



EIB Group 2017 Sustainability Report

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Foreword



When the Treaty of Rome entered into force on 1 January 1958, the European Investment Bank was founded. In the 60 years since then, the EIB has contributed significantly to making Europe more open, innovative and sustainable.

In 2017, the EIB Group approved a record number of 901 operations, supporting small and medium-sized enterprises, fostering innovation, protecting the environment, enhancing social cohesion and education and helping to build crucial infrastructure. We provided EUR 78.2 billion to help deliver on policy goals in Europe and worldwide, leveraging total investment of around EUR 250 billion by crowding in private capital.

With close to 12,000 operations in more than 160 countries around the world, the EIB Group continues to make significant contributions to improving people's lives. We are guided by the United Nations Sustainable Development Goals, the Paris Agreement on Climate Action and other international principles and standards.

2017 was a crucial year for three important initiatives that highlight our commitment to sustainability. With the Circular Economy Initiative, we are promoting an economy fit for future challenges, where the value of products, materials and resources is maintained for as long as possible and is no longer wasted in landfills and incinerators. The Economic Resilience Initiative, which continued to build momentum through several new projects in 2017, aims at

mobilising additional finance to support the capacity of economies in the Southern Neighbourhood (North Africa and the Middle East) and Western Balkans regions. The objective is to enable these regions to better absorb and respond to crises and shocks, such as the Syrian refugee crisis. We are also improving our own governance with the Gender Equality Initiative, which promotes gender equality and women's economic empowerment and ensures that gender equality is embedded in our lending, blending and advising activities within and outside the European Union.

Furthermore, in 2017 we signed our first activities under the new Natural Capital Financing Facility to support projects that protect and promote biodiversity and climate adaptation. A joint EIB and European Commission financial instrument, this provides loans and investments backed by an EU guarantee.

Sustainable finance is also deeply embedded in the way we refinance our activities in the capital markets. 2017 marked our ten-year involvement in green bonds, in the form of our Climate Awareness Bonds. Our pioneering role has been instrumental in their development and in attracting investors in impressive numbers – another anniversary worth celebrating.

A handwritten signature in blue ink, appearing to read 'Werner Hoyer'.

Werner Hoyer
EIB President

A handwritten signature in blue ink, appearing to read 'Pier Luigi Gilibert'.

Pier Luigi Gilibert
EIF Chief Executive

The EIB Group



The EIB Group provides finance and technical assistance to achieve sustainable, inclusive growth through two complementary entities, the European Investment Bank (EIB or 'Bank') and the European Investment Fund (EIF). The EIB Group is the European Union's long-term financing institution.

The **European Investment Bank** is the EU bank. The world's largest multilateral borrower and lender, it is the only bank owned by the EU Member States. The finance and assistance we provide contribute towards the achievement of EU policy goals. We also operate globally as a multilateral development bank. The EIB Institute is part of the Bank. It is dedicated to promoting European initiatives for the common good through social, cultural, educational and research activities. This includes reducing inequalities, enhancing knowledge and innovation and fostering cohesion across Europe.

The **European Investment Fund** (EIF) specialises in risk finance to benefit micro, small and medium-sized enterprises (SMEs) and stimulates growth and innovation across Europe. It provides finance and expertise for sound, sustainable investment and guarantee operations. EIF shareholders include the EIB, the European Commission, and a wide range of public and private banks and financial institutions. *By developing and offering targeted products to its financial intermediaries, such as banks, guarantee and leasing institutions, micro-credit providers and private equity funds, the EIF enhances access to finance for SMEs.* ✓

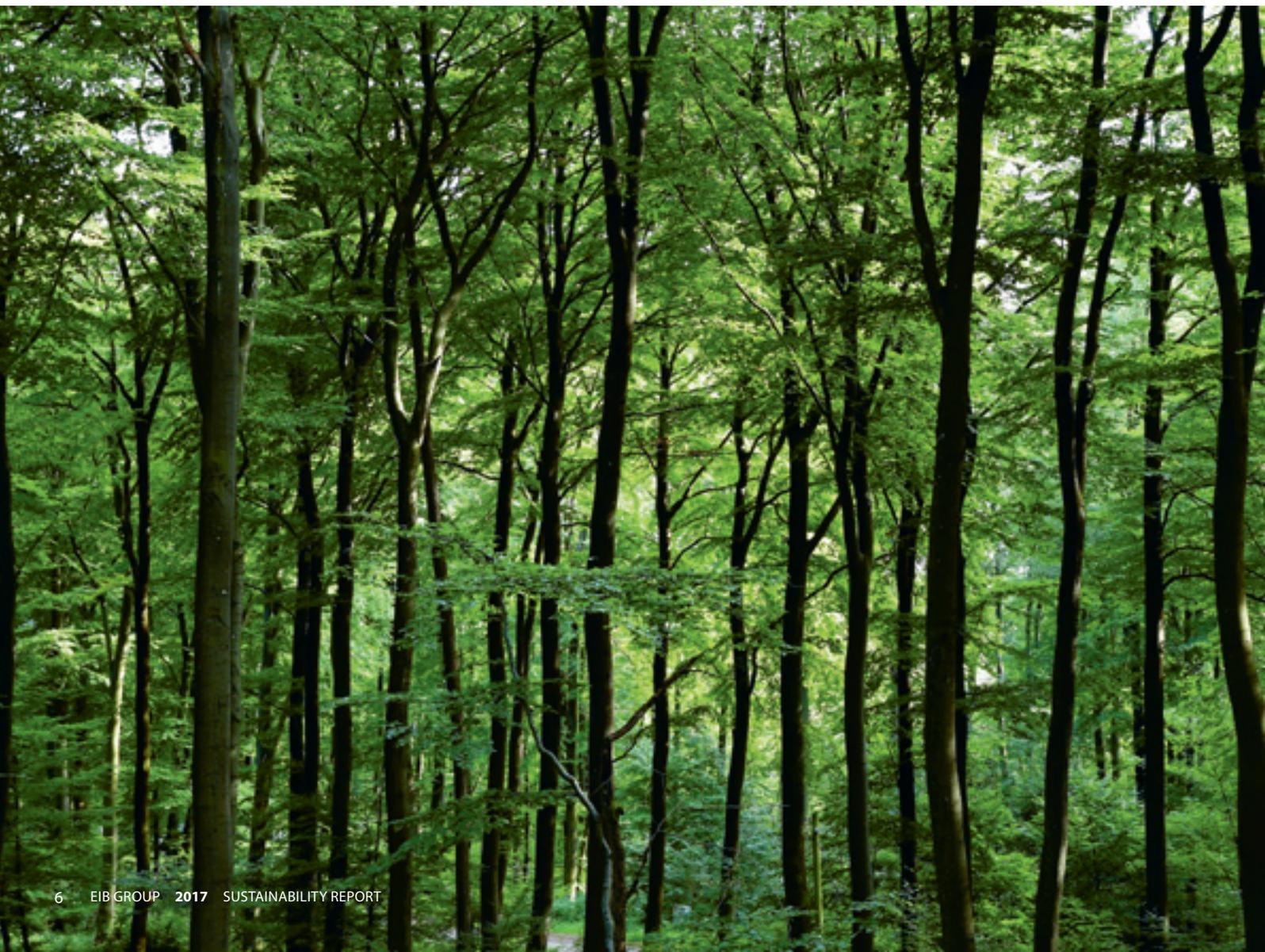
2017 in figures

EIB
EUR **69.9** billion

EIF
EUR **9.3** billion



supporting
EUR **250** billion
of total investment



EUR **13.9** billion
for innovation and skills
enabling **7.4** million very high
speed digital connections

EUR **29.6** billion
**for micro, small and
medium-sized enterprises**
supporting **287,000** companies
employing **3.9** million people

EUR **16.6** billion
for our environment objectives
providing safer drinking
water for **23** million people

EUR **18.0** billion **for infrastructure**
powering **10.4** million households

Sustainable Finance at the heart of the EIB Group





Sustainability and societal responsibility drive us and lie at the heart of everything we do. Since 1958, we have financed thousands of operations around the world and provided risk financing for SMEs across Europe. Our ultimate goal is to improve the lives of people, support innovation and foster job creation. We make available financing to meet global challenges such as providing clean water and sanitation, reducing threats to biodiversity, enabling adaptation to and mitigation of climate change, and contributing to achievement of the United Nations Sustainable Development Goals (SDGs). The EIB Group considers the 17 SDGs essential for a safe and secure future that brings prosperity, inclusiveness and human rights for all. We are committed to helping finance the 2030 Agenda, which is built around the SDGs and includes a series of measures aimed at improving the lives of people around the world.

Sustainability in our operations

Our commitment to sustainability starts with the environmental and social impact of the operations and transactions that we choose to support in our lending, investment and advisory activities. Backing from the EIB requires any operation to meet one or more EU policy objectives and our environmental and social standards for supporting smart, sustainable and inclusive growth:

- **Smart growth**
Delivering an economy based on knowledge and innovation.
- **Sustainable growth**
Promoting an economy that is more resource-efficient, environment and climate-friendly and globally competitive.
- **Inclusive growth**
Fostering a high-employment economy that results in social and territorial cohesion across the EU.

Sustainability through due diligence

The EIB appraises and monitors all the investment projects it finances on the basis of their sustainability credentials such as environmental, social and governance aspects. To receive EIB financing, all projects supported must meet EIB environmental and social principles and standards (see below). Certain activities are completely excluded from EIB financing and are rejected from the beginning.

Furthermore, we perform a separate economic appraisal of our investment projects to assess the costs and benefits to society as a whole. This economic appraisal takes account of all resources needed, whether human, technological, or natural, often using shadow prices, including for carbon, and gauges the value generated for all stakeholders, to determine whether society at large benefits from the investment.

For our Carbon Footprint Exercise, we estimate and report the greenhouse gas emissions from projects where emissions are expected to be significant. We apply our carbon footprinting methodology to all sectors, beyond our climate mitigation projects.

Only projects that fulfil both our financial and sustainability due diligence can be financed by the Bank.



Environmental and social principles and standards

In accordance with the [EIB Statement of Environmental and Social Principles and Standards](#), every beneficiary of EIB financing must meet clear requirements for the environmental and social aspects of their projects. The principles and standards are implemented based on the Bank's [Environmental and Social Handbook](#), which describes our due diligence processes involved in lending decisions and lists the ten standards that investment operations financed by the EIB must comply with.

1. Assessment and management of environmental and social impacts and risks
2. Pollution prevention and abatement
3. Biodiversity and ecosystems
4. Climate-related standards
5. Cultural heritage
6. Involuntary resettlement
7. Rights and interests of vulnerable groups
8. Labour standards
9. Occupational and public health, safety and security
10. Stakeholder engagement ✓

In 2017, the EIB launched an [e-learning course](#) providing the required knowledge and skills to implement its EU-based environmental and social standards. The course suits the needs of anyone interested in integrating environmental and social dimensions to ensure sustainable investment projects and is available free of charge.

The EIF uses monitoring and an independent risk management function to ensure sustainable and compliant business operations. In 2017, it furthermore adopted '[Environmental, Social and Governance Principles](#)' which underline the EIF's commitment to responsible and sustainable business practices.

The EIB's climate action and mainstreaming of climate considerations in all Bank activities is driven by the ongoing implementation of our [2015 Climate Strategy](#). In addition, the [EIB Group Gender Strategy](#) aims at embedding gender equality and specifically women's economic empowerment in the Group's activities inside and outside the European Union.

In line with the [EU Agenda for Change](#), we are guided by the [UN Sustainable Development Goals](#), working towards implementation of the 17 goals to end poverty, protect the planet and ensure prosperity for all. We are also committed to playing a key role in achieving the goals of the [Paris Climate Agreement](#).



Responsible business practices

The EIB Group's operations are guided by the principles of transparency and accountability. We promote openness on how we work and implement EU policies, through a constructive dialogue with a wide range of external stakeholders, and – for the EIB – by publishing project-related environmental and social data in a [public register of environmental information, in application of the Aarhus Convention](#). ✓ We also have a robust framework in place for compliance and ethics designed to address [compliance](#) risks. We operate a zero-tolerance policy on corruption, fraud, money laundering and the financing of terrorism.

In cases of alleged maladministration on the part of the EIB Group, our [Complaints Mechanism](#) provides a resolution tool for members of the public. If complainants are not satisfied with the outcome of the process, they can go to the [European Ombudsman](#). ✓ This makes our grievance mechanism unique as an international financial institution.

We also seek to embed best employment practices and we are proud to have a low turnover of employees.

We work continuously to reduce [our own environmental impact](#). We measure and report the carbon footprint (GHG emissions) resulting from EIB Group internal operations, by applying the internationally acknowledged [Greenhouse Gas Protocol Corporate Accounting & Reporting Standard](#). ✓



High-Level Expert Group on Sustainable Finance

The EIB was invited to participate as an observer and technical advisor in the High-Level Expert Group on Sustainable Finance (HLEG), established by the European Commission in December 2016. The objective of the HLEG is to provide recommendations for a comprehensive EU strategy on sustainable finance. The [final report of the HLEG](#) was published in January 2018. In this context, the EIB has coordinated the creation of a classification of climate action activities, starting with climate change mitigation.

