy is due to be released in 2008, including a public consultation.

### F2

The general approach of the EIB to the protection and improvement of the environment is described in its latest Environmental Policy Statement. It is based on the distinctive EU approach to environmental sustainability, the principles, practices and standards of which are as strong as any that exist and which are reaffirmed in the "Declaration on the EPE". The general approach of the Bank to environmental issues is based on a number of overarching principles, namely the "precautionary principle", that preventative action rather than curative treatment should be taken, environmental damage should be rectified at source and the polluter should pay, in accordance with the Treaty Establishing the European Community. All projects financed by the Bank are the subject of an Environmental Assessment (EA), which is normally carried out by its own staff but if undertaken by others must comply with the requirements of the Bank.

### F3

Processes for assessing and screening environmental risks are described in the Environmental and Social Practices Handbook. All loans, regardless of size, are screened for environmental purposes by the Bank's staff, using EU criteria as the guidelines. For credit lines the Bank restricts its environmental due diligence to the financial intermediary's own ability to carry out the environmental assessment of the projects it intends to finance under the global loan.

### F4

The monitoring of the client's implementation of and compliance with environmental aspects raised in the assessment process is dealt with in different ways. If a project is considered at the time of appraisal to have environmental components that need monitoring, this requirement is included in the loan agreement as a condition of the loan. The Bank has recently recruited a number of monitoring officers who will manage project monitoring activities.

### F5

The Bank provides systematic training for its staff who deal with environmental assessment. Regular training is given in the area of environmental impact assessment, climate change, biodiversity, social assessment, and European environmental laws and regulations. The main target audience is staff responsible for project appraisal; however, most training sessions are open to all staff members. Some more general sessions are repeated several times a year. The more general training sessions are usually carried out by the Bank's own specialists and for more specialised topics the Bank calls on external speakers and trainers. The training sessions attended will appear on the staff members' training summary, which is part of the annual appraisal.

**F6**

The Bank's Evaluation Unit (EV) carries out on a regular basis evaluation of the projects the Bank finances. As a part of the evaluation process, a report is produced which summarises the findings of the evaluation and makes recommendations for direct implementation. EV focuses on how the Bank conducts its operations, given the framework of relevant EU policies, for instance the application of the EIA Directive and other EU sectoral directives, EU climate changes policies, attainment of the Millennium Development Goals, etc.

**F7**

The Bank interacts with its business customers regarding environmental risks and opportunities in almost every project, as part of a standard procedure. Prior to most appraisal missions a detailed questionnaire on environmental and social issues related not only to the project but to the general activities of the promoter is sent out. All relevant issues are discussed with the Bank's customers prior to project approval.

**F8**

The Bank pays particular attention to those projects that come under Annex I or Annex II of the EIA Directive and must be screened by the competent authority. In other words the projects that require an EIA are normally those where the Bank engages proactively with its customers and the stakeholders.

**F9**

n/a

**F10**

n/a

**F11**

n/a

**F12**

See Table : Summary of environmental lending by eligibility 2007, on page 40.

**F13**

See Table for the regional breakdown of the Bank's outstanding loan portfolio, on page 39.

## Assurance statement

### European Investment Bank

Year ending 31 December 2007

*This is a free translation into English of the original report issued in the French language and is provided solely for the convenience of English-speaking readers*

At the request of the European Investment Bank, we have carried out the procedures described below concerning a selection of information and indicators published in the European Investment Bank's Corporate Responsibility Developments in 2007 Report. Only the information designated with the symbol  and the nine indicators designated with the symbol  have been audited with limited assurance in mind.

All the information and indicators presented in the Corporate Responsibility Developments in the 2007 Report were prepared under the responsibility of the European Investment Bank's Management.

The indicators were established in accordance with the reporting criteria applicable at the European Investment Bank in 2007, which may be consulted at the European Investment Bank's headquarters or on the European Investment Bank's intranet.

It is our responsibility to express, on the basis of our work, a conclusion on this information and these indicators, on the basis of our review.

