

April 2025

Approved

Audit Board

**Annual Activity Report of the Audit Board for the
2024 financial year**

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1 Introduction

The Annual Activity Report of the Audit Board details the Audit Board's composition and responsibilities throughout 2024 (Annex 1), outlines the Audit Board's activities, identifies key issues and presents related recommendations. The report is prepared in accordance with Article 7 of the Audit Board Charter of the European Investment Fund (EIF) and shall be addressed to the Annual General Meeting (AGM) in accordance with Article 18 of the EIF Rules of Procedure.

To the extent relevant, the Annual Activity Report includes information made available to the Audit Board up until 19 March 2025, capturing developments up to that date, with a view to presenting a comprehensive overview of 2024 and providing a forward-looking perspective for 2025.

According to Article 18 of the Rules of Procedure, the Audit Board has fulfilled its responsibility providing an opinion on the EIF financial statements for the financial year 2024. This opinion is included in a separate statement within the EIF's 2024 Annual Report, which cross-refers to the Annual Activity Report of the Audit Board.

2 EIB Group considerations

The EIF forms, together with the European Investment Bank (EIB), the EIB Group. The EIB consolidates EIF outputs to create an EIB Group overview, particularly when common frameworks are established, or services are provided to the EIF. Group-level considerations are of relevance over many areas of the Audit Board's work, notably in the context of consolidated financial reporting and control frameworks.

In line with the requirements of Article 19(4) of the Rules of Procedure and motivated by a professional collaboration, the Audit Board exchanged with the EIB's Audit Committee three times in 2024, focusing on a number of matters of joint interest:

- key considerations raised by external auditors with relevance to EIF and EIB Group consolidated accounts;
- the selection and appointment of a new external auditor, in anticipation of the expiration of the term of the current external auditor's mandate;
- the progress in the execution of the 2023 and 2024 Internal Audit plans, the development of an Internal Audit Plan for 2025, and a discussion on managing interdependencies with the EIB in the closure of open EIF action points;
- collaboration on Best Market Practices (BMP)/Best Banking Practices (BBP) initiatives, with a focus on leveraging technology and developing a system for effectively tracking relevant procedures; and
- EIB Review and Evaluation Process (REP) related matters, such as key steps and communication between the EIB REP team and the Audit Board, considering also that the 2025 REP exercise scope will include a focus on certain EIF matters.

The Audit Board also held exchanges with EIB services exercising oversight on consolidated risk, including the Group Chief Risk Officer (GCRO) and the Group Chief Digital Officer (GCDO), who all briefed the Audit Board on matters under their remit.

Key observations

- Based on the above, the Audit Board emphasizes the crucial role of integrating EIF services in the development, discussion, establishment, and review of key policies and procedures relevant to the entire EIB Group. This integration aims to ensure that improvements and the incorporation of new practices occur timely and seamlessly across the Group, while taking into account the specificities of the EIF.
- The Audit Board recognises that the implementation of the best practices within the EIF is, in part, contingent on conclusions identified at EIB Group level. A joint understanding of, and close collaboration on, key terms and processes is crucial for on-going success of relevant assessments. In this context, the Audit Board notes the good integration of EIB and EIF teams in the respective processes and encourages continued joint work to monitor regulatory developments and maintain respective repositories.

Recommendations

- The Audit Board underlines the need for close interaction between EIB and EIF services on ongoing Group projects in the area of digital transformation to ensure good intra-group information flow and effective and cohesive solutions.
- Considering the establishment of the Group Internal Control Framework Policy and its Implementing Provisions in 2023, the Audit Board emphasizes the importance of continuing the efforts to maintain alignment in Internal Control Framework components between the EIF and the EIB.
- The Audit Board requests that EIF-related REP findings are promptly presented to the Audit Board so that the Audit Board may integrate the outcome of the REP exercise into the Audit Board's own overall annual assessment of the EIF alongside the observations of other control functions.

3 Review of audit work performed

3.1 External audit

3.1.1 Review of external auditor's work

In accordance with Article 6.4 of the Audit Board Charter, it is the Audit Board's responsibility to review the external auditor's performance as well as to review and confirm their independence by obtaining statements on their relations to the EIF and discussing such relations.

KPMG confirmed its independence to the Audit Board, as stated in both the executive summary memorandum (presented in February 2025) and the Independent Auditor's Report in the EIF's 2024 Annual Report presented to the Audit Board in March 2025 and included in the EIF's 2024 Annual Report.

Key observations

- Throughout 2024, the Audit Board closely monitored the work delivered by the external auditor and received related updates and confirmations in connection with the audit of the financial statements and the closure of outstanding Management Letter points from EIF services and the external auditor during both regular and private sessions.
- The Audit Board also received confirmation that no non-audit related services (NAS) which could compromise KPMG's independence were provided to the EIF during the period under review and that the requests for NAS are managed via the relevant procurement process.
- Following the decision made at the joint Audit Board-Audit Committee meeting in 2023 to conclude the audit engagement with KPMG in 2026, the tendering process for the appointment of a new external auditor was finalised in the first quarter of 2025. The Audit Board conducted interviews for the selection of the new external auditor and, in collaboration with the Audit Committee, reached a consensus on a common selection.

