



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

Corporate Responsibility Developments in 2008



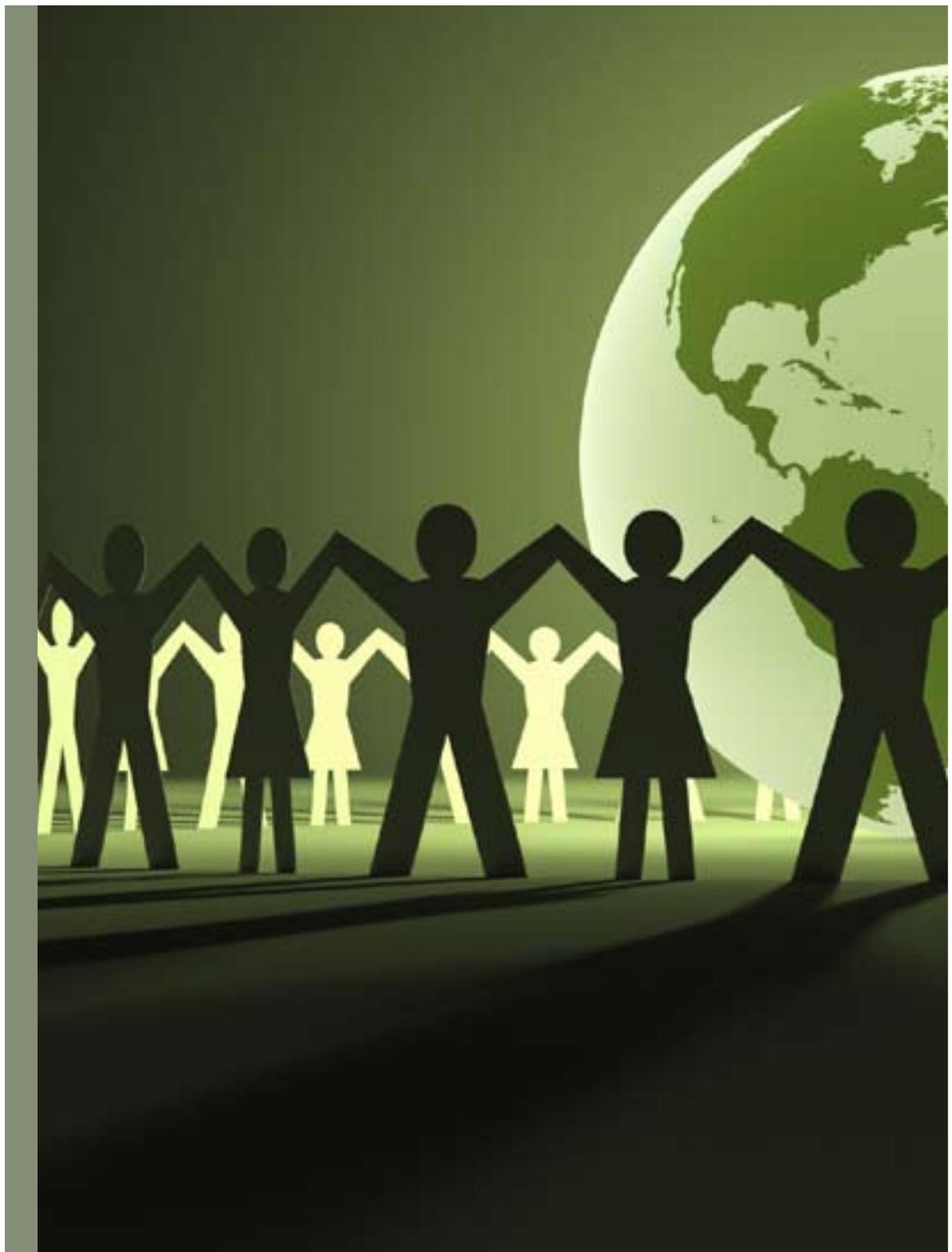


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Technical Annex to the Activity and Corporate Responsibility Report 2008





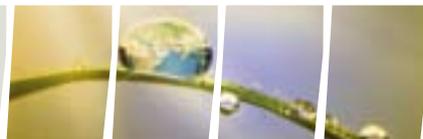


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President's foreword

The financial crisis has had a dramatic impact not only on the financial sector but also on the economy as a whole, affecting many men and women in every one of our countries.

It was therefore only natural for our shareholders, the 27 Member States of the European Union, to ask us to do more to help businesses and encourage economic recovery, and to do it faster. In the last quarter of 2008 the EIB substantially increased the volume of its lending, with signatures ultimately totalling 57 billion, an increase of 21% compared with 2007. Over the same period it disbursed 10 billion more than expected, with disbursements totalling 49 billion at the end of the year. In particular, loans to SMEs increased, at the behest of the Ecofin Council, by 42% compared with 2007.

The EIB was hardly affected by the financial crisis, thanks to its prudent management, and its annual profit rose slightly. The Bank's own funds increased by 6.9% to 36 billion, giving a capital adequacy ratio of 35.5% according to the Basel II rules. This exceptionally high level illustrates the EIB's financial strength, which is essential in these difficult and unpredictable times when the EIB is being called upon by its shareholders to lend even more.

In fact, its shareholders understood the importance of further strengthening the EIB, bringing forward a capital increase initially scheduled for 2010. Since 1 April 2009, the EIB's capital has amounted to 232 billion, which gives it the necessary scope to increase the volume of its lending to the extent required by the scale of the crisis.

Of course this does not mean that we can finance anything and everything. The EIB, as the European Union's long-term financing instrument, can only finance viable projects that contribute to the objectives of the Union and meet our technical, economic and environmental quality criteria.

With regard to governance, the EIB abides by the rules of the European Union and the guidelines

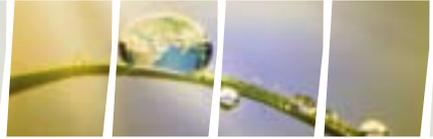
laid down by the G-20. Measures to combat fraud, corruption, money laundering and the financing of terrorism are an integral part of the project appraisal and monitoring process. In the case of certain riskier countries, the Bank is guided by the advice of Transparency International. The Compliance Office pays particular attention to these aspects; its opinion is carefully taken into account and sometimes leads to a refusal to finance a project. As urged by the G-20, the EIB has decided to review its policy on offshore centres, in cooperation with other international financial institutions.

The remuneration of the members of the Management Committee is strictly aligned with that of the members of the European Commission and does not include any bonus or other benefits. The members of the Bank's staff have a system of bonuses linked to their individual and collective performance. The overall budget for bonuses is determined by the extent to which a number of targets laid down every year by the Board of Directors (key performance indicators) are met. For senior managers, the bonus corresponds to 2.38 to 3.90 months of basic salary, or less than one third of annual salary.

There are two possible responses to the crisis: "every man for himself" or stronger, pragmatic cooperation for the benefit of everyone. The EIB's shareholders have opted for the latter and we intend to make our contribution to that goal.

Philippe Maystadt
President of the European Investment
Bank Group





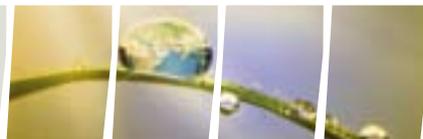
Key lending figures

	EUR m
Convergence in the EU	
Communications infrastructure	8 518
Energy	2 297
Urban development	2 131
Water, sanitation, waste	1 455
Health, education	1 347
Industry	1 170
Other services	909
Total individual loans	17 827
Credit lines	3 192
Knowledge economy	
Innovation and ICT infrastructure	2 081
Education and training	2 599
Research and development	7 142
Total loans	12 432
Environment	
Tackling climate change	3 691
Natural resources management	831
Improving the environment and health	4 044
Protection of the environment	8 665
Urban renewal and regeneration	2 562
Sustainable transport	5 560
Health care	1 157
Sustainable communities	9 279
Total individual loans	17 944
of which outside the EU	2 285
Trans-European Networks in the EU and Pre-Accession Countries (*)	
Transport	9 926
Energy	2 667
Total loans	12 593
SMEs in the EU	
Total loans	8 137
Energy in the EU and Pre-Accession Countries (*)	
TENS-E	2 667
Priority energy projects (excluding TENS)	6 231
Total loans	8 898
Support for EU development and cooperation policies	
South-East Europe	3 453
Eastern Europe, Southern Caucasus and Russia	170
Mediterranean countries	1 290
ACP/OCT	561
South Africa	203
Asia and Latin America	469
Total loans	6 145

(*) Pre-Accession Countries include:

(1) Candidate Countries (Croatia, Turkey, the Former Yugoslav Republic of Macedonia) and

(2) Potential Candidate Countries (Albania, Bosnia and Herzegovina, Montenegro, Serbia, Kosovo under United Nations Security Council resolution 1244 (1999)).

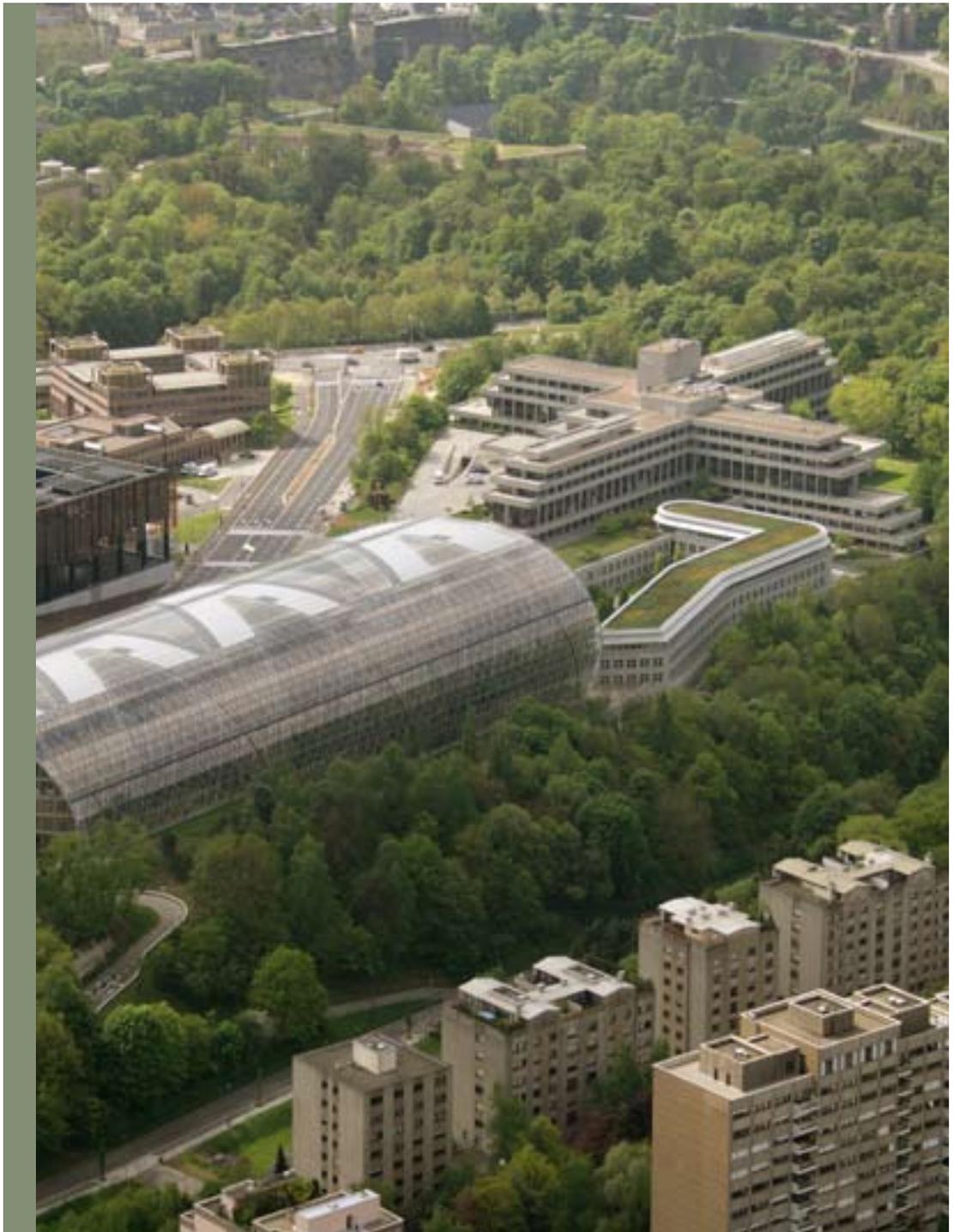


Highlights

- The EIB approach to environmental sustainability – as well as closely related social well-being – is described in “The EIB Statement of Environmental and Social Principles and Standards” (the Statement). During 2008 the Statement was revised and a public consultation was held to collect comments from civil society. The constructive contribution to this consultation of civil society organisations (CSOs), in particular the NGOs that traditionally scrutinise the Bank, was very much appreciated by the Bank and resulted in a Statement which provides a greater sense of urgency about the problems of climate change, expands the social dimensions of sustainable development and recognises also the importance of biodiversity.
- Following the approval on 3 February of the EIB’s new Environmental and Social Statement, the Management Committee decided to review the structure of the Projects Directorate with the aim of increasing the Bank’s ability to deliver sustainable projects. The proposed changes focus on the establishment of the Environmental and Social Office (ESO), which replaces the Sustainable Development Unit (SDU). ✓
- The five signatory banks¹ of the European Principles for the Environment (EPE) published a single reference document on EU environmental legislation, principles and standards most relevant to the projects the EPE banks are financing (the Source Book). ✓
- The EIB continued to support the carbon market in 2008. Essentially, the creation of carbon funds is viewed as a useful way of reducing the cost of meeting the EU emissions reduction targets and promoting sustainable development in and technology transfer to developing countries. So far the Bank participates in five funds. In 2008 the Post-2012 Carbon Fund, which was launched together with four other financial institutions, was rolled out and the fifth fund was approved and signed (Carbon Fund Morocco).
- During 2008, progress was made in mainstreaming climate change into the operational practices of the Bank. In particular, the Bank prepared the ground to launch a pilot exercise to measure the carbon footprint of the projects it finances.
- In May 2008 the EIB and the European Commission signed a Memorandum of Understanding (MoU) aimed at furthering the coordination of European Union external lending policies. The main objective of this MoU is to strengthen the consistency of EIB lending with the external policy objectives of the EU by reinforcing dialogue, consultation and planning between the two EU institutions, so as to optimise the use of budgetary grants and EIB loan resources.
- On 9 July 2008 the European Ombudsman (EO) and the President of the EIB signed a Memorandum of Understanding. The MoU achieves a common understanding of purpose and consistency of application across the internal (EIB Complaints Office) and external (EO) components of the EIB Complaints Mechanism, with a specific focus on the criteria for admissibility of complaints against the EIB.
- “Good for People, Good for Business”, the new Diversity Strategy and Action Plan approved in 2008, embraces a wide range of individual and cultural characteristics, such as age, cultural, ethnic and racial background, education and experience, family status, gender, nationality, physical ability, religion and sexual orientation, with the aim of respecting and valuing the unique talents, perspectives and contribution of every employee.

¹ Council of Europe Development Bank (CEB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Nordic Environment Finance Corporation (NEFCO) and Nordic Investment Bank (NIB).

I – Governance and Accountability





Responsible Reporting

Activity and Corporate Responsibility Report and corporate responsibility developments in 2008

As last year, the Activity and Corporate Responsibility Report will contain certain information on corporate responsibility while additional comprehensive information on corporate responsibility developments in 2008 will be available as a technical annex on the Bank's website (and on request on a CD-ROM).

The Activity and Corporate Responsibility Report is available in the 22 official EU languages, while the Technical Annex "Corporate Responsibility Developments" is available in English, French and German. Both documents are used for official visits and external contacts in general. Their 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.

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 2008. It will also contain the electronic version of Corporate Responsibility Developments in 2008. An internal editorial committee validates all the information included in the Corporate Responsibility section of the Bank's website.

Report content and validation

The Technical Annex with supplementary information on Corporate Responsibility Developments presents detailed information on governance and accountability, responsible financing, capital markets, direct footprint, working responsibly, and a report on indicators. The main highlight of 2008

in the content of the report is the incorporation of more information on the European Investment Fund (EIF) in the various sections of the report.

For the 2008 report the Bank followed the Global Reporting Initiative (GRI) standards (G3) published in October 2006. It also applied the GRI Reporting Framework to meet a "B+" Application Level confirmed by the GRI as in the previous year's report. In 2008 the EIB became an Organisational Stakeholder of the GRI.

Assurance was provided by the Bank's internal control systems concerning the quantitative data presented in this report. Moreover, the financial data was subject to the statutory audit and verification process. As in previous years, the report itself was the outcome of a careful in-house editorial process. The Bank 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 reporting, procedures and controls.

Strategy and Planning

The economic situation both within and outside the EU following the financial crisis constitutes a significant element of uncertainty for the implementation of the EIB's strategy of taking more risk for more value added. At the same time, the Bank must contribute to supporting the European economy and, together with other IFIs, should explore all options to support the emerging and developing countries in which it operates.

Therefore in its planning instrument, the Corporate Operational Plan (COP) 2009-2011, the EIB has developed programmes and tools to counter this difficult situation and do its bit to help the European economy. The Bank continues to adapt and update its measures according to needs and resources and has come up with a targeted and timely anti-crisis package.

In both 2009 and 2010 the EIB is planning to increase its total lending volume by some 30% (EUR 15bn) compared with the level of previous years.

As a first step, after having been asked to do so by the European Union's Finance Ministers in September 2008, the EIB pledged to substantially increase its support for small and medium-sized enterprises (SMEs). The EUR 5bn a year for SME lending

planned initially has been increased to EUR 7.5bn a year over the four-year period 2008-2011.

As part of a broader package of support measures, a new product line will be developed enabling risk sharing with banks and a similar and complementary approach is being developed for mid-cap companies for an additional EUR 1bn a year.

The broader package will also comprise measures concerning energy, climate change and infrastructure, clean transport and convergence lending.

With a view to meeting the increased lending objectives, the Board of Directors proposed to the Board of Governors (which approved it) a self-financed capital increase, raising the subscribed capital to EUR 232bn (from EUR 164bn) as of 1 April 2009.

Corporate Responsibility Management

In 2005 the EIB published its first Statement on Corporate Social Responsibility, in which it promised to place the core principles of corporate responsibility (CR) at the heart of its strategy, objectives and

EIB Group response to recent developments in the economic situation in the European Union:

	Period covered	Annual EIB group support		
		Existing EUR bn	Additional EUR bn	Total EUR bn
SMEs	2008 - 2011	5.0	2.5	7.5
Mid-caps	2009 - 2010	-	1.0	1.0
Energy, climate change, infrastructure	2009 - 2010	12.4	4.0	16.4
Clean transport	2009 - 2010	2.0	2.0	4.0
Convergence lending	2009 - 2010	17.0	2.5	19.5
Flexibility reserve	2009 - 2010	-	3.0	3.0
Total			15.0	



policies. The EIB considers that CR is sound business practice because it emphasises the importance of achieving a balance between economic growth, social well-being and the protection of the environment, in support of the goal of sustainable development.

The EIB has thus pledged to take account of environmental and social concerns in its business activities; to contribute to the efforts of the European Union to enhance CR; to stress the importance of good governance, including a high level of transparency and accountability for itself and its counterparts; to check the consistency of its lending activities with EU objectives and conduct its appraisals with a view to ensuring that investments are sustainable; to promote more ethical and sustainable investments; to develop a mutually beneficial relationship between itself and its host communities; and to minimise the environmental footprint of its buildings and the activities that take place in them.

Following the publication of the Statement the Bank started using the EFQM (European Foundation for Quality Management) Framework for CR to manage the development and implementation of its CR policies. The framework is a self-assessment and management tool used to identify and track strengths and weakness and to help define appropriate action plans.

Two CR self-assessment exercises took place in 2006 and 2007 which showed that the EIB had achieved a level of active involvement and dialogue with stakeholders and that a number of CR activities were taking place all over the Bank. They also showed that a fully embedded CR policy and strategy mainstreamed in day-to-day activities was still lacking.

In order to follow up the results of the two self-assessment exercises, provide an independent expert view and enable benchmarking, it was felt that an external evaluation of the CR policy and practices

was needed. An external consulting company specialised in extra-financial analysis carried out an audit of the CR policies of the EIB in four areas in 2008.

The results of this analysis showed that the EIB policies and practices on corporate responsibility are in line with those generally obtaining in the EU banking sector. However, the study also highlighted a number of weaknesses that need to be addressed. The first measure implemented following the analysis was the preparation, based on the results of the analysis, of a CR indicator that has been integrated into the Performance Indicators of the Corporate Action Plan 2009-2011, which contains objectives for the next three years. Furthermore, a detailed action plan is under preparation for approval in 2009.

Working with Others

European Investment Bank: Fifty years at the service of Europe

As the long-term financing institution of the European Union, the EIB operates to further the Union's policy objectives by implementing guidelines defined and formulated by its shareholders, the Member States, notably via the Bank's Board of Governors and the Council of the European Union. In order to achieve these common objectives a constant, open dialogue and intensive cooperation with the European institutions that prepare, propose and decide on the Union's policies is of paramount importance.

Therefore the EIB has been working as a strategic and active partner together with the European institutions pursuing the Union's policy objectives whilst also closely cooperating with other international financial institutions and civil society organisations during the year under review.

2008, which marked the EIB's 50th anniversary, was expected to be a year for consolidating and implementing the numerous new programmes and joint instruments launched in co-operation with the Commission in 2006 and 2007.

However, the financial crisis and ensuing economic crisis unexpectedly had a profound impact on the EU agenda. Consequently in many respects 2008 was a very extraordinary year, particularly the second half. The salient events are summarised below.



Interaction with the Civil Society Organisations

The Bank's relationship with CSOs, including non-governmental organisations (NGOs) and other interest groups, is based on the acknowledgment that these organisations can have a valuable input in its policy development. They can also contribute to the Bank's awareness of local issues and provide other useful information contributing to the quality of EIB-financed projects.

Interaction with CSOs is coordinated at the corporate level by the Civil Society Unit within the Communication Department. Acting as an interface with CSOs, its task is to ensure consistency and quality of communication and to engage with civil society in an active way. The Unit seeks contacts

with organisations that can help the public and, more specifically, citizens affected by EIB operations to obtain information about the Bank. Inside the Bank, the Unit provides advice on civil society contacts and issues.

As part of its ongoing dialogue with civil society, the EIB organises regular workshops with CSOs. The Spring CSO Workshop (Brussels, June) focused on climate change issues. Another key event was the Annual CSO Briefing in Brussels on 29 February, where the first results of the previous year were presented to Brussels-based CSOs. The Annual CSO Briefing is held back-to-back with the Bank's Annual News Conference.

The Bank engages in a dialogue and cooperative partnerships with specialist organisations which share particular objectives or interests with the EIB,



such as the Lisbon agenda, sustainable development, environmental protection, or poverty alleviation. In 2008, the Bank pursued its cooperative relationship with Transparency International and IUCN. The EIB also announced its support for and endorsement of the Extractive Industry Transparency Initiative (EITI).

While the Bank will further pursue targeted working relations with expert CSOs, it is also keen to sustain and improve its contacts with policy advocacy NGOs campaigning on the Bank's activities. Contacts with these organisations have grown over the last few years and increasingly developed a dialogue component. The importance attached to these contacts was underscored by the Bank's participation in events organised by these NGOs in 2008, such as three conferences on the Bank's role in developing countries, in particular Africa, and on its appeal mechanisms. The Bank itself organised several roundtable discussions with the same NGOs on specific issues such as the MoU between the Bank and the European Commission on the EIB External Mandates (June and November), Nuclear and Renewable Energies (July), Human Rights (July) and Solid Waste (September).

At the project level, the Bank continued to engage and work together with CSOs and citizens' groups, for instance on a number of environmental and water projects in the Mediterranean region and in sub-Saharan Africa, where technical assistance funds are used to build a closer link to the CSO/NGO community.

Relationship and cooperation with the Council of the European Union

Cooperation with the Council of the European Union was again very intensive throughout 2008. Indeed, the interaction with the Council was constant, constructive and fruitful, notably in the context of the difficult economic and financial sit-

uation. The Council attached great importance to the Bank's contribution to finding ways to prevent a worsening of the economic and financial downturn in the European Union.

EIB President Maystadt explained the Bank's views on several policy issues to the Council (ECOFIN), such as the EIB Group's contribution to the EU's energy and climate change policy. This resulted in the EIB, together with the Commission, being invited by the Spring European Council to actively support measures aimed at facilitating investment by households and industries in energy efficiency and the use of renewable energy sources. These measures helped to smooth the effects of the sudden and sustained surge in oil and gas prices and to mitigate their social and economic consequences.

Regular contacts and meetings at staff level were increased during 2008, in particular with the Presidencies of the EU, COREPER, the Permanent Representations of Member States, the Economic and Financial Committee and the Financial Counsellors Working Party. A wide variety of issues and topics were discussed: the Neighbourhood Investment Facility (NIF), the Western Balkans Investment Framework, the road map on the excessive increase in oil prices, the EU response to the crisis as well as the framework on the mechanisms for blending loans and grants in the delivery of EU external assistance.

At the request of the French Presidency of the EU, the Bank was asked to contribute to the European Economic Recovery Plan, which was designed to deal with the economic and financial crisis. In response, the Bank resolved to step up its lending activities for 2009 and 2010, especially for SMEs and renewable energy projects, whilst setting up a European Clean Transport Facility (ECTF) – aimed at addressing widespread concerns about the automotive industry – and establishing the 2020 European Fund for Energy, Climate Change and Infrastructure (also referred to as the "Marguerite Fund") in partnership with national institutional investors.

In consideration of the considerable effort made by the Bank and its substantial contribution to the European Economic Recovery Plan, the December European Council reaffirmed its appreciation of the Bank's invaluable assistance in supporting economic recovery and guaranteeing access to finance to those European industries severely hit by the current difficulties in the real economy.

Intensive partnership with the European Commission (EC)

The cooperation with the Commission was particularly productive and intensive during the year under review, notably in the second half due to the severe financial and economic downturn.