### Nature and scope of the work

#### 1. On the CR information selected:

With regard to the CR information designated by the symbol  we carried out the following work:

- a review of the content of the Corporate Responsibility Developments in 2007 Report in order to identify the main assertions and claims regarding the progress made by the Bank in implementing the CR approach and in terms of CR performance, particularly with respect to the following topics: climate change, renewable energy, environmental loans, development and cooperation assistance, microfinance, ethics, anti-money laundering and anti-fraud policies, transparency of information, relations with investors and handling complaints received;
- discussions with:
  - those responsible for applying the CR approach;
  - those involved in implementing the approach in the general services in particular, those responsible for professional ethics, communication, human resources and procurement;
  - those involved in implementing the approach in the lending activities: (the Projects Directorate (PJ) and the Operational Directorates (OPS A and OPS B));
- collating supporting documents, such as the minutes of Board of Directors' and other meetings, loan contracts, internal or external presentations and reports, studies or results of surveys to support previously identified assertions.



## 2. Of the nine indicators selected:

With regard to the indicators designated by the symbol,  we carried out the following work, to obtain limited assurance that these indicators are free of material misstatements. A higher level of assurance would have required more extensive work.

- We assessed the reporting criteria established by the European Investment Bank in terms of their relevance, completeness, neutrality, clarity, and reliability.
- We interviewed the people responsible for collecting the data for establishing the indicators. We checked the understanding and application of the reporting criteria and verified, on a test basis, the calculations and reconciliation of the data with supporting documents.

## Information about the reporting criteria

The reporting criteria call for the following comments from us:

### Relevance:

- The deployment, implementation and enhancement of dedicated procedures specific to lending activities – such as the Projects Directorate's Environmental Assessment procedure, the Project Value Added procedure or the Environmental and Social Practices Handbook – reflect the progressive inclusion of the social and environmental dimensions in the various activities of the European Investment Bank.
- The social and environmental information presented in the European Investment Bank's Corporate Responsibility Developments in 2007 Report is based on a number of internal policies, such as the Code of Conduct, the Anti-Money Laundering and Anti-Fraud Policy, the policy for Dealing with Complaints, the environmental assessment of projects, the eligibility criteria, the value added guides or the Environmental and Social Practices Handbook.
- With regard to social aspects, the Corporate Responsibility Developments in 2007 Report covers the main issues (number of employees, parity, etc.).
- With regard to the environment, the main issues relating to the Bank's lending activities are reported: the number and amount of environmental loans signed, the classification of projects according to value added, in particular Pillar II (the environmental component). The main components of the Bank's direct footprint are also summarised (paper and energy consumption, CO<sub>2</sub> emissions). Other indirect indicators relating to projects financed by the Bank could also be consolidated (e.g. CO<sub>2</sub> emissions avoided).

### Completeness:

- The reporting procedures and indicators are intended to cover all the European Investment Bank's lending activities. Dedicated procedures must be deployed and definitions clarified so as to cover all the reported indicators.
- The exclusion rules (for excluding a geographical area, an activity or types of loan) must be formalised and clarified.
- The reporting methods and scope could be standardised from one indicator to another. The reporting procedures must be updated in the event of a material change.

#### Neutrality, clarity and accuracy:

- The reporting is based on operational documents (policies, user guides, code of conduct and criteria). The methodologies for establishing the indicators must be provided for each indicator. They must provide details of the definitions, the nature of the loans taken into account, the calculation methods and the geographical scope (loans signed or approved, individual or global loans, EU-27, Accession Countries or other partner countries), etc.
- When definitions are changed, in particular from one year to the next, the reporting procedures must be updated and a note giving details of the changes must appear explicitly in the Corporate Responsibility Developments in 2007 Report.

#### Reliability:

- The checks put in place with regard to the contributors responsible for collecting the data and establishing all the indicators must be tightened up and formalised. A validation stage for all the data collected should be systematised.
- The databases into which the business activities are fed, which serve as a source for establishing the lending indicators, are subject to regular internal and external checks by management control and the financial auditors with regard to the amounts committed. These checks are intended to confirm their integrity and reliability from the financial point of view. Specific additional checks, by the contributors in charge of collecting the data, should be considered in order to ensure that non-financial data are reliable (eligibility, value added).

#### Conclusion

The work undertaken enables us to express limited assurance on the selected information and indicators (designated respectively by the symbol  and .

Based on our work, we did not identify any material anomaly that might call into question:

- the consistency of the selected information with the findings of our work;
- the fact that the selected indicators were established, in all material aspects, in accordance with the reporting criteria applicable in 2007 at the European Investment Bank.