Recommendations

The Audit Board expects the external auditor to:

- continue communicating the audit findings and opinions clearly, concisely, and promptly to the Audit Board;
- assume vigilance in the detection of potential control failures, to be in a position to raise awareness timely and effectively.

Furthermore, given the establishment of a new audit team with the new external auditor, the Audit Board stresses the importance of ensuring the audit team possesses a thorough understanding of the EIF's specific business operations in particular addressing the three concurring areas of activity: the management of third-party mandates, equity investments and guarantee transactions.

3.1.2 Audit of the annual financial statements

Under the mandate given by the Audit Board, KPMG has audited the 2024 financial statements of the EIF, which comprise: (i) the statement of financial position and the statement of comprehensive income as of 31 December 2024, (ii) the statement of changes in equity, (iii) the cash flow statement for 2024 and (iv) a summary of significant accounting policies and other explanatory information.

As confirmed in the Independent Auditor's Report included in the EIF's Annual Report 2024, KPMG considers that the audit evidence they have obtained is sufficient and appropriate to provide a basis for their audit opinion. In their opinion, the financial statements give a true and fair view of the EIF's financial position as of 31 December 2024, and of its financial performance and cash flows for the financial year 2024, in accordance with International Financial Reporting Standards as adopted by the European Union.

Key observations

- In 2024 the Audit Board:
 - held regular meetings with KPMG, receiving updates regarding the audit approach, audit progress and developments. In addition to the regular meetings, the Audit Board held several private sessions with the KPMG Partner in charge of the EIF;

- met with the newly appointed partner within the audit team, in charge of the audit of mandates review of mandate-related processes;
- continued receiving regular updates on and closely monitoring the implementation of the new private equity valuation model in the context of the 2024 financial statements and in the light of the continued application of the model for the 2024 exercise. The Audit Board noted the enhanced analysis and procedures that were applied for the calibration and the back-testing of equity valuations, including the use of audited information on the fair value, when available.
- In February and March 2025, the Audit Board received updates from KPMG on the 2023 Management Letter Points where the external auditors confirmed that four out of five Management Letter Points were closed and the remaining one, on Private Equity Back testing exercise, was partially closed with residual action on-going.
- In March 2025, the Audit Board held discussions with KPMG on the 2024 Management Letter, for which the final version will be received prior to the Annual General Meeting in April 2025. The Audit Board was made aware of the following two Management Letter Points for 2024 and was presented with management's responses to these topics:
 1. Contingent liabilities - guarantees - Off balance sheet;
 2. Application of the waterfall calculation in relation to the InvestEU Layered Portfolio and EFSI Private Credit Portfolio.
- In the context of the EIB Group consolidated financial statements, the KPMG EIF team and the KPMG EIB team provided the Audit Board and the Audit Committee with a status update on the EIF, EIB and EIB Group financial statements in their joint meeting in February 2025.

Recommendations

- The Audit Board reiterates the importance of constructive and productive interactions between Executive Management and the external auditor on addressing the audit findings. In that context, the Audit Board emphasizes the need for prompt and diligent attention from Executive Management to all auditor's observations and the timely resolution of the recommendations.
- With regard to 2023 Management Letter points, the Audit Board will continue to closely monitor the progress of closure actions for the already partially closed "Private Equity: Back-testing exercise" Management Letter point.
- The Audit Board will also monitor the closure of the 2024 Management Letter points.

3.2 Internal Audit

Internal Audit (IA) services are performed by the EIB, at EIF's cost. The role of Internal Audit is to provide EIF's management with independent, objective assurances, analyses, insights, and agreed action plans (AAPs) or recommendations, as appropriate, with a view to adding value and improving, where necessary, the effectiveness of the EIF's operations, governance, risk management, and control processes. Its work also underpins the statement by Executive Management on the design and effectiveness of internal controls, risk management and administration. Internal Audit operates pursuant to an Internal Audit Charter approved by the respective Board of Directors of EIB and EIF.

The Institute of Internal Auditors (IIA) Standards¹ require that the Internal Audit function undergoes an internal Quality Assurance Review (QAR) on a regular basis and an external QAR at least every five years.

