

# European Investment Bank



**European Investment Bank**

## The EIB Statement of Environmental and Social Principles and Standards<sup>1</sup>

**2009**

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<sup>1</sup> This document is divided into three parts. The first describes the general **Background** to the Statement, and refers to other documents that should be read in conjunction with the Statement in order for the reader to have a comprehensive understanding of the approach of the EIB towards environmental and social matters. The core of the document is the **Statement** itself, describing the environmental and social principles and standards of the Bank. This is designed as a stand-alone document, and has been the subject of public consultation. Finally, there are **End Notes** and a **Glossary** of terms, according to their use in the Bank.

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## ACRONYMS

ACP	African, Caribbean and Pacific countries
BAT	Best Available Technology
BBOP	Business and Biodiversity Offsets Programme
BREFs	BAT Reference Documents
CA	Competent Authority/Authorities
CBD	Convention on Biological Diversity
CEB	Council of Europe Development Bank
CMS	Conservation of Migratory Species of Wild Animals
COP	Corporate Operational Plan
CSOs	Civil Society Organisations
DG ENV	European Commission Directorate General Environment
EA	Environmental Assessment
EAP	Environment Action Programme
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECCP	European Climate Change Programme
EEA	European Environment Agency
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIF	European Investment Fund
EIS	Environmental Impact Study/Statement
EITI	Extractive Industry Transparency Initiative
EMAS	Eco-Management and Audit Scheme
ESMP	Environmental and Social Management Plan
ESIAF	Economic and Social Impact Assessment Framework
EO	European Ombudsman
EPE	European Principles for the Environment
ESIAF	Economic and Social Impact Assessment Framework
EU ETS	European Union Emissions Trading Scheme
EU SDS	EU Sustainable Development Strategy
EU	European Union
FSC	Forest Stewardship Council
FL	Framework Loans
FYROM	Former Yugoslav Republic of Macedonia
GHG	Greenhouse Gas
HELCOM	Helsinki Commission - Baltic Marine Environment Protection Commission
IFC	International Finance Corporation
IL	Investment Loans
ILO	International Labour Organisation
UNIPPC	United Nations Intergovernmental Panel on Climate Change
IPPC	Integrated Pollution Prevention and Control
ISO	International Organisation for Standardisation
IUCN	International Union for the Conservation of Nature

<b>MFI</b> s	<b>Multilateral Financial Institutions</b>
<b>MDG</b> s	<b>Millennium Development Goals</b>
<b>ML</b>	<b>Mid-Cap Loans</b>
<b>NEFCO</b>	<b>Nordic Environment Finance Corporation</b>
<b>NIB</b>	<b>Nordic Investment Bank</b>
<b>NGO</b> s	<b>Non-Governmental Organisations</b>
<b>NTS</b>	<b>Non-Technical Summary</b>
<b>OJEU</b>	<b>Official Journal of the European Union</b>
<b>OSPAR</b>	<b>Commission, Protecting and Conserving the North-East Atlantic and its Resources</b>
<b>PJ</b>	<b>Projects Directorate</b>
<b>PDP</b>	<b>Public Disclosure Policy</b>
<b>SAC</b> s	<b>Special Areas of Conservation</b>
<b>SAG</b> s	<b>Social Assessment Guidelines</b>
<b>SPA</b> s	<b>Special Protection Areas</b>
<b>SEA</b>	<b>Strategic Environmental Assessment</b>
<b>UNCBD</b>	<b>United Nations Convention on Biological Diversity</b>
<b>UNDP</b>	<b>United Nations Development Programme</b>
<b>UNFCCC</b>	<b>United Nations Framework Convention on Climate Change</b>
<b>UNECE</b>	<b>United Nations Economic Commission for Europe</b>
<b>UNESCO</b>	<b>United Nations Educational, Scientific and Cultural Organisation</b>
<b>WBG</b>	<b>World Bank Group</b>
<b>WFD</b>	<b>Water Framework Directive</b>

## BACKGROUND

1. As the long-term financing body of the European Union (EU), the European Investment Bank (EIB) promotes EU policies through its financial and other support to sustainable investment projects. The increasing prominence given to environmental and social considerations within the EU and throughout the other regions of operation of the Bank is reflected in its priority lending objectives as well as in the regular review and revision of its environmental and social requirements and operational practices.
2. The environmental and social policies, principles and standards as well as the operational practices of the EIB derive from and reflect the evolving EU approach and that of other international institutions towards the promotion of environmental sustainability and social well-being, in the broader context of the goal of sustainable development.
3. The EIB aims to add value by enhancing the environmental and social sustainability of all the projects that it is financing and all such projects must comply with the environmental and social requirements of the Bank. In particular, climate change, biodiversity and ecosystems considerations are integrated into the lending policies and practices of the Bank. The ability of the Bank to contribute positively in these respects is an important element of the non-financial value added that it brings to the projects it is financing.
4. Whereas the EIB finances projects for a number of EU policy reasons, among the priority lending priorities of the Bank in support of sustainable development is the protection and improvement of the natural environment and the promotion of sustainable communities. The types of project the Bank finances are described in the Corporate Operational Plan (COP)<sup>1</sup>, and elaborated in sector specific lending policies. The Bank aims to allocate a significant proportion of total lending to environmental protection and sustainable communities. Projects that qualify in this sense are those that make a significant contribution to the Priority Areas and Thematic Strategies of the EU Sixth Environment Action Program (EAP)<sup>2</sup>, and/or fulfil the objectives of EU Urban and Public Health strategies<sup>3</sup>, including the Leipzig Charter<sup>4</sup>. The EAP aims to give practical meaning to the objectives of the Treaty of the European Union (the "Treaty")<sup>5</sup>, "of preservation of the environment, protection of human health, rational utilisation of natural resources and promotion of measures at international level" (Article 174 (1)).
5. The need to mitigate and adapt to climate change and to tackle the degradation and unsustainable use of ecosystems and their associated biodiversity are the two greatest environmental challenges of the 21<sup>st</sup> century and are closely related to human well-being and sustainable development. Action is urgently required. They are given special treatment in the Statement. The EIB keeps under continuous review and upgrades its approach to climate change to guide Bank lending and operational practices pertaining to climate change mitigation and adaptation in support of the European Climate Change Program<sup>6</sup> and the EU Action Plan on Climate Change and Development<sup>7</sup>. The Bank is also paying further attention to the protection of biological diversity, management of ecosystem goods and services and reduction of ecosystem degradation in support of EU and UN policies and targets. The approach of the Bank reflects, respectively, its

contribution to the UN Framework Convention on Climate Change (UNFCCC) and the UN Convention on Biological Diversity (CBD), as well as to the attainment of the UN Millennium Development Goals (MDGs)<sup>8</sup>, particularly MDG 7 to ensure environmental sustainability.

6. The EIB adopted an Environmental Statement in 1996 to underline its commitment to protecting and improving the natural and built environment according to EU policy. A revised Statement was issued in 2002 and again in 2004, aligning the Bank with the Sixth EAP in support of sustainable development both within the EU and outside. In time social matters have come to be assessed alongside environmental, and whereas the Bank continues to treat the two differently in manner, scope and intensity, they are being increasingly integrated into a single sustainability assessment.
7. The EIB Statement of Environmental and Social Principles and Standards 2008 (the "Statement") further develops the environmental and social requirements of the Bank applied to the projects it finances and gives greater emphasis than before to its social requirements. It is an important expression of the Corporate Responsibility and aspirations of the Bank and makes transparent the requirements against which the projects it finances are assessed and should be judged.
8. The EIB considers the relationship between the environment and social well-being, as well as the natural and built environment in its own right, in all the projects that it finances. As the social dimension is one of the pillars of sustainable development, social considerations have come to play a bigger role in the project-related activities of the Bank, notably when operating outside the EU. Drawing on the Charter of Fundamental Rights of the European Union (the "Charter") (2000)<sup>9</sup>, the Bank pays particular attention to the rights of disadvantaged groups, and the impacts that a project might have on people in both the workplace and the local community.
9. The Statement must be applied by the staff of the EIB in all its operations. It also informs promoters, the public, affected communities and other stakeholders, including other EU institutions, in particular, the European Commission, other Multilateral Financial Institutions (MFIs), financial and business partners, and representatives of civil society, including non-governmental organisations (NGOs), as to the requirements of the Bank.
10. The general approach of the EIB to the environment and social well-being provides the context for the Statement. That approach is derived from the Treaty, in which the EU is given the task of promoting sustainable development, including economic growth, social cohesion and environmental protection, by among other things ensuring that environmental considerations are integrated into all EU policies and activities. The Bank is an EU body, bound by EU law and committed to promoting EU policy objectives. The EIB Strategy<sup>10</sup>, the COP, and the Corporate Social Responsibility Statement<sup>11</sup> reflect this important task.
11. A number of documents that complement the Statement - notably those above pertaining to EIB environmental strategy and policy as well as the EIB Environmental and Social Practices Handbook (the "Handbook")<sup>12</sup> - elaborate the commitment of the Bank in the environmental and social fields. They are also available to the public and, depending on their specific contents and scope, may be the subject of various types of

public engagement procedures applied by the Bank. The publication of the Statement contributes to the EIB Public Disclosure Policy<sup>13</sup> to promote transparency and accountability and the rights to consultation and participation of institutions and people (i.e. "stakeholders") affected by or interested in the projects financed by the Bank.

12. The Handbook translates the environmental and social principles and standards described in the Statement into the operational practices followed by the staff of the EIB. It explains how Bank staff conducts its routine work on environmental and social matters throughout the project cycle. It describes the extent of the work of the Bank and the responsibilities and roles of other parties, notably those of the promoter and the intermediaries with whom the Bank cooperates. The promoter is responsible for the application and enforcement of the requirements of the EIB, including compliance with relevant laws and other obligations placed on the promoter by the Bank, typically reflected in legal undertakings. Where insufficient capacity might prevent the promoter from meeting its requirements, the Bank requires that capacity be enhanced and it may provide technical assistance.
13. The Statement develops the European Principles for the Environment (EPE)<sup>14</sup>, which is based on the approach to environmental matters developed and applied by the EU. EU requirements are among the most ambitious in the world. The Bank drew up the EPE in partnership with a number of other European-based international financial institutions in 2006, to provide a benchmark against which the signatory institutions and the projects which they finance are assessed in terms of environmental performance. The requirements of the Statement are translated into the operations of the Bank through sector lending policies, such as those for energy, transport, water, waste, and research, development and innovation.
14. The Statement builds on the extended and varied experience of the EIB and underpins its support for the goals of environmental sustainability and social well-being in the regions in which it operates. It takes into account recent changes in thinking about sustainable development, particularly associated with: a) enhancing transparency and accountability, b) the greater role that might be played by civil society organizations (CSOs), c) recent commitments by leading private sector financial and business institutions in the field of corporate responsibility, and, d) the development of good practice within the EU and among the peer institutions of the Bank, in a context of new global and regional challenges and opportunities.
15. The Statement focuses on: a) the "principles" on which the EIB approach to environmental and social issues are based, and, b) the environmental and social performance "standards" that ensure compliance with Bank requirements. The principles and standards are derived from EU policy and law, and supplemented by other examples of international good practice, and include:
  - The over-arching environmental principles contained in the Treaty;
  - The fundamental human rights referred to in the EU Charter;
  - The standards incorporated in the body of EU environmental and social legislation relevant to the sectors and projects financed by the Bank<sup>15</sup>;

- Internationally recognised good environmental and social practices from a number of sources and often tailored to specific sectors;
- A set of social standards, equivalent to the common requirements of the MFIs.