Neuilly-sur-Seine, 13 May 2008

ERNST & YOUNG and Partners  
Sustainable Assurance and Advisory Services  
(original report in French language signed)



Eric Duvaud

## GRI CONTENT INDEX: selection of GRI indicators used by the EIB



GRI Ref Number	GRI Indicator	Source	Page(s) (1)
<b>1. Strategy and Analysis</b>			
1.1	Statement from the most senior decision-maker of the organisation (e.g., CEO, Chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy	CR developments 2007	4
1.2	Description of key impacts, risks, and opportunities	CR developments 2007 COP 2008-2010	9, 11, 27-39 <a href="http://www.eib.org/attachments/strategies/cop_2008_en.pdf">www.eib.org/attachments/strategies/cop_2008_en.pdf</a>
<b>Profile</b>			
<b>2. Organisational Profile</b>			
2.1	Name of the organisation	CR developments 2007	Cover page
2.2	Primary brands, products, and/or services	Website	<a href="http://www.eib.org/products/index.htm">www.eib.org/products/index.htm</a>
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures	CR Report 2005 Website	17-19 <a href="http://www.eib.org/about/group/index.htm">www.eib.org/about/group/index.htm</a> <a href="http://www.eib.org/about/structure/index.htm">www.eib.org/about/structure/index.htm</a>
2.4	Location of organisation's headquarters	CR developments 2007	Back cover
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Website	<a href="http://www.eib.org/projects/regions/index.htm">www.eib.org/projects/regions/index.htm</a>
2.6	Nature of ownership and legal form.	Website	<a href="http://www.eib.org/about/index.htm">www.eib.org/about/index.htm</a>
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Annual Report 2007 – Financial Report	2, 8, 9, 18, 19
2.8	Scale of the reporting organisation	Annual Report 2007 – Activity Report	4, 5, 8
2.9	Significant changes during the reporting period regarding size, structure or ownership	Annual Report 2007 – Financial Report	4
2.10	Awards received in the reporting period	Website	<a href="http://www.eib.org/about/press/2008/2008-018-project-finance-magazine-applauds-record-number-of-eib-projects-in-2007.htm">www.eib.org/about/press/2008/2008-018-project-finance-magazine-applauds-record-number-of-eib-projects-in-2007.htm</a>
<b>3. Report Parameters</b>			
<b>Report Profile</b>			
3.1	Reporting period for information provided	CR developments 2007	Cover page
3.2	Date of most recent previous report	CR developments 2007	9
3.3	Reporting cycle (annual, biennial, etc.)	CR developments 2007	9
3.4	Contact point for questions regarding the report or its contents	CR developments 2007	Back cover
<b>Report Scope and Boundary</b>			
3.5	Process for defining report content	CR developments 2007	9
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	CR developments 2007	9
3.7	State any specific limitations on the scope or boundary of the report	CR developments 2007	64, 65
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	Annual Report 2007 – Financial Report CR developments 2007	32 9
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	CR developments 2007	39-43, 64, 65
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reason for such re-statements	CR developments 2007	9
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	CR developments 2007	9, 64, 65
<b>GRI Content Index</b>			
3.12	Table identifying the location of the Standard Disclosures in the report	CR developments 2007	79-83
<b>Assurance</b>			
3.13	Policy and current practice with regard to seeking external assurance for the report	CR developments 2007	9, 76-78
<b>4. Governance, Commitments, and Engagements</b>			
<b>Governance</b>			
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Website	<a href="http://www.eib.org/about/structure/governance/index.htm">www.eib.org/about/structure/governance/index.htm</a>
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and if so, their function within the organisation's management and the reasons for this arrangement)	Website EIB Statute	<a href="http://www.eib.org/about/structure/governance/board_of_directors/index.htm">www.eib.org/about/structure/governance/board_of_directors/index.htm</a> <a href="http://www.eib.org/attachments/general/statute/eib_statute_2007_en.pdf">www.eib.org/attachments/general/statute/eib_statute_2007_en.pdf</a>