Key observations

- An internal QAR was conducted in 2024, and the Audit Board took note of the key areas to be further developed and Internal Audit's commitment to address them.
- The Audit Board and Internal Audit conducted quarterly reviews to assess the progress of the 2024 Internal Audit plan. During these discussions, the Audit Board voiced concern about the delays on the execution of the plan and conducted critical assessments of delayed audits, fostering open dialogue and collaboration with Internal Audit to understand the root causes of delays and to develop effective solutions.
- In April 2024, the Audit Board requested that the 2024 EIF Audit Plan includes an engagement on the BMP exercise covering 2024.
- In November 2024, the Audit Board approved the EIF Internal Audit plan for 2025, which is based on Internal Audit's independent risk assessment of the EIF and Group audit universe in accordance with the risk rating methodology, discussions with senior management and a review of key thematic risks.
- The Audit Board takes note of the efforts to develop a more realistic audit plan for 2025 while stressing the speedy resorption of previous delays.

3.2.1 Internal Audit reports and assessment of Internal Audit work

Internal Audit provided the Audit Board with thematic audit reports throughout 2024, which were all made available to the Audit Board and presented through dedicated discussions on such reports in the presence of Internal Audit and the services of the EIF and/or the EIB, as relevant. The Internal Audit Activity Report 2024 was issued in February 2025 and has been taken into consideration while preparing the present report. For this purpose, the Audit Board noted:

- (i) the declaration of independence from the Head of Internal Audit;² and
- (ii) the matters identified across 22 audit reports issued by Internal Audit in 2024, 13 of which were EIB Group audits, in addition to regular reporting on the status of AAPs follow-up.

Key observations

Overall, the Audit Board notes the conclusion by Internal Audit that:

- based on the audit work performed, the control objectives in the audited areas were achieved and the related internal controls were operating effectively at the date of issuance of the respective Internal Audit reports, except for the audit findings and AAPs raised in the reports;
- the control objectives in the audited areas, as described in the 2024 Risk Control Matrix, were achieved and the related internal controls were considered to be designed and operating effectively, having regard to the nature and scale of the EIF's business, except for the matters described as agreed improvements in the 2024 Risk Control Matrix, the ISAE 3402 type 2 report, or in Internal Audit reports; and

¹ Standard 1300 – Quality Assurance and Improvement Program.

² In accordance with the International Professional Practices Framework, issued by the Institute of Internal Auditors, Standard 1110 – "Organisational Independence".

- on the basis of the abovementioned audit work, and except for the matters referred to in Internal Audit's report on the EIF's Internal Control Framework, nothing came to Internal Audit's attention that caused Internal Audit to believe that the EIF Chief Executive's assertion of reasonable assurance over the effectiveness of the internal controls during the period from 1 January 2024 to 31 December 2024 was not fairly stated.

Recommendations

- The Audit Board stresses the need for proactive measures to prevent delays in the execution of the 2025 Internal Audit plan, in line with the Audit Board's previous observations on the 2023 and 2024 Internal Audit plans.
- In the same context, to ensure timely completion of the 2025 Internal Audit plan, the Audit Board calls for actions to resolve any resource gap, specifically in significant audit units.
- For 2025 but also in anticipation of 2026, the Audit Board stresses the importance of ongoing monitoring by Internal Audit of the implementation of the Internal Audit plan, to maintain a complete delivery of the annual plan not later than Q1 of the following year.
- The process for inclusion of Group Audits in the Internal Audit plan should be enhanced. The Audit Board considers that Group Audits should be discussed and agreed upon at joint meetings between the Audit Committee and the Audit Board prior to the Internal Audit plan's finalisation

3.2.2 Status review of Audit Recommendations and Management Action Plans (MAP)

Internal Audit AAPs are classified as "high", "medium" or "low" risk, and are associated with target dates that are defined in consultation with the EIF Executive Management and the EIF services concerned. The follow-up and monitoring of control issues and their corrective actions is a fundamental part of the audit cycle. The recommendations issued by the external auditors are followed separately and are not part of Internal Audit's implementation performance statistics. On the basis of quarterly Internal Audit updates, the Audit Board reviews the status of audit recommendations.

Key observations

In 2024 Internal Audit introduced to the Audit Board the implementation of the MAP approach. The implementation of the MAP approach is expected to improve the timeliness and effectiveness of addressing audit recommendations. With this new approach, the ownership of action points will be under business management, including consideration of potential dependencies and the accountability to establish realistic deadlines. Internal Audit emphasized the potential efficiency gains associated with this new approach.

Recommendations

- The Audit Board recommends a comprehensive analysis of potential interdependencies among MAPs to facilitate the establishment of realistic deadlines and to enhance accountability for action item ownership, ultimately minimizing delays in their closure.

- The Audit Board notes that the MAP approach shifts certain tasks to EIF services which should allow Internal Audit to dedicate more resources to the timely completion of the annual plan. The Audit Board looks forward to observing and receiving updates on the efficiency gains resulting from the implementation of the MAP approach.

4 Controls

4.1 EIF Risk Management & Compliance: Overview

The EIF operates an integrated Risk Management & Compliance service (EIF Risk Office) with a remit extending over financial and non-financial risks.