The environmental and social requirements of the EIB reflect the principles of the EU Sustainable Development Strategy<sup>16</sup>, the Cotonou Agreement<sup>17</sup> and the European Consensus on Development<sup>18</sup>.

16. The EIB requirements are most readily applied in the case of a long-term loan granted directly to a promoter to finance a single investment project. But sometimes an operation may involve multiple projects (i.e. a Framework Loan); at other times, multiple projects may form part of a Programme; finance may be provided indirectly to one or a number of promoters through typically a financial intermediary (i.e. a Credit Line); and, finally, the Bank may provide equity finance in various forms. Where financing is granted indirectly by the Bank through an intermediary, the Bank may delegate the authority for the financing decision to a financial institution, municipality, corporation or fund manager, which has demonstrated the capacity to apply the environmental and social requirements of the Bank, and subject to appropriate reporting, monitoring and contractual requirements. The Handbook describes Bank practices in such cases.
17. The Statement applies to all forms of EIB financing, in all regions of Bank operations in both the public and private sector. EU principles and standards are the guide for all projects financed by the EIB.
18. The environmental and social standards apply without qualification in the EU. Within the EU, EU law is mandatory, but the Bank reserves the right to set its own higher standards should this be considered appropriate. The same standards also shall be pursued in the Candidate and Potential Candidate Countries (i.e. the "Enlargement Countries"<sup>19</sup>).
19. In the rest of the World, though EU law formally does not apply, the benchmark for the EIB is again the legal principles and standards of the EU. Any derogation from the requirements of the Bank should be justified by the promoter within the framework of the general environmental and social principles and standards set out in this Statement. In some cases phasing will be justified such that the goal of EU requirements is achieved in stages, an approach also sometimes adopted by the EU in the enlargement countries. In the countries covered by the EU European Neighbourhood and partnership policy, achieving compliance with EU environmental requirements should be consistent with any bilateral agreements or actions plans agreed between the EU and the relevant country.
20. Within the EU, the EIB assumes that EU environmental and social law has been correctly transposed into national law and that national law is being enforced by the responsible authorities. EIB due diligence focuses particularly on countries and/or specific laws where there is evidence to suggest these assumptions may be false.
21. Where applicable, the EIB adopts at least the same environmental and social requirements in the management of its own facilities as it does to its financing activities, as described in successive EIB Corporate Responsibility Reports<sup>20</sup>.

22. The EU approach to the environment and social well-being is only one example of good international practice to which the EIB subscribes. Other approaches that incorporate good international practice are acceptable to the Bank and justified in some circumstances. They are used to reinforce the scope and robustness of the EU approach to environmental and social matters in respect of specific issues and/or in specific sectors. This may be the case where a given subject is not adequately covered in EU legislation, where the Bank is providing finance in cooperation with other financial institutions, and/or where Bank finance is requested late in the project preparation and design process.
23. In the case of co-financing, the Bank is prepared to accept a common approach based on the relevant requirements of one of its financial partners, for reasons of consistency and harmonization<sup>21</sup>, and to avoid duplication. For instance, in projects outside the EU, working in cooperation with other international public and private financial institutions, a common approach based on the Equator Principles or the safeguards of the World Bank may be followed<sup>22</sup>.

# THE STATEMENT

## PREAMBLE

### **Environmental and Social Acceptability: Managing Opportunities and Risks**

1. The European Investment Bank (EIB) requires that all the projects it is financing are acceptable in environmental and social terms by applying appropriate safeguards to all its operations. The Bank also finances projects that contribute directly to environmental sustainability and social well-being in support of sustainable development, by virtue of their positive contribution either to the protection and enhancement of the natural or built environment and/or to the promotion of sustainable communities.
2. The EIB applies a set of environmental and social requirements throughout the project cycle to help ensure the sustainability of all the projects that it finances. Promoters are responsible for preparing, implementing and operating projects financed by the Bank; they are also responsible for the fulfillment of Bank requirements, especially for legal compliance. The Bank will assist the promoter to fulfill these responsibilities.
3. The EIB will work with promoters to help design the project, when there are opportunities to do so, and to identify and manage environmental and social opportunities and risks, where necessary. If required, the Bank will help to develop appropriate institutional capacity to support the project during implementation and operation; and, it will cooperate with third parties, including host country authorities, other financiers, other EU institutions, representatives of civil society, and various other bodies, to help ensure the successful implementation, operation and outcome of a project.
4. The EIB encourages promoters to take advantage of business opportunities derived from environmental and social matters associated with a project. Where the business risks derived from environmental and social matters might seriously impair project performance, the Bank will only support the proposed project if appropriate mitigation and other arrangements for suitable risk management are developed by and agreed with the promoter and according to the relevant public consultation requirements of the Bank.
5. For all projects, it is an objective of the EIB to increase environmental and social benefits and decrease environmental and social costs associated with the projects it finances, where this can be achieved in a manner that is cost effective in socio-economic terms.
6. The EIB will not finance projects that do not meet its environmental and social requirements as described in the Statement. This includes projects that do not comply with appropriate national and EU environmental and social legislation in force at the time. The requirements of the Bank may go beyond what is legally required. The Bank will not finance projects which result in a violation of human rights.
7. For projects approved for EIB financing, the obligations of the promoter that derive from the environmental and social requirements of the Bank are described in the Finance Contract signed between the EIB and the borrower.

8. The EIB monitors the environmental and social performance of the projects it is financing, especially the fulfilment of any specific obligations described in the Finance Contract. The extent of monitoring is a function of the characteristics of the project, the capacity of the promoter and the country context. Monitoring by the Bank is based on reports from the promoter. It may be supplemented by site visits by the Bank and other sources of information, including that provided by affected communities.
9. A breach of contract and/or poor project performance in other respects requires corrective action by the promoter, in agreement with the Bank. A failure by the promoter to agree such action with the Bank and to take appropriate action may have financial and legal consequences for the promoter, e.g. a halt to disbursements, and/or recovery of the finance outstanding, if the promoter does not fulfil the requirements of the Bank during a reasonable period of time.

#### Increasing Environmental and Social Benefits

10. The EIB finances projects in the EU in support of a number of EU policy objectives but the Bank also finances projects outside the EU, including those that promote the Millennium Development Goals. Whereas the Bank assesses all the projects it finances for their environmental and social acceptability, it also finances projects with a specific objective to protect and improve the natural environment and to promote sustainable communities. The Bank has an environmental lending target, set in the Corporate Operational Plan (COP)<sup>23</sup>. To qualify against the target, a project should promote one or more of the following EU policy objectives:
  - Provide an appropriate response to the threat of climate change, through either climate change mitigation or adaptation-related investments, including support for projects in the fields of energy efficiency, renewable energy, cleaner energy and carbon sequestration;
  - Contribute to sustainable natural resource management, including the protection and improvement of water, air and soil, waste management, and protection and enhancement of biodiversity and eco-system functioning;
  - Improve the quality of urban life, including the promotion of sustainable communities;
  - Safeguard human health through enhancing the natural and built environment.
11. The EIB proactively seeks to identify and finance projects that add value through the protection and improvement of the natural environment and the promotion of sustainable communities, in all sectors, notably transport, energy, other infrastructure, the natural resources sector, industry and services, urban development, as well as in the field of environmental technology-related research and development. By providing finance in a way that encourages transparency, participation and consultation, social inclusion, integrated planning and more equitable access to goods and services, the Bank aims to promote greater social well-being.

12. The EIB supports the development and application of innovative financial and market-based instruments to enhance the value of environmental and social goods and services and to promote sustainable production and consumption. All projects should also satisfy Bank criteria in respect of financial, technical and socio-economic viability.
13. The EIB aims to identify, quantify and value direct and indirect environmental and social externalities where their influence on the socio-economic viability of the project is expected to be significant and promotes measures to internalize such impacts (e.g. full cost-recovery tariffs). Such techniques encourage projects that are expected to yield significant positive external impacts, such as a reduction in greenhouse gas (GHG) emissions and improvements in public health. They discourage projects with significant negative external impacts, such as an increase in air or water pollution. Generally, the Bank favours projects where adequate corrective action is taken to reduce external costs either through internalisation, regulation or other measures.
14. The EIB promotes markets in environmental goods and services that serve to correct for under-investment (e.g. the carbon market in the case of low carbon technologies, and the emerging market in ecosystem services). The Bank can provide various types of assistance to environmental projects, where it judges that worthwhile projects would otherwise not go ahead. Such support can take the form of finance on attractive terms, but it can also derive from the expertise of the Bank and other forms of technical assistance, including help with financial structuring and risk management. The Bank promotes the application of the polluter-pays principle.
15. The EIB provides technical assistance in different forms in its regions of operation to further its environmental and social policies and practices. Apart from making available its own in-house expertise, the Bank may finance consultants to carry out sector, market and other generic studies or to assist the promoter to carry out project-specific tasks, such as those related to a formal Environmental Impact Assessment (EIA), to strengthen environmental management capacity, and to address particular environmental issues (e.g. energy audits to foster energy efficiency, and the development of carbon credit potential).

#### Decreasing Environmental and Social Costs

16. The EIB finances projects to achieve a number of priority EU policy objectives, not just those of an environmental and/or social nature. Where such a project has significant negative environmental and/or social impacts, by virtue of its size, nature or location, alternatives should be considered and appropriate mitigation and/or compensation measures identified.
17. All projects financed by the EIB are required to undergo an appropriate Bank environmental assessment (EA), based on information provided by the promoter and other stakeholders, as detailed in the Handbook. Regardless of the need for a formal EIA, this assessment is carried out by the Bank itself, or by an intermediary according to the requirements of the Bank. Projects should be designed so as to avoid and if this is not possible reduce any significant adverse impact, and further design changes may be justified if the socio-economic benefits of the change exceed the costs; any significant residual negative impact should be, in order of preference, mitigated, compensated or offset.

