

EIB Group 2016 Sustainability Report



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Foreword



2016 was a year of great changes in European and world politics. At such a moment in history, uncertainty about the future can cause difficulties for long-term investment decisions. But it is at times like this that the role of a European body like the EIB Group becomes even more important.

In 2016, the EIB signed operations worth EUR 74.5 billion, and EIF commitments amounted to EUR 9.5 billion. ✓ This supported and mobilised a record EUR 280 billion of total investment. The investment that is expected to be triggered has been building up over the past few years. It is the result of our drive to use money more smartly – combining EU funds and national resources, EIB Group financing, private capital, and advisory support from the EIB Group's experts to achieve the maximum positive economic impact.

Still, a considerable investment gap remains across Europe. This is why the Investment Plan for Europe, which completed its first full year in 2016, is so important: it enables the EIB to directly invest into smaller-scale companies that may not have been considered prior to the launch of the European Fund for Strategic Investments (EFSI). Last year, three out of four clients under EFSI were new to the EIB, and many were relatively small, untested companies. Notably, the EIF has made highly effective use of EFSI in order to speed up the allocation of financing to where most impact is expected – in innovative start-ups and companies as well as in inclusive finance. Small and medium-sized enterprises (SMEs) received EUR 33 billion of support from the EIB Group, which represents more than one third of our total activity.

In 2016, we provided finance for 39 education projects amounting to EUR 5 billion. EIB Group financing sustained 4.4 million jobs in SMEs, where most young people find work. Many of these companies are strong innovators. The software industry is one of the most vital sectors of innovation for Europe's future and our financing there rose to EUR 659 million from EUR 102 million in the previous year. At the same time, we tripled the number of software companies that received loans. Much of this finance comes from operations backed by the EU budget guarantee.

The EIB's investment in infrastructure is equally important. Infrastructure is essential to business. EIB infrastructure financing helps ensure that all companies – large and small, established and new – find and sustain the confidence they need to invest in their future in Europe. EFSI financing for smaller, new, higher risk operations complements other programmes run by the EIF and much-needed EIB investment in infrastructure.

2016 was also the warmest year on record, reminding us that climate change needs urgent action. The EIB is a leading provider of climate finance. We stand by a pledge made with all Multilateral Development Banks (MDBs) to work together, based on our jointly agreed definitions, to raise the private finance that will be needed to combat global warming. Over the next five years we are determined to deliver USD 100 billion of climate action finance across the globe, the largest contribution to climate action by any single multilateral institution. The EIB, as the largest Multilateral Development Bank, is taking a leadership role and showing how seriously we take the threat of climate change.

The EIB is making significant investments outside Europe in order to address the Sustainable Development Goals. That includes measures to help countries become more economically resilient. This in turn will make it less necessary for people to risk the perilous path of migration to Europe. Development policy must shift from a global social policy to a strategy for global growth and prosperity.

Werner Hoyer
EIB President

Pier Luigi Gilibert
EIF Chief Executive

2016 in figures

Total financing



supporting **EUR 280 billion** of total investment

13.5 bn for **innovation and skills**
backing **11 million** digital connections

33.6 bn for **small and medium-sized enterprises**
supporting **300,000** companies

16.9 bn for **environment**
cleaner water for **25 million** people

19.7 bn for **infrastructure**

European Fund for Strategic Investments in 2016



* EIB approved: EUR 22bn – EIF approved: EUR 8.2bn

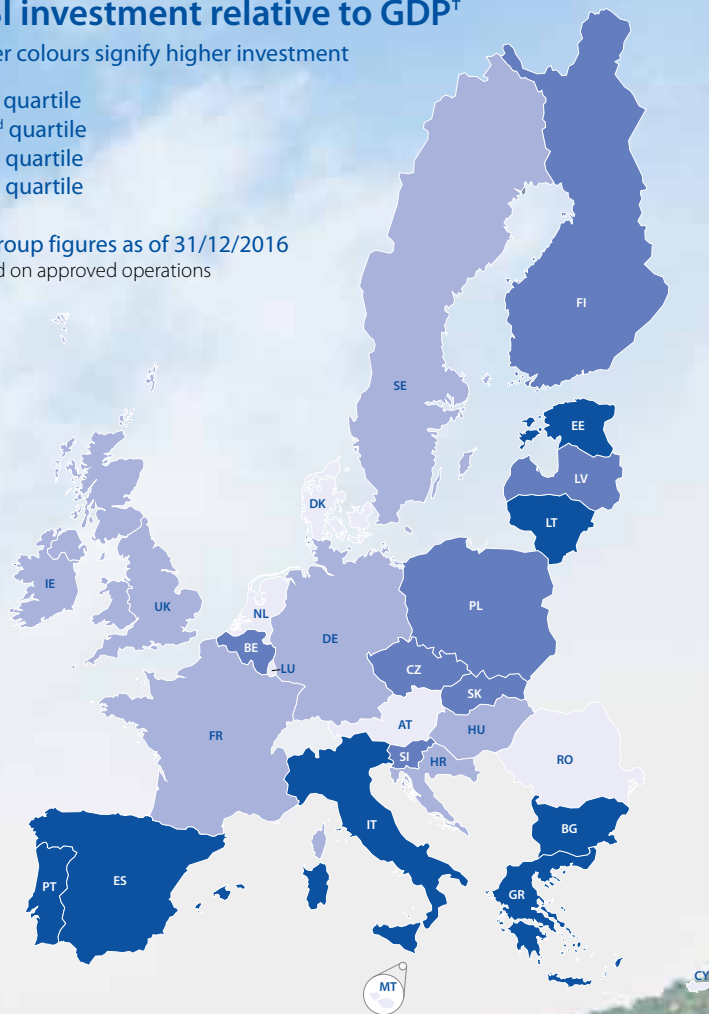
EFSI investment relative to GDP[†]

Darker colours signify higher investment

- 1st quartile
- 2nd quartile
- 3rd quartile
- 4th quartile

EIB Group figures as of 31/12/2016

[†] based on approved operations





Sustainability and the EIB Group

Sustainability and societal responsibility lies at the heart of everything we do. We have financed thousands of operations around the world for over 50 years and provided risk financing for small and medium-sized enterprises (SMEs) across Europe. Our ultimate goal is to improve the lives of people, support innovation and create jobs. We provide financing to meet global challenges such as the provision of clean water and sanitation, mitigate threats to biodiversity, enable adaptation to and mitigation of climate change and contribute to achievement of the Sustainable Development Goals (SDGs).



The Rapa river delta, Sarek National Park, Laponia UNESCO World Heritage Site, Greater Laponia rewilding area, Lapland rewilding area, Norrbotten, Sweden

We measure our impact by monitoring the results of all our operations and comparing them with the expected benefits envisaged during the appraisal stage.

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 European Investment Bank is the EU bank, owned by the EU Member States. The finance and assistance we provide contribute towards EU policy goals, and we also operate globally as a Multilateral Development Bank. The EIB Institute is part of the EIB. 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) is the specialist within the EIB Group for providing risk finance to benefit micro, small and medium-sized enterprises in order to stimulate growth and innovation across Europe. The shareholders of the EIF are 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.* ✓

The EIB Group, consisting of the EIB and the EIF, is the European Union's long-term financing institution. The EIB is the world's largest multilateral borrower and lender, and the EIF is the prime provider of risk financing to benefit SMEs across Europe. We provide finance and expertise for sound, sustainable investment projects and operations.

Our ultimate responsibility is to respond to the economic needs of citizens in the EU and the world in a way that positively impacts their lives. All operations we finance must not only be bankable, but must comply with strict economic, technical, environmental, social and governance standards and provide added value in terms of EU objectives.

Responsible lending, investment and advisory

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 objectives¹ and our environmental and social standards for supporting smart, sustainable and inclusive growth. For the EIB Group, this means:

- **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.

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 the due diligence processes involved in our lending decisions and lists the ten standards that investment operations financed by the EIB must comply with. These are:

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*

¹ The analysis of the expected impact according to EU policy objectives is performed at the appraisal stage; the data in this report only concerns operations that have been signed during the designated year (2016).

The EIF uses internal monitoring processes and an independent risk management function to ensure sustainable and compliant business operations.

Furthermore, the new [EIB Group Gender Strategy](#), approved by the Board of Directors in December 2016, aims at embedding gender equality and specifically women's economic empowerment in the Group's activities inside and outside the European Union (read more on p. 40).

Guided by UN Sustainable Development Goals and the Paris Agreement

In line with the EU Agenda for Change,² the EIB Group is supportive of the Sustainable Development Goals (SDGs)³ and the Paris Agreement.⁴ The SDGs have been adopted by 193 members of the United Nations and represent a major global challenge. We are working towards implementation of these 17 goals to end poverty, protect the planet and ensure prosperity for all (read more on p. 42).

Our borrowing activities


The Bank's loan portfolio is funded through bond issuance in the capital markets. We are committed to raising funds responsibly and sustainably in order to support our policy aims. The EIB is one of the largest issuers in the international capital markets. So far we are also the world's largest issuer of Green Bonds – labeled Climate Awareness Bonds (CABs) at the EIB. CABs 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 GHG emissions avoided, absolute emission levels, energy consumption saved and additional power generation installed.

² http://ec.europa.eu/europeaid/policies/european-development-policy/agenda-change_en

³ <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

⁴ http://unfccc.int/paris_agreement/items/9485.php

Responsible business practices

The EIB Group's operations are guided by the principles of transparency and accountability. We strive for transparency by promoting openness on how we work and how we contribute to implementing EU policy, by maintaining 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*.  ⁵ 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 (p. 48).

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 may refer the matter to the European Ombudsman.⁶ This makes our grievance mechanism unique among those of international financing institutions (p. 53).

We also seek to embed best practices in employment conditions (p. 60). This is reflected, among other things, in our low turnover of employees.

We work continuously to reduce our own direct environmental impact. We measure and report our direct carbon footprint by applying the internationally acknowledged GHG Protocol Corporate Standard⁷ (p. 55).

