



**European Investment Bank**

**Statement on Governance at the EIB**  
**- Second Update -**

The EIB hereby presents its guiding principles on governance<sup>1</sup>, which take into account its dual role:

- as a **financial institution**, the EIB ensures that its financial statements give a true and fair view of its financial situation; it ensures that its business is conducted in accordance with the rules and procedures laid down in the Statute and the Rules of Procedure, and in line with best banking practices;
- as a **European body serving the policies of the EU**, the EIB carries out its statutory role and the tasks assigned to it in a transparent manner, in accordance with the provisions that are applicable to it.

### **Governing bodies**

The Management Committee is the Bank's permanent executive body and meets on a weekly basis. The Board of Directors meets ten times a year while the Board of Governors has its annual meeting in June.

The revised Statute and Rules of Procedure (which were introduced on 1 May 2004 with the enlargement of the EU to include 10 new Member States) provide *inter alia* for the co-opting of experts by the Board of Directors. The Board of Directors has made use of this possibility, co-opting three full members and three alternate experts. Non-voting expert members of the Board of Directors are chosen from among specialists with broad expertise in fields relevant to the Bank's activities.

Information published on the EIB's website on the composition of its decision-making bodies includes a curriculum vitae (summary of professional qualifications and experience) of the members of the Board of Directors and the Management Committee.

[Statute, Rules of Procedure, Composition of the Bank's decision-making bodies](#)

### **External monitoring**

The EIB's external monitoring body, the Audit Committee, is an independent supervisory body whose members are appointed by the Board of Governors. In 2005 it met 8 times (over ten days), in addition to work performed by written procedure.

The function and autonomy of the Audit Committee were reaffirmed in 2004, as were the criteria of independence, competence, integrity and expertise that form the basis of the appointment of its members. To bolster this expertise, the Board of Governors increased the number of observers on the Committee to three. A curriculum vitae of the members of the Audit Committee is also published.

The Audit Committee's Annual Report to the Board of Governors, together with the Management Committee's reply, is published in agreement with the Board of Governors.

The Audit Committee oversees the work performed by the external auditors and coordinates this work with that of the internal auditors, safeguards the independence and integrity of the audit function, follows up on audit recommendations and monitors how Management is assessing the adequacy and effectiveness of internal control systems, risk management and internal administration.

Furthermore, the European Court of Auditors performs an audit role in respect of all operations funded from the EU budget, in accordance with the provisions of the Treaty.

[Composition of the Audit Committee, Audit Committee annual report and Management Committee reply](#)

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<sup>1</sup> "Governance" or "corporate governance" is generally taken to mean the system by which businesses are managed and controlled. According to the "OECD Principles of Corporate Governance" (2004): "Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined."

## **Ethics and conflicts of interest**

The EIB publishes on its website all codes of conduct applicable to its decision-making bodies.

Regarding possible conflicts of interest, individual declarations by members of the Board of Directors and abstentions from voting are recorded in the minutes of meetings; the Bank publishes the register of these declarations. Furthermore, the members of the Board of Directors sign and update personal statements on the other offices or positions they hold; these are summarised in the published CVs.

The members of the Management Committee sign a declaration of financial interests similar to that applicable to members of the European Commission. These are also made public.

When the composition of the decision-making and supervisory bodies changes, the new appointments by the Board of Governors are announced and published, whether they relate to members of the Board of Governors, the Board of Directors, the Management Committee or the Audit Committee.

[Code of Conduct of the Board of Directors](#), [Code of Conduct of the Management Committee](#), [Code of Conduct of the Audit Committee](#)

## **Remuneration and other benefits**

The EIB publishes detailed information on the remuneration and other benefits applicable to members of its decision-making and supervisory bodies and to the members of its staff, in particular its salary scales.

Information is also provided on, for instance, the remuneration of members of the Board of Directors and the Audit Committee (attendance fees), the rules for determining the bonuses awarded to Senior Management and the Bank's pension schemes.

[Remuneration and other benefits of staff](#), [Remuneration of Members of the Board of Directors](#), [Management Committee](#), [Audit Committee](#)

## **Financial statements and information of a financial nature**

The consolidated financial statements of the EIB Group are drawn up in accordance with the International Financial Reporting Standards (IFRS).

The EIB's unconsolidated accounts are drawn up in accordance with Council Directive 86/635/EEC of 08.12.1986 on the annual accounts and consolidated accounts of banks and other financial institutions (as amended by Directive 2001/65/EC of 27.09.2001).