18. In some cases, the Bank EA is based on a formal EIA, according to the definition contained in the EU EIA Directive<sup>24</sup>. The EIB or its authority screens and classifies projects into four categories for this purpose. Categories "A" and "B" refer to a project where the environmental impacts are likely to be significant. For these categories, the Bank requires a formal EIA. The EIA should integrate an assessment of project alternatives and include timely public disclosure of relevant information, together with meaningful consultations, in accordance with the Directive and in pursuit of the objectives of the EIB Public Disclosure Policy (PDP). For a project that requires an EIA, the Bank or its authority will not finance the project before the EIA has been completed according to the requirements of the Bank. More details are contained in the Handbook.
19. The EA required by the EIB should relate to the entire project and its sphere of influence, not just to the part that is being financed by the Bank. Such an assessment should encompass the cumulative direct and indirect impacts of the project. In addition, the Bank may require the promoter to prepare and publish an Environmental and Social Management Plan (ESMP) that is acceptable to the Bank.
20. Where a project forms part of a program or plan, prepared or adopted by a national, regional or local authority, in the EU a formal Strategic Environmental Assessment (SEA) may be required, in order to judge the environmental acceptability of a project, according to the requirements of the SEA Directive<sup>25</sup>. Outside the EU, for a project that would be subject to the SEA Directive within the EU, the information provided by the promoter should include strategic aspects and have a broad scope.
21. A formal EIA/SEA should identify and address any significant trans-boundary impacts associated with the project early in the project cycle, conforming to the requirements of EU law and those of the Espoo Convention<sup>26</sup>.
22. In the absence of an overriding public interest, the EIB will not finance a project where either there has not been a due consideration of alternatives, or significant negative environmental and social impacts remain after mitigation, compensation and/or offset, or the application of the environmental and social requirements of the Bank are such that their implementation would seriously impair the viability of the project. Such a project would be rated "C", according to the definition found in the Handbook.

## **PRINCIPLES**

### **Environmental and Social Principles**

23. The EIB refers to EU environmental law as the primary source of its environmental principles, and is a signatory to the European Principles for the Environment (EPE). There are several environmental principles in the Treaty<sup>27</sup> - implemented in relevant Directives - that are of central importance to the environmental approach of the Bank, notably:
  - The integration principle (Article 6);
  - The principle of aiming at a high level of environmental protection (Article 95 (3) and Article 174 (2)).

24. The integration principle requires that environmental considerations be appropriately weighed in all aspects of EIB work, including through the transparent development and implementation of its corporate strategy, operational plans, objectives and targets, sector lending policies as well as in the projects it finances.
25. The EIB aims, in accordance with EU policy on the environment, at a high level of protection based on the application of the precautionary principle, and on the principles that preventative action should be taken, that environmental damage should be rectified at source, and that the polluter should pay.
26. The EIB considers the need for applying the precautionary principle when there is a risk that a project may cause significant and irreversible damage to the environment. In such cases, measures should be taken by the promoter to avoid in the first place and if a feasible alternative is not available to reduce that risk to an acceptable degree. This applies even where there may not be conclusive evidence of a causal link between the project and its potential negative consequences. The Bank aim is to minimize any negative environmental impacts of the projects it finances. Where such impacts are demonstrably unavoidable, the Bank requires the promoter to apply mitigation measures, and for impacts that cannot be fully mitigated, compensation and/or offsets should be implemented, in accordance with the relevant EU Directives, such as, those on EIA, Nature (Habitats and Birds)<sup>28</sup> and Environmental Liability<sup>29</sup>.
27. The application of the prevention principle means that the promoter should demonstrate that appropriate action to protect the environment has been taken at an early stage. The objective is to prevent any damage from occurring in the first place, through an alternative project, design or process, rather than to attempt to repair the damage after it has occurred.
28. The principle that environmental damage should be rectified at source is enshrined in a number of EU laws, notably those concerning water and air pollution. It implies emission restrictions on production facilities and other point sources of pollution, for instance, as defined in the Integrated Pollution Prevention and Control (IPPC) Directive<sup>30</sup>. The EIB requires that promoters implement appropriate measures to prevent, or at least reduce point source pollution from impacting areas within and beyond the boundaries of a project.
29. Underlying the above principles is a requirement on the part of the EU that investment decisions reflect their true value to society, including through the prices people are willing to pay - or are actually asked to pay as users in application of the polluter-pays principle - to protect and enhance the environment and the costs that society incurs when the environment is damaged.
30. It is an objective of the EIB to increase social benefits and decrease social costs in all of the projects it finances, thereby to maximize social well-being; the Bank will not finance a project with significant residual social costs. To achieve this, the Bank follows a rights based approach when considering the social aspects of a project. This reflects the principles of the Charter of Fundamental Rights of the European Union (the "Charter"), and the UN Universal Declaration of Human Rights. Within the EU, human rights are guaranteed by EU and national legislation. Outside the EU, the Bank requires the promoter

to apply its Social Assessment Guidelines described in the Handbook, which incorporate the social principles and standards of the Bank.

## STANDARDS

### General Environmental Standards

31. The environmental standards of the EIB are intended to protect and enhance the natural environment, not only for its own sake but also to improve the quality of life, economic development and social well-being that result from environmental sustainability. The standards relate to three aspects:
- The technical characteristics of a project, in terms of planned and actual emissions and other environmental performance indicators;
  - The characteristics of the host environment and its immediate neighborhood, including its habitat and associated flora and fauna;
  - The processes adopted and the management arrangements applied for project development, implementation and operation that have a bearing on the environmental and social impacts and outcome of a project.
32. The EIB requires that all promoters apply good international practices in these respects, where EU law is the benchmark for Bank purposes. The relevant standards are identified in discussions between the Bank and the promoter during project preparation, appraisal and negotiation and are applied by the promoter during project implementation and operation. The standards, though derived from EU environmental law, where necessary are supplemented by other good international practices, and the Bank reserves the right to require standards that are more stringent than or fall outside EU legal requirements. Where justified within the framework of the Statement, the Bank also reserves the right to apply a phased approach to the implementation of its standards.

#### Emission Standards

33. EIB-financed projects should include measures to prevent, reduce or eliminate pollution that arises directly or indirectly from their activities. The Bank requires its promoters to apply point source-specific emission standards according to the IPPC Directive (primarily targeting the industrial sector) and sector-specific Directives, e.g. the Water Framework Directive<sup>31</sup>. The IPPC approach is based on "best available technology" (BAT), which among other things requires a rational approach to resource use, including best practice measures in the field of energy efficiency.

#### Ambient Standards

34. Ambient standards that relate to accumulated pollution in air, water and soils are also determined by the requirements of EU Directives, and projects financed by the EIB are required to contribute to ensuring the relevant ambient standard is met.

## Procedural Standards

35. Procedural standards are broadly defined as the management and administrative requirements related to the protection of the environment that should be fulfilled in the development, implementation and operation of a project. A number of EU Directives contain standards of this type, including the various sector Framework Directives<sup>32</sup>, the IPPC Directive, the Environmental Liability Directive and Directives related to the objectives of the Aarhus Convention<sup>33</sup> as well as the EIA and SEA Directives.

## **Environmental Standards in the EU and Enlargement Countries (i.e. Candidate and Potential Candidate Countries)**

36. The EIB requires that all projects that it finances comply at least with:

- Applicable national environmental law;
- Applicable EU environmental law, notably the EU EIA Directive and the nature conservation Directives, as well as sector-specific Directives<sup>34</sup> and "cross-cutting" Directives<sup>35</sup>,
- The principles and standards of relevant international environmental conventions incorporated into EU law.

37. With reference to the EIA Directive, the EIB requires that its provisions are respected, in particular:

- An EIA should be carried out if a project is likely to have a significant impact on the environment; for an Annex II project according to the EIA Directive, the decision not to carry out an EIA should be justified.
- The public concerned should be given early and effective opportunities to participate, to express comments on the project and to receive a response to those comments.
- Any residual impacts should be suitably mitigated, compensated and/or offset.

38. In the Enlargement Countries, the EIB will pursue EU standards. Phasing is only permitted where the project has been designed to meet the requirements of the relevant EU environmental law by the date of accession or in accordance with any transition arrangements. Phasing shall be justified by the promoter in socio-economic terms.

## **Environmental Standards in the Rest of the World**

39. For projects in all other regions of EIB activity, the Bank requires that all projects comply with national legislation, including international conventions ratified by the host country, as well as EU standards. Where EU standards are more stringent than national standards the higher EU standards are required, if practical and feasible.

40. The EIB recognises that for a variety of reasons, including institutional capacity, technological capability, availability of investment funds and consumer ability and willingness to pay, for a particular project the immediate achievement of EU requirements may not be practical and in some cases may not be desirable. When the case arises, it is incumbent on the promoter to provide an acceptable justification to the Bank for a deviation from EU standards, within the framework of the environmental and social principles and standards set out in the Statement. In such cases, provision should be made for a phased approach to higher standards.
41. In the case of ambient standards, outside the EU, EU standards applied to a specific project may not be the most cost-effective solution in socio-economic terms in order to protect the natural environment and/or to promote social well-being.
42. In projects for which the EIB requires a formal EIA, the EIA process and content must be consistent with the requirements of the EU Directive.
43. The EU approach to environmental matters incorporated in EU policy may be supplemented by other examples of good practices related to technical standards, processes and management systems in specific sectors developed by other international bodies as interpreted by the EIB. For instance, the Bank applies as guidelines when financing large dams the recommendations of the World Commission on Dams<sup>36</sup>; it is also guided by the findings and recommendations of the Extractive Industry Review<sup>37</sup>, and supports the implementation of the Extractive Industry Transparency Initiative<sup>38</sup>. The Bank also encourages the use of internationally recognized certification schemes (e.g. those of the Forest Stewardship Council<sup>39</sup>, and the EU Eco-Management and Audit Scheme (EMAS)).
44. In the case of co-financing of projects outside the EU and the enlargement countries, the EIB can agree to apply the standards of other international financial institutions, as far as they are equivalent to the requirements of the Bank.