## GRI CONTENT INDEX: selection of GRI indicators used by the EIB

GRI Ref Number	GRI Indicator	Source	Page(s) (1)
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Website	<a href="http://www.eib.org/about/structure/governance/board_of_governors/index.htm">www.eib.org/about/structure/governance/board_of_governors/index.htm</a>
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	CR developments 2007	13, 66, 72
4.5	Linkage between compensation for members of the highest governance body, senior manager, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	Website	<a href="http://www.eib.org/about/structure/governance/board_of_directors/index.htm">www.eib.org/about/structure/governance/board_of_directors/index.htm</a> <a href="http://www.eib.org/about/structure/governance/management_committee/index.htm">www.eib.org/about/structure/governance/management_committee/index.htm</a> <a href="http://www.eib.org/about/structure/governance/nominations-and-remunerations.htm">www.eib.org/about/structure/governance/nominations-and-remunerations.htm</a> <a href="http://www.eib.org/about/news/remuneration-and-terms-of-employment-of-eib-staff.htm">www.eib.org/about/news/remuneration-and-terms-of-employment-of-eib-staff.htm</a>
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	CR Report 2005 Board of Directors code of conduct	20 <a href="http://www.eib.org/attachments/thematic/conductCA_en.pdf">www.eib.org/attachments/thematic/conductCA_en.pdf</a>
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics	Website  EIB Statute	<a href="http://www.eib.org/about/structure/governance/board_of_governors/index.htm">www.eib.org/about/structure/governance/board_of_governors/index.htm</a> <a href="http://www.eib.org/about/structure/governance/board_of_directors/index.htm">www.eib.org/about/structure/governance/board_of_directors/index.htm</a> <a href="http://www.eib.org/attachments/general/statute/eib_statute_2007_en.pdf">www.eib.org/attachments/general/statute/eib_statute_2007_en.pdf</a>
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	CR Report 2005 CR Report 2006 CR developments 2007 Website	12,13, 21-25 14 25-30 <a href="http://www.eib.org/about/mission/index.htm">www.eib.org/about/mission/index.htm</a>
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Website	<a href="http://www.eib.org/projects/topics/environment/organisation/index.htm">www.eib.org/projects/topics/environment/organisation/index.htm</a>
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	CR Report 2005 Website	24, 30-32 <a href="http://www.eib.org/about/structure/governance/management_committee/index.htm">www.eib.org/about/structure/governance/management_committee/index.htm</a>
<b>Commitment to External Initiatives</b>			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Environmental Statement 2004	3
4.12	Externally developed economic, environmental and social charter, principles, or other initiatives to which the organisation subscribes or endorses	CR Report 2006 CR developments 2007 Website	43 21,-23 <a href="http://www.eib.org/infocentre/epe/index.htm">www.eib.org/infocentre/epe/index.htm</a>
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations	Website  CR Report 2006	<a href="http://www.eib.org/projects/news/eib-support-for-the-extractive-industry-transparency-initiative.htm">www.eib.org/projects/news/eib-support-for-the-extractive-industry-transparency-initiative.htm</a> 43
<b>Stakeholder Engagement</b>			
4.14	List of stakeholder groups engaged by the organisation	Website	<a href="http://www.eib.org/about/partners/cso/index.htm">www.eib.org/about/partners/cso/index.htm</a>
4.15	Basis for identification and selection of stakeholders with whom to engage	CR Report 2006	11
4.16	Approaches to stakeholder engagement, including frequency or engagement by type and by stakeholder group	CR developments 2007	18, 21-22 <a href="http://www.eib.org/about/news/review-of-public-disclosure-policy-enters-final-stage.htm">www.eib.org/about/news/review-of-public-disclosure-policy-enters-final-stage.htm</a>
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	CR Report 2006 CR developments 2007 Website	23 18, 21-22 <a href="http://www.eib.org/about/news/public-consultation-on-eibs-eib-statement-of-environmental-and-social-principles-and-standards.htm">www.eib.org/about/news/public-consultation-on-eibs-eib-statement-of-environmental-and-social-principles-and-standards.htm</a>
<b>Economic Performance Indicators</b>			
	Disclosure on management approach	CR developments 2007 COP 2008-2010	25, 26, 72 <a href="http://www.eib.org/attachments/strategies/cop_2008_en.pdf">http://www.eib.org/attachments/strategies/cop_2008_en.pdf</a>
	<b>Economic Performance</b>		
EC1	Direct economic value generated and distributed, including revenues, operating cost, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Annual Report 2007	
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	CR developments 2007	31-33
EC3	Coverage of the organisation's defined benefit plan obligations	Annual Report	

