

EIB Remuneration Framework



European
Investment
Bank

The EU bank 

EIB Remuneration Framework

1. Introduction

- 1.1. The European Investment Bank's (EIB) remuneration framework describes and summarises the key principles for a consistent and coherent design, implementation and monitoring of remuneration practices across the organisation.
- 1.2. The EIB is governed by the Treaty on European Union, the Treaty on the Functioning of the European Union and the EIB Statute. The members of the EIB are the Member States of the European Union. The nature of the EIB, the nature of its members, the non-profit making basis of its operations and its strategy driven by public policy objectives, among others, are important features that distinguish the EIB from commercial banks.
- 1.3. The EIB is not formally subject to prudential requirements on remuneration and does not fall under the provisions of the Capital Requirements Directive 2013/36/EU (CRD) and Capital Requirements Regulation 575/2013 (CRR) as amended. However, as a reflection of its statutory duty to conform to Best Banking Practice (BBP), the EIB complies with relevant EU banking rules and guidelines, in line with the principles determined by the competent EIB governing bodies. The EIB Audit Committee's statutory duties include the requirement to verify, and report to the Board of Governors, that the activities of the Bank conform to applicable best banking practice.
- 1.4. The EIB remuneration framework supports the mission and needs of the organisation and its staff members. It reflects the long-term interests of its shareholders and is aligned with the organisation's best banking practice framework.
- 1.5. This document provides information on and compiles the key elements of the EIB's policies and practices on remuneration. As such, it does not in itself create rights and obligations. The Framework is without prejudice to the competences of the EIB's governing bodies regarding the adoption of rules related to remuneration and the budget. This document sets the framework for defining and implementing of compensation practices consistently across the EIB Group. It is shared with the European Investment Fund¹ for the purpose of Group alignment.
- 1.6. Information on qualitative and quantitative remuneration data is disclosed in the EIB Group Risk Management Disclosure (Pillar 3) Report and updated on an annual basis.

2. Key principles of the EIB Remuneration Framework

- 2.1. The key principles of the Framework apply to the entire Bank and shall be reflected in the remuneration practices for employees in all areas of the Bank's activity.
- 2.2. The key principles of the EIB remuneration framework are as follows:
 - a) Compliance with relevant regulatory requirements as best banking practice;
 - b) Clear governance on remuneration;

¹ The European Investment Fund is part of the EIB Group.

- c) Remuneration based on sustainable performance;
- d) Attraction, motivation and retention of talented staff.

a) Compliance with relevant regulatory requirements as best banking practice

2.3. Pursuant to the EIB Best Banking Practice Guiding Principles² approved by the Board of Governors, the Bank's remuneration framework is consistent with and promotes sound and effective risk management, and does not encourage risk-taking that exceeds the level of tolerated risk at the Bank. It is in line with the business strategy, objectives, values and long-term interests of the Bank and incorporates measures to avoid conflicts of interest.

b) Clear governance on remuneration

2.4. Remuneration practices are operating within a clear and transparent governance framework to ensure that they are aligned with the long-term interests of all relevant stakeholders, including EIB shareholders.

c) Remuneration based on sustainable performance

2.5. Following a pay-for-performance approach, remuneration at the EIB is directly linked to the Bank's overall performance, as measured against the organisation's Key Performance Indicators (KPIs), as well as to individual performance, as measured against the individual annual performance targets and competencies. Fixed remuneration constitutes the predominant component of total remuneration. The variable remuneration is the secondary component of the total remuneration and does not contribute to excessive risk taking as its collective part is rather substantial and the levels of variable reward are moderate in comparison to regulatory thresholds and the private sector.

d) Attraction, motivation and retention of talented staff

2.6. The EIB remuneration approach aims to offer a competitive remuneration package to attract high-calibre candidates, retain and motivate its existing staff members in order to accomplish the overall business objectives of the EIB to the highest standards. Remuneration practices are based on international market trends and practices that the EIB closely monitors through regular benchmarking of relevant peer organisations in the international private and public financial market.