All the above-mentioned action plans and initiatives were the result of frequent close consultation and close cooperation between the EIB and the Commission. At the highest level members of the Management Committee of the Bank were in regular contact with the Commissioners, discussing and exchanging views from an EU policy perspective.

The operational partnership between the Commission and the Bank was steered by the EC-EIB Joint Working Party. As a consequence, there were many daily contacts at various levels between the two institutions in order to coordinate and work together on a large variety of subjects as well as on numerous projects, countries and sectors.

In early 2008, regarding the joint financial instrument LGTT (Loan Guarantee Instrument for TEN-Transport), which was set up by both the EIB and the Commission (DG TREN), a Cooperation Agreement between the two institutions was signed outlining the implementing arrangements for the facility. This joint financial instrument, which is managed by the Bank, is aimed at supporting project acceleration in the field of trans-European and access networks and is designed to guaran-

tee revenue risks during a limited period of time following the construction phase of projects, notably under public-private partnership (PPP) structures.

In May 2008 the EIB and the European Commission signed a Memorandum of Understanding aimed at furthering the coordination of European Union external lending policies. The main objective of this MoU is to strengthen the consistency of EIB lending with the external policy objectives of the EU by reinforcing dialogue, consultation and planning between the two institutions, so as to optimise the use of budgetary grants and EIB loan resources.

European Parliament (EP)

In 2008 an intensive dialogue was once again the basis of a further constructive, fruitful and deepened relationship between the EIB and the European Parliament. President Maystadt presented the EIB's Group strategy and activities before several parliamentary committees, such as the Committee on Economic and Monetary Affairs (ECON) and the Committee on Budgetary Control (CONT). He also participated in the plenary discussion in Strasbourg on the European Parliament's report on the EIB Group's 2007 activities.

A "Presidents meeting" between the Bank and the European Parliament was also organised in Brussels to exchange views on issues of mutual interest, particularly in the context of the current difficult financial and economic situation.

At staff level numerous contacts, meetings and presentations on a large number of issues took place during the year not only with the parliamentary committees but also with individual MEPs on subjects such as the discharge of the European Development Fund (EDF), the EIB's external mandates in Central Asia, the EIB's policy on climate change and energy efficiency, and the Western Balkans.



José Manuel Barroso, President of the EC, and Joaquín Almunia, Member of the EC in charge of Economic and Monetary Affairs, received Philippe Maystadt, President of the EIB, to sign a memorandum of understanding between the EC and the EIB on the coordination of the policy on foreign loans.

The EIB also presented to the Committee on Budgets the state of play on the implementation of the three joint financial instruments for TENs, R&DI and SMEs.

The EIB's very much higher profile as a result of the Bank's involvement in the EU's response to the current economic difficulties was matched by an increase in the number of enquiries from MEPs and in the interest shown by the EP and its committees in general in the EIB and its operations. This resulted in frequent contacts and proactive working relationships between the EIB and the EP and its MEPs.

European Economic and Social Committee (EESC)

The President was invited by the President of the EESC's ECO (Economic and Monetary Union and Economic and Social Cohesion) Section to give a general presentation and have a broad exchange of views on the Bank's 2007 activities, with special emphasis on the Risk Sharing Finance Facility (RSFF), the new EIB loans to SMEs, the launching of the European PPP Expertise Centre (EPEC) and the

EIB's defined priorities in the fields of energy lending and climate change.

The EIB also presented to the INT (Single Market Production and Consumption) Committee its activities in the field of microcredit financing and JASMINE (Joint Action to Support Microfinance Institutions in Europe).

Committee of the Regions (CoR)

As a traditional partner the Bank proactively participated in preparing the annual "Open Days" organised by the CoR in close cooperation with DG REGIO. During the Open Days 2007 under the heading "Regions and cities in a challenging world", the Bank organised seminars on "Financing Clean Energy" and "Financing Research, Development & Innovation" and provided numerous speakers who participated in seminars and workshops on JASPERS (Joint Assistance to Support Projects in European Regions), JEREMIE (Joint European Resources for Micro to Medium Enterprises), JESSICA (Joint European Support for Sustainable Investment in City Areas) and JASMINE, the microcredit development initiative.

Cooperation and partnership with international and bilateral financial institutions

The Bank pursued its cooperation with other international financial institutions (IFIs) and European bilateral institutions in 2008, in particular in the framework of the mandate for EIB activity outside the EU covering the period 2007-2013, where the IFI coordination was strengthened via a specific action plan including monitoring of IFI activities, review of institutional agreements between the EIB and other IFIs and follow-up on the progress in operational cooperation, to maximise synergies between the respective capacities and skills of the EIB and other IFIs.

In particular, the Bank cooperated with other IFIs via both interinstitutional participation in horizontal initiatives and topics (such as the environment, risk management, planning and budget, legal matters, internal audit, evaluation and complaints mechanisms) and operational cooperation.

In the Western Balkans, an agreement was reached to establish the Western Balkans Infrastructure Initiative through cooperation between the Commission, EIB, EBRD, CEB and Member States. The initiative is expected to make a start on operational implementation early in 2009, with grant funds being coordinated under the Joint Grant Facility and supplemented by EIB-EBRD-CEB loans under the Joint Lending Facility.

In Turkey, the Bank continued its long-standing cooperation with other IFIs and European bilateral institutions. An "Accord of cooperation" between the Commission, EIB and EBRD was finalised in order to support the EBRD's commencement of operations in Turkey as of 2009.

In the Neighbourhood Countries, operational cooperation intensified with the Commission and other IFIs (EBRD, CEB, NIB and the Black Sea Trade and Development Bank-BSTDB) and European bilateral

institutions (Agence Française de Développement - AFD, Kreditanstalt für Wiederaufbau - KfW) under the Neighbourhood Investment Facility (NIF) and related Finance Institutions Group. A joint pipeline of projects supported by EC grant funds was established for the eastern and southern regions, with the lead IFI being identified.

In the Eastern Neighbours and Russia, institutional and operational cooperation with the EBRD intensified under the tripartite Memorandum of Understanding between the EC, EIB and EBRD. This covers the build-up of a joint pipeline and agreement on the framework policies for each eligible sector (transport, energy, the environment and telecommunications). The first joint EIB-EBRD project under the new 2007-2013 mandate was signed in Ukraine.

In the ACP region, the EIB enhanced close operational cooperation with the European bilateral agencies and donor Member States under the EU-Africa Infrastructure Trust Fund, which is managed by the EIB.

On their annual visit to the EU institutions the World Bank's EU Executive Directors visited the EIB in March 2008 and met with its Management Committee and staff.

In June 2008 the EIB signed a Joint Statement on Cooperation with the Council of Europe Development Bank highlighting the various areas of joint interest and the two institutions' cooperation mechanisms, with a particular focus on social sectors, urban development (under JESSICA), human capital and the environment.

Finally, the EIB was granted observer status at the Black Sea Trade and Development Bank.

Establishment of the European Studies Library

The EIB and the University of Luxembourg signed an agreement in March 2008 for the establish-



ment of the “European Studies Library of the European Investment Bank and the University of Luxembourg”, whereby the EIB handed over to the University of Luxembourg its documentary collection.

This collection, which comprises some 10 000 works, testimony to the activities, priorities and strategies of the Bank since its foundation in 1958, will thus be available to researchers.

With the establishment of the European Studies Library the two institutions hope to encourage and facilitate a high standard of historical research in European studies and actively contribute to the development of the young University of Luxembourg.

European Microfinance Week

In November 2008 the European Microfinance Platform, a network of approximately 100 organisations and individuals active in the area of microfinance with the main objective of promoting cooperation amongst European microfinance bodies working in developing countries, organised the European Microfinance Week in Luxembourg, with the support of the Luxembourg Ministry of Foreign Affairs.

The Microfinance Week, which took place under the heading “Frontier Issues in Microfinance Opportunities and Challenges for European Actors”, dealt with a number of issues ranging from “Innovation for Rural Outreach” to “Social Responsibility in Microfinance Practice” and “Opening the Frontier with Technology”.

The second European Microfinance Award was presented during the week at the premises of the EIB in the presence of Her Royal Highness The Grand Duchess of Luxembourg, Mr Louis Michel, European Commissioner for Development and Humanitar-

ian Aid, Mr Jean-Louis Schiltz, Luxembourg’s Minister for Cooperation and Humanitarian Action, and Mr Philippe Maystadt, President of the European Investment Bank.

The prize was awarded to Buusaa Gonofaa, an Ethiopian microfinance institution which provides microcredit and savings services to poor households in Ethiopia, with a particular emphasis on women, landless young people and small farmers, for the development of an innovative system for determining customer needs and evaluating changes in their social well-being.



Philippe Maystadt presents Rolf Tarrach, Rector of the University of Luxembourg, with one of the documents from the EIB collection.

Transparency and Public Information

Transparency

Transparency is an important element of the EIB's corporate responsibility. A high level of transparency is part of the Bank's mission to contribute to the policy objectives of the European Union. As a public body, the EIB considers transparency on how it makes decisions, works and implements EU policies crucial to strengthening its accountability and credibility vis-à-vis European citizens and citizens elsewhere affected by its operations. Transparency also contributes to increasing the efficiency and sustainability of the Bank's operations.

Public disclosure of information

Public disclosure of information is an important reference point for the implementation of the Bank's commitment to transparency. The EIB website is

the main platform for actively disseminating information to the public, with some 4 million visitors in 2008. The EIB InfoDesk provides a first contact point at the Bank for the public at large. In 2008, the InfoDesk received some 25 500 eligible e-mails, leading to a total of 17 500 exchanges (a 40% increase compared to the previous year).

The Bank's communication with the public is subject to the EIB Public Disclosure Policy (2006). The policy is founded on a presumption of disclosure unless there is a compelling reason for non-disclosure. The Bank has committed itself to formal reviews of the Public Disclosure Policy every three years. Consequently, in 2009 the policy will be reviewed and include a public consultation as part of one large consultation process, with interconnected elements, covering also a review of the Transparency Policy and the Complaints Mechanism Policy.

Every year, the Bank publishes an evaluation of the implementation of the Public Disclosure Policy.

One World Trust report

The 2008 Global Accountability Report published by One World Trust, an independent think tank that conducts research, develops recommendations and advocates for reform to make policy and decision-making processes in global governance more accountable, assessed the accountability capabilities of 90 global organisations from 2006 onwards. Basically the report assesses the capabilities of organisations at four levels: transparency; participation; evaluation; and complaints and response handling.

The EIB was for the first time assessed on its accountability capabilities as part of the inter-governmental organisations (IGOs) group. *In this group the Bank was ranked fourth (out of 10) for its overall accountability capabilities and ninth out of the total of 30 organisations evaluated in 2008.* ✓

Worth noting is the score obtained on the transparency capabilities, where only the EIB and IFC scored above 70 per cent, the minimum threshold for basic transparency capabilities, while the average score for the 30 organisations was 41 per cent. ✓



Statement on Environmental and Social Principles and Standards

The EIB approach to environmental sustainability – as well as the closely related concept of social well-being – is described in “The EIB Statement of Environmental and Social Principles and Standards” (the Statement). *During 2008 the Statement was revised and a public consultation was held to collect comments from civil society. The constructive contribution to this consultation of civil society organisations, in particular the NGOs that traditionally scrutinise the Bank, was very much appreciated by the Bank* ✓ and resulted in a statement that provides a much greater sense of urgency about the problems of climate change, expands the social dimensions of sustainable development and recognises the importance of biodiversity.

Following the approval on 3 February 2009 of the EIB’s new Environmental and Social Statement, the Management Committee decided to review the structure of the Projects Directorate with the aim of increasing the Bank’s ability to deliver sustainable projects. The proposed changes focus on the establishment of the Environmental and Social Office (ESO), which replaces the Sustainable Development Unit (SDU).

Public consultation

The Bank conducts public consultations on selective corporate and important multi-sector policies that are typically of interest to all EIB stakeholders. The main objectives of a consultation are to generate valuable stakeholder contributions and to reinforce transparency and accountability. As a general rule, these web-based consultations go hand in hand with public meetings with a view to facilitating a direct (face-to-face) dialogue with interested stakeholders. Stakeholder contributions are examined and evaluated by an EIB Review Panel. After approval by the Management Committee, the final draft policy is published for information on the EIB website 15 working days prior to its being considered by the Board, together with a Public Consultation Report. The Report outlines how the consultation was conducted and brings together all

stakeholder submissions and the Bank’s reasoned positions on the extent to which these were taken into account. After Board approval, the policy is published on the EIB website and, if appropriate, in the Official Journal of the European Communities.

In addition to formal public consultation, simplified web-based consultation or informal stakeholder meetings on other selected policy documents may be held, depending on the type and content of the document in question.

Raising Staff Awareness - Training and Conferences

As in previous years, the Bank made a number of training/awareness-raising events on corporate responsibility issues available to staff.

The well-being of staff is an important issue for an institution like the EIB. As part of the programme to keep staff aware of the threats to their well-be-

ing, the Bank organised an awareness campaign on its Dignity at Work Policy, reminding the staff through paper and web-based information of the existence of the policy as well as the names of the Confidential Counsellors. A workshop open to staff was also organised with the Mentally Fit Institute on possible approaches to help people develop their intellectual, emotional and physical potential. Light physical exercise classes were also proposed to staff during the year to help address back/neck/shoulder pain.

As far as the internal environmental footprint is concerned, a conference was organised for staff to present the new measures approved in 2008 aimed at reducing the internal footprint and to raise their awareness on the possibilities for individuals to reduce their CO₂ emissions in their daily lives. Information was also presented on car-sharing in Luxembourg and the wider region, on subsidies made available by Luxembourg and on the possibilities of being supplied with green energy.

The Civil Society (CSO) Unit also runs, together with the Human Resources Department and external experts, in-house awareness and capacity-building programmes on the Bank's interaction with civil society in order to build on and improve the knowledge base and commitment among staff for communication with civil society representatives.

In 2008 the Sustainable Development Unit carried out a total of 18 training events and consultations covering general environmental and social policies, as well as specific social development, environmental, climate change and biodiversity issues. The training was provided by internal experts and outside speakers.

List of training topics on environmental and social issues presented to staff during 2008 by SDU

- Environmental and Social Practices Handbook
- EIB Statement on Environmental and Social Principles and Standards
- Presentation of Draft EPE Sourcebook
- Emission Trading Scheme Workshop, Climate Change
- Environmental and Social Practices and Procedures
- EU Environmental Law
- Social Assessment: Policies and Practices
- Climate Change
- Extractive Industry Transparency Initiative - EITI
- Mainstreaming Climate Change into Operations
- Social Assessment - Introduction to the EIB's Social Guidelines
- Port of Tangiers - Resettlement Case Study
- Outside View of the EIB's Social Guidelines
- Using Satellite Data to Support Environmental Monitoring
- Climate risk management consultations



Handling Complaints

Information regarding how to lodge a complaint is available in all the official languages of the European Union on our website <http://www.eib.org/about/news/how-to-lodge-a-complaint.htm?lang=en>

Complaints Mechanism Policy

In 2008 the EIB consolidated its best practices in the field of accountability by bringing them together in a comprehensive policy package consisting of the EIB Complaints Mechanism Policy (CMP), the Memorandum of Understanding with the European Ombudsman (EO) and the Terms of Reference of the EIB Complaints Office, a unit of the EIB for addressing citizens' and civil society organisations' concerns about the way the EIB performs its activities. The CMP and the accompanying documents

were approved by the Management Committee on 24 June 2008 and published on the EIB website on 10 July 2008.

The CMP can be described as a two-tier facility, setting the general guidelines for exercising the right to lodge a complaint of maladministration with the EIB internal complaints mechanism and informing stakeholders on the possibility of external scrutiny by the EO, the EIB's independent complaints mechanism.

The CMP includes a chapter on the independent part of the mechanism, the EO, particularly concerning the admissibility criteria for lodging a complaint, and additional information about the procedure followed by the EO when dealing with complaints concerning maladministration lodged against the EIB. The EIB will launch a public consul-



tation on the CMP as well as on the Terms of Reference of the EIB Complaints Office (EIB CO) in early 2009.

Following the approval of the CMP, the EIB CO deals with the centralised handling and structured investigation of complaints of maladministration received by the EIB with a view to fostering the EIB Group’s accountability and transparency towards its stakeholders whilst ensuring the effective and efficient handling of complaints in order to prevent their escalation to EO and/or other compliance review mechanisms.

Memorandum of Understanding between the EIB and the European Ombudsman

On 9 July 2008 the European Ombudsman and the President of the EIB met at the EIB’s premises on

Maladministration occurs when the EIB Group fails to act in accordance with the applicable legislation and/or internal policies, fails to respect the principles of good administration or violates human rights. Some examples of failure to respect the principles of good administration dealt with in the European Ombudsman’s decisions are: administrative irregularities, unfairness, discrimination, abuse of power, failure to reply, refusal of information and unnecessary delay.

the occasion of the signature of the MoU between the EO and the EIB. The MoU achieves a common understanding of purpose and consistency of application across the internal (EIB CO) and external (EO) components of the EIB Complaints Mechanism, with a specific focus on the criteria for admissibility of complaints against the EIB. In particular, the main innovation brought about by the MoU is that the EO has agreed to use systematically his own-initiative powers to initiate inquiries regarding alleged maladministration by the EIB when the sole reason preventing an inquiry 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.

The Memorandum, which has been translated into all the official languages of the European Union, was published in the Official Journal of the European Union on 25 September 2008 (*OJ C 244, p. 1–2*).

Complaints in 2008

In 2008 the EIB CO dealt with an increasing number of complaints (the number rose from 25 complaints in 2007 to 38 in 2008). ✓

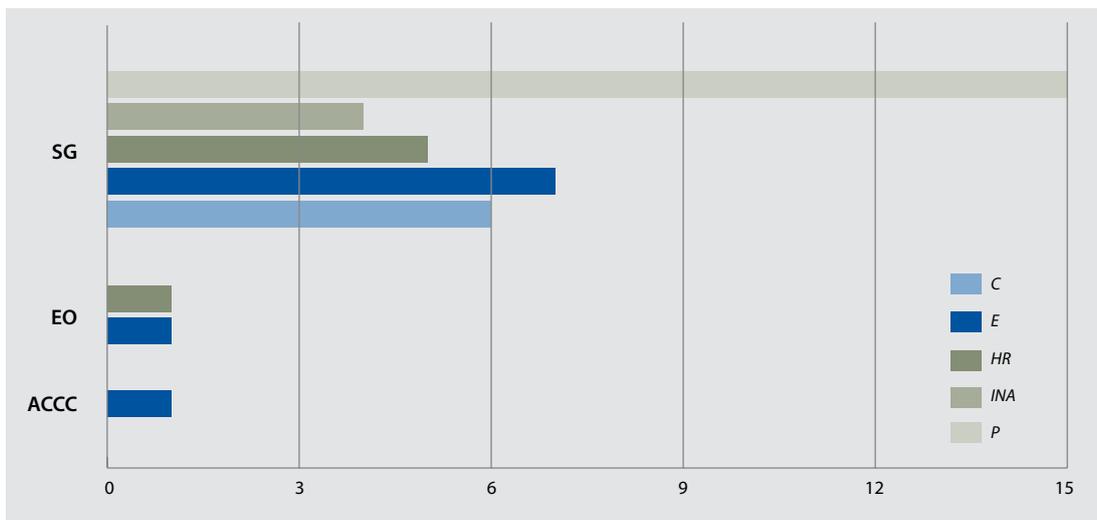
These include the complaints lodged directly with the EIB Complaints Mechanism (including Recourse Prevention Measures (RPM), i.e. complaints handled directly by the services concerned under the supervision of the EIB CO whenever an amicable solution between the EIB and the complainant ap-

Comparative analysis: complaints received, dealt with and closed within the calendar year

Complaints	Received	Dealt with	Closed
2006	15	15	9
2007	25	31	29
2008 ✓	38	40	30



Subject of Complaints



pears to be feasible) as well as complaints against the EIB lodged with the EO. The list also includes communications against the European Community for actions or omissions of the EIB submitted to the Aarhus Convention Compliance Committee (ACCC).

In 2008 the Complaints Office handled 37 complaints lodged with the EIB internal complaints mechanism, including 3 RPM initiatives, 2 complaints lodged against the EIB with the EO and a communication against the European Community before the ACCC. The complaints ranged from cases concerning internal or external procurement (P), to the economic, environmental or social impact of projects financed by the EIB (E), from issues pertaining to the EIB's human resources (HR) to cases concerning access to information (INA) or customer relations with regard to the borrowing activities of the EIB (C). In 2008 four complainants decided to lodge a confirmatory complaint following the partial or total rejection of their complaints. The opportunity to lodge a confirmatory complaint has been introduced by the EIB CMP with a view to enabling un-

successful complainants to provide additional facts supporting their allegations or to make further allegations or claims within an imposed timeframe depending on the type of the complaint.

Most of the complaints lodged with the internal mechanism were received on complaints@eib.org, a dedicated mailbox providing the public with an additional channel for making complaints against the EIB. For complainants who wish to access the EIB Complaints Mechanism online, in 2008 the EIB published an online complaint form in all the official languages of the European Union on its website (<http://www.eib.org/infocentre/complaints-form.htm>). This was designed to facilitate stakeholders' access to the mechanism and is the first step towards establishing the EIB Complaints Mechanism as an ODRM (Online Dispute Resolution Mechanism).

The EIB CO also provides the EIB services concerned with internal consultancy whenever they are dealing with sensitive correspondence from members of the public expressing their concern about the

activities of the EIB, with a view to facilitating amicable solutions between citizens and the public administration (mediation procedure). In 2008 the EIB CO was involved in 19 mediation procedures.

Follow-up

The CO endeavours to monitor the complaints dealt with, so as to contribute to the learning process, leading to good administration and the establishment of a culture of service within the EIB. Thus in 2008 the CO – in cooperation with the relevant services of the EIB – launched a “follow-up” campaign in response to the request from the EO for feedback on the follow-up to his critical and further remarks in three complaints against the EIB closed in 2007 (0948/2006/BU, 1779/2006/MHZ and 1807/2006/MHZ).

On 1 December 2008 the EO published a study of the follow-up given to all critical remarks and further remarks made in 2007. The 2007 study includes six “star cases”, which illustrate how a constructive response to the Ombudsman’s criticisms and suggestions can help promote a culture of service, thereby serving Europe’s citizens better and winning their trust. One case, in which the EO considered that the EIB’s follow-up was exemplary, is included in the list of “star cases” (1807/2006/MHZ). The study is also published on the European Ombudsman’s website (<http://www.ombudsman.europa.eu/home/en/default.htm>).



Ethics

The EIF is a Community body and member of the EIB Group. Its capital is owned 63.6 per cent by the EIB, 27.4 per cent by the European Community and 9.0 per cent by a number of European financial institutions.

In 2008, with a view to further strengthening its commitment to ethical principles, the EIF revised its staff code of conduct and issued a code of con-

duct for its Chief Executive and Deputy Chief Executive, which are aligned with the ethical framework laid down for the EIB Group.

The EIF has also issued an Anti-Fraud Policy, which confirms its commitment to combating fraud, corruption and other illegal practices in line with the EIB Group's zero-tolerance policy on such practices.

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 and regulations and policies applicable to the EIB. OCCO is responsible for integrity checks and Anti-Money Laundering and Combating the Financing of Terrorism monitoring of the Bank's counterparties and operations.

In 2008 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.

Fraud Investigations

Fraud Investigations is a separate unit within the Inspectorate General (IG/IN) of the European Investment Bank Group. It is responsible for receiving allegations from any source inside or outside the EIB Group of suspected fraud, corruption, coercion, collusion, money laundering or the financing of terrorism relating to EIB Group activities and operations.

The EIB cooperates closely in the fight against fraud and corruption with other international financial institutions (IFIs) and with OLAF, whose remit is the fight against fraud, corruption and other illegal activities detrimental to the Communities' financial interest. *In particular, each and every case that the Inspectorate General investigates is submitted by the EIB to OLAF, which, at the request of either party, cooperates with the Inspectorate General, thus ensuring that a combination of banking and investigative resources is applied to the investigation.* ✓

The EIB's Anti-Fraud Policy was the subject of a public consultation exercise during 2007, which resulted in the approval and publication of the revised policy in April 2008.

During 2008 the Unit accepted 38 new complaints, compared with 33 in 2007 and 44 in 2006.

In 2008 21 investigations were opened, the same number as in 2007. Together with 24 ongoing investigations, the Unit worked on 45 cases, a 13% increase over 2007. Of these, six concerned fraud allegations relating to investment companies with which the EIF was dealing.

In 2008, 18 cases were closed as follows:

- Evidence inadequate or non-existent: 2
- Results of investigation referred to judicial authorities and/or loan (partly) reimbursed: 6
- No wrongdoing found: 1
- Adequate reaction by promoter: 7
- Case appeared not to involve EIB funds: 2





Whistleblowing Policy

The EIB had announced in its Anti-Fraud Policy its intention of revising the existing provisions concerning whistleblowing with the aim of establishing an integrated and comprehensive approach to this sensitive issue. *An initial proposal was presented to the Management Committee at the end of 2008 for a fully-fledged policy aimed at enhancing the Bank's transparency and underpinning its system for combating practices that could damage its activities and reputation and thus usefully contribute towards maintaining a high level of integrity and ethics in the functioning of the Bank.* ✓ The policy was approved at the beginning of 2009 and will be made available to staff and the public.

Protecting the integrity and reputation of the EIB requires the active support of all members of the Bank's staff and any other person providing the Bank with services, including consultants and other service providers, who are required to report incidents of suspected fraud, corruption, collusion

and coercion, and other serious infringements of the rules and policies in force at the Bank.

By setting out clear reporting lines, ensuring maximum protection for any whistleblower acting in good faith, and condemning any retaliatory action or reprisals, the policy will allow any relevant persons to fulfil their duty to report wrongdoings.