The future official EU classifications for sustainable assets in climate change and environment finance should help policymakers express their policy goals and priorities in the same language used by the markets, to clarify their national transition trajectories (and any related incentives), and to communicate them to investors effectively. This classification would also provide investors with a description of what is sustainable in a clear, unambiguous and comparable way – while allowing them to continue to invest in line with their own preferences. Another potential use of the taxonomy is to provide “a consistent starting point for standard-setters and product developers – for example, green bonds or research/index providers”.

Green bonds

In our borrowing activities, we set standards in sustainable finance. We are committed to raising funds in the capital markets in a responsible and sustainable manner in order to support our policy goals. The EIB is one of the largest issuers of bonds in the international capital markets. We are also the world's largest issuer of green bonds, which we call Climate Awareness Bonds. Climate Awareness Bonds offer investors a transparent link to the renewable energy and energy efficiency projects that benefit from the proceeds of our green bond issues. The climate benefits of projects are reported in great detail including impact indicators such as greenhouse gas emissions avoided, absolute emission levels, energy consumption saved and additional power generation installed.

See also [Responsible and Sustainable Borrowing](#)

About this report

This report was prepared in accordance with the Global Reporting Initiative (GRI) Standards 'comprehensive' option and should be read in conjunction with the 'Sustainability Reporting Disclosures 2017', a separate document available on the [EIB website](#).

The 2017 Sustainability Report provides an overview of the operations and impacts of the EIB Group as they relate to our objective for supporting smart, sustainable and inclusive growth in a challenging European and global context.

As a [GRI GOLD Community](#) member and part of the GRI Standards pioneer programme, the EIB Group has been one of the first international financial institutions (IFIs) globally to apply these standards.

Our 'Sustainability Reporting Disclosures 2017' address relevant topics in a standardised form that makes them more comparable for our stakeholders and professional users of sustainability reports such as financial and ESG analysts, non-governmental organisations, and members of the academic community.

The relevance of the topics disclosed stems from the materiality analysis conducted in 2013/2014 in cooperation with external and internal stakeholders, who identified the EIB's material sustainability topics that were rated with a high level of importance to the participants (see [Sustainability Report 2014](#), p. 10).

The present report features three dimensions of sustainability at the EIB Group: 'Responsible Investment' covers our investment and lending operations; 'Responsible Guidance' demonstrates how we ensure responsibility and sustainability in carrying out our operations; 'Responsible Institution' is all about how we live up to our standards internally. An additional section deals with specific focus issues and initiatives in 2017.

The EIB Group commissioned its external auditors, KPMG, to provide a limited assurance report on selected statements and figures in the Sustainability Report. These are marked with  and highlighted in *italics*.

We trust you will find the information in this report interesting and informative. We welcome any comments or questions you may have and invite you to address them to csr@eib.org.



Responsible and Sustainable Investment:

How the EIB Group finances a sustainable future





We strive to improve people's lives by providing finance and expertise for operations that support sustainable development in Europe and beyond. Sustainable investment and lending goes hand in hand with the technical assistance and advice that is often necessary to make financing a success for all stakeholders. Sustainability is also a guiding principle in our borrowing business where we make financially attractive and environmentally beneficial products available to investors in the bond market.

Responsible and inclusive lending and investing

Lending is the EIB's principal activity. We lend and provide investments for clients of all sizes to support sustainable growth and jobs. We are often instrumental in attracting other investors. We offer a variety of tools to help clients blend our financing with additional sources of investment. We focus on four public policy goals: innovation and skills, small and medium-sized enterprises, infrastructure, and the environment, combined with our two cross-cutting objectives: climate action and cohesion/regional integration.

Innovation and skills

Innovation and skills drive growth and ensure Europe's long-term competitiveness. This is a top priority for the EIB Group. Our mission is to support operations that are geared towards innovation, skills and greater competitiveness, enabling us to foster sustainable growth and jobs in Europe. We can help secure such investments and maximise resources thanks to our catalytic effect.

In 2017, we supported innovation and skills with EIB loans amounting to EUR 13.9 billion. Among other things, that would enable 7.4 million very high speed digital connections and the installation of 36.8 million smart meters. ✓

We offer a wide range of flexible and creative products that support public and private investment. Our traditional financing products are medium and long-term loans. We finance large projects with direct loans and support smaller projects indirectly, through local banks or other intermediaries. The EIB offers the opportunity to combine its financing with EU grants, depending on the scope and definition of the project.

New high speed digital connections:
lines with a speed of at least

30 Megabits/second

'Smart metering system' means an electronic system that can measure energy consumption, adding more information than a conventional meter, and can transmit and receive data using a form of electronic communication¹.

The **Innovation and Skills** programme is reported under the public policy goal of innovation and has the aim of supporting education, research and innovation policies at EU and Member State level by sharing their objectives and complementing their instruments. It emphasises the financing of market-oriented innovation and the acquisition of skills that are necessary to improve the employability of people in Europe's future economy. The programme consists of three areas: Information and Communication Technology (ICT), broadband and data systems; research, development and innovation (RDI); and education and skills. The Innovation and Skills programme also supports the deployment of manufacturing capacity for innovative technologies, investments in ICT, the training of teachers and vocational education and training.

¹ As per definition (b) of the European Commission recommendation of 9 March 2012 on preparations for the roll-out of smart metering systems: <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32012H0148>



EcoTitanium: Recycling on new planes

Titanium and titanium alloys are ideal materials for the aeronautics industry: they are 44% lighter than steel, resist corrosion and have excellent mechanical properties. Yet, the availability and mining of the metal are challenging, often involving expensive techniques and long transport routes.

Such challenges can now be overcome with the first European plant producing aviation-grade titanium with recycled materials. The new company, EcoTitanium, produces titanium metal and alloys from scrap collected from large aeronautics construction companies and their subcontractors. Situated in Saint-Georges-de-Mons (Puy-de-Dôme) in France, the plant was inaugurated in September 2017, having previously received a EUR 30 million loan from the EIB. The loan is guaranteed by the European Fund for Strategic Investments (EFSI).

EcoTitanium will provide the aerospace industry in Europe with a new supply channel, giving it better control over its sourcing of titanium, a strategic raw material for the sector, in a context of sharp growth of aerospace markets. The project required investments of EUR 48 million and will create at least 60 highly qualified direct jobs as well as induced jobs. It will therefore strengthen the metallurgical skills and employment hub in the region. At full capacity, EcoTitanium will produce several thousand tonnes of titanium alloy ingots each year to cater for the growing titanium demand in the aeronautics market. It will also avoid emissions of 100,000 tonnes CO₂, consuming four times less energy than a traditional ore-based production plant. Apart from its high economic and social impact, the project will contribute to climate action by way of resource- and energy-efficient recycling of titanium.



Bringing music closer to people in Portugal

The Portuguese coastal city of Aveiro and its 78,000 inhabitants can pride themselves on two centres of music education, a conservatory for classical studies and a private school for everyone interested in pop, rock and jazz – the Oficina de Música de Aveiro (OMA). OMA's founder wanted to reach out to everyone in the region with an interest in music, not just a talented few. But the small institution, initially located in a basement, soon needed more space.

Everything was at risk when Fernando Valente, the founder, died. Then José Rodrigues, a graduate of the conservatory known locally as ZÉTÓ, became pedagogical director and invested in the renovation of a building in a quiet zone near the harbour area. Once a pupil, then a teacher, now the pedagogical director, ZÉTÓ built his career in OMA. However, where should the money needed for expansion come from? Thanks to the Portuguese bank BCP Millennium, an EIF financial intermediary, he received an EU-supported microloan under the European Commission's Employment and Social Innovation (EaSI) programme, which is dedicated to microfinance and social entrepreneurship finance.

Apart from the renovation and expansion works, the microloan also helped ZÉTÓ Rodrigues hire teachers and buy new equipment. OMA now employs 15 teachers and has about 150 regular students. Recently, the school has developed special classes for seniors and people with disabilities.





Creating opportunities in Morocco

The Université Euro-Méditerranéenne de Fès (UEMF) was created in 2012 with a focus on teaching and research excellence in science and technology. One of its objectives is to attract students and faculty members from Morocco, the Euro-Mediterranean basin and sub-Saharan Africa, thereby building academic, scientific and cultural bridges between the northern and southern shores of the Mediterranean. Initiated by King Mohammed VI of Morocco, it is a flagship project of the Union for the Mediterranean.

An EIB loan of EUR 70 million will help finance the construction of the university's eco-campus. It will have capacity for over 6,000 students and close to 700 staff, including teaching and research premises, a sports area, library and other facilities and equipment. The creation of affordable student homes on campus on a massive scale (some 2,500 beds) – to be financed, built and operated by a private partner – complements the university's policy of granting a large number of scholarships to talented students from deprived socio-economic backgrounds, which has helped UEMF to obtain a EUR 13 million grant from the European Union's Neighbourhood Investment Fund (NIF).

While a good proportion of the university's graduates are expected to make international careers in science and the humanities, the majority will increase the number of local engineers and bolster local employment, thereby creating professional opportunities in the Maghreb and releasing economic pressure in the region in the medium term.



SMEs and mid-caps

Small and medium-sized enterprises (SMEs) are a vital element of the European economy, contributing significantly to employment and innovation. Irrespective of whether they are privately owned or publicly listed with a small or medium market capitalisation ('Mid-caps') or how many people they employ, SMEs represent 99% of businesses in the EU and employ two thirds of the active working population. Supporting access to finance for SMEs and Mid-caps is a priority of the EIB Group.

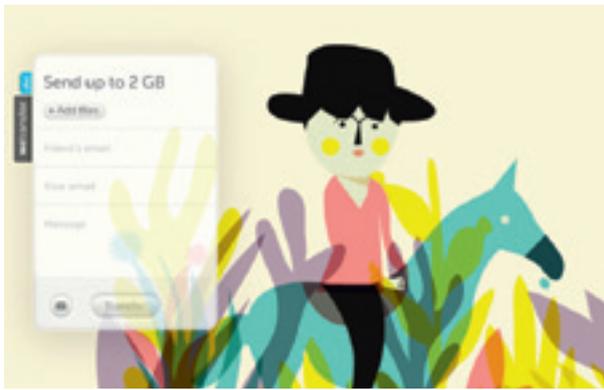
In 2017 alone, the EIB Group provided financing for SMEs and Mid-caps with total investment amounting to EUR 29.6 billion – in excess of one third of our total activity. We supported 287,000 companies, which employ 3.9 million people. ✓

We design and develop innovative products and partnerships to support SMEs, micro-enterprises and Mid-caps at all stages of their development. The EIB and EIF work together to mobilise financial and technical expertise and act as a catalyst for investment to achieve smart, sustainable and inclusive growth.

The EIB Group employs a wide range of predominantly intermediated debt-financing, risk-sharing products and private equity instruments enabling highly diversified access to finance. We work in close cooperation with multiple financial intermediaries such as banks and leasing companies, guarantee and microfinance institutions, private equity fund managers, and increasingly, national promotional institutions (NPIs).



Support for SMEs is a public policy goal of the EIB Group. In order to finance micro, small and medium-sized companies, the EIB and the EIF typically use an intermediated business model. Financial contracts are signed between the EIB and/or the EIF and their intermediaries, who commit to finance underlying SMEs. The numbers of SMEs and jobs supported are provided by the intermediaries as per contractual obligation at the time of the intermediaries' support, with the exception of EIF securitisation activity. For this specific activity, the numbers of SMEs and jobs are estimated based on portfolio information provided by the intermediaries. Any overlapping activities between the EIB and EIF, due to joint engagements, are adjusted in the global figures.



WeTransfer: File-sharing made simple

Probably everyone who shares large files uses WeTransfer once in a while. Few would know, however, that the company behind this file-sharing platform is a Dutch start-up supported by the EIF.

Launched in 2009 by Bas Beerens and Nalden, a well-known blogger in Amsterdam, WeTransfer was born out of the founders' own need for a solution for sending large files when collaborating on creative projects.

The online platform is recognised for its clean interface and a service without the usual complications of log-ins, sign-up forms, data capture and banner advertising. It also supports artistic talent: every time a customer visits WeTransfer's homepage, he or she is presented with a full-screen image sourced from a wide community of artists. While the company generates revenues from paid services and promotions, it is free of charge for sharing files of up to 2GB in size.

Having initially achieved significant success through its free service, the company reached about two billion transfers in 2017, with further growth expected in the years ahead. That growth is supported by a new layer of professionalism in the business that is helping to realise these international growth plans. This is the result of funding and advisory services provided by Highland Europe, an investment fund backed by the EIF under the EIB Risk Capital Resources initiative (RCR). This mandate is a core pillar of the EIF's equity activity and is a critical resource that has enabled the EIF to pursue its equity strategy in the venture capital and growth segments for more than 15 years.



Irish social business is 'At it again!'

'At it Again!' brings literature to life in a fresh and playful way. The founders of the Dublin-based company, Spanish writer Maite López and Irish illustrator Niall Laverty, enable readers to explore Irish writers, their stories and the places that inspired them in a playful way.

"We were on a romp in the Dublin Mountains when a great little idea came bounding along", says Laverty. 'Bloomsday' was approaching, the 4th of June – the day on which James Joyce's novel Ulysses takes place. "We wanted to inspire people to love Dublin and stop fearing Ulysses. Our challenge was to take a big intimidating book and make it fun and accessible." Within three months, the first title, *Romping through Ulysses*, was released. People loved the book so much that the couple was spurred on to tackle other Irish classics. Soon the 'Romping through Irish Literature' series became a reality.

