

The EIB Group Operational Plan 2021



European
Investment
Bank

The EIB bank 

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January 2021

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Published by the European Investment Bank.

Printed on FSC Paper

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Glossary of Terms

3PA	3 Pillar Assessment Methodology (methodology for assessing value added of projects inside EU)
ABS	Asset Backed Securities
ACP	African Caribbean and Pacific
ADB	Asian Development Bank
AFP	Anti-Fraud Policy
AIM	Additionality and Impact Measurement
ALA	Asia and Latin America
AML/CFT	Anti-Money Laundering, Combatting the Financing of Terrorism
BBP	Best Banking Practice
CAB	Climate Awareness Bonds
Candidate countries	Turkey, North Macedonia, Iceland, Montenegro, Serbia, Albania
CBR	Climate Bank Roadmap
CDP	Carbon Disclosure Project
CEF	Connecting Europe Facility
CM	Complaints Mechanism
COSME	EU programme for the Competitiveness of Small and Medium-sized Enterprises
DFIs	Development Finance Institutions
DSSI	Debt Service Suspension Initiative
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECA	European Court of Auditors
ECB	European Central Bank
ECDC	European Centre for Diseases Prevention and Control
EDGE	Economic Dividends for Gender Equality
EDP	Energy Demonstration Projects
EEAS	European External Action Service
EFRAG	European Financial Reporting Advisory Group
EFSD+	European Fund for Sustainable Development +
EFSI	European Fund for Strategic Investments
EFTA	European Free Trade Area

EGD	European Green Deal
EGF	Pan-European Guarantee Fund in response to COVID-19
EIAH	European Investment Advisory Hub
EIF	European Investment Fund
ELENA	European Local Energy Assistance facility
ELM	External Lending Mandate with guarantee from the EU budget granted by Decision No 466/2014/EU of 16 April 2014 of the European Parliament and of the Council of the European Union.
EMAS	Eco-Management and Audit Scheme
EMS	Environmental Management System
ENCA	Eastern Neighbourhood and Central Asia
ERDF	European Regional Development Fund
ESG	Environmental, Social, and Governance
ESIF	EU Structural and Investment Funds
EUST	EU Sustainability Taxonomy
FTE	Full Time Equivalent Staff
GCRO	Group Chief Risk Officer
GDP	Gross Domestic Product
GHG	Greenhouse gas
IA	Internal Audit
ICT	Information and Communication Technology
IDFF	Infectious Diseases Finance Facility
IF	Investment Facility
IFE	Impact Financing Envelope
IFIs	International Finance Institutions
IG	Inspectorate General
IIW	Innovation & Infrastructure Window
IMF	International Monetary Fund
InnovFin	EU Finance for Innovators
Inside the EU	28 Member States of the European Union
InvestEU	Programme to run between 2021 and 2027 to bring together under one roof the multitude of EU financial instruments currently available to support investment in the EU
JASPERS	Joint Assistance to Support Projects in European Regions
JTM	Just Transition Mechanism

KPIs	Key Performance Indicators
LGF	Loan Guarantee Facility
MBILs	Multi-Beneficiary Intermediated Loans
MDBs	Multilateral Development Banks
MFF	Multiannual Financial Framework
MidCaps	Companies of a size and development stage between SMEs (according to the Community definition of less than 250 employees) and larger companies
NCJ	Non-Compliant Jurisdiction
NDICI	The Neighbourhood, Development and International Cooperation Instrument
Neighbourhood & Partnership Countries	Include Mediterranean countries (excluding Turkey), Eastern Europe, South Caucasus, Russia, ACP/OCT, RSA, ALA
Next Generation EU	€750 billion EU emergency recovery instrument to help repair the immediate economic and social damage caused by the COVID-19 pandemic
NGOs	Non-Governmental Organisations
NPBIs	National Promotional Banks and Institutions
NPIs	National Promotional Institutions
OCT	Overseas Countries and Territories
ODA	Official Development Assistance
Outside the EU	Pre-Accession, EFTA, Neighbour and Partner Countries
PCC	Procurement Complaints Committee
Potential Candidate countries	Bosnia and Herzegovina, and Kosovo (under UNSCR 1244)
PPGs	Four primary public policy goals of innovation, SMEs and Mid-cap financing, infrastructure and environment
Pre-Accession Countries	Collective term for Candidate and Potential Candidate countries
R&D	Research and Development
RCR	Risk Capital Resources
ReM	Results Measurement Framework (methodology for assessing value added of projects outside EU)
RRF	Recovery and Resilience Facility
RSA	Republic of South Africa

SAB	Sustainability Awareness Bonds
SBT	Science Based Targets
SDGs	Sustainable Development Goals
SLA	Service Level Agreement
SMEG	SME Guarantee
SMEs	Small and Medium-sized Enterprises
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Interbank Average Rate
SPLs	Structural Programme Loans
SSA	Sub-Sovereign Authorities
UN	United Nations
UN SDGs	United Nations Sustainable Development Goals
UNDP	United Nations Development Programme
UNGC	United Nations Global Compact
URBIS	Urban Investment Support
WEO	World Economic Outlook
WRI	World Resources Institute
WWF	World Wide Fund for Nature

Executive Summary

- I. The global outbreak of the coronavirus disease pandemic (COVID-19) at the start of 2020 sent shockwaves through the global economy and dramatically altered the EIB Group's operating environment. A full-scale EU crisis response was launched and the EIB played its part with an immediate support programme focused on those clients and sectors most affected by the crisis and the establishment of the Pan-European Guarantee Fund (EGF). Nevertheless, huge uncertainty remains and, it is evident that the Bank will have to continue to step up its efforts to **support the EU's sustainable economic recovery strategy**.
- II. While the EIB's and EU policy priorities have been dramatically re-ordered in the face of the COVID-19 pandemic, fighting climate change continues to be one of the most defining challenges of our time. The EIB Group remains committed to continuing to increase its share of financing dedicated to **support Climate Action and Environmental Sustainability**. The Climate Bank Roadmap, a business development plan covering the Group's financing and advisory activities supporting Climate Action and Environmental Sustainability up to 2025, was approved by the EIB Board of Directors in November 2020, building on our 2015 Climate Strategy.
- III. We will also remain focused on the statutory mission of supporting **Cohesion**. Structural differences persist across Member States and are reinforced by the COVID-19 economic crisis, which is not uniform across the EU. The EIB's commitment to the Commission's Just Transition Mechanism (JTM) provides an important bridge between the two key transversal policy objectives of Climate Action and Cohesion. In regions that are currently more dependent on fossil fuels, we will help them switch to low-carbon and resilient economies, while continuing to ensure that no one is left behind.
- IV. There is a significant structural gap in EU **Innovation and Digitalisation** investment, which is hampering EU economic growth. This investment gap is now at risk of being exacerbated during the COVID-19 recovery. To address the effects of the crisis, European companies need to rethink and accelerate their digitalisation implementation to increase resilience and productivity while at the same time optimising business processes. It is the EIB Group's aim to back the technological transformation in the EU, which has the potential to boost more inclusive and sustainable growth by spurring innovation, generating efficiencies, and improving services.
- V. The EIB's **Public Policy Goals** (PPGs) are rooted in the requirement to demonstrate the support of EIB operations for the political priorities set by the EU. The changing priorities that have emerged in the context of the Multiannual Financial Framework (MFF), the EIB's increased ambitions as the EU's Climate Bank, the new Additionality and Impact Measurement framework, and the urge to give more visibility to the Bank's contribution

to the United Nations Sustainable Development Goals (UN SDGs) have made an adjustment of the EIB's PPG framework necessary. Hence, in this Operational Plan 2021 a new PPG framework is presented, aligned to relevant EU policy objectives and supporting a more streamlined approach to target setting and reporting.

- VI. Next to the EIB Group's own risk and own resource engagement in these priority areas a key element of the Plan for the coming years, will be the **implementation of EU mandates in the MFF 2021-2027 and programmes under the Next Generation EU**. The EIB Group stands ready to deliver the new mandates in order to support the EU's post-crisis recovery and provide the foundations for sustainable long-term growth based on the key EU priorities of climate, digital and cohesion.
- VII. **Outside the European Union**, there is a persistent need for more effective EU development finance in order to mobilise significantly more resources, promote multilateralism and ensure EU strategic autonomy. The EIB's development activities will be dependent on the transitional arrangements currently under discussion with the Commission and the co-legislators, and on the operationalisation of mandates under the MFF 2021-2027. Despite this uncertainty, EIB financing outside the EU in 2021 is targeted to remain at similar levels to those of recent years, focused on supporting COVID-19 crisis response measures in developing countries, including short- and medium-term support for the healthcare sector, SME financing and investments to spur economic recovery, as well as continued financing to fight climate change globally. The EIB stands ready to contribute to the coordinated approach proposed by the Commission under the "Team Europe" initiative and support projects that will help to address the COVID-19 health crisis and contribute to building health preparedness and economic resilience.
- VIII. Another key pillar of the EIB Group's COVID-19 crisis response is the **Pan-European Guarantee Fund (EGF)**, which became operational in July 2020 with the first operations approved at the EIB's Board of Directors meeting in October 2020. The EGF is expected to support up to EUR 200bn of financing during the planning period with a focus on SMEs, MidCaps, corporates and public sector companies and entities active in the area of health or health-research or providing essential services related to the health crisis. As an extraordinary crisis measure, the activities undertaken by the EGF will be considered 'over and above' the financing programme presented in this Operational Plan.
- IX. Following its unprecedented growth, the European Investment Fund's (EIF) activities are planned to continue to increase significantly during 2021 primarily due to its fundamental role in implementing the EGF, but also through InvestEU and other COVID-19 support measures. **The EIB Group will be the key implementing partner of InvestEU** with responsibility for the management of 75% of the overall budgetary capacity of the instrument. This will necessitate greater cooperation and integration at the Group level. With the creation of a Group Risk and Compliance Function overseen by the Group Chief

Risk Officer (GCRO) who was appointed in the third quarter of 2020, **EIB Group governance** is also being strengthened.

- X. The EIB Group's staff continue to demonstrate commitment and flexibility despite the extraordinary challenges of the COVID-19 crisis. The EIB continues to deliver in a changed operating landscape and will assess the lessons learned from the crisis to analyse what further improvements can be made in **the way we work**. The EIB remains confident that we can continue to fulfil our role as the EU Bank.

1. Economic and Geopolitical Outlook

The unfolding COVID-19 pandemic has led to an extreme economic slowdown. The resulting disruption is spread across countries and sectors, compounding existing structural challenges. Dislocation and uncertainty remain hallmarks of the pandemic, with the resurgence of a second wave and rapid spread of highly contagious strands shifting risks further to the downside, at least over the near-term. By end-2020, world economic gross domestic product (GDP) is forecast to shrink by 4.3%¹. Despite unprecedented monetary and fiscal stimulus worldwide, most analysts expect economic activity in advanced economies to remain well below the pre-crisis trend in 2021. Uncertainty dominates, with the unknowns including the effects of a second round of the pandemic, progress on the implementation of medical treatments and vaccines, potential further dislocation in the economic system, and the transition path towards a longer-term new way of living.

The Commission's autumn forecast expects EU GDP to contract by 7.4% in 2020, and for Member States the expected contraction ranges from 2.2%-12.4%. A meagre 4.1% is expected for 2021 in a U-shaped recovery starting in the third quarter of 2020. The economic shock will likely reverberate over the longer term. Activity may remain below pre-crisis levels through 2022. Investment, the most volatile component of GDP, contracted slightly ahead of GDP through the second quarter of 2020, probably supported by a pipeline of existing commitments. Public policy support – by direct stimulus and reducing uncertainty – can play an important role in ensuring that this pipeline does not dry up.

Fiscal support was swift and massive, with tangible effects on labour markets and corporates. Labour markets have clearly suffered, but the increase in the EU unemployment rate was limited (from 6.5% in March to 7.5% in September). Still, structural differences across Member States not only remain large, but are also reinforced by the crisis. Consumer price inflation remains subdued, with the sudden drop in demand outweighing any localised emergence of bottlenecks. A sustained strengthening of the euro over recent months contributed to reducing inflation to record lows. Without a sudden surge in prices, monetary policy is expected to remain highly supportive, via both liquidity provision and asset purchases, with continued low rates of return and high asset valuations likely, a major factor in calming financial markets.

As EIB research² highlights, various liquidity support and guarantee measures contributed to shielding corporates at the cost of greater leverage. While a good shock absorber, without a resurgence in demand this will increase vulnerability and solvency risks, eventually forcing corporates to trade-off investment with greater leverage. It follows that equity will have to play a role in preserving corporate investment.

