The Governance of the European Investment Fund
The European Investment Fund ("EIF" or "Fund") is part of the European Investment Bank ("EIB") Group.

EIF is the EU’s main provider of risk financing for small and medium-sized enterprises ("SMEs") and mid-caps and its central mission is to facilitate their access to finance. EIF designs and develops venture and growth capital, guarantees and microfinance instruments which specifically target this market segment and, in this role, EIF promotes EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment.

EIF’s institutional organisation and strong corporate governance are key to the successful delivery of its objectives, and its tripartite shareholding structure positions it uniquely among other EU and international financial institutions.

In our activities, we strive to operate in a sustainable, accountable and transparent manner in respect of best banking and corporate governance practices. EIF is therefore confident of continuing as an established strategic partner of European Union ("EU") Member States, national promotional institutions and other strategic operators in fostering support to SMEs.

Pier Luigi Gilibert
Chief Executive
1. About the European Investment Fund

What is EIF?

The European Investment Fund was established in 1994 pursuant to the Statute of the EIB. EIF’s shareholders comprise the EIB, the EU, represented by the European Commission, and a large number of private and public financial institutions from across the EU Member States and Turkey. EIF’s seat is established in Luxembourg. EIF enjoys legal personality under EU law, financial autonomy and is governed by its own Statutes. It has also been categorised as Multilateral Development Bank under the Regulation on prudential requirements for credit institutions. As a supranational entity, EIF is not registered in national company registers and does not have a certificate of incorporation.

EIF has dual statutory objectives, reflecting the combination of public and private shareholdings:
- to foster EU objectives, notably in the field of entrepreneurship, growth, innovation, research and development, employment and regional development; and
- to generate an appropriate return for shareholders, through a commercial pricing policy and a balance of fee- and risk-based income.

EIF is rated AAA by Moody’s, Standard and Poor’s, and Fitch.

What is the EIB Group?

The EIB Group was officially formed in 2000 and consists of the EIB and EIF. Both institutions have separate, albeit similar, governing frameworks, the principles of which are laid down in their respective Statutes and Rules of Procedure.

What is EIF’s statutory and governance framework?

EIF’s Statutes and Rules of Procedure set the framework for the establishment, role and procedures of its decision-making bodies. Both documents are available on EIF’s website and the Statutes are also published in the Official Journal of the European Union.

While the Statutes set out the fundamental elements of the division of power and responsibilities among EIF’s governing bodies, as well as the voting principles with regards to decision-taking processes, the Rules of Procedure provide specific detail on how and when decisions are taken within the context of the Statutes.

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1 Article 28 (former Article 30), which empowers the Board of Governors to “decide to establish subsidiaries or other entities, which shall have legal personality and financial autonomy”.
3 OJEC C 225, 10/08/2001 P. 0002 – 0008, and OJ C95/22 dated 21.3.2015.
Who are EIF’s shareholders?

EIF has a tripartite shareholding structure comprising:

- the EIB, currently holding 2,632 (61.4%) of the authorised and issued shares,
- the European Union, represented by the European Commission ("EC"), holding 1,136 (26.5%) of the shares, and
- Financial Institutions shareholders: a wide range of public and private banks and financial institutions from EU Member States and Turkey, a total of 28 at present, together holding 518 (12.1%) of the shares.

According to Article 4 of EIF’s Statutes “other legal entities from the financial sector whose business objectives support the tasks of the Fund may become members of the Fund.”

The official register of shareholders, providing a detailed breakdown of the members of the Fund is published on EIF’s website.

What is the volume of EIF’s capital?

At inception, EIF’s authorised capital was ECU 2bn, later converted to EUR, equalling 2,000 shares with a nominal share value of ECU 1m each. As defined in the Statutes, the percentage of paid-in shareholder capital was fixed at 20%, a percentage which has remained unchanged.

As a result of the first capital increase, which was approved by the General Meeting and initiated in 2007, EIF’s authorised capital was increased from EUR 2bn to EUR 3bn, through the issuance of 1,000 new shares.

Following the second capital increase, approved and initiated in 2014, the General Meeting authorised an increase in EIF’s authorised capital from EUR 3bn to EUR 4.5bn, through the issuance of 1,500 new shares, retaining a nominal share value of EUR 1m.

EIF shares are dematerialised. No share certificates are issued and the shares are not listed on any external securities account.

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Situation at 1 November 2015.

At end September 2015, 4,286 of the total 4,500 authorised shares have been issued.
Which are EIF’s governing bodies?

EIF has four statutory bodies (i.e. those referred to in EIF’s Statutes):

- three decision-making authorities: the Chief Executive, the Board of Directors (“Board”) and the General Meeting; and
- one control body: the Audit Board.