Scaling up the business, however, required additional finance. López and Laverty turned to Microfinance Ireland, an EIF intermediary, which offered them a loan guaranteed by the EIF under the EU Employment and Social Innovation (EaSI) programme. The programme aims to provide finance to micro-entrepreneurs and disadvantaged groups who want to set up or develop their own business. The support for 'At it Again!' has allowed the company to scale up its production. As a result, the business can now comfortably fulfil any request from retailers for larger orders and also produce at lower cost.



Environment

Environment is a public policy goal of the EIB and includes financing for projects fostering the protection or enhancement of the natural resources supporting life on Earth for present and future generations by promoting sustainable development and actions taken against degradation. This includes projects in the areas of sustainable transport, protection of the environment and renewable energy and energy efficiency as well as resource efficiency.

Creating a healthy and safe natural environment for both people and nature is a key policy area of the European Union and hence one of our main fields of action. Environmental concerns are reflected in all our projects – as the main factor in specific environment or climate-related investment projects, or as part of due diligence in other projects.

In 2017, the EIB lent EUR 16.6 billion for projects supporting our environment policy goal. ✓

EIB financing benefits, among other sectors, environmental protection, renewable energy, energy efficiency, water and waste management, and sustainable transport.

With our support for waste management and recycling projects we contribute to creating a circular economy that keeps materials in the value chain and helps to preserve finite resources. Renewable energy and energy efficiency projects make Europe less dependent on energy imports and fossil fuels that contribute to climate change. With our projects relating to water and wastewater management, we view water security as a vehicle for economic growth. They bring access to safe drinking water and improved sanitation to millions of people around the world. Transport is key to growth and competitiveness, as it provides the physical networks that enable the movement of people and goods, achieving social cohesion, economic growth and employment. The EIB finances urban mobility, rail, aviation, maritime and road projects that are safe, sustainable and innovative.





Greening the economy by growing forests

A EUR 150 million loan agreement signed in November 2017 will help the Swedish paper manufacturer SCA to increase its production in an environmentally sustainable way to meet the growing demand for renewable forest products. With the expansion of the Östrand pulp mill in the town of Timrå and the regeneration of surrounding forests, the project will ensure the sustainable operation of the mill and contribute to climate action at the same time.

The operation involves investment in selected renewable energy, energy efficiency and environmental protection measures consisting of the upgrade of the pulp mill in Timrå while also replanting and regenerating about 68,000 ha of forest. The project concerns the construction and improvement of 4,250 km of forest roads and upgrading of five forest terminals. It will also create about 650 new jobs in the rural economy.

Advanced process technologies will be installed at the pulp mill, resulting in substantial energy efficiency gains. The mill will be able to make use of renewable resources, such as bark and by-products from the production process, for its energy generation, including both power and heat. As a result, the modernised pulp mill will not only be energy self-sufficient and increase its production capacity, but will also be able to export surplus (green) power. The mill's carbon footprint will be smaller than that of any comparable mill in the world. Therefore, the investment will add value to the production of renewable, green forest products, promote the protection of the environment and significant carbon sequestration, and contribute towards the overall EU objective of 'greening' the economy.



Zambia: Clean water with social benefits

Securing clean water is a constant challenge in many parts of Africa. In Zambia's capital Lusaka, the supply of water has improved significantly in recent years, but a lot remains to be done in the area of wastewater infrastructure and sanitation. This is at the core of the EIB's EUR 102.5 million concessional loan signed in November 2017 in support of sanitation infrastructure in the Zambian capital.

The Lusaka Sanitation Programme is part of the urgently needed reinforcement and expansion of the city's wastewater infrastructure. The project will support the development of two new wastewater treatment plants and the associated sewer network of up to 520 km in length. The project will double the existing sewerage network, potentially benefitting up to 525,000 people, many of whom will receive access to reliable sanitation services for the first time.

The project is expected to contribute considerably to economic and social development, due to the spillovers of sanitation infrastructure on health, environment, human development and virtually all other sectors of the Zambian economy. The conservation of the environment and the reduction of health risks related to water-borne diseases such as cholera are likely to improve the quality of life for the population, especially in low-income and vulnerable areas.

For these reasons, the project is fully in line not only with our own [Water Sector Lending Policy](#) but also with the efforts to achieve Sustainable Development Goal 6, aiming at "Clean Water and Sanitation", in particular in peri-urban low-income areas.



Infrastructure

Infrastructure is a public policy goal of the EIB that refers to any physical and organisational structure needed for a society, economy or enterprises to function, covering the sectors of energy, transport and social infrastructure. At the EIB, it includes three objectives: competitive and secure energy; strategic transport projects, including trans-European networks; and urban renewal, including health.

The EIB is a major partner for investments that promote safe and efficient infrastructure for energy supply, transport and urban areas. Better networks for the internal market are essential to foster growth and increase Europe's competitiveness. Infrastructure projects play an important role in generating economic growth, promoting sustainability and creating jobs.

New investment in infrastructure requires substantial finance at a reasonable cost. As the bank of the EU, we have made it a priority to ensure that we continue supporting these initiatives. Our projects are ambitious and vital for maintaining the momentum of economic growth in Europe and beyond.

In 2017, the EIB signed loans worth EUR 18 billion to support its infrastructure policy goal. Among other things, the financed projects would power in total 10.4 million households and help to construct or upgrade in total 76,500 kilometres of power lines. ✓

The EIB offers more than just finance for infrastructure projects. We also add value through technical advisory services. The focus is on less developed regions and on projects involving complex structures such as public-private partnerships.

Urban lending can be crucial in providing finance for infrastructure. 70% of Europeans live in urban areas. At the same time, 55% of public investment is made by regional or local governments that administer these areas. The EIB collaborates in partnerships established between EU Member States – associations like Eurocities and the [European Committee of the Regions](#) and non-governmental organisations – on a range of initiatives related to the EU Urban Agenda that was launched under the [Pact of Amsterdam](#) in May 2016. These include partnerships on housing, the circular economy, nature-based solutions and urban mobility. The purpose is to share knowledge with local and regional decision-makers, to improve their access to funds and to help them use existing funds more effectively. With the European Commission, the Bank also launched a new advisory instrument called [URBIS \(Urban Investment Support\)](#).

The EIB has provided over EUR 22 billion¹ in urban lending in 2017, and it has extended that funding to projects subject to higher risk under the umbrella of the European Fund for Strategic Investments – for example, through brownfield regeneration funds and social housing loans. ✓

¹ The urban lending figure is based on direct and MBIL operations; direct operations figures are calculated based on signatures, whilst MBIL figures are based on allocations.



New pathway to ensure future mobility in Dakar

Increasing urbanisation in Dakar, the Senegalese metropolis, has led to traffic congestion with adverse effects on mobility, the economy and the environment. Tackling the challenge required a bold scheme that can stand the test of time. As part of the ongoing Transport and Urban Mobility Support Project, the Government of Senegal designed a Bus Rapid Transit (BRT) system in the capital that uses dedicated lines for buses in a major pilot project connecting the city centre with the southern suburbs. The project concerns two administrative divisions and 14 municipalities with almost one million inhabitants, one third of the population of the Dakar region.

It is estimated that close to 330,000 trips per day will be undertaken on the BRT system, meaning an overall increase in the use of the public transport network, excluding taxis, by 4% and a reduction in road traffic of about 19,000 cars per day.

EIB finance of approximately EUR 80 million will cover about 22% of the overall costs involved in building 23 BRT stops along the pathway, including three major terminals that interconnect with other thoroughfares. These include bus terminals, parking lots for taxis, and park and ride facilities, enabling commuters to leave their car outside the city centre.

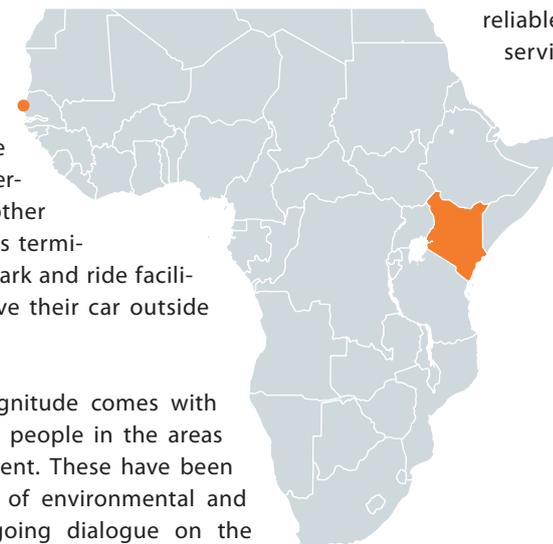
Inevitably, a project of this magnitude comes with positive and negative effects on people in the areas concerned and on the environment. These have been taken into account in the form of environmental and social impact assessments, ongoing dialogue on the future layout of the traffic system and consultation of people affected by resettlement, which will be implemented in line with the EIB's Standard on Involuntary Resettlement. The majority of stakeholders, however, see the project as the best means to increase urban mobility, reduce car traffic and travel time, improve safety, and modernise the city.

Electrifying prospects in Kenya

Low levels of access to electricity represent a significant constraint on Kenya's economic growth and socio-economic development. Approximately 35% of the population had access to electricity in 2012. Rural areas are particularly affected, where a small proportion of households have electricity coverage.

EIB financing, signed in March 2017, now targets some 100,000 connections, primarily in rural areas for lower income households. The project comprises a programme of electricity access schemes consisting of the connection of customers to the distribution network across 32 of Kenya's 47 counties. It involves EIB financing of about EUR 60 million to contribute to an overall investment of EUR 180 million, which will target the connection of some 296,000 households and providing electricity access to an additional 1.5 million Kenyans.

The project's economic benefits comprise increased access to energy in rural areas, with an anticipated positive impact on the economic and social development of communities, households, and small enterprises in the rural areas connected. Directly and indirectly, it is expected to contribute to business creation and employment opportunities and to increased revenues, with the additional social benefits of improved livelihoods in the rural areas, as well as a high development impact from a better quality energy supply that includes improved education from longer study periods and enhanced security. The project will therefore contribute to the achievement of several UN Sustainable Development Goals, notably poverty reduction (SDG 1), inclusive economic growth (SDG 8) and improved access to affordable, reliable, sustainable, and modern energy services (SDG 7). The project also supports the first objective of the Sustainable Energy for All initiative, which aims to ensure universal access to modern energy services by 2030.



Climate action

Climate change is one of the greatest global challenges of our time. Climate change risks are very real and undermine efforts already made to improve welfare in the world's poorest regions and to ensure steady economic growth across the globe. All areas of the world will be impacted by climate change, and all areas can take paths towards low-carbon and climate resilient development, thereby supporting the goals of the Paris Agreement. As the EU bank and a global MDB, the EIB views climate action as a key priority. We recognise both the importance of long-term finance to tackling climate change and the increasing role of climate finance in driving sustainable economic growth inside and outside the EU.

In 2017, EIB signatures for climate action stood at EUR 19.4 billion, representing more than 28% of our total financing across all areas of activity, thus successfully meeting our target of devoting more than 25% of our financing each year to climate change mitigation and adaptation activities. ✓

The 2015 [Paris Agreement](#) has strengthened efforts to unlock more sustainable finance and catalyse greater investment where market innovation, national leadership and international finance all play a crucial role. Thanks to the adoption of the **Sustainable Development Goals**, including goal 13 on climate action, and the ratification of the global climate agreement, key milestones have been defined on the path towards a more sustainable economy.

Climate action is a cross-cutting objective referring to a key element of sustainable development, alongside other environmental, social and economic issues which together impact upon communities, vital ecosystems and international stability. It includes for the EIB adaptation and mitigation investments.

EIB Climate Strategy

The [EIB Climate Strategy](#) adopted in September 2015 is structured around three strategic action areas that serve as compass points for the Bank's future climate action:

- reinforcing the impact of EIB climate financing,
- increasing resilience to climate change, and
- further integrating climate change issues across all the Bank's standards, methods and processes.

Various operational initiatives are being developed in each of these areas such as the creation of innovative financial instruments, outreach and cooperation with stakeholders, the development of standards and methodologies, and the provision of advisory services. All of these will help drive the implementation of the Climate Strategy over the coming years.





Strengthening adaptation in the Caribbean

Small island nations of the Caribbean are particularly exposed to the impacts of climate change, because of their often vulnerable technical infrastructure and because of rising sea levels that threaten coastlines. For these countries, adaptation to climate change is as important as combating it. The EIB supported these efforts in a new multisector framework loan signed in May 2017 with the Caribbean Development Bank (CDB) as financial intermediary. The USD 110 million financing agreement funds investment projects in the Caribbean under the CDB's climate action policy, building on a 2011 climate action line of credit, which supports nine projects in seven countries across the Caribbean. In addition, in November 2017 the Bank signed a further 20 million EUR loan to increase the finance for this operation.

The initiative is the EIB's biggest ever loan in the Caribbean. Eligible investments include climate change mitigation, adaptation and resilience projects in the areas of renewable energy, energy efficiency, road transport, water infrastructure and community-level physical and social infrastructure that reduce greenhouse gas emissions and improve resilience to the impacts of climate change. The loan will allow the CDB's member countries, most of which are small island developing states, to adequately tackle risks related to climate change with much needed low-cost financing to address the climate impacts already affecting these countries.