Key observations

- The Audit Board regularly reviewed information and reports issued by EIF Risk Management and Compliance and held numerous public and private sessions with the heads of the respective services. The Audit Board received related information from the Group Chief Risk Officer.
- The Audit Board received regular updates on Compliance matters and was presented with the 2024 EIF Compliance Annual Activity Report in February 2025.

Recommendations

The Audit Board highlights that both risk management and internal control are ongoing processes that require continuous monitoring, evaluation, and improvement. The Audit Board recommends a risk-based approach in all decision-making processes and the incorporation of risk mitigation strategies into all processes.

4.2 Internal Control Framework

The EIF maintains an Internal Control Framework, which relies, in particular, on a risk control matrix outlining the main risks to which the EIF is exposed. On that basis, there can be an assessment of the internal control processes to ensure that risks are mitigated to an acceptable level.

In 2024, Executive Management put in place the Committee on Controls Oversight (CoCO). The Committee assists the Chief Executive (CE) and Deputy Chief Executive (DCE) in monitoring the implementation of EIF's control recommendations.

As detailed in its Charter, the CoCO has the authority to review and determine the following matters:

- Oversee progress made on the implementation of recommendations and action plans from internal and external control bodies and evaluations (e.g. REP, Internal Audit, European Court of Auditors/European Commission, Internal Control Framework, ISAE 3402 type 2 report) with a particular focus on high-risk items or where items are or risk to become overdue.
- Oversee the progress made on Operational Risk Events.

Executive Management has received regular updates on the status of the action points discussed at the CoCO.

Key observations

- During 2024, the Audit Board received detailed quarterly updates on the action points related to Internal Control Framework, as well as other regular updates related to Internal Control Framework matters. The need to continuously review and improve the Internal Control Framework and controls assessment has been raised and discussed with the EIF services and Executive Management.
- In addition, the Audit Board requested diligent updates on specific areas of focus during each meeting. The Audit Board also sought detailed explanations on how Internal Control Framework could address these areas.
- The Audit Board noted that the establishment of the CoCO is a positive development towards a holistic oversight of all open action points issued by various control functions and observes that that Executive Management is aware of progress in related closure activities.
- In the context of the discussions on the Internal Audit report on Mandate Operational Reporting, presented to the Audit Board in February 2025, the Audit Board noted the need for improvements in the governance, design, and control environment of the mandate operational reporting activities, including through integration of technology and simplification of related processes. In the context of discussions on Operational Risk Events, the need to enhance the Internal Control Framework was also stressed. Please also refer to the Operational Risk section 4.5 below.
- In Q1 2025, the Audit Board:
 - discussed the Internal Control Framework report and the ISAE 3402 report;
 - received relevant information from Internal Audit on the EIF's Internal Control Framework.

Recommendations

- The Audit Board proposes to formalise the direct monitoring of the work of the CoCO by the Chief Executive (including in particular the actions points arising from the Internal Control Framework and any high-risk/overdue items).
- The Audit Board strongly encourages the EIF to continuously enhance its Internal Control Framework process and emphasises the critical importance of proactively identifying and mitigating potential risks before they materialise. This enhancement should include a comprehensive review of the framework's overall structure, coordination mechanisms, and the assessment of control effectiveness.
- In that context, the Audit Board underlines the need for a more integrated approach to risk management fostering a clearer delineation and appropriation of roles and responsibilities between the first and second line of defence, the critical importance of a risk-based approach in all management decision-making, and stronger and possibly more digitalised first line controls.
- The Audit Board recommends integrating these principles into the Three Lines Model.

4.3 ISAE 3402 type 2 report

As mentioned above, the Internal Control Framework is complemented with an external audit opinion on the design and operating effectiveness of the EIF's mandate management services, equity, guarantee, securitisation and inclusive finance transactions, which also includes the related payment and information technology aspects³.

The opinion stated KPMG's conclusion that, in all material respects, throughout the period from 1 January 2024 to 31 December 2024 and based on the relevant information provided by the EIF:

- the description fairly presented the system as designed and implemented;
- the controls related to the control objectives stated in the description were suitably designed; and
- the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively.

On the basis of individual confirmation letters received from the relevant EIF services, the report also incorporated a statement, signed by the Chief Executive, to confirm, to the best of their knowledge and belief, with reference to the Internal Control Framework, the identification, description, design and operating effectiveness of the EIF's mandate management services.

Key observations

- The Audit Board noted that, as per their request in the 2023 Activity report, the 2024 ISAE 3402 Report included ten additional controls strengthening thereby the control exercise. The ten additional controls were related to:
 - Evolution of year-end valuation;
 - Comparison between the Q4 NAV and the audited accounts NAV;
 - Monthly review of securitization exposures;
 - Reconciliation of the software used for NAV calculations;
 - EIF model inventory data;
 - EIF Model Risk Management Framework policies and procedures.

KPMG confirmed that the walkthroughs and testing of operating effectiveness did not result in any exceptions.