Who appoints the members of EIF’s governing bodies and for what term?

The Chief Executive is nominated by the shareholder holding the largest number of shares, i.e. the EIB, and is appointed by and reports to the Board of Directors. He/she is appointed for a term of up to five years, which may be renewed. The Statutes foresee that he/she may be assisted by a deputy, nominated and appointed by the same procedure.

The Board of Directors is composed of seven members and seven alternates, designated by the members of the Fund, according to their own internal procedures: four members/alternates designated by the EIB as majority shareholder, two members/alternates designated by the EC, and one member/alternate designated by the Financial Institutions shareholders. The Board members are appointed by and accountable to the General Meeting. The term of office for members and alternates is two years and may be renewed.

The General Meeting consists of one representative per shareholder, i.e. the President or a Vice-President of the EIB or another duly authorised individual, one member of the EC representing the EU, as well as a representative from each financial institution shareholder, designated in line with the internal procedures of each institution. No term of office is imposed by the governance framework.

The Audit Board consists of three members, nominated respectively by the EIB, the EC and the Financial Institutions shareholders, and one alternate member, nominated on a rotating basis by the three shareholder groups. The members and the alternate member are appointed by and accountable to the General Meeting. Their term of office is for three consecutive financial years, allowing for one member to be replaced each year.

What authority is held by EIF’s governing bodies?

The Chief Executive is responsible for the day-to-day management of EIF. Under a delegation of powers by the Board to the Chief Executive, the latter may approve certain new transactions and certain changes to operations approved by the Board.

The Board of Directors has the power to decide on all EIF operations and adopts the guidelines and directives for its operations and management. It submits the annual accounts and the annual report on the activities of the Fund to the General Meeting.
The General Meeting’s responsibilities include the approval of the annual report of the Board of Directors as well as the annual balance sheet and profit and loss account of EIF, the determination of the appropriation and distribution of EIF’s net income, the decision on the increase of the authorised capital of the Fund and the admission of new shareholders of EIF.

The Audit Board has the statutory responsibility of the audit of the accounts of the Fund. It confirms on an annual basis that, to the best of its knowledge and judgement, the operations of the Fund have been carried out in compliance with the formalities and procedures laid down in the Statutes and the Rules of Procedure, and that the financial statements 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.

The functioning of all four bodies is governed by EIF’s Statutes and Rules of Procedure, complemented by the Audit Board Charter.

When do the governing bodies take decisions?

The Board of Directors meets not less than once in every calendar quarter, and normally 9-10 times a year. Decisions of the Board may also be taken by written procedure, in between physical meetings and if the circumstances so require. Written procedures are in principle tacit, whereby the members of the Board are presented with a proposal on the understanding that the proposal will be adopted within a certain timeframe, unless the procedure is interrupted, resulting from a request for further discussion.

An Annual General Meeting (“AGM”) must, according to EIF’s Rules of Procedure, be convened before 30 June of each year for reasons linked to the approval of EIF’s financial statements. The AGM is attended by representatives of EIF’s shareholders, the Board of Directors, the Audit Board and EIF’s management. Decisions of the General Meeting may also be taken by written procedure, whereby EIF’s shareholders are requested to communicate their vote on a proposal by a given deadline.

The Audit Board meets, upon invitation of its Chairman, at least four times a year, and normally 9-10 times a year, with authority to convene additional meetings, as circumstances require. The Audit Board may also take decisions by written procedure with the agreement of all members.
2. ELF’s Governance

How are the meetings of the governing bodies prepared?

As laid down in the Rules of Procedure, the Secretary of the Fund is the Secretary for the General Meeting and the Board of Directors. The Secretary and the General Secretariat are responsible for the preparation of the meeting agendas and the distribution of the relevant documents, according to an established timeframe.

Proposals to, and information notes for, the Board of Directors are submitted to Board members and their alternates on behalf of the Chief Executive6, having been prepared by the relevant EIF services and cleared by internal procedures, including a Product and Mandate Committee or Investment Risk Committee. The dispatch of Board agenda and documents usually takes place 10 days before the meeting. Additional items may be included on the agenda with the agreement of the Chairman, usually in advance of the meeting.

Depending on the nature of the proposal, documents submitted to the General Meeting either receive prior authorisation by the Board of Directors (e.g. capital increase, change of geographical scope), or they are submitted on behalf of the Chairman (e.g. nominations for the Board of Directors or Audit Board, requests for the admission of new shareholders). Documents are submitted 20 days before the deadline for a decision.