The basic principles of the Bank's Whistleblowing Policy are as follows:

- the persons concerned should use the existing reporting lines, i.e.:
 - all cases of alleged fraud, corruption, collusion or coercion, money laundering and financing of terrorism need to be reported to the Inspector General (IG); as a last resort, the matter could be referred to the Audit Committee or, in the event of maladministration, the Ombudsman;
 - all other cases, including misconduct, breach of the code of conduct or ethical issues, should be reported to the Chief Compliance Officer or Director of Human Resources; as a last resort, the matter could be referred to the President or a member of the Management Committee or, in the event of maladministration, the Ombudsman;
- whistleblowers must not under any circumstances be subject to reprisals;
- those who report incidents in good faith must be protected and their identity must insofar as possible remain confidential;
- the reported incidents should be verified in the appropriate manner and, if they are confirmed, the Bank should take all necessary steps to identify appropriate remedies;
- the basic rights of any person implicated by the reported incidents must be respected, whilst ensuring that the procedures provided for are effective.

II – Responsible Financing



Operating Practices

Value added – figures and improved methodology

Since 2005 (when the value added system was introduced), the VA assessment has undergone a number of important developments. In light of experience and continuous improvement efforts, the way VA is measured nevertheless still offers scope for further development with a view to increasing consistency in both the assessment of operations and coherence and transparency of ratings. The new VA methodology will enable the Bank to compare and differentiate better between projects and select for financing those projects that best underpin its strategy and the building of Europe.

For these reasons a full review was launched at the end of 2008 to identify those areas that might benefit from further improvements.

For future assessments, the new VA methodology will improve the consistency of assessing the VA of the Bank's operations. Main improvements concern the assessment criteria for each pillar, the guidance given for allocating scores, the assessment process and quality assurance and control measures.

Currently the three pillars are used at the final stage of the appraisal of an operation. With the new methodology the evaluation of the three pillars will be extended throughout the project cycle,

Three-pillar structure

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

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.

Sustainability of EIB investment

No of projects approved in 2008	Total projects				EU-27				Europe non-EU			Pillar 2 / total
	Pillar 1	Pillar 2 <input checked="" type="checkbox"/>	Pillar 3	Pillar 2 / total	Pillar 1	Pillar 2 <input checked="" type="checkbox"/>	Pillar 3	Pillar 2 / total	Pillar 1	Pillar 2 <input checked="" type="checkbox"/>	Pillar 3	
High	246	200	203	70.2%	233	193	195	71.2%	13	7	8	50.0%
Medium	38	81	76	28.4%	37	74	70	27.3%	1	7	6	50.0%
Moderate	1	3	6	1.0%	1	3	6	1.1%	0	0	0	-
Low	0	1	0	0.4%	0	1	0	0.4%	0	0	0	-
Total	285	285	285		271	271	271		14	14	14	

from the project identification stage, through the project assessment and screening process, to the project completion report and the Bank's ex post evaluation.

The revised methodology, with more transparent and consistent pillars, will therefore provide enhanced monitoring of the quality of the Bank's operations and build in feedback opportunities and foster continuous learning.

The implementation of the new methodology will take place throughout 2009, and the new system will replace the current one as from 2010.

Economic and Social Impact Assessment Framework (ESIAF)

The Economic and Social Impact Assessment Framework (ESIAF) aims to measure the value added by the Bank when implementing its external mandates.

The main features of the framework are as follows:

Pillar 1
 "Contribution to Overall Mandate Objectives and Priorities": subdivided into two parts covering the project's contribution to the overall objectives of the Mandate and to specific regional objectives.

Pillar 2
 "Quality and soundness of the project": economic, environmental, financial, institutional and social.

Pillar 3
 "EIB contribution": financial and non-financial.

The outcome of the value-added screening for the other partner countries² for 2008 is shown in the table below:

No of projects approved in 2008	Total projects			
	Pillar 1	Pillar 2 <input checked="" type="checkbox"/>	Pillar 3	Pillar 2 / total
High	46	25	37	43.9%
Medium	10	29	18	50.9%
Moderate	0	1	1	1.7%
Low	0	1	0	1.7%
Projects not screened	1	1	1	1.7%

² ACP, ALA and FEMIP



SMEs Survey and the EIB's Initiatives in favour of SMEs



The economic structure of the EU is characterised by the importance of the SME sector. There are over 23 million SMEs in the EU, representing 99% of all enterprises, and SMEs are responsible for more than half of the EU's GDP and employment. Their capacity to grow and innovate is crucial for ensuring EU economic growth and competitiveness. They are, however, more exposed to financial turbulence, the business cycle and contractions in final demand. Preserving access to finance on attractive terms is therefore critical in helping them to realise their full growth potential.

The EIB Group is one of the pillars of European support for SMEs. As a whole, the EIB Group provides assistance to some 150 000 to 200 000 SMEs every year.

The EIB has granted credit lines to banking intermediaries throughout Europe, which then on-lend these funds to SMEs. These partner banks have in turn been able to improve the terms and conditions of their SME lending through an improved cost of funding and additional liquidity. These so-called 'EIB Global Loans' are used by more than 100 intermediaries throughout Europe.

The EIB increased its lending activity in favour of SMEs from EUR 5bn of operations signed in 2007 to EUR 8.1bn signed in 2008. ✓

At the same time, the EIF has provided specialised support for SMEs based on two major product lines. First, by acting as a fund of funds in the venture capital area, it has invested in funds with a specific focus on high-tech and innovative SMEs. The EIF's total equity investments amounted to EUR 4.7bn invested in more than 280 funds at end-2008. Second, by providing guarantees for SME loan portfolios, it has shared with financial intermediaries the risk they run on their SME lending activity. The EIF's guarantee portfolio amounted to EUR 13bn as at end-2008.

Under the Competitiveness and Innovation Programme (CIP), the European Commission mandated the EIF to invest a total of EUR 1bn of budgetary funds on its behalf in venture capital funds providing seed capital or equity to innovative SMEs with high growth potential and to issue guarantees for loan and equity portfolios, including microcredit portfolios.

In 2007 the EIB Group undertook a review of the product range it offers to SMEs, to adapt it to meet the financing needs of modern SMEs and to increase the benefits SMEs received from its activities. More than 100 SME associations, public support institutions and partner banks in the 27 Member States were consulted during this review.

As a result the EIB Group is strengthening its support for SMEs, mainly by increasing the value added for SMEs and widening the geographical coverage. Procedures for the Global Loan product, now known as the 'EIB Loan for SMEs', have been significantly simplified and at the same time the EIB is broadening the scope of eligible investments and further developing mezzanine financing solutions to extend coverage of SME financing needs.

The new EIB Loan for SMEs takes account of the actual investment requirements of SMEs by expanding the previous eligibility based on new fixed asset investment to include financing of intangible investments fostering innovation and growth. The EIB intends to support investments for the development of new products and services, the introduction of new production processes, the acquisition of licences and other intellectual property rights, the building up of distribution networks in domestic or foreign markets and the financing of generation change within a company as part of this innovation process.

By nature, investments in intangible assets are more risky than those in tangible assets as there is no fixed asset that commercial banks can use as security for their financing. This is one of the reasons why the EIB intends to diversify its product range by developing risk-sharing schemes for both senior debt and mezzanine financing. Mezzanine financing may take various forms, and the EIB Group is currently discussing with several banking partners ways to support the provision of debt with specific characteristics to innovative SMEs, for instance unsecured debt with an unusually long duration. By providing additional risk-taking capacity, the EIB will enable intermediaries to increase their SME lending in the future and thereby provide SMEs with the financial capacity to realise their plans for future development and growth. *The EIB Group is also partnering with the European Commission in a new EU microcredit initiative, mobilising up to EUR 50m for microfinance institutions through co-financing and technical assistance facilities.* ✓

The ultimate goal of all these proposals is to improve access to finance for SMEs on attractive terms. Thus, these new initiatives will be implemented only with intermediaries who fully accept the Bank's requirements in terms of transparency and transfer of benefit since one conclusion of the SME consultation was that SMEs often do not know enough about the EIB's involvement or what the actual benefit of this involvement has been.

The EIB will insist on the development of designated products with advantageous terms and conditions for SMEs and a clear mention of the EU's involvement. ✓ Intermediaries will be required to inform individual SMEs of the benefits of EIB finance and insofar as possible quantify those benefits. This is already being done, in a very visible way, by some of the partner banks and the EIB will ask the others to comply with these best practices.

As part of their future activity in favour of SMEs, the EIB and EIF will cover the whole spectrum of financial products needed by SMEs and midcaps to realise their full growth potential and ensure that the benefits of the support are genuinely passed on to the companies themselves. The choice of product and the mechanism for transferring the benefit to final beneficiaries should, however, reflect the needs of each market. Whilst we believe that these concrete proposals are a contribution to the objectives of the Small Business Act for Europe, the EIB is also fully aware of the need to continually review its product offering to ensure that SMEs are competitive in Europe.

The new EIB initiative in favour of SMEs and midcaps, which aims to modernise and simplify the existing financial products made available to banks as well as to better meet SME market gaps by deploying a range of new financial instruments, should help to reduce the negative effect of the current lack of liquidity and higher funding costs.

Knowledge Economy: Promoting a Competitive Knowledge Economy in the 21st Century

In 2007, the renewal of the Lisbon Strategy called for increased investment in knowledge and innovation, with the aim of closing the competitiveness gap between the European Union and other leading industrial economies. Previously known as the "Innovation 2000 Initiative", the Knowledge Economy Initiative for the 21st century is the EIB's contribution to achieving this aim and is designed to encompass all investments that contribute to the creation of knowledge and its transformation into innovative products, processes and services leading to competitiveness gains. It is made up of three broad objectives, which make up the "knowledge triangle": education and training – increasing the skills and competences of the European labour force and promoting employability throughout life; research and development – in both the public and private sector, bridging the gap to increase the transfer of knowledge to industry; and innovation – applications, diffusion and enabling infrastructure, in particular ICT, with a view to enhancing productivity and competitiveness.

This initiative has already helped to raise the productivity and growth potential of the EU economy, with the volume of EIB loans under i2i amounting to EUR 56.7bn between 2000 and 2007.

Education projects represent one fifth of i2i/Knowledge Economy lending and include investments that promote and provide access to high-quality education at all stages of the lifelong learning system, from early childhood through to tertiary education, academic research and also vocational training. A large part of the Bank's financing targets the public sector. Between 2000 and 2007, EUR 12.8bn was lent to the education and training sector. Looking ahead, the objectives of the Knowledge Economy Initiative in the education sector will be to target investments of exceptional relevance to quality, such as teacher training programmes, and to encourage student mobility by supporting student loan schemes, as well as to address the problem of social inclusion and demographic change, and to promote links with academia and business enterprises.



Research & Development is key to the EU's competitiveness and economic growth and a considerable additional effort is needed to meet the targets of the Lisbon Agenda. The Bank contributes towards achieving this aim with its numerous projects in various sectors, in particular information and communications technology, and also in emerging technologies such as life sciences (mainly biotechnology), environmental technologies (including energy efficiency and climate change in transport and manufacturing and process industries) and new technologies in mature sectors, such as steel, chemicals and agro-food and materials sciences (nanotechnology). It also supports the EU's R&D policies by participating in joint research programmes, European technology platforms and research infrastructure. R&D projects amounted to EUR 24.0bn between 2000 and 2007. This effort will be further stepped up under the Knowledge Economy Initiative.

Innovation can be seen as a consequence of the first two priority objectives, resulting in a product, process or service which then needs to be rolled out and applied by companies. The Knowledge Economy Initiative will support projects in all manufacturing, process and service industries that introduce significant innovations with a view to remaining competitive with regard to other major

world economies. This includes supporting projects to comply with changes in the regulatory environment. The EIB was involved in financing EUR 18.1bn in projects of this nature between 2000 and 2007. With regard to the needs of the information society, the Knowledge Economy aims to contribute in particular to ICT infrastructure for the processing, storage, access and dissemination of information, to enable the rapid diffusion of innovation, including financing projects in innovative software, audiovisual and multimedia to provide e-services.

To achieve its objectives in the Knowledge Economy, the EIB deploys a full range of financial instruments, such as senior investment and structured loans or, in conjunction with the EIF, venture capital. In addition, support by the European Commission, in particular through the RSFF (Risk-Sharing Finance Facility) mandate, helps the Bank to extend its financing to higher-risk, higher value-added projects.

An outstanding example of where the EIB has financed research is the Medinvest project.

In November 2008, the EIB signed a Risk-Sharing Finance Facility operation with Medinvest, a group of five SMEs, with the aim of supporting the commercialisation of cutting-edge medical technology devices for dealing with chronic heart failure, diabetes, obesity and strokes. This was the first operation by the Bank involving several EU Member States but also Israel and was innovative as it successfully combined the high risk inherent in research with the high value added of EIB finance. It also used a novel financial structure, filling a genuine funding gap between venture capital and traditional debt financing via a mezzanine-type portfolio financing approach.

Although the investment was rather small (EUR 30m), the EIB's involvement as an anchor investor played an important catalytic role in attracting and retaining other institutional investors, which is of particular relevance in the current difficult financial environment.

The project included research and development, clinical trials, regulatory national approval and the costs of market launch. The investment provides a boost for the medical technology industry, which is dominated by SMEs and therefore contributes to job creation as well as improved healthcare for patients worldwide.



European Investment Fund

The EIF provides risk finance cover to intermediaries for the benefit of small and medium-sized enterprises. It operates primarily as an investor in the equity of venture capital and private equity funds and as a guarantor to financial institutions for SME financing. On this basis, following the recommendation in the relevant Commission regulation, by the end of 2008 seven EU Member States had given the EIF the task of managing support for SMEs in the context of the EU Structural Funds under the European Community's JEREMIE initiative.

The EIF also manages on behalf of the European Community a facility for venture capital/private equity and guarantee finance for the benefit of SMEs as part of the Competitive Innovation Programme; this programme has a specific window for financial support for Ecolnnovation. In the 2008 financial year, two investments in venture capital/private equity funds with an investment focus on or at least significant stake in Ecolnnovation were signed totalling, with the investment signed in 2006, nearly EUR 44.5m in commitments.

The EIF has set up a dedicated team to conduct evaluation studies to assess the supply and demand for "non-banking" microcredit in various EU Member States. This forms part of the EU initiative JASMINE (Joint Action to Support Microfinance Institutions in Europe), launched end-2007 by the European Commission, which aims to provide microcredit support for entrepreneurs otherwise excluded from the banking sector.

GEEREF

The EIF has coordinated the establishment of the Global Energy Efficiency and Renewable Energy Fund (GEEREF). This is an innovative initiative launched by the European Commission together with Germany and Norway as public donors. The initiative combines public and private funding to support access to clean energy and development for economies in transition and developing countries. It is managed by an EIB team, with back office support from the EIF.

Environmental and Social Issues

Highlights and achievements in 2008

- During the course of the year the Bank reviewed and renewed its entire environmental policy, formally expressed in a document entitled 'The EIB Statement of Environmental and Social Principles and Standards' (the Statement)³.
- The Statement was drawn up with extensive dialogue and consultation with external interested parties – not least the international environmental NGOs.
- Happily this has proved to be a two-way process. As a result of an ongoing dialogue, the Bank is increasingly seen as a legitimate partner in a variety of international environmental fora, with its own mature and distinctive contribution to make.
- In parallel with these initiatives, environmental and social issues have continued to be brought into the mainstream of the Bank's internal procedures, with the ultimate objective of embedding environmental thinking deep into the culture of the organisation.
- A key element in this 'mainstreaming' is an extensive programme of staff training, based on the Bank's 'Environmental and Social Practices Handbook' (the 'Handbook'), which was extensively revised and expanded in 2007, and the 'Sourcebook on EU Environmental Law'.
- In the meantime the Bank's Sustainable Development Unit (SDU) has been responding to new challenges, not least in the areas of biodiversity and social assessment – matters that are also being and will increasingly be brought into the 'mainstream' culture of the institution.
- Last but not least, the Bank financed some excellent and innovative environmental projects during 2008, some of which are highlighted in the following chapter.
- In 2008 the EIB was granted observer status at meetings of the United Nations Framework Convention on Climate Change (UNFCCC) as an intergovernmental organisation.
- Following the approval on 3 February of the EIB's new Environmental and Social Statement, the Management Committee decided to review the structure of the Projects Directorate with the aim of increasing the Bank's ability to deliver sustainable projects. The proposed changes focus on the establishment of the Environmental and Social Office (ESO), which replaces the Sustainable Development Unit (SDU).

³ Formally approved by the Board of Directors on 3 February 2009.



In the EIB's Corporate Operational Plan (COP) environmental operations are grouped under two broad headings: first, 'Protection of the Natural Environment' – including combating climate change, water and waste management and maintaining biodiversity – and, second, 'Sustainable Communities' – including urban renewal and sustainable transport. So the following sections of this chapter first take an overview of the EIB's environmental and social policy and initiatives against the background of EU and international policy in this vast field and then review in greater detail policies, and policy developments, in these key sectors. A further section covers social assessment, an issue that cuts across all areas in which the EIB operates. The final section summarises the key actions necessary to bring environmental and social assessment further into the mainstream of EIB activity.

Recent policy developments in the EIB and the EU

The EIB's environmental objectives have been clearly established for several years and were set out in some detail in statements that the Bank issued in 2002 and 2004. Nevertheless their detailed elaboration continued to develop and broaden, both as they have become more embedded in the day-to-day life of the institution and as the international community's commitment to environmental and social sustainability has also deepened. Thus a further step was taken in May 2006 when the EIB, together with four other European IFIs, subscribed to a common declaration entitled European Principles for the Environment (EPE), which is intended to govern the environmental aspects of the five signatories' operations. The EPE principles are based on EU guidelines and directives but in some ways go beyond these, for example in recognising established good practice.

The new 2008 'Statement' draws on all this previous work but was also enriched by extensive exter-

The EIB's carbon footprint

One of the EIB's environmental objectives is to minimise the 'carbon footprint' of the projects that it finances. Accordingly during 2008 the carbon footprints of a number of recent carbon-intensive projects were assessed to gain a better understanding of the methodological issues involved. Following this exercise the EIB, together with the EBRD, convened a technical workshop on the 'Harmonisation of Carbon Footprinting'. This was attended by the major IFIs and other public financing agencies. On the back of this experience the Bank will systematically calculate the carbon footprint of the 40 to 50 carbon-intensive projects it will be appraising during 2009. It is likely that around two thirds of these will be in the energy sector, with the other third being large-scale industrial plants. At the end of the year the exercise will be reviewed with a view to refining the methodology and possibly extending the scope of the assessment.

Interpreting the results of the exercise may not be straightforward. All projects probably add to carbon emissions in an 'absolute' sense. What is more important, but more difficult, is to assess 'relative' emissions compared with an 'alternative', and judging what this alternative should be (the next 'best' project, some notional standard, or doing nothing, etc.). The outcome of the exercise will be reported in Corporate Responsibility Developments in 2009.

nal consultation. This in itself is a challenging process. The Bank has to listen carefully to, and learn from, those NGOs and others with extensive and detailed knowledge of particular sectors or issues, while not forgetting its main purpose: supporting the development of the EU (and other countries in accordance with its different mandates) by financing sound, viable and cost-effective projects. Experience shows that, with goodwill on both sides and mutual respect, the dialogue can be fruitful and much can be achieved. That, at least, was the Bank's experience in preparing its 2008 Statement and it is to be hoped that a solid basis has been laid for further dialogue in the future.

The Statement outlines the standards that the Bank will apply in appraising projects, including those outside the EU; the approach to be followed; and the responsibilities of the various parties. Compared with the similar statement of 2004, the new Statement reflects far greater urgency about climate change, is more concerned with the social dimensions of sustainable development, and increas-

ingly acknowledges the importance of biodiversity as a global issue that cannot be ignored.

In many ways the publication of the 2008 Statement signals that the EIB is entering a new phase in which environmental and social concerns are to be at the centre of all the Bank's lending and other activities, and not merely an accessory that is bolted on to more conventional approaches and techniques. As noted above, its development has been accompanied by an internal programme of staff training and awareness-raising events based around the existing 'Handbook' and 'Source Book'. This programme will continue in 2009 and beyond.

These internal developments reflect, and to some degree are driven by, the considerable progress that occurred during 2008 in the environmental policies of the EU as a whole. In early 2007 the EU Commission had brought forward a proposed action plan for energy and climate change, which was approved by the European Council in March 2007. These proposals were further elaborated in





2008 and eventually approved by the European Council and European Parliament in December 2008. Sometimes known as the '20-20-20 by 2020 initiative' its three targets for the year 2020 are: a 20% reduction in greenhouse gas emissions, a 20% improvement in energy efficiency and a 20% share for renewable energy in the bloc's energy mix. In addition, the EU also committed itself to a 30% reduction of GHG emissions below 1990 levels if other countries similarly commit themselves by international treaty.

Around the same time, in November 2008, the Commission proposed to the Council "A European Economic Recovery Plan" (ERP) to combat the current economic recession. Under this plan the EIB made a commitment to increase its lending by €15bn a year over a two-year period. Of this increase €6bn a year is for investment in climate change, energy security and infrastructure, representing a very substantial increase in the Bank's lending in these sectors compared with the trend of earlier years. This programme has been described as 'smart' capital since it offers investment that will not only help stimulate economic recovery in the short term but can also contribute towards ensuring environmental sustainability over the long term. Moreover in the current financial climate the EIB is increasingly the financier of first resort, placing it in a position of particular opportunity but also of particular responsibility.

Finally, on biodiversity the Commission published in December 2008 its Mid-Term Assessment of Implementing the EC Biodiversity Action Plan, which had originally been adopted in 2006. The principal objective of the plan was to halt biodiversity loss within the EU by 2010. The mid-term report is pessimistic on this, commenting that this target is 'highly unlikely' to be achieved. The main positive progress during the year seems to have been the adoption in June of the Marine Strategy Framework Directive, which provides a basis for the conservation of the marine environment within the EU. A Flash Eurobarometer opinion poll in Decem-

ber 2007 showed limited public awareness of the problem of biodiversity, unlike the issue of climate change, so public information campaigns seem to be called for.

Combating Climate Change

Climate change has been described as the greatest crisis ever faced by mankind. It is a common global issue calling for solidarity across the whole human race. Every person in the world and every social institution is and will be affected and the positive or negative actions of each of us, individually and collectively, have an impact, however small, on everyone else. Consequently every individual and every institution should do what they can to address the problem. The EIB is no exception; indeed as an institution which has always stressed its role over the long term it has a particular responsibility. Moreover, unlike some environmental programmes which are essentially passive – avoiding certain actions or protecting what already exists – climate change demands positive action both in reducing future CO₂ and other emissions and in adapting to the consequences of climate change that are already in the 'pipeline'. Such actions require investment, which is the EIB's *raison d'être*. In general such investment, if properly designed and assessed, should be economically viable, since as the Stern Review⁴ emphasised, the cost of inaction by the international community would be considerably greater than the cost of action.

In the international community the European Union has always been at the forefront of international action to combat climate change. Its Emission Trading Scheme (ETS), which commenced in January 2005, was the first and remains by far the largest international trading system for CO₂ emissions in the world, accounting for over 75% of the value of the regulated global carbon market. In scope it covers over 11 500 energy-intensive installations across the EU. The first ETS trading period ran un-

⁴ *The Stern Review of the Economics of Climate Change, written by Lord Stern and published in 2006.*

The Kyoto Protocol

In December 1997, under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC), the international community negotiated the so-called 'Kyoto Protocol'. This agreement acknowledged the scale of the climate change problem, set out a target for reducing greenhouse gases (GHGs) by on average 5.2% for industrial countries by the year 2012 compared with 1990 levels, and established some mechanisms for doing so. Two of these are the Clean Development Mechanism (CDM), primarily for developing countries, and the Joint Implementation (JI) for economies in 'transition'. As is well known, Kyoto turned out to be just a first step on the road: there were unresolved issues over burden-sharing between rich and poor nations; in many cases the targets seem unlikely to be achieved; the US signed the Protocol but did not ratify it; while the ongoing scientific modelling increasingly suggested that the scale of the problem was much greater than originally envisaged.

The UNFCCC Bali Conference in 2007 agreed a two-year 'road map' towards a new post-Kyoto or Kyoto II Protocol, to be negotiated in Copenhagen in December 2009. Hopefully this will draw on the experience gained under Kyoto I, address some of its shortcomings, reflect the greater urgency of the problem and take advantage of the greater political will that now exists – not least in the United States. The Poznan Conference held in December 2008 was a step on that journey. The EIB participated actively in this Conference as well as in the Ministers of Finance Conference that was held at the same time. The speech of the EIB's President drew attention specifically to energy efficiency, low-carbon technologies and sustainable transport as areas in which the Bank could play a particularly important role. In this connection a new European Clean Transport Facility is to be introduced.

til December 2007. The second period, from January 2008, will run to the end of 2012 and will be followed by a third phase, which in several important ways will draw on experience with the first two phases and improve the mechanism, for example by incorporating emissions of all greenhouse gases and not just CO₂.

The Intergovernmental Panel on Climate Change (IPCC) issued its 4th Assessment Report in 2007 and will produce the fifth in 2009. In the meantime, in September 2008 the European Environment Agency, the Joint Research Centre, and the World Health Organisation published a joint report entitled: Impact of Europe's changing climate – 2008 indicator-

based assessment. This is an important document monitoring the effects of climate change within Europe over a wide range of indicators. Among other things it will serve as a useful baseline in the future.

Finally, in June 2007 the EU Commission published a Green Paper entitled "Adapting to climate change in Europe – options for EU action". A white paper on the same topic is expected to follow in early 2009.

So where does the EIB fit in? The COP specifically commits the Bank to 'continue to support the EU and global effort to combat climate change'. In recent years a diverse range of facilities and special



Incorporating CO₂ emissions into the appraisal of renewable energy projects

The Bank's project appraisal includes an economic assessment to check whether the project uses resources efficiently compared with the next-best alternative. For projects which either generate or save substantial CO₂ emissions (or equivalent other GHGs) the economic price which is put on these emissions is likely to be a significant element in the appraisal. Depending on the price chosen the decision to invest may swing one way or the other. But there is no reliable way to look into the future and assess what the exact price should be. It is a matter of judgement – including political judgement.