² The EIB Best Banking Practice Guiding Principles can be accessed on the EIB website: <https://www.eib.org/en/publications/best-banking-practice-guiding-principles>

3. Compliance with relevant regulatory requirements as best banking practice

- 3.1. The EIB is neither formally subject to prudential regulation nor supervised by an external supervisory banking authority. Notwithstanding, Article 12 of EIB's Statute and Article 24 of its Rules of Procedure task its Audit Committee to verify that the activities of the EIB conform to BBP as applicable to it. BBP refers to the banking regulations and standards that the Bank applies on a voluntary basis to the extent that they are relevant to its activities, statutory governance and mandate, and further set forth within the EIB BBP Guiding Principles and the related implementing framework.
- 3.2. With regards to the remuneration area, the EIB considers as relevant and therefore, aims to comply as BBP with the relevant provisions of:
 - The Capital Requirements Directive 2013/36/EU (CRD) and Regulation 575/2013 (CRR) as amended;
 - The Guidelines on sound remuneration policies provided by the European Banking Authority (EBA) published on 21 December 2015;
 - The Financial Stability Board's (FSB) Principles for sound compensation practices issued in 2009
- 3.3. In line with the relevant regulations, particular attention is paid to avoid incentive elements in variable compensation that may induce behaviours not aligned with the EIB's sustainable business results and risk appetite.
- 3.4. Remuneration practices at the EIB do not incentivize individuals to engage in risk-taking behaviours, due to the features of the variable remuneration structure and considering that the individual decisions are constrained by the different levels of decision-making in the EIB Governance framework (e.g., Management Committee, Board of Directors).
- 3.5. Possible conflicts of interest with regard to the remuneration policy and remuneration awarded are closely scrutinised. The remuneration framework ensures that no material conflicts of interest arise for EIB staff, including staff in Control Functions, through the definition of specific performance objectives in alignment with their rewards. Furthermore, without prejudice to assigning different performance objectives to staff in Control Functions, the remuneration structure for all staff also applies to staff in Control Functions. The *EIB Group Guidelines on Conflicts of Interest*, the *EIB Group Market Abuse Framework* and the applicable codes of conduct contain provisions regarding the identification, prevention and management of conflicts of interest at the EIB.
- 3.6. As by the relevant regulatory provisions and in line with BBP, the EIB defines its Identified Staff following an assessment process based on the qualitative and quantitative criteria defined by the EBA guidelines.
- 3.7. Due to the EIB's non-profit nature, its strategy driven by public policy objectives and internal governance mechanisms that strongly limit decision taking at the individual level, the EIB substantially differs from commercial banks for which regulatory principles concerning Identified Staff have originally been developed.
- 3.8. The self-assessment process for the definition of Identified Staff population at the EIB follows the relevant regulatory requirements and is based on the assessment of qualitative and

quantitative criteria developed by the EBA³. The assessment takes into consideration the following elements, which albeit not directly applicable, are deemed relevant:

- Proportionality principle provided by allowing exemptions from the application of some of the remuneration principles;
- The application of waivers permitted by the relevant authorities of the Member States at the level of institution and/or at the level of Identified Staff;
- Practices existing across the private financial institutions showing the application of exemptions based on remuneration thresholds;
- Factors related to the internal organisation, nature, scope and complexity of the EIB's activities.

3.9. The self-assessment for the definition of Identified Staff population at the EIB and for the application of the regulatory requirements on remuneration in a proportionate manner is reviewed annually, as per regulatory requirements, and disclosed in the Pillar 3 Report.

4. Clear governance on remuneration

4.1. Under its Statute, which is part of the EU Treaties, the EIB's governance relies on three decision-making bodies: the Board of Governors, the Board of Directors and the Management Committee. Together with the Bank's independent control body —the Audit Committee— these make up the statutory bodies of the EIB. The roles and responsibilities of each of the four statutory bodies are defined in the EIB's statutory framework. More information can be found on the EIB website.

4.2. The EIB is simultaneously a body of the European Union and a bank and it is governed by both public and corporate governance principles. The EIB's governance framework is an intrinsic feature of the Bank and full alignment with the governance requirements applicable to commercial banks is not compatible with the Bank's statutory framework and its mission and mandate. In this respect, the EIB differs considerably from commercial banks, given that its activity is driven by public policy objectives and it operates on a non-profit making basis, as specified in Article 309 of the TFEU.