Strong policy support notwithstanding, continued uncertainty weighs on investment. The lock-down has generated liquidity shortfalls for a large share of firms, particularly SMEs. Short-term policy support has been instrumental in navigating the initial challenges, alleviating constraints for access to working capital. According to the EIB investment survey conducted during the summer of 2020, however, the heightened uncertainty acts as an investment

¹ European Economic Forecast – Autumn 2020, European Commission, November 2020

² [Investment vs debt trade-offs in the post-COVID-19 European economy, EIB Working Paper 2020/09](#).

constraint, weighing on 80% of EU firms³. Accordingly, the number of firms expecting to decrease investment in 2020 outweighs those considering an increase. With specific reference to COVID-19, 45% of EU firms expect to reduce investment due to the crisis. At the same time, firms recognise that they need to adapt as the world's economies embraces digitalisation and confront the challenges of climate change. Almost 60% of EU firms expect this will require much stronger use of digital technologies, while some 40% expect it will call for a revision in their product or services mix and supply chains. **Adapting to this new way of operating will require much stronger investment, to deal with the smart and green technology.**

The pandemic affects the EU in a unique manner. First, the EU's open economy is highly exposed to global events, not least given how interlinked it is with global supply chains. Further, the economic shock is uneven across Member States and sectors. While demand has increased for some sectors, such as healthcare, pharmaceuticals, or IT, it has dropped for sectors linked to tourism, transport and hydrocarbons. The economic shock may also have a catalytic effect as the EU seeks to manage the transitions required to face climate and technological change. Indeed, one should recall that the pandemic hit as economic growth was already slowing, with the EU automobile sector, in particular, a concern. These challenges require both private sector risk taking and public sector support. According to survey evidence, related infrastructure gaps are ubiquitous and the closure of which is a priority for EU municipalities⁴. In addition, the following factors form part of a vicious circle that tends to undermine cohesion: epidemiological exposure, fiscal space, health and care capacities, and distribution of economic sectors and structural unemployment. Member States that suffered most in the wake of the euro area sovereign debt crisis are most exposed. Finally, social and regional disparity remain important challenges. These points underline the importance of the provision of public services, not least health, care, and education, which require sound infrastructure.

Outside the EU, GDP is set to shrink by 3.8% in 2020 followed by a rebound of 4.7% in 2021. According to the IMF World Economic Outlook (WEO), economies in Latin America where several countries already faced economic crisis prior to the pandemic, are among the worst hit, with a contraction of GDP around 8% on the cards. The Middle East and Central Asia as well as Emerging and Developing Europe look set to shrink by some 4-5% in 2020, followed by rebounds of 3-4% in 2021, with the fall in the price of hydrocarbons an important factor.

The EIB has undertaken work to examine the vulnerability of emerging markets and developing countries to the pandemic. While the epidemiological and medical aspects of the pandemic will largely determine the impact on each country, the analysis focuses on disentangling the capacity of each economy to react to the pandemic. In the Western Balkans several countries fall into the intermediate vulnerability category. In the Southern Neighbourhood, one country is in the highest vulnerability group, but most of the others have intermediate vulnerability. Most of the countries in the European Union's Eastern Neighbourhood and Central Asia (ENCA) region are in the intermediate vulnerability group, with the poorest two falling into the highest vulnerability category.

³ Cf. [EIBIS publications](#)

⁴ Cf. [EIB 2020 Municipality Survey](#)

2. Decisions of the EIB Board of Directors

On the basis of the Operational Plan 2021 as here described, the EIB Board of Directors approved:

Financing Programme

- I. A **disbursement** orientation of EUR 47-57bn for 2021
- II. A total new **signature** volume of EUR 63bn (+10%/-10%) for 2021.

Borrowing Programme

- III. A **global borrowing authorisation**⁵ for 2021 of up to EUR 70bn and the implementation of treasury and derivatives management operations.

Budget

- IV. The expenses and revenues of the Operating Budget and the Capital Budget for 2021. The overall Operating Expenses budget is EUR 1,064.4m implying a cost coverage ratio of 147%.
- V. The delegating of decisions to the Management Committee regarding staff and operating expense budgets relating to existing mandate agreements provided that the budgetary framework of these mandates approved by the EIB Board of Directors is complied with (as granted in the Operational Plan 2021).
- VI. The principle of making relevant resources available during 2021 for other new initiatives provided that the EIB Board of Directors will have approved these initiatives and will have been informed of the impact on the 2021 budget and cost recovery accordingly.

⁵ The borrowing authorisation represents the maximum limit and should not be seen as an imposed target. The Bank also retains the possibility to adjust it, particularly if its funding needs change during the year.

3. Additionality and Impact

The EIB is a policy driven bank. It must ensure that its operations are both eligible for financing and provide additionality. The EIB's **eligibility** criteria, together with the allocation of financing to Public Policy Goals (PPGs), seek to ensure that activities are aligned with our statutory obligations and EU policy objectives. **Additionality** ensures that EIB support helps or strengthens eligible projects – from a public welfare perspective – in a way that the market would not do by itself or in the same timeframe, most notably by mitigating market failures.

In October, the EIB Board of Directors approved the implementation of a value-added framework to strengthen measurement of the Bank's additionality and impact (**EIB Additionality and Impact Measurement (AIM) Framework**). The new framework goes beyond pure measurement, enabling the Bank to demonstrate more clearly how it makes a difference in peoples lives. The AIM bolsters the EIB's mission and accountability as a public institution by raising awareness among its staff and stakeholders, and supporting enhanced communication on its operations.

The new AIM framework includes an additionality assessment based on three pillars:

- Pillar 1 evaluates to what extent EIB operations address suboptimal investment situations and investment gaps resulting from market failures (the **why** of the EIB's intervention);
- Pillar 2 evaluates **what** project adequately addresses the market failures identified under Pillar 1, and to what extent;
- Pillar 3 evaluates **how** the EIB helps or strengthens a project through providing financial or non-financial support, which complements what is available from other market sources.

The change in the scoring system, from the old system (3PA/ReM) to AIM, triggers a review of the relevant value-added key performance indicators (KPIs). Currently there are six KPIs, which reflect EU and non-EU results for each of the three pillars. The implementation of AIM will result in one KPI per pillar (three in total) measuring value-added performance both inside and outside the EU. Two alternative options for future KPIs were presented to the Board of Directors in October. As robust data is not yet available, it has been decided that both options will run in parallel in 2021, allowing further data analysis to underpin plausible targets for the new KPIs. For 2021, indicative orientations are presented in [Tables 1a and b](#).

The AIM's most notable feature is the **Additionality and Impact Statement**, which will be made public for each approved operation. The Statement summarises the main arguments for Bank intervention, the expected results and the impact of the operation, and how the EIB specifically contributes to helping or strengthening the project.

Table 1a: Additionality and Impact Measurement – Value-added KPIs Option 1

OPTION 1			2021 Orientation	Tolerance	Accepted range
AIM: Average of the portfolio ratings against a minimum benchmark level.		Target category			
- Pillar 1: Policy	Very Good		3.0	± 0.3	2.7-3.3
- Pillar 2: Project quality and results					
- Pillar 3: EIB contribution					

Table 1b: Additionality and Impact Measurement – Value-added KPIs Option 2

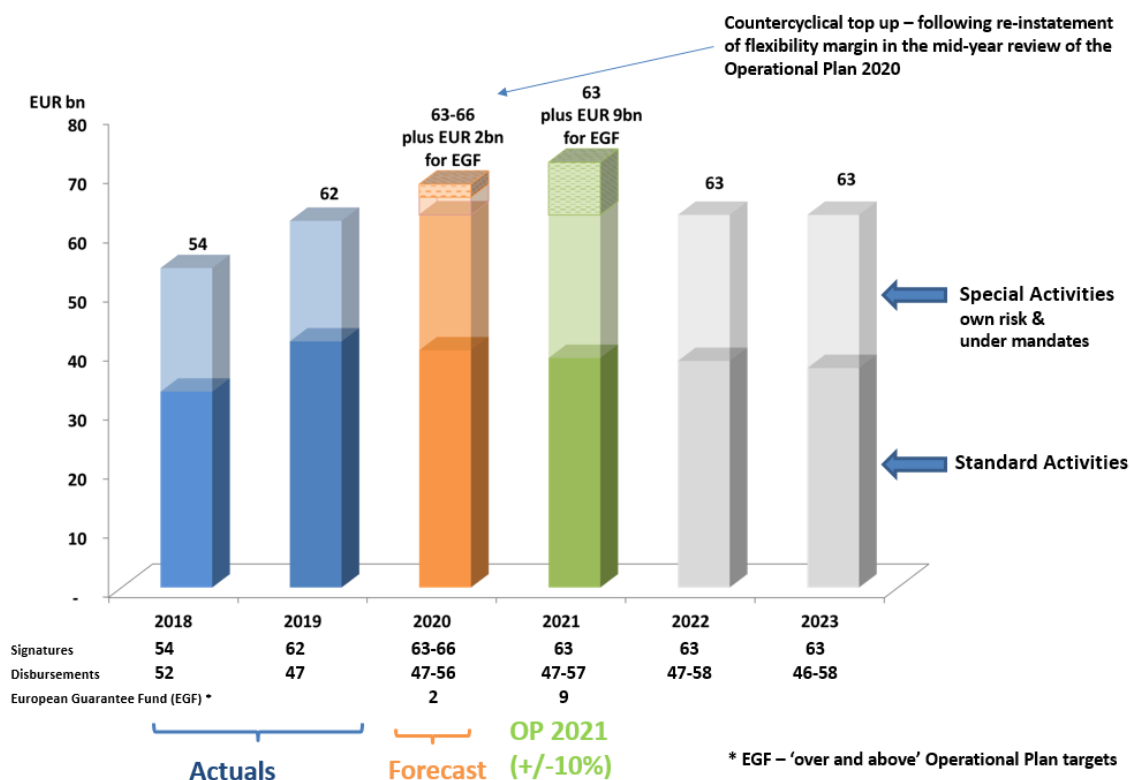
OPTION 2			2021 Orientation	Tolerance	Accepted range
AIM: Proportion of approved operations in top two rating categories		Categories			
- Pillar 1: Policy	Very Good/Excellent	%	80	± 5%	75%-85%
- Pillar 2: Project quality and results					
- Pillar 3: EIB contribution					

Financing Programme - Overview

The overall financing programme for the Bank for 2021 has been defined to optimise additionality and impact whilst supporting a sustainable economic recovery in the EU and fulfilling the evolving EU priorities under the new MFF 2021-2027. At the same time, the longer-term financial sustainability of the Group remains key in calibrating a financing programme that balances volume and risk.

The recent evolution and the expected lending programme utilising EIB own resources is shown in [Graph 1](#).⁶

Graph 1: Evolution of the EIB Financing Programme (EIB own resources)



Financing Programme – Focus and approach

The financing programme in 2021 will face unique challenges as the EIB strives to play its role in the EU’s recovery strategy whilst remaining focused on its core objectives. The dual crises of the COVID-19 pandemic and the Climate Emergency will frame the EIB’s activities in the years to come. A key consideration in this Operational Plan has been how the EIB will address these two crises with sufficiently ambitious, but realistic, targets.

The unprecedented challenges in the operational environment already outlined in [Section 1](#) include a lack of investment continuity, growing investment gaps and an inability for both private and public investors to make the necessary long-term investment plans. The COVID-19 crisis has negatively affected the origination and planning of large projects and generated

⁶ The detailed Performance, Public Policy Goal and Monitoring indicator tables plus other relevant statistics related to the Operational Plan 2021 are provided in [Section 7](#).

delays in direct investments in the public sector, particularly in sub-sovereign or local administrations.

While the persistently low or negative interest rate environment continues to affect the EIB's pricing conditions within the EU, in particular, the Bank aims to offer other benefits to clients, such as larger ticket sizes, longer tenors or increased risk taking. Credit enhancement provided under EU mandates also deepens the EIB Group product offerings and allows the Group to address market failures, particularly where COVID-19 response measures have constrained the public and private sectors.

Table 2 reflects the breakdown of the signature and disbursement levels by region.

**Table 2: Signatures and Disbursements utilising EIB own resources
- inside / outside EU**

EUR bn	2019 achieved	2020 forecast	2021 orientation	2022 <i>indicative figures</i>	2023 <i>indicative figures</i>
Total Disbursements inside EU	43.7	41.5-50.0	42.0-51.5	42.0-52.5	41.0-52.5
Total Disbursements outside EU	3.8	5.5-6.0	5.0-5.5	5.0-5.5	5.0-5.5
Total Disbursements	47.5	47.0-56.0	47.0-57.0	47.0-58.0	46.0-58.0
Total Signatures inside EU	54.9	54.0-57.0*	55.3	55.3	55.3
Total Signatures outside EU	7.0	8.0-9.0	7.7	7.7	7.7
Total Signatures	61.9	63.0-66.0*	63.0	63.0	63.0

*following the reinstatement of a flexibility allowance for 2020

The Plan is presented with a flexibility margin of +/- 10% for 2021 signatures to provide the EIB's Management Committee with room to manoeuvre under an extremely uncertain operating environment. In 2020, it was clear that we need to be flexible in the changing market circumstances, as new priorities emerged and the lockdowns, social distancing and travel restrictions created operational constraints for our business plan implementation.

The EIB's COVID-19 response during 2020 substantially repurposed our original business plan. We had to provide fast and immediate support to clients and to respond to changing EU priorities. The emergency support was appreciated by clients and the demand continues to increase. As proof of the Bank's countercyclical role, the project pipeline is sound, mainly driven by a marked increase in the demand to support SMEs and MidCaps that have been most affected by the crisis, and the financing of urgent liquidity needs related to healthcare investments in the public sector.

European Guarantee Fund

The Pan-European Guarantee Fund is designed to respond to the economic impact of the COVID-19 pandemic outbreak by ensuring that eligible entities, primarily SMEs in participating Member States, have sufficient liquidity and access to finance to weather the crisis and continue their development in the medium to long term. Activities under the EGF are over and above the Bank's core business as presented in this Operational Plan. As an off-balance sheet vehicle, the EGF enables the EIB Group to intervene beyond its traditional areas of activity with targeted investments that make big impact.