### **Social Standards: A Human Rights-based Approach**

45. Just as environmental standards aim to protect and improve the natural and built environment, social standards aim to protect the rights and enhance the livelihoods of people directly and indirectly affected by projects financed by the EIB. Social standards are intended to promote outcomes to the benefit of individual well-being, social inclusion and sustainable communities.
46. The EIB restricts its financing to projects that respect human rights and comply with EIB social standards, based on the principles of the Charter of the Fundamental Rights of the European Union and international good practices. The Bank does not finance projects located in countries declared "off-limits" by the European Council for EU financing, particularly due to violations of human rights.
47. Similarly, the EIB does not finance projects that give rise to conflicts or intensify existing conflicts. Additionally, the Bank takes into account that a number of countries where it operates face difficult post-conflict recovery and reconstruction efforts. When financing projects in such fragile states, the Bank is guided by the EU approach<sup>40</sup>.

48. Within the EU and the Enlargement Countries, subject to any agreed phasing, the EIB assumes that EU social requirements, including international human rights conventions ratified by the EU, are correctly implemented within the framework of national law. However, where there is evidence that suggests otherwise, an appropriate social assessment is carried out by the Bank.
49. In all other regions of EIB operations, the approach of the EIB to social matters is based on the rights-based approach mainstreaming the principles of human rights law into practices through the application of its *Social Assessment Guidelines (SAGs)* (see Handbook). These requirements are also consistent with the social safeguard measures developed and applied by those MFIs with whom the Bank works closely.
50. There are relationships between environmental and social concerns and project quality and sustainability. For example, improved resource management, including stakeholder participation in decision-making, is related to opportunities that afford the promotion of more sustainable livelihoods. It is therefore recognized that in a project context, environmental and social concerns are often intertwined and are hence best assessed in an integrated framework. Promoters that seek EIB finance outside the EU are required to adopt the social standards regarding involuntary resettlement, indigenous people and other vulnerable groups, the core labour standards of the International Labour Organization (ILO) and occupational and community health and safety.

#### Involuntary Resettlement

51. People whose livelihoods are negatively affected by a project should have their livelihoods improved or at minimum restored and/or adequately compensated for any losses incurred. As such, where physical or economic displacement is unavoidable, the Bank requires the promoter to develop an acceptable Resettlement Action Plan. The plan should incorporate and follow the right to due process, and to meaningful and culturally appropriate consultation and participation, including that of host communities.

#### Indigenous People and Other Vulnerable Groups

52. All policies, practices, programmes and activities developed and implemented by the promoter should pay special attention to the rights of vulnerable groups. Such groups may include indigenous people, ethnic minorities, women, migrants, the very young and the very old. The livelihoods of vulnerable groups are especially sensitive to changes in the socio-economic context and are dependent on access to essential services and participation in decision-making.
53. Where the customary rights to land and resources of indigenous peoples are affected by a project, the Bank requires the promoter to prepare an acceptable Indigenous Peoples Development Plan. The plan must reflect the principles of the UN Declaration on the Rights of Indigenous Peoples, including free, prior and informed consent to any relocation.

#### ILO Core Labour Standards

54. In the case where there are gaps in implementing the core labour standards of the ILO, the promoter shall develop and implement verifiable programmes and procedures to ensure that the core labour principles and standards are adhered to or would be reached during project

implementation. The objective is to prevent unacceptable forms of labour and employment practices and promote the development of the sound management of worker relations<sup>41</sup>.

#### Occupational and Community Health and Safety

55. Where there are risks to worker and/or community health, promoters should develop and implement verifiable programmes and procedures to ensure community and occupational health and safety standards are aligned with good international practices. The purpose is to avoid or minimize risks and impacts to the health and safety of workers and communities, ensure that employees and company property are safeguarded in a legitimate manner, support the promotion of programmes for community health, and reduce the spread of major communicable diseases.

### **CULTURAL HERITAGE**

56. The EIB approach to cultural heritage is based on a number of conventions ratified by the EU<sup>42</sup>, and reflects a broad concept of cultural heritage as an instrument for human development and intercultural dialogue and an element that contributes to the achievement of balanced spatial development.
57. While retaining a focus on the conservation of physical cultural resources, the approach of the EIB recognizes the links between tangible cultural resources and intangible cultural practices. In particular, the Bank recognises the close links between the physical resources associated with prehistoric, historic, cultural, artistic and religious sites and the cultural practices associated with their use. Treatment of cultural heritage is thus closely tied to basic human rights expressed in the Charter, in the pursuit of social cohesion, strengthening policies of non-discrimination, and supporting the rights of minorities and indigenous peoples. The treatment of cultural heritage is therefore intertwined with the social standards of the Bank summarised above.
58. The EIB generally does not finance a project which threatens the integrity of sites that have a high level of protection for reasons of cultural heritage, including UNESCO World Heritage Sites. A derogation may be granted only if the promoter can demonstrate that the following set of conditions are met:
- There is no feasible alternative;
  - The overall socio-economic benefits from the project substantially outweigh the costs;
  - Adequate restoration measures are adopted and are adequately funded and maintained;
  - Stakeholders have been consulted and the relevant authorities have granted approval.

## CONSULTATION, PARTICIPATION AND PUBLIC DISCLOSURE

59. As an EU body, the EIB complies with the Aarhus Regulation<sup>43</sup> on the application of the Aarhus Convention on access to information, public participation in decision-making and access to justice in environmental matters to Community institutions and bodies.
60. The EIB Public Disclosure Policy (PDP) reflects the requirements of the EU Aarhus Regulation. It commits the Bank to making public on request relevant environmental information in its possession, subject to the constraints described in the PDP. In particular, it promotes the public availability of the non-Technical Summary (NTS) (in the EU) and the Environmental Impact Study or Statement (EIS) (outside the EU, along with the NTS, when a separate document) for all projects financed by the Bank that require a formal EIA.
61. Publication of the NTS and/or EIS should take place before finance is disbursed on a particular project either by the Bank or its authority. For a single scheme investment project located outside the EU and the Enlargement Countries, the NTS should be made public in advance of the relevant meeting of the Board of Directors of the Bank.
62. Public consultation and participation is a requirement not only of the EIA Directive but also of a number of other EU environmental laws. The EIB recognizes the added value that interested and well-informed members of the public, especially those people affected by a project in the host country, can bring to the project environmental assessment process. Consultation and participation of concerned stakeholders during project preparation are expected to enhance sustainability and contribute to project success.
63. Stakeholder concerns should be considered as early as possible in the project assessment process in order to reduce risks and provide for timely resolution of conflicts. For all projects for which the EIB requires a formal EIA, the promoter should conduct a meaningful, transparent, and culturally appropriate public consultation of affected communities and provide for a timely disclosure of appropriate information in a suitable form; there should be evidence that the views expressed have been considered. For all other projects, the Bank requires promoters to engage stakeholders in meaningful dialogue, as a citizens' right and to build support for efficient and timely project implementation. Outside the EU, national law sets the minimum disclosure, consultation and participation requirements of the Bank.
64. Consultation and participation is essential for investment sustainability through increased local ownership and support through informed involvement. Moreover, meaningful dialogue and participation is crucial to promoting and supporting the rights of people affected by a project. This includes the rights to due process via recourse to independent appeal and arbitration procedures in the case of disputes. As such, public consultation is a general requirement of the environmental and social safeguards of the Bank, as well as being applied to specific social issues, e.g. involuntary resettlement.
65. Any natural or legal person affected, or perceived to be affected, by a decision of the EIB may lodge a complaint to its Secretary General, either in writing or through the internet. The Complaints Office ensures the centralised handling and registration of complaints, a structured investigation, internal and external reporting and a pro-active approach.

66. If the affected party is not satisfied with how the complaint is dealt with by the internal EIB process, s/he may lodge a complaint concerning maladministration against the Bank with the European Ombudsman (EO). Maladministration covers the failure to act in accordance with the requirements of the Bank, including applicable legislation and/or respect for human rights and the principles of good administration.

## **BIOLOGICAL DIVERSITY<sup>44</sup>**

67. The EIB endorses the findings of the Millennium Ecosystem Assessment, which pointed out that human well-being depends on the Earth's ecosystems and the continued flow of services they provide, concluding that approximately 60% of the services assessed are being degraded or used unsustainably. The degradation of ecosystems and the erosion of their associated biological diversity are barriers to achieving the MDGs. The Bank endorses the development of practices that better reflect the true value of biological diversity and natural ecosystems, towards better recognising the real costs of using the Earth's natural capital in the course of its work. The Bank contributes to both the EU target to halt the loss of biological diversity by 2010, and the UN goal to significantly reduce the rate of that loss.

68. The EIB approach to biological diversity is grounded in the principles and standards of the EU Habitats and Birds Directives, and of relevant international conventions ratified by the EU and incorporated into EU law, namely the Convention on Biological Diversity, the Ramsar<sup>45</sup>, Bonn<sup>46</sup> and Bern Conventions<sup>47</sup> and those conventions that cover international marine areas (HELCOM, OSPAR, Barcelona and Bucharest)<sup>48</sup>. In addition, the Bank is informed in its approach by the IUCN Red List of Threatened Species as well as national, regional and local Red Lists of species. Within the EU, the Bank recognizes the role of the EU Environmental Liability Directive in increasing the level of prevention and precaution on the part of the promoter, to avoid significant environmental risks to nature and to remedy environmental damage according to the polluter-pays principle.

69. In applying these principles and standards, the EIB makes a distinction between measures required for all projects, measures required in areas of particular ecological value and sensitivity (critical habitats), and measures required in designated sites (including Natura 2000 sites).

70. For all projects financed by the EIB, the promoter must demonstrate that a range of alternatives and their impacts on biodiversity has been analyzed. The promoter is also required to apply the mitigation hierarchy, i.e. to take appropriate measures to avoid, minimize or rehabilitate/mitigate impacts that may damage biological diversity. Where residual adverse impacts on biodiversity remain, the promoter may propose biodiversity offsets<sup>49</sup>, where appropriate. The Bank supports the ongoing work to make operational the selective application of biodiversity offsets, while recognizing that certain impacts - such as loss of critical habitat - cannot be offset.

71. Critical habitats are areas of particular ecological value and sensitivity, which are defined according to six criteria<sup>50</sup>. The EIB does not finance projects in critical habitats if there are negative impacts in terms of one or a number of the defining criteria, or within the EU unless they fully comply with Community legislation on environmental protection, in particular the Habitats Directive.