4.3. Nevertheless and according to Article 12 of the EIB Statute, the EIB's activities have to conform to best banking practice. The Audit Committee verifies that the activity of the Bank conform to best banking practice. To further codify and reinforce the EIB's approach to best banking practice, the Board of Governors approved the EIB Best Banking Practice Guiding Principles in July 2018. This document defines the overall principles and the general scope of financial regulations applicable to the EIB as best banking practice and acknowledges, in line with the EIB Rules of Procedure, that the specific characteristics of the EIB's statutory framework, mission, mandate and business model may warrant a modified application of the regulatory requirements.

4.4. According to the EIB Statute, the staff of the EIB shall be under the authority of the President who has the power to decide on all individual staff matters. The Management Committee is

³ EBA criteria for the identification of material risk takers are set out in the Commission Delegated Regulation (EU) No. 604/2014 of 4 March 2014:

- Qualitative criteria are based on the role level and decision-making power, management responsibilities and accountability, and membership of relevant internal committees
- Quantitative criteria are based on thresholds for the total remuneration in the preceding financial year in absolute or in relative terms

competent to adopt and implement the administrative rules relating to the organisation and operation of the Bank's departments, including, as regards staff management, the Staff Rules and the corresponding rights and obligations, without prejudice to the Staff Regulations.

- 4.5. The EIB's Board of Directors approves the Staff Regulations and the proposals from the Management Committee concerning budget and staff remuneration matters, including remuneration policies and practices, developments in remuneration levels, including variable remuneration. In line with best banking practice as applicable to the EIB, a Committee on Staff Remuneration and Budget chaired by the EIB President has been established within the Board of Directors. This committee provides the Board of Directors with non-binding opinions regarding proposals concerning budget and staff remuneration matters, including remuneration policies and practices, developments in remuneration levels, including variable remuneration. The Terms of Reference⁴ of the Board Committee on Staff Remuneration and Budget are available on the EIB website. They include detailed information on the Committee's mandate, duties, composition and meetings.

5. Remuneration based on sustainable performance

a) Remuneration structure

- 5.1. The EIB remuneration framework is defined by its Staff Regulations⁵, which lay down the staff's general conditions of employment.
- 5.2. The EIB remuneration structure recognises the EIB's dual role as a bank and a European public policy-driven institution by providing a total remuneration package that is aligned to private and public financial market practices.
- 5.3. The EIB's remuneration structure makes a clear distinction between fixed and variable remuneration and provides for a cap of variable vs. fixed remuneration, in line with relevant regulatory requirements⁶.
- 5.4. The EIB's remuneration structure is applicable to all staff and establishes a maximum ratio between the variable and fixed components of remuneration. Since 2010, individual variable rewards have been limited to a maximum of 35% of an employee's annual salary (for the net performance award over the gross annual base salary, or the equivalent of about 60% if calculated as the gross performance award over the gross annual base salary).
- 5.5. The overall size of the variable remuneration component is also considered to be in line with requirements, as it accounts for a limited proportion of the EIB's staff cost, and thus does not limit the Bank's ability to maintain a sound capital base. In addition, the size of variable remuneration depends on the achievement of the Bank's key performance indicators (KPIs)⁷. In

⁴ The Terms of Reference of the Board Committee on Staff Remuneration and Budget can be accessed on the EIB website: <https://www.eib.org/en/publications/terms-of-reference-of-the-committee-on-staff-remuneration-and-budget>.

⁵ Links to the EIB Staff Regulations are provided at the end of the document.

⁶ Directive 2019/878 (CRD V), amending Directive 2013/36/EU, requires that the variable component shall not exceed 100% of the fixed component (200% with the shareholders' approval) for the Identified Staff.

⁷ The full set of the Bank's Performance Indicators is provided in the EIB Group Operational Plan (published on the EIB website).

case the Bank's KPIs remain below a set target, variable pay could be either reduced or fully suspended for the respective performance year.

- 5.6. The EIB's remuneration structure complies with the principle of equal pay for female and male employees for equal work or work of equal value. In particular, salary offers at hiring are gender-neutral and checks are performed during annual remuneration cycles to ensure a balanced allocation of rewards.

b) Base Salary

- 5.7. Base salaries at the EIB remunerate the role performed by employees and the scope of responsibilities, reflecting the experience and skills required for each position, the level of performance as well as the competencies required for the role.
- 5.8. Base salaries of staff members are determined with reference to a specific salary grid/salary bands, divided into nine functional/grade levels.
- 5.9. Employee base salaries may evolve in alignment with market trends, macroeconomic conditions and the Bank's overall performance. Individual salary increases are based on staff members' individual performance towards the achievement of annual performance objectives, the performance in relation to peers as well as the competencies demonstrated while executing assigned responsibilities. Base salaries are further adjusted in case of an increase of responsibilities, for example in case of a promotion.