Recommendations

- The Audit Board encourages the EIF to build up over time a credible and robust internal control testing environment and to allocate appropriate resources to this process.

4.4 Best practices

Article 2(3) of the Statutes provides that the activities of the EIF shall be based on sound banking principles or other sound commercial principles and practices as applicable.

Accordingly, in October 2019, the EIF Board of Directors approved Best Market Practices (BMP) Guidelines organising the process aiming at the EIF's compliance with rules and regulations recognised as relevant and, as the case may be, applicable to the EIF (in full or part), taking into account its status, mission and business activities. Together with secondary internal rules and procedures, they form the EIF's Best Market Practices Framework. The BMP Guidelines were

³ The report does not encompass an opinion on the control objectives and related controls of subservice organisations related to system and software providers.

revised by the EIF Board of Directors in July 2024. Together with the BMP Manual, they form the EIF's Best Market Practices Framework.

The holistic review of the BMP Framework undertaken in 2024 was meant to (i) incorporate guidance received from the EIB Internal Audit as well as REP exercise; (ii) further align methods and processes with the EIB Best Banking Practice (BBP) Guiding Principles and (iii) incorporate mechanisms designed to underpin the extended remit of the Audit Board, which as of 1 January 2023 includes the application of sound banking principles or other sound commercial principles and practices as applicable to the EIF.

As part of the EIB Group, EIF implements its own BMP Guidelines consistently with the EIB BBP Guiding Principles and, in line with the principle of prudential consolidation, enables compliance with relevant BBP at Group level. Additionally, the EIF might identify and analyse BMP for their relevance and applicability to the EIF's activities on a standalone level.

Accordingly, the EIF participates to the EIB BBP process and integrates BBP assessed as applicable on a consolidated level into the EIF's internal rules and procedures, retaining the possibility to carry out additional complementary analysis to cover EIF's specific aspects and satisfy the statutory requirements while respecting the consolidated BBP Framework.

Key observations

- In response to a specific request from the Audit Board, Internal Audit included a follow-up audit on the implementation of the BMP framework and roadmap within its 2024 Audit Plan, as reviewed during the mid-year review. The audit report for this engagement was issued and discussed with the Audit Board in November 2024.
- In 2024, the Audit Board received regular updates provided by the services and continued monitoring closely the review and implementation of the BMP framework. During the updates, services presented an overview of the overall BMP framework supporting the related assurance cycle and ultimately the Audit Board's statutory remit. In addition, services provided an update on how recommendations raised by Internal Audit as well as by the Audit Board itself, have been addressed throughout the year.
- The Audit Board acknowledges that BMP self-assessment and independent review by Compliance are very crucial processes for assessing the effectiveness of internal controls and risk management practices.
- The Audit Board notes that a Group-wide BMP monitoring framework is envisioned for progressive implementation within the next years. This new system aims to replace the current self-assessment exercise and BMP testing shall become part of the annual Internal Control Framework process.
- At the February 2025 meeting, the Audit Board discussed the 2024 BMP Self-Assessment Report, coordinated by the General Secretariat, and the Independent Compliance Review conducted by Compliance.

Recommendations

- The Audit Board requests to receive regular updates on the status of the follow-up actions related to the findings of the Independent Compliance Review.

- In addition, the Audit Board requests a comprehensive list of key deficiencies identified through the Independent Compliance Review and concrete actions to address them within the Internal Control Framework.
- Given the Audit Board's concerns about the partial scope of the Independent Compliance Review the Audit Board requests regular updates on the long-term Independent Compliance Review plan based on the upcoming EIB Group Compliance Monitoring & Reporting Framework.
- The Audit Board also stresses the potential need for additional training for services. This training would focus on ensuring consistent understanding across all teams and facilitating the successful implementation of BMP.
- While recognizing the progress made during 2024, the Audit Board reiterates its recommendation from last year on the need to progress with a staggered and risk-based approach embedding proportionality in the development and implementation of the BMP/BBP.

4.5 Operational Risk

The Audit Board received regular updates on the open Operational Risk Events and Operational Risk Alerts on potential procedural failures.

Key observations

- Regarding the Operational Risk Event linked to a mandate in Spain, which was identified in 2022, the Audit Board has maintained close oversight on the matter. Executive Management and Services have demonstrated a commitment to addressing this matter through regular follow-up on action implementation and prompt reporting of any developments to the Audit Board. A post-implementation review was conducted, and the final results were subsequently presented to the Audit Board in February 2025. All 38 actions related to this Operational Risk Event were closed, leading to improvements to the related processes.
- In November 2024, the Audit Board was presented with a new Operational Risk Event linked to the payment of guarantee fee amounts to the EIF since 2022. This matter highlighted the need to strengthen (i) the internal monitoring process for post-signature counterparty reviews to effectively detect discrepancies, and (ii) the escalation process for identified issues.
- Beyond the specific monitoring process inadequacy and some Audit Board recommendations on additional follow-up actions to be considered, the Audit Board asked that EIF services consider whether this observation is indicative of broader improvement needs within the organisation's risk management framework and/or to ensure that the relevant circumstances remained an isolated instance.
- The Audit Board stressed the need to maintain the effectiveness of the overall monitoring process and to improve the output of existing control functions in this respect.