Since approval of the CDB's Climate Resilience Strategy in 2012, 58% of projects financed have included climate change adaptation and/or mitigation elements. These projects have mainly been in the sectors of water, education, physical infrastructure such as sea defences, drainage, roads, and agriculture. A healthy pipeline of climate action projects amounting to over USD 300 million for this new loan has been developed with the support of an EIB-funded technical assistance programme.

Norway – Germany: the missing link

There are many connections between Norway and Germany on several levels, but what is still missing is a direct link between their electricity networks. 2017 saw two financing agreements signed to change this situation. First, in April, the EIB provided a EUR 350 million loan to TenneT Holding B.V. Then, in June, it signed a EUR 300 million loan agreement with the Norwegian transmission system operator Statnett.

Both commitments serve to co-finance 'NordLink', the first submarine interconnection between Norway and Germany across the North Sea. The bipolar High Voltage Direct Current (HVDC) link will have a capacity of 1,400 MW and a total route length of 624 km. The two separate agreements cover the German and the Norwegian sides of the project respectively.

NordLink will allow the export of surplus hydro generation from Norway to Germany. It will also enable Norway to import power from Germany at times of lower hydro production. The project will therefore improve the diversification and security of supply in both countries and support the further integration of electricity markets between northwest European and Scandinavian countries.

Climate benefits will be significant from the first year of operation, with an estimated reduction of 400,000 tonnes of CO₂ emissions annually. The project will also avoid a decrease in renewable energy generation, such as wind and solar, by an estimated 100 gigawatt hours. These benefits are expected to grow even larger over time.



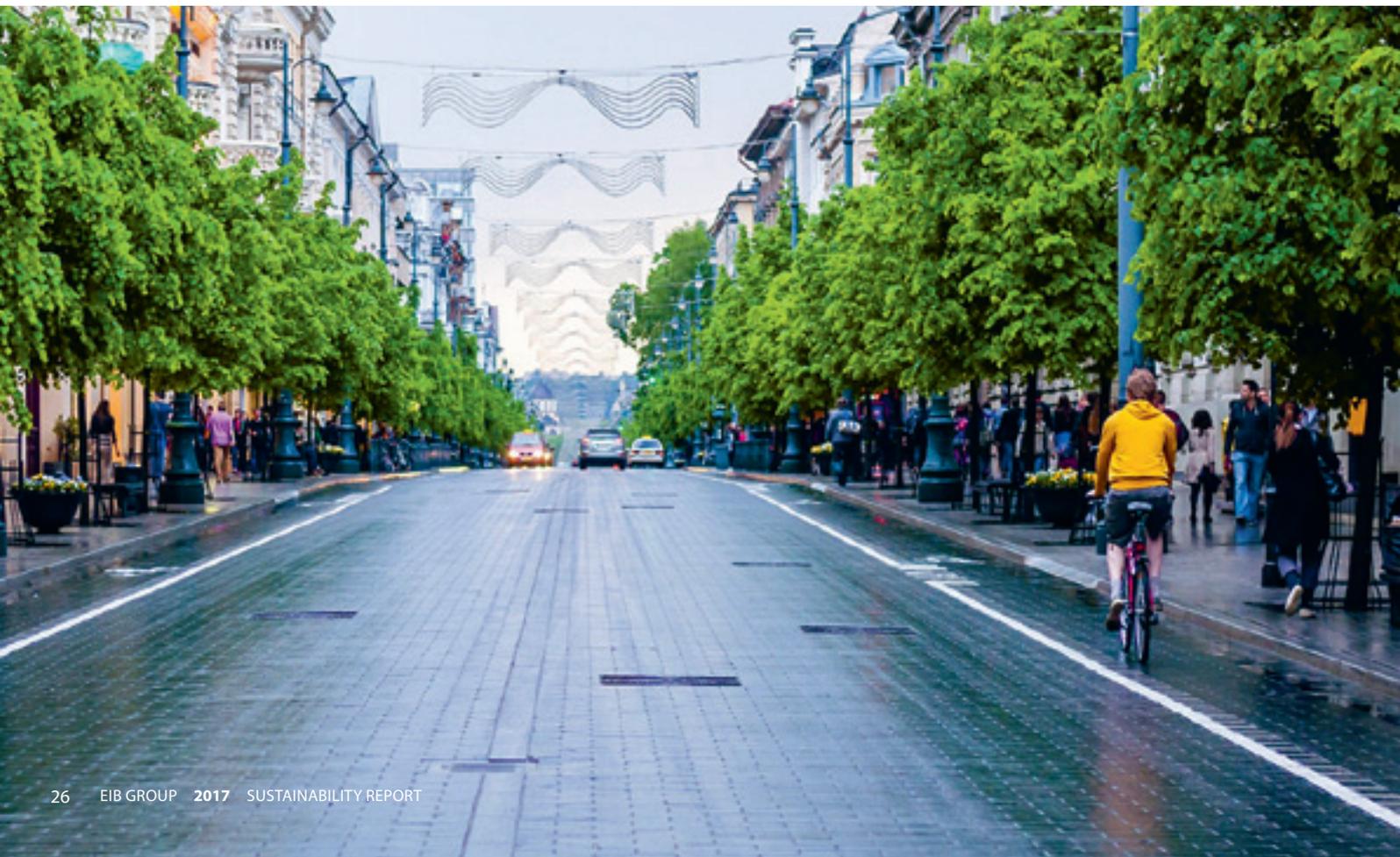
Regional development

One of the main priorities of the European Union is to work towards creating cohesion and convergence across Europe and with our partner countries. The EIB supports this goal with the full range of its activities. We work to help economically disadvantaged regions compete better and achieve sustainable growth.

Between 2008 and 2017, the EIB's support for cohesion objectives within the EU amounted to around EUR 206 billion.

A mixture of loans and advisory services enables the EIB to play a critical role in addressing regional economic imbalances and raising living standards across the EU. Flexible lending to regions, getting financing to the local level, where the needs of citizens are best understood, is an important part of this.

Our financing enables regions and EU Member States to implement grant-based projects by facilitating the necessary co-financing at national level. The EIB's contribution to regional development plays a key role in safeguarding jobs and growth by enabling investment to go ahead. The main types of projects we support are in the areas of infrastructure, assistance to innovative companies, information and communication technologies, improving the urban environment, and trans-European networks.





Intelligent and sustainable development in Kraków

The Polish city of Kraków is well known for its medieval old town that every year attracts large numbers of international visitors. It is, however, the modernisation of the city that is of more immediate concern to its inhabitants. With the ‘Intelligent and Sustainable Development’ project, the EIB is helping Krakow to modernise by means of a multisector framework loan.

With a focus on the ‘intelligence’ and sustainability of the project, the Municipality of Kraków emphasises the holistic character of the diverse measures that combine a wide spectrum of individual projects. As a whole, the project comprises urban roads, sustainable mobility schemes like public transport and cycling infrastructure, the thermo-modernisation of buildings, urban renewal and regeneration, green areas and public squares, social housing, information and communication technologies, and other urban infrastructure. “With this project, we want to make people live more comfortably in the long term”, explains Rafal Kulczycki, the director of the city’s development department. “We are not only providing better housing and better roads, but also intelligent ways to use them. This project is all about people.”

The project combines, among other features, urban regeneration with sustainable mobility. When completed, it is expected to bring a number of environmental

benefits, specifically regarding climate mitigation. Trams, bicycles and pedestrian areas will allow people to leave their cars at home. Energy-efficient buildings will reduce CO₂ emissions. Gas heating will replace about 8,000 coal-fired boilers.

With the EIB’s initial financing of EUR 32 million (out of a total investment of EUR 200 million), the project gained significant traction and sped up. Of the 77 sub-projects included, 24 were completed in 2017, ten were in progress and 43 in the preparation phase. “With the EIB finance, the projects can be completed a few years earlier than originally planned”, says Kulczycki. “The EIB loans offer good conditions, far better than commercial banks. This has brought significant impetus to the project.”



Advisory and technical assistance

Advisory services complement the EIB's lending activity and form an integral part of our 'lending, blending and advising' strategy. We make technical and financial expertise available to our clients to develop and implement investment projects and programmes, and to improve institutional and regulatory frameworks. When complementing EIB loans, advisory services strengthen the economic and technical foundations of an investment and catalyse funding from other sources.

In delivering advisory services, we rely on the unique expertise developed by our staff, both inside and outside the EU, in key areas such as infrastructure financing, climate change mitigation and adaptation, urban development and SME support.

Technical assistance enhances sustainable impact

Project-related technical assistance contributes to improving the quality of lending operations throughout the project cycle and enhancing their development impact. In many cases this applies to our non-European projects. Technical assistance operations mainly focus on:

- Financial sector operations, notably microfinance support and SME lending
- Infrastructure projects, notably in the water and wastewater, ICT, transport and energy sectors

EIB activity in Africa, the Caribbean and the Pacific (ACP) frequently takes the form of technical assistance. Our operations in ACP countries are carried out under the ACP-EC Partnership Agreement (the so-called [Cotonou Agreement](#)) covering the years 2000 to 2020. The central objectives of the agreement are reducing poverty, supporting sustainable development, and fostering the progressive integration of the ACP countries into the world economy.

Advisory services provide specific expertise

Besides our in-house financial, technical, and environmental expertise, advisory services strengthen the economic and technical foundations of investment and catalyse funding from other sources. EIB advisory is structured in a variety of specific departments and divisions. The main advisory department is [JASPERS](#) (Joint Assistance to Support Projects in European Region), a technical assistance initiative managed by the EIB and co-sponsored by the EC and EBRD. JASPERS aims at improving the sustainability and the quality of investment supported by EU Structural and Investment Funds and also the Connecting Europe Facility (CEF) in the EU-28 by providing independent advice and capacity building support to public authorities, as well as independent quality review of projects before their submission to the EU.

[InnovFin Advisory](#) (IFA) guides its clients on how to structure research and innovation projects to improve their access to finance. Many IFA horizontal studies were launched in 2017, notably on innovative road transport, life sciences financing, the digital economy and space technologies. IFA is also actively involved in the EC Circular Economy Finance Support Platform launched in 2017.

The EIB also manages [ELENA](#), the agency for 'European Local ENergy Assistance', through the European Commission's [Horizon 2020](#) programme. ELENA may cover up to 90% of the costs of technical support for a renewable energy investment programme. The Bank also provides substantial technical assistance to energy efficiency and

urban transport projects and programmes via Financial Instrument Advisory, which notably includes *fi-compass* and provides public and private sector stakeholders with expertise and support in the identification, establishment and implementation of financial instruments and investment funds, in both generic and bespoke forms. *EPEC* is a membership-based PPP expertise network with a remit to help the public sector deliver sound and sustainable PPPs all over the EU.

The European Investment Advisory Hub is a partnership between the EIB and the European Commission and part of the second pillar of the Investment Plan for Europe. The Hub offers a single point of entry to a comprehensive offer of advisory and technical assistance (delivered either by the EIB Group, the EC, national promotional institutions or Managing Authorities), aimed at providing targeted support for the identification, preparation and development of sustainable investment projects across the EU.

Monitoring ensures project objectives are delivered

As part of our approach to sustainability in taking investment decisions, the EIB pays particular attention to the responsible planning, design, implementation and operation of projects. This includes the continuous monitoring of approved projects.

The Bank monitors the projects financed to ensure that they are carried out in accordance with its policies and procedures during the implementation phase. At project completion, the Bank assesses the investment and whether the objectives have been reached or whether some more work has to be done to fulfil its conditions.

The EIB monitors projects financially from the signature of the loan contract, through project implementation and the operational phase, until the loan is paid back. It monitors the servicing of the loan, checks that the funds are being used in line with the project description, objectives and projections, and receives information about developments relating to the promoter and its partners.



Responsible and sustainable borrowing

The EIB's financing operations are funded by issuing bonds in international capital markets, underpinned by demand from international institutional investors. As a long-term financing institution, sustainability plays a major role in fundraising activities. In July 2017, we celebrated the tenth anniversary of the launch of the world's first green bond, our ground-breaking EUR 600 million issue. At end-2017, we remained the largest issuer of green bonds worldwide with more than EUR 19.4 billion issued in the format since 2007

CAB Internal Criteria

Funds raised through CAB issues are earmarked to match disbursements to our climate action projects in:

- Renewable energy: for example, wind, hydropower, solar and geothermal energy production projects,
- and
- Energy efficiency: for example, projects for district heating, co-generation, building insulation, energy loss reduction in transmission and distribution, and equipment replacement with significant energy efficiency improvements

Green bond pioneer



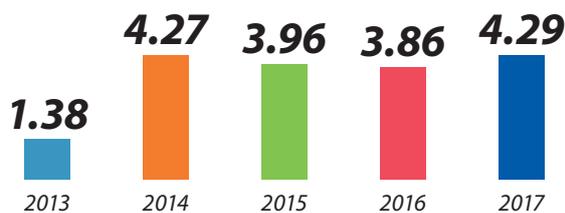
At the EIB, we label our green bonds 'Climate Awareness Bonds' (CABs). Our CAB issues are 'use of proceeds' bonds, and the money raised can only be invested in projects that benefit the environment.