## GRI CONTENT INDEX: selection of GRI indicators used by the EIB



GRI Ref Number	GRI Indicator	Source	Page(s) (1)
	<b>Market Presence</b>		
	<b>Indirect Economic Impacts</b>		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Annual Report	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Activity Report	
<b>Environmental Performance Indicators</b>			
	Disclosure on management approach	CR developments 2007	63, 72
	<b>Materials</b>		
EN1	Materials used by weight or volume	CR developments 2007	63-65
EN2	Percentage of materials used that are recycled input materials	CR developments 2007	63-65
	<b>Energy</b>		
EN3	Direct energy consumption by primary energy source	CR developments 2007	63-65
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	CR developments 2007	63-65
	<b>Water</b>		
EN8	Total water withdrawal by source	CR developments 2007	64
EN9	Water sources significantly affected by withdrawal of water	CR Report 2006	98
EN10	Percentage and total volume of water recycled and reused	CR Report 2006	98
	<b>Biodiversity</b>		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	CR Report 2006	98
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and area of high biodiversity value outside protected areas.	CR Report 2006 CR developments 2007	98 45-47
	<b>Emissions, Effluents and Waste</b>		
EN16	Total direct and indirect greenhouse gas emissions by weight	CR developments 2007	64, 65
EN17	Other relevant indirect greenhouse gas emissions by weight	CR developments 2007	64, 65
EN19	Emissions of ozone-depleting substances by weight	CR developments 2007	64, 65
EN21	Total water discharge by quality and destination	CR Report 2006	98
EN22	Total weight of waste by type and disposal method	CR developments 2007	64
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	CR Report 2006	98
	<b>Overall</b>		
EN30	Total environmental protection expenditures and investments by type	CR developments 2007	39
<b>Environmental performance - Indicators specific to the banking sector</b>			
	Disclosure on management approach	CR developments 2007 Environmental and Social Statement	27-30, 72, 74-75 <a href="http://www.eib.org/attachments/strategies/eib_statement_esps_final_first_consultation_en.pdf">www.eib.org/attachments/strategies/eib_statement_esps_final_first_consultation_en.pdf</a>
F1	Description of environmental policies applied to core business lines	CR developments 2007	27-30
F2	Description of process(es) for assessing and screening environmental risks in core business lines	Environmental and Social Practices Handbook	<a href="http://www.eib.org/attachments/access_to_information.pdf">www.eib.org/attachments/access_to_information.pdf</a> <a href="http://www.eib.org/attachments/environmental_and_social_practices_handbook.pdf">www.eib.org/attachments/environmental_and_social_practices_handbook.pdf</a>
F4	Description of processes for monitoring clients' implementation of and compliance with environmental aspects raised in risk assessment process(es)	Environmental and Social Practices Handbook	<a href="http://www.eib.org/about/publications/environmental-and-social-practices-handbook.htm">www.eib.org/about/publications/environmental-and-social-practices-handbook.htm</a>
F5	Description of process(es) for improving staff competency in addressing environmental risks and opportunities	CR developments 2007	20, 21
F12	Total monetary value of specific environmental products and services broken down according to the core business lines	CR developments 2007	39-41
F13	Value of portfolio for each core business line broken down by specific region and by sector	CR developments 2007	39-41
<b>Labour Practices and Decent Work</b>			
	Disclosure on management approach	CR developments 2007	66, 67, 72

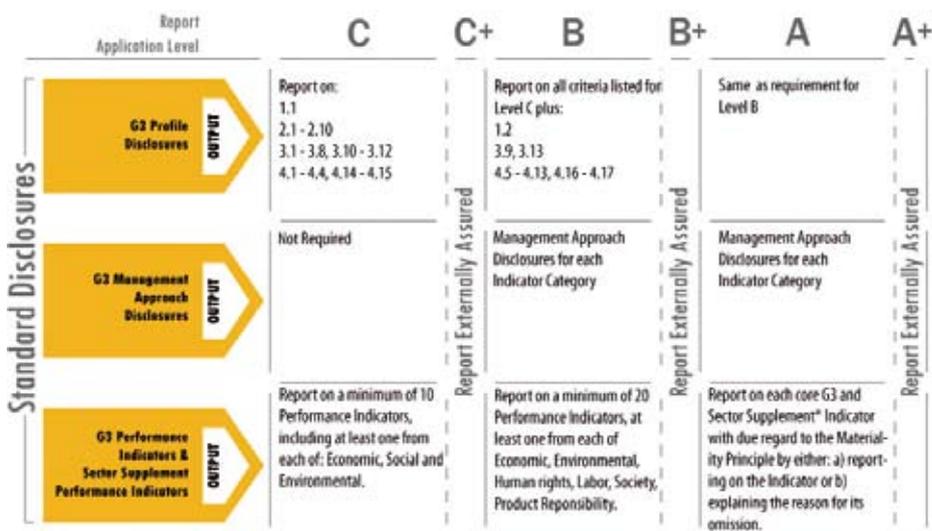
## GRI CONTENT INDEX: selection of GRI indicators used by the EIB