Recommendations

- As noted in section 4.2, the Audit Board stresses the need for a significant enhancement of the EIF Internal Control Framework in the context of the aforementioned operational risk, considering the recent organizational restructuring.
- Audit Board will maintain close oversight of this matter, with a specific focus on the implementation of robust and effective control mechanisms to mitigate similar operational risks in the future. In particular, the Audit Board will closely follow up on improvements to the control environment and risk framework over the internal monitoring process covering post signature continuous counterparty review that would allow the detection of potential contractual breaches in a timely manner.

4.6 Information security and Digitalisation

The Audit Board receives updates by the EIF's Information Security Officer in the context of strengthening Group-wide information and cyber-security measures.

Key observations

- In 2024 Audit Board and the Group Chief Digital Officer engaged in discussions on matters concerning the Group's IT environment, drawing on the findings of Internal Audit reports on information security.
- As part of its general focus, the Audit Board met with the EIF Chief Finance and Strategy Officer, who is in charge, *inter alia*, of digitalisation, in order to discuss the latest updates on the EIF Digitalisation initiatives.
- The Audit Board received updates on the closure of action points from the Internal Audit report which assessed the governance structure of Information Security at Group level.

Recommendations

- The Audit Board will continue monitoring the implementation of the Digitalisation-related actions, focusing on prioritised initiatives and timelines set in cooperation with the GCDO.
- The Audit Board stresses the need for speedy implementation of digitalisation initiatives deployed at Group level, in a manner that should adequately address also EIF's related business considerations.

5 Intra-Group Service Level Agreements

An EIB-EIF Framework Agreement, Service Level Agreements and a Treasury Management Agreement between the EIB and the EIF govern the provision of certain services by the EIB to the EIF.

In the annual assurance letters provided to EIF Executive Management, dated 12 March 2025 for the EIB-EIF Framework Agreement and Service Letter Agreements and 13 February 2025 for the Treasury Management Agreement, the EIB confirmed that the defined services have been provided to EIF for the year 2024 as agreed.

6 Investigations, Evaluations and Complaints

The Audit Board received quarterly updates, conducted in private sessions, from the EIB's Inspector General and the Head of Investigations on the status of ongoing investigations, including an assessment of whether the EIF is exposed to reputational risk or financial losses.

The Audit Board received reports from EIB Evaluations, including the published EIB Group Evaluation Activity Report 2024 and Evaluations Work Programme 2025-2027.

The Audit Board received bi-annual reporting on the Status of handled complaints and the EIB Group Complaints Mechanism Annual Report.

7 European Court of Auditors

The EIF, the European Court of Auditors (ECA) and the European Commission are parties to the Tripartite Agreement governing the procedures for the audit by the ECA of the value of the European Union's subscription to the capital of the EIF. No audit in cooperation with the ECA was carried out under the Tripartite Agreement in the course of the year.

The Audit Board received regular updates on ECA audits throughout 2024 and held the annual meeting with ECA in November 2024 to exchange views in areas of common interest, including recent and ongoing audits performed by ECA.

8 Audit Board approach and confirmations

In order to comply with the Audit Board's mandate during the period under consideration, and as developed in later sections, the Audit Board relied on a range of reports, information updates, presentations and assurances. These have been received in connection with the Audit Board's formal meetings in Luxembourg as well as additional conference calls which took place between the 2024 AGM and the Audit Board's sign-off on the financial statements on 19 March 2025.

8.1 Background to the Audit Board statements

The statement required to be given by the Audit Board to the General Meeting is incorporated in the Annual Report of the EIF for the financial year 2024. This statement is to be read in conjunction with and under the context of the information provided in this Annual Activity Report, including the background, framing circumstances and other factors set out below.

8.1.1 Evaluation of the Fund's financial results

Relevant sources of information and assessment over the year included:

- the accounting judgements made by Executive Management, as reviewed, and discussed by the Audit Board with Executive Management and KPMG Luxembourg (KPMG), designated by the Audit Board as external auditor of the EIF to audit the annual financial statements;
- the Audit Board's review of the appropriateness of the audit approach adopted by KPMG; and
- KPMG's unqualified Audit Opinion and Management Letter on the EIF financial statements.