About this report

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards 'comprehensive' option and should be read in conjunction with the 'Sustainability Reporting Disclosures 2016', a separate document available from our website.


The 2016 Sustainability Report provides an overview of the operations and impacts of the EIB Group as they

relate to our objective of supporting smart, sustainable and inclusive growth in a challenging European and global context.

The 'Sustainability Reporting Disclosures 2016' are based on the GRI Standards launched in 2016 by GRI to supersede their G4 Sustainability Reporting Guidelines previously applied by the EIB Group. As a GOLD Community member and part of the GRI Standards pioneer programme, the EIB Group is one of the first International Financial Institutions globally to apply the new standards. Our GRI Disclosures address relevant topics in a standardised form that makes them more comparable for our stakeholders, such as professional users of sustainability reports like 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.⁸

The present report features three dimensions of sustainability at the EIB Group: 'Responsible Finance' covers our investment and lending, advisory and borrowing 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.

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.

⁵ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX-%3A32006R1367>

⁶ <https://www.ombudsman.europa.eu/start.faces>

⁷ <http://www.ghgprotocol.org/standards/corporate-standard>

⁸ See Sustainability Report 2014, p. 10: http://www.eib.org/attachments/general/reports/sustainability_report_2014_en.pdf

Responsible Finance: How the EIB Group invests in 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. Responsible finance includes investment and lending, but this 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.

13.5 bn
for **innovation
and skills**

backing **11 million**
digital connections



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

30

Megabits/second

Responsible and inclusive lending and investing

Lending is the EIB's principal activity. We lend and provide investments for clients of all sizes in order to support sustainable growth and jobs. Our support is often central to attracting other investors. There is also a variety of tools to help clients blend our financing with additional sources of investment. Our focus is on four priority 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 are key ingredients for driving growth in Europe and ensuring the region's long-term competitiveness. This is a top priority for the EIB Group. We support innovative operations ranging from large-scale research to small, specialised spin-outs or digital networks. Supporting investment that is geared towards innovation, skills and greater competitiveness is part of our mission to foster sustainable growth and jobs in Europe. We can help secure such investments and maximise resources using our catalytic effect.

In 2016, we supported innovation and skills with EIB loans amounting to EUR 13.5 billion. The projects included enablement of 11 million new, high speed digital connections. ✓

We have a wide range of products to support public and private investment offering flexibility, expertise and creativity to get projects off the ground. 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.

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 therefore emphasises the financing of market-oriented innovation as well as the acquisition of skills that are necessary to improve the employability of people in Europe's future economy. It consists of three areas: **ICT, broadband and data systems, R&D and innovation (RDI)**, education and skills. The Innovation and Skills programme also supports: the deployment of manufacturing capacity for innovative technologies, investments in Information and Communication Technology (ICT) and the training of teachers as well as vocational education and training.



50 m^{EUR}
to **optimise
production
capacities**

Novamont: Supporting the circular economy in Italy

Novara in Piedmont, Terni in Umbria and Piana di Monte Verna in Campania are three Italian cities with a history in the chemical industry, which once made considerable contributions to the Italian economy but now have high unemployment rates. However, they are also surrounded by rich agricultural countryside where farmers produce a range of products from grains, through nuts to flowers. Naturally, they all produce biodegradable waste, and this is at the heart of the business model developed by Novamont.

The company specialises in bioplastics and makes innovative use of the high carbon content in biological waste. "Rather than importing oils from Asia, we wanted to contribute to the local economy," explains Giulia Gregori, Special Projects Manager at Novamont SpA. "We were looking for an integrated value chain involving farmers and products from the region. This is not just about the plastics. We are part of a circular economy where biomass is produced from the land and then transformed into a biodegradable product that in turn becomes part of the earth through composting at the end of its life cycle."

The EIB supported the project with a EUR 50 million loan that covers almost half of the investment necessary. The funds are used to accelerate research and development, and optimise production capacities so that the business becomes profitable in a much shorter period than would have been achievable without the finance. "The EIB really understands the value of innovation," Gregori says. "Apart from the finance, they provided excellent advice. This was the first time we focused on other issues aside from the financial aspects when we were talking to investors."



Giulia Gregori, Special Projects Manager at Novamont SpA



“ In Bulgaria, it’s good to have more than one source of revenue. If things are not so good with one business, the other one supports it until things get better.

*Georgi Dikov,
Factory owner*

Filling a market gap – and reducing pay disparity

Small loans extend the reach of the European Fund for Strategic Investments (EFSI) to every corner of the European Union. On the Bulgarian bank of the Danube across from Romania, Georgi Dikov runs a factory that makes scaffolding and construction equipment. In 2016, he received a EUR 34,000 loan from EIF intermediary Cibank in Sofia, for the purchase of a second-hand harvester from Germany. “In Bulgaria it’s good to have more than one source of revenue,” says Dikov, who employs 45 people in his factory and five others working in a 100-hectare plot of agricultural land. “If things are not so good with one business, the other one supports it until things get better.” Dikov’s firm, Dzhodi Ltd., is located in Oryahovo, a town of 5,000 people where the unemployment rate is higher than the Bulgarian average and wages are half the national average. It’s an area with relatively few highly trained workers. “I train people with only basic education,” says Dikov, “and I turn them into specialists.” A 2015 agreement between the EIF and Cibank allows the intermediary to provide EUR 100 million of loans under the EFSI guarantee.



Small loans extend the reach of the European Fund for Strategic Investments (EFSI) to every corner of the European Union.

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 the 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.

SMEs and Mid-caps

Small and medium-sized enterprises (SMEs) are important drivers of growth, employment and innovation in Europe. Irrespective of whether they are privately owned or publicly listed with a medium or small market capitalisation ('Mid-caps'), they represent well over 90% of businesses in the European Union and employ two thirds of the active working population. Supporting access to finance for SMEs and Mid-caps is therefore a top priority for the EIB Group.

In 2016 alone, the EIB Group provided financing for SMEs and Mid-caps with total investment amounting to a record EUR 33.6 billion – in excess of one third of our total activity. We supported 300,000 micro, small and medium-sized companies, which employ 4.4 million people. ✓

Our financial support focuses on developing innovative products and partnerships that facilitate access to finance and improve financing conditions for SMEs 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 in this essential economic sector 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 nearly 1,100 financial intermediaries such as banks and leasing companies, guarantee and microfinance institutions, private equity fund managers, and increasingly, national promotional institutions (NPIs).





Social impact in the UK construction industry

K10 Apprenticeships Ltd. is one of the companies that trigger an instant “wow” effect with its efforts to deliver truly positive change in communities throughout London. The company tackles high unemployment rates among young people, who often lack the knowledge required for a fulfilling career, and at the same time addresses the acute skills gap within the construction industry. K10 offers young, disadvantaged and unemployed people an apprenticeship that provides the experience they need to take up full-time employment. Social and emotional skills are also enhanced. K10 also seeks to make the construction industry more accessible to people who would traditionally not have worked in it, including women, ex-offenders, and people with disabilities. The company employs apprentices directly as an accredited Apprenticeship Training

Agency, securing paid jobs with construction companies and developers across London. Apprenticeships include business administration, carpentry, plumbing, dry-lining, painting and electrical installation. Impact Ventures UK – a leading EIF-backed investment fund specialising in the provision of growth capital to social enterprises – invested in K10 with a view to scaling the business so that it turns in a profit and is able to achieve the goal of employing at least 100 apprentices each year – an ambitious target which was exceeded in 2016.



How EFSI supports SMEs in Greece

When the European Fund for Strategic Investments (EFSI) was launched in the summer of 2015, Greek SMEs reaped immediate benefits. EFSI steps in where there is a market failure in risk-taking. A number of paradigmatic examples have since demonstrated how the EIB Group puts EFSI to good use in the country.

In May 2016, the EIF signed a guarantee agreement with ProCredit to provide loans of EUR 20 million to innovative companies in Greece over the next two years. This was followed by deals with the National Bank of Greece, including two by the EIF under the umbrella of EFSI: one in July providing guarantees of over EUR 100 million, the other alongside the EIB in October in an SME securitisation worth over EUR 650 million. In addition, the EIB invested EUR 20 million into the Diorama Hellenic Growth Fund, which makes private equity investments in Greek SMEs with high growth potential.

Northern Greece is a part of the country that has been particularly hard hit by the economic crisis. Farmers and young unemployed borrowers, and micro-businesses active in the green economy, stand a better chance of getting a loan when their local bank benefits from a guarantee provided by the EIF. The situation is similar on the island of Crete where young people have to contend with high levels of unemployment. The EIB invested EUR 40 million with a local bank to benefit tourism and other types of company, specifically with a view to creating jobs for young people.

In addition to EFSI, SMEs in Greece gain from other EIB sources, in particular the Guarantee Fund for Greek SMEs. This is a joint initiative of the Ministry of Development and Competitiveness and the EIB with the objective of supporting the real economy and counteracting the impact of the crisis.



Backing R&D in Creta Farms, Greece's largest company for meat and deli meats, thereby helping the company to produce healthy sausages and cold cuts with olive oil

Environment is a public policy goal of the EIB and includes financing for projects involving 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 sustainable transport, protection of the environment and renewable energy and energy efficiency as well as resource efficiency.

Environment

Creating a healthy and safe 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.