So it was a significant step in June 2007 when the Bank's highest decision-making body, the Board of Governors, endorsed a proposal to use an economic CO₂ price of around EUR 50 per tonne compared with a previous range of EUR 25-45 per tonne. In addition, for renewable energy projects the Bank has introduced a 'security of supply' premium in its economic analysis since renewable energy is not dependent on imported hydrocarbons.

The effect of these changes has been to assign renewable energy projects a premium of around EUR 80 per Mwh generated, compared with the alternative of generation by a Combined Cycle Gas Turbine (CCGT) project. The corresponding premium just a few years ago was merely EUR 50 per Mwh generated. The effect of this should be to allow more renewable energy projects to pass the threshold of economic viability, thereby contributing to the EU objective of 20% electricity generation from renewable sources by the year 2020.

It should be stressed that what is under consideration here is economic viability. The financial viability of renewable energy projects will still depend on the prevailing price of oil or gas over the project's life and what, if any, financial subsidies are available.



instruments with a bearing on climate change have been created, many of which are referred to elsewhere in this report. But a most important step was taken in June 2007 when the Bank's Board of Governors approved a reinforced programme for renewable energy and energy efficiency, set out in a document entitled: 'Clean Energy for Europe: A Reinforced EIB Contribution'. This established new guidelines and criteria for all subsequent activity in this sector, together with the objective of encouraging greater investment in renewable energy and energy efficiency in line with EU objectives. At the same time it strictly limited the circumstances in which the EIB would be willing to finance new coal or lignite power stations and approved a new 'Facility for Energy Sustainability and Security of Supply' for countries outside the EU, setting aside up to €3bn of the Bank's own resources for this purpose.

If we now look beyond specific instruments, the Bank's actions can perhaps be grouped under eight themes, of which the first four are primarily concerned with 'mitigation' and the remaining four are more eclectic.

The mitigation menu consists of:

1. Financing renewable energy projects. There was a very substantial jump in EIB financing for this sector in 2006, compared with earlier trends. More specifically, energy lending as a whole is targeted at 15% of total EIB lending and within this a target of 20% for renewable energy has been set. Equally important is the beginning of a trend for the Bank to offer non-recourse (or project) finance for such investments as this has a greater leverage effect and increased value added.
2. Investing in energy efficiency, which among other possibilities may involve developing new financial instruments, offering technical assistance to SMEs and municipalities, and supporting small companies that promote energy efficiency, normally by retrofitting existing buildings. High rates of return can be achieved in energy efficiency projects.
3. Ensuring that sector lending also incorporates a specific emphasis on reducing greenhouse gas emissions. This involves carefully targeted investment in specific sectors in such a way that the carbon impact of the investment is much less than for alternatives. Examples might include investment in public transport rather than road building, or new schemes involving modern solid waste management systems, as discussed further below. Such 'carbon-friendly' policies now apply in all areas of EIB operations, and projects that are very energy-intensive have to be analysed including an economic price for GHG emissions. The sweetener is that the Bank is able to finance up to 75% of the cost of projects that deliver a substantial reduction in GHG emissions.
4. Looking beyond Europe and providing finance and catalysing private sector financial flows for low-carbon growth in developing countries, including through the Energy Sustainability and Security of Supply Facility referred to above. Similarly the Bank, in conjunction with other MDBs/IFIs, is paying increasing attention to addressing the problem of deforestation and forest degradation, which together account for around 20% of global GHG emissions – an area that ties in with the issue of biodiversity.

Turning now to the more eclectic menu:

1. Financing projects and initiatives that are adaptive to climate change, a great deal of which is already unavoidable. In this context the whole water sector (broadly conceived) is likely to be the most critical – both in fresh water supply and in coastal protection and flood risk management. In fact over the last decade the Bank has made more than €1bn of loans for coastal and landslide protection and flood risk mitigation and recently published a Flood Risk Management Guide (see further discussion of this sector below). This activity is again closely linked to that of biodiversity.



2. Supporting the carbon markets. So far the Bank participates in five funds that serve to facilitate the functioning of the carbon market. Each is targeted at a different segment of the overall market. Suffice to note here two important developments that took place in 2008. The first was the roll-out of the 'Post-2012 Carbon Fund', in which the Bank has invested €50m of its own risk capital. This is a critically important innovation since it enables investors to sell now their carbon credits for the period after the expiry of the Kyoto Protocol in 2012 – in the reasonable expectation that a follow-up protocol will be signed and carbon trading will continue. The second, on a smaller scale but also innovative, was the creation of the 'Fonds Capital Carbone Maroc'.

3. Financing the development and deployment of cost-effective low-carbon technologies, largely with EIB risk-bearing funds and through a number of different facilities⁵. Of particular interest here are, first, the possibility of financing demonstration-scale Carbon Capture and Storage (CCS) projects and, second, research and development concerning low-carbon transport technologies.

4. Finally, on the liability side of the balance sheet, issuing climate change securities. The Climate Awareness Bond is described in more detail in the Capital Markets section of this Report.



around this framework both within and, as appropriate, outside the EU. It is founded on a number of long-established principles:

- that water resources in any region need to be considered as a whole and be subject to Integrated Water Resource Management (IWRM) for both fresh and wastewater, and across river basins, etc.;
- that institutional frameworks are often too dispersed and need to be consolidated;
- that increased water efficiency and better water resource management are usually the first steps to take to satisfy increased apparent demand;
- that the development of new water sources, in those cases where it is necessary and possibilities for demand-side management have been exhausted, should not exclude non-conventional solutions, such as wastewater recycling;
- that considerable investment remains to be undertaken in wastewater and sanitation services, particularly in poorer countries, and this can help towards the attainment of the Millennium Development Goals.

These principles were reaffirmed in a water sector policy review in 2008 entitled 'The EIB's Water Sector Lending Policy: Strengthening the EIB's Support to EU Policy Objectives in the Sector, August 2008', which also paid particular attention to the diverse consequences of climate change for the sector. These can include changing, and more variable,

Water and waste management

The Bank's activities in the water and waste management sectors are also based on and support EU policies and programmes for these sectors. Moreover, as will be seen, they are increasingly driven by climate change – both mitigation and adaptation to changes that are already occurring.

Within the EU, the water sector is surrounded by extensive and sophisticated regulation, the Water Framework Directive of 2000 providing the basic structure. EIB lending policy in this sector is built

⁵ For example: the European Strategic Energy Technology Plan (SET-Plan), the EIB/EC Risk-Sharing Finance Facility for research and development, the EIB Structured Finance Facility and the European Clean Transport Facility.

Carbon funds: What are they and how do they work?

In 1997, the Kyoto Protocol paved the way for an international 'carbon' market in which CO₂ emissions could be traded under carefully specified conditions. Then in 2005 the introduction of the EU Emissions Trading Scheme (ETS) greatly enlarged the potential size of the 'carbon emissions' market. Although the ETS is European-based, it does at the margin enable participating companies and countries to import into the ETS registered carbon credits generated under the Kyoto Protocol – thereby taking advantage of the fact that the marginal costs for carbon abatement are generally rather lower in developing countries and economies in transition than in industrial countries.

The market works as follows. An enterprise in a relevant Kyoto country creates a project that has the effect of reducing GHG emissions. A typical project might involve collecting the methane emitted from a livestock-rearing unit. The reduced emissions are calculated annually up to 2012 (the expiry of the Kyoto Protocol) and, if necessary, converted into CO₂ equivalent values – the whole exercise being carefully vetted by and registered with the UNFCCC as Emissions Reduction Purchase Agreements (ERPAs). These emission reductions then have a value and can be sold, for example to an industrial country that has a Kyoto obligation to reduce its GHG emissions. Carbon funds facilitate the functioning of this carbon market by acting as brokers between enterprises that generate carbon credits and potential purchasers.

The EIB is involved in five such funds, each with slightly different features and operating in different markets:

1. The EIB-World Bank Carbon Fund for Europe (CFE) facilitates the purchase of carbon credits generated under the Kyoto CDM mechanism and their sale to European countries to assist in fulfilling their Kyoto obligations. Four EU countries and one company have invested EUR 50m in the fund.
2. The EUR 165m EIB-EBRD Multilateral Carbon Credit Fund (MCCF) operates in a similar way but for 'JI' countries under the Kyoto Protocol. Projects generating the credits must be financed by either the EIB or EBRD.
3. The EIB-KfW Carbon Programme Global Fund focuses on generating credits for delivery to European SMEs. It has a particular feature of offering (for a fee) delivery guarantees to purchasers, thereby creating some risk exposure to the fund promoters (the EIB and KfW), each of which initially invested EUR 50m in the fund.
4. *The Post-2012 Carbon Fund was set up with EUR 50m of risk capital from the EIB and four other public financial institutions, with the express intention of purchasing and trading carbon credits generated in the post-Kyoto period, potentially up to 2022. Consequently this fund has a particu-*



lar value added in market development, but also carries a greater degree of risk. It is hoped to attract private sector participants and eventually close the fund at around EUR 125m. ✓

5. Finally the Fonds Capital Carbone Maroc (FCCM), signed in 2008, is a EUR 26m fund, with EIB participation financed from the European Union's budgetary resources under the European Neighbourhood Policy. Its purpose is specifically to purchase carbon credits in Morocco – the first such single-country fund in francophone Africa. ✓

Overall, the Bank's involvement in carbon funds has had a catalytic effect on the growing private sector activity in this field. Further initiatives are likely to be focused on particular niches where the private sector has so far not been greatly involved, as is the case with the Post-2012 Carbon Fund.



patterns of rain distribution, requiring adaptation investments such as flood control, coastal management and possibly new sources of supply. They

also include mitigation measures, such as promoting the efficient use of energy in the water sector and capturing GHGs from water treatment plants before they escape to the atmosphere.

Sewage System Modernisation, Warsaw, Poland

Current wastewater treatment in the city of Warsaw, which has a population of 1.7 million, is inadequate. As a result the Vistula River, on which the city lies, is polluted and this contributes to pollution levels in the Baltic. The whole system needs to be upgraded. That is the purpose of this project, for which the EIB signed a EUR 318m loan in 2008. Its principal impact will be to reduce the pollution load originating from 825 000 inhabitants residing on the left bank of the Vistula River and increase the treatment levels of wastewater from another 690 000 living on the right bank. A major component will be to upgrade and increase the capacity of the existing 'Czajka' wastewater treatment plant.

The project will improve the quality of life of the city's residents and meet the current EU Directive on Urban Wastewater Treatment (UWWTD). It will also help to meet national river quality objective (RQO) improvement targets set by the European Environmental Agency, which are in line with the objectives of the EU Water Framework Directive (2000/60/EC), and thus help Poland to comply with its obligations under international treaties.

Overall, the EIB appears to be the single biggest institutional financier of water projects both within the EU and elsewhere in the world, so the impact of its policies and activities is of considerable importance.

Hitherto the Bank has not been very active in waste management. But this sector has assumed growing importance within the EU and has huge environmental implications. Consequently the Bank has been refining its approach in the sector, especially during 2008. It is estimated that the proper application of a 'waste hierarchy' – with recycling of materials near the top of the hierarchy and landfill at the bottom – could contribute more than 10% towards the Kyoto GHG reduction goals. This is because: recycling materials saves the energy that would otherwise be consumed in producing new materials; collecting methane and other GHGs from landfill sites has a direct impact on emissions; and properly controlled incineration of biodegradable materials, used for electricity production or combined heat and power systems, reduces demand for other fossil fuels.

Generally the sector is highly localised and fragmented with most activity, particularly in the 'higher' parts (collection and recycling) of the waste hierarchy, being carried out by SMEs and municipalities. Hence Bank lending has tended to focus on the more capital-intensive 'lower' activities, such as landfill and incineration. Certainly modern incineration plants, where these form part of a properly structured solid waste management system, have an important role to play. But the Bank will need to become more proactive and systematic in its approach to this sector and in so doing ensure that high environmental standards are followed in all the solid waste management activities of the region or municipality concerned.



Maintaining biodiversity

Combating climate change and maintaining biodiversity are not the same thing, but they are closely related. Climate change seems almost certain to reduce biodiversity unless active measures are taken against this trend. But with past and current patterns of economic growth and development, biodiversity would be threatened even without the additional challenge of climate change. Accordingly, biodiversity considerations are also being increasingly integrated into the lending activity of the Bank.

What the two topics also have in common is that they are predominantly global public goods, poorly reflected in market prices – and yet public goods on which the whole of humanity is hugely dependent. Some promising approaches are being developed to address this difficulty, including creating new markets and appropriate policy instruments to reward unrecognised ecosystem services and account for the costs of ecosystem damage.

So far as policy is concerned, the new EIB 'Statement on Environmental and Social Principles and Standards' directly addresses the issues of biological diversity and sustainable management of ecosystems. It recognises the need to develop practices that better reflect the real costs of exploiting natural capital and which take into account the true value of biological diversity and natural ecosystems.

The Statement guides the Bank lending and operational practices in this area. Degradation of biodiversity and ecosystems is highly relevant to business because companies not only have an impact on ecosystems and the services they provide, but also depend on them. In their recent publication 'Building Biodiversity Business', IUCN and Shell highlight the critical importance of access to 'patient capital' for investment and expansion to spur the growth of biodiversity businesses. While most businesses depend on financial support from banks or investors, in this field there may be a need

for grant finance or subsidies to help entrepreneurs get beyond the pilot and learning phase and to stimulate demand. Experience gained from early initiatives is helping to guide the choice of appropriate financing for new businesses. With its long-term *raison d'être* the EIB no doubt has a particular role to play.

Accordingly, as a relatively new focus area for the EIB, its biodiversity activities are necessarily small and still somewhat exploratory:

- Aiming for a partnership with a large industrial organisation, the EIB is considering the possibility of a European Ecosystems Services Fund. It



Afforestation schemes, China

In June 2007 the Governors of the Bank (the EU's Economy and Finance Ministers) authorised the creation of a EUR 3bn Energy Sustainability and Security of Supply Facility to enhance EU action addressing climate change and security of energy supplies outside the EU. The first operation signed under this Facility, in November of the same year, was the EUR 500m China Climate Change Framework Loan (CCCFL). This is a large-scale multi-investment scheme designed to support investment projects in the energy and industrial sectors that will help to prevent or reduce greenhouse gases and other polluting emissions. A broad range of project categories are eligible under the loan, including projects using renewable energy sources, energy efficiency enhancement, the capture and use or storage of greenhouse gases and afforestation projects.

In 2008 the Bank approved the first sub-project under the CCCFL, comprising two afforestation projects. For one of the projects, the State Forestry Administration selected the Inner Mongolia Autonomous Region as an experimental site to carry out a carbon sequestration afforestation programme that at the same time will contribute to the reduction of desertification. The programme concerns the establishment of 31 805 ha of permanent plantations at nine different locations. All the afforestation area is abandoned or degraded land without forest. Twelve different mixed afforestation models will be adopted in this project, mainly mixed-species plantations





that enhance biodiversity. The plantations have to conform with the “Environmental Protection Guidelines for Plantation Establishment & Management” that have been established in order to take care of natural and other risks for the project, including forest fire prevention and firefighting. Also a “Plantation Integrated Pest Management Plan” has been separately compiled. The programme comprises the establishment of forests that will provide ecological, economic and social benefits. The selection of species and the design of afforestation models aim to maximise the carbon sink potential of the plantations, to provide high yields, to conserve soil and water and to improve sand fixation. Fast-growing indigenous species with high drought tolerance have been prioritised. The specific plantation models differ from region to region according to climate, soil and site characteristics. Some plantation models are intended purely to combat desertification by using desert-friendly adapted species; others are shelters against wind erosion, using pioneer species for fixing sand; and the remaining ones have a dual purpose (shelter and timber production). All models are geared to enhancing biodiversity and involve mixed-species plantations in rows, strip mode and small patches. The mono-species plantations are smaller than 30 ha. The programme will be implemented by private forest companies and farmers/herdsmen or state-owned forest farms, but without direct government involvement, increasing the ownership of the programme by stakeholders. The project therefore has a positive social impact in terms of generating employment and capacity building. Follow-up monitoring is envisaged, particularly with regard to worker safety. This multi-purpose programme will establish new industry standards for forestry in areas prone to desertification and have a far-reaching demonstration effect. The regional and central governments are deeply committed to the success of the project.

The other project concerns the establishment of 29 374 hectares of ‘bio-energy forest’ through permanent tree plantations for edible oil (*Camellia Oleifera* fruit production) and biodiesel production (establishment of a large-scale experimental plantation project for *Cornus Wilsoniana*). The plantations will be scattered throughout Jiangxi Province. It is thus a combined food and renewable energy-oriented project. The land is already classified as forest land and no clearing of existing natural forest will be carried out. Five different mixed-planting models will be adopted (mainly mixed-clone plantations in small plots). The project has been designed to mitigate erosion and to produce food via intercropping during the initial years.

Both project areas have been subject to environmental and social impact assessments, including extensive local consultation. No displacement of people is expected to occur and, so long as the guidelines for protection and management that have been drawn up are followed (for example, minimising risks from fire and pests), there are no significant negative environmental impacts. On the contrary, the two projects should have multiple and diverse environmental and social benefits: acting as a ‘sink’ for CO₂ emissions; supporting biodiversity through mixed-species planting; reducing desertification and wind erosion (in the case of the IMAR project); and offering employment and income opportunities to local people, including women and minorities, in both the implementation and management phases of the project.



would target SMEs engaged in activities with a positive impact on biodiversity. Sectors that the fund might target would be organic agriculture, sustainable forestry, non-timber forest products, fisheries/aquaculture, ecotourism and land-based assets generating bio-carbon, watershed protection payments and biodiversity offsets.

- The EIB is on the steering committee of the Commission-financed Biodiversity Technical Assistance Units project in Romania, Hungary and Poland, which aims to provide targeted support to SMEs whose activities contribute to sustainable natural resource management and the conservation of biodiversity in their respective regions.
- Sustainable forest management has a positive impact on climate change, conservation of soil and freshwater and reducing biodiversity loss. As well as providing direct finance for sustainable forestry, the EIB is also investing in a European Forestry Fund. This will create a well-diversified global timberland portfolio to hold, manage and operate both plantation forests and commercial native forests.
- Finally, all EIB-financed projects are screened from the earliest stages for impacts on biodiversity, in particular for their impact on designated nature

conservation sites, particularly the Natura 2000 network in the EU. Hence the EIB's involvement in a project places an onus on its various partners, at both regional and local level, to observe the requirements of good conservation practices.

Sustainable communities

Increased mobility of people and freight has long been a key convergence objective of EU policy, supporting the development of the single market and the coming together of the different peoples of Europe. Hence the EIB has been a major investor in the EU transport sector, especially in the TEN-T programme. Moreover, the demand for transport within the EU is expected to continue to increase and it is not current EU policy to attempt to reduce that demand.

So the key environmental question is how to continue to deliver 'transport services' throughout the EU while reducing their environmental impact. The EIB considered these issues in a document entitled 'A Renewed Policy for EIB Lending to the Transport Sector', published in October 2007. This proposes three complementary approaches:

- concentrating transport infrastructure investment on those modes, such as railways, inland waterways and short-haul maritime shipping (Motorways of the Sea), that generally have lower GHG emissions than road travel or aviation. (However, it is difficult to generalise here, since other infrastructure projects, for example reducing road congestion, may sometimes also have a positive impact on GHG emissions.);
- investing in greater logistical efficiency, for example intermodal exchanges, public transport information and coordination, or improved air traffic control systems (ATS);
- investing in RDI for cleaner transport, such as reduced-emission engines, or in the actual pur-



High-speed railway from Madrid to Valladolid, Spain

Spain is steadily expanding its high-speed rail (AVE) network and the current phase is a 188 kilometre section between Madrid and Valladolid. At Valladolid the line will connect with the projected new high-speed line to Vitoria and from there to France and, at Medina del Campo, with the projected lines to Oporto (Portugal) and the north-west of Spain. As the network develops it will bring advantages in terms of cohesion between Spanish regions and, ultimately, between Spain, Portugal and France

The project is considered a priority under the EU's Trans-European Transport Network (TEN-T) programme. Moreover, it fits in with the EIB's own transport policy, as revised in 2007, which gives priority to sustainable public transport programmes. The Bank first made a loan for the project in 2006; a second loan for EUR 750m was signed in 2008.

The new line will have a significant economic impact in terms of time savings, reduced operating costs compared with alternative modes of transport, and improved safety and comfort. It will offer attractively priced, quality services, capable of competing with private vehicles and buses, and with favourable consequences for the environment in terms of lower primary energy consumption and reduced atmospheric pollution, including GHGs. However, these considerable economic benefits are offset by a relatively high investment cost, owing to the need for a number of tunnels, including the 28 kilometre long Guadarrama tunnel. So the economic rate of return will be slightly lower than for other high-speed line projects.

Each section of the project has been subject to the environmental impact assessment procedure and the relevant environmental impact statements have been approved by the Environment Ministry. There is a possibility that the last 20 kilometres of the line, between Río Duero and Valladolid, will have an impact on a Natura 2000 site. This is being investigated with a view to mitigation measures being included in the detailed project design.



chase of rail or road vehicles that embody the latest 'clean' technology.

The last of these was particularly prominent in December 2008, with the proposal to offer, via the European Clean Transport Facility (ECTF), an additional EUR 2bn a year over the next two years to the vehicle manufacturing sector for research and development into 'cleaner' engines and more energy-efficient designs, thus increasing the overall support to EUR 8bn over 2009-10. This investment should maintain the EU car sector at the forefront of technological development as and when the global economy moves out of recession. With a similar purpose the EIB, with the Commission, has been working on a 'Clean Bus Framework Financing Facility' to incentivise the operators of large bus fleets to invest in low-emission buses going beyond the current regulatory requirements. ✓

Promoting efficient, 'clean' urban transport systems – for instance, bus transport, light railways, metros – is just one aspect of the Bank's 'sustainable communities' objective. The broader focus is on urban renewal and regeneration. Traditionally urban renewal has not been a specific focus for EU policy, even though a substantial proportion of EU structural funds has been invested in this sector. But the Council of Ministers' adoption in May 2007 of the Leipzig Charter on Sustainable European Cities recognised the important social, cultural and economic role that cities play and marked a new departure in this sector, to which the EIB has responded.

The focus of both the Charter and the EIB's approach is the need for integrated coordinated action on urban renewal and development. Whether the matter in hand is social housing, brownfield development, public transport, conservation, community facilities and so on, there is considerable scope for the involvement of private sector finance and promoters. But the basic infrastructure and overall planning framework most likely has to be provided by a public sector body whose objectives are economic and social as well as financial.

So this area offers considerable potential for public-private sector partnerships (PPPs). But given the different traditions in different EU Member States and regions, the precise form of these PPPs will be quite varied and flexible. Accordingly the Bank and the Commission have established the Joint European Support for Sustainable Investment in City Areas (JESSICA) with rather flexible terms of reference. The purpose of JESSICA is to bring together finance from different sources – Commission grants, EIB loans, local, regional or urban 'Managing Authorities' and private sector investors – into Urban Development Funds (constituted in a variety of different ways to suit local circumstances) for investing in urban projects that fit into an integrated plan for sustainable urban development. JESSICA has the advantages of leveraging scarce public sector finance by involving the private sector and of providing a conduit for technical assistance and experience of 'good practice' across the EU. By the end of 2008 JESSICA had established Memoranda of Understanding for the creation of Urban Development Funds with several Member States or regional authorities.

Social assessment

Just as environmental standards aim to protect and improve the natural and built environment, social standards aim to protect the rights and enhance the livelihoods of people directly and indirectly affected by projects financed by the EIB. These standards are intended to promote outcomes to the benefit of individual well-being, social inclusion and sustainable communities. The Bank's approach is founded on international law and EU law, in particular the UN Universal Declaration of Human Rights and the Charter of Fundamental Rights of the European Union.

Within the EU, the EIB generally assumes that EU social requirements are correctly implemented within the framework of national law. However,



Principles of Social Assessment

The EIB's approach to social assessment is built around four basic principles. The Bank:

1. adopts a human rights-based approach; its activities should not lead to a diminution of people's rights anywhere in the world;
2. *does not disburse funds in a country that has been declared 'off-limits' by the European Council for EU financing due to violations of human rights – even if the project in question in itself has no human rights consequences;* ✓
3. does not finance projects that give rise to conflicts or intensify existing conflicts, while taking into account the fact that a number of countries where it operates face difficult post-conflict recovery and reconstruction efforts, or are fragile and unstable;
4. focuses principally, though not exclusively, on involuntary resettlement, indigenous people and other vulnerable groups, the core labour standards of the International Labour Organization (ILO) and occupational and community health and safety.

These principles are set out in greater detail in the 2008 'Statement'.

where there is evidence that suggests otherwise, due diligence is carried out by the Bank. For development lending outside the EU social assessment of projects is regularly undertaken, in accordance with good practice for international development banks.

The more important issue is how thorough and probing is the social assessment that is undertaken and, where potential problems seem to exist, what measures can be put in place to overcome them. To address this issue detailed Social Assessment Guidelines (SAGs) have been incorporated in the 'Handbook'. Moreover, appraisal officers can refer particular cases to the Bank's specialist social assessment staff where necessary. During 2009 it is intended to make the SAGs more specific and unequivocal and consequently of greater value to project staff.

At the same time the EIB regularly consults with relevant NGOs on these matters. In the appraisal of specific projects, local consultation is a requirement of the Bank's environmental assessment. In this activity the detailed local knowledge of locally-based NGOs can be especially valuable and helpful.

Affordable and Social Housing, South Africa

Urbanisation is a worldwide phenomenon, representing both an opportunity (for people to escape the poverty and isolation of rural areas) and a problem (for the provision of housing and services to the growing urban population). 2008 was a significant year: for the first time in history, more than half the people of the world were living in urban areas. And urbanisation will continue; by 2030 the UN expects that more than 80% of people will be living in towns and cities. Most city dwellers, particularly in the developing countries in Asia and Africa, are and will be poor. So it is a particular challenge to meet the demand for urban housing and services at a cost that both the people themselves and the society as a whole can afford. Hence the need for social housing.