c) Performance-related awards

- 5.10. Variable remuneration at the EIB includes payments depending on performance. The overall variable remuneration pool is dependent of the Bank's overall performance, including the possibilities to either reduce or fully suspend it for the respective performance year in case the Bank's KPIs remain below the set target.
- 5.11. The variable remuneration budget is approved by the Board of Directors on an annual basis. It amounts to a limited proportion of the overall staff budget available for the respective calendar year and thus, does not limit the Bank's ability to maintain a sound capital base. The decision on the overall sizing of variable remuneration rewards is guided by the achievement of Bank's KPIs.
- 5.12. Performance-related awards of EIB staff members are based on the Bank's performance, as well as the individual performance, as assessed during the Bank's annual performance management cycle.
- 5.13. Performance-related awards are provided to eligible staff members in the form of one-time annual cash payments. Performance-related awards are subject to a cap of a staff member's annual base salary, limiting the overall weight of variable remuneration.
- 5.14. Performance-related awards at the EIB consist of two components: the Bank Award, rewarding collective performance, and the Individual Performance Award, rewarding individual performance.

- 5.15. The Bank Award takes into consideration the overall organisational performance. Bank awards amounts are determined centrally for each grade/function, based on the approved budget, and are paid to all eligible employees who are performing at least in line with expectations.
- 5.16. The Individual Award is based on the staff member's individual performance as measured against the achievement of annual performance objectives, the performance in relation to peers as well as the demonstration of certain behavioural competencies. Individual awards are allocated on a discretionary basis with the aim to ensure meritocratic differentiation. They are determined with managerial flexibility based on the individual performance level and budget availability.

d) Other financial and non-financial benefits

- 5.17. EIB staff members also benefit from a number of financial and non-financial benefits, as defined by the EIB Staff Regulations, Pension Scheme Regulations and other internal staff rules. EIB benefits aim to guarantee the well-being of all staff members and their families, aligned to their individual needs during their active career and retirement. The award of each financial and non-financial benefit is dependent on specific eligibility criteria linked to the personal situation of the staff member.
- 5.18. Given the EIB's specific nature as a public institution, its staff members are not eligible to receive benefits as provided by national statutory systems. This is why the financial and non-financial benefits provided to EIB staff members are designed to provide a comparable level of support and protection as provided by national statutory welfare schemes.
- 5.19. Considering the features presented above of the EIB benefits, they are excluded from the fixed remuneration when calculating the cap of variable remuneration in total remuneration. This calculation approach is stricter than provided by the regulators and ensures that the proportion of variable to total remuneration at the EIB continues to stay significantly below the cap of 100%.

e) Compensation structure of members of the management and supervisory function

- 5.20. The compensation of members of the EIB's Governing Bodies is defined by the EIB's governance framework⁸. The compensation of members of EIB's Governing Bodies is composed of fixed allowances, fees or indemnities payable for attendance at meetings and aims to cover expenses related to such.
- 5.21. The Board of Governors is a non-remunerated governing body, and it sets the compensation of the Board of Directors, the Management Committee and the Audit Committee.
- 5.22. The members of the Board of Directors receive neither fixed nor variable remuneration from the Bank, but a fixed attendance allowance for each meeting day of the Board in which they participate and a flat-rate subsistence allowance to cover expenses if they have to stay overnight at the place of the meeting. The Bank also reimburses the travel expenses incurred by members of the Board of Directors. Some Board members are civil servants and may be required by

⁸ Detailed information on the remuneration of the members of the EIB Governing Bodies can be accessed on the EIB website: <https://www.eib.org/en/about/governance-and-structure/statutory-bodies/remuneration.htm>.

national rules to pay the attendance allowance received to their national administration. The members of the Board of Directors do not receive a bonus and are not paid for preparation time between Board meetings or for written decisions.