The EGF became operational in July, and has received so far signed agreements from 21 EU Member States accounting for approximately 97% of the EIB's capital. The Fund will support up to EUR 200bn of financing with a focus on SMEs, MidCaps, large corporates and public sector companies. Entities in participating Member States that are active in healthcare or health-research or essential services related to the health crisis could also be eligible for support. In light of the short implementation timeframe, the EGF product offering is limited and leverages on existing products, covering both debt (risk-sharing, capped and uncapped), equity and equity-type.

The EIF expects to approve up to 500 single transactions with financial intermediaries by the end of 2021. On 31 August 2020, the EIF published a call for interest inviting financial intermediaries to apply for financing under the EGF. More than EUR 4bn have been approved by end of 2020 and the first signatures are expected in the first quarter of 2021.

The first operations under the EGF were approved at the October EIF and EIB Board meetings. The EGF Contributor's Committee approved global authorisations for EUR 1.4bn for EIB lending (EIB Linked Risk Sharing and Venture Debt products) and EUR 2.8bn of EIF lending and equity products, (EUR 1.6bn Uncapped Guarantee, EUR 350m of Capped Guarantee, EUR 140m Senior Private Credit Funds EUR 640m Target Fund Size Facility /Selective Loan Funds Facility and EUR 20m Existing Funds Top-up Facility). The EGF Committee also approved individual EIB and EIF operations for an amount of EUR 962m, including uncapped guarantees of EUR 162.5m to an Italian cooperative bank, EUR 57m to a Dutch intermediary, EUR 227.5m to a Nordic financial institution and EUR 500m to a Spanish bank, and a EUR 15m equity operation with a Nordic fund, ensuring that small and medium-sized businesses, as well as larger corporations and the health sector, can access finance through local financial partners across Europe.

Inside the European Union

Total signature volumes inside the EU are expected to remain stable at a long-term sustainable level of about EUR 55bn p.a. over the planning period. The EIB Group will also remain committed to deliver on its EU mandates, particularly InvestEU, which is bringing together under one roof the multitude of EU financial instruments for inside EU operations.

The Bank will continue to deliver much-needed long-term financing within the EU utilising its full product range in order to meet market needs and address investment gaps. In addition, it will use its market knowledge and established networks with public and private investors in order to identify projects and design financing structures, which contribute to the cohesion and competitiveness of the EU economy. Additional offerings of a non-financial nature such as advisory services will also be provided in order to attract other funding sources.

The COVID-19 crisis has underlined how the EIB's standard products remain vital in raising and disbursing significant volumes of finance to projects and/or counterparts. This is particularly evident in EIB support through credit intermediation to SMEs and MidCaps, who have suffered liquidity shortfalls during the lock-down. Indeed, the overall demand for SME and MidCap lending is expected to increase over the planning period with MBILs, Loan Substitutes and capital relief products (e.g. ABS structures and risk sharing) remaining the most relevant products for the banking sector.

The European Fund for Strategic Investments (EFSI) has set the benchmark for the development of the EIB's Special Activities products inside the EU targeting in particular the higher risk private corporate sector that would otherwise have no access to credit. EFSI products have generated higher additionality than standard products, making EFSI a unique instrument for targeting sustainable growth and employment, which are vital for Cohesion and competitiveness. A recent success story has been the EIB debt financing provided to BioNTech for COVID-19 vaccine development and manufacturing that was supported by the EFSI guarantee. The EIB Group exceeded ahead of schedule the EFSI target of facilitating EUR 500bn in additional investments in the real economy on the basis of approvals in June 2020. With an approved lending volume of EUR 102.4bn as at 16 December 2020, the EIB Group expects to facilitate EUR 548.7bn of additional EFSI investments.

The successor of EFSI, InvestEU, will involve lower volumes from the Bank under this mandate. In order to continue to deliver these essential and high impact products, the EIB aims to partly compensate the lower volumes by using higher own risk Special Activities.

In July, Member States agreed with the Commission to create the Recovery and Resilience Facility (RRF), which is expected to comprise up to EUR 312.5bn of EU grants and EUR 360bn in loans targeting public sector investments by 2023. The socio-economic impact of COVID-19 in Europe is reaching unprecedented levels and the EIB Group welcomes the RRF as an additional mechanism to provide large-scale financial support to Member States and mitigate the costs of the crisis.

A shift of focus towards private sector financing is therefore anticipated for the planning period. Whilst 2020 saw continued high demand for EIB public sector loans as Member States acted to counter the effects of decreased private sector demand, 2021 will be at a crossroad and is likely to mark the start of a gradual easing of demand for EIB public sector financing within the EU when the main instrument of the Next Generation EU initiative, the RRF, comes into effect.

As the investment needs will remain quite significant in most sectors, the EIB Group will support the EU recovery by mobilising additional investments with a special focus in the areas of Climate Action and Environmental Sustainability, and digitalisation. Complementing the RRF, the EIB Group will finance public sector projects not falling under the recovery and resilience plans and leverage RRF public investment support to crowd-in private sector financing by helping to structure investment platforms or other financial structures such as layered funds using the grant component to absorb the first losses. It will provide additional risk sharing capacity to the market. In addition, the EIB Group could provide potential advisory support focused on EIB Group co-financed investment, promoting an efficient and effective use of EU funds for sustainable investment projects continuing the successful experience of the Investment Plan for Europe. Both the EIB and the EIF are working closely together to determine how best to support Member States in the preparation and implementation of their National Resilience and Recovery Plans.

Outside the European Union

Travel restrictions make it hard for EIB project teams to originate or to appraise operations especially in countries outside the EU. The EIB's external offices are now playing a stronger role in supporting the project teams in Luxembourg. Demand outside the EU remains high,

with stronger performance in 2020 disbursement volumes. The EIB Group Operational Plan 2021 projects **signatures volume of around EUR 7.7bn under own resources from 2021 onwards for activities outside the EU**, both under its own risk facilities and outside EU mandates, notably the External Lending Mandate (ELM) and the Neighbourhood, Development and International Cooperation Instrument (NDICI).

Such volumes for activities outside the EU assume the extension of the ELM until NDICI becomes operational and the implementation of transitional measures, designed to enable full business continuity in the transition from ELM and ACP mandates to the new NDICI framework.

The economic and social impact of the COVID-19 crisis has weakened partner countries outside the EU and resulted in ratings downgrades for some countries. During the health and economic crisis, all regions are expected to need more financing for the healthcare sector and for small and medium sized companies to spur the economic recovery. At the same time, the Bank will prioritise opportunities to promote Climate Action and protection of the environment in all partner countries outside the EU.

The EIB supports the EU's aims to expand the European Green Deal (EGD) as appropriate in the different regions. In the enlargement countries this means supporting the roll out of the Green Agenda as well as other key sectors that are part of the Commission's Economic and Investment Plan for the Western Balkans such as connectivity, digitalisation and private sector development.

In the EU Neighbourhood, the Bank is significantly increasing its activities in favour of climate change adaptation and mitigation. In the Mediterranean, special attention will be paid to the most vulnerable populations, including refugees, with dedicated microfinance operations and a range of instruments to support private sector development. At the same time, the EIB will continue to increase support to vital infrastructure in the region, in particular in the water and energy, education, healthcare and urban development. The EIB will encourage joint public and private investments in innovation and digitalisation. In the Eastern Neighbourhood, the EIB will increase support to the Eastern Partnership Priorities, in particular climate change, connectivity, economic development, trade and regional integration.

The EIB expects to make a strong economic and social impact in Asia and contribute significantly to the Sustainable Development Goals (SDGs). In other regions, such as Africa, the EIB will focus on private sector development and improved access to finance for SMEs to create new jobs and growth in the region, while supporting enabling infrastructure that helps people's lives and backs the SDGs.

Investment outside the EU, and in Africa in particular, is challenging for a number of reasons, including political instability, security problems, the rising debt vulnerabilities of many sovereigns, weak technical capabilities among partners, and gaps in regulatory frameworks. All of these factors can raise the risk level of operations, particularly those in support of the private sector, and can make project implementation challenging.

In past years, the ACP Investment Facility (IF), under the Cotonou Agreement has been the EIB's main instrument for private sector development in the ACP/OCT regions, with a broad range of financial instruments, including the special Impact Financing Envelope (IFE). As a sustainable and revolving fund, the IF had the flexibility to provide a swift response to EU

external policy challenges and ACP states' needs. The distinctive features of the IF have enabled the Bank to enter riskier markets and sectors, such as private sector renewable energy projects in Africa (including off-grid electricity), digital technology, microfinance, social impact funds. The Bank also is able to offer loans in local currency.

In December 2020, the Council decided to distribute the reflows of the Investment Facility between a successor trust fund, which will operate similarly to the IF, and the EU budget, where the reflows will be made available to the EIB in the form of a guarantee for ACP private sector operations.

The EIB continues to assist Team Europe, which was set up to ensure a comprehensive EU response to the COVID-19 pandemic outside the EU, supporting measures and projects in four urgent areas: health preparedness, access to finance, COVID-19 economic resilience (essentially support to SMEs), and COVID-19 response for corporates.

More broadly, the EIB remains well placed to promote the EU's development policies outside the EU in cooperation with the European External Action Service (EEAS) and the Commission. The Bank is operating in the majority of the least developed countries and fragile states in support of the SDGs and providing 25% of Official Development Assistance (ODA) of EU institutions. The EIB is also strengthening multilateral development cooperation through reinvigorated partnerships with the World Bank, the EBRD, the African Development Bank and UN agencies. In October 2020, as part of Team Europe, the Bank signed a new partnership agreement with the United Nations Development Programme (UNDP) to increase support to countries facing emergencies such as epidemics, natural disasters and conflict. The immediate work will focus on setbacks, mainly caused by the COVID-19 crisis, in Eastern and Southern neighbourhood, Central Asia and Africa.

One of the key developments in 2020 to support developing countries was the G20's Debt Service Suspension Initiative (DSSI). In the context of the DSSI, MDBs explored the different options and concluded that providing net positive flows (support packages totalling USD 230bn) is by far the most favourable proposition to beneficiary countries as opposed to the suspension of debt service payments. On 13 November, the G20 finance ministers and central bank governors approved a longer-term "common framework for debt treatments" beyond the DSSI and based on the rules of the Paris Club, which will tackle not only short-term liquidity needs, but also longer-term solvency issues. The EIB, together with the other MDBs, will continue to support the G20 in developing options to meet the longer-term financing needs of developing countries.

Nevertheless, there is an increasing need for reform of the European financial architecture for development finance to support the SDGs within the changing geopolitical landscape and increasing private sector led growth in many developing countries. The Wise Persons Group report proposed three options for reform of the architecture, looking in particular at the future roles of the EIB and the EBRD in establishing a new European Climate and Sustainable Development Bank. In December 2019, the Council decided to launch a feasibility study to assess the proposed options. This study is expected to be completed in early 2021, after which decisions on reform may be made. The EIB is willing and able to be a key contributor to a reformed European development finance model. The Bank is working with the consultant team to support the feasibility study.

Special Activities

The Bank's statute defines Special Activities as financing operations presenting a specific risk profile. Special Activities enable the EIB to diversify its portfolio of clients and financing and to support EU priorities through the assumption of a higher risk profile compared to standard operations (either at its own risk or with the backing of EU guarantees).

The orientations for Special Activities at the EIB's own risk are shown in [Table 3a](#):

Table 3a: Own Risk Special Activities

EUR bn	2018 achieved	2019 achieved	2020 forecast	2021 orientation	2022 indicative figures	2023 indicative figures
Special Activities - own higher risk	1.8	1.9	1.4	4.9	9.0	10.1
- of which inside the EU	1.0	1.5	0.8	4.1	8.2	9.3
- of which outside the EU	0.7	0.4	0.7	0.8	0.8	0.8

The orientations for activities under mandates with the backing of EU guarantees are presented in [Table 3b](#):

Table 3b: Mandate Activities

EUR bn	2018 achieved	2019 achieved	2020 forecast	2021 orientation	2022 indicative figures	2023 indicative figures
EFSI / InvestEU	12.4	11.9	10.3-13.0	9.5-12.2	11.0	11.0
ELM*/Cotonou / NDICI/EFSD+**	4.5	4.8	6.0-7.0	5.1-6.1	4.7	4.7
Other Risk Sharing / Mandates ***	2.3	1.8	1.5	2.0	0.3	n.a

* In 2021, EUR 3.0bn under ELM transitory measure anticipated in 2021. If 2020 delivery under ELM would not reach expected volumes, in view of the persisting challenging operating environment, 2021 volumes under mandate may be adjusted accordingly - indicated as range.

**Pending agreement with the Commission on the operationalisation of NDICI, the level of credit enhancement that will be achievable under 'EFSD+ open access' and its requirements in terms of risk sharing ("skin-in-the-game") and financial leverage remain unknown. Depending on the final agreement, the Bank may have to adapt its financing capacity and/or its risk bearing capacity and resize Own Risk Facilities.

*** InvestEU and NDICI will bring together under one roof the multitude of EU financial instruments for inside and outside EU operations; at present, no other new risk sharing /mandates assumed.