In South Africa, the problem is complicated by the shadow of the long years of apartheid, when the different racial groups were geographically separated and enjoyed very different housing conditions and standards. The current government is working hard to overcome this historical legacy and has wisely brought in support from the private sector.

In 2008 the EIB signed a global loan to finance the supply of affordable and social housing and associated urban infrastructure, including social amenities, throughout South Africa. The funds will be made available to three of the main commercial banks in RSA, as well as to two public institutions, which together will identify and finance different sub-projects throughout the country. In order to ensure consistent quality and standards, all the local authorities promoting the various sub-projects will have to follow a common procedure when identifying, structuring and implementing their sub-projects, including the assessment of environmental and social impacts. The provision of centrally or regionally funded technical assistance will also contribute to the improvement of local authorities' capacity to implement the schemes. At the same time, the close involvement of the private sector in housing provision should ensure efficient delivery and projects of a good standard of quality.

The project is consistent with the EU-South Africa Country Strategy, which focuses on the reduction of poverty and inequality, as well as the creation of an enabling environment for economic growth and development. The improvement of housing conditions for the low-income population has a unique and fundamental role in the national development strategy of South Africa and is a key ingredient to achieving the country's economic and social integration objectives and combating the legacy of apartheid.





Environmental Lending

Satisfying environmental and social criteria has been an important aspect of all EIB lending for many years. So all EIB-financed projects have to satisfy three criteria:

- they must be compliant with EU environmental and social principles and standards in support of EU policies;
- they should protect and improve the natural and built environments and foster human well-being in the interests of sustainable development;
- insofar as possible they should have a minimum environmental footprint, consistent with the project's purpose.

But these are essentially passive or negative criteria, embedded in the Bank's *modus operandi*. The Bank has also for many years adopted the position, both within the EU as a whole and correspondingly within the Bank, that some investments should be made precisely because they positively improve the quality of the environment as well as the sustainability of the associated communities – whether this be in the area of climate change, water quality, waste management, urban living, transport and so on, as discussed in some detail in the previous chapter.

Accordingly, the Corporate Operational Plan for the period 2008-2010 set an overall target for lending activity in the area of 'environmental protection and sustainable communities' at 25-30% . This is further broken down into two areas:

1. 'Protection of the (Natural) Environment' – which broadly covers climate change investment, water and waste management, reducing pollution and generally anything that might be considered as 'environmental protection', including biodiversity. For this whole area of activity a target of 10-12% of total EIB lending has been set.
2. 'Sustainable Communities' – which includes the urban environment, urban transport systems

and health lending, or broadly those matters that determine how people actually live within the environment.

This chapter analyses EIB lending in these categories, first considering trends over the last five years and then giving a more detailed breakdown for 2008.

Overall trends

The table "Environmental lending (investment and framework loans)" below shows the growth of environmental lending over the last five years, from EUR 13bn in 2004 to nearly EUR 18bn in 2008. (It should be noted that all these figures refer to signed amounts and are for individual and 'framework' loans only. There are in addition a number of environmental credit lines, typically 10-20% of the total, of which the detailed breakdown cannot be known at the time of signature.) The table shows that, overall, environmental lending has kept up with the general increase in EIB activity and the two COP objectives have been met every year and indeed comfortably exceeded.

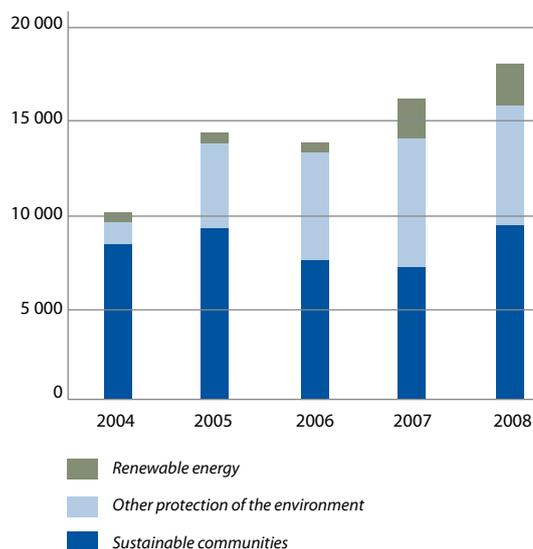
Closer examination of the different categories of environmental lending does, however, reveal that most of the growth in environmental lending (even more so when considered in percentage terms) has been in the first broad category 'Protection of the environment', which almost doubled over the five-year period from EUR 4.8bn in 2004 to EUR 8.7bn in 2008. Growth in the 'Sustainable communities' category was more modest – from EUR 8.3bn to EUR 9.3bn. In fact in all categories of lending there is considerable variation from one year to the next, around an overall trend, depending on the precise projects that come to fruition in a particular year.

Drilling down further, the most dramatic increase has been for the sub-category 'Tackling climate change', which grew by almost threefold between

2004 and 2007, though it did then fall back somewhat in 2008. The main component of this sub-category is renewable energy projects (both production of renewable energy and manufacturing of renewable energy equipment)⁶. So a final line in the table shows lending for 'Renewable energy' over the five-year period⁷, with an increase over that period from EUR 550m to EUR 2 222m, and a particularly sharp jump between 2006 and 2007. The majority of these projects were wind farms, but a good number of solar, geothermal (for example in Iceland⁸), hydropower and occasional biomass projects are also on the list. Among borrowing countries Spain stands out, having taken more than EUR 1.2bn, or nearly 20% of EIB lending in this sector. But the geographical spread is wide with, for example, at the other end of the scale, a EUR 10m loan to Barbados in 2006 for a wind farm on that island.

To illustrate the trend, the chart below shows the changing percentage composition of 'Environmental lending' over the five-year period.

Composition of Environmental Lending



⁶ Other projects classified under the 'climate change' rubric include, for example, combined heat and power (CHP) systems, or part of the investment in waste incineration projects.

⁷ Renewable energy projects are now consistently classified under the rubric 'Tackling Climate Change' whereas a few years back, before particular attention was given to climate change, they would very likely have simply been classified under 'Energy' lending. Hence there may be some anomalies in the data, though the overall trend is clear.

⁸ Iceland is an EFTA country but is included under 'EU lending' for statistical purposes in the EIB.

Environmental Lending (Investment and Framework Loans) EURm					
	2004	2005	2006	2007	Year 2008
Protection of the environment*	4 779	5 106	6 292	8 984	8 665
Tackling climate change	1 725	1 370	2 346	4 523	3 691
Natural resources management	554	1 044	1 102	123	831
Improving environmental health	2 404	2 462	2 845	4 337	4 044
Sustainable communities	8 287	9 132	7 422	7 084	9 279
Urban renewal and regeneration	3 195	1 831	1 948	2 897	2 562
Sustainable transport	2 765	5 469	2 591	2 369	5 560
Health care	1 739	1 831	2 884	1 818	1 157
Total environmental lending	13 066	14 238	13 714	16 068	17 944
Total EIB lending	43 204	47 406	45 761	47 820	57 625
Environmental lending as % of total lending	30%	30%	30%	34%	31%
Protection of the environment as % of total lending	11%	11%	14%	19%	15%
NB: Renewable energy	553	570	524	2 160	2 222

*"Protection of the environment" includes KfW funds totalling EUR 100m and therefore the subcategories total does not add up to the total for the category.



Hydropower from the Seyhan and Ceyhan Rivers, Turkey

Demand for power is growing rapidly in Turkey and the Government attaches importance to using renewable energy sources as much as possible. This is also one of the short-term objectives of the Accession Partnership with the EU.

Hydropower is one of the most important and usable of these resources. So to mitigate a possible energy shortage in the mid-term, the Ministry of Energy and Natural Resources (MENR) stimulated hydropower development further, in three main stages: completing ongoing projects, realisation of already developed, advanced-stage projects, and encouraging the private sector. The last of these objectives was achieved by granting Water Usage Rights to the private sector to implement hydropower projects applying a Build-Operate-Transfer (BOT) model. Total installed capacity of these projects is expected to be 6 000 MW.

The project forms part of this private sector programme. It comprises eight hydropower plants (total capacity of around 955 MW) with associated reservoirs and/or weirs, located in the highlands of South-Eastern Turkey. They will be installed in a cascading arrangement with four on the Seyhan River (Adana region), whilst the remaining four will be situated on the Ceyhan River (Kahramanmaraş region). Both rivers flow into the Mediterranean Sea without crossing international borders. They will be connected to the existing power transmission system of Turkey via high-voltage (154 kV) overhead lines.

The total cost of the project is estimated at EUR 1.1bn, of which the EIB loan, signed in 2008 under the Pre-accession Facility, will contribute EUR 135m. The project will improve energy security and lower GHG emissions for electricity generation compared to fossil fuel-based alternatives. It therefore contributes to EU environmental policies supporting climate change mitigation and meets the Bank's priority objectives for energy sector lending in the EU and Candidate Countries.

Although Environmental and Social Impact Assessments (prepared in line with EU and Bank requirements) with public consultation are still required for most of the individual schemes, the overall negative environmental and social impacts are expected to be limited. Water management plans were developed in the 1960s and 1980s for both the river basins. The Bank has commissioned a study to update these and review the existing river management plans and to identify the potential cumulative impacts of the project. Water resources in the region do not appear to have been significantly affected by climate change so far, but regional climate models do indicate the possibility of reduced rainfall in the future.

Environmental lending in 2008

The table "Environmental lending (investment and framework loans), 2008" shows environmental lending in 2008, broken down by project categories and by the main geographical areas of EIB operations, totalling EUR 17.9bn. Once again this figure refers only to signed individual and 'framework' loans. An additional EUR 2 242m of environmental credit lines were signed during 2008. ✓

Of the total figure, some EUR 15.7bn went to environmental projects within the EU, EUR 1.5bn to Accession States (all in Turkey), and EUR 830m to other partner countries (Balkans, EUR 185m; Ukraine, EUR 150m; Mediterranean countries, EUR 62m; South Africa, EUR 190m; the ACP States, EUR 144m; and finally India, EUR 101m). ✓

Within the EU the two broad categories 'Protection of the environment' (EUR 7.8bn) and 'Sustainable communities' (EUR 7.9bn) each accounted for almost exactly half of the total lending. Outside the EU the proportion is rather different, with 'Protection of the environment' representing only 39% of the total, most of this being for projects contributing to a significant reduction in CO₂ levels, i.e. renewable energy projects. In these countries other Environmental Protection investment still seems to take a rather low priority, no doubt reflecting their stages of development.

It is useful to take a general overview of the investments financed under the different lending categories. The following lists are not complete, but highlight the more significant projects in each category:

- Under the 'Significant reduction of CO₂ levels' rubric, EUR 240m was lent for the expansion of Horns Rev offshore wind farm, on the south-west coast of Denmark; a similar EUR 250m project in the UK is described elsewhere. EUR 201m went to a number of concentrating solar thermal power projects in

Sanlúcar la Mayor and Granada in Andalucía. Spain is at the leading edge of this particular renewable energy technology. Meanwhile a company in Germany borrowed EUR 200m for the construction of manufacturing facilities for polycrystalline silicon wafers for use as a pre-product for photovoltaic cells and modules. Outside the EU, a similar project in South Africa borrowed EUR 40m.

- Under 'Waste management', EUR 273m was lent for a waste incinerator in the south of Turin Province, Italy, and EUR 132m for the construction and operation of several facilities for mechanical/biological treatment, composting and anaerobic digestion of solid organic waste in Portugal.
- Various water and wastewater schemes in England and Wales borrowed EUR 1 086m. A sewerage infrastructure scheme in Warsaw accounted for a further EUR 318m.
- Turning now to the 'Sustainable communities' group of categories, 'Urban infrastructure and public spaces' is largely accounted for by a number of framework loans in several EU Member States.
- Social housing schemes in Flanders, Belgium, and various places in England and Wales borrowed EUR 200m and EUR 243m, respectively, and together accounted for more than 80% of EU lending in this category.
- Urban public transport projects (metros and trams) were financed right across the Member States, including in: Sofia, EUR 105m; Orleans, EUR 75m; Berlin, EUR 38m; Athens, EUR 300m; Thessalonika, EUR 200m; Rome, EUR 90m; Florence, EUR 40m; Porto, EUR 60m; Oradea (Romania), EUR 16m; Madrid, EUR 50m; the Basque region, EUR 50m; Valencia, EUR 225m; Alicante, EUR 58m; Madrid, EUR 173m; and Barcelona, EUR 300m.
- In the category 'Other sustainable transport' there are: the high-speed railway line between Ma-



Environmental lending (investment and framework loans), 2008 				EUR m
	Member States	Accession States	Other countries	Totals
Protection of the environment*	7 770	335	560	8 665
Tackling climate change	2 997	335	359	3 691
Significant reduction of CO ₂ levels	2 586	335	356	3 277
Significant reduction of other GHGs	411		2	413
Natural resources management	826		5	831
Protection, improvement, conservation and management	26		5	31
Disaster prevention and alleviation	83			83
Eco-efficiency	220			220
Waste management	497			497
Environment and health	3 847		197	4 044
Reduction of industrial pollution	146		54	200
Reduction of transport pollution	802			802
Drinking water and wastewater treatment	2 899		143	3 042
Sustainable communities	7 890	1 119	270	9 279
Urban renewal and regeneration	2 062	300	200	2 562
Urban infrastructure and public spaces	1 029		50	1 079
Other urban renewal and cultural heritage	503	300		803
Social housing	530		150	680
Sustainable transport	4 741	819		5 560
Urban public transport and measures to reduce negative urban impact	1 972	819		2 791
Other sustainable transport	2 769			2 769
Health care	1 087		70	1 157
Total environmental lending	15 660	1 454	830	17 944
Total EIB signatures in regions in question:	51 480	2 886	3 260	57 625
Environmental lending as % of total lending:	30%	50%	26%	31%

* "Protection of the environment" includes KfW funds totalling EUR 100m and therefore the subcategories total does not add up to the total for the category.



drid and Valladolid for EUR 750m; reconstruction and upgrading of the railway link between Warsaw and Gdansk at EUR 400m; the construction of a railway between Vienna and St Pölten and a new major railway station in Vienna, together amounting to EUR 400m; a 16 km railway tunnel under the Scheldt river at the port of Antwerp for EUR 313m; and port projects in Fos, Port of Marseille, at EUR 100m and Valencia, at EUR 250m.

- Finally, the most notable projects under the 'Health' rubric are the modernisation of several hospitals in France, including in Orleans, Tours, Amiens, Clermont-Ferrand, Nantes, and Marseille, totalling EUR 510m.

Outside the EU the more notable projects include:

- two in Istanbul: the first being a EUR 700m loan for the extension of the city's public transport network; and the second a EUR 300m loan to strengthen public buildings against the risk of major earthquakes. Largely as a consequence of these two very large loans 'Environmental lending' made up a full 50% of total lending in the Accession Countries (see Table Environment Lending 2008);
- hydropower projects in the Democratic Republic of the Congo, EUR 36m; and in Madagascar, EUR 25m;
- water and wastewater projects in Montenegro, EUR 5m; Burkina Faso, EUR 19m; Madagascar, EUR 24m; Malawi, EUR 16m; and Senegal, EUR 20m;
- a loan of EUR 150m for the supply of affordable and social housing, as well as a EUR 40m loan for the construction of a production facility for thin-film photovoltaic modules in South Africa; and
- four tertiary care hospitals in Serbia, EUR 70m.





Offshore Wind Farm, Gunfleet Sands, UK

If the EU is to meet its objective of 20% of energy coming from renewable sources by 2020, there will have to be a sustained increase in renewable energy investments over the next decade. With the technology of onshore wind farms now well established and refined, attention is increasingly being given to offshore wind farms. These are technically more difficult to construct and maintain and to link to the power grid. But they benefit from the advantage that wind over the sea is generally stronger and more consistent than over land and there is very little negative visual impact.

So in 2008 the EIB signed a EUR 250m loan for the construction and operation of an offshore wind farm to be built on the Gunfleet Sands sandbank, which lies approximately 7 km off the Essex coast at Clacton-on-Sea in the United Kingdom. The total capacity of the project will be 172 MW, to be built in two phases: Gunfleet Sands 1 with 30 turbines (108 MW) and Gunfleet Sands 2 with 18 turbines (64 MW). The electricity generated will be supplied to the public grid. Given the latest efficient technology that is to be used, levels of wind at the site and the experience of the promoter, the project is expected to be financially viable.

The geographical environmental impact of the project has been carefully assessed. Offshore, it is situated within a number of environmental Special Protection Areas and also lies within the boundary of the proposed Thames Estuary. Possible impacts that were considered included displacement of birds and wildlife from the wind farm site due to the presence of turbines, collision mortality, habitat loss and the risk of creating a 'barrier' to migratory birds. The conclusion reached was that in all cases the overall effects are likely to be negligible or minor. Onshore, the cable route passes through a Site of Special Scientific Interest. To prevent any negative impact to this area, directional drilling techniques are to be used, with the consent of the UK Environment Agency. In addition, some other mitigating/compensating measures concerning marine habitats and fishermen will be applied. In conclusion, the overall environmental impact of the project is acceptable. On the positive side, of course, the project will make a significant contribution to reducing CO₂ emissions and hence to alleviating the problem of climate change.

The promoter of this project already has a similar offshore wind farm at Horns Rev off the south-west coast of Denmark. The EIB also made a EUR 240m loan in 2008 for the expansion of this project.



Thin-film photovoltaic modules, South Africa

The project concerns the installation of a start-up manufacturing facility for thin-film photovoltaic modules in the Western Cape Province in the Republic of South Africa (RSA), based on an innovative technology developed in South Africa.

The thin-film CIGSSe (copper, indium, gallium, sulphur, selenium) technology for this new production was developed by a University of Johannesburg research team and will be commercialised by way of a public-private partnership between South African government-owned entities and private investors.

The development of this technology – which is characterised by lower raw material costs than silicon-based modules – contributes to the learning effect that is expected to gradually reduce costs in the PV industry and hence the cost of PV-generated electricity. The facility will impact positively on the South African economy by establishing the country as a reference point for this innovative and locally developed technology and contribute to developing the national PV market. The new plant will provide PV systems to schools and clinics in rural communities, where PV is already often more cost-effective than power grid development, as well as micro-sized installations for individual homes, at competitive prices.

When fully operational, the plant will have an annual capacity of 30 MW peak. Initially, most of the end product will be exported; however, the share of locally sold modules is expected to increase gradually as the South African PV market develops.

Given its use of innovative technology for the development of renewable energy sources, as well as its significant skills development and employment creation impact, the project is fully in line with the objectives of the Bank's RSA mandate and the EU policies regarding the development of sustainable energy production and climate change mitigation.

The operation was the first-ever loan made available in South Africa under the Bank's Structured Finance Facility (SFF).





Support for EU Development and Cooperation Policies in Partner Countries

Facility for Euro-Mediterranean Investment and Partnership (FEMIP)

In 2008 relations between Europe and the Mediterranean were at the top of the European political agenda, culminating in the Paris Summit in July to launch the Union for the Mediterranean. In this context the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), whose expertise in the field was very much sought after, was given the task of implementing three of the key initiatives adopted by the 43 Heads of State or Government:

- the motorways of the sea and on land in the Mediterranean;
- an ambitious solar plan; and
- getting rid of pollution in the Mediterranean.

In 2008 FEMIP carried out 20 projects, nine in the Maghreb, nine in the Middle East and two regional operations, totalling EUR 1.3bn, in the Mediterranean. It maintained its two investment priorities by supporting both private enterprises, the engine for sustainable growth, and the creation of an environment conducive to investment, via efficient infrastructure and appropriate banking systems.

FEMIP also carried out field studies and published the conclusions in preparation for its new activities. In 2008, five subjects were tackled:

- a study on tourism in the Mediterranean was discussed in Berlin as part of World Tourism Week;
- in May FEMIP presented a study on the economic and social impact of microfinance in the Mediterranean at a conference it organised in Tunis, in partnership with SANABEL, the network of microfinance institutions in Arab countries;
- it collaborated with the Plan Bleu, the United Nations observatory on the environment and sus-

tainable development in the Mediterranean, on a study on climate change in the Mediterranean presented in Paris in June 2008. FEMIP and the European Commission also identified 44 bankable projects to combat pollution in the Mediterranean, totalling EUR 2.1bn, which they presented in Brussels in April;

- in October, at the Venice Biennale Architecture, FEMIP launched the "Medinas 2030" initiative, an extensive study on regenerating the historic centres of cities in the southern Mediterranean, paving the way for an investment programme;
- finally, in November 2008, FEMIP brought together on its premises in Luxembourg representatives of the academic world, the private sector

Groupe Chimique Tunisien (GCT) – Environmental upgrading, Tunisia

The EIB provided GCT with a EUR 55m loan to eliminate or reduce environmental pollution resulting from its activities.

The aim of the project is to reduce the impact of the existing facilities on the environment, in particular by cutting emissions of sulphur dioxide into the atmosphere, upgrading phosphogypsum dumps and putting an end to hydrofluoric discharges into the sea at M'Dhilla and Skhirat.

These measures will be supplemented by a number of small-scale schemes to improve the environment and monitor developments.

and multilateral organisations, as well as managers from the public authorities from both shores of the Mediterranean, for a seminar on the subject of the challenges of human capital in the Mediterranean.

African, Caribbean and Pacific States (ACPs)

The EIB supports the EU's cooperation and development policies in the ACPs.

Currently, the EIB operates in these regions under the ACP-EC Partnership Agreement, which was signed in June 2000 in Cotonou, Benin, for a period of twenty years and revised in 2005. The Agreement between the ACP States and the European Community and its Member States is based on various instruments to reduce poverty in the ACPs.

Financing under the Agreement is provided from EU Member States' budgets and is disbursed according to financial protocols defined for succes-

sive five to six-year periods. For the period 2008-2013 the EIB is entrusted with the management of:

- *the ACP Investment Facility (IF), a EUR 3 137m risk-bearing revolving fund geared to fostering private sector investment in ACP countries;* ✓
- *grants for the financing of interest rate subsidies worth EUR 400m, of which up to EUR 40m can be used to fund project-related technical assistance.* ✓

In addition to the Investment Facility, the EIB can lend up to a further EUR 2 000m from its own resources in the ACP countries over the same period.

Signatures under the IF during 2008 totalled EUR 326m in the ACPs, to which can be added EUR 225m from the Bank's own resources, bringing the overall figure for new signatures in the ACPs to EUR 551m.

In line with its strategy for operations in the financial sector, the Bank's focus was not so much to provide funds as to promote change through con-

Fonds Capital Carbone, Morocco

The EIB acquired a stake in a newly created fund aimed at supporting investment in clean technology projects in Morocco by purchasing carbon credits.

The fund will have the status of a public limited company under Moroccan law. It will have its registered office in Morocco and be managed by Accès Capital Atlantique SA (ACASA), a management company registered in Morocco.

This project will encourage the use of the Clean Development Mechanism in Morocco and the surrounding region and will help to develop the market for reducing greenhouse gas emissions. It will also help to support investment in key sectors such as renewable energy, landfill management and energy efficiency.



Société des plantations de Mbanga (SPM), Cameroon

Cameroon is the largest ACP exporter of bananas to the EU, demand for which has increased considerably in the last few years following enlargement of the EU. The project is fully in line with the EU's development policy of supporting production in ACP countries and, as Cameroon is arguably one of the most competitive countries within the ACP area for the production of bananas, the project contributes to the sustainable expansion and diversification of the supply base for bananas on the EU market. It will also contribute to economic diversification and enhancement of the private sector in a still relatively unexploited sector.

The project will expand SPM's current plantation area of 900 hectares by an extra 500 hectares and contribute to improvements in the fields and factory to maximise yields and output. The land on which the expansion will take place will be leased from local village chiefs, providing substantial rental income. More than 1 000 jobs will also be created in the local area, with additional benefits such as healthcare and housing allowances. Since the region is characterised by high unemployment, the project enjoys considerable local support. The project includes investment in improvements to the local road infrastructure and support for the local infirmary, whose services SPM workers and their families are entitled to use.

Since the project is located in a tropical area and may involve moist natural forest, the EIB requested the promoter to undertake an EIA, which was provided by independent consultants with international expertise and experience in environmental and social analysis.

According to the EIA none of the existing SPM plantation land has been created from primary forest or mature secondary tree cover by the company or the present landowners. None of the existing cropped area or that which it is planned to bring into cultivation as the new commercial banana plantation is in a "virgin" state, nor do any of the areas have any substantial secondary growth.

The promoter has obtained EurepGAP certification (EurepGAP is an internationally recognised set of farm standards that includes the safety and welfare of workers) for crop management and recording to encourage safe production with the use of accepted pesticides, good packaging and marketing practices, and public reassurance on the traceability of its products.

SPM was also required to incorporate in its policies the requirement for an environmental audit to be carried out every three years.



tributing to the development of the financial sector. The Bank aimed to fill market gaps and act as a catalyst, thereby going beyond SME finance. In relying on a broader range and alternative financial instruments, exploring new market segments, emphasising the role of technical assistance and promoting capacity building, the Bank pursued the objective of providing “finance for growth”, which ultimately should encourage access to “finance for all”.

South Africa

In accordance with the Council Decision of 19 December 2006 on the renewal of all the EIB’s mandates outside the Community, a ceiling of EUR 900m was fixed for South Africa for the period 2007-2013.

In line with this mandate, EIB activity in South Africa focuses on infrastructure projects of public interest (including municipal infrastructure, power and water supply) and support for the private sector, including SMEs; the Joint Country Strategy Paper for South Africa defines the reduction of poverty and inequality as the overriding objective of the cooperation between the European Union and South Africa for the period 2007-2013.

In 2008, EIB lending in South Africa amounted to a total of EUR 203m for three projects. ✓

In addition to its own resources lending, the EIB manages – on behalf of the Commission and jointly with the Industrial Development Corporation of South Africa (IDC) – the EUR 50m Risk Capital Facility (RCF) II, aimed at providing equity and quasi-equity funding to SMEs owned by historically disadvantaged persons. This second RCF was set up at end-2006, when the first EUR 55m Risk Capital Facility came to a successful end. Two years into its implementation, RCF II is expected to have a big impact on development in terms of job creation and empowerment. ✓

Asia and Latin America (ALA)

EIB lending in Asia and Latin America is governed by mandates of the European Union.