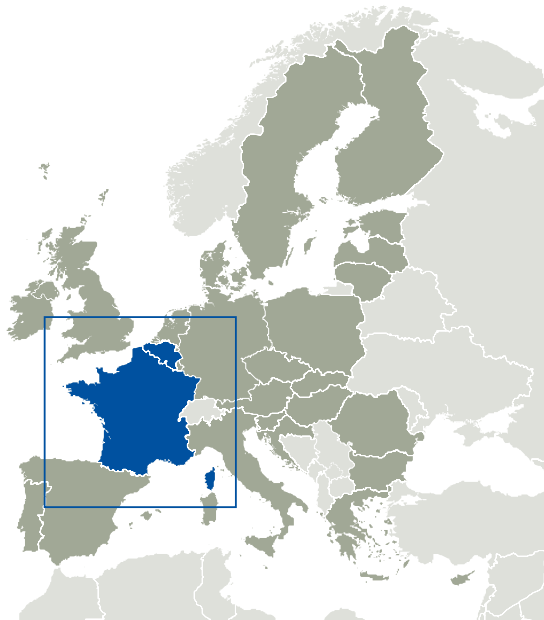
In 2016, the EIB lent EUR 16.9 billion for 217 projects for our Environment Policy goal. ✓

EIB finance benefits environmental protection, renewable energy, energy efficiency, water and waste management and sustainable transport.

16.9 bn EUR

for 217 projects supporting our environmental policy goals

Windpark Noordoostpolder with 86 wind turbines and a capacity of 195 MW is the largest wind farm in the Netherlands



Bruno Farber, Managing Director of Ginkgo Advisor

“ The EIB involvement is like a quality label.

Turning decontaminated land into urban homes

Across Europe, approximately 3.5 million former industrial sites lie vacant, including many old and disused factories and warehouses. Cities expand around these sites, enclosing valuable land that often cannot be exploited due to soil contamination or the presence of hazardous building materials that can be expensive to remove and complicated to dispose of safely. Serious attention needs to be given to redeveloping these areas in order to prevent further urban sprawl.

Bruno Farber has a recipe for meeting the challenge. In 2010, the managing director of Ginkgo Advisor set up a decontamination fund that raised EUR 80 million for seven decontamination and redevelopment projects in Belgium and France. The fund includes EUR 15.6 million from the EIB. The idea struck a chord with many investors and interested municipalities, so much so that Ginkgo II was launched as a successor in February 2016. All the original investors remained on board and some even doubled their investment, including the EIB. Much of the EIB funds are secured through the European Fund for Strategic Investments (EFSI).

“The EIB commitment has been a unique catalyst in the process of attracting additional investors,” Farber explains. “And this is not only because of its good reputation. The EIB due diligence process was time-consuming but it ensured that any environmental, social or legal risks were minimised. That brings a lot of credibility to the project.” Hence, the EIB involvement helped to raise money faster and reduced risks for every partner involved. “It is like a quality label”, says Farber.

While Ginkgo II continues to raise money, also with a view to expanding the fund to other countries, Ginkgo I is quite literally gaining ground. Four out of the seven sites had been fully decontaminated by the end of 2016 and the remaining ones are due to be cleared by 2018. 200,000 square metres of urban land will be gained, 85% of which is to be designated as residential areas, which will benefit about 3,000 households. And all are easily reachable by public transport: “A key aspect of our project is to avoid traffic congestion after people have moved in”, Farber says.



“ 870,000 people will benefit from reduced flood risks.”

Safe dikes and clean water for the Netherlands

Much of the Netherlands lies below sea level, safeguarded by dikes along the coasts and flood gates at river mouths. Climate change, environmental standards, population and economic growth called for a critical rethink of the level of flood protection afforded by the existing infrastructure. As a result an updated National Flood Safety Strategy was adopted in 2008 in the Netherlands, which led to a recommended significant increase in the safety standard of diked areas. In July 2016, the EIB signed a EUR 120 million loan agreement with the Dutch local water authority Waterschap Hollandse Delta (WSHD). This will support the water authority's 2016–2021 investment programme, concerning mainly 33 km of primary dike reinforcements, investments in wastewater facilities and works to secure fresh water supply intake points against salt water intrusion. As an outcome, some 870,000 people will benefit from reduced flood risks.

EU bank supports water safety and quality investment in the Netherlands





Urban gardening made easy

GRIN is an innovative start-up in Italy that transforms the traditional concepts of gardening and agriculture into something that city dwellers can also achieve and take pleasure in. It produces and distributes eco-friendly tools and easy-to-manage equipment for people who are not willing to compromise on living a metropolitan life and growing their own fruit and vegetables – on the balcony or even the rooftop. GRIN’s “do-it-yourself” approach transforms balconies and terraces into perfect miniature allotments where people can cultivate vegetables or grow flowers at home. All products are sold online through an e-platform as well as through a growing physical network of resellers – all supported by the EIF through its cooperation with the Italian intermediary Confeserfidi.



GRIN’s “do-it-yourself” approach transforms balconies and terraces into perfect miniature allotments

“ start-up transforming traditional concepts of gardening.

Infrastructure is a public policy goal of the EIB which means 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.

Infrastructure

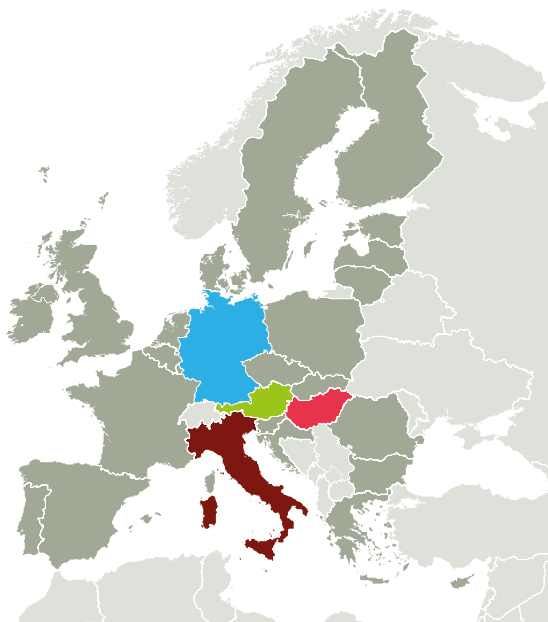
The EIB is a major partner for investments that promote safe and efficient infrastructure for energy supply, transport and urban areas. Building networks for the internal market is essential for fostering growth and increasing Europe's competitiveness. Infrastructure projects play an important role in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

New investment in infrastructure requires substantial finance at reasonable cost. As the bank of the EU, we have made it a top 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 2016, the EIB signed loans worth EUR 19.7 billion to support its infrastructure policy goal. ✓

The EIB offers more than just finance for infrastructure projects. Complementing our significant experience in infrastructure lending, we seek to add value through technical advisory services. The focus is on less developed regions and on projects involving complex structures such as public-private partnerships.

19.7 m
EUR
to support
**infrastructure
policy goals**



EU Urban Agenda hits high on infrastructure

Over 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 and the European Committee of the Regions⁹ collaborate on a range of initiatives related to the Urban Agenda in order to share knowledge with local and regional decision-makers with a view to improving access to funds and helping them use existing funds more effectively. The EIB has provided EUR 95 billion (inside the EU) in urban lending over the past five years and is extending that funding to projects presenting a higher risk under the umbrella of EFSI. Alongside the Bank's advisory services, these loans reflect all of the twelve Priority Themes of the EU Urban Agenda that was launched by the Pact of Amsterdam¹⁰ in May 2016 – with many of them focusing on infrastructure.

⁹ <http://cor.europa.eu/Pages/welcome.html>

¹⁰ <https://ec.europa.eu/futurium/en/urban-agenda>

Budapest | Hungary

200 m

framework loan to **upgrade** the **metro, tram** system, **roads** and **bridges** with the aim of **creating** an **integrated urban transport network**

Vienna | Austria

150 m

loan to **produce energy** for the **city's wastewater treatment plant** from sewage sludge, thereby **cutting energy costs**

Milan | Italy

500 m

for a **metro link** between Linate Airport and the city's suburbs. This is a **road congestion hotspot**, and Milan's climate and topography **exacerbate air pollution**

Baden-Württemberg | Germany

825 m

for the state to finance trains to lease to more and smaller rail operators, to increase competition and thus reduce public transport costs.



The Grand Paris Express Network is a megaproject that includes the construction of 200 km of driverless metro lines

Improved travel times for more than **90 million** passengers per year; project expected to reduce emissions by more than **60,000 tonnes** of CO₂ per year on average.

Grand Paris Réseau de Transport Ligne 15 Sud

From 2001 to 2010, the number of journeys by public transport in the Ile-de-France region increased significantly while those by motor car stabilised. Nevertheless, the majority of journeys are still made by car.¹¹ To encourage increased use of cleaner transport modes, a large investment programme in public transport is ongoing. The Grand Paris Express Network is a megaproject that includes the construction of 200 km of driverless metro lines to double the size of the existing public transport network. The new network will enhance connectivity and accessibility both amongst the neighbouring cities and to Paris. The Grand Paris Express will be the backbone of a transport-led development strategy to catalyse sustainable urban development. This strategy includes, for example, densification projects around the new metro stations.


The EIB is supporting the construction of the first phase of Line 15, an orbital line that will run from east to west around Paris, from Pont de Sèvres to Noisy-Champs. Once completed, this 33 km section will reach 22 municipalities in the south of Paris and serve more than 1 million inhabitants via 16 newly-constructed metro stations. To date, the **EIB financing** for the project encompasses a loan of EUR 1 billion to Société du Grand Paris (SGP), the project promoter.

In parallel, the EIB is also involved in the financing of other major projects in the region, cooperating with other stakeholders including the City of Paris, the Ile-de-France region, the Syndicat des Transports d'Ile-de-France (STIF) and the Régie Autonome des Transports Parisiens (RATP).

The **project's main benefits** are improved travel times for the more than 90 million passengers per year of the new metro line. The project will also significantly enhance public transport services for other users as it will reduce overcrowding on the existing metro lines thus increasing comfort. These improvements will foster a modal shift. Other **economic benefits** include reduction in externalities such as pollutant emissions, accidents and casualties. Once operational, the project is expected to reduce emissions by more than 60,000 tonnes of CO₂ per year on average.