72. The EIB does not finance projects located in protected sites unless they are consistent with the relevant legal requirements and site management plans. Protected sites include Natura 2000 sites designated under EU legislation, sites recognized under the Ramsar, Bern and Bonn Conventions and areas designated or identified for designation as protected areas by national Governments.
73. Regarding Natura 2000 sites, any project likely to have a significant effect, either individually or in combination with other projects, should be subject to the protection regime described in Article 6 of the Habitats Directive. Within that framework, the Bank requires that the promoter conduct an appropriate assessment of the effects on protected species or the conservation values of the sites<sup>51</sup>, identifying alternatives and mitigation measures. Where the project concerns linear infrastructures, this assessment should cover the entire route rather than individual project sections. If, in the light of the assessment, a significant effect on a designated habitat type and/or species remains and/or the overall coherence of Natura 2000 is threatened, the Bank will only finance projects if there is an overriding public interest, according to the meaning in the Directive<sup>52</sup>. In such cases, the Commission should be informed. Where the conservation site hosts priority features, an opinion from the Commission is necessary.
74. The promoter is required to take measures to avoid the introduction of invasive species, where there is potential for a significant negative biodiversity impact.

## **CLIMATE CHANGE<sup>53</sup>**

75. The EIB endorses the findings related to climate change contained in the assessment reports of the UN Intergovernmental Panel on Climate Change (IPCC), notably, that climate change is unequivocal, and that most of the warming of the past 50 years is very likely due to increases in GHG emissions attributable in large part to human activities. The Bank recognizes that projects it finances today have a role in determining the concentrations of GHGs in the atmosphere for several decades to come and therefore, the extent of climate change in the future.
76. The EIB supports the fight against climate change, aligning its activities with EU climate change policy. Its climate change policy is reviewed and revised periodically.
77. The EIB promotes the renewable energy sector, optimizes the scope for energy efficiency in all the projects it is financing, and aligns its operations with other EU climate policy investment priorities, including the research, development and investment in new climate-friendly technologies. The Bank also aims to promote sustainable land use practices, including sustainable forestry, and recognises the importance of forests and their contribution to both climate change mitigation and adaptation and the protection of biological diversity. Key Bank lending policies, for instance, in the energy, water, transport, waste and natural resource sectors are also periodically reviewed to make them consistent with EU climate policy and to reflect emerging climate change considerations.
78. In carbon-intensive sensitive sectors, the EIB requires the use of the most efficient solutions, and requires promoters systematically to estimate expected GHG emissions and

to identify and apply appropriate mitigation measures. For projects that produce significant quantities of *GHG* emissions, the EIB incorporates the costs of such emissions into the financial and economic analyses that inform its financing decision. In addition, projects that result in a significant reduction in *GHG* emissions are actively identified and promoted by the Bank and the benefits of such are also taken into account in its financial and economic analyses.

79. The EIB is committed to supporting environmentally sustainable, clean energy growth paths in countries outside the EU, including the promotion of the transfer and development of clean technologies, as well as the establishment and development of financial mechanisms for cost-effective climate change mitigation, such as the carbon market.
80. While mitigation is vital, most of the climate changes projected for the coming decades can no longer be avoided due to time lags in the response of climate systems to the build-up of *GHGs* in the atmosphere. The EIB therefore recognizes that adaptation is necessary and actively promotes adaptation projects as such, for instance in the field of water resource management.
81. EIB projects may be exposed to climate risks in the course of their economic life, for example due to sea-level rise or an increase in the number and intensity of extreme weather events. In such cases, the Bank encourages promoters to identify and manage climate change risks. The Bank continuously is developing its own knowledge and expertise on climate change risk management, and where risks are identified, the Bank requires the promoter to identify and apply adaptation measures to ensure the sustainability of the project.
82. The EIB in cooperation with other international financial institutions continues to explore and develop a number of methodologies for the complex task of measuring and reporting the carbon footprint of the projects that it finances in order to better understand the climate influence of Bank lending and to inform project choice. The Bank will publish the outcome of this work, defining a preferred footprint methodology and identifying appropriate performance indicators to demonstrate its commitment to EU *GHG* emission reductions targets.

## END NOTES

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- <sup>1</sup> EIB, Corporate Operational Plan, 2008-2010, Feb. 2008. See [EIB website](#).
- <sup>2</sup> The EU Sixth Environment Action Programme "Environment 2010: Our future, Our choice" (2002) defines the priorities and objectives of European environment policy up to 2010 and beyond, and describes the measures to be taken to help implement the EU sustainable development strategy. See the Glossary and the [EC-DG Environment](#) website.
- <sup>3</sup> EU Commission, a) Thematic Strategy on the Urban Environment, January 2006, see [DG Environment website](#); b) Together for Health: A Strategic Approach for the EU 2008-2013, see [DG Health and Consumer Protection](#).
- <sup>4</sup> The Leipzig Charter on Sustainable European Cities (adopted in 2007 by EU ministers responsible) agrees on common principles and strategies for an 'integrated' urban-development policy, with a focus on revitalising inner cities and deprived neighbourhoods, enhancing local economies and labour markets, clean urban transport and the integration of immigrants. The Charter presents an ideal model of the 'European city' of the 21st century, Source: website of the [Federal Ministry of Transport, Buildings and Urban Affairs](#) (Germany).
- <sup>5</sup> Text (29/12/2006) of the consolidated versions of the Treaty on European Union and of the Treaty establishing the European Community (OJ EC 2006 C 321 E) available on <http://eur-lex.europa.eu>.
- <sup>6</sup> The European Climate Change Programme (ECCP) is the Commission's main instrument to discuss and prepare the further development of the EU climate policy. The second phase of the ECCP was launched on 24 October 2005. The ECCP II consists of several working groups, including work on the EU Emissions trading Scheme (ETS).
- <sup>7</sup> In March 2003, the European Commission adopted a Strategy on Climate Change in the Context of Development Cooperation, followed by in November 2004, the adoption by EU member states of an Action Plan. The objective of the Action Plan is to assist EU partner countries in meeting the challenges posed by climate change, in particular by supporting them in the implementation of the UNFCCC and the Kyoto Protocol. The EU Action Plan has four strategic priorities:
- Raising the policy profile of climate change
  - Support for Adaptation in EU partner countries
  - Support for mitigation and low greenhouse gas development paths in EU partner countries
  - Capacity development
- <sup>8</sup> The United Nations eight MDGs - which range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015 - form a blueprint agreed to by all the countries and all leading development institutions in November 2000 to meet the needs of the poorest people in the World. See: [UN website](#) and the Glossary.
- <sup>9</sup> The Charter of Fundamental Rights of the EU was proclaimed in December 2000 (Official Journal of the EC-[OJEC 2000/C 364/01](#)) and adapted in December 2007 to be incorporated in the [Treaty of Lisbon](#) (2007) ([OJEC 2007/C 303/01](#)). Also see the Glossary.
- <sup>10</sup> EIB, Towards A New Strategy of the EIB, June 2005. See [EIB website](#).
- <sup>11</sup> EIB, Statement on Corporate Social Responsibility, June 2005. See [EIB website](#).
- <sup>12</sup> Consolidating and developing earlier work, in 2007 the EIB published its Environmental and Social Practices Handbook (the "Handbook"), which describes how the Bank deals with environmental and social considerations in its day-to-day work throughout the project cycle, to ensure the integration of environmental and social requirements into all the projects it finances. The Handbook provides guidance on actions required, timing and responsibilities. See the [EIB website](#).
- <sup>13</sup> EIB, Public Disclosure Policy, July 2007. See [EIB website](#) or the Glossary.
- <sup>14</sup> An initiative involving five European-based Multilateral Financing Institutions (Council of Europe Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Nordic Environment

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- Finance Corporation and Nordic Investment Bank). The EPE aims to ensure environmental protection and promote sustainable development globally. See the EPE dedicated page on [EIB website](#) or the Glossary.
- 15 In late 2007, the EPE Banks commissioned a study to compile relevant EU environmental legislation, practices and standards into a reference manual, which then can be used by their respective clients.
- 16 The European Council of June 2006 adopted an ambitious and comprehensive renewed Sustainable Development Strategy for an enlarged EU (DOC 10917/06). It builds on the Gothenburg Strategy of 2001 (COM 2001 264 Final) and is the result of an extensive review process that started in 2004.
- 17 The Cotonou Agreement is a treaty between the European Union and the group of African, Caribbean and Pacific states (ACP countries). It is aimed at the reduction and eventual eradication of poverty while contributing to sustainable development and to the gradual integration of ACP countries into the world economy. The revised Cotonou Agreement is also concerned with the fight against impunity and promotion of criminal justice through the International Criminal Court.
- 18 The European Consensus on Development (OJC 46 of 24.2.2006) is a joint declaration by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on the development policy of the European Union.
- 19 The Enlargement Area of Southern and Eastern Europe includes the: Candidate countries (Turkey, Croatia and the Former Yugoslav Republic of Macedonia-FYROM), and the Potential Candidate Countries (Albania Bosnia & Herzegovina, Kosovo, Serbia and Montenegro). See "Countries of Operations" in the Glossary or [EIB website](#).
- 20 EIB 2005 and 2006 Corporate Responsibility Reports. See [EIB website](#).
- 21 An example is the Paris Declaration, to which the EIB subscribes. The Paris Declaration, endorsed on 2 March 2005, is an international agreement to which over one hundred Ministers, Heads of Agencies and other Senior Officials adhered and committed their countries and organisations to continue to increase efforts in harmonisation, alignment and managing aid for results with a set of actions and indicators for monitoring purposes.
- 22 The Equator Principles (2006) are a financial industry benchmark for determining, assessing and managing social and environmental risk in project financing. See the [International Finance Corporation](#) and the [Equator Principles](#) websites. Also see the Glossary.
- 23 In the 2008-2010 COP, the overall target for all EIB lending activity in the area of environmental protection and sustainable communities is 25-30% of total signatures. For an initial 3-year period 2008-2010, a sub-target of 10-12% (of total activity) has also been defined for the Natural Environment.
- 24 See the [EIA Directive 85/337/EEC](#) on the assessment of the effects of certain public and private projects on the environment as amended by Directives [97/11/EC](#) and [2003/35/EC](#) as well as the [SEA Directive 2001/42/EC](#) on the assessment of the effects of certain plans and programs on the environment.
- 25 [SEA Directive 2001/42/EC](#), on the assessment of the effects of certain plans and programs on the environment.
- 26 United Nations Economic Commission for Europe (UNECE) Convention on Environmental Impact Assessment in a Transboundary Context (Espoo, 1991) or the '[Espoo \(EIA\) Convention](#)' .
- 27 See Footnote 5.
- 28 The Nature Directives include the "[Habitats Directive 92/43/EEC](#) on the conservation of natural habitats and of wild fauna and flora and the 1979 "[Birds Directive 79/409/EEC](#) on the conservation of birds. See further details under "Natura 2000" in the Glossary.
- 29 The [Directive 2004/35/CE](#) on environmental liability with regard to the prevention and remedying of environmental damage as amended by the [Directive 2006/21/EC](#) on the management of waste from extractive industries.
- 30 The codified [Directive 2008/1/EC](#) including all previous amendments to the [Directive 96/61/EC](#) concerning Integrated Pollution Prevention and Control (IPPC).
- 31 The [Water Framework Directive 2000/60/EC](#) (WFD) establishing a framework for the action of the EU in the field of [water policy](#), and aims to secure the ecological, quantitative and qualitative functions of [water](#). It requires that all impacts on [water](#) will have to be analysed and actions will have to be taken within [River Basin management](#) plans.