Under the latest ALA mandate, covering the period 2007-2013, the EIB can lend up to EUR 3.8bn for operations in ALA partner countries. This represents a substantial increase of 53% compared to the previous mandate for the period 2000-2006. The mandate has been subdivided into indicative ceilings of EUR 2.8bn for Latin America and EUR 1.0bn for Asia.

The Bank’s activities in ALA complement the EU’s cooperation strategy with the regions in question. In sector terms, the lending objectives for Asia and Latin America have been broadened. EIB lending will target environmental protection, including climate change mitigation, and projects that contribute to the energy security of the EU, and will continue to support the EU’s presence through foreign direct investment, transfer of technology and know-how.

In 2008, EIB lending for projects located in Asia and Latin America totalled EUR 469m, of which EUR 319m for three projects in Latin America (Brazil, Mexico and Paraguay) and EUR 150m for one project in Asia (India). ✓

Technical assistance

Technical assistance (TA) is a key instrument enabling the Bank to become more proactive in its operations, especially outside the EU. The provision of TA has become a mainstream EIB activity over the past few years and aims to support the lending priorities both within and outside Europe. The EIB’s Corporate Operational Plan stresses the important role TA can play, both in the Bank’s own



Bancomext Environmental Sustainability, Mexico

In 2008, the Bank signed a EUR 50m global loan with Bancomext whose main purpose is to part-finance projects implemented by private and public sector operators in Mexico, aimed at improving or protecting the environment, including sustainable development.

The eligibility criteria for these projects include (1) tackling climate change, (2) protecting nature, biodiversity and natural resources, (3) improving the environment and health, (4) promoting sustainable use of natural resources, including waste management, and (5) enhancing the urban environment. It is envisaged that the bulk of EIB funds will be channelled to finance environmental projects, on which the Bank's services will place special emphasis.

The loan is consistent with the EU's policy and strategy on environmental sustainability, in particular climate change mitigation. EU policy calls for the identification of new tools to strengthen developing countries' participation in global efforts to address climate change. Additionally, it is anticipated that a large portion of the technology for these types of projects will come from the EU, thus providing an instrument to finance transfers of technology and know-how from the EU to Mexico, another of the mandate's lending objectives.

operations and in pursuit of wider strategic partnership objectives, and recognises TA as a strategic priority. TA provides a means of enhancing the Bank's value added in the project cycle, reinforcing strategic partnerships with the European Commission and other IFIs and thereby raising the profile of the Bank among beneficiaries and partners. In the ACP and FEMIP regions, for instance, the need for TA, particularly to support project preparation and implementation, is widely recognised, and this is reflected in the substantial funds entrusted to the EIB. For partner countries outside Europe, the EIB partners with promoters to identify and prepare projects suitable for EIB financing using funds from EC or Member State Trust Funds.

In the FEMIP region, 2008 was the most successful year since the launch of the TA instrument in 2004. Contracts were signed with service providers for more than EUR 19m under the FEMIP Support Fund and FEMIP Trust Fund for project upstream, preparation and implementation work. More than 80% of the dedicated FEMIP TA funds are allocated to the infrastructure, environment, water and wastewater sectors and human capital, reflecting to a large extent the Bank's traditional area of activity in the Mediterranean region. ✓ In the ACP region the EIB continued to expand and consolidate its TA program in 2008, helping to develop a pipeline of quality projects and lending programmes. TA in ACPs received funding from the Investment Facility under Cotonou I and II, the EU-Africa Infrastructure Trust Fund, and the EU-ACP Water Project Preparation Facility. Most TA operations are designed to help identify, formulate and prepare projects and also include due diligence studies. They can also support the smooth implementation of ongoing Investment Facility projects. TA tends to facilitate the flow and efficient utilisation of loan finance and can help to generate new lending opportunities. In accordance with the strategic thrust of the Investment Facility, the 2008 TA programme in the ACPs focused on (i) financial sector operations (microfinance and SME lending, for instance, in Ethiopia, Rwanda, Liberia,

Uganda and the Dominican Republic), and (ii) infrastructure undertakings, with regional initiatives in particular receiving support, mainly in Central and West Africa.



Microfinance, fundamental to protecting and empowering the poor

In January 2008, the EIB signed its first microfinance technical assistance agreement with MicroCred, a microfinance investment company. The purpose of the operation is to support the development of greenfield microfinance institutions in sub-Saharan Africa. The TA funding provided by the EIB enabled MicroCred's subsidiaries in Madagascar and Senegal to expand the range of financial products and services offered for productive purposes. As part of this TA support, a pilot SME programme targeting small formal enterprises was launched in Madagascar. The pilot proved to be a great success, resulting in 73 disbursed SME loans over a 10-month period, amounting to EUR 688 571, with non-performing loans standing at 3% at the end of 2008. In view of these encouraging results, the management of MicroCred Madagascar has decided to graduate SME loans into a standard product catering for the needs of formal enterprises. It is planned to roll out similar pilots in MicroCred Senegal as well as other MicroCred subsidiaries in 2009. The example of MicroCred Madagascar confirms that microfinance services can be delivered in a sustainable and profitable way. However, due to their relatively small size and high upfront investment requirements, greenfield and early-stage MFIs require technical assistance in order to build capacity during the initial years of operations. The EIB works closely with a number of co-financing partners such as the IFC, FMO, KfW and other agencies, as well as private foundations, when investing in microfinance investment companies and providing technical assistance.



Taparura: Via Decontamination to Waterfront Redevelopment, Tunisia

In the 1960s Tunisia's second-largest city, Sfax, once known for its beautiful coastline, became a centre for the export of phosphates. Its industrial processing left a huge quantity of phosphogypsum waste material discharged on the coastline close to Sfax's historic medina. Benefiting from an EIB loan of EUR 34m, with additional Belgian and French credits, a decontamination project was launched by the promoter SEACNVS (Société d'Etudes d'Aménagement des Côtes Nord de la Ville de Sfax). The work enabled the city to be reconciled with its historic coastline by creating a 6 km public beach and a new zone for urban development on the reclaimed land: the Taparura Zone was born.

The operation proved not only to be a technical challenge in terms of decontamination but also prepared for the future use of the 300 ha of reclaimed land. An ambitious design was drawn up that enabled the pollution to be isolated. Since 2005, the FEMIP Support Fund has financed technical assistance to support the promoter in the management of the programme, including the technical supervision of the work done to isolate the contaminated material and integrate it into a public park of some 50 ha, making it the largest public green and recreational space in the Greater Sfax area.

The FEMIP technical assistance not only assisted with the clean-up but also paved the way for the reuse of the previously contaminated coastline. Based on the principles of contemporary town planning, following the approach of integrated urban and transport planning, an urban master plan (Plan Directeur) was drawn up. The plan sets the framework for long-term sustainable urban development, integrating the Taparura Zone into the surrounding city areas, such as the historical centre and the port, thus extending the heart of the city. In addition, a strategic plan was also developed by the technical assistance team, proposing a financial, institutional and marketing model to implement the ambitious new Taparura waterfront area of Sfax, making it one of the most challenging redevelopment projects in the Mediterranean.



Ex Post Evaluation of Projects

Operations Evaluation (EV) 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 been enlarged to cover all EIB Group activities through to ex post evaluations.

Cooperation with multilateral development banks: the Evaluation Cooperation Group (ECG)

Since 1996, EV has been an active member of the ECG, whose members include the evaluation teams of the World Bank Group, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development, as well as representatives from the International Monetary Fund, the OECD-DAC (Development Assistance Committee) and the UNDP. Membership was recently

opened to the CEB (Council of Europe Development Bank), IFAD (International Fund for Agricultural Development) and the IDB (Islamic Development Bank).

The ECG mandate is to improve the efficiency of its members by publishing Good Practice Standards (GPSs) in evaluation methodology. GPSs have been published for the evaluation of public sector operations as well as private sector operations, for policy lending and for country or programme evaluations. The ECG's work programme also includes GPSs for the evaluation of technical assistance. ECG members meet formally twice a year, while activities are developed throughout the year in ad hoc working groups.

Case study – new saw mill

The project was located in a rural area close to extensive natural timber supplies. The promoter was an experienced EU operator and active member of the World Wildlife Fund. Environmental protection and sustainable forest management were therefore central to the plant's design, which included the use of waste chippings to generate electricity and the installation of advanced filters to meet EU emission standards. An EIA was undertaken under local law. The promoter made considerable efforts to agree terms with the state railway company to transport its products out of the country but in the end had to resort to road haulage. The Bank attempted to intervene at project level but without success although the promoter felt the Bank could have applied more pressure at a higher level.

Methodology used

Operations are assessed using EIB evaluation criteria based on internationally accepted methodology⁹ and include an examination of EIB performance. The detailed methodology can be found on the EIB website. ✓

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. ✓

⁹ Published by the Evaluation Cooperation Group, which is composed of the World Bank Group, the Asian Development Bank, the Inter-American Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank and the International Monetary Fund, with the UNDP and OECD as observers, in order to harmonise good practice in public sector evaluation.



Case study: Offshore wind farm

As part of the EIA process and owing to its special status as a “demonstration programme”, a comprehensive environmental measurement and monitoring programme was initiated to investigate the effects on the environment, particularly on birds and marine mammals, of all phases, which were classified as follows:

Potential impacts during construction:

1. alteration of the sea bed;
2. sediment spill and increased turbidity;
3. noise;
4. disturbances due to construction activities.

Potential impacts during operation:

1. noise and vibration from the turbines;
2. electromagnetic fields;
3. the physical presence of the turbines;
4. disturbance due to maintenance operations;
5. the introduction of a hard substrate, that was likely to scour the protection areas around the foundations.

All potential impacts above were assessed through modelling and specific monitoring of flora and fauna that were sensitive to one or more of the impacts (46 species of fish, birds and mammals were monitored and recorded). The monitoring took place over two years.

The environmental impacts were all temporary (mostly during construction) and there is no indication that the wind farm is causing any environmental damage during its current operation.



Case study – roads rehabilitation programme

The project was the third of what eventually became six operations involving the rehabilitation of hundreds of kilometres of national roads that required substantial reconstruction following years of maintenance neglect. Parts of the project were supported by ISPA (Instrument for Structural Policies for Pre-Accession) and the Bank concentrated on the remainder. The appraisal of the project was undertaken very quickly, with only six months elapsing between project identification and signature. Whilst it was a repeat operation, it was felt that this was rather a short timescale given the complexities of the project and the sector. The project was structured as an investment project, despite the fact that many sections were clearly at an early stage of preparation and were likely to be subject to change. Four years after signature, following substantial implementation difficulties, the scope of the project was increased from 600 to 780 kilometres and the emphasis shifted towards different priority corridors. The Bank accepted this change without substantial comment and within six months had signed a further similar operation. The risk of delays and cost overruns, together with chronic underfunding of maintenance, were identified as risk factors, but insufficient allowance was made for these in the operational structure and no special provisions were included in the finance contract relating to maintenance funding. By contrast, the Commission's financing memorandum included a requirement for a specific repair and maintenance programme.



Joint evaluations:

EV has started to promote joint evaluations with other financial institutions.

- Joint EIB-EBRD: In 2007, EV evaluated one operation in Russia together with the EBRD. The joint evaluation was appreciated by the borrower and was successful while some differences in reporting procedures between the two institutions were pointed out.
- Joint EIB-KfW-AFD: In 2008, EV joined forces with KfW and AFD for the evaluation of a large regional project involving an irrigation scheme, a power plant (the only component financed by the EIB) and environmental investments linked to a large dam (in West Africa). This joint activity enabled a wide-ranging review to be carried out that would have been beyond the means of each individual



institution. The final report was discussed with the promoter and provided a major input for the definition of similar investments in the region.

New evaluations:

The evaluation of EIB financing operations in the renewable energy sector covered a wide variety of projects: onshore and offshore wind energy, biomass energy, geothermal energy and small-scale hydroelectricity schemes. *The overall assessments were satisfactory.* ✓ EV made a few recommendations on the monitoring of the operations and suggested that the dissemination of EIB expertise in that field be improved.

Evaluation of EIB lending in the 12 new Member States prior to accession: This evaluation considered a total of 78 projects. The main findings related to three items:

- on EU/EIB priorities: despite being fully supportive of EU policies in the region, the Bank encountered operational constraints that limited its ac-

tivities: budgetary, the limited supply of bankable projects and the growing lead time for project development;

- on project performance: the vast majority of projects performed well against the recognised evaluation criteria, even under difficult conditions. Deficiencies related to cost overruns and unexpected delays. Sustainability was at risk in some sectors (roads) where maintenance budgets were insufficient;
- the report looked at the support given by the Bank to the preparation for accession: the Bank's impact was positive at project level, particularly on procurement and environment management, but limited at sector and country level owing to operational constraints. The report recommended that greater attention be given to this potentially positive contribution from the Bank.

III – Capital Markets



Socially Responsible Investors Attracted to EIB Bonds

Socially responsible investment (SRI) typically combines investors' financial objectives with concerns that may encompass one or more social, environmental, ethical or corporate governance issues. *The appeal of EIB bonds for SRI audiences has therefore benefited from a variety of factors: the EIB's attractive CSR credentials, but also purely financial merits such*

*as the Bank's top-quality credit standing, its strategic approach to markets and its securities product offering.*¹⁰ ✓

¹⁰ Sources of information: Standard & Poor's, Moody's and Fitch.

Climate Awareness Bond: EUR 600m distributed across 14 projects in six countries

In 2007, the Bank extended its support for the European Union on climate-related action by launching the Climate Awareness Bond (CAB). This new capital market product followed EU endorsement of an Energy Action Plan, including priorities to combat climate change set during the German Presidency. The EIB's new bond increased the appeal of the Bank to SRI investors. ✓

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 CO₂ allowances via the European Union's Emissions 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.

During 2007/8, all the funds raised by this issue (EUR 600m) were disbursed on new projects meeting the sectoral criteria. In total 14 projects located in 6 European countries received funds raised via this bond. The projects were as follows:

Project Name	Country	Description	Amounts disbursed from CAB (EUR m)
ALTO MINHO PARQUES EOLICOS	Portugal	Construction and operation of five onshore wind farms in northern Portugal and installation of associated electricity transmission infrastructure	25.8
ANDASOL SOLAR THERMAL POWER PROJECTS	Spain	Construction and operation of two concentrating solar thermal power plants near Granada	99.2
EDA POWER	Portugal	Improvement of power generation, transmission and distribution infrastructure on all nine islands of the Azores archipelago	2.0
ENERGY EFFICIENCY FRAMEWORK	Slovenia	Framework loan for financing small and medium-scale projects in energy efficiency and environmental sectors	9.0
EOLICAS DE PORTUGAL INDUSTRIA	Portugal	Construction and operation of production facilities for wind turbines in Viana do Castelo	35.0
ESPIRITO SANTO INFRASTRUCTURE FUND	Portugal	Participation in new investment fund for renewable energy and infrastructure projects in Portugal	0.1
EUFER WIND ENERGY	Spain	Investment programme concerning nine wind farms generating renewable energy in Castilla la Mancha, Castilla y León, Andalusia and Galicia	50.0
HELLISHEIDI GEOTHERMAL POWER	Iceland	Expansion of Hellisheidi geothermal power plant in south-west Iceland	22.0
POWERTRAIN R&D (SFF-RSFF)	Austria	Development of clean and efficient automotive power trains focusing on reduced emissions. Research in the areas of hydrogen fuel cell technology, nanocomposites and engine technologies improving energy efficiency	20.0
SOLAR ROOFS - Alternative Energy	Germany and Spain	Installation of 35 photovoltaic power units on flat roofs of logistics centres at 28 locations in Germany and 7 in Spain	70.5
SOLARWAFER SACHSEN	Germany	Production of polycrystalline silicon wafers for use as pre-product for photovoltaic cells and modules in Freiberg, Saxony	75.0
SOLARWAFER THUERINGEN	Germany	Construction of manufacturing facilities for polycrystalline silicon wafers for use as pre-product for photovoltaic cells and modules in Jena, Thuringia	40.0
SOLUCAR SOLAR	Spain	Construction of two concentrating solar thermal power plants in Sanlúcar la Mayor, west of Seville	77.9



Project Name	Country	Description	Amounts disbursed from CAB EUR m
WIENER WOHNEN STADTTEILSANIERUNG	Austria	Fifth phase of rehabilitation and upgrading programme for rented social housing stock of Wiener Wohnen to bring it up to contemporary housing quality standards. Among other things, the improvement measures will lead to a reduction in energy use and emissions.	73.5
TOTAL			600



Solar Roofs – Alternative Energy, Germany and Spain

This project comprises the installation and operation of grid-connected, mostly roof-mounted medium-sized (up to 1 MWe_p) photovoltaic (PV) plants, geographically dispersed across Germany (28 locations) and Spain (7), with a combined capacity of 30 MW. The photovoltaic units are mostly mounted on flat roofs of large logistics centre buildings owned and operated by a grocery retailer. Each PV plant will be equipped with several thousand solar modules.

The indicators suggest a naturally lower level of solar irradiation in northern European regions than in the south. The calculated performance ratio (based on design values) indicates, however, that the PV systems are carefully designed to minimise the overall DC (direct current) to AC (alternating current) conversion losses, losses due to higher module temperature and/or losses caused by incomplete use of irradiance due to reflection, shading/coverage, system downtime and component failures. The module energy efficiency is calculated at around 12.8%.

The rationale of the project was driven by a programme approach, aimed at achieving cost reductions by applying standardised equipment. The project development was primarily driven by an SME (an experienced roof construction company) and cofunded through a closed equity fund. The PV plants benefit from attractive tariff regulations in both countries.

The project contributes to the deployment of one of the priority technologies identified in the European Strategy Energy Technology Plan, which is reflected in the Bank's priority renewable energy lending objectives. The project constitutes an efficient contribution to the development of PV as a viable source of energy in the longer term and supports national and European targets for renewable energy generation, thereby also contributing to environmental and security of energy supply objectives. If all PV plants operate as forecast, an average of 15 000 t CO₂ emissions/year would be avoided.

Development Impact

The Bank has a long-standing track record of contributing to the development of capital markets internationally, in both developed and emerging currencies. In emerging currencies the Bank has in particular focused on the 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 larger and thus more liquid bond issues, 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.

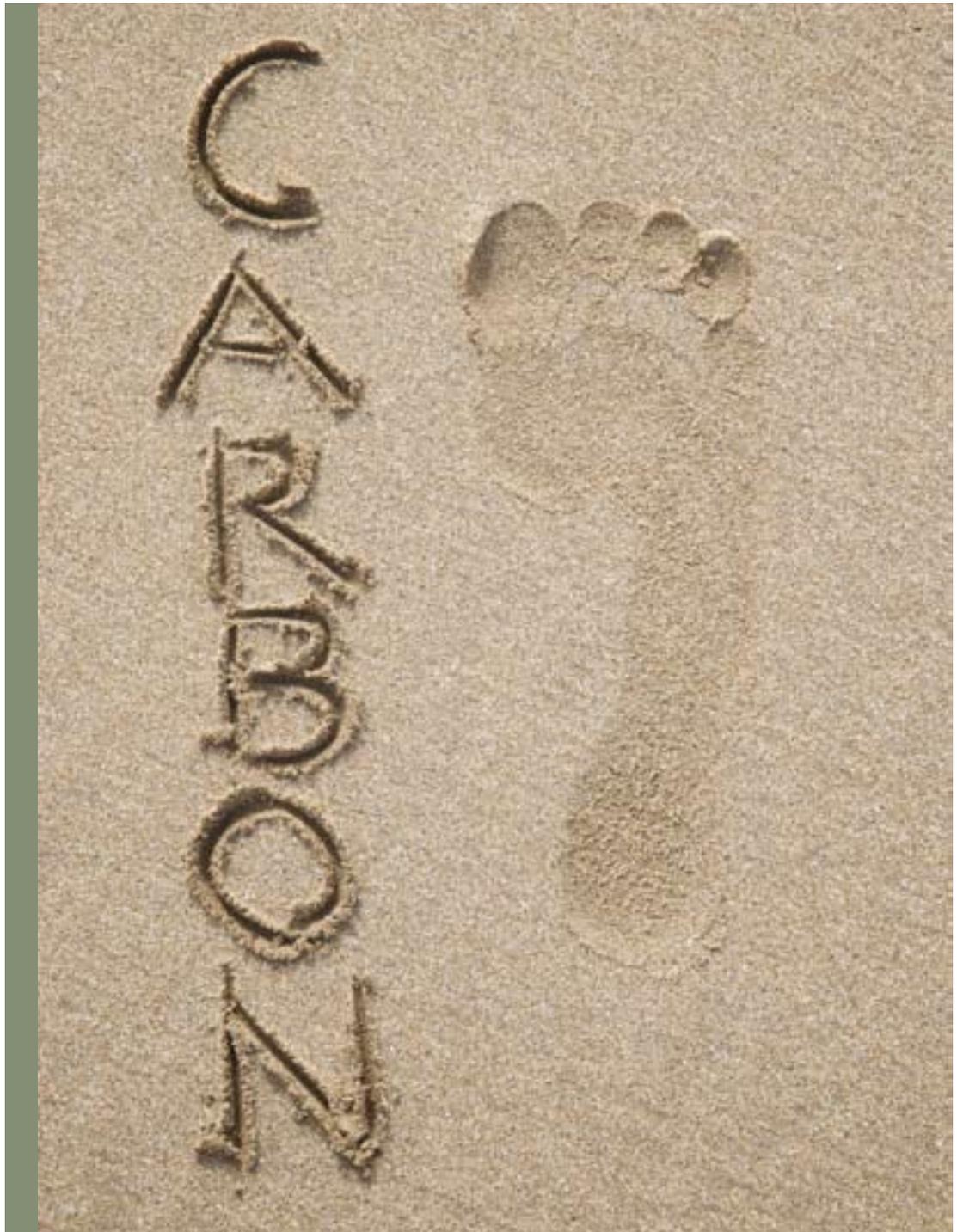
Global market conditions in 2008, characterised by high levels of volatility and uncertainty, reduced international investor demand for issues denomi-

nated in currencies from emerging and transition countries. Nonetheless, there were significant achievements, in particular the extension of the yield curve in Russian roubles and Turkish lira, offering investors the longest available tenors in the fixed-rate Eurobond market. Regarding new Member States, there was a significant increase in issuance in Bulgarian leva.

In EU partner countries, the Bank made its first issue in Zambian kwacha. The Bank's Zambian kwacha (ZMK) bond – the first ZMK issue by a foreign issuer and the first in the international market – helped draw the attention of international investors to the ZMK market. It was issued in synthetic format with payments in USD.



IV – Direct Footprint





Internal Footprint – New Measures Approved

Since 2007 the EIB has started implementing measures aimed at reducing the CO₂ emissions resulting from its internal activities.

Various measures were implemented in 2007 and 2008, such as the progressive replacement of the car fleet by substantially less polluting models; increasing staff awareness of waste sorting, which led to the EIB obtaining certification from the Luxembourg authorities in 2007 and 2008 for its excellence in waste sorting; improvement of the facilities available for staff cycling to work; greater emphasis on environmental considerations when negotiating staff travel with the airlines; the programming of printers and photocopiers to print and photocopy on both sides by default; the phasing out of personal printers; the signature of a partnership agreement with a car-sharing platform that is now available to staff via the Intranet; the installation of movement detectors for the lighting sys-

tem in some parts of the buildings; the installation of a conciergerie on the premises of the Bank to reduce the amount of time spent by staff in running private errands; and the organisation of numerous staff awareness events.

During 2008 a new range of measures was approved that are now being implemented. These include increased use of videoconferencing to cut down on travel; revision of the business travel guidelines to encourage more frequent use of trains rather than planes; the organisation of environmentally aware driving campaigns; the introduction of an IT green scorecard to reduce the power consumption of IT equipment; the signature of a partnership agreement with the Luxembourg bus companies, which will provide a free bus pass for every member of staff; the installation of timer taps to reduce water consumption; and ongoing staff awareness campaigns.

Emissions, Energy And Waste

2008 was a special year for the Bank's internal environmental footprint. In June 2008 the EIB's new building on the Kirchberg campus was officially opened. Relocation of staff from the EIF building in Kiem and the EIB building in Findel started, but in the earlier part of the year all the buildings had been operating simultaneously. Despite this situation, the level of emissions resulting from electricity consumption has remained relatively stable.

The new building has received BREEAM (Building Research Establishment Environmental Assessment Method) certification and is expected to re-

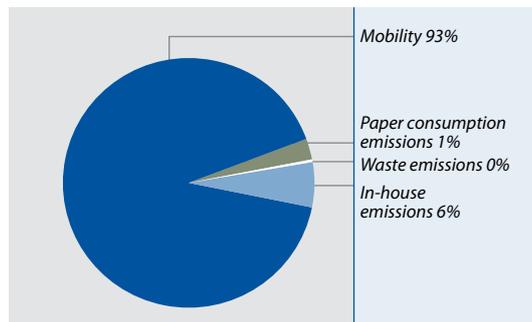
duce energy consumption by 40% compared to standard office buildings. In these circumstances and with the old EIF and Findel buildings no longer being used, a reduction in energy consumption is expected in 2009.

The basic calculations for establishing the 2008 CO₂ emissions 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 CO₂)

Despite all the measures undertaken to reduce the EIB's carbon footprint, the total level of CO₂ emissions went up between 2007 and 2008 by 1 721 tonnes. This was due to the increase in the "mobility" emissions, which were attributable to the significant increase in activity in the second half of 2008.

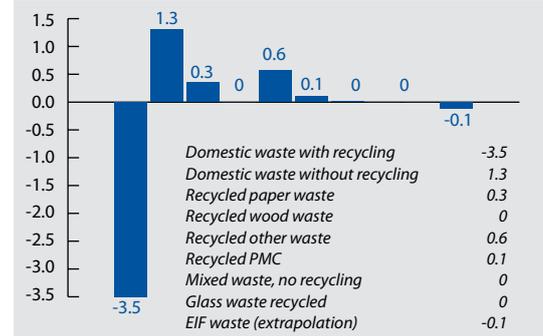
Global footprint (tonnes of CO₂)



Waste management

Improvements to the waste disposal system reduced the level of CO₂ emissions from waste disposal from +0.3 tonnes in 2007 to -1.3 tonnes in 2008, thus having a positive effect on the total level of emissions.