The project will also have a significant impact on employment: the promoters of the Grand Paris Express anticipate that the project will support around 5,000 temporary jobs per year during construction and some 850 new jobs during operation. Furthermore, research and innovation will be encouraged during the whole project cycle. The use of open data and new technologies made it possible to improve the planned transport services. The **EIB's added value** lies in providing the necessary long-term funding at an early stage of the project's implementation at a time when financing sources were limited for public promoters. The EIB's loan thus ensured that the project was able to get off the ground.

¹¹ According to the Enquête Globale Transport of the Syndicat des Transports Ile-de-France.



The project comprises the construction and operation of a 140 MW storage hydroelectric power scheme and its interconnection to the national grid. It is designed to help meet peak electricity demand in Nepal during the dry winter months.

19.5 bn
for **Climate Action**

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.

Climate action

Climate change is one of the greatest global challenges of our time. Climate 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. Climate action is therefore a key priority for the EIB Group. We recognise both the importance of long-term finance to tackling climate change and the increasing role of climate finance in driving economic growth inside and outside the EU.

In 2016, EIB signatures for Climate Action stood at EUR 19.5 billion, representing 26% 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 Paris Agreement¹² that entered into force on 4 November 2016, 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. We are confident that with the adoption of the Sustainable Development Goals¹³ – with climate action being one of them – and a new global climate agreement now ratified, key milestones have been defined on the path towards a more sustainable economy.

¹² http://unfccc.int/paris_agreement/items/9485.php

¹³ <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

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 of 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 which will help drive the implementation of the Climate Strategy over the coming years.

“ Climate change is one of the greatest global challenges of our time.”



High demand for thermal insulation in Romania

The large-scale thermal rehabilitation project undertaken in Bucharest's city Sector 6 between 2011 and 2015 is a convincing example of an effective urban development scheme that benefits climate action. A total of 256 refurbished buildings (corresponding to 272 owner associations) containing 18,924 apartments in the Romanian capital is the impressive outcome of the project. Following a completion report in March 2016, the EIB and the Municipality of Sector 6 signed up for a repeat operation in the same sector of the city covering the next 112 buildings. This project is scheduled for completion in 2018.

"When you consider that between 10 and 15% of all Romania's buildings are located in Bucharest," affirms Mihai Tudorancea, Managing Director of TUD Business Consulting (the consultant hired by the Municipality), "the impact of this project on the average building quality in the country as a whole is obvious". According to a survey carried out by TUD, more than 1,600 similar high-rise residential buildings in Bucharest would qualify for the same sort of refurbishments. "When we invited applications from owner associations to apply for participation in the second programme, we received 456 applications within one month," he reports. These numbers are unprecedented in Romania and this demonstrates the appeal of the project



“ The impact of this project on the average building quality in the country as a whole is obvious.

Mihai Tudorancea
Managing Director of
TUD Business Consulting

to the local population. The project was cofinanced, with 47% of the investment undertaken by the EIB and the rest shared by the municipality and the national government.

The EIB project evaluation demonstrates the clear sustainability performance of the project. The residents benefit from an energy saving of 40%, their heating costs are significantly lower and they enjoy greater comfort. In addition, the owners have property with a higher value.



40
years
426
projects

Regional cohesion

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

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 and in developing regions.

EIB celebrates 40 years of involvement in Portugal

Since 1976, ten years before Portugal joined the European Union, the EIB has supported the country in 426 projects. ✓

The assistance from the EU bank has financed much of the country's road and railway infrastructure, modernised the Lisbon Metro, recently provided finance for the construction of the Metro do Porto and helped expand the country's airports. Since the inauguration of the Metro do Porto in 2002, for example, the number of people using it represents an equivalent of some 12,000 cars taken off the city's streets.




The Vasco da Gama Bridge, opened in 1998, is a landmark project that showcases modern Portugal more than any other. The bridge connects the two sides of the city of Lisbon by spanning the River Tagus. With a length of 17 km, the bridge is the longest in Europe and it received assistance to the tune of EUR 305 million in a loan from the EIB.

In Madeira, away from the mainland, the EIB financed the island's airport, which has an extended runway, 2.7 km long. It was built in 2000 between mountains and partly over the ocean, and rests on a platform of 180 columns each about 70 metres tall. This engineering feat is recognised as a spectacular achievement throughout the world.

The transformation in water quality has been extensive. 20 years ago, only half of all drinking water was subject to quality controls, and fewer than 30% of the Portuguese population were served by wastewater treatment systems. *Since 1977, the EU bank has invested over EUR 2.5 billion in water supply systems and waste treatment plants.* ✓ This has made a difference to the quality of drinking water and contributed to cleaner beaches and rivers throughout Portugal. The country now has 299 blue flag beaches and this places Portugal among the top five countries in Europe ranked by the environmental quality of the coastline.

Also, each year, around 200,000 young Portuguese schoolchildren attend schools that have been refurbished with the support of the EIB.



Two lanes of the highway will be reserved for public transport, and easing traffic jams will hopefully have a positive effect on fuel being burned as well.

“ **Technical assistance enhances development impact.** ”

Monitoring, technical assistance and advisory

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 and non-financial support in the form of technical assistance and advisory services.

Monitoring ensures project objectives are delivered

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. The Bank 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.

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 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 Agreement¹⁴) covering the years 2000 to 2020. The central objectives of the Agreement are reducing poverty, supporting sustainable development, and the progressive integration of the ACP countries into the world economy. In particular, a number of recent projects in small island nations demonstrate our support for climate adaptation, since many of these countries are endangered by rising sea levels as a consequence of global warming.

14 http://ec.europa.eu/europeaid/regions/african-caribbean-and-pacific-acp-region/cotonou-agreement_en



For example, the Cook Islands are made up of 15 islands with almost 90% of the combined territory being less than 5 metres above the current sea level. The EIB has been providing technical assistance in the Cook Islands to assess the options for relocating some infrastructure to reduce the potential impact of an extreme storm. This includes the country's main airport. The airport's fuel storage depot is located between the runway and the ocean and the principal danger is that this could overflow onto the tarmac if the sea surges and make it impossible for flights to land or take off. If the airport were shut down for any length of time, the country's major industry of tourism could collapse with dramatic consequences for many islanders. More importantly, the airport is the only viable way of getting help to the island after a natural disaster.

On the island of Saint Lucia, the John Compton Dam across the Roseau River forms a water reservoir that is used by most of the inhabitants. However, hurricane Tomas (2010) and another severe storm in December 2013 created landslides that reduced the capacity of the water reservoir by almost one third and deposited large quantities of silt in the water, and damaged equipment and infrastructure. Water is rationed during the hot season to overcome the shortage and this impacts negatively on tourism, which is the eastern Caribbean island's main source of income. In 2016, through its Climate Action line of credit to the Caribbean Development Bank, the EIB committed to support the climate change resilience of this key water resource through the renovation of the John Compton Dam and reservoir.

Advisory services provide specific expertise

Advisory services complement the EIB's lending activity and form an integral part of our Lending, Blending and Advising strategy. 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 divisions. [InnovFin Advisory](#) guides its clients on how to structure research and innovation projects to improve their access to finance. 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 providing technical support to a renewable energy investment programme. The Bank also provides substantial technical assistance to energy efficiency and urban transport projects and programmes.



Responsible borrowing

As a long-term lending institution, sustainability also plays a major role in our borrowing activities in capital markets. The EIB's lending and other operations are funded by issuing bonds in the international capital markets. These debt products are purchased by international institutional and retail investors. In 2007, we were the first financial institution to issue a Green Bond. We pioneered this market, and at end-2016 we remained the largest issuer of Green Bonds worldwide with more than EUR 15 billion issued in the format since 2007.

Green Bond pioneer

At the EIB, 2016 was another major year for Green Bonds – labelled 'Climate Awareness Bonds' (CABs) at the EIB – with EUR 3.8 billion issued in this format. This includes a new issue that broke records as the longest euro Green Bond in the market, with a 21-year tenor. In 2016 we also became the first issuer to have our CAB activities verified by an external auditor: KPMG Luxembourg provided us with an Independent Reasonable Assurance report, the highest level of assurance so far provided in the segment. In addition, we

supported the transparency and comparability of the Green Bond market by contributing to working groups of the Green Bond Principles (GBP) coalition that produced standardised forms: the issuers' Green Bond Information Template and the External Review Form. Finally, in terms of reporting, we started publishing our assessments of environmental and social issues for completed projects in 2016. These are published in our Public Register, available [here](#).



CABs are specifically tailored bonds, where the money raised in capital markets may exclusively be invested in projects that benefit the environment.

The EIB launched the world's first ever Green Bond in 2007. This issue was placed on the Luxembourg Stock Exchange (LuxSE), and was recognised as a milestone, earning the EIB the Green Bond Pioneer Award 'First Green Bond' from the Climate Bonds Initiative in February 2016. In the same month, we issued our 100th Green Bond on LuxSE. These achievements highlight the EIB's early and systematic commitment to promoting direct capital market engagement in the area of climate finance.

In September 2016, the EIB issued a new EUR 500 million CAB. This was a ground-breaking transaction

as it represents the longest Green Bond benchmark (21 years) issued to date. We continue to promote sustainable growth of the Green Bond market globally by providing scale of issuance, and by building a green reference yield curve. Our other benchmark size Euro reference lines have remaining maturities of two, six and nine years.

As of end-2016 our total CAB issuance amounted to EUR 15.1 billion (2015: EUR 11.3 billion) across 11 currencies. Of this, EUR 7.6 billion is denominated in euros. A list of our outstanding CABs is available [here](#).

Development of Green Bond issuance and disbursements, 2013–2016 ✓

2013	2014	2015	2016
<i>EIB Climate Awareness Bonds issuance (in EUR billion)</i>			
1.38	4.27	3.96	3.86
<i>Disbursements to CAB-eligible projects (in EUR billion)</i>			
1.28	3.7	3.7	4.14

CAB internal criteria

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

- **Renewable energy:** for example, wind, hydro-power, solar and geothermal energy production projects

OR

- **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



First phase of the solar power complex project in Ouarzazate, involving the construction of a concentrated solar power (CSP) plant with a gross capacity of between 125 and 160 MW

CAB proceeds are allocated to projects worldwide. As part of our internal processes we assess the percentage of a project that fits into these two sectors. Only that percentage of the project investment can receive CAB proceeds. On a semi-annual basis we publish CAB Newsletters, which transparently list allocations to individual projects.