The Bank also publishes half-yearly consolidated accounts (unaudited).

Furthermore, the EIB ensures that accounting and supervisory methods and procedures are harmonised at EIB Group level as well as in respect of the operations under mandate as appropriate.

[Consolidated financial statements](#), [Half-yearly consolidated accounts \(unaudited\)](#)

## **Risk control**

The EIB's Financial Report includes a statement on risk control.

From the organisational point of view, the various risk control functions in the Bank – credit risk, ALM (asset and liability management), operational and market risks – have been brought together under the same directorate, which has responsibility for these aspects.

The Bank's risk management has been extended at EIB Group level to cover venture capital operations.

## **Management control**

A management control structure under the responsibility of the Deputy Secretary General brings together Financial Control, the Planning, Budget and Control Division and an organisation unit. This structure covers the process of translating strategy into objectives and monitoring the results actually achieved.

Financial Control provides appropriate information on all transactions concluded by the Bank as well as decisions taken that have a financial impact, and gives an independent opinion on these transactions and decisions, in compliance with the aforementioned accounting directives and in line with the Basel banking supervision principles. The Financial Controller chairs the Bank's New Products Committee and ensures that these products are correctly recorded in financial and accounting terms.

A standing committee consisting of the Deputy Secretary General and the heads of Human Resources, Information Technology and Economic and Financial Studies, strengthens change management at the Bank within the framework of the EIB's strategic objectives.

## **Compliance**

In the light of the principles defined by the Basel Committee in particular, the Office of the Group Chief Compliance Officer (OGCCO) was officially created in July 2005 with the appointment of a Group Chief Compliance Officer. His remit is to identify, assess, advise on, monitor and report on the compliance risks of the EIB Group, i.e. the risks of legal or regulatory sanctions, financial loss or loss of reputation that a member of the EIB Group could suffer as a result of its failure to comply with applicable laws, regulations, staff codes of conduct or standards of good practice.

OGCCO acts as a first line detector of potential incidents of non-observance or breaches by the staff of the rules on ethics and integrity, monitors compliance therewith by the staff of the EIB Group and recommends the adoption of such protective or redressing measures as are appropriate.

The Group Chief Compliance Officer is independent of other EIB Group services and reports directly to the President of the Bank under the functional authority of a Vice-President.

## **Inspectorate General**

The Inspectorate General combines Operations Evaluation (EV) with Internal Audit (IA). This structure underlines the importance attached by the Bank to its main, independent ex post control functions. It reflects the contribution of evaluation activities and reports to the attainment of the Bank's strategic objectives and their positive impact on operational performance, accountability and transparency.

Internal Audit provides all levels of the EIB Group and Management with assurances, analyses, agreed action plans or recommendations, and information and advice concerning the activities it reviews. In parallel, internal control framework (ICF) exercises, which have been developed

directorate by directorate and/or process by process, establish active collaboration between the directorates and the auditors with a view to ensuring that the internal controls of the Bank's activities are effective and efficient.

In addition, the Inspectorate General provides an independent recourse mechanism for investigating complaints that the European Ombudsman considers to be outside his remit.

The Inspector General reports to the President and is responsible for consultation, liaison and cooperation with the Audit Committee and external bodies, including OLAF, in accordance with IA's charter and with EV's terms of reference.

The Charter for Internal Audit and evaluation reports are published.

[Charter for Internal Audit, Ex post evaluation reports](#)

### **Towards a new strategy for the EIB Group**

In June 2005, the Board of Governors endorsed a new strategy at Group level, underlining the respective roles of the EIB and EIF and strengthening joint EIB-EIF product development, the extensive network of relationships and technical expertise.

The EIB Group is taking steps to introduce improved coordination and harmonisation in the fields of accounting, control mechanisms, compliance and audit as well as, for example, disclosure policy.

### **Strategy implementation and monitoring**

An integrated planning and reporting system that produces detailed periodic reports has been gradually developed and consists of specific tools – the Strategy Map, Corporate Operational Plan, Balanced Scorecard, MIS (Management Information System), identifying for each directorate specific performance indicators that relate to the Bank's strategic objectives.

This enables the Corporate Operational Plan (COP) to set out the medium-term policy and operational priorities with regard to the targets assigned to the Bank by its Governors. The COP is published on the Bank's website.