A feature of the planning period is the Bank's intention to build on EFSI's success by gradually increasing the volume of total Special Activities over the coming years, within the sustainable overall volume of EUR 63bn p.a.. The EIB remains strongly committed to its activities under EU mandates, which complement the EIB's own resources and enable the Bank to increase its overall volume of operations that have a higher risk. Given the lower amounts available under mandates, notably InvestEU, a larger share of Special Activities is expected to be covered by the EIB's own higher-risk activities in the planning period.

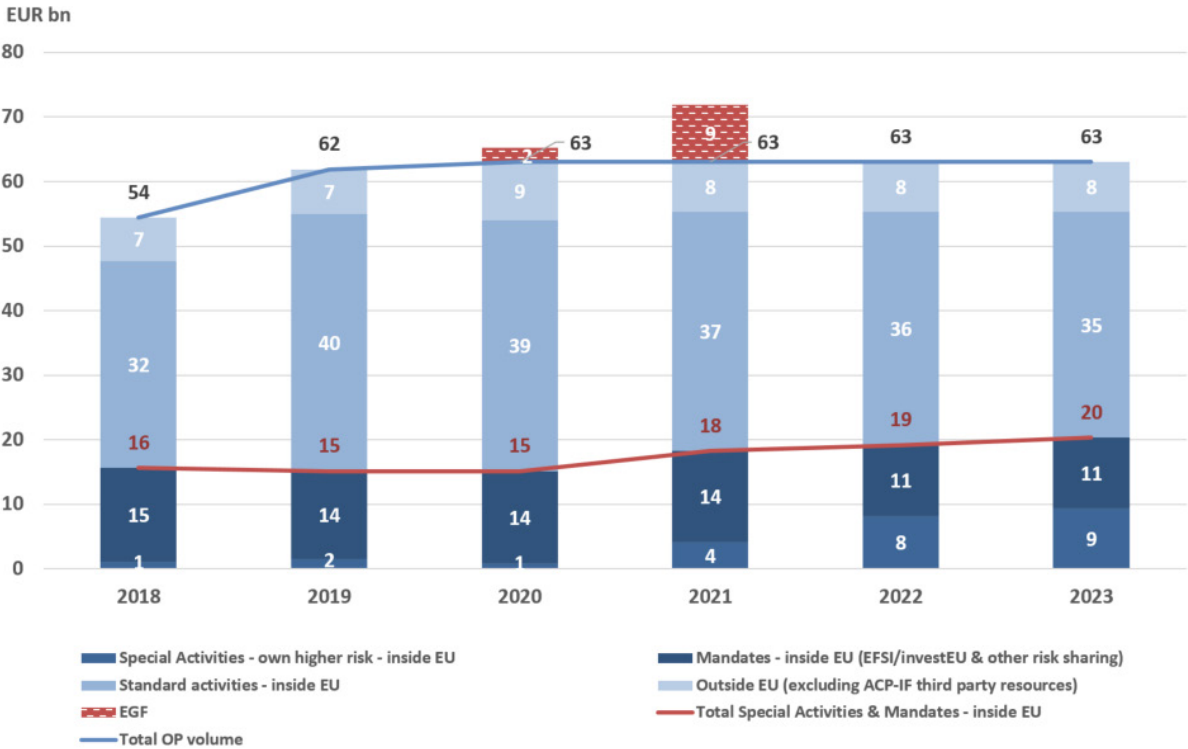
This increase in own risk Special Activities is planned to be implemented gradually, building on the expertise gained in the implementation of EFSI, without affecting the overall volume of signatures. Making a gradual adjustment is paramount, as such Special Activities require detailed planning to offer products that are more sophisticated and to build new relationships with clients.

As the EIB increases its efforts on Climate Action and Environmental Sustainability, the increase in Special Activities over the coming years will support the Bank's ambitious targets

in this area, where in parallel with the need for a technological shift a surging demand for a de-risking of the private sector is anticipated.

Graph 2 below shows the gradual increase of inside EU Special Activities at the EIB’s own risk compensating for lower amounts under InvestEU. The final product mix will depend on market demand and the speed of the EU’s economic recovery. The Special Activities volumes should be considered a ceiling, for which sufficient capital will be reserved. If the EU’s post-COVID economic recovery takes longer than anticipated, the Bank’s standard operations may remain vital to address clients’ possible liquidity shortfalls.

Graph 2: Share of Own Risk Special Activities (inside EU)



Our business under Special Activities will primarily focus on debt products, particularly those supporting climate activities, giving a priority to the development of green loans and green bonds. A good project example is supporting Northvolt Ett in the manufacturing of lithium-ion battery cells for use in batteries for electric vehicles, stationary storage and industrial and consumer applications. This project clearly contributes to the Bank’s climate goals.

An important debt product is project finance with merchant risk, which allows the EIB to support wind energy effectively. An example of a project in the pipeline in this area is the construction of an offshore wind farm with capacity of approximately 700 MW, located 18.5 kilometres off the Dutch coast in the Hollandse Kust Noord wind farm zone. The Bank shall not only continue to cover the fixed-foundation offshore wind sector as it has been doing successfully over the past years, but shall also pay attention to the nascent ‘floating foundation’ offshore wind farms market segment.

In addition, Special Activities will be deployed through corporate and project finance subordinated debt (including credit enhancement), which include structures to de-risk new

technologies, and other debt and structured products, such as corporate hybrid bonds, loan substitutes (including ABS mezzanine tranches), or other new products.

Equity-type products, including venture debt, co-investments with funds, equity developer financing and portfolio investments with single promoters, will remain modest on own risk in terms of volumes. But these products are in high demand from the market, enable de-risking structures, support the roll out of new technologies and greatly contribute to the policy goals of Innovation and Climate Action. For this reason, they are meant to have a prominent role under the InvestEU programme. The same will apply for thematic operations - projects with a high policy component that the EIB cannot pursue under its own credit risk guidelines, as typically they are not bankable. Hence, they need full coverage from the EU guarantee. In the current MFF, these thematic mandates include InnovFin, Infectious Diseases Finance Facility (IDFF), InnovFin Energy Demonstration Projects (EDP), and Connecting Europe Facility (CEF). InvestEU will bring together under one roof the multitude of EU financial instruments in the new MFF 2021-2027. The Bank will aim to increase the volumes deployed on thematic projects, if additional EU resources are available, through InvestEU top-ups, for example.

Working together with the European Investment Fund (EIF)

At the EIF, demand is rising for both equity and debt, but we must be cautious, as the economic situation and market conditions across the EU remain fluid and far from certain. In 2020, national public support schemes tried to address emergency liquidity needs. Despite large programmes from National Promotional Institutions (NPIs), demand in all areas could not be satisfied. The Commission's COVID-19 package is filling the gap, together with the EGF, which will play a key role; the COVID-19 package includes an increase in existing guarantee facilities, such as InnovFin SME Guarantee (SMEG), COSME Loan Guarantee Facility (LGF) and the topping-up of commitments in existing funds supported by InnovFin Equity.

Due to the crisis, SMEs are increasingly in need of equity, subordinated financing, short and long-term debt term support, and long-term financing. The EIF's debt and equity products are expected to provide a boost to the various national and private support measures that are being offered through a combination of public and private funds, with both capped and uncapped guarantees.

EIF overall activity for 2021 is expected to reach volumes of EUR 31.4bn, including EUR 22.1bn for EGF, EUR 3.1bn for InvestEU and EUR 3.4bn related to other regional and national COVID-19 initiatives. The EIF also expects to deploy up to 1.0bn of Risk Capital Resources (RCR) in 2021. Despite the COVID-19 crisis, reflows are projected to be at the level of 2019 but weaker than originally expected in 2020. Taking into consideration the COVID-19 impact, reflows are projected to decrease in 2021 but to recover to pre-COVID levels in 2022.

Table 4 below provides an overview of EIF activities in the planning period.

Table 4: EIF financing programme

EUR bn	2017 achieved	2018 achieved	2019 achieved	2020 forecast	2021 orientation	2022 <i>indicative figures</i>	2023 <i>indicative figures</i>
EIF Own risk	1.0	1.7	1.6	1.4	0.7	1.0	1.2
EIB-Risk, EIF-delivered*	1.9	1.2	1.1	3.0	1.4	1.6	1.6
other third party guaranteed	3.6	2.9	2.2	2.2	3.4	2.2	2.8
EFSI/ InvestEU	2.8	4.4	5.4	5.5	3.1	3.8	3.7
EGF	-	-	-	3.7	22.1	0.8	-
MFF Sectorial	-	-	-	-	0.8	1.0	0.9
TOTAL	9.3	10.1	10.2	15.7	31.4	10.5	10.2

* including RCR, infra funds and EIB SLA

The EIF is raising its Climate Action and Environmental Sustainability ambitions; it intends to leverage on its intermediated business, complementary to the EIB activities, and to develop equity and guarantee solutions for SME and (small) MidCap financing in support of climate and environmental sustainability objectives.

Following the approval of the EIB Group Equity Strategy in April 2020, climate and infrastructure funds business will be transferred to the EIF. The EIF expects to increase its emphasis on the clean energy transition, future mobility and transport, environment and resources efficiency, sustainable ICT and the circular economy. In addition, the EIF intends to review and develop due diligence and risk management processes in 2021, and to strengthen its environmental, social and governance (ESG) procedures to accommodate climate financing needs and ensure that its work is aligned with the Paris Agreement.

The EIF, together with the EIB, will be the key implementing partner of InvestEU. The EIB Group will be entrusted with the management of 75% of the EU guarantee under the EU compartment of InvestEU. Under InvestEU, the EIF expects to deploy the full suite of intermediated products, relying on its pan-European reach, its intermediary network and financial expertise. Risk finance for the benefit of small businesses will remain the EIF's core business, but it will increase its focus on key EU policy priorities of a green and digital transformation, strengthening the competitiveness of EU businesses, and making society more resilient and inclusive.

The EIF will build on the success of its flagship portfolio guarantees, to support SMEs and (small) MidCap lending, and to support a sustainable recovery in the EU. It will work with traditional private and public banks, as well as with alternative lenders, fintech and crowdlending platforms. The EIF will step up its efforts to help innovative enterprises, encourage the adoption of more digital technologies and assist in the transition to green energy. The EIF will also use the InvestEU guarantee to increase the support to education and skills as well as to provide finance for impact-focused businesses.

InvestEU will enhance the EIF's market making and catalytic role in venture and private equity markets. The EIF plans to contribute to ecosystem building in disruptive technologies, such as space technologies, artificial intelligence, blockchain, cybersecurity and quantum computing. The EIF will seek to build momentum towards clean-tech investments by supporting energy, agrotech, foodtech and circular strategies.

Public Policy Goals

The EIB's PPGs are rooted in the requirement to ensure alignment of EIB activities with the political priorities set by the EU. We have been revising them for a number of reasons, notably, new priorities emerging from the Multiannual Financial Framework, the EIB's role as the EU's Climate Bank, the new Additionality and Impact Framework, and the urge to give more visibility to the Bank's contribution to the UN's SDGs. The existing priorities, such as the EIB's statutory commitment to support economic and social cohesion or contribute to innovation and EU competitiveness remain equally important.

The new PPG framework, as presented in this Operational Plan 2021, defines the updated and relevant policy objectives that support a more streamlined approach to target setting and reporting. The adjusted framework continues to be based on four vertical PPGs and two horizontal objectives, but rebalances the priorities within certain PPGs, which are renamed to reflect this adjustment, to give the following structure:

Vertical PPGs

- **Sustainable Cities & Regions**
- **Sustainable Energy & Natural Resources**
- **Innovation, Digital & Human Capital**
- **SMEs & MidCap Finance**

Horizontal PPGs

- **Climate Action and Environmental Sustainability**
- **Economic and Social Cohesion**

The new PPG indicator table is provided in [Section 7 Table B](#).

Climate Action & Environmental Sustainability

The EIB has been at the forefront of the fight against the Climate Emergency, in support of the EU's leading role. In its 2015 Climate Strategy, the EIB committed to provide USD 100bn to climate-related projects from 2016 to 2020 to help make the Paris Agreement a success. We have successfully delivered on this long-standing commitment, with USD 112bn financed from 2016 to 2020.

Since 2012, the EIB has supported more than EUR 150bn in Climate Action, including over EUR 20bn in developing countries. Building on this success, in 2019, the EIB Board of Directors approved a **new level of ambition** towards Climate Action and Environmental Sustainability:

- The EIB Group will support investment of EUR 1 trillion in the critical decade from 2021 to 2030.
- The EIB will increase the share of its financing dedicated to climate action and environmental sustainability to 50% by 2025.
- The EIB Group will align all financing activities with the principles and goals of the Paris Agreement by the end of 2020, complemented with a proposal to support a "just transition".

Following the 2019 decision by the EIB Board of Directors, the EIB has continued to consolidate its position as the EU Climate Bank. **In 2020, the EIB exceeded its climate action target for the eleventh year running, providing EUR 24.2bn to fight climate change, accounting for 37% of all EIB financing.**

In November 2020, the EIB Board of Directors approved the Climate Bank Roadmap, a business development plan covering the breadth of the EIB Group's financial products and advisory services Group for Climate Action and Environmental Sustainability activities up to 2025.

