

## EUROPEAN INVESTMENT FUND

## COMPLIANCE CHARTER

A.	Statement of Principle .....	3
B.	Compliance Risk .....	3
C.	Compliance Standards and Areas of Compliance Risk .....	3
I.	Compliance Standards .....	3
II.	Areas of Compliance Risk.....	3
D.	Structure .....	4
I.	General.....	4
II.	Tasks .....	4
III.	Organisation .....	4
IV.	Independence .....	5
V.	Reporting .....	5
VI.	Implementation and Publication.....	5

## A. STATEMENT OF PRINCIPLE

Compliance is part of EIF's corporate culture.

EIF has a comprehensive policy on the transparency of its actions and business and emphasises standards of honesty and integrity in which the EIF Board of Directors and EIF Management lead by example.

Compliance constitutes an integral part of EIF's business activities. The awareness of compliance risk and its avoidance is an integral element of each individual due diligence process.

## B. COMPLIANCE RISK

The paper of the Basel Committee on Banking Supervision dated April 2005, "Compliance and the compliance function in banks" ("Basel Compliance Paper 2005"), defines compliance risk as

*"the risk of legal or regulatory sanctions, material financial loss or loss to reputation, a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its banking activities."*<sup>1</sup>

## C. COMPLIANCE STANDARDS AND AREAS OF COMPLIANCE RISK

### I. COMPLIANCE STANDARDS

The compliance risk specific to EIF is assessed against the following compliance standards:

- EIF Statutes and EIF Rules of Procedure and, in particular, EIF's mission to "contribute to the pursuit of Community objectives" (Article 2 of the EIF Statutes) and its profit orientation according to commercial market standards (Article 24 of the EIF Statutes);
- EIF Internal Guidelines and decisions of the EIF Board of Directors;
- European Community Law and European Community Policies;
- Guidelines and principles developed by international bodies and organisations such as the Basel Committee or the OECD, providing frameworks in relation to issues such as corporate governance or corporate responsibility;
- EIB Group Policies as agreed upon between EIF and EIB;
- Guidelines and principles contained in third party mandates;
- National laws and regulations;
- Relevant market practice, as identified, *inter alia*, by the respective professional associations (e.g. EVCA, BVCA, AFIC).

### II. AREAS OF COMPLIANCE RISK

Compliance risk is assessed in relation to two different areas:

1. Institutional Compliance includes, in particular, the assessment of the compliance of
  - principles of EIF governance;

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<sup>1</sup> "Compliance and the compliance function in banks", paper of the Basel Committee on Banking Supervision dated April 2005, annotation no. 3.

- principles of Corporate Social Responsibility (“CSR”); and
- EIF’s internal structure, procedures and decision-making process

against the applicable compliance standards.

2. Operational Compliance includes, in particular, the assessment of compliance of

- transactional eligibility;
- investment terms;
- the protection against reputational risk in individual transactions; and
- product characteristics

against the applicable compliance standards.

3. Conduct Compliance

A specific focus of the EIF Compliance Function includes the identification, assessment and monitoring of risks relating to conflicts of interest, insider dealing and money laundering.

## **D. STRUCTURE**

### **I. GENERAL**

The concept of the EIF Compliance Function follows the principles expressed in the Basel Compliance Paper 2005.

### **II. TASKS**

The EIF Compliance Function

- co-ordinates the identification and assessment of compliance standards and compliance risks;
- ensures, in particular, that appropriate compliance guidelines and procedures are in place identifying (a) the main compliance risks which EIF might be facing and (b) how EIF intends to manage and/or protect itself against these risks;
- monitors compliance with applicable procedures in the context of the decision-making process;
- advises EIF management and EIF staff with a view to contribute with a pro-active approach to the avoidance of potential compliance risks;
- documents compliance risk;
- reports on compliance risk;
- is responsible for training of staff on compliance risk,
- co-ordinates on relevant compliance issues with relevant external bodies such as the EIB and the Commission services.

### **III. ORGANISATION**

The EIF Compliance Function is a function with an administrative character, integrated in the Secretariat General of EIF and reporting to the Secretary General of EIF.

The EIF Compliance Function is audited by EIF’s Internal Audit.

#### **IV. INDEPENDENCE**

Independence is a core element of a compliance function in finance institutes.

The EIF Compliance Function is in no way linked to any operational department, division or unit of EIF.

The EIF Compliance Function is not subject to instructions from EIF Management when performing its assessment of compliance-risk related issues.

It may address the EIF Management on its own initiative on compliance risk and compliance failures and, following consultation with the Chief Executive, (a) if such risk and/or failure have their origin in the conduct of an EIF organ; and/or (b) if a compliance risk in the reasonable opinion of the EIF Compliance Function is likely to adversely affect the governance of EIF, the EIF Board of Directors.

It acts independently of any EIF stakeholder, in particular any EIF shareholder or principal of any mandate under which EIF is operating.

#### **V. REPORTING**

The EIF Compliance Function reports regularly to the EIF Management. Its opinions on compliance issues are not published.

The EIF Compliance Function once a year presents a report on the compliance risk and compliance failures during the previous year to the Chief Executive and the Board of Directors.

#### **VI. IMPLEMENTATION AND PUBLICATION**

This EIF Compliance Charter was implemented by the Chief Executive with effect from 26 January 2006. The EIF Compliance Charter and any update shall be published on the EIF website.