8.1.2 Compliance of EIF's operations with the Statutes and Rules of Procedure

Information relevant to the Audit Board's assessment of whether the operations of the Fund have been carried out in compliance with the EIF's statutory framework includes:

- minutes of the meetings and decisions of the Board of Directors and of the General Meeting;
- reporting by EIF functions, notably Risk Management and Compliance;
- Executive Management's written assurance on the adequacy of the EIF's internal control system, which is included as part of the Internal Control Framework;
- Internal Audit reports, including quarterly reports and the Internal Audit Annual Activity Report;
- Internal Audit's annual opinion on controls in place; and
- the confirmations received from the EIB that agreed services were provided to the EIF as per the relevant agreements.

On the basis of its annual work plan, the Audit Board also received regular updates from relevant EIF services on the EIF's operations, strategy, and policy.

8.1.3 Sound banking principles or other applicable sound commercial principles and practices

Information relevant to the Audit Board's assessment of whether the activities of the Fund have been based on sound banking principles, or other sound commercial principles and practices as applicable to it, centres around the consolidated BMP Self-Assessment Report Package, as explained in section 4.4. Section 4.4 further sets out the conditions and circumstances under which the EIF's own verification of compliance with BMP was conducted.

Accordingly, for the purpose of its issuance of the relevant confirmation to the General Meeting as part of EIF's Annual Report, the Audit Board informs that the statement contained therein is circumscribed by:

- the perimeter of principles and practices recognised so far by the EIB and (where relevant) the EIF to be relevant and applicable to the EIF and/or the EIB Group, as the case may be, in accordance with its rules and procedures; and
- the degree of compliance observed and described in the statement communicated to the Audit Board by the Chief Executive for this purpose as well as any observations formulated by Internal Audit in their February 2025 report on the implementation of EIF's BMP framework and roadmap.

8.2 Meetings with the EIF Board of Directors and Executive Management

Pursuant to Article 18(5) of the Rules of Procedure, the Audit Board meets with the Board of Directors and the Chief Executive at least once a year to discuss the results of its work during the preceding financial year as well as its work programme for the current financial year.

In that context, the Audit Board and the Board of Directors held two meetings in 2024, one in March and one in October, where the two boards exchanged views on matters of mutual interest, as well as actions necessary to address risks and challenges identified throughout the financial year.

In line with the provisions of Article 19.2 of the EIF Rules of Procedure, the selection of the new external auditor requires consultation with the EIF Board. This consultation took place in October 2024.

The Audit Board and Board of Directors also will meet on 20 March 2025 where the Audit Board will present an overview of the results of its work during 2024 and its areas of focus for 2025.

Furthermore, in 2024 the Audit Board held regular meetings with the Chief Executive and/or the Deputy Chief Executive, in line with the Audit Board's regular meeting schedule.

8.3 Self-assessment

In accordance with Article 7 of the Audit Board Charter, the Audit Board evaluated its performance in 2024 by a self-assessment, carried out prior to the AGM 2025.

9 Additional areas of focus for 2025

In addition to the recommendations set out throughout the report, the Audit Board will also focus its oversight on the following areas towards which an enhanced Executive Management and Internal Audit (as appropriate) attention is advised, including a number of recommendations from the 2023 Activity Report remain to be addressed.

Remaining open recommendations from the 2023 Activity report:

- **Three Lines Model:** efforts shall be continued in connection with the establishment of a robust EIF wide Three Lines Model, with a view to consolidating a risk culture and clear responsibility and lines of accountability.
- **Internal Control Framework - Risk and Control Matrix:** efforts shall be continued to complete the update of the Risk and Control Matrix, considering the Three Lines Model project output.
- **Alignment with Group Internal Control Framework Policy:** The Audit Board will continue monitoring the ongoing work for the alignment with the Group Internal Control Framework Policy.
- **Internal Audit Charter revision:** The finalisation of Internal Audit Charter to reflect the revision of the standards issued by the Institute of Internal Auditors (IIA), to the extent relevant for the activities of the EIF.

Recommendations with recurring relevance:

- **Resources:** The Audit Board stresses the importance of maintaining the allocation of sufficient resources, as well as an appropriate ratio level of resources allocated to risk management and to business respectively.
- With respect to Internal Audit, in order to ensure timely completion of the future Internal Audit plans, the Audit Board calls for actions to resolve any resource gap, specifically in significant audit units

Annex1: Audit Board's composition, responsibility and activities

Annex 1

Audit Board's composition, responsibility and activities

Audit Board composition and background

The Chair of the Audit Board since the AGM on 25 April 2024 is Mr. Sergio SIERRA, Head of Funding and Treasury at Instituto de Crédito Oficial (ICO), Spain. Mr. SIERRA's mandate concludes at the AGM in April 2025.