The Climate Bank Roadmap has three main sections designed to continue developing the three strategic areas in the current Climate Strategy:

- **Accelerating the transition through green finance.**
- **Aligning EIB financing activities with the goals of the Paris Agreement.**
- **Ensuring transparency and quality.**

The EIB Group's increased ambition in the area of Climate Action and Environmental Sustainability arrives just as the COVID-19 crisis widens the investment gap, with adverse effects on the outlook of climate investments in terms of availability of financing, risk appetite of investors and promoters changing priorities related to climate projects. As a result of the crisis, investment activities in the corporate sector are expected to decline 30% to 50% in the coming years, which will have severe impacts on climate and environmental projects due to their long-term nature, the reliance on public support and their non-tangible benefits. This drop in activity will widen the investment gap by an estimated additional EUR 200bn. The gap was already estimated to be EUR 650bn before the COVID-19 crisis arrived.

Despite the crisis, the Commission has reaffirmed that the European Green Deal (EGD) will remain at the heart of Europe's growth strategy and that the post-COVID-19 recovery must be a green one and involve a digital transition. The EU's COVID-19 recovery plan (Next Generation EU) reinforces that the EGD will be the basis of the recovery strategy and underlines the importance for the EIB to accelerate the implementation of its Climate Bank Roadmap initiative. This enables the EIB to reaffirm its role as the EU Climate Bank and to support a green recovery. Without the EU's increased climate 2030 ambition, many climate and environment investments probably would have been given lower priority, postponed or cancelled. This could have had a significant impact on the environment in Member States and might have put the EU off track permanently to meet the decarbonisation targets set before the crisis.

While the Bank's climate strategy and long-term commitments made before the crisis remain unchanged and will be implemented, there is a potential reinforcement of the requirement for the EIB to increase its level of Special Activities in the area of Climate Action and Environment Sustainability. Historically, the Climate Action element of the EIB's portfolio has involved relatively low levels of capital consumption, reflecting the large contribution of public sector counterparts. However, in order to address new investment gaps, the EIB will need to focus on increasing levels of Climate Action & Environmental Sustainability related finance to private sector counterparties and to develop innovative, risk-bearing products, which, in turn, implies more risk-taking.

The use of EU mandates and the EIB's own balance sheet to support further Climate Action and Environmental Sustainability related Special Activities was considered in the new Climate Bank Roadmap. This analysis considered how the EIB could adapt and expand the business mix, thereby responding to the needs of both (higher-risk) private clients and (larger volume) public clients when meeting key policy objectives.

Cohesion and challenges of inequality across the EU

EU Economic and Social Cohesion and Convergence policy remains a statutory mission for the EIB and has been at the heart of EIB activities since 1958. Continuous progress has been made on the transversal Cohesion objective. The Bank's investments continue to help converge living standards and prosperity across the EU. A recent evaluation confirmed that the EIB's Cohesion financing supports operations that are relevant to Cohesion regions' needs and altogether are expected to have a positive impact on their economic growth. By supporting investment in innovation, climate-friendly infrastructure, balanced territorial development, skills and competitiveness, and by mobilising other investments from outside sources, the Bank is fostering sustainable growth and helping the just transition. This work ensures the EU's competitiveness in a global market and supports social, economic and territorial cohesion.

The implementation of investment programmes supported by EU grants under the new EU Cohesion Policy will run from 2021-2027 and likely will be affected by the COVID-19 crisis, as the priorities of public sector investments in many countries shift to address the crisis. Therefore, the EIB's commitment to Cohesion will be ever more important as heterogeneous economic growth and rising inequalities in the EU will require targeted investments, including measures to strengthen the rural-urban nexus, to address inequalities within cities and to foster development in rural regions. The EIB stands ready to continue complementing the new architecture of EU Structural and Investment Funds (ESIF), utilising the already proven lending, blending and advisory instruments, which could be adopted and expanded to meet the new needs of Member States.

The EIB will continue to support regions and cities in the implementation of ESIF operational programmes through the financing of the national co-financing share in the form of Structural Programme Loans (SPLs). We will strive to keep the total size of this EIB support similar to the level of the 2014-2020 MFF, despite the cuts in the EU Cohesion policy budget. Furthermore, the EIB would be in a position to support regions and cities in overcoming the reduction in structural funds during the 2021-2027 MFF by expanding EIB lending through regional and urban framework loans.

The proposed increased thematic concentration of the new EU Cohesion Policy may pose a serious challenge to some Member States in building a sufficient pipeline of projects. This might raise expectations for the EIB Group to foster EU grant absorption by offering appropriate co-financing (blending) and targeted advice in i) regions challenged by higher concentration requirements, especially in the digitalisation and green policy areas, and ii) in areas where grants are becoming scarcer due to the thematic concentration, such as mobility and infrastructure.

In regions that are traditionally dependent on fossil fuels or carbon-intensive industries, there is a big need to address the impact of the phasing out of fossil fuels on employment and regional economic activity. The Bank is supporting economic restructuring to create new jobs

and growth, as well as investment in social infrastructure to ensure a just transition in these regions and cities.

The EIB is also in a good position to continue contributing to the EU's Urban Agenda, which is expected to be complemented by a new European Urban Initiative under the new regulation for the European Regional Development Fund (ERDF) and Cohesion Fund. The EIB actively participates in 10 out of the 14 Urban Agenda Partnerships and is ready to further develop the URBIS facility, which provides investment advice to cities via the EIAH.

The EIB will continue to invest in social housing in line with ERDF policy objectives under the new MFF, including a "more social Europe", which means enhancing the socioeconomic integration of marginalised communities, migrants and disadvantaged groups through measures such as housing and social services. The EIB has a strong track record offering financing for social and affordable housing in 18 Member States, tackling both social and energy efficiency objectives. The Bank is ready to do more to close the gaps through its financing and advisory services.

Other policy-driven financing contributing to EU competitiveness

Innovation remains a key priority for Europe for the coming years and will play a critical role in ensuring a sustainable recovery of the EU economy. The pandemic underlines the need to accelerate societal changes, boost EU competitiveness and strengthen growth potential through a green and smart transformation of Europe's economies.

Targeted EIB finance to support research and innovation will help the digital and ecological transformation of the EU economy. In line with the objectives of the EGD, EIB financing focuses on facilitating the transition to a circular and low-carbon economy through (i) the development, scale up and diffusion of disruptive technologies, (ii) supporting innovative SMEs and MidCaps, (iii) boosting investment in digital infrastructures and (iv) accelerating the development and adoption of digital technologies. The pandemic has increased investment needs in this area, particularly in the EU, which has fallen behind the US and Asia.

Investment in inclusive access to education, including to vocational training and life-long-learning, is necessary to support an inclusive recovery, and investment in digital skills is increasingly required as the labour market confronts a new world of work.

Resilient health systems are essential for a lasting recovery of the economy. Short and long-term investment needs are growing for expenditures linked to the pandemic and adequate infrastructure. Building on its long-lasting expertise in healthcare infrastructure and R&D, the EIB is providing both financing and advisory support. The EIB Group will continue its crucial support through a broad palette of products (i) providing immediate emergency support, (ii) speeding-up the research and development of vaccines, treatments and diagnostics, and (iii) strengthening the resilience of health systems and infrastructure in the most vulnerable countries.

Adequate infrastructure in all sectors of the economy is a prerequisite for economic prosperity. Well-planned investment provides a virtuous circle of growth. Infrastructure has always been at the heart of the EIB's mission and the EIB continues to apply rigorous assessment criteria to its infrastructure investments including environmental and social aspects in its appraisal methodologies.

The issue of structural underinvestment in new and existing infrastructure is well known and has been the subject of much reflection for over a decade. The consequences of this underinvestment are materialising through increasingly inadequate infrastructure provision, unable to cope with demand, poor asset condition leading to poor performance or catastrophic failures, as well as a lack of resilience to climate change. Ultimately, the reason has been a lack of public funds due to fiscal constraints.

The EIB helps promoters address these issues by offering advisory services and financing. It continues to help rehabilitate and adapt existing infrastructure, which is an important part of the Bank's Climate Strategy. Closing the infrastructure gap must go beyond doing more building. We must also increase the quality and efficiency of services, and transform the way public and private project developers plan, procure, finance, and operate projects to help them meet all sustainability criteria (social, environmental, institutional and financial) during the projects' lifecycles.

The Bank will continue to help municipal authorities invest in sustainable infrastructure. The challenge is huge. The UN estimates that over two-thirds of the global population will live in cities by 2050. To meet this demand, urban areas are projected to expand by up to 1.3 million square kilometres between 2015 and 2050. This urbanisation presents unprecedented challenges for both national and regional authorities, notably with respect to climate goals, with infrastructure built over the next 30 years potentially locking in high-emissions and non-resilient pathways.

Cooperation with the Commission and other third parties

The institutional and operational cooperation of the EIB with its partners constitutes an essential part of its activities to deliver on EU objectives and priorities. Following the compromise reached by the Council and the European Parliament on the MFF 2021-2027 and the new Recovery Instrument / Next Generation EU and awaiting final adoption (including volumes and implementing modalities), the EIB Group will continue working closely with the Commission to advance preparation for a launch of new EU programmes and mandates whilst safeguarding a smooth transition to the new MFF.

A strong partnership with the Commission will be indispensable for effective implementation of the successors to the successful mandates of the MFF 2014-2020, such as InvestEU (successor of EFSI and other EU financial instruments) or NDICI (EFSD+) (successor of ELM and ACP IF). The EIB Group stands ready to deliver these mandates in a manner that would not only provide a boost to the EU economy in the recovery phase, but also provide grounds for a sustainable long-term growth based on the key EU priorities focused on climate, digital and cohesion.

As 2021 will be the first year of the new MFF, the Bank will continue working closely with the co-legislators (Council and European Parliament) on initiatives that will mark this new programming period. That work will traditionally include close interaction with the Presidencies of the Council of the EU (Portugal and Slovenia in 2021) and Member States as well as with the various Committees in the European Parliament. The EIB's Brussels office will play a facilitating role in this regard.

When it comes to Climate, the involvement of stakeholders has been central in the development of the Climate Bank Roadmap. The extensive feedback provided was

instrumental in shaping its main elements and in refining the proposed approach. Follow-up discussions with the Commission are to take place on the external dimension of the Climate Bank Roadmap. 2021 will be another important year to engage closely with the Bank's institutional and non-institutional interlocutors and partners when the EIB Group evolves towards a fully-fledged climate bank and as a key implementer of the European Green Deal.

Other topical files include, among others, the transport lending policy, which will be reviewed in 2021 after the Commission released its strategy for sustainable and smart mobility in December 2020. The Bank will carry out a full public consultation and events will be organised in Brussels for stakeholders to voice their opinion and share their expertise.

The European Court of Auditors (ECA) has become a more important interlocutor in recent years. Given that the visibility of the work performed by the Bank has increased significantly in recent years, a material change in the interaction between the Bank and ECA has occurred. This is evidenced by the increased number of audits involving the Bank (in its role as the implementing agent of various EU Budget activities) and by the considerably broader scope of ECA audits that have now become common. As the consequence of the intensification of the works between the Bank, the ECA, and the Commission, these three institutions are currently in the process to agree to material changes, proposed by the Court, to the Tripartite Agreement, which governs the 'rules of engagement' between the Bank and the Court.

The EIB Group continues its close cooperation with National Promotional Banks and Institutions (NPBIs) and Development Finance Institutions (DFIs). NPBIs and DFIs, which can be either EIB clients, or can co-finance projects alongside the EIB, are important partners for knowledge sharing and leading jointly on important initiatives targeting inter alia climate and environment or the implementation of SDGs. The quality of the business and institutional relationships between the EIB Group and NPBIs and DFIs has proved to be particularly valuable to ensure a rapid deployment of the EIB Group response to the COVID-19 crisis complementing and reinforcing national measures implemented by NPBIs and DFIs.

Advisory Services

Building on its key strengths of breadth and depth of expertise as well as broad geographic coverage, EIB Advisory will continue to be the main advisory partner of the Commission in the new MFF 2021-2027, while further strengthening its support to the strategic objectives of the EIB Group as an integrated part of frontline services. In line with EU policy priorities of the new Financial Perspective, it is currently foreseen that EIB advisory activities will particularly focus around two core pillars:

- i. climate and sustainability, and
- ii. innovation and digital transformation.

These pillars will incorporate existing support for, inter alia, more resilient health systems through both infrastructure and research into drug development and therapeutic treatments, as well as the strengthening of support for areas such as social impact investment, gender and skills in cooperation with the EIF.

Following the conclusions of the European Council in July 2020, a lower budget for advisory activities under InvestEU is foreseen and, taking account of the consolidation of previously separate advisory programmes under this new umbrella (e.g. ELENA and InnovFin), equates

to a material reduction from previous levels. In order to ensure that the EIB Group is able to contribute adequate advisory and technical assistance support to underpin the ambitions for the MFF 2021-2027, the Group is engaging with the Commission and other stakeholders on a range of different actions:

- i. EIB Advisory will actively explore potential other mechanisms to complement the central funding under the InvestEU mandate. (i) Similar to the guarantee instrument, Member States have the possibility to contribute national funds to the Member State Compartment under InvestEU in respect of technical assistance. (ii) Furthermore, the EIB already benefits from direct relationships with Member States Managing Authorities through its work in support of leveraging and blending Structural Funds under shared management financial instruments and investment platforms, as well as through the JASPERS programme, which is foreseen to continue, albeit with some adjustment. (iii) Additional complementary advisory mandates in the fields of innovation, climate/cleantech and digitalisation are also under discussion, while the Just Transition Mechanism is also expected to encompass advisory components across its pillars.
- ii. Given the budgetary constraints, prioritisation will inevitably be required. The EIB will therefore seek to focus its efforts on those areas where it can bring particular value and where there is highest convergence of interest between EIB Group operational objectives and the policy priorities targeted by the relevant Commission mandate. Increasingly, such mandates seek to demonstrate impact on the ground. While market development support and capacity building will still form part of the Advisory work within the EU to facilitate an enabling investment environment, under InvestEU we will increase the focus on project development assistance.
- iii. Finally, given the reduced weight of InvestEU and the likelihood of a more fragmented advisory picture, it will be key to strengthen coordination between programmes to ensure synergies and efficiencies between them. The role of the InvestEU Advisory Hub will therefore be vital in drawing together a combination of both financial and technical expertise from different sources to form an integrated response to beneficiary needs across the whole project cycle. In this context, delivery channels will need to be optimised, designing support programmes that may be modular, scalable and potentially using digital tools.