The Audit Board is assisted by a permanent Audit Board Liaison Officer, who is a member of EIF staff and is responsible for circulating the agenda and supporting documentation to the Audit Board usually one week in advance of each meeting or deadline for decision. The Audit Board also receives copies of all notes submitted to the Board of Directors and to the General Meeting.

Who chairs the meetings of the governing bodies?

The Chairman of the Board of Directors is elected from amongst its members by majority vote for a term of two years.

General Meetings are chaired by the representative of the shareholder with the highest number of shares in EIF.

Chairmanship of the Audit Board is held in rotation for a one-year mandate. It is usual practice for the member entering their third and final year in office to act as Chairman, starting on the date of the AGM which marks the final year of his/her term, and ending upon completion his/her term of office at the following AGM.

6 Should there also be a Deputy Chief Executive, proposals are submitted on behalf of the Chief Executive and the Deputy Chief Executive.
How are decisions taken by the governing bodies?

Decisions of the Board of Directors are adopted by simple majority of members present. The quorum for a meeting of the Board is reached when at least half of the members are present.

The quorum required to hold a General Meeting is reached when shareholders present or represented hold at least 50% of the subscribed capital. Each shareholder has a number of votes equal to the number of shares subscribed by it, and decisions are adopted by the majority of the votes cast, except with regard to the following matters, which require a qualified majority of 85% of the votes cast:
- A change in the tasks and activities as defined in the Statutes (Article 2),
- A change in the location of the seat of EIF (Article 3),
- An increase in EIF’s authorised capital (Article 5),
- The decision to permanently terminate the operations of EIF (Article 31).

Decisions of the Audit Board are taken by simple majority, except decisions with respect to EIF’s financial statements, which require unanimous approval.

Are the members of EIF’s governing bodies paid?

The terms of remuneration of the Board of Directors and of the Audit Board are determined by the General Meeting.

The policy with respect to the remuneration of the members of the Board of Directors was last approved in 2000 and remains unchanged. The members and alternate members of the Board of Directors are entitled to a Board meeting attendance fee of EUR 50, and a flat rate daily allowance of EUR 220. Travel expenses incurred in connection with the Board meetings are covered separately. Due to their specific professional circumstances, some Board members choose not to receive remuneration for their membership or ask for payments to be credited to their employer. The members of the Board of Directors do not receive a bonus.

Audit Board members are entitled to a EUR 1,050 attendance fee per meeting and a daily allowance of EUR 200, in addition to travel costs compensation, in alignment with the terms applicable to the EIB’s Audit Committee.
3. The decision-making processes regarding the Fund’s activities

Who decides on EIF’s strategy and operations?

The Chief Executive is responsible for the day-to-day management and, within the policies and guidelines adopted by the Board, is responsible for deciding on the transactions, mandates, policy and strategic approaches which may be presented to the Board for approval. The Chief Executive also submits the three-year Corporate Operational Plan, entailing operational, strategic and budgetary implications, to the Board for approval.

The Board of Directors decides on the above proposals submitted by the Chief Executive, with authority extending, for example, to the determining of the objectives and limits of EIF’s borrowing operations and the approval and submission of the annual report and annual accounts to the General Meeting. Since 15 December 2014, certain operations, fulfilling specific criteria, may be approved by the Chief Executive acting under a delegation from the Board of Directors.

The General Meeting decides on proposals entailing greater strategic implications, including a change in EIF’s tasks and activities, an increase in EIF’s authorised capital, and the appropriation and distribution of net income.

How are operations monitored and what are EIF’s internal control and risk management systems?

EIF follows a sustainable and consistent strategy to achieve its mission by means of a strong risk management culture that permeates all areas of EIF’s business functions and processes with the objective of maintaining value creating risk management and the AAA rating.

EIF’s first layer of control is exercised through internal processes and procedures developed and implemented by means of financial and operational controls designed to enable effective and efficient day-to-day operations, ensure reliable financial reporting and compliance with regulations.

The second layer of control consists of an independent Risk Management (RM) function, including risk and portfolio management as well as compliance and operational risk. Within RM, Compliance is also in charge of data protection issues and co-ordinates matters relating to corporate social responsibility within the applicable EIB Group policy framework.

The third layer includes both internal and external audit, the activities of which are coordinated by the Audit Board.
Internal Audit (which is operated by the EIB’s Internal Audit function under a service contract with EIF) examines and evaluates the relevance, design and effectiveness of the internal control systems and procedures within EIF.

EIF is supported by a strong in-house legal service whose remit, within its area of responsibility, is to pursue the strategic goals and protect and preserve the legal integrity of the Fund. This is achieved through the provision of legal advice based on expertise and specialist knowledge throughout the lifecycle of all EIF’s transactional activities and in connection with institutional, strategic and policy-related matters.