**Investors
can rely on an
independent
reasonable
assurance report
of KPMG on the
CAB Statement**

In 2016, about 87% of CAB proceeds were allocated to renewable energy projects. The projects financed in 2016 include, for example, the Casablanca CSP Project – the construction, operation and maintenance of a concentrated solar power (CSP) plant located in Talarrubias near Badajoz (Extremadura, Spain). It has a capacity of 49.9 MW and uses molten salt storage technology. Another example is the Beatrice Offshore Project in the United Kingdom, an offshore wind farm generating around 600 MW of power located about 14 km off the Caithness coast near Wick in Scotland. The Bucharest Sector 6 Thermal Rehabilitation Project (see p. 25) is also a CAB project.

Over the past year, 16% of the funds were allocated to projects outside the European Union, among them the Yacyreta Transmission Line in Paraguay. This project involves the construction of a 500 kV high-voltage transmission line extending for 360 km between Villa Hayes

(close to Asunción) and the Yacyreta hydropower plant and the expansion of three 500/220 kV substations. The project includes a power-loss reduction component implemented with installation of electronic meters in the distribution network.

First 'Independent Reasonable Assurance Report' for a Green Bond

CABs (management responsibilities, objectives, procedures, processes and reports) are described in detail in a [CAB Statement](#), updated yearly. Investors can rely on an independent reasonable assurance report of KPMG on the CAB Statement. Published for the first time in September 2016, the two documents established a best practice precedent, inter alia including the GBP External Review Form as an appendix to the assurance report. The report contributes to higher standards in the disclosure and reliability of the growing Green Bond market. This confers a high level of reliability to the information supplied by the EIB and supports the alignment of the Bank's Green Bond practice with the GBP as revised in 2016.

Contributing to industry standards

The extraordinary growth of the Green Bond market in recent years and the rising number of issuers worldwide has made it necessary to develop common guidelines for issuers, investors and intermediaries. The EIB is a leading contributor to the Green Bond Principles (GBP) and chairs the Executive Committee of the GBP. The four core components of the GBP are use of proceeds, the process for project evaluation and selection, the management of proceeds and reporting.

The 2016 edition of the GBP provided a Green Bond Information Template – detailing the alignment of an issuer's bonds with the GBP – and an External Review Form, which facilitate comparisons. Information in these formats on the EIB's CAB programme is available from the GBP's online resource centre available [here](#).

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 rating reports, see [here](#).

MOODY'S

STANDARD
& POOR'S

FitchRatings

Furthermore, our overall sustainability performance continues to receive the highest ratings in the growing market for Sustainability and Responsible Investment (SRI). As at the end of 2016 our ratings stood as follows:

- 'AAA' by MSCI
- 'Prime' by Oekom Research
- 'Very positive A' by imug
- 'Leader' by Sustainalytics
- 'Advanced' by Vigeo
- 'Seal of Quality for Sustainability' by DZ Bank
- The EIB's Climate Awareness Bonds received a 'b+' from Oekom Research (at the end of 2015). ✓

MSCI



oekom research

imug



DZ BANK

vigeo



Responsible Guidance: **How the EIB Group ensures sustainability in its operations**

**“ We apply our carbon
footprinting methodology to
all sectors, not only climate
mitigation projects.**

The promotion of sustainable development underpins our lending strategy and objectives. Therefore, 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.



2.7 Mt
CO₂ eq/year
reduced or
avoided in
2016

Meeting key environmental and social standards

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 expectations for project promoters, *these public documents define ten standards (see p. 8) that must be met by any investment, technical assistance or advisory project that is undertaken by the EIB.* ✓

Transparent project cycle

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 are 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.

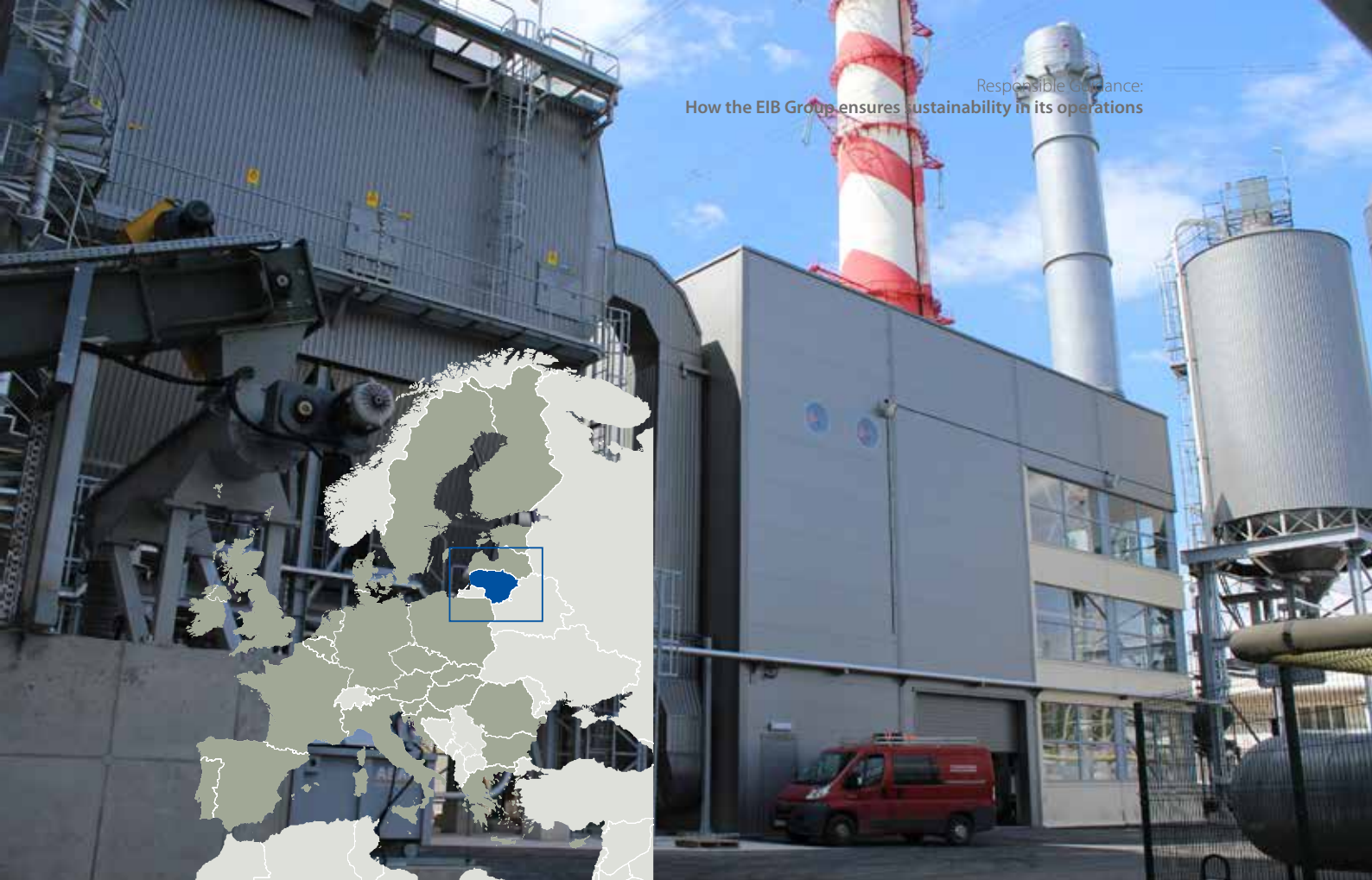
The EIB project cycle, with due diligence at project appraisal



A climate due diligence process determines the actual expected GHG emissions¹⁵ from a project, and the increase or reduction of greenhouse gas emissions resulting from a project. *Our emission thresholds for*

inclusion in the carbon footprint exercise are defined by projects leading to an emission variation of more than 20,000 tonnes of CO₂ equivalent (CO₂e) or a project emitting more than 100,000 tonnes of CO₂e a year. ✓

¹⁵ The criteria can be found in the GHG emissions methodology available [here](#).



Climate and environmental due diligence: Cleaner energy for Lithuania

In December 2016, the EIB signed a EUR 190 million loan agreement with Lietuvos Energija for the green-field construction of two combined heat and power (CHP) plants in Vilnius, a biomass-fired unit and a waste-to-energy unit. The project is expected to reduce municipal waste landfill, bring down energy prices, cut emissions and improve the security of energy supply in the country. The EIB loan is guaranteed under the Investment Plan for Europe.

The two plants will have a total capacity of 88 MWe and 227 MWth, supplying 413 GWh a year of electricity to the national grid and 1,180 GWh a year of heat to the district heating system in Vilnius.

In common with all major investments in the energy sector, the project was subject to environmental and social due diligence. It entered the EIB project cycle in November 2015, and an Environmental and Social Data Sheet was produced in May 2016 when the project appraisal was finalised. The project will be completed by 2020.

The environmental assessment took several factors into account. Modern CHP technologies will result in more efficient production than separate generation of electricity and heat. The investment will also help to meet the requirements of the European Landfill Directive 1999/31/EC by contributing to the diversion of biodegradable waste currently deposited in landfills. It will also assist in meeting the national renewable energy target by reducing the methane emissions from landfills and by generating heat and electricity from a partly renewable energy source. An Environmental Impact Study was prepared in 2015 and presented for public consultation. The plant will replace an existing obsolete installation fired by gas and heavy fuel oil, which has low efficiency.

The EIB carbon footprint exercise estimated absolute CO₂ emissions from the plant in a standard year of operation at 71,000 tonnes of CO₂e. Electricity-related baseline emissions are based on the fact that the plant will replace existing power generators. Heat-related baseline emissions of CO₂ are emissions from a gas-fired boiler. On the basis of these assumptions, estimated emission savings are 360,000 tonnes of CO₂e each year.