EIB & EIF waste emissions (tonnes of CO₂)

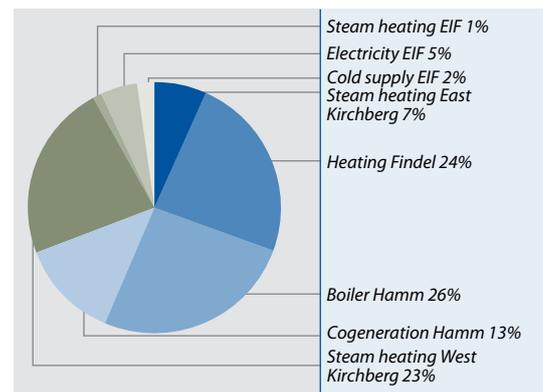


Energy

Since the beginning of 2007, all the electricity purchased by the Bank (excluding the EIF building in Kiem) has originated from renewable sources (hydroelectric, biomass or wind).

The level of energy emissions was comparable in 2007 and 2008 (1 206 v. 1 207 tonnes).

EIB & EIF In-house (tonnes of CO₂)

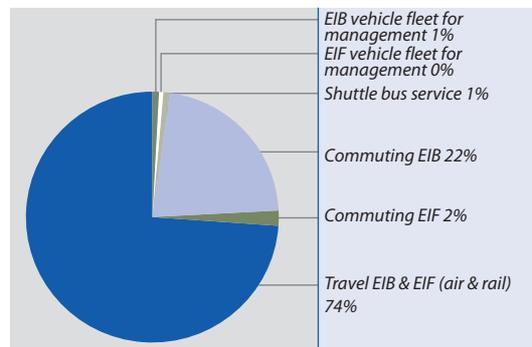




Mobility

Mobility emissions rose from 16 525 tonnes in 2007 to 18 221 tonnes in 2008, thus accounting for the majority of the increase in total emissions between 2007 and 2008. This increase can be explained by the heightened level of activity during the second half of 2008 as a result of the financial crisis. Despite an absolute increase in mobility emissions, it is worth noting that the level of mobility emissions per staff member went down from 11 to 10.3 tonnes between 2007 and 2008.

EIB & EIF mobility emissions (tonnes of CO₂)



Environmental indicators 2008

	tonnes of CO ₂ 2008	tonnes of CO ₂ per staff member 2008	tonnes of CO ₂ per staff member 2007
Energy emissions (electricity from EIF building, heating, refrigeration)	1 207	0.68	0.8
Mobility emissions	18 221	10.3	11
Waste disposed of	-1.3	-0.0007	0.0002
Copying paper consumption	227	0.13	0.13
TOTAL	19 653	11.11	11.9

	m ³ 2008	m ³ per staff member 2008	m ³ per staff member 2007
Total water consumption (EIB only)	66 066	37.34	41

	kWh 2008	kWh per staff member 2008	kWh per staff member 2007
Total electricity consumption (with green certificates) ¹⁰	18 892 000 ✓	10 679.5	10 205.3

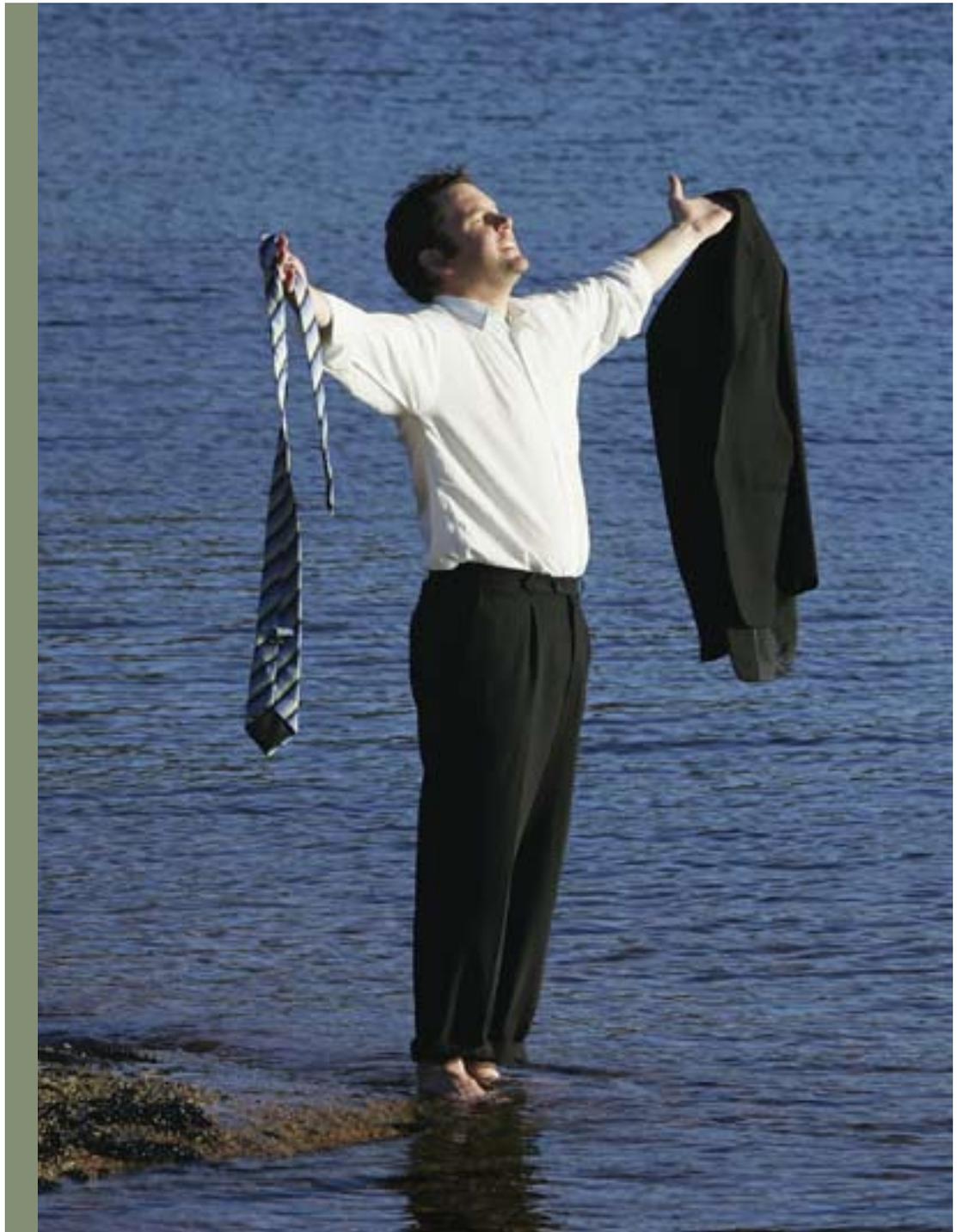
	tonnes 2008	tonnes per staff member 2008	tonnes per staff member 2007
Total paper consumption	227	0.07	0.07

The relative CO₂ emissions per staff member show that almost all the indicators were either flat or fell between 2007 and 2008. For 2009 the EIB will need

to do better and aim for an absolute reduction in its level of emissions, as provided for in the footprint policy.

¹⁰ Excluding electricity for EIF building in Kiem.

V – Working Responsibly





Diversity Strategy

The Diversity Strategy approved in 2008 is a cornerstone of the Bank's management of its human resources. Entitled "Good for People, Good for Business", it positions the Bank as an employer of choice, able to tap diverse external talent pools and fully utilise and develop the rich talent base formed by its existing staff. The Diversity Strategy is critical to the Bank's success. The concept of diversity embraces a wide range of individual and cultural characteristics, such as age, cultural, ethnic and racial background, education and experience, family status, gender, nationality, physical ability, religion and sexual orientation. Inclusion means respecting and valuing the unique talents, perspectives and

contribution each employee brings to the organisation. It implies recognising that employees are at their creative and productive best when they work in an atmosphere of respect and trust.

The main objectives around which the Diversity Strategy has been built include :

- increasing the diversity and balance of EIB staff;
- attracting, retaining and engaging talent;
- developing an inclusive work environment;
- fostering leadership and management;
- building the Bank's profile as an employer of choice.

Reform of the Staff Pension Scheme

A number of developments in recent years, such as the ongoing increase in life expectancy, the significant fall in interest rates and the application of more stringent accounting standards (IAS 19), have triggered the need for reform of the Staff Pension Scheme so that it remains attractive while improving the way in which it is funded.

Reform of the Pension Scheme, a very difficult and sensitive exercise, has been under discussion within the Bank for more than two years. In particular, comprehensive in-depth discussions were held with the Staff Representatives, which resulted in the consensual approach followed.

The reform is based mainly on the following principles:

- improvement of the long-term funding of the scheme by creating an investment portfolio dedicated exclusively for that purpose;
- the assumption by the EIB of the financial risks associated with the investments; and
- maintaining a defined-benefit pension scheme for all those insured.

In parallel with the arrangements for implementing reform of the Pension Scheme, a package of transitional and/or compensatory provisions applicable to currently employed staff, with due regard for rights acquired under prior insurance periods, and in such a way as not to upset the expectations of those staff closest to retirement, is also under discussion with the Staff Representatives.

Health and Well-Being and Improvement of Social Conditions

Dignity at work

Three years ago, the Bank introduced a Dignity at Work policy aimed at :

- raising awareness of and thus helping to prevent harassment and bullying;
- providing a structure and procedures for dealing with alleged cases of harassment or bullying.

The instruments made available under the policy consist of two complementary procedures: an informal procedure involving the Confidential Counsellors, and a formal procedure to deal with cases that cannot be resolved via the informal procedure.

Staff members who contact the Confidential Counsellors find their involvement very helpful and that it has a real preventive effect. Therefore, while the policy itself has not been changed, a number of changes did take place at the end of 2008. In particular, the network of counsellors was increased with the training of five new counsellors, including two staff members of the EIF. The EIF has also introduced its own Dignity at Work policy modelled on the one in operation at the EIB. Responsibility for implementing the policy has been transferred to the Well-Being Division.

Health Insurance Scheme

The mounting complexity of health insurance administration in general, the increasing number of insured, and the advent of several new languages in which invoices are presented to the administration prompted HR to look for an external partner to secure additional administrative capacity and improve services. With effect from 1 June 2008, staff members have been able – on a voluntary basis – to choose between having health insurance claims processed by an external provider or having their claims handled by the internal Caisse de maladie administration.

In addition to faster reimbursement, the external administrator offers online monitoring of the claims process and a round-the-clock worldwide customer service.

The Medical Service

The Bank's Medical Service continued to experience solid growth in demand. With the expansion of recruitment activity, there was a marked increase in the number of pre-employment medical exams.

Crèche facilities

The demand for crèche places has outgrown the Bank's capacity to provide such places, which has led to a lengthening of the waiting lists. Additional places will be made available in 2009.

Other matters

In the second half of the year a number of initiatives were pursued which will come to fruition in 2009. The most important of these are:

- the finalisation of an occupational health policy;
- a review of the Bank's Dignity at Work policy, which has been operational since 2004;
- in the context of the Bank's Diversity Strategy, the preparation and implementation of a code of practice to enable disabled persons to be given equal treatment in recruitment, working conditions and career opportunities, in accordance with Council Directive 2000/78/EC;
- a medium-term strategy to reduce psychosocial risk, enhance well-being at work, and contribute to individual and organisational performance.



Training and education

Average number of training days per employee per year in 2008: 6.3



Protection of Privacy and Personal Data

The EIB respects the principles of protecting people's basic rights, privacy and personal data.

In this context, like all Community institutions and bodies, the EIB applies Regulation (EC) No 45/2001 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data.

In accordance with this Regulation, the EIB has appointed a Data Protection Officer (DPO), who is responsible for ensuring independently, under the authority of the European Data Protection Supervisor (the Brussels-based European agency for supervising the protection of personal data), that the Regulation is applied in-house.

The DPO ensures that the rights and freedoms of the data subjects are unlikely to be adversely affected by data processing operations, keeps a register of the processing operations carried out by the EIB and notifies the European Data Protection Supervisor of processing operations that are likely to present specific risks for the rights of the data subjects (such as those relating to health or intended to evaluate personal aspects relating to the data subject). The DPO is also the point of contact for any matter relating to data protection at the EIB and, in this connection, is consulted by staff members and/or various Bank authorities. The DPO must also cooperate with the European Data Protection Supervisor and respond to requests from him, as well as participating in meetings of the Interinstitutional Group of Data Protection Officers of the Community institutions and bodies.

In 2008 an inventory was made of all personal data processing operations at the Bank and the EIB adopted additional provisions implementing Regulation (EC) 45/2001 that are to be published some time in 2009.

A specific work programme was put in place with regard to security of use of IT networks, with the

EIB applying in particular the principle of protection of privacy in the field of electronic communications laid down in the relevant EU Directives.

It was also decided to create a post of assistant to the DPO and to appoint a DPO for the EIF.



Human Resources Data as at 31/12/2008

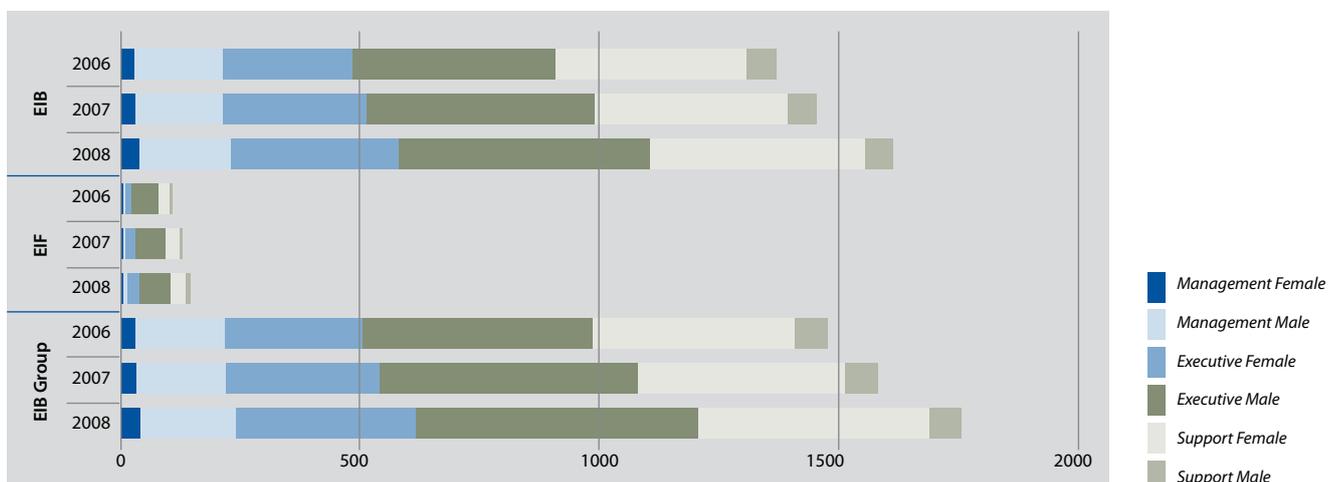
Breakdown of staff by nationality

The breakdown of the Bank's staff by nationality complies with the objective laid down in the EIB's Statute 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". ✓

Active staff by category and gender ⁹

		Management Female	Management Male	Executive Female	Executive Male	Support Female	Support Male
EIB	2006	12%	88%	39%	61%	87%	13%
	2007	13%	87%	39%	61%	87%	13%
	2008 ✓	16%	84%	40%	60%	89%	11%
EIF	2006	50%	50%	21%	79%	79%	21%
	2007	43%	57%	25%	75%	78%	22%
	2008 ✓	27%	73%	27%	73%	73%	27%
EIB Group	2006	13%	87%	37%	63%	86%	14%
	2007	14%	86%	37%	63%	86%	14%
	2008 ✓	17%	83%	39%	61%	87%	13%

⁹ In all the HR figures, the EIB total figure includes staff members seconded to the EIF as follows (15 in 2006, 14 in 2007 and 12 in 2008).



Total workforce by employment contract

Contract type	2006			2007			2008		
	EIB	EIF	EIB Group	EIB	EIF	EIB Group	EIB	EIF	EIB Group
CDD	61	10	71	94	21	115	140	22	162
CDI	1308	96	1404	1359	107	1466	1473	122	1595
Total:	1369	106	1475	1453	128	1581	1613	144	1757

(CDD = Contract for a definite period - CDI = Contract for an indefinite period)

Staff turnover by gender

Gender	EIB			EIF			EIB Group		
	Terminat- ed 2008	Head- count 31/12/2007	Turnover	Terminat- ed 2008	Head- count 31/12/2007	Turnover	Terminat- ed 2008	Head- count 31/12/2007	Turnover
F	25	733	3.41%	4	53	7.55%	29	786	3.69%
M	43	720	5.97%	6	75	8.00%	49	795	6.16%
Total:	68	1453	4.68%	10	128	7.81%	78	1581	4.93%

Injury rate

In 2008, the EIB had an injury rate of 21.7 per 1 000 staff members. However, most injuries were minor burns or cuts, including those occurring when using the EIB sports facilities. No absences resulting from an injury exceeded two days. There were no fatal injuries.

Rate of absenteeism and sickness

Year	EIB		EIF		EIB Group	
	Absenteeism	Sickness	Absenteeism	Sickness	Absenteeism	Sickness
2006	1.32%	3.94%	0.27%	0.05%	1.25%	3.67%
2007	1.21%	3.52%	0.16%	0.04%	1.12%	3.24%
2008	1.23%	3.50%	0.12%	0.12%	1.14%	3.22%

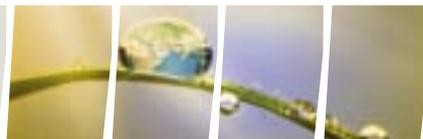


Report Indicators

Undertakings in 2007

	CRR 2007	Actual status 2008
CR website	A separate section on corporate responsibility is to be created on the EIB website.	A dedicated Corporate Responsibility website sub-section was due to be created on the EIB website in 2008. The sub-section on CR is now available online.
Public consultation on the Bank's Anti-Fraud Policy	The new policy and procedures and consultation report will be approved and published on the EIB's website in early 2008.	The new policy and procedures were published on 10/04/2008 and the consultation report was published on the EIB's website on 01/02/2008.
Pre-Accession Facility	Financing under this Facility will also be available to potential candidate countries.	At least one operation has already been initiated under the Facility in each of the following countries: Albania, Bosnia and Herzegovina, Montenegro and Serbia.
Complaints Policy	The Complaints Policy will be published in 2008.	The Complaints Policy was published on 9 July 2008 and includes a Memorandum of Understanding between the Bank and the European Ombudsman.
Signature of Approach Statement on Corporate Governance	Develop and adopt guidelines, policies and procedures for promoting good corporate governance practices for sustainable economic development in emerging markets.	The EIB participated during 2008 in various joint initiatives/working groups with the other signatories.
Statement of Environmental and Social Principles and Standards	In 2008 the Bank will publish a new Statement on its Environmental and Social Policy that will be subject to a public consultation process before publication.	See pages 7, 19 and 36. The Statement was published on the EIB website on 16/02/2009.
Water sector policy	The Bank is currently reviewing its lending policy in the water sector.	The policy was published on the website on 09/09/08.
Post-2012 Carbon Fund	The Bank is developing a second generation fund in cooperation with four other MFIs in order to promote the long-term carbon market.	The Post-2012 Carbon Fund was established in April 2008.
Sustainable communities	The Bank will propose an action plan for sustainable cities and communities for the period 2007-2013.	<i>The JESSICA initiative was launched in September 2008. ✓</i>
FEMIP Internship Programme	A one-day conference on "The Role of Human Resources in Private Sector Development in Mediterranean Partner Countries" will be held in the second half of 2008.	The seminar on Human Capital was held in Luxembourg on 18 and 19 November 2008.

Climate Awareness Bond	The proceeds were earmarked for the Bank's future projects supporting climate protection in the fields of renewable energy and energy efficiency.	See pages 76-77 for allocation of Climate Awareness Bond proceeds.
Internal footprint	A study on modifications to the lighting system (movement detectors) will be carried out in 2008.	The study was carried out and movement detectors were installed on a trial basis in 2008. During 2009 movement detectors will be introduced in the areas of the Bank where continuous lighting is not necessary.
SuperDrecksKëscht Green Label	The EIB was awarded the Green Label for sorting waste in 2007. Confirmation audits will be carried out annually.	After one year, the label was again awarded in December 2008.
Teleconference facilities	The teleconference facilities are currently being improved so that some business travel can be avoided.	The teleconference and conference call facilities were greatly improved in 2008, especially with the opening of the EIB's new building.
Dignity at Work Policy	A number of new volunteers are being trained to supplement the counsellors appointed when the policy first became effective.	See page 86.
CR policies audit	An external audit of CR policies will be performed in 2008.	See page 11.



Disclosure on Management Approach

Economic Performance

The Bank reports upon its economic performance in accordance with internationally recognised accounting practices and standards. It also adheres to good governance practices in the performance of its task as the Bank promoting European objectives. Please see our website for further details of the Bank's economic performance in 2008.

Outside 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, safeguarding the environment where possible and 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.

Environment

The EIB has a Facilities Management team charged with measuring and reducing the resources consumed by staff members of the Bank. Our report offers 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 CO₂ emissions from staff commuting. In addition, since the Bank's work includes travelling 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 CO₂ equivalents.

The Bank's Internal Environmental Management Working Group is charged with seeking opportunities to constantly improve the Bank's use of valuable resources. Please see page 81 of this report or our website 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 harmony with existing EU environmental legislation.

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. In 2007, the HR Department formulated a new HR Strategy whereby it redefined its priorities (see page 66 of CR Developments 2007). Staff members are also informed of the availability of suitable training opportunities and the hours of training per staff member are recorded and reported upon each year. The Bank has also put in place staff representation mechanisms, involving the College of Staff Representatives and various Joint Committees, on, for instance, equal opportunities between men and women (COPEC) and health and safety matters (CPPPT), with the aim of addressing/engaging with issues that are important as far as the treatment of staff is concerned. The breakdown of staff by job category and gender is closely monitored. Please see pages 89 and 90 of this report for further details.

Human rights

Within the Bank, a Dignity at Work policy is in place aimed at helping to prevent incidents

of bullying and harassment in the EIB work environment.

In terms of the projects that the EIB finances, the Bank seeks 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 36, 52 and 59 of this report for further details.

Society

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 in respect of the Bank's counterparties and operations. Please see pages 25-27 of this report or our website for further details of the Bank's working environment.

Environmental Performance Indicators

FS1

The Bank is following the recommendations issued by the Global Reporting Initiative in the Corporate Responsibility Developments in 2008 Report. 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 80. However, in 2005 GRI produced a separate set of environmental performance indicators for the financial sector and revised in 2008 (FS1-FS13), which the Bank is following insofar as possible.

The Bank's environmental policy is communicated to the public and has been formally adopted by the Board of Directors. The full EIB Statement of Environmental and Social Principles and Standards

was revised in 2008 and is available on the Bank's website. The Statement describes the environmental and social principles and standards and covers all operations of the Bank, regardless of the location or size of the project.

FS2

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 ability to carry out an environmental assessment on the projects it intends to finance under the global loan.



The general approach of the EIB to the protection and improvement of the environment is described in the Statement. It is based on the EU's approach to environmental sustainability, the principles, practices and standards of which are as strong as any that exist, and which is reaffirmed in the "Declaration on the EPE". The general approach of the Bank to environmental issues is based on a number of overarching principles, such as the "precautionary principle" and the principles that preventative action rather than curative treatment should be taken, that environmental damage should be rectified at source and that 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 not by others according to the requirements of the Bank.

FS3

The monitoring of a 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 to be monitored, monitoring requirements are included in the loan agreement as a condition of the loan. Furthermore, the Bank has recently recruited a number of monitoring officers, who will manage the monitoring activities of projects.

FS4

The Bank offers systematic training for those of its staff who deal with environmental assessment. Regular training is provided in the fields 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 run 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 invites external speakers and trainers. The training sessions attended will appear on the staff members' training summary, which is part of the annual appraisal. See page 20 for more details on training.

FS5 and FS10

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 relating not only to the project but also to the general activities of the promoter is sent out. All relevant issues are discussed with the Bank's customers prior to project approval.

FS6, FS7 and FS8

See pages 55 to 69 of the report.

FS9

The Bank's Evaluation Unit (EV) carries out on a regular basis evaluation of the projects the Bank finances. As 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 within the framework of relevant EU policies, for instance the application of the EIA Directive and other EU sectoral Directives, EU climate change policies and progress towards the Millennium Development Goals.

In 2008 a corporate responsibility audit was performed which included an audit of the implementation of environmental and social guidelines in four projects financed by the Bank. This audit will be updated on a yearly basis and will comprise an audit of at least four projects every year. See page 11 for more information.

FS11

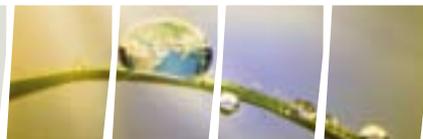
The Bank pays particular attention to those projects falling within Annexes I and II of the EIA Directive and screened by the competent authority. In other

words projects that require an EIA are normally those where the Bank is involved proactively with its customers and stakeholders.

FS12

n.a.





Assurance statement by Ernst & Young

European Investment Bank

Year Ending 31 December 2008

Independent assurance statement on a selection of sustainable information and indicators

At the request of the European Investment Bank (hereafter EIB), we have carried out the work described below in order to provide limited assurance on the fact that the information selected in the "Corporate Responsibility Developments in 2008" report and designated with the sign  is reliable and reflects the efforts made in 2008 by the EIB regarding corporate responsibility (hereafter CR), and that the selected indicators designated with the sign  have been established in accordance with the EIB CR reporting criteria.