Collaboration with external partners, including NPBs, will continue to be a core part of the EIB Advisory model and will be essential to ensure the needed scale and reach as well as efficient delivery on the ground. Inside the EU, the Advisory Hub will continue to support the development of advisory capability at local level, leveraging the presence, networks and market intelligence of external partners, even if this modus operandi will naturally evolve as the Hub transitions into InvestEU under which other advisory partners alongside the EIB are foreseen. Focus will again be on building capacity to deliver the digital and green transformations, aiming to translate into a pipeline of sound projects.

Outside the EU, advisory activities are a critical part of the EIB value proposition, essential to support the generation of bankable projects and ensuring efficient implementation. However, to strengthen the EIB's development role further, it is recognised that not only the quantum but also range of technical assistance will need expansion. More upstream intervention is foreseen at the strategic and policy level through market development and capacity building in support of EU programming objectives. Given the current crisis, such assistance will typically include, depending on the region, strengthened support for health preparedness (including civil protection, food security as well as water and sanitation), climate mitigation and adaptation, as well as economic resilience more broadly.

Advisory Services is expected to play an important role in encouraging complementarity between EIB Group activities and the Recovery and Resilience Facility. It is envisaged that advisory support will take the form of supporting Member States in assessing the investment and financing aspects of their proposed National Resilience and Recovery Plans, aiming to calibrate potential investment schemes to funding sources, assessing implementation options including the role of financial instruments and optimising the role of the EIB Group. Financial instrument design and implementation support could also be made available together with project identification, preparation and implementation support linked to EIB Group financing activity.

Table 5 gives an indication on the expected evolution of advisory services:

Table 5: Advisory activities

	2018 achieved	2019 achieved	2020 forecast	2021 orientations	2022 indicative figures	2023 indicative figures	2021-2023 average
Number of new assignments - Inside EU	310	280	270	270	300	300	290
Number of new assignments - Outside EU	100	110	80	70	100	100	90
Total number of new assignments	410	390	350	340	400	400	380
Total estimated investment cost of projects supported (EURbn)	45.0	40.0	35.0	35.0	40.0	40.0	38
Number of Group operations benefitting from Advisory support	72	78	70	75	80	80	78

4. Financial Sustainability

Funding, Investor Relations and EIB Credit Ratings

The Bank’s high credit rating is the basis of its business model that relies on the confidence of investors worldwide. The EIB has a AAA rating with stable outlook from the three major credit rating agencies (Fitch, Moody’s, S&P).

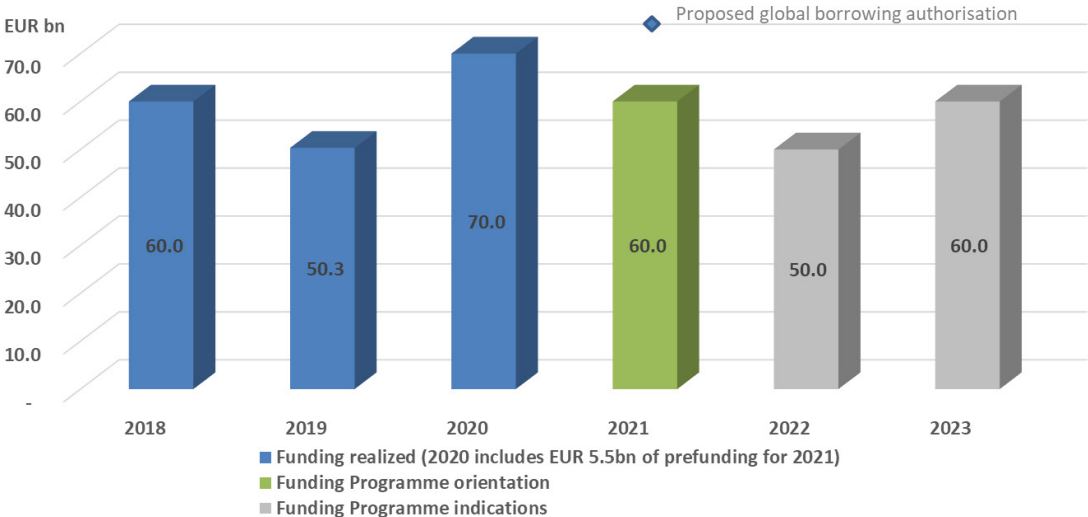
S&P and Fitch affirmed the ‘AAA’ rating with a stable outlook in February and September 2020, respectively. Moody’s issued its annual credit analysis on the EIB at the beginning of August 2020. The resilient credit quality of the loan portfolio, a deleveraging trend, as well as the access to ECB refinancing facilities and the very good quality of risk management are some of the positive factors, which support the ratings.

In rating agencies’ view, the policy response of the EIB to the COVID-19 crisis is evidence of the EIB’s role as a counter-cyclical lender and highlights its importance for EU Member States.

Some of the rating agencies started to include ESG considerations in their assessments. S&P defines the EIB as an “environmental standard-setter”, mentioning the climate ambitions and the New Energy Policy, launched in late 2019. The agency also refers to the Bank’s risk mitigations techniques in higher risk operating regions. Moody’s, in its assessment, considers only governance as a material ESG credit factor for the EIB, making reference to its robust and conservative risk management practices.

The funding programme reflects the borrowings required to meet the operational targets presented in the Operational Plan for 2021. Beyond the lending targets, the funding volumes also consider borrowing redemptions, loan reflows, estimated pre-payments and other relevant flows. The resulting expected annual borrowing needs in 2021 are EUR 60bn.

Graph 3: Evolution of the EIB Borrowing (Funding) Programme



The EIB’s funding strategy relies on the issuance of large and liquid benchmark transactions in the main currencies, complemented by targeted issuance (plain vanilla and structured) usually on the basis of reverse inquiries, diversification of currencies and markets and a strong and visible component of sustainable debt products. EUR and USD remain the main currencies for

issuance in large, liquid size and constitute the anchor of the funding programme, catering for different investor groups and geographies. Such diversification has proved its usefulness in the past, during crisis and market disruptions, and will apply again in 2021.

The EIB will continue to play a key role as issuer of new risk-free rate-linked bonds in various currencies. While the EIB's SONIA-linked reference has become a role model in the market, innovation highlights more recently include an inaugural USD SOFR index-linked benchmark bond (USD 1bn 4yr), launched in March 2020, synchronised with the start of the index publication by the Federal Reserve. Taking the leadership to harmonise market standards highlights the EIB's ability to provide direction and support the development of capital markets, even outside Europe.

The EIB's resilience and leadership were also demonstrated in COVID-19 pandemic crisis, as the EIB was the first supranational SSA to issue a benchmark transaction (EUR 3bn 3yr) after the COVID-19 pandemic outbreak, providing direction for euro capital markets to be part of COVID-19 response.

During the pandemic, there was increased demand for the EIB's green and sustainable issuance, with volume raised by early September already exceeding 2019's total and reaching EUR 10.5bn at the end of 2020. In particular, the EIB launched six Sustainable Awareness Bonds ("SAB") issuances totalling EUR 3.5bn (in four currencies), drawing attention to the Bank's emergency measures against the COVID-19 outbreak, while extending SAB eligibility criteria to directly related COVID-19 combat areas (including equipment such as ventilators, reconversion of facilities into intensive care units, improvement of IT diagnostic systems).

In 2019, the EIB was the first issuer to tune the bond documentation of its sustainability funding products, Climate Awareness Bonds (CAB) and Sustainability Awareness Bonds (SAB), to the upcoming EU Sustainability Taxonomy (EUST). In this way, CAB and SAB documentation allow for a gradual extension of loan eligibility in line with evolving EU legislation, establishing a direct link between the EU policy objectives and the EIB's funding and lending activities. In June 2020, the EIB announced its decision to extend CAB eligibilities to a number of lending activities contributing substantially to climate change mitigation: research, development and deployment of innovative low carbon technologies, and electric rail infrastructure and vehicles and other electric public land transport vehicles. As the EUST will be developed to cover sustainability objectives only over time, the EIB is reviewing its own definitions and investment screening criteria within the spirit and logic of the taxonomy, and will thereby provide capital markets with best practice reference until extension of the EUST to the relevant areas.

As the pace of disbursements to CAB and SAB eligible projects is likely to increase in the coming years, in line with the EIB Climate Bank Roadmap and helped by the enlargement of sector eligibility, the issuance of green and sustainable debt at the EIB can also be expected to increase. The current outlook for the demand of green and sustainable debt products is showing strong appetite from the investor community and the EIB will continue to monitor investor preferences and currency diversification needs.

Risk Management

The EIB Group's contribution to the EU's crisis response charts a clear counter-cyclical and growth-enhancing course. At the same time, the Bank remains watchful that activity levels are financially sustainable in the uncertain operating environment and are aligned with its overall business model, which relies on its credit standing, including AAA/Aaa ratings and its status as prime issuer on the capital markets. In view of the stress that the COVID-19 pandemic and the resulting potential deterioration of the EIB's credit portfolio may put on the EIB's risk metrics, the evolution of short and longer term capital needs are being closely monitored and carefully managed.

Financial Planning

The projected evolution of the EIB Net Surplus under a conservative recovery scenario is shown in Table 6.

Table 6: EIB Net Surplus (before provisions)

EUR m	2019 Achieved	2020 Forecast	2021 Orientation
Financial Surplus	3,183	2,857	2,565
Net Surplus	2,332	1,857	1,458

Budgetary Planning

Table 7: Total EIB Operating Budget 2021

EUR m	2020 Budget	2021 Budget
Intermediation & Administrative Revenues	1,571.3	1,560.1
Depreciation & Operating Costs	-1,034.5	-1,064.4
Cost Coverage (EUR m)	536.9	495.6
Cost Coverage (%)	152%	147%

Table 8: 2021 Total EIB Capital Budget

EUR m	2020 Annual Budget	2021 Annual Budget	Beyond 2021 Multi-annual Budget
Total Capital Expenses	80.0	131.6	213.3

5. The Way We Work

Building on people and organisational responsiveness

The EIB's Crisis Management Committee was activated in February 2020 following the onset of the COVID-19 pandemic. The EIB Group aligns its decisions to those of the Luxembourgish government or other hosting countries and follows the latest scientific recommendations, in particular from the European Centre for Diseases Prevention and Control (ECDC).

The EIB Group quickly established teleworking as the norm and has demonstrated its ability to operate and deliver in challenging circumstances. Recognising that staff may be facing various personal challenges, the EIB has put in place several additional flexibility measures, particularly targeting staff members with young children. Such measures include adaptations to the conditions for parental leave, family leave and part-time work. EIB managers received specific guidance and training on how to lead virtual teams to ensure business continuity while taking into consideration individual exceptional circumstances.

The way we work now and future working conditions after the COVID-19 crisis will not be the same. On its journey to a "new normality", the EIB Group will continue to give the highest priority to physical and mental health and wellbeing of its staff.

The COVID-19 crisis and the resulting confinement have also proved particularly challenging for the Bank's **External Offices**, particularly in the context of managing institutional relations with stakeholders, political and economic intelligence gathering, project support and promoting the EIB. In normal times, external offices activities depend on face-to-face contact with the various stakeholders, including governments, EU delegations, corporates, NGOs, and media. The activities had to be adapted accordingly switching to regular virtual contacts.

With procedures similar to those in Luxembourg, EIB Group offices and EIB representations remained fully active and operational throughout the lockdown period and full-time telework. Almost all external office staff from outside the EU, who had been repatriated earlier this year, have been able to return to their places of assignment.

External offices have adapted their way of working as required by circumstances while staying as connected, visible and active as possible. They continue to monitor and analyse the evolution of local environments closely and keep continuous contact with headquarters in times in which the EU Bank's leadership and messaging is as important as ever. External offices are becoming even more critical by providing also practical support to Luxembourg-based colleagues facing travel restrictions and reduced opportunities to interact with clients and stakeholders in person.

The implementation of the **Working Together Programme**, is ongoing with a focus on culture, leadership and communication:

1. The EIB has launched a project, to define a leadership model and qualities required to confront the Bank's main challenges in supporting the Climate Bank Roadmap. Over the last months, the Bank has also supported its managers facing the challenges of a virtual working environment; a written guide and a series of trainings have been developed to provide managers with tools and practical advice for supporting and leading teams in the virtual environment.

- II. Another priority area is internal communication - taking into consideration the new remote working environment.