2017 was a special year for us as we celebrated the tenth anniversary of our first CAB, from which the EUR 600 million of proceeds were allocated to 14 projects in six countries over 2007/2008. The issue of the Bank's first CAB was inspired by the Berlin Declaration and the Energy Action Plan adopted by the European Council in 2007. Over the past ten years, we have executed more than 100 green bond transactions supplying more than EUR 19.4 billion across 11 currencies, with maturities of between two and 30 years. In 2017, EUR 4.3 billion was issued in the green format.

Initially, demand for green issues was limited, but the idea of a green fixed-income product gained traction quickly as climate change became a focal issue, and subsequently inspired the development of standardised reporting and governance. In recent years, new participants have steadily entered the market, encouraged by investors in search of a product that addresses climate concerns and at the same time provides returns. The EIB has acted as a market catalyst both through its issuance and by contributing to the development of governance and market standards, creating new opportunities for responsible investors.

Development of green bond issuance and disbursements, 2013–2017 ✓

EIB Climate Awareness Bonds issuance (in EUR billion)



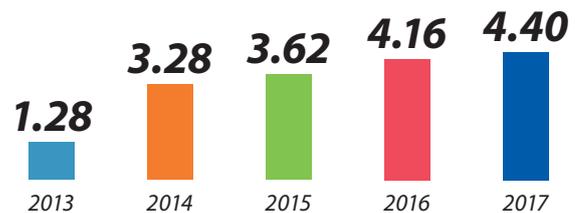
To celebrate our ten-year milestone, the EIB partnered with the non-governmental organisation WeForest for the project 'Plant a Tree' designed to help make our world greener. During the second half of 2017, internet users were invited to support the project via the EIB website. For each signature received, six trees will be planted, leading to a total of 20,000 new trees. The trees are expected to be planted in Ethiopia during the plantation season in July and August 2018, as well as throughout the year in India to maximise tree growth in degraded areas.

Contributing to industry standards

Over the past decade, the EIB has pursued a best practice strategy. We have ambitious projects of collaboration with other market participants to map various green bond frameworks and identify modalities of alignment in terms of transparency and comparability of green bonds.

Among other things, the EIB is a leading contributor to the [Green Bond Principles](#) and chairs its Executive Committee. The four core components of the principles are use of proceeds, setting up a process for project evaluation and selection, the management of proceeds, and reporting. Deliverables from the principles include standardised issuer information forms, the Green Bond Information Template, and an external review form. The EIB also coordinated the development, by a group of 11 international financial institutions, of a harmonised framework for impact reporting on renewable energy and energy efficiency.

Disbursements to CAB-eligible projects (in EUR billion)



In the pursuit of increased transparency, the EIB, together with the Green Finance Committee of the China Society for Finance and Banking, launched a [White Paper](#) in November on the occasion of the COP 23 Climate Change Conference in Bonn. The White Paper provides an international comparison of several green bond classifications for the use of proceeds, aiming to enhance the consistency of green finance definitions and standards with a view to facilitating cross-border green capital flows.

CAB proceeds for environmental projects

CAB proceeds are allocated to projects worldwide. As part of our internal processes we assess the percentage of a project that fits into one of the two sectors of renewable energy or energy efficiency. Only that percentage of the project investment can receive CAB proceeds. Through its regular [CAB Newsletter](#) publications the EIB provides use of proceeds reporting, transparently listing allocations to individual projects, as well as impact reporting.

At the end of 2017, CAB funds had been allocated to 67 projects in 31 countries across the world. In that year, 61% of CAB proceeds were allocated to renewable energy projects. Over the same period, 84% of the funds were allocated to projects within the European Union, among them the [Norther offshore wind farm](#). This renewable energy power plant will include 44 wind turbines equipped with approximately 80-metre-long blades off the Belgian coast. The renewably energy generated will supply electricity to around 324,000 Belgian families.

Independent assurance for EIB green bonds

Since 2016, our external auditors KPMG Luxembourg have provided Independent Reasonable Assurance reports for our 'green' activities, the highest level of assurance provided in the segment. Through the independent verification, we are promoting higher standards in the disclosure and reliability of the growing green bond market.

Our annual CAB Statement describes in a comprehensive and detailed manner the EIB's green bond activities as well as the overall framework, including the management of responsibilities, operational criteria, allocation and impact reports. It also includes the Green Bond Principles External Review Form as an appendix.

Highest ratings from financial markets

The EIB is proud of its excellent credit ratings from key international rating agencies. Moody's, Standard & Poor's and Fitch all rate EIB bonds with the highest-possible ratings (Aaa/AAA/AAA), underscoring our strong institutional backing from the EU Member States, our outstanding asset quality, and our conservative risk management. For the latest reports click on the logos:

FitchRatings

S&P Global
Ratings

MOODY'S

Furthermore, environmental, social and governance (ESG) ratings can be a powerful tool for linking financial with non-financial indicators, thus helping investors to make better informed investment decisions.

As at the end of 2017, we obtained the following ratings:

- 'AAA' by MSCI, dated August 2017
- 'Prime' by oekom research, dated April 2015
- 'B+' from oekom research for EIB's Climate Awareness Bonds, dated May 2017
- 'Very positive A' by imug, dated December 2016
- 'Leader' by Sustainalytics, dated May 2016
- 'Advanced' by Vigeo, dated July 2016
- 'Seal of Quality for Sustainability' from DZ Bank, dated March 2017 



Responsible Guidance:

How the EIB Group ensures sustainability in its operations





The promotion of sustainable development underpins our lending strategy and objectives. We thoroughly examine the environmental and social risks and benefits in careful due diligence processes that are performed by the EIB's Projects Directorate or their contractual partners. These take place both before an investment decision is made and at later monitoring stages. This approach provides guidance on our sustainability standards to project managers internally and to project promoters and financing partners externally.

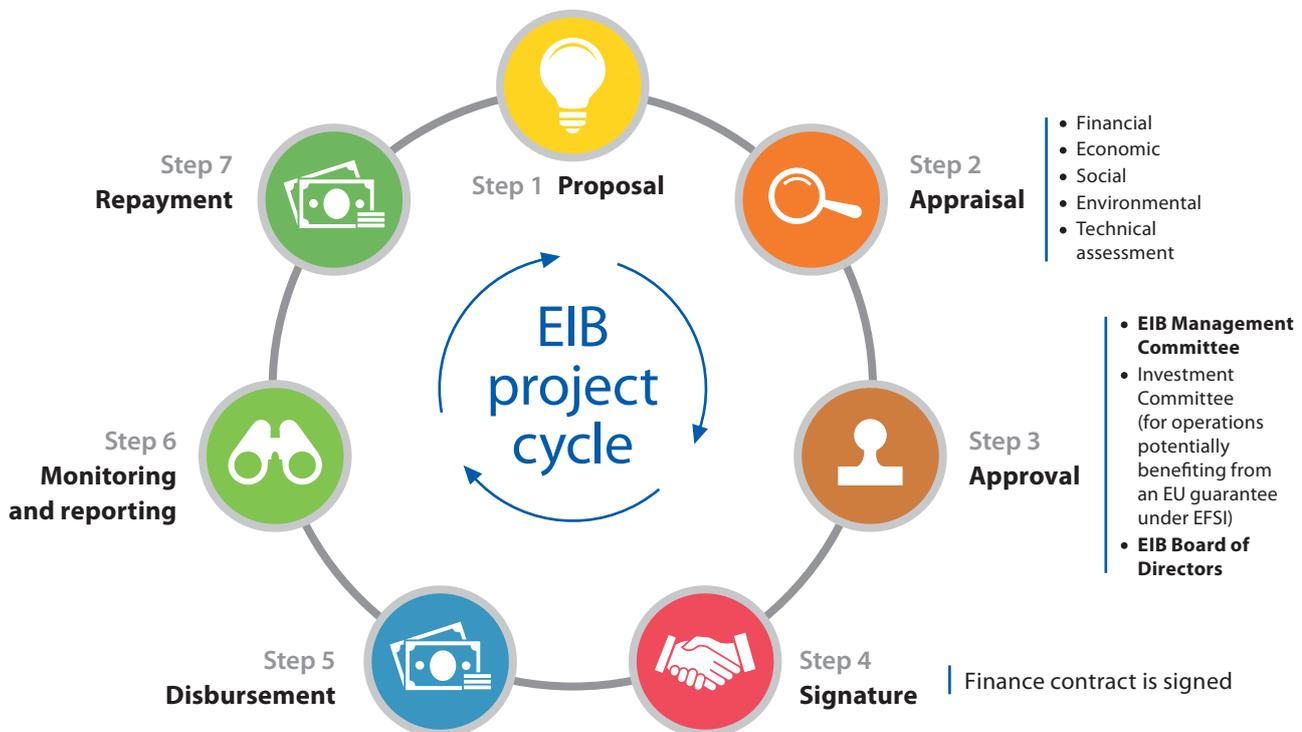
Meeting key environmental and social standards

Transparent project cycle

The [EIB Statement on Environmental and Social Principles and Standards](#) sets the policy context for protection of the environment and human well-being in our projects. The principles and standards are further explained and developed in the [EIB Environmental and Social Handbook](#). To clarify our requirements for operations to promoters, *these public documents define **ten standards** that must be met by any investment, technical assistance or advisory project that is undertaken by the EIB.* ✓

A large number of climate-related due diligence activities are carried out each year at the project appraisal stage – when project proposals and environmental impact assessments are appraised from technical, financial, economic, social and environmental perspectives. The outcome of the environmental and social assessments is summarised in an Environmental and Social Data Sheet as part of our commitment to transparency. Project-related environmental documents are available in the [Public Register](#) on our website.

The EIB project cycle, with due diligence at project appraisal



Climate mainstreaming: the carbon footprint of EIB projects

A climate due diligence process determines the actual expected GHG emissions from a project and the increase or reduction of greenhouse gas emissions resulting from a project. We apply our carbon footprinting methodology to all sectors, not only climate mitigation projects. For our Carbon Footprint Exercise, we estimate and report the greenhouse gas emissions from projects where emissions are expected to be significant, i.e. emissions above one or both of the following two thresholds:

- *Absolute emissions (actual emissions from the project) > 100,000 tonnes of CO₂e per year for a standard year of the project's operations*
- *Relative emissions (estimated emissions increases or reductions compared to the expected alternative) > 20,000 tonnes of CO₂e per year* ✓

Analysis of our Carbon Footprint Exercise suggests that these two thresholds capture approximately 95% of emissions from the EIB's investment projects. At the heart of our footprinting approach are the absolute emissions from each project. Whilst assessing and reporting emissions reductions and increases, which give an important indication of the emissions in comparison with other technologies or projects, we consider a project's absolute emissions to be a fundamental element, as these are what will ultimately affect our climate.

To review the total impact of our lending, we believe it is important to assess significant emissions from all sectors we fund, not only from green sectors. We include projects in our annual Carbon Footprint Exercise from the areas of conventional and renewable energy generation and networks, energy efficiency, transport, industry, water and solid waste, agriculture and forestry. This allows us to assess the contribution from each type of lending.



2017 project carbon footprinting

In 2017, 55 of the projects in the EIB portfolio¹ had estimated emissions above the absolute or relative emissions thresholds and were included in the 2017 Carbon Footprint Exercise. They represent total EIB signatures or allocation approvals of EUR 9.4 billion. The related total absolute greenhouse gas emissions are estimated at 5.2 million tonnes of CO₂e per year, with carbon sequestration by forestry estimated at 0.3 million tonnes of CO₂e per year. The overall reduced or avoided emissions from the same financing are estimated at 2.9 million tonnes of CO₂e per year in accordance with the Carbon Footprint Exercise methodology. ✓

Project level data for projects included in the Carbon Footprint Exercise are reported in our Environmental and Social Data Sheets and published in our public register of environmental information. The table below shows the results of these aggregate figures for the last three years of EIB project carbon footprinting. The relative emissions figures show large overall savings of approximately 3 million tonnes of CO₂e per year for the last three years. Overall, the EIB's investment projects continue to support a path of reduced emissions.

¹ Projects with a finance contract signed or large allocations approved in the year. Large allocations under already signed framework loans are those where the individual investment projects have undergone a full individual project appraisal.

Project carbon footprinting at the EIB, 2015–2017 ✓

	2015	2016	2017
Number of projects	73	70	55
Total EIB amount signed (in EUR billion)	11.2	17.7	9.4
Absolute emissions (in Mt CO₂e/year)^a	4.6	2.4	5.2
Carbon sequestration from forestry (in Mt CO₂e/year)^{a, b}		3.5	0.3
Relative emissions (in Mt CO₂e/year)^a	-3.1	-2.7	-2.9

^a Emissions and carbon sequestration are prorated to the EIB lending volume prior to aggregation. Total project emissions (absolute) and savings (relative) would be significantly larger.

^b Prior to 2016, carbon sequestration was included in absolute emissions figures. In 2016, when carbon sequestration exceeded total emissions, these figures were presented separately.

Climate action: from strategy to implementation

The EIB Climate Strategy approved by the Board of Directors in 2015 indicated that the Bank would develop internal action plans detailing the activities to be taken to progress in three strategic areas: 1. Reinforcing the impact of our climate financing; 2. Building resilience to climate change; 3. Further integrating climate change considerations across all of the Bank's standards, methods and processes.