We conducted our work in accordance with the International Standard for Assurance Engagements 3000 ("ISAE 3000") issued by the International Federation of Accountants (IFAC) for carrying out assurance on non financial information. All the information and indicators presented in the "Corporate Responsibility Developments in 2008" report were prepared under the responsibility of the EIB's management. It is the EIB's responsibility to update the reporting criteria, and assure its availability and communication.

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. A higher level of assurance would have required more extended work. Our work does not cover other information than the one mentioned above.

Nature of our work

1. On the CR information selected:

With regards to the CR information designated by the sign , we carried out the following work:

- A review of the content of the "Corporate Responsibility Developments in 2008" report in order to identify the main disclosures regarding the progress made by the EIB in implementing its CR approach and in terms of CR performance, particularly with respect to the following topics: environmental and social lending, development and cooperation assistance, relations with investors and other stakeholders (NGOs, civil society...), microfinance, ethics, anti-money laundering and fraud policies, transparency of the information, renewable energy, tackling climate change.
- Interviews and discussions with the persons :
 - responsible for developing the CR approach;
 - involved in implementing the CR approach in general services and in particular those responsible for professional ethics, communication, human resources and procurement;
 - involved in implementing the approach in the Bank activities such as lending, especially the Project Directorate (PJ), the Operational Directorate in Member states and Accession states (OPS A) and in Other partners states (OPS B).
- Collection of the supporting documents, such as minutes of the Board of Directors or other meetings, loan contracts, internal and external presentations and reports, studies or results of survey to support previously identified disclosures.

2. On the indicators selected:

With regards to the indicators designated by the sign , we carried out the following work:

- Assessment of the reporting criteria established by the EIB in terms of their relevance, completeness, neutrality, clarity and reliability;
- Interviews of the people responsible for collecting the data and for compiling the indicators. We

verified the understanding and application of the reporting criteria and verified, on a test basis, the calculations and reconciliations 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 EIB. Efforts were made this year to enhance the coverage of social issues (such as social inclusion, Fundamental Rights of the European Union, conflicts, and vulnerable groups other than indigenous people) within the activities.
- The social and environmental information presented in the EIB's "Corporate Responsibility Developments in 2008" 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. We could observe the improvement of the EIB Statement of Environmental and Social Principles and Standards (2009) and the first steps of the review of the project Value Added procedure. The application of the updated politics should be effective in 2009.
- With regard to the environment, key 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, CO₂ emissions). Other indirect indicators relating to projects financed by the Bank could also be consolidated (e.g. avoided CO₂ emissions through environmental financing of projects).

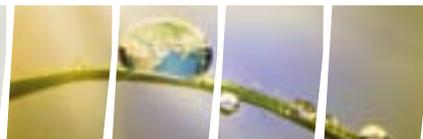
- With regard to social aspects, the Corporate Responsibility Developments in 2008 Report covers the main issues (number of employees, parity, etc.) although some aspects such as training or diversity would deserve a quantitative follow-up.

Completeness

- The reporting procedures and indicators are intended to cover all the EIB's lending activities. Dedicated procedures must be deployed and definitions clarified so as to cover all the reported indicators.
- The perimeters of indicators and exclusion rules (geographical areas, activities, types of loan, inclusion of the EIF) must be formalised and clarified.
- The reporting methods and scope should 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 with explicit definitions, nature of loans taken into account (loans signed or approved, individual or global loans), calculation methods and geographical scope (EU-27, Accession Countries or other partner countries).



- Reporting responsibilities should be clarified and formalized, such as reporting tools and source data clearly identified.
- Efforts are made to provide procedures and guidelines in several languages in order to facilitate their comprehension.

Reliability

- The checks and controls 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 leading 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). Nevertheless, no significant error was observed in the system regarding non-financial data.

Neuilly-sur-Seine, 4 June 2009

ERNST & YOUNG et Associés
Climate Change & Sustainability Services

Eric Duvaud

Conclusion

Based on our work, we have not identified any material misstatement that cause us not to believe that, in all material aspects:

- the selected information designated by the sign have been fairly stated;
- the selected indicators designated by the sign were established in accordance with the reporting criteria applicable in 2008 at the EIB.

GRI CONTENT INDEX:

selection of GRI indicators used by the EIB

GRI Ref Number	GRI Indicator	Source	Page(s) (1)
1. Strategy and Analysis			
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 2008	4
1.2	Description of key impacts, risks, and opportunities	CR Developments 2008 COP 2009-2011	10-11, 36-39 http://www.eib.org/attachments/strategies/cop_2009_en.pdf
Profile			
2. Organisational profile			
2.1	Name of the organisation	CR Developments 2008	Cover page, back page
2.2	Primary brands, products, and/or services	Website	http://www.eib.org/products/index.htm
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures	CR Report 2005 Website	17-19 http://www.eib.org/about/group/index.htm http://www.eib.org/about/structure/index.htm
2.4	Location of organisation's headquarters	CR Developments 2008	Back page
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 Annual Report 2008 – Volume III, Statistical Report	http://www.eib.org/projects/regions/index.htm 5
2.6	Nature of ownership and legal form.	Website	http://www.eib.org/about/index.htm http://www.eib.org/about/group/index.htm
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Annual Report 2008 – Volume III, Statistical Report Website	39-49 http://www.eib.org/projects/index.htm
2.8	Scale of the reporting organisation	Annual Report 2008 – Volume III Statistical Report Website	5 http://www.eib.org/about/key_figures/index.htm
2.9	Significant changes during the reporting period	CR Developments 2008	9, 81
2.10	Awards received in the reporting period	CR Developments 2008	24
3. Report Parameters			
Report Profile			
3.1	Reporting period for information provided	CR Developments 2008	Cover page
3.2	Date of most recent previous report	CR Developments 2008	9
3.3	Reporting cycle (annual, biennial, etc.)	CR Developments 2008	9
3.4	Contact point for questions regarding the report or its contents	CR Developments 2008	Back page
Report Scope and Boundary			
3.5	Process for defining report content	CR Developments 2008	9
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	CR Developments 2008	9
3.7	State any specific limitations on the scope or boundary of the report	CR Developments 2008	9
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities	Website	http://www.eib.org/about/group/index.htm
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 2008	3, 55-62, 81-83
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	CR Developments 2008	9
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	CR Developments 2008	9, 81-83
GRI Content Index			
3.12	Table identifying the location of the Standard Disclosures in the report	CR Developments 2008	91-96, 100-104
Assurance			
3.13	Policy and current practice with regard to seeking external assurance for the report	CR Developments 2008	9, 97-99
4. Governance, Commitments, and Engagements			
Governance			
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific task, such as setting strategy or organisational oversight	Website	http://www.eib.org/about/structure/governance/index.htm
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	http://www.eib.org/about/structure/governance/board_of_directors/index.htm http://www.eib.org/attachments/general/statute/eib_statute_2007_en.pdf http://www.eib.org/about/structure/governance/board_of_directors/index.htm
4.3	Number of members of highest governance body that are independent and/or non-executive	Website	http://www.eib.org/about/structure/governance/board_of_directors/index.htm



GRI Ref Number	GRI Indicator	Source	Page(s) (1)
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	CR Developments 2008 EIB's Statute	85 http://www.eib.org/attachments/general/statute/eib_statute_2007_en.pdf
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	http://www.eib.org/about/structure/governance/board_of_directors/index.htm http://www.eib.org/about/structure/governance/management_committee/index.htm http://www.eib.org/about/structure/governance/nominations-and-remunerations.htm http://www.eib.org/about/news/remuneration-and-terms-of-employment-of-eib-staff.htm
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 http://www.eib.org/attachments/thematic/conductCA_en.pdf http://www.eib.org/about/news/meetings-of-the-board-of-directors-in-2009.htm
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	http://www.eib.org/about/structure/governance/board_of_governors/index.htm http://www.eib.org/about/structure/governance/board_of_directors/index.htm http://www.eib.org/attachments/general/statute/eib_statute_2007_en.pdf
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 CR Developments 2008	12,13, 21-25 14 20,21 25-27
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 Website CR Report 2005 CR Developments 2008	http://www.eib.org/about/mission/index.htm http://www.eib.org/projects/topics/environment/organisation/index.htm 24, 30-32 7, 36-39
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Website	http://www.eib.org/about/structure/governance/management_committee/index.htm
Commitment to External Initiatives			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	The EIB Statement of Environmental and Social Principles and Standards 2009	http://www.eib.org/attachments/strategies/eib_statement_esps_en.pdf
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, 22 http://www.eib.org/infocentre/epe/index.htm http://www.eib.org/attachments/strategies/sourcebook-on-eu-environmental-law.pdf http://www.eib.org/attachments/strategies/eib_statement_esps_en.pdf
4.13	Memberships in associations and/or national/international advocacy organisations	CR Developments 2008	9, 13, 36, 70
Stakeholder Engagement			
4.14	List of stakeholder groups engaged by the organisation	Website	http://www.eib.org/about/partners/cso/index.htm
4.15	Basis for identification and selection of stakeholders with whom to engage	CR Report 2006	37
4.16	Approaches to stakeholder engagement, including frequency or engagement by type and by stakeholder group	CR Developments 2008	8-13 http://www.eib.org/about/partners/cso/events/index.htm
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 Developments 2008 Website	12-16 http://www.eib.org/about/news/public-consultation-on-eibs-eib-statement-of-environmental-and-social-principles-and-standards.htm?lang=en
Economic Performance Indicators			
	Disclosure on management approach	CR Developments 2008 COP 2009-2011	93-94, http://www.eib.org/attachments/strategies/cop_2009_en.pdf
Economic Performance			
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 2008 – Volume II, Financial Report	2, 28-30

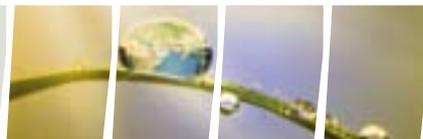
GRI Ref Number	GRI Indicator	Source	Page(s) (1)
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	CR Developments 2008	24-26
EC3	Coverage of the organisation's defined benefit plan obligations	Annual Report 2008 - Volume II, Financial Report	35, 41
Indirect Economic Impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Annual Report 2008 – Volume III, Statistical Report	18-19, 33-36
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Annual Report 2008 – Volume I, Activity Report	2, 6-8
Environmental Performance Indicators			
	Disclosure on management approach	CR Developments 2007 CR Developments 2008	63 37-39, 93-94
Materials			
EN1	Materials used by weight or volume	CR Developments 2008	82-83
EN2	Percentage of materials used that are recycled input materials	CR Developments 2008	82-83
Energy			
EN3	Direct energy consumption by primary energy source	CR Developments 2008	82-83
EN6	Initiatives to provide energy-efficient or renewable energy based products and services	CR Developments 2008	82-83
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	CR Developments 2008	81-83
Water			
EN8	Total water withdrawal by source	CR Developments 2008	82-83
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
Biodiversity			
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 CR Developments 2007	98 40, 41
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 39, 40
Emissions, Effluents, and Waste			
EN16	Total direct and indirect greenhouse gas emissions by weight	CR Developments 2008	82-83
EN17	Other relevant indirect greenhouse gas emissions by weight	CR Developments 2008	82-83
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	CR Developments 2008	81-83
EN19	Emissions of ozone-depleting substances by weight	CR Developments 2008	82-83
EN21	Total water discharge by quality and destination	CR Report 2006 CR Developments 2008	98 83
EN22	Total weight of waste by type and disposal method	CR Developments 2008	82-83
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
Products and Services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	CR Developments 2008	81-83
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	CR Developments 2008	25
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	CR Developments 2008	82-83
Overall			
EN30	Total environmental protection expenditures and investments by type	CR Developments 2008	81-83
Environmental performance - Indicators specific to the banking sector			
	Disclosure on management approach	CR Developments 2008 The EIB Statement of Environmental and Social Principles and Standards 2009	37-39, 93-94 http://www.eib.org/attachments/strategies/eib_statement_esps_en.pdf
FS1	Policies with specific environmental and social components applied to core business lines	CR Developments 2008 The EIB Statement of Environmental and Social Principles and Standards 2009	36-39 http://www.eib.org/attachments/strategies/eib_statement_esps_en.pdf
FS2	Procedures for assessing and screening environmental and social risks in core business lines	Environmental and Social Practices Handbook	http://www.eib.org/attachments/access_to_information.pdf http://www.eib.org/attachments/environmental_and_social_practices_handbook.pdf



GRI Ref Number	GRI Indicator	Source	Page(s) (1)
FS3	Processes for monitoring client's implementation of and compliance with environmental and social requirements included in agreements or transactions	Environmental and Social Practices Handbook	http://www.eib.org/attachments/environmental_and_social_practices_handbook.pdf
FS4	Processes for improving staff competency to implement the environmental and social risks and opportunities	CR Developments 2008 Environmental and Social Practices Handbook	20 http://www.eib.org/about/publications/environmental-and-social-practices-handbook.htm
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	CR Developments 2008 Annual Report 2008 – Volume III, Statistical Report	6, 55-59 39-49
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	CR Developments 2008 Annual Report 2008 – Volume III, Statistical Report	55-59 39-49
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	CR Developments 2008	11, 70-73
F11	Percentage of assets subject to positive and negative environmental and social screening	CR Developments 2008	29-30
Labour Practices and Decent Work			
	Disclosure on management approach	CR Developments 2007 CR Developments 2008	66 85, 59394
Employment			
LA1	Total workforce by employment type, employment contract, and region	CR Developments 2008	89-90
LA2	Total number and rate of employee turnover by age group, gender, and region	CR Developments 2007	55-56
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	EIB Staff Regulations	http://www.eib.org/attachments/general/eib_staff_regulations_en.pdf
Labour/Management Relations			
LA4	Percentage of employee covered by collective bargaining agreements	EIB Staff Regulations	http://www.eib.org/attachments/general/eib_staff_regulations_en.pdf
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	EIB Staff Regulations	http://www.eib.org/attachments/general/eib_staff_regulations_en.pdf
Occupational Health and Safety			
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 2008	56
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 2008	20, 87
LA9	Health and safety topics covered in formal agreements with trade unions	CR Report 2005 CR Report 2006	90, 91 104, 105
Training and Education			
LA10	Average hours of training per year per employee by employee category	CR Developments 2008	87
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	http://www.eib.org/attachments/general/eib_staff_regulations_en.pdf
Diversity and Opportunity			
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 2008	http://www.eib.org/about/structure/governance/index.htm 89-90
LA14	Ratio of basic salary of men to women by employee category	EIB Staff Regulations	http://www.eib.org/about/publications/salary-scale.htm?lang=en
Human Rights			
	Disclosure on management approach	CR Developments 2008 CR Report 2006	93-94 103
Investment and Procurement Practices			
HR2	Percentage of significant supplies and contractors that have undergone screening on human rights and actions taken	CR Report 2006	103
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	CR Developments 2008	20
Society			
	Disclosure on management approach	CR Developments 2007	93-94

GRI Ref Number	GRI Indicator	Source	Page(s) (1)
Community			
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	The EIB Statement of Environmental and Social Principles and Standards 2009 Environmental and Social Practices Handbook	http://www.eib.org/attachments/strategies/eib_statement_esps_en.pdf http://www.eib.org/attachments/environmental_and_social_practices_handbook.pdf
Corruption			
SO4	Actions taken in response in incidents of corruption	CR Developments 2008	26
Product Responsibility			
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 2008	25
Corporate Social Responsibility (CSR) Management – indicators specific to financial services sector			
Disclosure on management approach		CSR Statement CR Developments 2008	http://www.eib.org/attachments/strategies/statemet_csr_en.pdf 93-94
Management system			
CSR 1	CSR Policy	CSR Statement	http://www.eib.org/attachments/strategies/statement_csr_en.pdf
CSR 2	CSR Organisation	CR Report 2005 CR Report 2007 CR Report 2006	28, 29 36, 37 11, 36, 111
CSR 3	CSR Audits	CR Developments 2007 CR Developments 2008	62 11
Sensitive Issues			
CSR 4	Management of Sensitive Issues	CR Developments 2008	10-13, 21-24
Participation			
CSR 6	Stakeholder Dialogue	CR Developments 2008	12-19
Internal Social Performance			
Disclosure on management approach		CSR Statement CR Developments 2008	http://www.eib.org/attachments/strategies/statement_csr_en.pdf 93-94
Policy			
INT 1	Internal CSR Policy	CR Developments 2008	10-11, 91-95
Compensation			
INT 4	Senior Management Remuneration	Website	http://www.eib.org/about/news/remuneration-and-terms-of-employment-of-eib-staff.htm
INT 5	Bonuses Fostering Sustainable Success	Website	http://www.eib.org/about/news/remuneration-and-terms-of-employment-of-eib-staff.htm
Equal Opportunity			
INT 6	Female-Male Salary Ratio	EIB Staff Regulations, salary scale	http://www.eib.org/attachments/general/salary_scale_en.pdf
Performance to society			
Disclosure on management approach		CR Developments 2008	22-24, 52-53
Contributions			
SOC 1	Charitable Contributions	CR Report 2006 CR Developments 2007	36 62
Economic Value Creation			
SOC 2	Economic Value Added	CR Developments 2008	29-30





Glossary

ACCC	Aarhus Convention Compliance Committee	GRI	Global Reporting Initiative
ACP	African, Caribbean and Pacific	HR	Human Resources Department
AFD	Agence Française de Développement	IAS	International Accounting Standards
ALA	Asia and Latin America	ICT	Information and Communication Technologies
ATS	Air Traffic Control Systems	IDB	Islamic Development Bank
BSTDB	Black Sea Trade and Development Bank	IF	Cotonou Investment Facility
CCCCI	China Climate Change Framework Loan	IFAD	International Fund for Agricultural Development
CCGT	Combined Cycle Gas Turbine	IFC	International Finance Corporation
CCS	Carbon Capture and Storage	IFIs	International Financial Institutions
CDM	Clean Development Mechanism	IGOs	Intergovernmental Organisations
CEB	Council of Europe Development Bank	ILO	International Labour Organisation
CFE	Carbon Fund for Europe	IPCC	Intergovernmental Panel on Climate Change
CHP	Combined Heat and Power	ISPA	Instrument for Structural Policies for Pre-Accession
CIP	Competitiveness and Innovation Programme	IT	Information Technology
CMP	Complaints Mechanism Policy	i2i	Innovation 2010 Initiative
CO	Complaints Office	IUCN	International Union for the Conservation of Nature and Natural Resources / The World Conservation Union
CO2	Carbon dioxide	IWRM	Integrated Water Resource Management
COP	Corporate Operational Plan	JASMINE	Joint Action to Support Microfinance Institutions in Europe
COPEC	Joint Committee on Equal Opportunities for Men and Women	JASPERS	Joint Assistance to Support Projects in European Regions
CoR	Committee of the Regions	JEREMIE	Joint European Resources for Micro to Medium Enterprises
COREPER	Permanent Representatives Committee	JESSICA	Joint European Support for Sustainable Investment in City Areas
CPPPT	Joint Committee on Protection and Prevention at Work	Ji	Joint Implementation
CR	Corporate Responsibility	KfW	Kreditanstalt für Wiederaufbau
CRD	Corporate Responsibility Developments	LGTT	Loan Guarantee for TEN-Transport projects
CSOs	Civil Society Organisations	MCCF	Multilateral Carbon Credit Fund
DFIs	Development Finance Institutions	MDBs	Multilateral Development Banks
DG REGIO	Regional Policy Directorate-General (European Commission)	MEPs	Members of the European Parliament
DG TREN	Energy and Transport Directorate-General (European Commission)	MoU	Memorandum of Understanding
DPO	Data Protection Officer	MW	Megawatt
EBRD	European Bank for Reconstruction and Development	NGOs	Non-Governmental Organisations
EC	European Commission	NEFCO	Nordic Environment Finance Corporation
ECG	Evaluation Cooperation Group	NIB	Nordic Investment Bank
ECOFIN	Economic and Financial Affairs Council	NIF	Neighbourhood Investment Facility
ECTF	European Clean Transport Facility	OCCO	Office of the Chief Compliance Officer
EDF	European Development Fund	OCTs	Overseas Countries and Territories
EESC	European Economic and Social Committee	OECD	Organisation for Economic Co-operation and Development
EFQM	European Foundation for Quality Management	OLAF	European Anti-Fraud Office
EFTA	European Free Trade Association	PJ	Projects Directorate
EIA	Environmental Impact Assessment	PPP	Public-private partnership
EIB	European Investment Bank	PV	Photovoltaic
EIF	European Investment Fund	RCF	Risk Capital Facility
EITI	Extractive Industry Transparency Initiative	RDI	Research, Development and Innovation
EO	European Ombudsman	R&D	Research and Development
EP	European Parliament	RSA	Republic of South Africa
EPE	European Principles for the Environment	RSFF	Risk Sharing Finance Facility
EPEC	European PPP Expertise Center	SAGs	Social Assessment Guidelines
ERP	European Economic Recovery Plan	SDU	Sustainable Development Unit
ERPAs	Emissions Reduction Purchase Agreements	SFF	Structured Finance Facility
ESIAF	Economic and Social Impact Assessment Framework	SMEs	Small and medium-sized enterprises
ESO	Environmental and Social Office	SRI	Socially Responsible Investment
ETS	EU Emissions Trading Scheme	TA	Technical Assistance
EU	European Union	TEN-T	Trans-European Transport Networks
EUR	Euros	TENs	Trans-European Networks
EV	Operations Evaluation Unit	UK	United Kingdom
FCCM	Fonds Capital Carbone Maroc	UN	United Nations
FEMIP	Facility for Euro-Mediterranean Investment and Partnership	UNDP	United Nations Development Programme
FMO	The Netherlands Development Finance Company	UNEP	United Nations Environment Programme
FTSE	FTSE The Index Company	UNFCCC	United Nations Framework Convention on Climate Change
GDP	Gross Domestic Product	VA	Value added
GEEREF	Global Energy Efficiency and Renewable Energy Fund	WFD	Water Framework Directive
GHG	Greenhouse gas		

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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 Other

Email

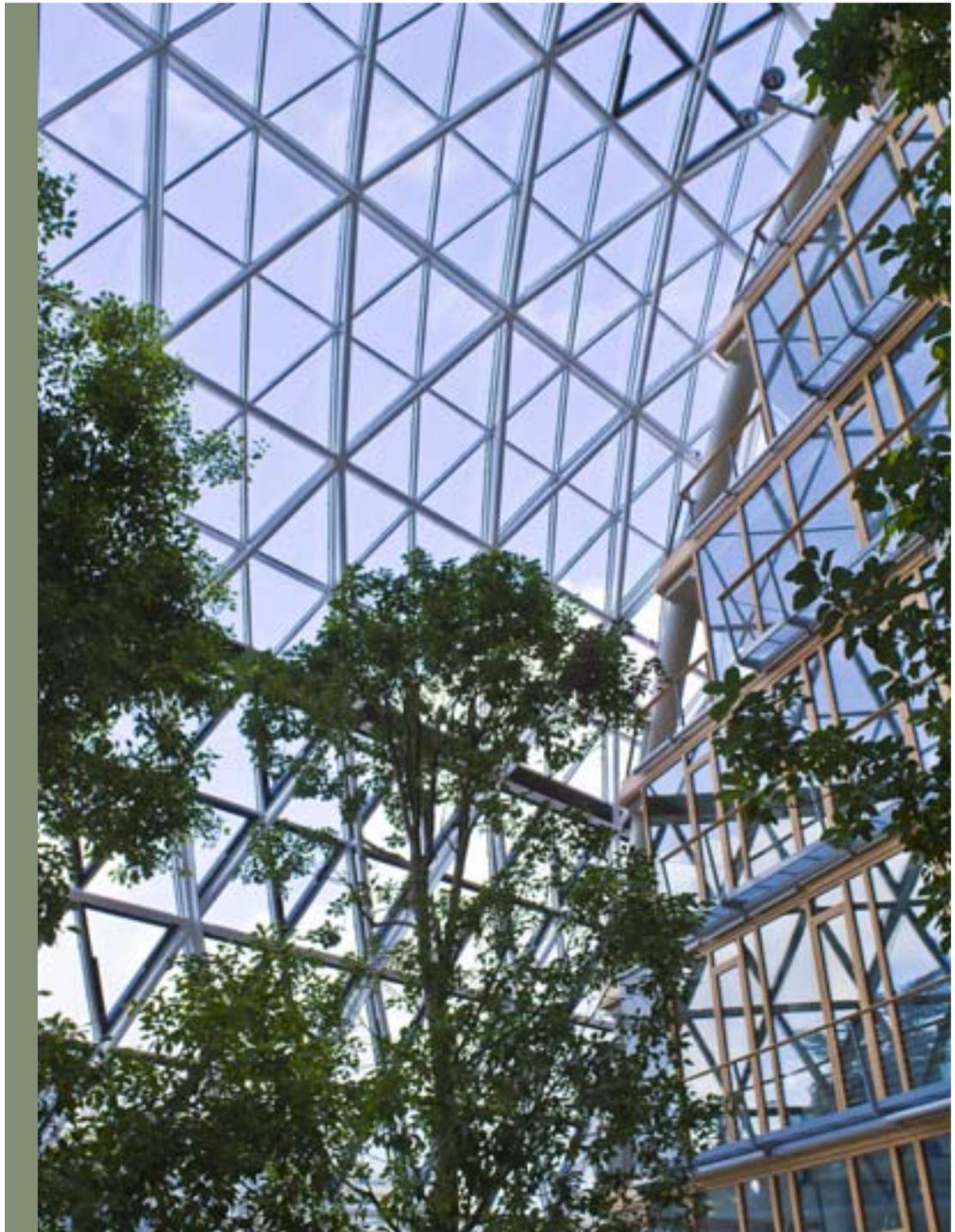
EIB CR REPORTING AND PERFORMANCE

1 Overall, how would you rate the EIB's Corporate Responsibility Developments 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 according to 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 On the basis of this report how do you rate the EIB's 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 CR?				
Yes <input type="checkbox"/>	No <input type="checkbox"/>			
If yes:				
Much better			Much worse	
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5 What information would you like to see in future reports?

6 Questions: (you can also e-mail questions to 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 2008



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