The COVID-19 crisis placed specific demands on **IT and Digitalisation of Business Processes** in terms of ensuring the operational continuity of the Bank at a time when almost the entire staff and external consultants started working on a remote basis. The existing infrastructure and security allowed a fast ramp-up in technical capacity (telecoms, equipment and applications) shortly before the lockdown occurred and as a result approximately 4,500 remote connections and up to 7,000 daily (video-) conference calls were accommodated without major technical difficulties.

Beyond the basic infrastructure, the crisis also gave added impetus to digitalisation efforts, especially in areas where manual workflows and paper-based signatures had been the norm. A number of projects were fast-tracked to address the urgent needs, notably a digital signature pilot, allowing for remote signature of finance and procurement contracts, and guarantee agreements.

The outlook for digitalisation and the EIB's IT strategy is refined in the wake of the COVID-19 crisis. To be able to support the new way of working in the COVID-19 crisis aftermath, it is vital to keep the data centre infrastructure and collaboration tools robust and up to date, as well as further enhance videoconferencing capabilities. Work has started on how to move from a mode of "mass teleworking during the crisis" to a hybrid model of teleworking and presence in the office, the so-called "new normal". New working models for increased digitalisation of day-to-day work are being prepared taking into consideration personnel, workplace and mobility policies.

Governance

Since the beginning of 2020, the Bank has continued to implement the **Governance reforms** laid out as part of the capital replacement package. In the first quarter of 2020, a Board of Directors Working Group for Assessing Financing Proposals was constituted and has been operating since. A synthesis report on the implementation of the governance changes was made available to the Board of Directors in July 2020.

The **review of the Codes of Conduct** of the Board of Directors and of the Management Committee were initiated by the Bank's services in the first quarter of 2020 and proposals have been submitted to the Working Group on Governance, the Working Group on Tax and Compliance matters, and the Ethics and Compliance Committee. The Bank will also continue to propose ways to improve the functioning of the Bank's governing bodies, where relevant. This should include an applicability review of the revised EBA Guidelines on internal governance expected in 2021.

The Bank's activities and workload have been affected by the COVID-19 crisis and services have done a remarkable effort to minimise the impact on the pace of **implementation of the recommendations raised by the Audit Committee** in last year's annual report, with most of them expected to be implemented according to schedule. These include the deployment of the three lines of defence model.

The EIB Group governance was strengthened with the creation of a **Group Risk and Compliance Function** overseen by the Group Chief Risk Officer ('GCRO'), who was appointed

and started his activity in the third quarter of 2020. The GRCO shall oversee and report on all Group Risks and compliance activities at the Group level. Work is in progress regarding the establishment of additional governance frameworks defined and implemented at Group level.

Compliance, transparency and accountability

In December 2019, the new chapter of the staff regulations on dispute resolution and disciplinary was adopted and entered into force. A new Annex of the staff rules on disciplinary proceedings entered into force at the same time. The revised **Staff Regulations and Staff Rules** have since then been applied.

The EIB **Best Banking Practice (BBP)** applicability assessment procedure for Anti-Money Laundering and Combating the Financing of Terrorism (AML-CFT) was completed and approved by the EIB Board of Directors in July 2020 and the relevant procedural frameworks are being updated.

The operational procedures for implementing the **EIB Group NCJ Policy**, replacing the previous NCJ Procedure, have been approved by the EIB's Management Committee and entered into force on 1 July 2020. The transposition of these NCJ Procedures into internal operational documents will be finalised in 2021. Similarly, the next revision of the EIB implementing procedures to the **EIB Group Sanctions Compliance Policy** is planned to be completed by mid-2021 together with group alignment on the implementation of the sanctions policy. Both initiatives will be accompanied by continued work to enhance and align protective clauses for operations within the EIB Group.

The promotion of a strong compliance culture amongst its employees remains among the highest priorities of the EIB's Management Committee. In order to minimise compliance, conduct and reputational risks and to promote a strong compliance culture, EIB Group staff and management bodies continue their engagement in the **Compliance Culture Change Programme**. Following the update of the EIB Group Staff Code of Conduct and the EIB Group Whistleblowing Policy, which entered into force in December 2019, the EIB Management Committee and Board of Director's Codes of Conduct are in the process of finalisation. An EIB Group Ethics and Integrity e-Learning, based on these documents, is under preparation and workshops on professional duties set to continue.

The **Anti-Fraud Policy (AFP)** has been reviewed in 2020 in order to align it with various developments in applicable EU legislation, EIB policies and lessons learnt from past investigations. The new policy, which will be submitted to the EIB Board of Directors for approval in early 2021, will combine the separate EIB and EIF anti-fraud policies into a Group-wide document. The Bank has also implemented a new and compulsory Fraud and Corruption Awareness e-Learning.

Following the approval of the revised **Group Complaints Mechanism (CM)** policy in November 2018, important steps have been made towards closing the oldest legacy cases and in addressing the backlog. In line with the CM policy, the mediation function is now clearly separated from the investigation function of CM. In addition, CM is strengthening its monitoring function, with a systematic review of the timely implementation of CM's recommendations to the Bank. Bank financed project procurement related cases are being handled by the Procurement Complaints Committee, chaired by the Inspector General.

Following the recommendations from the independent external peer review on the functioning of the EIB's **Evaluation** in line with its dual mandate of accountability and learning, the terms of reference will be updated and replaced with a new Evaluation Policy that will be presented to the EIB's Board of Directors for approval in 2021.

The Bank's internal **Diversity and Inclusion Strategy** was approved by the EIB Board of Directors in February 2018 and is valid until the end of 2021. It follows the same structure as the EIB Group Gender Equality and Women's Empowerment Strategy, based around the three pillars of protect, impact and invest. Each pillar sets out a strategic ambition:

- I. **Protect** – The EIB safeguards against any form of discrimination and integrates Diversity and Inclusion in its rules, policies and processes so that staff compete on an equal footing for hiring opportunities, pay and promotions. The Bank is focusing on having the right policies in place, embedding diversity in key processes such as performance management, talent management and recruitment. Directorate action plans are reviewed every three months with specific targets to improve gender balance at all levels of the organisation.

Similar to other IFIs like the World Bank, EBRD, IMF, ADB, the EIB is working with the international gender certification organisation, Economic Dividends for Gender Equality (EDGE), which is the leading global assessment methodology and business certification standard for gender equality. A highlight in the EIB's 2020 diversity and inclusion agenda was the award of the EDGE ASSESS certification. In 2021, we will begin to implement the action plan produced alongside EDGE and to promote gender equality policies, practices and actions. The EIB is supporting the EIF as it embarks on the certification process.

- II. **Impact** – The Bank will build and foster a more inclusive work environment, where all colleagues treat each other with respect by listening to different viewpoints, opinions and ideas, through a number of targeted events. Diversity and Inclusion objectives are a collective responsibility for all management. All EIB managers will attend an unconscious bias training in 2021. The overall aim is to ensure that all EIB staff understand how colleagues with diverse profiles can bring their "whole self" to work and build on complementary competencies so that all staff have the opportunity to perform to the best of their abilities.

In 2020, the Diversity and Inclusion office also carried out a consultation with a number of colleagues with disabilities, managers of persons with disabilities and staff members who are carers of family members with disabilities. In 2021, we will implement a series of actions aiming to ensure that all staff members can be fully included in the workplace, regardless of disability, and moving the EIB closer towards being an employer of choice for persons with disability.

- III. **Invest** – The EIB remains committed to developing its existing staff and to attracting new talent who offer different skill sets, competencies, and ways of thinking from outside the EIB. The Bank's primary focus is on gender at all levels, through developing internal talent, committing to talent review processes, and attracting more diverse talents through a strategic outreach and participation to external events. EIB vacancies encourage applications from all underrepresented groups, with a particular focus on people with disabilities and taking account of national representation. In 2021, we will work together to enhance the EIB's employer value proposition, to demonstrate the unique offering the Bank makes to its staff.

Diversity targets have been set within the context of the 2018-2021 Diversity and Inclusion Strategy, with the objective of increasing the total share of women in management positions to 33%, the share of women at senior executive level at 40%, and the share of women at executive level at 50% by the end of 2021. As at the end 2020, the overall share of women at management level was 29.5%; the share of women at senior executive level was 34.7% and at executive level was 42.5%. Progress is monitored and reported annually to the EIB Board of Directors and the Management Committee.

Corporate responsibility

The EIB has been invited by the European Financial Reporting Advisory Group (EFRAG) to participate to the Commission initiated project task force on preparatory work for the elaboration of possible EU non-financial reporting standards. The mandate of the task force is to develop recommendations about the possible scope, content and structure of future non-financial reporting standards for use by European companies in preparing periodic reports that are disclosed to the public. The task force is requested to consider the full sustainability spectrum of environmental, social and governance (ESG) factors in line with the overall aim of the European Green Deal and Agenda 2030.

Involving civil society and relevant associations in all of the Bank's activities in an open and transparent way is of utmost importance for the EIB, as it improves the quality and sustainability of its activities and increases the Bank's accountability towards its stakeholders. EIB activities in this field follow best practice and are in line with the Treaty's requirement for EU institutions and bodies to conduct their work as openly as possible in order to promote good governance and ensure participation of civil society.

The EIB actively maintains an on-going **dialogue with civil society** through events such as its annual seminar with the EIB's Board of Directors, which provides a unique opportunity for a frank and open exchange between civil society and the Bank's governing bodies. Other regular stakeholder engagement workshops are held on subjects of relevance both for the Bank and for its stakeholders and the Bank also organises public consultations on key policies and strategies as well as holding regular bilateral meetings with civil society organisations on specific issues.

During 2020, an iterative **stakeholder engagement** exercise was launched on the EIB Group's Climate Bank Roadmap and a Group-wide onsite and online engagement workshop was held to present and discuss the draft revised Group Anti-Fraud Policy. The EIB has three public consultations on the horizon. The first is the EIB Group's Transparency Policy, which was launched at the end of 2020. Secondly, stakeholders will be consulted on the EIB's Environmental and Social Framework, which includes the EIB Statement on Environmental and Social Principles and Standards as well as the ten EIB Environmental and Social Standards that provide an operational translation of these principles. Finally, the EIB will be revising its Transport Lending Policy.

Environmental, social and governance (ESG) investing is undergoing a pivotal shift. Investors are increasingly moving away from asking "if" ESG can add value to their strategies and towards questions of "how" and "where." As such, maintaining a high level of engagement and dialogue with the major ESG rating agencies and research companies has become even more relevant for the Bank. The EIB maintains first in class ESG ratings from key international

ESG rating agencies and strives to preserve this high level of recognition both through engagement with the agencies and its positive developments in areas with environmental and social impacts, both in our operations and internally.

In December 2018, the EIB Group successfully implemented the Environmental Management System (EMS) in accordance with **Eco-Management Audit Scheme (EMAS) Regulation**. EMAS provides a robust framework to align internal environmental objectives and targets to meet the goals of the Paris Agreement, specifically Building Block 6 of the six building blocks and principles agreed by the Multilateral Development Banks (MDBs) as core areas for aligning with the Paris Agreement and development and implementation of targets using the Science Based Targets⁷ (SBT) methodology in the context of the Climate Bank Roadmap. Since registration under EMAS, the EIB Group has passed two EMAS surveillance audits ahead of the recertification audit planned for April 2021. Initiatives under way include, but are not limited to:

- Elimination of single-use plastics by the end of 2020;
- Development and implementation SBT in the context of the CBR;
- Review of travel policy;
- Finalise and implement plan to further reduce food-waste
- Post-COVID planning:
 - Mobility
 - Tele/home working
 - Return to office planning

Since first measuring its **GHG emissions** resulting from internal operations in 2007, the EIB Group has continued to reduce per capita GHG emissions with a 54.7% reduction in 2019 (2007: 11.95 tCO₂e/FTE v 2019: 5.41 tCO₂e/FTE). During 2021, the EIB will refine its objectives for the internal organisation and set targets in line with the SBT methodology for 2025, in accordance with the policy of the Commission for 2025 and aligned with the Bank's strategy and our external lending policies in the context of Climate Bank Roadmap.

⁷ The Science Based Targets initiative is a collaboration between the Carbon Disclosure Project (CDP), World Resources Institute (WRI), the World Wide Fund for Nature (WWF), and the United Nations Global Compact (UNGC) and is one of the We Mean Business Coalition commitments. Targets to reduce greenhouse gas (GHG) emissions are considered "science-based" if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement. For more information, please see <https://sciencebasedtargets.org/>.

6. Conclusion

The EIB Group Operational Plan 2021 is presented at a critical moment for the EU as it confronts the two major crises of our time – the COVID-19 pandemic and the Climate Emergency. In such an environment of uncertainty, the Operational Plan is again presented as a one-year plan focused on 2021 with preliminary indications provided for 2022 and 2023.

The EIB Group's immediate COVID-19 response was designed to make an instant impact in Member States, many of whom are amongst the worst affected by COVID-19, in tandem with a targeted response outside of the EU. Concretely, the BioNTech and Pfizer COVID-19 vaccine supported by EIB Group financing is a cause for real optimism. Nevertheless, it is clear that the pandemic will lead to a severe and widespread global recession, and the EIB Group stands ready to support the EU's recovery strategy through a forceful counter-cyclical response as outlined in this Operational Plan.

The Climate Emergency will require additional investment over the coming decade as scarce resources are redirected to support the post-COVID-19 recovery. Indeed, the EIB Group is developing the most ambitious climate investment strategy of any public financial institution and will continue to position itself as a leading incubator for climate finance and expertise. The EIB will also work closely with other EU institutions to mobilise others and help our societies and economies to transform to a low carbon future.