- 32 Sector Framework Directives set out the main principles, objectives and procedures for an EU regulatory policy regarding a specific sector; they establish the framework for the action of the EU in the [field](#) of a specific sector policy. Well-known examples are the [WFD 2000/60/EC](#) (see above) or the [Waste Framework Directive 2006/12/EC](#)
- 33 The [UNECE Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters](#) (Aarhus, DK, 1998) or "Aarhus Convention" imposes on Parties and public authorities obligations regarding access to information and public participation and access to justice. See the Glossary.
- 34 Directives are EU laws that provide for specific outcomes across the EU, but leave the means of achieving those outcomes up to each Member State. Directives therefore need to be transposed into domestic law - in other words given legal effect - by each Member State. Every Directive includes a deadline ahead of which Member States need to pass laws to give the Directive effect in their territory. A sector Directive applies to specific sector.
- 35 By definition, cross-cutting Directives have relevance far beyond just a specific (such as the environment) strand and are included in several EU policies or strategies, e.g. the EIA Directives.
- 36 The World Commission on Dams was an independent, international, multi-stakeholder process (1998-2000) which addressed the controversial issues associated with large dams. See its findings and recommendations on the archive website <http://www.dams.org/> .
- 37 A comprehensive review (2000-2004) of the World Bank Group (WBG) activities in the extractive industries sector (oil, mining, gas). See the [WBG website](#).
- 38 The Extractive Industry Transparency Initiative (EITI) is a coalition of government, companies, civil society groups, investors and international organisations. The EITI supports improved governance in resource rich countries through the full publication and verification of company payments and government revenues from oil, gas and mining. See the EITI website.
- 39 The Forest Stewardship Council is a stakeholder owned international non-profit organization devoted to encouraging the responsible management of the world's forests. See the [FSC website](#) and the Glossary.
- 40 As communicated in the Council Conclusions "An EU response to situations of fragility", adopted on November 19, 2007
- 41 192 countries have ratified the key conventions of the ILO, being a commitment to uphold four core labour standards. These are: prohibition against child labour (Convention 182); forced and bonded labour (Conventions 292 & 105); right of free association and collective bargaining (Conventions 87 & 98); and, freedom from discrimination (Convention 100). These have become synonymous with fundamental labour protection and rights worldwide. See ILO Website.
- 42 The European Cultural Heritage Convention (1954), the UN Convention Concerning the Protection of the World Cultural and Natural Heritage (1972), the work of UNESCO on World Heritage Sites, and that of the Council of Europe, particularly the Framework Convention on the Value of Cultural Heritage for Society (2005).
- 43 [Regulation \(EC\) Nr 1367/2006](#), on the application of the provisions of the Aarhus Convention. See footnote above and the Glossary.
- 44 The variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems. See the Glossary.
- 45 The [Ramsar Convention on Wetlands](#) (Ramsar, Iran, 1971) is an intergovernmental treaty which provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources. See the Glossary.
- 46 The [Convention on the Conservation of Migratory Species of Wild Animals](#) (also known as CMS or the Bonn Convention) aims to conserve terrestrial, marine and avian migratory species and their habitats throughout their range. See the Glossary.
- 47 The [Convention on the Conservation of European Wildlife and Natural Habitats](#) (Bern, 1979) has a threefold objective: to conserve wild flora and fauna and their natural habitats; to promote co-operation between states; and to give particular emphasis to endangered and vulnerable species, including endangered and vulnerable migratory species. See the Glossary.
- 48 Helcom, OSPAR, Barcelona, Bucharest.

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- 49 Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for residual biodiversity impacts arising from project development and persisting after appropriate prevention and mitigation measures have been implemented. Their goal is to achieve no net loss, or preferably a net gain, of biodiversity.' Working definition from the Business and Biodiversity Offsets Programme (BBOP), <http://www.forest-trends.org/biodiversityoffsetprogram/>
- 50 The EIB defines critical habitats according to the following attributes: presence of critically endangered (extremely high risk of extinction), endangered (very high risk) or vulnerable (high risk) species, as defined by the IUCN Red List of Threatened Species and in relevant national legislation; importance to the survival of endemic or restricted-range species, or unique assemblages of species; required for the survival of migratory species or congregatory species; required for the maintenance of biological diversity with significant social, economic or cultural importance to local communities; required for the maintenance of ecosystem functioning and the provision of key ecosystem goods and services; and, key scientific value.
- 51 As regards Natura 2000 sites, relevant guidance is available by the European Commission at [http://ec.europa.eu/environment/nature/natura2000/management/guidance\\_en.htm](http://ec.europa.eu/environment/nature/natura2000/management/guidance_en.htm)
- 52 Guidance Document: [http://ec.europa.eu/environment/nature/natura2000/management/guidance\\_en.htm#art6](http://ec.europa.eu/environment/nature/natura2000/management/guidance_en.htm#art6)
- 53 [UNFCCC \(Art. 1\)](#) definition of Climate Change: 'a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods'.

## GLOSSARY

*These definitions have been compiled from various sources. Where a definition from an external authoritative source is used, a reference and where possible a link to the source glossary is provided. In the absence of such a definition, the EIB has provided its own.*

### **Sixth Environment Action Programme (6<sup>th</sup> EAP)**

The 6th EAP is a decision of the European Parliament and the Council adopted on 22nd July 2002. It sets out the framework for environmental policy-making in the European Union for the period 2002-2012 and outlines actions that need to be taken. The 6th EAP identifies four priority areas: climate change; nature and biodiversity; environment and health; and natural resources and waste. The 6th EAP calls for the development of seven Thematic Strategies in the field of soil and the marine environment (in the priority area of biodiversity), air, pesticides and urban environment (in the priority area of environment and health) and natural resources and waste recycling (in the priority area of natural resources and waste).

Source: [EC-DG Environment](#)

### **Aarhus Convention**

Shorthand for the (United Nations Economic Commission for Europe) UNECE Convention on Access to information, Public participation in Decision-Making and Access to Justice in Environmental Matters adopted in Aarhus, Denmark, in 1998 and entered into force in 2001. Source: [UNECE website](#) - Also see [EIB Public Disclosure Policy - July 2007](#)

### **Aarhus Regulation**

Regulation (EC) No 1367/2006 of the European Parliament and of the Council of 6 September 2006 on the application of the provisions of the Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters to Community institutions and bodies. Source: [EC-DG Environment](#)-Also see [EIB Public Disclosure Policy \(July 2007\)](#).

### **Acquis Communautaire**

The rights and obligations shared by the EU Member States. The 'acquis' includes all the EU treaties and laws, declarations and resolutions and international agreements on EU affairs and the judgments given by the Court of Justice. Candidate countries have to accept the 'acquis' before they can join the EU, and make EU law part of their own national legislation. Source: [Europa Glossary](#).

Environmental Acquis comprises approximately 300 Directives covering environmental protection, pollution and other activities, production processes, procedures and procedural rights as well as products, and cross-cutting issues (e.g. Environmental Impact Assessments, access to information on the environment and combating climate change). Quality and related emissions standards are set for air, waste management, water, nature protection, industrial pollution control, chemicals and genetically modified organisms, noise and nuclear safety and radiation protection. The key EU environmental Directives making up the Acquis are listed on the [EPE website](#). A more exhaustive list can be found at the [Eurolex website](#).

### **Bern Convention**

The Convention on the Conservation of European Wildlife and Natural Habitats was adopted in Bern on 19 September 1979 and came into force on 1 June 1982. Forty-five European and African States as well as the European Community are parties to the Convention. It has a threefold objective: to conserve wild flora and fauna and their natural habitats; to promote co-operation between states; and to give particular emphasis to endangered and vulnerable species, including endangered and vulnerable migratory species. Source: [Council of Europe](#) / EEA.

### **Best Available Technology (BATs)**

"BATs" are defined in the IPPC Directive as the most effective techniques to achieve a high level of environmental protection, taking into account costs and benefits. BATs not only refer to the technology used at an installation, but also to the way the installation is designed, built, operated and maintained. In

the determination of the BATs, the authorities that issue permits have to take into account the BAT Reference Documents (BREFs) adopted by the European Commission. These BREFs are based on an exchange of information through technical working groups consisting of experts from industry, Member State authorities, research institutes and NGOs, coordinated by the Commission's European IPPC Bureau in Seville (<http://eippcb.jrc.es/>), (part of the Institute for Prospective Technology Studies at EU Joint Research Centre in Seville, Spain). *Source: [Questions and Answers](#) about the [Proposal for a Directive on industrial emissions](#) (21/12/07) derived from the merger of the IPPC Directive and six other sector Directives.*

#### **Biological diversity (or Biodiversity)**

The variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems. *Source: [CBD Convention](#) - See also [DG-ENV Nature Conservation Home Page](#), including links to Habitats Directive and Birds Directive*

#### **Bonn Convention**

The [Convention on the Conservation of Migratory Species of Wild Animals](#), also known as CMS, aims to conserve terrestrial, marine and avian migratory species and their habitats throughout their range and on a global scale. 104 Parties from Africa, Central and South America, Asia, Europe and Oceania (as of 01/01/08) have signed this intergovernmental treaty that entered into force in 1983. *Source: [Convention of Migratory Species website](#)*

#### **Charter of Fundamental Rights (The)**

The Charter of Fundamental Rights of the EU (Official Journal of the European Union 2000/C 364/01) is a document containing human rights provisions, 'solemnly proclaimed' by the European Parliament, the Council of the EU, and the European Commission on December 2000. An adapted version was proclaimed on December 12 2007 in Strasbourg (OJEU [2007/C 303/01](#)), and is referenced in the Treaty of Lisbon (2007). The Charter sets out the civil, political, economic and social rights of European citizens and all persons resident in the EU, defined as the EU's common values. It is organized in 6 main rights categories: human dignity, fundamental freedoms, equality, solidarity, citizens' rights, and justice. The provisions apply to the EU institutions and bodies, and to the Member States when they are implementing EU law. *Source: [European Parliament website](#).*

#### **Civil Society Organisations (CSOs)**

The multitude of associations around which society voluntarily organizes itself and which represent a wide range of interests and ties, from ethnicity and religion, through shared professional, developmental and leisure pursuits, to issues such as environmental protection and human rights. *Source: [UNDP Programming Manual - Glossary \(1999\)](#).*

#### **Competent Authority(ies) (Environmental)**

Member States each appoint a Competent Authority/Authorities (CA) to oversee the implementation of European Directives in their Member State. In EU countries, the Competent Authority for Environment and/or Nature Conservation is the designated Authority responsible in the Member State for performing the duties arising from the EIA and Nature Directives. The Competent Authority is usually the national Environmental Protection Agency or a department of the Ministry of Environment but the responsibilities may be divided among several institutions. Outside the EU it is considered to be the Authority given responsibility to implement and enforce the legislation on environment and the protection of nature.