The ten action plans approved in 2017 organise in a coherent overall framework the ongoing and future actions needed to implement the strategy successfully. They are conceived as a planning tool to ensure progress in all areas, as they articulate the interpretation of the commitments and goals of the EIB Climate Strategy across the different EIB services involved and the activities needed to achieve those goals.

EIB Climate Strategy – ten action plans

1 Climate Awareness & High Impact Climate Action

2 Proactive development of Climate Action pipeline

3 Financial innovation for Climate Action

4 Spur growth of Green Bond market

5 Climate risk screening for all new EIB operations

6 Increasing the portfolio of adaptation projects

7 Continuous improvement of mainstreaming "tools"

8 New or revised sector policies incorporating climate considerations

9 EIB portfolio: Valuing risk from climate change

10 EIB Environmental Management System¹

¹ Not covering EIB operations but EIB's own functioning



FOCUS ON THE CIRCULAR ECONOMY

Closing the loop

Take – make – use – dispose. This is the way most industry- or consumer-oriented economies work. However, it is not sustainable. Global population growth and improving living standards have increased resource consumption beyond the means of the Earth's finite resources. This is why the EIB supports the transition to a circular economy, where the value of products, materials and resources is maintained in the economy for as long as possible.

The growing amount of product and packaging waste is one of the most visible signs of a non-sustainable economy, since a large share of this waste is disposed in landfills rather than being kept in the value chain. This is not sustainable and points to the need for a shift from the current mainly linear economy to a more circular one, where products and components are maintained at their highest level of value and utility, resources are used in the most effective and economic way, while waste is minimised.

3 Rs – reduce, reuse and recycle

A circular economy can be achieved by re-thinking and re-designing products, business models and production processes and by ensuring more sustainable natural resource and material management through what is often called 'the 3 Rs': reduce, reuse and recycle. Ideally, this is accompanied by more sustainable consumption patterns among private consumers.

With increasing waste generation in many EU Member States, and recycling levels that vary from a few percent in some countries to over 70% in others, there is a clear need for investment in recycling infrastructure and facilities for materials and bio-waste.

Eligibility for EIB financing

As the EU bank, supporting the transition to a circular economy in the EU is high on the EIB's agenda. EIB financing is available for circular economy projects on account of their environmental, resource conservation and climate benefits. Circular economy projects can also contribute to the EIB's innovation objective, since such projects often include innovative features for products, production processes or business models that drive innovation. Circular economy projects implemented by small and medium-sized companies (SMEs) can also be eligible for EIB financing. In addition to financing, the EIB provides advisory support to circular economy project promoters.

Relevant sectors

In the waste management sector, more ambitious recycling targets will drive developments and investments in new separate collection infrastructure and related treatment facilities for recyclable materials and bio-waste. The goal will be to do more with regard to quantities and do better with regard to qualities of material.

Apart from the waste management sector, the circular economy idea also applies to other, related areas:

- In the water sector, EIB projects contribute to a circular economy by supporting the recovery of energy from wastewater streams, reuse of treated wastewater for industrial, agricultural and urban water supply purposes, and recycling of nutrients from sewage sludge into high-quality fertiliser.
- Agriculture and forestry value chains, including the agri-food and pulp and paper industries, are being encouraged to move forward from the linear to the circular economy. By-products are recycled to capture their residual value and reduce virgin material input.
- In industrial production, an increasing number of companies have started innovating and collaborating in new ways to close material loops. The EIB is actively supporting these innovative projects by financing product innovations and technology development to facilitate easier repair, upgrading, remanufacturing and disassembly.

In 2017, the EIB actively promoted the circular economy and associated financing opportunities in a number of events, including the [World Circular Economy Forum](#) in Helsinki (5 to 7 June) and the [Life Cycle Management conference LCM 2017](#) in Luxembourg (3 to 6 September). The EIB is also active in the Circular Economy Finance Support Platform, launched by the European Commission in early 2017, and in the Urban Agenda Partnership on a Circular Economy.



FOCUS ON ECONOMIC RESILIENCE

Impact on the ground

In answer to a call from the European Council, the EIB is delivering a comprehensive response to the challenge of migration. As such, the Economic Resilience Initiative aims to rapidly mobilise additional finance in support of inclusive growth, vital infrastructure and social cohesion. Whilst creating and maintaining economic growth, it also focuses on building the capacity of the Southern Neighbourhood and Western Balkans regions to better absorb and respond to crises and shocks, such as – but not limited to – the Syrian refugee crisis.

Over two million refugees are currently hosted in the countries along the southern and eastern coast of the Mediterranean – the ‘Southern Neighbourhood’ – as well as in the Western Balkans region. Building on over three decades of EIB experience in these regions, the Economic Resilience Initiative (ERI) offers a comprehensive support package for dealing with the aftermath of the Syrian crisis, and to prepare better for shocks such as economic downturns, conflict or extreme weather events.

Stepping up investments

The Economic Resilience Initiative entails a significant step change in EIB support to both regions. In practice, it is an integrated package of loans, concessional finance and innovative instruments. By 2020, it will have enabled financing of EUR15 billion for investments in the region in support of sustainable development and economic resilience targeting the challenges of climate change, supporting projects with high social, economic and environmental returns, strengthening and building vital infrastructure, contributing to a more enabling environment for private investment and generating employment opportunities. Furthermore, these new investments will contribute to improving the preparedness of the regions for future external shocks.

Supporting infrastructure and the private sector

Specifically, the ERI focuses on both the public and private sectors to support

- **sustainable and vital infrastructure**, by investing in services like clean water, energy and electricity, particularly in regions where there is a strain on public infrastructure, but also for example by improving education, healthcare, local transport, and urban services;
- **private sector growth**, boosting employment opportunities, for example through more support for small businesses and micro-enterprises.

Given the urgency and importance for the EU, additional funding has also been pledged to provide concessional financing to those projects with the highest potential economic and social impact. Croatia, Italy, Lithuania, Luxembourg, Poland, Slovakia, Slovenia and the UK have all committed financial contributions to support this effort.

The initiative also allows the EIB to provide additional technical assistance and advisory services to support the projects.



FOCUS ON GENDER IN LENDING

The new normal

Gender equality is one of the founding values of the EU and a key objective of the UN Sustainable Development Goals. However, putting it into practice requires commitment. In 2017 the EIB Group adopted a Gender Strategy aimed at increasing our impact on gender equality by embedding it in our lending, blending and advising activities, both within and outside the EU.

'Protect, Impact, Invest: the EIB Group Strategy on Gender Equality and Women's Economic Empowerment' supports the protection of women's and girls' rights, enables the EIB to increase its positive impact on gender equality, and helps funnel support to projects that increase the participation of women in the labour market and the overall economy. It builds on relevant EU legislation and policy documents such as the EU's [Gender Action Plan 2016–2020](#) and the European Commission's [Joint Staff Working Document on Strategic Engagement for Gender Equality 2016–2019](#).

The strategy comprises three areas of action alongside a mix of compulsory and voluntary elements, namely:

- **Protect:** Protecting the rights of all, regardless of sex, by taking gender into account in the due diligence of EIB operations. Assessing the potential impact of investments on both women and men will make it possible to highlight those prevailing inequalities, discrimination, challenges, vulnerabilities, and otherwise hidden risks of doing harm that are relevant to an operation. It will also help identify any possible and relevant gender-sensitive remedial actions;
- **Impact:** Enhancing the impact of EIB Group operations on gender equality. This will be done in a variety of ways, taking into account the type of operation, the stage at which the Group becomes involved in the operation and the willingness of the client. This will range from embedding a gender perspective throughout an investment or project cycle, through to identifying opportunities within operations to positively affect gender equality, and by considering and disseminating best practice. The Group will work with those clients that are interested in actively supporting the promotion of gender equality in the workplace, job creation and corporate decision-making; and

- **Invest:** Identifying targeted opportunities to invest in women’s economic empowerment that increase their access to employment and to credit/financial services, and that purposefully support female entrepreneurship.

The strategy took effect in January 2017 and is being implemented in a phased approach. Through engagement with stakeholders, a Gender Action Plan was drawn up to guide the implementation of the strategy during the first phase of 2018–2019. The plan clearly articulates the Group’s activities and milestones over the designated period, pooling resources across the institution and attributing delineated roles and responsibilities to different teams in the Group.

The first phase of the plan prioritises the development of the Group’s knowledge, capacity and systems, the enhancement of its institutional commitment and the identification of operational approaches that best suit its business needs.

- Delivering on the ‘Protect’ pillar will result in a fit-for-purpose due diligence framework, enabling clients and EIB experts to assess, prevent and mitigate the impacts and risks of EIB investments for girls and women.
- Action under ‘Impact’ will contribute to the improved integration of gender considerations within relevant EIB Group operations.
- The ‘Invest’ pillar will focus on identifying geographical priorities, suitability of instruments and new business opportunities to support women’s economic empowerment.

- Finally, the ‘Institutional’ pillar targets those elements that are deemed critical to fostering an enabling environment for the Gender Action Plan’s implementation, such as: leadership, communication, capacity building, information management, partnerships, results measurement and accountability.

Smart economics

According to a study by the [European Institute for Gender Equality](#), improving gender equality would lead to an increase in GDP per capita in the European Union of between 6.1% and 9.6%, which would amount to between EUR 1.95 trillion and EUR 3.15 trillion by 2050.

Reducing gender-based inequalities is associated with faster economic development, higher income per capita, more efficient and effective businesses, more sustainable management of natural resources, peace-building and, overall, more stable societies. Widespread evidence from peers and industry alike confirms that gender equality makes ethical, social, economic and business sense. This was stated in a speech by EIB Governor and Swedish Finance Minister Magdalena Andersson when she spoke of ‘smart economics’ in the event ‘Mind the Gap! Gender in Financing – the New Normal’ held at the EIB headquarters on 10 October 2017.

For our internal Diversity & Inclusion Strategy, please refer to the chapter [‘Responsible Institution’](#).



FOCUS ON NATURAL CAPITAL

Banking on nature

The new Natural Capital Financing Facility (NCF) – a joint initiative of the European Commission and the EIB – supports projects that protect and promote biodiversity and climate adaptation with targeted loans and investments. 2017 saw the first loan signed under the programme.

The food we eat, the water we drink, and the plant materials we use for fuel, building materials and medicines are 'goods and services' that nature provides. They derive from 'natural capital': geology, soil, air, water, and all living things, flora as well as fauna. Protecting and supporting natural capital therefore means nothing less than safeguarding the future of life on Earth. In more concrete terms, investing in natural capital is a prerequisite for halting the loss of biodiversity and adapting to climate change.

Doing so requires increasing investment in natural capital. This is why the EIB and the Commission partnered to create the NCF, a financial instrument that supports projects delivering on biodiversity and climate adaptation through tailored loans and investments, backed by an EU guarantee.

Finance and technical assistance

The NCCF provides funding to projects that promote the conservation, restoration, management and enhancement of natural capital for the benefit of biodiversity and adaptation, including ecosystem-based solutions to challenges related to land, soil, forestry, agriculture, water, and waste in the European Union.

The NCCF consists of a combination of the following two components:

- the **finance facility** provides financing from EUR 2 million to EUR 15 million,
- the **technical assistance facility** gives every project a grant of up to EUR 1 million for project preparation, implementation and the monitoring of outcomes.

The NCCF combines EIB financing and the Commission's funding under the [LIFE Programme](#), the EU's funding instrument for the environment and climate action. The facility is currently in a pilot phase and is able sign projects until 2021.

Making Europe 'a wilder place'

The first loan under the new financing facility was signed in April 2017. The recipient of the EUR 6 million was Rewilding Europe Capital (REC), an investor devoted to 'making Europe a wilder place'. The loan is expected to provide support for over 30 nature-focused businesses across Europe. The company is part of the Rewilding Europe Foundation in the Netherlands, which promotes wild nature as an important and inherent aspect of Europe's natural and cultural heritage. REC finances nature-based businesses and uses a unique levy system to help support conservation and rewilding initiatives.

The rewilding areas that can be supported by the agreement comprise 38 different sites in the [Natura 2000 network](#). They are: Western Iberia (Portugal), Velebit Mountains (Croatia), Central Apennines (Italy), Southern Carpathians (Romania), Danube Delta (Romania), Rhodope Mountains (Bulgaria), Oder Delta (Germany/Poland) and Lapland (Sweden). These investments could also boost the populations of iconic and endangered European wildlife species such as the European bison, brown bear and black vulture as well as the pelican and white-tailed eagle of the Danube and Oder Delta.

Responsible Institution:

How the EIB Group ensures
accountability within
the organisation





We are transparent in our activities, policies and operations. We comply with applicable laws and our strict internal regulations. We engage with our stakeholders when developing key policies. We actively promote the rights to access to information, to public consultation and participation and to remedy at project level. Accountability mechanisms and standards are in place to ensure that our investments are managed in an integral and responsible way.

Furthermore, the EIB requires those we finance to establish and maintain project-level grievance mechanisms, which constitute critical means for the early identification and remedy of undesirable or unforeseen impacts and concerns arising from the execution of a project. Such mechanisms promote affected persons' access to remedy and may facilitate resolution of concerns that arise out of the project's scope. Access to the project-level grievance mechanism does not replace or impede the subsequent access to other redress mechanisms, such as arbitration procedures, judicial, administrative or extrajudicial means of complaint.