GRI Ref Number	GRI Indicator	Source	Page(s) (1)
<b>Employment</b>			
LA1	Total workforce by employment type, employment contract, and region	CR developments 2007	68
LA2	Total number and rate of employee turnover by age group, gender, and region	CR developments 2007	69
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	EIB Staff regulations	<a href="http://www.eib.org/attachments/general/eib_staff_regulations_en.pdf">www.eib.org/attachments/general/eib_staff_regulations_en.pdf</a>
<b>Labour/Management Relations</b>			
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	EIB staff regulations	<a href="http://www.eib.org/attachments/general/eib_staff_regulations_en.pdf">www.eib.org/attachments/general/eib_staff_regulations_en.pdf</a>
<b>Occupational Health and Safety</b>			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	CR Report 2006	105
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	CR developments 2007	68
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	CR developments 2007	67
LA9	Health and safety topics covered in formal agreements with trade unions	CR Report 2005 CR Report 2006	90, 91 104, 105
<b>Training and Education</b>			
LA10	Average hours of training per year per employee by employee category	CR developments	66
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	CR Report 2005 CR Report 2006	94 111
LA12	Percentage of employees receiving regular performance and career development reviews	EIB Staff regulations	<a href="http://www.eib.org/attachments/general/eib_staff_regulations_en.pdf">www.eib.org/attachments/general/eib_staff_regulations_en.pdf</a>
<b>Diversity and Opportunity</b>			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Website CR developments 2007	<a href="http://www.eib.org/about/structure/governance/index.htm">www.eib.org/about/structure/governance/index.htm</a> 68
LA14	Ratio of basic salary of men to women by employee category	EIB Staff regulations	<a href="http://www.eib.org/about/structure/governance/index.htm">www.eib.org/about/structure/governance/index.htm</a>
<b>Human Rights</b>			
	Disclosure on management approach	CR developments 2007 CR Report 2006	73 103
<b>Investment and Procurement Practices</b>			
HR2	Percentage of significant supplies and contractors that have undergone screening on human rights and actions taken	CR Report 2006	103
<b>Society</b>			
	Disclosure on management approach	CR developments 2007	35, 73
<b>Community</b>			
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Environmental Statement Environmental and Social Practices Handbook	<a href="http://www.eib.org/about/publications/environmental-statement.htm">www.eib.org/about/publications/environmental-statement.htm</a> <a href="http://www.eib.org/attachments/environmental_and_social_practices_handbook.pdf">www.eib.org/attachments/environmental_and_social_practices_handbook.pdf</a>
<b>Corruption</b>			
SO4	Actions taken in response to incidents of corruption	CR developments 2007 CR developments 2005	11 22-23
<b>Product Responsibility</b>			
	Disclosure on management approach	CR Report 2005	24
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	CR developments 2007	11
<b>Corporate Social Responsibility (CSR) Management – indicators specific to financial services sector</b>			
	Disclosure on management approach	CSR Statement CR developments 2007	<a href="http://www.eib.org/attachments/strategies/statemet_csr_en.pdf">www.eib.org/attachments/strategies/statemet_csr_en.pdf</a> 72-73
<b>Management system</b>			
CSR 1	CSR Policy	CSR Statement	<a href="http://www.eib.org/attachments/strategies/statement_csr_en.pdf">www.eib.org/attachments/strategies/statement_csr_en.pdf</a>