#### **Public Consultation**

A process through which the public is informed about proposals fashioned by a planning authority or developer and invited to submit comments on them. Public consultation is often a significant part of public participation and is always included in an EIA. [Consultation](#) is defined as a tool for managing culturally appropriate two-way communications between project sponsors and the public. Its goal is to improve decision-making and build understanding, by actively involving individuals, groups, and organizations with a stake in the project. This involvement increases a project's long-term viability and enhances its benefits to locally affected people and other stakeholders. *Source: [EIB Environmental and Social Practices Handbook \(2007\)](#). [Social Assessment Guidelines-Guidance Note 5](#).*

### **Core Labour Standards**

They are outlined in the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work:

- a) Child labour: no workers under the age of 15;
- b) Bonded labour and forced labour: no forced labour, including prison or debt bondage labour; no lodging of deposits or identity papers by employers or outside recruiters;
- c) Equal treatment and equal opportunity: no discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment;
- d) Freedom of association and the right to collective bargaining.

Source: ILO website and EIB [Environmental and Social Practices Handbook \(2007\)](#), *Social Assessment Guidelines-Guidance Note 3*.

### **Corporate Operational Plan-COP (EIB)**

A strategic document, approved by the EIB Board of Directors, for defining medium-term policy and setting operational priorities in the light of the objectives assigned to the Bank by its Governors. It is also an instrument for ex post evaluation of the EIB activities. The plan spans three years, although the strategic projections may be adapted during this period in order to take account of new mandates and changes in the economic climate.

### **Corporate Responsibility**

EIB understands Corporate Responsibility to be the "less-tangible" or "extra-financial" issues covering governance, ethical, environmental and social matters. It emphasises the importance of achieving a balance between economic growth, social well-being and the protection of the environment, in support of the goal of sustainable development. It underwrites institutional sustainability through competitiveness, the productive use of resources and good governance.

The EIB Group promotes Corporate Responsibility. It does so through its mission and activities at the service of the European Union, through the way it implements these and through its internal management. In order to reach out to society at large, it takes voluntary actions, over and above compliance with legal requirements, and consistently adapts its lending policies, standards and procedures. In addition to its evolving dialogue with external stakeholders, the EIB Group is concerned to ensure that its internal functions - including appraisal, internal audit and evaluation - operate effectively to enhance the value added of its operations. Source: [EIB 2005 Corporate Responsibility Report](#).

### **Countries of Operations (EIB)**

The EIB is active both inside and outside the European Union (EU) (see [EIB website](#)). The majority of EIB lending is attributed to promoters in the EU supporting the continued development and integration of the Union. The EIB Board of Governors has also authorised the Bank to operate outside the EU in support of EU development and cooperation policies.

Current EIB external lending mandates include for instance:

- **Enlargement Area of Southern and Eastern Europe:** \*Candidate Countries (Turkey, Croatia and Former Yugoslav Republic of Macedonia - FYROM), ; \*Potential Candidate Countries: countries of the Western Balkans (excl. FYROM);
- **Neighbourhood:** \*the Mediterranean Neighbourhood and \*Russia and the Eastern Neighbourhood;
- **Development and Cooperation countries:** \*Africa, Caribbean and Pacific (and Overseas Countries and Territories), \*South Africa and \*Asia and Latin America.

### **Cultural Heritage**

Archaeological, historically significant, and sacred sites, and 'intangible' cultural heritage associated with particular investments such as tourist development. Source: EIB [Environmental and Social Practices Handbook \(2007\)](#). *Social Assessment Guidelines*.

**Eco-efficiency**

For the EIB, eco-efficiency is a change in a process and/or product to achieve 'cleaner' production that at the same time yields economic benefits to the project Promoter. Eco-efficiency can be at the origin of innovation. *Source: [EIB Environmental and Social Practices Handbook - 2007](#).*

**Ecosystem**

An "ecosystem" is a dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit. *Source: [CBD Glossary](#).*

**Corporate Governance (EIB)**

For the EIB, corporate governance involves a set of relationships between a company's management, board, shareholders and other stakeholders. Good governance is key to improving economic performance as well as enhancing investor confidence. In addition, corporate governance provides the structure through which company objectives are set, and the means to attain those objectives and monitor performance. The presence of an effective corporate governance system, within an individual company and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy. As a result, the cost of capital is lower and firms are encouraged to use resources more efficiently, thereby underpinning growth. *Source: [Press Release on EIB Corporate Governance Approach Statement, Oct. 2007](#).*

**Eligibility (EIB)**

Consistency of EIB operations with the EU's priority objectives. During appraisal, projects are screened in terms of their specific contribution to EU policy, including environmental policy, known as its 'eligibility'. In addition there may be a specific environmental reason for financing the project - giving it 'environmental eligibility'.

**EMAS**

The Eco-Management and Audit Scheme (EMAS) is the voluntary EU instrument which acknowledges organisations that improve their environmental performance on a continuous basis. EMAS registered organisations are legally compliant, run an environment management system and report on their environmental performance through the publication of an independently verified environmental statement. *Source: [EMAS website](#).*

**Environment**

For the EIB and in so far as EIB financed projects affect human well-being, 'environment' means (a) fauna and flora; (b) soil, water, air, climate and landscape; and (c) cultural heritage and the built environment; (and includes occupational health and safety and projects' social effects in the non EU-countries). *Source: [EIB Environmental And Social Practices Handbook-2007, S201](#).*

**\* Natural Environment**

The EIB uses the term 'natural' to refer to all those processes and components in the environment, which are spontaneously formed and not, or minimally, influenced by man.

**\* Built Environment**

In contrast, the built environment is anywhere where development and construction has occurred (or is planned) and applies to both urban and rural areas.

*Source: [UK Government Department for Environment, Food and Rural Affairs-DEFRA website](#).*

**Environmental Assessment**

A term applied by the EIB to describe the Bank's own assessment of the environmental and social implications of a project. The process involves an initial review of the promoter's own feasibility studies and a preliminary assessment of environmental and social aspects of the project, followed by detailed appraisal by an EIB team to inform the financing decision.

**Environmental Impact Assessment (EIA)**

EIA is the term used to describe a formalised process, including public consultation, in which all the relevant environmental consequences of a project are identified and assessed before authorisation is given. In the EU, if an EIA is required, it is governed by EIA Directive 85/337/EEC as amended by

Directives [97/11/EC](#) and [2003/35/EC](#) (see below). *Source: [EIB Environmental and Social Practices Handbook - 2007](#).*

#### **Environmental Impact Study or Statement (EIS)**

In many but not all EIA Regimes, the Environmental Information provided by the Promoter to the Competent Authority is presented in the form of an EIS: the written report resulting from the EIA process. This is a document or documents containing the Environmental Information required under Article 5 of EIA Directive 85/337/EEC as amended by Directives 97/11/EC and 2003/35/EC (see above). *Source: [EIB Environmental and Social Practices Handbook - 2007](#).*

#### **Environmental and Social Management Plan**

An "ESM" plan is an action plan or system, which addresses the how, when, who, where and what of integrating environmental and social mitigation and monitoring measures throughout an existing or proposed operation or activity. It encompasses all the elements that are sometimes addressed separately in mitigation, monitoring and action plans. *Source: [EEA Glossary](#).*

#### **Economic and Social Impact Assessment Framework (ESIAF)**

is a document used to measure Value Added, initially applied to operations in the African, Caribbean and Pacific countries. In July 2007, it was extended to all Investment Loans outside the EU, Candidate and potential Candidate countries (i.e. to operations under the EIB mandates for Neighbourhood and ACP countries, Asia and Latin America, as well as South Africa). ESIAF is a set of indicators to better assess how operations contribute to sustainable development in these countries. This assessment tool uses qualitative ratings rather than numerical scores and relies on informed judgement rather than on weighted averages of a series of pre-defined indicators. To make a judgement on the development impact of individual projects, the ESIAF focuses on financial and economic performance, puts emphasis on environmental, governance and social issues and outlines the project's contribution to the relevant mandate and the Millennium Development. *Source: [EIB Environmental and Social Practices Handbook - 2007](#).*

#### **Environmental and Social Screening**

The process, during EIB's pre-appraisal of a project, by which its Projects Directorate determines the nature/scope of the environmental and social assessment, with reference to a series of issues listed in [EIB's Environmental and Social Practices Handbook](#) (Table E). All environmental and social issues must be screened.

#### **Equator Principles**

Adopted in June 2003 by ten international commercial banks, the Equator Principles are a voluntary set of guidelines for managing environmental and social issues in project finance. The Principles are based on the International Finance Corporation's (IFC) environmental and social standards and were developed with its advice and guidance. As of June 2006, 41 banks had adopted the Principles, and it is estimated that they now cover approximately 80 percent of global project lending. On July 6, 2006, a revised version was adopted, reflecting recent revisions to International Finance Corporation's own [Performance Standards on Social and Environmental Sustainability](#). The new Equator Principles apply to all countries and sectors, and to all project financings with capital costs above US\$ 10 million. *Source: [Equator Principles website](#).*

#### **Espoo Convention on Environmental Impact Assessment**

Entered into force in 1997, the UNECE (United Nations Economic Commission for Europe) Convention on EIA in a Trans-boundary Context or the Espoo (EIA) Convention sets out the obligations of Parties to assess the environmental impact of certain activities at an early stage of planning. It also lays down the general obligation of States to notify and consult each other on all major projects under consideration that are likely to have a significant adverse environmental impact across boundaries. *Source: [UNECE website](#)*

#### **European Principles for the Environment (EPE)**

An initiative committing the five signatory European-based Multilateral Financing Institutions - Council of Europe Development Bank (CEB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Nordic Environment Finance Corporation (NEFCO) and Nordic Investment Bank (NIB) - to use the EU environmental principles, standards and practices as the main benchmark for their

respective financing activities across all sectors and throughout their regions of operation, not just among EU Member States, where such requirements are mandatory, but also in the near neighbours of the EU and other regions of the World. Its aim is to ensure environmental protection and promote sustainable development globally. *Source: [EIB website](#).*

#### **Finance Contract**

Term used by the EIB to describe the loan agreement between the Bank and its Borrowers.