[COP 2006-2008](#)

### **Business continuity and IT Governance**

Business continuity planning and management is a mainstream component of corporate governance. The Bank's Business Continuity Plan (BCP) aims to ensure that the necessary steps are taken to identify the impact of potential losses, maintain viable recovery strategies and recovery plans, and ensure the continuity of services.

IT forms an integral part of almost every business process, and IT governance defines IT-related decision-making authority and accountability. The Information Technology Committee (ITEC) chaired by the Chief Information Officer is the mechanism for Bank-wide IT decision-making.

## **Transparency and disclosure policy**

Transparency is one of the essential pillars of governance. Consequently, the EIB applies a high degree of transparency in its activities, operating procedures and guiding principles that extends beyond its provisions on public access to information and documents.

The Bank has continued to develop its website, which features a number of publications describing its operational strategies. The website provides a list of projects with summary information on each project (signed and under appraisal, in line with confidentiality requirements). It presents the Bank's procedures (project cycle at the EIB), the eligibility guidelines and the methods used for project and investment evaluation (regional, sectoral and thematic reports). It contains information on the Bank's cooperation agreements with European Union or other international financial institutions and on the mandates conferred on the EIB Group.

Towards the end of 2004, the Bank launched a review of its public disclosure and information policy. For the first time, the Bank carried out public consultation on one of its policies (particularly on its website, with a 45 working-day first round of consultation in May-July 2005, and a 20 working-day second round of consultation in October-November 2005).

Following the consultation processes, the draft disclosure policy and draft public consultation report were both posted on the Bank's website for information before final decision by the Board of Directors. The approved new public disclosure policy is published on the Bank's website and also in the Official Journal of the European Union; the consultation report on the other hand is posted on the website.

The EIB's disclosure policy is founded on a presumption of disclosure of information, in line with EU and Member State legislation as well as internationally accepted principles.

Revised procedures for handling requests for information from the public are planned, as are provisions for formal complaint to the Bank's Secretary General. For cases in which citizens or residents of non-EU countries wish to appeal against the non-disclosure of information, where these are not handled by the Ombudsman, appeal can be made to an independent mechanism under the aegis of the Bank's Inspector General.

[Transparency policy; Information and public consultation policy; new disclosure policy](#)

## **Fighting fraud and corruption**

The Bank has zero tolerance of fraud. It publishes its policy on combating fraud and corruption, which is designed: to inform Management of any situation where there are allegations of fraud whether this occurs within the EIB or within projects financed by the Bank; and to provide information about the fraud so that Management can take appropriate action (e.g. loan cancellations and early repayments). In further application of this policy, the Board of Directors confirmed that the Bank shall not carry out lending or borrowing operations with or through a vehicle (with particular attention to be paid to vehicles established in off-shore financial centres) used to facilitate the evasion of tax, money laundering, the financing of terrorism or fraud in general.

In addition to its own control mechanisms, the Bank is subject to the mandates of the European Anti-Fraud Office (OLAF), the European Ombudsman, and, in respect of all operations funded from the EU budget, the European Court of Auditors. The remit of OLAF, as the independent investigation service within the European Commission, is to protect the financial interests of the European Union and to fight fraud, corruption and any other irregular activity including misconduct, within the European institutions, whereas the European Ombudsman conducts investigations into alleged instances of maladministration by the Community institutions and bodies.

Moreover, the Bank publishes its Guide to Procurement. It is the Bank's policy to require that promoters, as well as contractors, suppliers and consultants under Bank-financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts. At the end of 2005, the Bank published the procedures to be followed when procuring services, supplies and works for its own account.

[Fighting Fraud and Corruption at the EIB; EIB Guidelines on Fighting Corruption and Fraud; OLAF: decision on measures to combat fraud; EIB Joins Multilateral Banks in Fighting Corruption, Guide to Procurement; Guide to the procurement of services, supplies and works by the EIB for its own account](#)

### **Corporate Social Responsibility**

The Bank considers corporate and social responsibility (CSR) to be part of good corporate governance. The Bank's CSR statement was published in May 2005. It emphasizes the importance of achieving a balance between economic growth, social well-being and the protection of the environment, in support of the goal of sustainable development.

A first corporate responsibility report will be published in 2006 and cover issues of ethics and governance, transparency and accountability, responsible financing and the Bank's corporate footprint (especially internal environmental management and occupational health and safety). This report will include information on the Bank's environmental activities (previously presented in the Bank's environmental report).

[Statement on corporate social responsibility at the EIB](#)