GRI CONTENT INDEX: selection of GRI indicators used by the EIB



GRI Ref Number	GRI Indicator	Source	Page(s) (1)
CSR 2	CSR Organisation	CR Report 2005 CR Report 2007	28, 29 36, 37
CSR 3	CSR Audits	CR Report 2006 CR developments 2007	11, 36, 111 70
	<b>Sensitive Issues</b>		
CSR 4	Management of Sensitive Issues	CR developments 2007	11-13, 21-23
	<b>Participation</b>		
CSR 6	Stakeholder Dialogue	CR developments 2007	13-18
<b>Internal Social Performance</b>			
	Disclosure on management approach	CSR Statement CR developments 2007	<a href="http://www.eib.org/attachments/strategies/statement_csr_en.pdf">www.eib.org/attachments/strategies/statement_csr_en.pdf</a> 66, 67, 72
	<b>Policy</b>		
INT 1	Internal CSR Policy	CR developments 2007	9, 20, 66-68
	<b>Compensation</b>		
INT 4	Senior Management Remuneration	Website	<a href="http://www.eib.org/about/news/remuneration-and-terms-of-employment-of-eib-staff.htm">www.eib.org/about/news/remuneration-and-terms-of-employment-of-eib-staff.htm</a>
INT 5	Bonuses Fostering Sustainable Success	Website	<a href="http://www.eib.org/about/news/remuneration-and-terms-of-employment-of-eib-staff.htm">www.eib.org/about/news/remuneration-and-terms-of-employment-of-eib-staff.htm</a>
	<b>Equal Opportunity</b>		
INT 6	Female-Male Salary Ratio	EIB Staff regulations, salary scale	<a href="http://www.eib.org/attachments/general/salary_scale_en.pdf">www.eib.org/attachments/general/salary_scale_en.pdf</a>
<b>Performance to Society</b>			
	Disclosure on management approach	CR developments 2007	18, 73
	<b>Contributions</b>		
SOC 1	Charitable Contributions	CR Report 2006 CR developments 2007	36 70
	<b>Economic Value Creation</b>		
SOC 2	Economic Value Added	CR developments 2007	25, 26



\*Sector supplement in final version



## Glossary

ACP	African, Caribbean and Pacific	DIAF	Development Impact Assessment Framework
ACRR	Activity and Corporate Responsibility Report	EA	Environmental Assessment
ALA	Asia and Latin America	EAP	Environment Action Programme
BCI	Banque Calédonienne d'Investissement	EBRD	European Bank for Reconstruction and Development
BEG	Biodiversity Expert Group	EC	European Commission
BIO	Belgische Investeringsmaatschappij voor Ontwikkelingslanden N.V.	ECA	European Court of Auditors
BSF	Building Schools for the Future Programme	ECB	European Central Bank
BSTDDB	Black Sea Trade and Development Bank	ECJ	European Court of Justice
BTAf	Biodiversity Technical Assistance Facility	ECNC	European Centre for Nature Conservation
CBD	Convention on Biological Diversity	ECOFIN	Economic and Financial Affairs Council
CCFF	Climate Change Financing Facility	EE	Energy efficiency
CCTAF	Climate Change Technical Assistance Facility	EFQM	European Foundation for Quality Management
CDC	Caisse des Dépôts et Consignations	EIA	Environmental impact assessment
CDM	Clean Development Mechanism	EIB	European Investment Bank
CEB	Council of Europe Development Bank	EIBURS	EIB University Research Sponsorship
CFE	Carbon Fund for Europe	EIF	European Investment Fund
CHP	Combined Heat and Power	EMAS	Eco-Management and Audit Scheme
CIP	Competitive Innovation Programme	EMFTA	Euro-Mediterranean Free Trade Area
CMP	Complaints Mechanism Policy	ENP	European Neighbourhood Policy
CO	Complaints Office	EO	European Ombudsman
CO <sub>2</sub>	Carbon dioxide	EP	European Parliament
COP	Corporate Operational Plan	EPE	European Principles for the Environment
COPEC	Joint Committee on Equal Opportunities for Men and Women	ESIAF	Economic and Social Impact Assessment Framework
CPPPT	Joint Committee on Protection and Prevention at Work	ESF	Facility for Energy Sustainability and Security of Supply
CR	Corporate Responsibility	ESFRI	European Strategy Forum on Research Infrastructures
CSOs	Civil Society Organisations	ETPs	European Technology Platforms
CSR	Corporate Social Responsibility	EU	European Union
DFIs	Development finance institutions	EUAs	EU Carbon Emissions Allowances
DG ENV	Directorate-General for Environment (European Commission)	EUR	Euro
DG REGIO	Regional Policy Directorate-General (European Commission)	EUREKA	Pan-European network for market-oriented industrial R&D
DG RTD	Research Directorate-General (European Commission)	EV	Operations Evaluation
DG TREN	Energy and Transport Directorate-General (European Commission)	FEMIP	Facility for Euro-Mediterranean Investment and Partnership
		FEMISE	Forum Euro-Méditerranéen des Instituts Economiques
		FMO	The Netherlands Development Finance Company
		FP7	7th Framework Programme