Climate mainstreaming: the carbon footprint of EIB projects

We apply our carbon footprinting methodology to all sectors, not only climate mitigation projects. For our Carbon Footprint Exercise (CFE), we estimate and report the GHG 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 CFE 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 CFE 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.

2016 project footprinting

In 2016, 70 of the projects in the EIB portfolio¹⁶ had estimated emissions above the absolute or relative emissions thresholds and were included in the 2016 CFE. They represent total EIB signatures or allocation approvals of EUR 17.7 billion. The related total absolute GHG emissions are estimated at 2.4 million tonnes of CO₂e per year, with carbon sequestration by forestry estimated at 3.5 million tonnes of CO₂e per year. The overall reduced or avoided emissions from the same financing are estimated at 2.7 million tonnes of CO₂e per year in accordance with the CFE methodology.

Project level data for projects included in the CFE are reported in our Environmental and Social Data Sheets (ESDSs) 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 CFE. This year for the first time, the aggregated sequestration of carbon by forestry financing signed in 2016 has exceeded the absolute emissions from other sectors. In addition to this positive news, the relative emissions figures show a large overall saving, with an aggregate saving estimated in the region of 2 to 3 million tonnes of CO₂e for the last three years, confirming that, overall, the EIB's investment projects are supporting a path of reduced emissions.

¹⁶ Projects with 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, 2014–2016 ✓

	2014	2015	2016
Number of projects	70	73	70
Total EIB amount signed (in EUR billion)	15.1	11.2	17.7
Absolute emissions (in million t CO ₂ e/year) ^a	4.7	4.6	2.4
Carbon Sequestration from Forestry (in million t CO ₂ e/year) ^{a,b}			3.5
Relative emissions (in million t CO ₂ e/year) ^a	-3.0	-3.1	-2.7

a Emissions and carbon sequestration are prorated to the EIB landing 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, as carbon sequestration exceeds total emissions, these figures are presented separately.

New report on Short-lived Climate Pollutants (SLCPs)

Addressing the emissions of short-lived climate pollutants (SLCPs) – like methane (CH₄), ground-level ozone (O₃), black carbon (BC) and some hydrofluorocarbons (HFCs) – can contribute substantially to tackling near-term climate change and improving air quality. The Climate and Clean Air Coalition (CCAC) has taken the lead in addressing SLCPs, and as a partner the Bank has carried out a stock-taking exercise with the aim of understanding the impacts of its lending activities on SLCP emissions and identifying options for scaling up mitigation efforts. The result is the EIB's report on Short-lived Climate Pollutants. The rationale for carrying out this exercise was a joint report by UNEP and the WMO that found that tackling SLCPs could reduce near-term global warming by 0.4 to 0.5 °C before 2050. Mitigating SLCPs could therefore contribute towards achieving the international community's objective of keeping the rise in global mean temperatures well below 2 °C, while improving air quality and thereby the health of citizens.

New Gender Strategy to promote women's economic empowerment

Gender equality is a key strategic area for the European Union, reflected in the EU's Gender Action Plan 2016–2020¹⁷ and the European Commission's Joint Staff Working Document on Strategic Engagement for Gender Equality 2016–2019.¹⁸ In fact, this is also one of the founding values of the European Union, and as such a key objective of the Sustainable Development Goals.

As a logical consequence, and consistent with these policy aims, the EB Group needs to ensure that women's economic empowerment is embedded in its activities, including lending, blending and advisory activity inside and outside the European Union. *The EIB Group Gender Strategy was adopted on 13 December 2016.* It builds on an extensive review of relevant EU legislation and policy documents, and further entails alignment with their precepts.

The Gender Strategy is a major milestone for the EIB Group. Entitled '**Protect, Impact, Invest: The EIB Group Strategy on Gender Equality and Women's Economic Empowerment**', it supports the protection of women's and girls' rights, empowers the EIB to increase its positive impact on gender equality, and helps focus support on projects that increase the participation of women in the labour market and the economy.

The strategy contains a mix of compulsory and voluntary elements. It is structured around three strategic action areas that serve as guiding principles for the Bank's focused endeavours:

- protection of women's rights within the Bank's due diligence framework and in the requirements for our clients and promoters;
- increasing our operations' positive impact on gender equality, while pursuing the Bank's public policy goals and operational plan objectives; and
- targeted promotion of women's economic empowerment, including women's increased access to employment and to credit/financial services, as well as support for female entrepreneurship.

The Gender Strategy took effect in January 2017 and is being implemented in a phased approach. A Gender Action Plan is geared towards implementation and will be expanded over the course of the year, defining the milestones, prioritisation and phasing of activities.

17 https://ec.europa.eu/europeaid/joint-staff-working-document-gender-equality-and-womens-empowerment-transforming-lives-girls-and_en

18 https://ec.europa.eu/anti-trafficking/eu-policy/commission-staff-working-document-strategic-engagement-gender-equality-2016-2019_en

Delivering on sustainability worldwide

Outside the European Union, our lending is governed by a number of mandates from the European Union in support of EU development and cooperation policies in partner countries. This also includes EU candidate countries, Eastern and Southern Neighbours, as well as Asia, Latin America, Africa and the Caribbean and Pacific island states. The overall aim is the same as in Europe: contributing to a sustainable economy by investing in climate action and the environment, safe and efficient infrastructure, and innovation to foster inclusive and sustainable growth. Furthermore, the EIB is working alongside Multilateral Development Banks to respond to the global refugee crisis with targeted intervention, helping both to address the long-term root causes of forced displacement and create economic resilience.

Chocolate Hills in
Bohol, Philippines



United Nations headquarters in Manhattan, New York City.

Supporting Europe's response to sustainability challenges

In September 2015, the members of the United Nations adopted a set of goals to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years. The EIB is fully committed to these goals and supports the EU Member States in their efforts to make them a reality.

While the Sustainable Development Goals¹⁹ (SDGs) are global in scope, the situation is different in each country. This is why the United Nations entrusted realisation of the SDGs to the individual countries so that they could develop and pursue their own targets. The goals may involve changes in policy, development of capacity and skills and inevitably very significant amounts of financing.

¹⁹ <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

We support and finance projects in more than 140 non-EU countries. The vision underpinning the EIB's activity outside the EU is making a direct contribution to the implementation of EU external policies and standards around the world. The EIB is the only multilateral organisation fully aligned with the EU Global Strategy²⁰ and the new Consensus for Development²¹ to which we subscribe.

The tasks ahead include even greater cooperation between the EIB and other Multilateral Development Banks. We are working on streamlining our processes and harmonising operational policies as much as possible. The intention is to enhance cooperation and avoid unnecessary delays and burdens for implementation. This approach enables us to maximise our joint contribution to the SDGs.

²⁰ <https://europa.eu/globalstrategy/en/global-strategy-for-foreign-and-security-policy-european-union>

²¹ http://ec.europa.eu/europeaid/policies/european-development-policy/european-consensus-development_en



Working on an effective response to the global refugee crisis

Forced displacement poses a challenge to global development. As the world attempts to address this issue, it is essential to combine short-term humanitarian interventions with medium and long-term efforts to ease the burden on community services and social infrastructure, whilst addressing the root causes of forced displacement and strengthening economic resilience in both host and origin countries.

As the EU bank, the EIB is committed to working together with partners to help define and deliver an effective response to the global refugee crisis

and further strengthen economic development. This is being achieved by:

- focusing on the socioeconomic aspects of the crisis;
- helping communities to facilitate the acceptance and inclusion of the forcibly displaced;
- supporting economic resilience, through such initiatives as investing in the private sector to create jobs and economic opportunities.

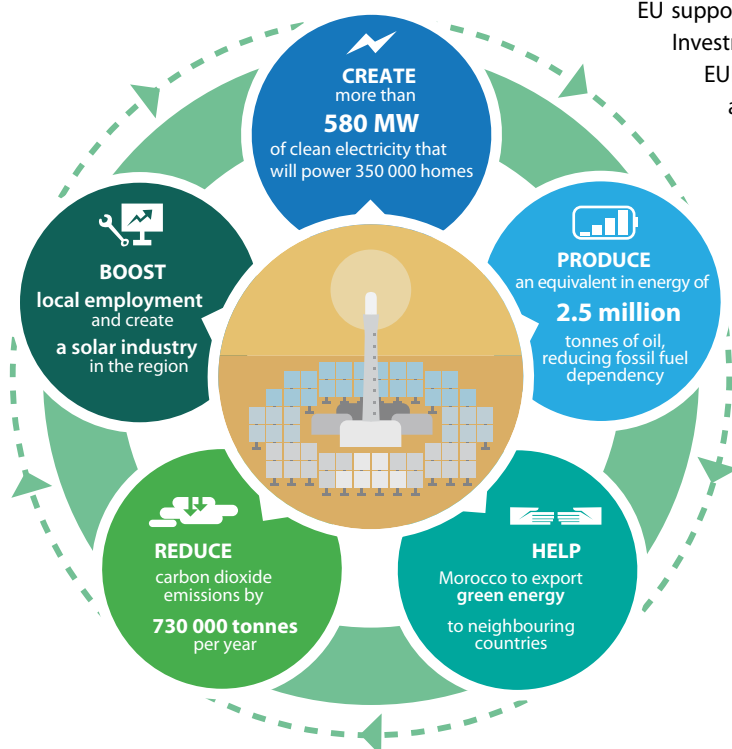
At the United Nations Summit for Refugees and Migrants in New York on 19 September 2016, EIB President Werner Hoyer confirmed the commitment of the EU bank to help deliver the EU Global Strategy, which includes meeting sustainable development and climate action goals and responding to the refugee and migration crises.