The other members are:

Mr. Edwin CROONEN	Head of Unit, Audit in Commission, Executive Agencies, EU Agencies and other autonomous bodies III, Resources, European Commission Internal Audit Service, Belgium
Mr. Jacek DOMINIK	General Counsel, Ministry of Finance, Poland
Ms. Isabelle GOUBIN	Independent Director, Luxembourg
Ms. Rossella LOCATELLI	Professor in Banking and Finance at the University of Insubria in Italy
Ms. Delphine REYMONDON	Head of Unit within the Prudential Regulation and Supervisory Policy Department of the European Banking Authority in France

Responsibilities and activities

The **Statutes of the EIF**⁴ define the responsibilities of the Audit Board as follows:

Article 22 of

- The accounts of the Fund shall be audited annually by an Audit Board consisting of six members appointed by the General Meeting. The General Meeting may vary the number of members on the Audit Board. Nominations shall be made in accordance with the terms laid down in the Rules of Procedure.*
- The members of the Audit Board shall act in accordance with the customary standards of their profession.*
- The Audit Board shall confirm that the balance sheet and profit and loss account of the Fund give a true and fair view of the financial position of the Fund in respect of its assets and liabilities, and of the results of its operations for the financial year under review.*
- The Audit Board shall verify that the activities of the Fund are based on sound banking principles or other sound commercial principles and practices as applicable to it*⁵.

Article 17 and, in particular, Article 18 of the EIF's **Rules of Procedure**⁶ elaborate further on the Audit Board's remit and exercise of its responsibilities, including as concerns receiving assurances on the effectiveness of the internal control, risk management and internal administrative processes:

Article 17

The Audit Board, having satisfied itself that the activities of the Fund have been carried out in

⁴ Amended on 27 September 2022 by the General Meeting.

⁵ The Audit Board's remit with respect to the application of sound banking principles or other sound commercial principles and practices as applicable to the EIF shall enter into effect as of 1 January 2023

⁶ Amended on 27 September 2022 by the General Meeting.

compliance with the formalities and procedures laid down in the Statutes and the Rules of Procedure and are based on sound banking principles or other sound commercial principles and practices as applicable to the EIF, shall annually confirm that the balance sheet and profit and loss account contained in the annual report to be submitted by the Board of Directors to the General Meeting give a true and fair view of the financial position of the Fund as regards its assets and liabilities, and of the results of its operations for the financial year under review.

Article 18

1. *At the end of each financial year but not later than 1 March of the following year, the Audit Board shall receive copies of the draft annual report and the draft balance sheet and profit and loss account as well as any other document or information necessary or useful for the evaluation of the Fund's financial position or results. Within thirty days of receiving these documents, the Audit Board, having received assurance from the Chief Executive in particular concerning the effectiveness of the internal control systems, risk management and internal administration, shall forward to the Chair of the General Meeting of the Fund a statement confirming that to the best of its knowledge and judgement:*
 - i. *the activities of the Fund have been carried out in compliance with the Statutes and the Rules of Procedure in particular with regard to risk management and monitoring;*
 - ii. *the balance sheet and profit and loss account give a true and fair view of the financial position of the Fund as regards its assets and liabilities and of the results of its operations; and*
 - iii. *the activities of the Fund are based on sound banking principles or other sound commercial principles and practices as applicable to it;*
2. *Should the Audit Board consider that it is unable to deliver the foregoing, it must deliver to the Chair of the General Meeting of the Fund within the same time limit a written statement setting out the reasons.*
3. *The Audit Board shall address to the General Meeting a report on the results of its work during the preceding financial year.*
4. *The Audit Board's statement and the report on the result of its work shall be annexed to the annual report submitted by the Board of Directors to the General Meeting.*
5. *The Audit Board shall hold a meeting at least once a year with the Board of Directors and the Chief Executive in order to discuss the results of its work during the preceding financial year as well as its work programme for the current financial year.*

As continued in Article 19, the Audit Board may have recourse to external auditors, as is the case for the audit of the EIF's financial statements, as further developed in sections 4 and 6. The Audit Board also relies on internal audit work - which is outsourced to the EIB Internal Audit Department ("Internal Audit") under an EIB Group Framework Agreement - Risk Management and Compliance.

Article 19

1. *The members of the Audit Board shall have access to all the books and accounts of the Fund and may request access to any other documents, which they deem necessary or useful to examine in the discharge of their duties. The services of the Fund shall be at their disposal for any assistance.*
2. *The Audit Board may have recourse to external auditors, which it shall designate after consultation with the Chief Executive and the Board of Directors. It may delegate the regular conduct of the audit of the Fund's financial statements to such designated external auditors. It may also, if necessary, collaborate with other experts.*
3. *The Audit Board shall also review each year the work programme, the scope and the results*

of EIF's internal audit. It shall ensure that there is adequate co-ordination between the internal and external auditors.

- 4. The members of the Audit Board shall not disclose any information or data coming to their knowledge in the course of their duties to persons or bodies outside the Fund, save for any information transmitted by the Audit Board, for the purpose of exchanges required with members of the Fund and their corporate bodies. The Audit Board shall in particular cooperate closely with the Bank's Audit Committee for the purposes of the consolidation of the annual accounts and of the verification of the conformity with applicable sound banking principles or other sound commercial principles and practices.*