## Glossary

FTSE	FTSE The Index Company	MS	Member States
GEEREF	Global Energy Efficiency and Renewable Energy Fund	NGOs	Non-governmental organisations
GHG	Greenhouse gas	NEFCO	Nordic Environment Finance Corporation
GMOs	Genetically modified organisms	NIB	Nordic Investment Bank
GRI	Global Reporting Initiative	OCCO	Office of the Chief Compliance Officer
HR	Human Resources Department	OCTs	Overseas Countries and Territories
IBRD	International Bank for Reconstruction and Development	PJ	Projects Directorate
ICO	Instituto de Crédito Oficial	PEBLDS	Pan-European Biological and Landscape Diversity Strategy
IF	Cotonou Investment Facility	PfS	Partnerships for Schools
IFC	International Finance Corporation	PPP	Public-private partnership
IFIs	International financial institutions	RDI	Research, development and innovation
ILO	International Labour Organisation	RE	Renewable energy
IPCC	Intergovernmental Panel on Climate Change	RSFF	Risk Sharing Finance Facility
IPPC	Integrated Pollution Prevention and Control	RSPB	Royal Society for the Protection of Birds
ISO	International Standards Organisation environment management systems and standards	SAP	Strategic Action Plan of UNEP
i2i	Innovation 2010 Initiative	SASEMAR	Sociedad de Salvamento y Seguridad Marítima
IUCN	International Union for the Conservation of Nature and Natural Resources/World Conservation Union	SDU	Sustainable Development Unit
JASPERS	Joint Assistance to Support Projects in European Regions	SFF	Structured Finance Facility
JEREMIE	Joint European Resources for Micro-to-Medium Enterprises	SMEs	Small and medium-sized enterprises
JESSICA	Joint European Support for Sustainable Investment in City Areas	SRI	Socially Responsible Investment
JI	Joint Implementation	STAREBEI	Stages de Recherche BEI
KfW	Kreditanstalt für Wiederaufbau	TENs	Trans-European Networks
LEAs	Local Education Authorities	UNEP	United Nations Environment Programme
LGTT	Loan Guarantee for TEN-Transport projects	UN	United Nations
LME	London Metal Exchange	UNIMED	Union des Universités de la Méditerranée
LNG	Liquefied natural gas	VA	Value added
MCCF	Multilateral Carbon Credit Fund	WASA	Lesotho's Water and Sewerage Authority
MDGs	UN Millennium Development Goals	WFD	Water Framework Directive
MEA	Multilateral Environmental Agreements	WNIS	Western New Independent States (i.e. Belarus, Moldova and Ukraine)
MeHSIP	Mediterranean Hot Spot Investment Programme		
MEPs	Members of the European Parliament		
MFIs	Multilateral financing institutions		
MoU	Memorandum of Understanding		

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## FEEDBACK FORM

We hope that you have found this year's report and its accompanying supplementary information to be of interest to you. We would be grateful if you would fill in the following form and return it to us with your comments. Thank you.

### FEEDBACK FORM – STRICTLY CONFIDENTIAL

**Please return by fax to: (+352) 43 79 – 63362**

Company name and address .....

.....

Name .....

Title .....

Portfolio Manager  Analyst  Rating  Civil Society Group   
 Non-Governmental Organisation

E-mail .....

## EIB CSR REPORTING AND PERFORMANCE

1 Overall, how would you rate the EIB 2007 Corporate Responsibility Report?				
Extremely useful			Not at all useful	
1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
2 Please rate this report on the following criteria:				
	Excellent	Fair	Poor	
User-friendliness	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Completeness	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3 Based on this report how do you rate the EIB contribution to sustainable development?				
Strong			Poor	
1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>
4 Has this report changed your opinion of the EIB with regard to CSR?				
Yes <input type="checkbox"/>	No <input type="checkbox"/>			
If Yes:				
Much better			Much worse	
1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

5 What information would you like to see in future reports?  
 .....

6 Questions: (you can also e-mail questions to [alcarpe@eib.org](mailto:alcarpe@eib.org))  
 .....

7 If the EIB holds presentations relevant to stakeholders in the future, would you be interested in attending?  
 .....





Corporate Responsibility Developments in 2007



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