Ouarzazate: Sunny outlooks for Morocco

The Noor Ouarzazate solar energy complex in Morocco is large enough to be seen from space. It harnesses the potential of the most abundant source of energy in North Africa – the sun. Once completed in 2018, it will have over 580 MW of installed capacity and will provide electricity to 350,000 homes in Morocco. The project is expected to reduce carbon emissions by 760,000 tonnes a year, and 17.5 million tonnes over a period of 25 years.

During COP22, the international climate change negotiations held in Marrakech in November 2016, the EIB invited delegates to a side event at Ouarzazate, explaining the background of the project to international experts.



EU support came through the Neighbourhood Investment Facility (NIF), which granted EUR 106.5 million to the Noor Ouarzazate complex. The NIF is an innovative instrument that was created to co-finance infrastructure projects in EU neighbouring countries and helped catalyse participation by the EIB. The Bank has provided finance amounting to EUR 217.5 million for the three initial phases. Other investors including the French Agency for Development (AFD) and German Development Bank (KfW) have also provided finance. Total European funds are covering up to 60% of the project cost.



Habitat III: A 'New Urban Agenda' takes shape

In support of the 'New Urban Agenda', adopted in October 2016 during the UN-sponsored global Habitat III conference held in Quito, Ecuador, eight Multilateral Development Banks (MDBs) including the EIB put the Agenda's words into action by issuing a joint statement expressing their commitment to promote equitable, sustainable, and productive urbanisation and urban communities.

'Habitat III' is the United Nations Conference on Housing and Sustainable Urban Development.²² The conference was launched in 1976 and is held once every 20 years. The third edition of this major global UN event took place in Quito, Ecuador, from 17 to 20 October 2016. The EIB is committed to supporting implementation of the New Urban Agenda by deploying its technical and financial experience and drawing on its track record of fostering sustainable urban development throughout Europe and around the world. "Sharing ex-

perience of successfully overcoming urban challenges is crucial to improve lives and ensure better services in cities around the world. The EIB greatly values the daily cooperation with MDBs to strengthen projects across the planet by combining global experience and local knowledge," said EIB Vice-President Jan Vapaavuori at the conference.

Over the past five years, the EIB has provided a total EUR 103 billion (95 billion inside the EU and 8 billion outside the EU) for urban investment. This has included the provision of crucial support for new urban development, sustainable transport and social housing. Assistance has also been provided for improving water, energy, health and education infrastructure in cities across Europe and around the world.

The EIB is directly involved in one such project in Ecuador: the Quito Metro. In its first year, the metro is expected to serve 124 million passengers, 85% of them captive public transport users²³. In September 2016, EIB shareholders approved a detailed urban lending strategy – an EU Urban Agenda in its own right.

22 <https://habitat3.org>

23 <http://www.eib.europa.eu/infocentre/publications/all/take-the-metro-to-sustainable-urban-development.htm>

150 m EUR of combined investment

Boosting African development with venture capital

'Boost Africa' is a unique partnership in support of innovation and entrepreneurship across Africa. The initiative was introduced by the EIB and the African Development Bank (AfDB) in partnership with the European Commission. Boost Africa will contribute to fostering the development of an efficient entrepreneurial ecosystem in Africa by supporting the earliest and riskier stages of the venture value chain in an economically viable and sustainable way.

Boost Africa prioritises innovation and entrepreneurship. Start-ups are able to make use of financing, advice and technical assistance to create the good jobs that are needed to entice young and tech-savvy Africans to work in a boom space. The initial combined investment of up to EUR 150 million leads to the expectation of leveraging up to EUR 1 billion in additional investments within a high growth sector. The project is anticipated to support over 1,500 start-ups and SMEs across the continent.

"Boost Africa is a truly great initiative which will support African entrepreneurship and innovation and nurture the continent's new talent," EIB President Werner Hoyer said at the launch of the initiative in November 2016. "It is a concrete way of tackling the long-term factors fuelling poverty, instability and the brain drain, many of which are at the origin of the migration crisis we all currently face, and therefore making the Sustainable Development Goals a reality."

The Boost Africa initiative is pan-African in scope and has three pillars:

BOOSTAFRICA

Investment Programme:

equity investments in seed funds, business angels' co-investment funds, accelerators' follow-on funds, venture capital funds, etc. that invest in innovative start-ups and high-growth small and medium-sized enterprises (SMEs)

Technical Assistance Facility:

a pool of grant resources to provide capacity building and disseminate best practice for the investment readiness of intermediaries, business and technical assistance, training of investee companies and entrepreneurs, and the creation of local investors' networks

Innovation and Information Lab:

a platform for supporting the entrepreneurship ecosystem by fostering innovation, knowledge development and partnerships, and incubating and piloting promising new ideas, as well as assessing and disseminating best practices



The EIB and AfDB are using Boost Africa to widen their investment scope and include projects that are usually deemed too small, too risky and too time-consuming. Projects like this are key to fostering entrepreneurship and high-impact innovation. Boost Africa will also leverage a broad network of partners and stakeholders to accelerate the growth and development of start-ups in Africa. It will attract, make strategic use of and nurture a network of venture intermediaries for financing and for business development directed towards boosting African entrepreneurship.

By deploying a blended finance approach the investment programme expects to support up to 25 to 30 smaller-sized equity investments in angel, venture capital and seed funds. These will in turn fund start-ups and early-stage businesses with high-growth and job creation potential in Africa. Boost Africa's first investment is expected to be in the Tide Africa Fund, an ICT fund investing in tech start-ups in West and East Africa.

“Invest in these great entrepreneurs”

“Africa’s internet and mobile penetration is high, and a large number of people have a small computer in their pocket. This is where technology companies are looking,” comments Andreata Muforo, investment director at TLcom Capital LLP, a venture capital firm with offices in Nairobi, Lagos and London that set up the Tide Africa Fund. It looks at technology start-ups in Africa and aims at getting in there early. The fund itself is the result of several years of research into what makes Africa tick when it comes to technology. With a decade of working experience in the financial industry, she says: “When I look at venture capital in Africa I see a space that is almost empty. This is something I want to change.”

Muforo has high ambitions for the next few years. “I hope we get more investors to come to Africa, and invest in these great entrepreneurs. I want us to exert a great impact on the local economies by creating jobs. We’d like to create a few memorable African companies that are visible globally and create value for Africans. What I want to see is our portfolio companies perform financially and go beyond. I want them to disrupt and completely revolutionise their industries by meeting the needs of people.”

Responsible Institution: **How the EIB Group realises sustainability within the organisation**

The EIB Group is a responsible institution. We are transparent in what we do, how our policies are developed and the way in which our operations are managed. We comply with applicable laws and strict internal regulations. We further engage with our stakeholders when developing key policies. They are also involved at project level wherever stakeholder interests are concerned. Accountability mechanisms and safeguards are in place to ensure that projects are managed in an integral and responsible way.

Furthermore, the EIB requires promoters to establish and maintain project-level grievance mechanisms, which constitutes a critical means for the early identification and remedy of undesirable or unforeseen impacts and concerns arising from the execution of a project. This promotes affected persons' access to remedy and may facilitate resolution of such concerns and grievances linked to the promoter's environmental and social performance. Access to the 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. And we always strive to be the 'employer of choice' for existing and future employees.



“ The EIB Group has a zero-tolerance policy on fraud and corruption.

“ carbon emissions per employee reduced by **48.5%** in ten years.

Transparency and accountability

Transparency and accountability are key principles defining how the EIB Group manages its operations. Mutual benefits are provided by transparency and 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.

After extensive public consultation, we adopted a revised EIB Group Transparency Policy in 2015 that 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 indicates that information may be protected from disclosure when publication would undermine legitimate rights and the interests of third parties involved in projects.

The EIB goes beyond its legal obligations for accountability. Under its Anti-Fraud Policy, the EIB Group has a zero-tolerance policy on fraud and 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 2016 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 increase performance in the future.

The Operations Evaluation Division represents an important feedback loop that informs decision-making at both operational and strategic level. 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.

In 2016, the main report published was the Mid-Term Evaluation of the European Fund for Strategic Investments (EFSI). It was too early to focus on impacts, but the report reviewed the extent to which the set-up of EFSI and its first results have the potential to achieve the set objectives. The evaluation documents can be accessed online at <http://www.eib.org/projects/evaluation/index.htm>.

Compliance and integrity

The EIB Group attaches high importance to compliance and integrity. Compliance is integral to the Bank's ethical, professional and business approach. The Office of the Chief Compliance Officer (OCCO) is a key control function within the Group for ensuring the integrity of EIB 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 compliance opinions with risk scoring and compliance monitoring and examining all cases of alleged breaches of the Staff Code of Conduct.

“ The EIB goes beyond its legal obligations for accountability.

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 principles regulating AML-CFT and related integrity issues in EIB Group activities. The Framework is complemented by detailed operational procedures and should be read in conjunction with other relevant EIB Group policies and guidelines. A roadmap ensuring the gradual implementation of more stringent AML/CFT measures and procedures is currently being put in place.

The EIB Group is committed to maintaining a stringent policy of combating tax fraud, tax evasion, harmful tax practices and tax avoidance. One of the most significant developments being monitored by the EIB relates to tax legislation proposals and initiatives at international and EU level. The Compliance function is also in the process of finalising implementation of a robust framework governing the management and prevention of inside information and detection of market abuse.

Compliance is a shared responsibility of all EIB Group staff and members of the governance bodies. All employees are fully committed to effective compliance, which is part of our corporate culture.

At the forefront of developments

The EIB Group hosted a number of events in 2016, and these ensured that the Compliance function remained at the leading edge of the dynamic regulatory environment of corporate compliance.

In March 2016, the Council of Europe Development Bank (CEB) and the EIB Group co-hosted the annual meeting of the Heads of Compliance and Integrity Functions of Multilateral Development Banks at the CEB headquarters in Paris. In March, Konstantinos Botopoulos, Counsel to the Governor of the Bank of Greece, conducted an awareness-raising session at the EIB on the Market Abuse Regulation (MAR). In June 2016, the EIB hosted a major conference on off-shore financial centres.