#### **Forest Stewardship Council (FSC)**

The FSC is a stakeholder owned international non-profit organization gathering forest owners, managers, forest product manufacturers, local communities, non-governmental organizations and other interest groups and devoted to encouraging the responsible management of the world's forests. *Source: [FSC website](#).*

#### **International Labour Organization (ILO)**

A specialised tripartite agency of the United Nations that brings together governments, employers and workers of its member states in common action to promote decent work throughout the world. Its secretariat is known as the International Labour Office. *Source: [ILO website](#).*

#### **The Integrated Pollution Prevention and Control (IPPC) Directive (96/91/EC)**

The IPPC Directive aims to minimise pollution from various industrial sources throughout the EU. Operators of industrial installations covered by Annex I of the Directive are required to obtain an authorisation (environmental permit) from the relevant authorities. About 50.000 installations are covered by the Directive, and the deadline for full implementation was 30 October 2007. The Directive is based on several principles, namely (1) an integrated approach, (2) best available techniques, (3) flexibility and (4) public participation. *Source: [EC, DG Environment's website](#).*

#### **ISO 14000**

The ISO 14000 series is a family of environmental management standards developed by the International Organization for Standardisation (ISO). The ISO 14000 standards are designed to provide an internationally recognised framework for environmental management, measurement, evaluation and auditing. They do not prescribe environmental performance targets, but instead provide organisations with the tools to assess and control the environmental impact of their activities, products or services. The standards address the following subjects: environmental management systems; environmental auditing; environmental labels and declarations; environmental performance evaluation; and life cycle assessment. *Source: [EEA Glossary](#).*

#### **IUCN - the World Conservation Union**

The World Conservation Union is the world's largest and most important conservation network. The Union brings together 83 States, 110 government agencies, more than 800 non-governmental organizations (NGOs), and some 10,000 scientists and experts from 181 countries in a unique worldwide partnership. The Union's mission is to influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable. *Source: [IUCN website](#).*

#### **Loans types (EIB)**

The Bank finances projects using a number of different financing instruments forming 5 distinct types:

**Investment Loans (IL)**: Cover all operations (whether single or multi-schemes, single or multi-Promoters) where there is adequate information for approval in one stage before a decision by the Board of Directors. The ILs can be further divided into two subcategories:

- Projects for classical stand-alone investments (in principle, one scheme, one Promoter); and,
- Programmes for multi-scheme operations with a feature of commonality (Promoter or objective or sector). Examples include R&D corporate programmes, infrastructure programmes and municipal programmes.

**Framework Loans (FL)**: Multi-scheme operations where, due to incomplete information at the appraisal stage, decisions concerning the financing of specific sub-schemes have to be taken after Board

approval on the basis of additional information. Structural Programme Loans, which consist of co-financing programmes benefiting from EU Structural or Cohesion Funds, is part of this category.

**Mid-Cap Loans (ML):** A line of credit with financial intermediaries to support medium-sized industrial operations, in principle between €25m and €50m investment cost and not necessarily identified at the time of submission to the Board.

**Intermediated Loans (former Global Loans):** Credit line to a financial intermediary with expert knowledge of the local market to select and finance small operations (total investment cost of €40.000 to €25m) contributing to pre-determined objectives fixed by the Bank, not being identified at the time of submission to the Board.

**Funds:** An investment operation where the Bank invests equity into a Fund, which then makes investments into projects. *Source: [EIB Environmental and Social Practices Handbook - 2007](#) - Table D in Section A3.*

### **Millennium Development Goals (MDGs)**

The United Nations' eight MDGs - which range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015 - form a blueprint agreed to by all the world's countries and all the world's leading development institutions on November 2000 to meet the needs of the world's poorest. *Source: United Nations' website.*

### **NATURA 2000**

An EU-wide network of nature protection areas established under the 1992 so-called "**Habitats Directive**" on the conservation of natural habitats and of wild fauna and flora, and containing over 26,000 protected areas totalling approximately 850.000 km<sup>2</sup> - more than 20% of total EU territory. The aim of the network is to assure the long-term survival of Europe's most valuable and threatened species and habitats. It comprises Special Areas of Conservation (SACs) designated by Member States under the Habitats Directive, and Special Protection Areas (SPAs) designated under the Directive 79/409/EEC on the conservation of wild birds, commonly referred to as the **Birds Directive**. Sites are classified according to the EU's nine biogeographical regions: Alpine, Black Sea, Atlantic, Boreal, Continental, Macaronesian, Mediterranean, Pannonian and Steppic. Natura 2000 is not a system of strict nature reserves where all human activities are excluded; most of the land is likely to continue to be privately owned and the emphasis will be on ensuring that future management is sustainable, both ecologically and economically. The establishment of Natura 2000 also fulfils a Community obligation under the UN Convention on Biological Diversity. *Source: DG ENV.*

### **Non-Technical Summary (NTS)**

A term used to describe a summary document of the Environmental Impact Assessment or the Strategic Environmental Assessment, written in a non-technical language, so that the public can easily understand it.

**Practices, Environmental and Social** The internal processes and practices of the Bank, particularly the work carried out by its Projects Directorate (PJ), to ensure that all financing activities are consistent with its environmental policy - described in the Bank's [Environmental and Social Practices Handbook \(2007\)](#).

### **Project**

For the EIB, a project is an investment with a technically and economically clearly defined scope. In addition to the core investment it comprises all additional expenses that are required to achieve the project scope.

### **Project List (EIB)**

The EIB Project List, also called the **EIB Project Pipeline**, is a list of new investment projects that have reached an advanced stage in the discussions with the Promoter on possible EIB involvement. It is built up as work progresses on project identification and appraisal. The Project List is published on the Bank's website.

### **Promoter**

A "promoter" is a developer, sponsor, organiser, 'owner' of an investment project.

### **Public Disclosure Policy (EIB), 2007**

Policy document that sets out the principles and rules for disclosure of information. The policy is founded on a presumption of disclosure, unless there is a compelling reason for non-disclosure. It also includes the procedures for handling requests for information and the appeal mechanisms for applicants. The EIB Public Disclosure Policy, which governs and promotes public access to information, reflects the requirements of the Aarhus Regulation. Where the provisions of the Disclosure Policy and those of the Aarhus Regulation diverge in the environmental field, the Regulation applies. A revised Public Disclosure Policy is scheduled in 2009. *Source: EIB website.*

### **Ramsar Convention (The)**

The Ramsar Convention on Wetlands, signed in Ramsar, Iran, in 1971, is an intergovernmental treaty which provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources. *Source: Ramsar Convention website.*

### **Shareholders (EIB)**

The 27 Member States of the European Union, represented in the Bank's Board of Governors by their Finance Ministers.

### **Stakeholders**

All individuals and/or groups who are affected by, or can affect, a given operation. Stakeholders can be individuals, interest groups, corporate organizations. They can be both internal (such as shareholders, managers, employees and government officials) or external (persons with an interest in the land or the development, property owners, neighbours, residents adjacent to a new development, resident groups, environmental and amenity/heritage organisations, local community councils and Authorities, civil society organisations, local enterprises, companies, trade unions, employees, customers and suppliers. *Source: [EIB's Environmental and Social Practices Handbook](#), 2007.*

### **Standards**

A "standard" is a requirement of a quantitative form that is mandated by the Bank to ensure minimum requirements and is independently verifiable.

**Emission standards:** The maximum amount of discharge set in relevant EU Directives allowed from a single source, mobile or stationary. (*Source: EEA*)

**Ambient standards:** the legal norms set in the relevant EU Directives to safeguard the quality of the air, water and soils in the EU.

**Process standards:** The manner in which a promoter manages the environmental aspects of a project. A number of EU Directives contain process standards, the most pertinent to the EIB's work being the EIA Directive. Others include the various sector Framework Directives, the IPPC Directive, the Liability Directive and Directives related to the objectives of the Aarhus Convention.

### **Strategic Environmental Assessment (SEA)**

The formal process of ensuring that environmental consequences of certain public sector plans and programmes are identified and assessed during their preparation and before their adoption. In the EU, the SEA procedure is governed by the SEA Directive 2001/42/EC. *Source: [DG Environment - SEA Legal Context](#).*

### **Sustainable Communities**

Communities within which people want to live and work, now and in the future. They meet the diverse needs of existing and future residents, are sensitive to their environment and contribute to a high quality of life. They are safe and inclusive; well planned, built and run; and offer equality of opportunity and good services for all. *Source: [European Parliament study - 03/2007 'The possibilities for success of the sustainable communities approach and its implementation'](#)/ European urban Knowledge Network ([Bristol Accord](#)) by the European Ministerial Informal meeting in Bristol, UK, 6-7/12/2005. Also see [EIBURS Working Paper 07/2007 'Measuring Social Sustainability: Best Practice from Urban Renewal in the EU'](#) (Oxford Brookes Univ.-EIB).*

### **Sustainable Development**

Defined as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs', sustainable development was the main theme of what is often called

the Earth Summit held in Rio de Janeiro in 1992. It was here that world leaders signed up to conventions on both climate change and biodiversity. They issued a declaration at the end of the summit, listing 27 principles on the environment and sustainable development. The EU has its own strategy on sustainable development dealing with most of the Rio challenges covering economic, environmental and social issues. The first EU SDS was formulated in 2001 ([http://ec.europa.eu/sustainable/sds2001/index\\_en.htm](http://ec.europa.eu/sustainable/sds2001/index_en.htm)), and in 2006 the European Council adopted an ambitious and comprehensive renewed SDS for an enlarged EU (<http://register.consilium.europa.eu/pdf/en/06/st10/st10917.en06.pdf>). Further information is available on [http://ec.europa.eu/sustainable/welcome/index\\_en.htm](http://ec.europa.eu/sustainable/welcome/index_en.htm).

### **Vulnerable Communities**

Amongst the most important defining characteristics of vulnerable groups are age, sex, ethnicity and location, disabilities and stigmatised illnesses, such as mental ill-health. In areas facing war or civil conflicts displaced people and refugees form an important vulnerable group. These groups are vulnerable to human rights abuses under any circumstances and their resource endowment is inadequate to provide sufficient income for a decent living. *Sources: UN's [Food and Agricultural Organisation](#); International Council on Human Rights Policy.*