In addition to the maintenance of an internal control environment in line with the highest standards of the financial and banking sector, EIF is subject to periodical and sector-specific reviews by independent control bodies such as the European Court of Auditors, the Internal Audit Service of the European Commission and national or regional authorities entrusted with the task of monitoring the correct utilisation of the EU budget under the relevant rules and within their respective remits.

How do the shareholders interact with EIF?

EIF’s shareholders are represented in the General Meeting, which is a governing and decision-making body, which, where necessary, can sanction the members of the other statutory bodies. Interaction and collaboration between the shareholders and EIF is further maintained through a range of exchanges and channels of communication, including newsletters, formal and informal meetings and workshops. Governance and decision-making matters fall under the responsibility of the General Secretariat.

Through its existing regional presence in a number of EIB Group external offices, EIF has fostered long-standing business relations with many of the Financial Institutions shareholders and it aims at intensifying its partnerships to collectively develop and deliver effective financing solutions for European SMEs and mid-caps.
How does EIF interact with other EU institutions and bodies?

Being part of the EIB Group and having the EIB as its majority shareholder, EIF naturally enjoys a close relationship with the EIB, also in the context of a wider corporate governance framework. EIF manages resources on behalf of the EIB (e.g. EIB Group Risk Enhancement Mandate and Risk Capital Resources mandate), reinforcing their close cooperation.

The European Union, represented by the European Commission holds the second largest shareholding in EIF. Cooperation with the EC is vital, particularly in terms of risk capacity and achieving policy objectives. This cooperation was further reinforced in 2014 through additional new mandates (InnovFin, COSME, Erasmus+, EaSI) entrusted to EIF by the EC, under the umbrella of a Financial and Administrative Framework Agreement (FAFA) entered into between EIF and the EC. Most recently, EIF has committed itself to the implementation of the European Fund for Strategic Investments (“EFSI”), an initiative implemented in close partnership between the EC and the EIB Group.

The European Court of Auditors has an audit role insofar as EU resources handled by EIF are concerned (Article 287 of the Treaty on the Functioning of the EU (TFEU). Consequently, the deployment of funds from the EU budget through EIF is subject to control by the Court. Furthermore, the Court of Auditors has certain audit rights as regards the shareholding of the European Union in EIF, which are detailed in a tripartite agreement between EIF, the European Commission and the European Court of Auditors.

Following a ruling of the Court of Justice of the European Union on the cooperation of the EIB with the European Anti-Fraud office (“OLAF”), the EIB has taken steps to adapt its internal rules and procedures to the applicable legal framework, in order to ensure optimal cooperation with OLAF in the fight against fraud and corruption. Similarly, EIF has implemented co-operation principles with OLAF and issued an EIF Anti-Fraud Policy, which is published on EIF’s website.
The European Ombudsman has the power to conduct inquiries concerning instances of maladministration in nearly all the activities of the EU institutions or bodies, including EIF as part of the EIB Group. When citizens are not satisfied with the outcome of the internal EIF complaints investigation, they have the right to contact the European Ombudsman about alleged maladministration.

Like all EU institutions and bodies, EIF is subject to Regulation (EC) No 45/2001 of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the EU institutions and bodies. This Regulation sets out the rules for the processing of personal data and refers in particular to the rights of data subjects and the obligations of those responsible for processing the data. According to this Regulation, each EU institution and body must also appoint at least one person as its Data Protection Officer (DPO). The DPO is the contact person for any questions regarding data protection at EIF.
4. EIF and best corporate practices

Which EIF services are responsible for best practices in the field of corporate governance?

The Secretary of the Fund is responsible for the proper organisation of the decision-making processes, and more generally, the efficient organisation of, and support to EIF’s governing bodies. The Secretary acts as a first point of contact between the governing bodies and the services of the Fund. EIF’s legal service has a corporate and institutional affairs division, which keeps abreast of developments in the field of corporate governance and advises as to proposed developments in the governance set-up of the Fund.

How can I find out more about EIF’s governance?

The key documents establishing or explaining EIF’s governance framework are EIF’s Statutes and Rules of Procedure, the Codes of Conduct of the governing bodies (Board of Directors and Audit Board), the Annual Report and the annual EIB Group Corporate Governance Report, all of which are published on EIF’s website. The last of these documents summarises the most important changes and developments at EIF as well as at the EIB, including the composition of the governing bodies.

EIF’s InfoDesk can be contacted for all requests for general information, including questions on EIF’s role and activities (Info@eif.org).
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