Aside from our day-to-day operations, we are committed to working for the common good by supporting a range of social, educational and cultural initiatives.

Transparency and accountability

As the EU bank, we strive to be exemplary in terms of the transparency and accountability of our work. We proactively publish information and engage with our stakeholders. Mutual benefits are provided by the involvement of stakeholders such as civil society organisations in our activities. Transparency improves the effectiveness and sustainability of policies and strategies along with the operations we finance, and it increases our accountability towards all our stakeholders. Transparency therefore helps us to deliver better results and build trust.

The [EIB Group Transparency Policy](#) sets the principles applying to access to information and to stakeholder engagement activities. It is directed towards shaping the way we communicate and developing a constructive dialogue with stakeholders based on mutual trust.

Openness is a guiding principle of the Transparency Policy. It means that the rules and reasons behind policies and practices are fair and clear to all stakeholders. However, the policy also identifies exceptions for non-disclosure of certain information when publication would undermine legitimate rights and the interests of third parties involved in projects.

The EIB Group goes beyond its legal obligations for accountability. Under its [Anti-Fraud Policy](#), it has a zero-tolerance policy on fraud or corruption whether occurring in connection with projects, loans or equity financed by the EIB Group or perpetrated by its own staff. This is supplemented by robust investigation procedures followed by the Fraud Investigations Division under the Inspectorate General of the EIB Group. The mission of the Inspectorate General also includes conducting proactive integrity reviews in areas of increased risk and providing lessons learned from reviews and investigations in order to improve the effectiveness and efficiency of the EIB Group's operations and activities. Each year, a report is issued on the work undertaken by the EIB Group to combat fraud and corruption. The report for 2017 can be found at: <http://www.eib.org/about/accountability/anti-fraud/index.htm>.

The Operations Evaluation Division carries out independent assessments of EIB Group activities in order to:

- Assess whether our activities have been in line with what is required by our policies and the strategies derived from them, and if these activities have been delivered as expected;
- Identify possible areas for improvement of the EIB Group's activities, to enhance performance in the future.

The Operations Evaluation Division represents an important feedback loop that informs decision-making at both the operational and strategic levels. It provides a valuable tool for understanding the impacts of the EIB Group's projects, but also the factors explaining those impacts, thereby helping to capitalise on past experience to improve performance going forward.

Evaluation of EIB intermediated lending in Africa, the Caribbean and the Pacific

The EIB supports access to finance for small and medium-sized enterprises and initiatives in ACP countries, notably through intermediated lending operations implemented under the Cotonou Investment Facility. In 2017 the EIB finalised an evaluation of intermediated lending provided under the facility. This found that the EIB was the second-largest provider of intermediated lending for private enterprises in the ACP region over the period 2010-2015 (excluding microfinance). During this period, 85% of final beneficiaries were enterprises with fewer than 100 employees, considered to be SMEs by most local definitions.

A very significant share of lending was in local currency, eliminating the exchange-rate risk for both intermediaries and their clients. Information on jobs reported by the financial intermediaries indicates that the operations approved by the EIB between 2010 and 2015 were expected to create 22,324 new jobs and sustain 47,649 existing jobs. The

majority of these jobs were expected to be created in East Africa (Kenya and to a lesser extent Uganda). Mid-caps with between 250 and 3,000 employees were expected to create the most jobs overall, on average, and per euro invested.

Intermediated lending can only address one of the numerous barriers constraining access to finance in developing countries, namely the unavailability of long-term liquidity, particularly in local currency. The evaluation therefore recommends that the Bank continues exploring the combination of this product with instruments addressing the perceived risk of lending to SMEs and the insufficient capacity of financial intermediaries and SMEs.

All thematic evaluation reports produced by the EIB are available on our website: <http://www.eib.org/projects/evaluation/index.htm>.

Compliance and integrity

Compliance and integrity are integral elements of corporate culture at the EIB Group. They are the shared responsibility of all EIB Group staff and members of the governing bodies. Ethical and compliant behaviour is embedded in the relevant policies, procedures, practices.

The Office of the Chief Compliance Officer (OCCO) is a key independent control function within the EIB Group for ensuring the integrity of staff, management and activities. OCCO's central responsibility is to safeguard integrity and to minimise compliance and reputational risk by defining and developing an adequate compliance policy framework and ensuring its enforcement, issuing opinions on operations with risk scoring and ensuring ongoing monitoring, but also examining all cases of alleged breaches of the Staff Code of Conduct.

In line with these priorities, the 'EIB Group Anti-Money Laundering and Combating Financing of Terrorism Framework' ('EIB Group AML-CFT Framework') establishes the key princi-

ples regulating AML-CFT and related integrity issues in EIB Group activities. The Framework should be read in conjunction with [other relevant EIB Group policies and guidelines](#).

OCCO has been coordinating an extensive revision of the existing EIB Codes of Conduct and of the Whistleblowing Policy, considering best practices and standards set by the EU and other international financial institutions, while incorporating the principles of EU legislation. The revision process aims to identify the core ethical values that are shared and applied throughout the EIB Group and to strengthen compliance at Group level with rules and effective enforcement.

OCCO is the responsible service for compliance and integrity topics, as defined in its Terms of Reference which follow the standards and guidelines issued by the European Banking Authority and Basel Committee for Banking Supervision. Both OCCO's Terms of Reference and the Integrity Policy and Compliance Charter of the EIB Group are modelled on Best Banking Practices, which are being revisited and further codified as part of an EIB working group. With OCCO in charge of regulatory compliance, it has taken an active role in the Best Banking Practices working group.

Combating tax avoidance

The EIB Group, supported by the expert OCCO tax team, is committed to maintaining a stringent policy of combating tax fraud, tax evasion, and aggressive tax avoidance. One of the most significant developments monitored by the EIB tax team in coordination with other services relates to good tax governance proposals and initiatives at the EU and international levels. The EIB Group supports the adoption of the EU Anti-Tax Avoidance Package, whose purpose is to create a strengthened level of protection against corporate tax avoidance throughout the EU. The EIB Group welcomes the EU list of non-cooperative jurisdictions for tax purposes, adopted at the ECOFIN meeting in December 2017. This list will be incorporated into the EIB policy framework. Furthermore, OCCO organised the international conference 'Tax – Compliance – Ethics: International Taxation – Role for International Financial Institutions?' on 5 October 2017. The conference demonstrated that tax remains a high priority item on the international policy agenda and is a worldwide issue calling for global action and responses.

Complaints mechanism

The Compliance function coordinates and oversees the implementation of the Market Abuse Framework. Adding to the policy-making and awareness-raising dimensions, a consultation dimension is growing, as EIB services increasingly consult OCCO on the implementation of the Market Abuse Framework.

Reinforcing the Group approach

In line with its Terms of Reference, the remit of the Group Chief Compliance Officer is to identify, assess, advise on, monitor and report on the compliance risk of the EIB Group. The EIB and EIF are further strengthening the cooperation between their Compliance functions with the objective of achieving closer alignment across the Group. The reinforcement and consistency across the Group will be achieved by adopting Group policies and exchanging on best practices and respective business knowledge.

As part of our understanding of accountability towards society, the EIB Group has a Complaints Mechanism in place that enables stakeholders to raise their concerns about EIB Group-financed operations. The mechanism helps to facilitate and handle complaints against the EIB Group by individuals, organisations and corporations impacted by EIB Group activities. Complaints may be made about arrangements for involvement of affected communities, access to information, the environmental and social impact of projects, procurement procedures, human resources issues, and any other aspect of the planning, implementation or impact of EIB Group operations.

The EIB Group Complaints Mechanism provides two levels of investigation:

- The Complaints Mechanism Division, which is operationally independent from the Bank's other departments, tries to find a solution to a case and may advise the EIB on remedial and/or corrective action where necessary.
- If the Mechanism fails to find a solution and/or provide an appropriate response, the complaint can be escalated up to the European Ombudsman, a fully independent European Union body.

2017 saw a rise in registered complaints. 114 complaints were received, of which 103 were registered as admissible, which compares to 89 and 84 cases in the previous year. Eleven of these complaints were filed with the European Ombudsman. 📌 At the same time, the Complaints Mechanism Division dealt with 173 complaints last year (2016: 122 complaints). All complaints are handled in confidence, unless otherwise requested by the complainant. We act on these through investigation processes and/or mediation in order to find a solution that is acceptable to all sides.

Stakeholder engagement

The EIB has three levels of stakeholder engagement. Firstly, the EIB Group engages with civil society and builds cooperative relations with its representatives at the corporate level. Our annual meeting between civil society organisations and members of the EIB's Board of Directors and Management Committee is the main opportunity for civil society to discuss policy orientations directly with the EIB's governing bodies. The 2017 meeting of the Board of Directors with civil society representatives was held on 30 January, with approximately 65 participants from 56 organisations coming to the EIB headquarters in Luxembourg.

Secondly, public consultations give stakeholders an opportunity to shape the EIB's key institutional and thematic policies. In 2017, these included a public consultation meeting about the EIB Group's Complaints Mechanism on 29 June, and a consultation of EFSI stakeholders on 8 December. Public consultations are complemented by thematic stakeholder engagement workshops which cover a broad range of issues. Technical meetings between civil society representatives and EIB experts on more specific topics of mutual interest such as agriculture or fossil fuels are often held upon request, to exchange on best practice and areas for improvement, or simply to share information.

The third tier is at the level of financed operations, for which Standard 10 of the [EIB Environmental and Social Standards and Principles](#) requires that our promoters uphold an open, transparent and accountable dialogue with all relevant stakeholders in an effective and appropriate manner. This standard stresses the value of public participation in the decision-making process throughout the preparation, implementation and monitoring phases of a project.

Under the EIB's Standard 10, stakeholder engagement is defined as embracing a broad scope of compliance requirements for our promoters relating to (a) disclosure and dissemination of information linked to the EIB-financed operation, (b) the undertaking of public consultations and meaningful stakeholder participation, and (c) a mechanism ensuring access to grievance and remedy. All such activity should be guided by the principles of free, prior and informed engagement, in order to lead to broad

support by the affected communities and the longer-term sustainability of the operations' activities. For projects that may affect indigenous peoples, promoters are required to obtain their Free, Prior and Informed Consent. Additionally, the EIB adheres to good international practice requiring that REDD+ projects also apply such consent, thereby extending this right to indigenous populations and forest communities alike.

Our specialists routinely review stakeholder engagement carried out by promoters and recommend further improvements in the engagement processes and outcomes, as needed. Moreover, EIB experts themselves typically meet with project-affected people and local stakeholders in the context of our due diligence and/or ongoing monitoring of a project.



Morocco:

Making development work for the people

Zenata is an urban development project on a large scale. Located north-east of Casablanca, the area counted 25 slums, had no access to clean water or sanitation, no employment opportunities and limited access to schools. People living there faced hardship, a large number of them below the poverty line.

In order to qualify for EIB financing of EUR 150 million, the Société d'Aménagement Zenata (SAZ), as project promoter, had to make sure that a higher standard of environmental and social criteria was followed. "Normally, at the national level, Moroccan operators follow the state's 'Villes sans bidonvilles' programme", explains Hicham Fadlane, senior manager for land development at SAZ.



“This means a primary focus on the physical relocation of the people. The result is housing ghettos on the outskirts of big cities. With the EIB’s support, we had use of experts in responsible resettlement who offered real opportunities for the affected people – much more than just physical resettlement, economic and social integration in the Zenata Eco City too.”

However, for the EIB the project was a challenge as well. Never before had a resettlement project involved as many as 9,000 households, comprised largely of informal settlers and, as such, highly vulnerable to resettlement impacts. Both the EIB and SAZ benefited from sharing their respective expertise. Not only did SAZ learn about responsible resettlement, the EIB also gained insights from SAZ’s expertise on the ground.

Apart from building the infrastructure for a new city – the main roads, bridges, networks, pipes and drainage – the project now also involves facilities of public interest such as parks and gardens, meeting places for young people, squares as well as schools, colleges and a youth centre. Above all, an industrial area of 200 relocated businesses will provide work for some 4,000 people. “Zenata is an economic and social locomotive”, says Fadlane proudly. “And it wouldn’t be like this without the EIB.”



Hicham Fadlane, senior manager for land development at SAZ whom we interviewed

Walking the talk

The EIB Group has now been measuring and managing carbon emissions from its own operations at Group level for ten years. In addition to energy (natural gas for heating and power generation, purchased electricity, and steam for power) and waste emissions, we also measure and manage our mobility emissions (business travel, employee commuting with own vehicles, etc.).

We apply the internationally accepted [Greenhouse Gas Protocol Standard](#) to ensure accuracy and consistency and continually look to improve our measurement of emissions and better manage them. We compensate for any residual emissions through the purchase and immediate retirement of carbon credits that deliver additional benefits. For further details please refer to the EIB Group Carbon Footprint Report.

We will continue to enhance our environmental performance by implementing an Environmental Management System in accordance with the [EU Eco-Management Audit Scheme](#) as part of the EIB Climate Strategy implementation. This will enable us to continually improve our internal environmental performance in a robust and consistent fashion.