As the evolution of the pandemic and its more long-term effects are still unclear, 2021 will be a transitional year for the EIB Group. Not only will the EGF be deployed, the Group is preparing to support implementation of the 2021-2027 MFF together with the Next Generation EU recovery instrument and will continue to work closely with Member States, the Commission and all multilateral and national financing institutions to ensure that EIB financing and advisory services reaches the areas and markets where investment is most needed.

The Bank is committed to delivering its mandates, while at the same time gradually increasing and evolving its own risk Special Activities debt products focusing on climate action and contributing to a sustainable smart and green recovery by continuing to address market gaps and reach new clients and markets.

Although focused on 2021, this Operational Plan sets out a number of the EIB Group's other ambitions for the planning period and beyond, with the intention to underpin the EIB's relevance in the longer-term. This plan commits the EIB to an ambitious financing programme both inside and outside the EU within a longer-term financially sustainable framework. The programme is well balanced, considering also EIF activity, and is focused on providing real additionality and impact.

The European response to the COVID-19 crisis and the Climate Emergency can set the path for more positive societal changes, boosting EU competitiveness and strengthening growth potential. Building on its unique experience in delivering financing and advisory services the EIB Group stands ready to support a sustainable recovery in the EU and the shift towards a green and digital transformation of the EU Member States' economies.

7. Indicator Tables and Statistics adopted for the Operational Plan 2021

Table A: Operational Plan 2021 Performance Indicators

	Unit	2019 achieved	2020 Forecast	2021 Orientation	2022 <i>indicative figures</i>	2023 <i>indicative figures</i>	2021-2023 Average
IMPACT & ADDITIONALITY INDICATORS							
1 Total Disbursements (own resources)	EUR bn	47.5	47.0-56.0	47.0-57.0	47.0-58.0	46.0-58.0	46.7-59.3
- inside the EU	EUR bn	43.7	41.5-50.0	42.0-51.5	42.0-52.5	41.0-52.5	41.5-52.2
- outside the EU	EUR bn	3.8	5.5-6.0	5.0-5.5	5.0-5.5	5.0-5.5	5.0-5.5
2 Total Signatures (own resources)	EUR bn	61.8	63.0-66.0	63.0	63.0	63.0	63.0
- inside the EU	EUR bn	54.9	54.0-57.0	55.3	55.3	55.3	55.3
- outside the EU	EUR bn	6.9	8.0-9.0	7.7	7.7	7.7	7.7
3 Special Activities (own higher risk - includes EFSI to 2020)	EUR bn	13.3	11.8-14.4	4.9	9.0	10.1	8.0-8.9
- inside the EU	EUR bn	12.9	11.1-13.8	4.1	8.2	9.3	7.2-8.1
- outside the EU	EUR bn	0.4	0.7	0.8	0.8	0.8	0.8
4 Risk Sharing / Mandates (incl. EFSI, InvestEU, NDICI/EFSD+ from 2021)⁽¹⁾	EUR bn	1.8	1.5	16.6-20.3	16.0	15.7	16.1-17.3
5 Value added (3PA) inside EU (incl. EFTA): Proportion of approved operations in higher rating categories⁽²⁾							
- Pillar 1: Contribution to EU policy	High Priority area / transversal objectives	%	92	91	n.a.	n.a.	n.a.
- Pillar 2: Quality and soundness of the project	Good/Excellent	%	94	95	n.a.	n.a.	n.a.
- Pillar 3: EIB technical & financial contribution to the project	Significant/High	%	46	55	n.a.	n.a.	n.a.
6 Value added (REM) outside EU: Proportion of approved operations in higher rating categories⁽²⁾							
- Pillar 1: Contribution to EU policy	Good/Excellent	%	100	> 90	n.a.	n.a.	n.a.
- Pillar 2: Quality and soundness of the project	Good/Excellent	%	90	> 90	n.a.	n.a.	n.a.
- Pillar 3: EIB technical & financial contribution to the project	Significant/High	%	91	> 75	n.a.	n.a.	n.a.
FINANCIAL SUSTAINABILITY INDICATORS							
7 Return on own funds less notional return on own funds	%	2.2	1.6	1.2	1.6	1.6	1.5
8 Cost/Income Ratio⁽³⁾	%	31.4	31.5	38.7	36.9	39.4	38.3
THE WAY WE WORK INDICATORS							
9 Implemented Internal Audit actions	%	74	65	65	65	65	65
10 Implemented IG recommendations	%	73	50	55	55	55	55

⁽¹⁾ Depending on the implementation of mandates under the next MFF

⁽²⁾ In 2021 the new Additionality and Impact Measurement Framework will apply with parallel KPIs

⁽³⁾ The annual cost income ratio target is calculated on the basis of budgeted costs. Non-budgeted costs considered in ex-post calculations, notably the amortization of the actuarial pension and healthcare schemes deficit and other provisions, are excluded from the target.

Table B: Operational Plan 2021 Public Policy Goals

Signatures (own resources) by Public Policy Goals ⁽³⁾		2019 Achieved ⁽¹⁾	2020 Forecast ⁽¹⁾	2021 Orientation ⁽²⁾	2022 <i>indicative figures</i>	2023	2021 - 2023 Average
Innovation, Digital and Human Capital	EUR bn	15.9	17.3 - 17.9	14.0	13.0	13.0	13.3
- inside the EU		15.7	16.5 - 17.0	13.1	12.5	12.5	12.7
- outside the EU		0.2	0.8 - 0.9	0.9	0.5	0.5	0.6
SME & MidCap Finance ⁽³⁾	EUR bn	15.9	20.0 - 21.0	16.0	16.0	16.0	16.0
- inside the EU		14.2	16.8 - 17.6	14.5	14.5	14.5	14.5
- outside the EU		1.7	3.2 - 3.4	1.5	1.5	1.5	1.5
Sustainable Cities and Regions	EUR bn	16.6	14.9 - 15.6	16.0	17.0	17.0	16.7
- inside the EU		14.0	12.5 - 13.1	13.4	14.2	14.2	13.9
- outside the EU		2.7	2.4 - 2.5	2.6	2.8	2.8	2.7
Sustainable Energy and Natural Resources	EUR bn	13.4	10.6 - 11.7	17.0	17.0	17.0	17.0
- inside the EU		11.0	9.0 - 9.6	14.3	14.1	14.1	14.2
- outside the EU		2.4	1.6 - 2.1	2.7	2.9	2.9	2.8
Total Inside & Outside EU	EUR bn	61.9	63.0 - 66.0	63.0	63.0	63.0	63.0
Economic and Social Cohesion and Convergence (within EU, EFTA and Pre-Accession) ⁽⁴⁾ - % of signatures	%	29.8	30.0	30.0	to be confirmed ⁽⁴⁾		
Climate Action and Environmental Sustainability ⁽⁵⁾ (EIB total) - % of signatures	%	34.4	35.0 - 37.0	35.0	39.0	43.0	39.0

⁽¹⁾ The Official reporting under the new PPG framework will begin in 2021. Results for 2019 and 2020 will continue to be reported under the current PPG framework and have been mapped to the new PPG structure for this table.

⁽²⁾ The orientations for Innovation, Digital & Human Capital, SME and MidCap finance, Sustainable Cities & Regions, Sustainable Energy & Natural Resources are all subject to the +/- 10% flexibility range associated with overall new lending signature orientations

⁽³⁾ Excluding EIF figures (shown in the Monitoring Indicators - Table C)

⁽⁴⁾ Given the wider definition of transition regions, the target of the Cohesion objective is expected to be increased in the context of the upcoming Cohesion Orientation review, which is expected by mid-2021

⁽⁵⁾ The official reporting against the new Climate Action & Environmental Sustainability transversal objective will begin in 2021. Figures for Environmental Sustainability over the past years have been estimated on the basis of elements of the Sustainable Energy and Natural Resources PPG and are not for use in official reporting.

Table C: Operational Plan 2021 Monitoring Indicators

		Unit	2019 achieved	2020 Forecast	2021 Orientation
IMPACT & ADDITIONALITY INDICATORS					
1	Total EIB Group signatures	EUR bn	72.2	78.7	94.4
	-of which signatures under mandates	EUR bn	29.4	32.3	46.0-49.7
2	EIF Signatures under EIB Mandates	EUR bn	1.7	3.0	1.5
	- RCR Mandate	EUR bn	1.0	1.0	1.0
3	Estimated EFSI investment facilitated by EIB Group	EUR bn	99.3	96.0	n.a.
	- Innovation & Infrastructure Window (IIW)	EUR bn	44.4	50.0	n.a.
	- SME Window	EUR bn	54.9	46.0	n.a.
4	Total number of new advisory assignments	#	390	350	340
	Number of new assignments - Inside EU	#	280	270	270
	- of which through the EIAH	%	20	n.a.	n.a.
	Number of new assignments - Outside EU	#	110	80	70
5	Total estimated investment cost of projects supported by advisory	EUR bn	40	35	35
6	Nbr of Group operations benefitting from advisory support	#	78	70	75
THE WAY WE WORK INDICATORS					
7	Diversity and Inclusion				
	Women in Management positions(functions SC/8&9 and C/7)	%	30	30	n.a.
	Women at function D/6	%	33	35	n.a.
	Women at function E/5	%	42	42	n.a.

Table D: Related Statistics

	Unit	End of Year Actuals										2020 September YTD
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
IMPACT & ADDITIONALITY												
Macro economic impact of EIB Group Activities in Europe												
Economic impact on jobs - short term (after 5 years)	# (000's)	N/A	N/A	N/A	N/A	N/A	N/A	1230	1,200	1,020	1,140	N/A
- long term (after 20 years)		N/A	N/A	N/A	N/A	N/A	N/A	670	630	590	700	N/A
Economic impact on GDP - short term (after 5 years)	%	N/A	N/A	N/A	N/A	N/A	N/A	1.2	1.1	0.9	1.1	N/A
- long terms (after 20 years)		N/A	N/A	N/A	N/A	N/A	N/A	0.8	0.7	0.7	0.8	N/A
Operations Approved (own resources)												
- Number of Operations Approved	#	401	323	364	421	451	419	453	516	446	436	310
- Volume of Operations Approved	EUR bn	82	53	62	77	90	94	74	83	62	57	52
Number of Operations Signed (own resources)												
	#	434	424	387	484	485	435	517	520	475	546	251
Number of Disbursements												
	#	1925	1969	1826	1969	2169	2356	2362	2,468	3,028	3,148	2,015
Average Project Size												
	EUR m	164	142	133	146	157	177	144	132	114	113	135
Percentage of new Counterparts												
	%	N/A	N/A	42	42	46	49	52	57	56	54	45
EIB signatures under mandates (own resources)												
	EUR bn	7.3	4.7	7	7.7	7.1	10.3	17	19.3	19.7	19	7
EIB signatures under mandates (utilising third party resources)												
	EUR m	609	988	984	706	843	661	525	1037	1,342	1,357	375
FINANCIAL SUSTAINABILITY												
Stock of Undisbursed Loans												
	EUR bn	91	87	82	95	101	106	113	114	108	115	104
Inside EU	EUR bn	N/A	69	63	75	79	83	89	91	86	90	79
Outside EU	EUR bn	N/A	18	19	20	22	23	24	23	22	25	25
Balance Sheet												
- Loan Book	EUR bn	360	395	413	428	449	457	455	454	450	447	448
- Medium - Long term borrowings	EUR bn	344	382	412	422	437	453	449	430	445	438	431
- Total Treasury	EUR bn	21	19	38	55	40	44	47	46	65	61	57
Gross exposure of individually impaired loans as % of loans signed												
	%	0.09	0.08	0.25	0	0	0.28	0.27	0.24	0.28	0.32	0.36
THE WAY WE WORK												
Total FTE												
	#	1,761	1,880	1,912	2,037	2,179	2,431	2,765	3,081	3,296	3,439	3,347
- professional		1248	1344	1369	1469	1584	1785	2047	2316	2,522	2,662	2,610
- support		513	536	543	568	595	646	718	765	774	777	737
Number of admissible allegations coming into IG (incl. complaints)												
	#	130	141	145	149	164	163	204	251	278	288	188
-New Admissible Complaints received by CM & PCC (**)		48	46	52	57	48	49	84	102	94	60	66
-New Allegations of Prohibited Conduct received by Investigations		82	95	93	92	116	114	120	149	184	228	122
Number of open high risk IA Action Plans												
	#	10	14	7	7	12	8	25	14	33	21	16
Cybersecurity - % of Key Risk Indicators within acceptable thresholds												
	%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11	50.0	66.0	100.0
IT Business Solutions: Run versus Change												
Change												
	%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14	22.0	23.0	28.0
Run												
	%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	86	78.0	77.0	72.0
Buildings: Run versus Change												
Change												
	%	19.1	27.5	16.2	38.8	41	42.3	22.2	8.6	6.0	4.0	4.9
Run												
	%	80.9	72.5	83.8	61.2	59.0	57.7	77.8	91.4	94.0	96.0	95.1

(*) Please note figures may differ to those published in the year end Performance Reports due to adjustments made to operations post year end (e.g. restructurings, cancellations, increase in loan amount).

(**) CM = Complaints Mechanism and PCC = Procurement Complaints Committee (since Sept. 2020)

The EIB Group Operational Plan 2021



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