- 5.23. The remuneration of the Management Committee members is set by the Board of Governors and does not include individual rewards nor Bank's performance objectives. The emoluments of the members of the Management Committee (President and Vice-Presidents of the EIB) are aligned with those of the President and Vice-Presidents of the European Commission respectively.
- 5.24. The Audit Committee members do not receive remuneration from the Bank. For each meeting of the Audit Committee that they attend, members and observers of the Audit Committee receive a daily attendance emolument. The Bank pays a flat-rate subsistence allowance in addition to the reimbursement of travel expenses incurred by individual Audit Committee members. The members of the Audit Committee do not receive a bonus and are not paid for preparation time between the meetings.

f) Remuneration structure of Identified Staff and staff in control functions

- 5.25. The Identified Staff population at the EIB is composed of the members of the Management Committee, Directors General and Directors considering that they have been entrusted with the high responsibility for the organisation, its strategy and activities and therefore are able to have a material impact on the institution's risk profile.
- 5.26. The control functions at the EIB consist of the Risk Management Directorate, the Group's Office of the Chief Compliance Officer and the Internal Audit Department. Their remuneration structure follows the remuneration structure applicable to all staff (i.e.: fixed remuneration, including allowances and benefits, and variable remuneration).
- 5.27. The remuneration structure of the members of the Management Committee is set by the Board of Governors and is aligned with the remuneration of EU high-level public office holders⁹. The remuneration package of the Management Committee members is composed of a base salary and a number of benefits. Management Committee members are not eligible for variable remuneration.
- 5.28. The remuneration structure of the EIB Directors General and Directors follows the same remuneration structure that is applicable to all staff (fixed remuneration, including allowances and benefits, and variable remuneration). The cap on variable remuneration applicable to all EIB staff apply also to the EIB Directors General and Directors.
- 5.29. Regulatory guidelines contain specific requirements for the remuneration of Identified Staff and staff working in Control Functions. Due to the EIB's specific nature and institutional setup (for instance given that the EIB's shareholders are the EU Member States, it cannot pay any part of the variable remuneration in shares or equivalent instruments) and to the prudent remuneration structure in place, the EIB applies adaptations to the remuneration-related requirements for this specific staff population.

⁹ Council Regulation (EU) 2016/300 of 29 February 2016

- 5.30. The EIB sets corporate objectives for EIB Directors General and Directors in order to ensure further alignment between objectives, performance and rewards. Multi-annual objectives will be assessed in the future, in alignment with the timeframe of the EIB's Operational Plan.

6. Attraction and retention of EIB staff

- 6.1. The EIB remuneration approach aims to offer a competitive remuneration package to attract high-calibre candidates, and retain and motivate existing staff members in order to accomplish the overall business objectives of the EIB to the highest standards.
- 6.2. As a body of the European Union, the EIB's recruitment activities do not follow national quotas. However, the EIB staff population shall be composed of a balanced representation of EU Member States. Therefore, the EIB needs to be able to attract international staff.
- 6.3. The EIB is committed to ensuring fair treatment in terms of compensation and benefits for all its employees, regardless of age, race, culture, gender, disability, sexual orientation, religion, political belief and marital status.
- 6.4. The EIB promotes the equal treatment of staff members by maintaining a single salary spine for all employees and the consistent application of rules and procedures for all remuneration elements.
- 6.5. In order to attract high-calibre candidates and retain and motivate existing staff members, EIB base salaries aim to be competitive. Therefore, the level of base salaries is regularly benchmarked against the remuneration practices of relevant peer organisations in the private and public international financial market.
- 6.6. Remuneration practices are based on international market trends and practices, which the EIB monitors closely through regular benchmarking exercises amongst relevant peer organisations in the international private and public financial market.

7. Supplementary information on remuneration

- 7.1. The EIB has a series of legal documents defining all elements of staff members' remuneration packages. These include a number of internal documents, which are based on the EIB Staff Regulations¹⁰.
- 7.2. In addition to the above, the following documents are useful references:
- EIB Pension Scheme Regulations
 - The Governance of the European Investment Bank¹¹
 - Terms of Reference for Board Committee on Staff Remuneration and Budget¹²

¹⁰ The EIB Staff Regulations: <https://www.eib.org/en/publications/staff-regulations>.

¹¹ The Governance of the European Investment Bank: <https://www.eib.org/en/publications/governance-of-the-eib.htm>.

¹² Terms of Reference for the Board Committee on Staff Remuneration and Budget: <https://www.eib.org/en/publications/terms-of-reference-of-the-committee-on-staff-remuneration-and-budget>.

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