The per-employee carbon footprint (resulting from our own operations) in 2017 was 5.98 tCO₂e, which represents a decrease of 2.8% compared to 2016 and a decrease of 49.9% compared to the 2007 baseline. The EIB Group’s total net carbon footprint was 22,024 tCO₂e representing an increase of 8.8% from 2016 and an increase of 22.8% compared to 2007. This reflects a 145.3% rise in staff numbers since 2007. ✓

In 2017, the EIB Group began a review of the carbon credits market to ensure that residual EIB Group greenhouse gas emissions continue to be compensated/offset using the best credits available. Upon completion of the review, the EIB Group will use the selected carbon credits to compensate/offset the Group residual greenhouse gas emissions.

Community engagement

The EIB Institute was set up within the Bank to promote and support **social**, **cultural** and **academic** initiatives with European stakeholders and the public at large. It is a key pillar of the EIB Group's community and citizenship engagement.

Supporting social entrepreneurship

The EIB Institute helps social entrepreneurs to start up, grow and contribute through their successes to solving societal problems. We support entrepreneurs who aim to generate impact – targeting social, ethical or environmental goals – or seek to create and sustain value. This is typically related to the environment, sustainable development, employment, inclusion, education or health.

Accordingly, for six years we have run a competition, the **Social Innovation Tournament**, which recognises and supports the best European social entrepreneurs with prizes and mentoring vouchers. In 2017, the winners were: Complex Disease Detector (Sweden), ColorADD (Portugal), The Free-Bird Club (Ireland), and Walk With Path (United Kingdom).

Supporting social entrepreneurship is not only about money. The Institute organises a yearly Impact Bootcamp and Investors' Fair, and has created a mentoring network and launched a social incubator pilot project in Portugal. The Institute also provides training in critical areas for social entrepreneurs' capacity building, such as fundraising skills and digital marketing.



IRIS to blossom in Portugal



In Portugal, awareness about social entrepreneurship is rising despite a clear lack of systematic supporting structures dedicated to social business. Although the number of incubators being set up in the country is increasing, this growth essentially concerns business incubators without a primary social component. This is the gap that the EIB Institute is addressing with IRIS, the Regional Social Innovation Incubator pilot project, located in Amarante in the Tâmega and Sousa region in the north of Portugal.

IRIS was launched in April 2017 in partnership with PortusPark, a leading Portuguese network of incubators and science and technology parks, involving other strategic partners such as the Municipality of Amarante and the Intermunicipal Community of Tâmega and Sousa (including 11 municipalities). It receives EU funds under the Portugal 2020 programme.

The social incubator's objective is to strengthen the nascent Portuguese social entrepreneurship ecosystem by providing social start-ups with a supportive and enabling environment and tools, so that they can benefit from social investment opportunities, networks, partnerships, knowledge and information. At the same time, IRIS supports the development of one of the less developed regions in Portugal and will be fundamental in turning Amarante and the Tâmega and Sousa region into an EU benchmark for starting up, testing and growing new social entrepreneurship initiatives.

IRIS also provides synergies and complementarities with the growing European community of social entrepreneurs supported by the Institute through the **Social Innovation Tournament** by hosting an EIB Institute-financed residency for selected social innovation laureates and by being one of the hosts of the tournament's annual Impact Bootcamp, to be attended by a mix of past successful participants from SIT projects and Portuguese entrepreneurs.



Disaster relief for South America

In 2017, the world was once again plagued by several natural catastrophes. Ten NGOs benefited from EUR 500,000 of EIB donations for humanitarian relief in Peru, Colombia, the Caribbean and Mexico. In addition, the EIB Institute raised EUR 500,000 for a Portuguese fund for housing reconstruction after the devastating forest fires that affected the country.

Following extreme floods in Peru at the beginning of 2017 and the devastation caused by a mudslide in the city of Mocoa in Colombia in April, which destroyed thousands of homes and killed hundreds of people, the EIB Institute organised immediate support. EIB Group staff and the EIB donated EUR 250,000 shared equally between CARE Luxembourg, SOS Villages d'Enfants Monde (Luxembourg), the International Federation of the Red Cross and Red Crescent Societies (Switzerland), Save the Children (Spain) and Welthungerhilfe (Germany).

On 3 July 2017, EIB Vice-President Pim van Ballekom presented the charities with symbolic cheques in a ceremony in which the representatives of the NGOs explained their work to help the victims. The ambassadors of Peru and Colombia in Brussels attended the ceremony.



Employee volunteering event for a serious cause

A regular sporting event that many EIB Group employees look forward to each year has quite a serious background: 'Relais pour la vie', as it is called, is a charitable event designed to increase awareness about cancer, show solidarity with people affected by cancer and raise money, mostly used for cancer research. "Every one of us knows someone who has had cancer", says Elodie Donjon, one of the two EIF employees who organise the annual event on behalf of the EIF. "We ourselves have sadly lost two colleagues in their mid-thirties recently. The 'Relais' gives us an opportunity to stop for a moment, remember the people we have lost and do our bit to help."

On the day of the event, however, 'Relais pour la vie' is all about sports and fun. It is a 24-hour non-stop running (and walking) event where teams from the EIB and EIF compete together with around 400 other groups, associations and organisations from Luxembourg, with more than 10,000 people running laps through the local 'Coque' stadium. In May 2017, the EIF team won the 'Trophée de l'Espoir', a special award in the category 'Enterprise and institutions' for raising the most funds.

'Relais pour la vie' is the Luxembourg local happening in a global series. "When you're at it, you can feel the global spirit", says EIF co-organiser Virginie Wagnon. "As the event gets closer, everybody is so keen for it to start. Then, when the day comes and you are there for 24 hours, you really get a sense of community, a feeling of having something in common, it is tremendous!" Aicha Benabed and Silvia Marzilli organise the event on the EIB's side. Aicha confirms, "We couldn't do without all our colleagues. It's always a great event with so much fun."

Colleagues who don't take an active part in the running contest can support their team efforts by participating in the various events organised in the three months before the Relais (a charity breakfast, a bowling contest, a lottery) or by being 'Angels', donating 10 cents per lap run by others. In 2017, the teams from the EIB and EIF together raised more than EUR 25,000, including matching amounts from the two organisations. The money is donated to the Fondation Cancer in Luxembourg, which uses it to support its mission of research, information and help to patients and their families.

Employer with a mission

Our staff is a key component of the successful delivery of our mission to foster sustainable growth within the EU and abroad. The EIB Group achieves its goals thanks to more than 3,600 highly qualified and diverse employees from all 28 EU Member States who work in a dynamic, multicultural environment that fosters collaboration, innovation and personal growth through exposure to a variety of different projects.

We encourage employees to stay abreast of developments in their areas of practice and to maintain and complement their skills by ensuring professional development opportunities through training, internal mobility and merit-based career growth.

We provide a competitive compensation package commensurate with staff responsibilities and challenges. Above all, we offer a satisfying and stimulating working environment where people can achieve their professional goals while maintaining a work-life balance.

Dynamic growth continues

The rapid growth of the EIB Group over recent years and its resulting organisational changes have provided us with the impetus to rethink and challenge the way we work. EIB Personnel, in the context of its 'Growing Talent Project', aims at ensuring that we manage and grow our in-house talent in an integrated way. The objective is to enhance management practices related to performance, development and careers across the EIB Group – supported by a user-friendly online solution. The 'Growing Talent Project' is a long-term measure, covering the probation period onwards, including phases on enhancing individual development, with talent management and succession planning modules available in 2018.

More than half of our staff have been hired over the last five years and we have developed and rolled out a new on-boarding programme for newcomers. This programme addresses their immediate needs on entry into service and offers a year-long programme of training modules aimed at ensuring they gain the relevant knowledge necessary for

becoming rapidly operational. A New Managers on-boarding process has also been developed and implemented. Both on-boarding programmes include training on multicultural awareness and diversity and inclusion.

Conscious of the impact of the ongoing rapid change on colleagues, the EIB Group's Organisational Health Programme further increased its activities and stepped up its structural initiatives in 2017.

Key initiatives in 2017 were the development of new policies and processes to support Organisational Health, such as conflict management and management of sickness absences and return to work; awareness-raising campaigns culminating in an EIB Group Health Week in October; further rollout of skills development courses for work relations, communication and resilience; and hands-on support for directorates, teams and individuals to improve their work situation. Workplace counselling to help individuals in situations of stress or conflict in the workplace continued to be a core activity – well used and appreciated by managers and staff.

Diversity and Inclusion

The 2018-2021 Strategy for Diversity and Inclusion was approved first by the Management Committee in November 2017 and then by the Board of Directors. The three priorities of the strategy mirror those of the recently approved [Gender in Operations Strategy](#), underlining the fact that the EIB practices the same approach internally that is applied in its external policies. The strategy aims to:

- **Protect:** equal opportunities and the rights of all employees by ensuring policies, procedures, guidelines and practices are inclusive and safeguard against unequal treatment for reasons of age, gender, sexual orientation, religion or belief, disability, or racial or ethnic origin,
- **Impact:** create an inclusive work environment that fosters enriching team dynamics, builds on complementary competencies and unlocks individual drive with the aim of positively impacting decision-making, business results and organisational health, and
- **Invest:** in our existing and acquired talent to ensure that internal and external talent pools are diverse and that we achieve better diversity representation as a whole and at all levels of the organisation.

Underpinning these three priorities requires a robust governance, reporting and monitoring framework to reinforce accountability and foster transparency. We have introduced diversity and inclusion targets into our Operational Plan monitoring KPIs, and developed a Bank-wide dashboard to track our progress towards achieving our objectives. In addition, each Directorate has agreed an action plan to contribute to the overall aims of the Bank and address their specific areas for improvement. Managers are held accountable through their people management objectives.

Diversity and inclusion are also supported by our Joint Committee for Equal Opportunities, which serves as the formal voice for staff on diversity matters and our staff-led networks ConnectedWomen, LGBT+ and enAble, which act as fora for discussion and collaboration.



KPMG Luxembourg, Société coopérative
39, Avenue John F. Kennedy
L - 1855 Luxembourg

Tel.: +352 22 51 51 1
Fax: +352 22 51 71
E-mail: info@kpmg.lu
Internet: www.kpmg.lu

INDEPENDENT LIMITED ASSURANCE REPORT TO EIB GROUP

We have been engaged by the Management of EIB Group (the European Investment Bank (“EIB”) and its subsidiary, the European Investment Fund (“EIF”) together referred to as “the Group”) to provide limited assurance on the following information included in the Sustainability Report 2017 for the year ended 31 December 2017 of the EIB Group (“the Report”): indicators and statements in the Report marked in italics and with a tick , prepared in accordance with the Global Reporting Initiative (GRI) Standards, developed by the Global Sustainability Standards Board (GSSB), GRI’s independent standard-setting body, applicable at the Group in 2017, as detailed on page 13 of the Report.

Group Management’s responsibility for the Report

Group’s Management is responsible for the preparation and presentation of the Report, and the information and assertions contained within it, in accordance with the Global Reporting Initiative (GRI) Standards, developed by the Global Sustainability Standards Board (GSSB), GRI’s independent standard-setting body, applicable in 2017 at the Group as detailed on page 13 of the Report; for determining the EIB Group’s objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Responsibility of the Réviseur d’Entreprises agréé

Our responsibility is to perform a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, as adopted for Luxembourg by the Institut des Réviseurs d’Entreprises. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the indicators and statements in the Report marked in italics and with a tick are free from material misstatement.

We have complied with the independence and other ethical requirements of the Code of Ethics as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier.

We implement quality control procedures that are applicable to the individual engagement in accordance with the requirements of International Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements (ISQC 1).

Summary of work performed

A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included, to the extent that they apply to the indicators and statements in the Report marked in italics and with a tick :

- Inquiries of management to gain an understanding of the Group’s processes for determining the material issues for the Group’s stakeholder groups;

- Interviews with relevant staff at corporate and business unit level responsible for providing the information in the Report;
- A media analysis and an internet search for references to the Group during the reporting period;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of data into information as presented in the Report;
- Comparing the indicators and statements in the Report marked in italics and with a tick to corresponding information in the relevant underlying sources, when applicable;
- Verifying that the indicators and statements in the Report marked in italics and with a tick were correctly derived from the Group's 2017 audited financial statements, when applicable.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with International Standards on Auditing and Assurance Engagements, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Our limited assurance engagement is not designed to detect all internal control weaknesses or errors in the Report in meeting the requirements of the internal reporting criteria applicable at the Group in 2017 as the evidence has been obtained on a sample basis. Accordingly, we do not express an audit or a reasonable assurance conclusion on the Report as a whole or on the indicators and statements in the Report marked in italics and with a tick .

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that causes us to believe that the indicators and statements in the Report marked in italics and with a tick are not prepared, in all material respects, in accordance with the internal reporting criteria applicable in 2017 at the Group, as detailed on page 13 of the Report.

Luxembourg, 17 May 2018

KPMG Luxembourg,
Société coopérative
Cabinet de révision agréé



S. Chambourdon

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The EIB Group consists of the European Investment Bank and the European Investment Fund.

European Investment Bank

98 -100, boulevard Konrad Adenauer
L-2950 Luxembourg

☎ +352 4379-1

☎ +352 437704

www.eib.org – info@eib.org

🐦 twitter.com/EIB

📘 facebook.com/EuropeanInvestmentBank

📺 youtube.com/EIBtheEUBank

European Investment Fund

37B, avenue J.F. Kennedy
L-2968 Luxembourg

☎ +352 2485-1

☎ +352 2485-81200

www.eif.org – info@eif.org



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