Stakeholder engagement

The EIB Group engages with civil society and builds cooperative relations with its representatives. The EIB has three levels of engagement. Firstly, 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 2016 meeting of the Board of Directors with civil society representatives was held on 1 February with 50 participants from 40 organisations coming to the EIB Headquarters in Luxembourg.* ✓

Secondly, public consultations give stakeholders an opportunity to shape the EIB's key policies. These are complemented by thematic stakeholder engagement workshops, which cover a broad range of issues. In 2016, these included a workshop on Inclusive Finance in June, a Green Bond workshop in September, and two workshops in December – one on integrity issues to mark the International Anti-Corruption Day and one on climate action standards. 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 project level, where our specialists meet with project-affected people and local stakeholders in the context of our due diligence and/or ongoing monitoring of a project. Furthermore, our Environmental and Social Standards include a specific standard on stakeholder engagement which requires that our promoters uphold an open, transparent and accountable dialogue with all project-affected communities and relevant stakeholders in an effective and appropriate manner.

Project partners for sustainable cocoa

The EIB is a cornerstone investor in the Althelia Climate Fund, winner of the Environmental Finance Award for Sustainable Forestry Deal of the Year in 2015. Althelia is investing in ecosystem conservation and sustainable agroforestry by applying best-in-class social, environmental and governance (ESG) criteria. Returns are generated through production of real assets – from FSC timber to agricultural products such as cocoa.

Althelia has cooperated with conservation organisation AIDER to invest in the Tambopata-Bahuaja cocoa project in Peru. This is a lighthouse project meeting the ambitious REDD+ Social and Environmental Standards (Reducing Emissions from Deforestation and Forest Degradation).²⁴ This is an important market-based instrument designed to protect standing forests. It provides technical assistance throughout the entire production process, from preparing the soil and planting the seeds, to applying organic fertilisers. "Thanks to improved agricultural practices, our sustainable cocoa will have direct access to international markets," says Laura Silva Camargo, a farmer in the Tambopata cooperative.

24 <https://www.forestcarbonpartnership.org/what-redd>

Complaints Mechanism

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-financed projects. The mechanism helps to facilitate and handle complaints against the EIB Group by individuals, organisations and corporations impacted by EIB Group activities. Complaints can be made about actions and/or decisions that stakeholders feel the EIB Group has failed to carry out or is performing in a wrong, unfair or unlawful way. Complaints may be about access to information, the environmental and social impact of projects, procurement procedures, etc.

The EIB Complaints Mechanism provides two levels of investigation:

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

2016 saw a strong rise in registered complaints. *89 complaints were received, of which 84 were registered as admissible, which compares to 56 and 49 cases in the previous year. Seven of these complaints were filed with the European Ombudsman. At the same time, the Complaints Mechanism Division dealt with 122 complaints last year (2015: 92 complaints), including ongoing cases from the previous year.* 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.



Successful mediation on Belgrade Bypass project

A mediation process facilitated by the EIB Group Complaints Mechanism brought significant environmental improvements to a roadworks project in Serbia in 2016. The issue related to an area where a two-lane bypass road interchanges with a motorway at Petlovo Brdo near Belgrade. The aim of the project was to replace the existing interchange, which was considered a 'black spot' with frequent traffic accidents. The construction of the interchange as initially planned was going to make use of 2.5 ha of a small forest which is used for recreational purposes by local residents. The complainants raised concerns about the environmental and social impacts of the EIB-financed operation. The mediation process started in 2014 and led to a significant reduction in the environmental impact of the project so that only 0.7 ha (13%) of forest is being used instead of the originally planned 2.5 ha. It also led to a more generous commitment from the project promoter on compensation for the felled trees (261 trees to be cut down against 904 trees to be replanted).

“ 261 trees
to be cut down
904
trees to be
replanted.

International exchange on complaints mechanisms

In a lively and constructive outreach event in Kiev, Ukraine, the Complaints Mechanism Division of the EIB met with representatives of 65 civil society organisations (CSOs) on 8–9 November 2016. The meeting was organised in partnership with CEE Bankwatch Network and the Independent Accountability Mechanism divisions of six other International Finance Institutions.

The Independent Accountability Mechanisms (IAMs) were established to handle complaints and to address grievances from project-affected people regarding the environmental and social impacts of projects financed by multilateral institutions. Since CSOs are often involved in supporting affected communities, the IAMs regularly conduct public outreach in collaboration with CSOs in the regions where the multilateral institutions are active, to raise awareness of their services among civil society networks.

A report of the meeting and the lessons learnt are available under

http://www.eib.org/attachments/generalevents/20161108_eib_complaints_cso_kiev_outcome_en.pdf

Internal carbon footprint

We produce a separate [carbon footprint report](#). This includes emissions from mobility activities (owned vehicles, business travel and employee commuting), emissions generated from energy use in our buildings (natural gas for heating and power generation, and purchased electricity and steam for power), emissions from waste disposal, and lastly emissions from the production of paper used in offices.

The EIB Group's internal carbon footprint (resulting from our own operations) in 2016 was 6.16 tCO₂e per employee, which represents a decrease of 2.9% compared to 2015 and a decrease of 48.5% compared to the 2007 baseline. The EIB Group's total net carbon footprint was 20 252 tCO₂e representing an increase of 9.7% from 2015 and an increase of 12.9% compared to 2007. This reflects a 119.2% increase in staff numbers since the 2007 baseline. ☑

In 2017 the EIB Group will review the market to ensure that residual GHG emissions continue to be compensated/offset using the best available credits on the market. Upon completion of the review the EIB Group will use the selected carbon credits to compensate/offset the 2016 GHG residual emissions. ☑

Community investment

Within the EIB Group, the EIB Institute supports initiatives for the common good in Europe, primarily in the EU Member States. The aim of the Institute is to contribute to reducing inequalities and enhancing knowledge, innovation and competitiveness. Initiatives of this type strengthen the sense of community and cohesion among our partners that lies at the core of the European idea.

We perceive our role as being a catalyst for social, cultural and educational innovation that is ultimately directed towards economic and social development. Our support comes mainly in the form of grants, sponsorship or awards in the three areas of Knowledge, Social, and Arts & Culture.



Supporting Social Entrepreneurship

We support entrepreneurs in the social domain who aim to generate impact – targeting social, ethical or environmental goals – or seek to create and sustain value, typically related to unemployment or disadvantaged communities.

Fostering social entrepreneurship is not only about money. The EIB Institute helps social enterprises to start up, grow and contribute through their successes to solving societal problems. The Institute does this by supporting knowledge creation in the form of EIB University Research Sponsorship (EIBURS), which focuses on financial education and microfinance. It also promotes knowledge transfer, whereby we provide training on fundraising skills, gives support to two financial education pilot projects, and finally assists social entrepreneurs. As part of our support for social entrepreneurs, we annually run a [Social Innovation Tournament \(SIT\)](#), which is complemented by Impact Bootcamps and a Social Incubator pilot project. The [2016 SIT winners](#) were announced on 20 October in Ljubljana (Slovenia), where 15 pre-selected projects competed for four prizes and several mentoring vouchers. The four winners were Aprendices Visuales (Visual Learners), from France/Spain, Bio-Carbon Engineering and Silent Secret, both from the UK, and FitforKids, from Denmark.

EIB Institute award is a boost for success

Winning the Social Innovation Tournament can bring considerable value added to social enterprises. In 2015, the Spanish enterprise KOIKI won the first prize for its initiative enabling people with intellectual or physical disabilities to work as postmen/postwomen or messengers, delivering parcels or picking them up from their neighbours, by walking or biking very short distances from their homes or local stores. When KOIKI won the EIB Institute's EUR 25,000 prize (including advice on fine-tuning the business plan offered through a partnership with EY Transaction Advisory Services²⁵ in Belgium) in October 2015, the enterprise had barely established itself and had not yet officially registered its business. By the end of 2016, the enterprise's director, Aitor Ojanguren, had successfully acquired social venture capital and founded eight subsidiaries with 31 parcel hubs in most major Spanish cities. Ojanguren's ambitious plan for 2017 is to expand to set up 130 hubs all over Spain. KOIKI has been cooperating with some of the major parcel delivery companies such as DHL and UPS. Many KOIKI hubs are located in inner cities where narrow streets, traffic congestion and air quality often pose a problem for the major delivery companies. Cooperating with KOIKI gives them an opportunity to deliver their parcels to hubs and KOIKI delivers them on bicycles at an agreed time. This system provides a highly cost-effective, environment-friendly and improved service for all the parties involved.

25 <http://www.ey.com/be/en/services/transactions/about-transaction-advisory-services>

“ I was greatly reassured about our business model when we had won the Social Innovation Tournament. The EIB Institute award was a door-opener for finding capital and launching our business that now benefits our employees, our customers, our partners, and society as a whole.

*Aitor Ojanguren,
Founder, KOIKI Home S.L.U., Madrid*





A smiling face for asylum seekers

“The fundamental values of Europe include liberty, equality, solidarity and dignity” says Olivia Saunders. The civil society officer at the EIB feels very strongly about how a cocktail of war, populism, racism and islamophobia has polluted these core values. “There are actually fewer people seeking asylum today than during the Yugoslav war in the 1990s but fear-mongering and misinformation has fuelled the controversy surrounding the ‘refugee crisis’”.

Olivia turned her frustration into determination: “If it were my children, my family, I would hope that someone would help them. I wanted to make them feel welcome.” The Luxembourg Red Cross was looking for people to help distribute meals so Olivia started serving meals four times a week at the first arrival centre situated in the Kirchberg area of Luxembourg City. Organisation was difficult as all asylum seekers arriving in Luxembourg were directed there. The centre had a capacity for 300 people and 40 people could walk in daily, unannounced. It was very resource-intensive as volunteers were needed three times a day, seven days a week, but were not always available, so Olivia started trying to fill the gaps when there was no volunteer on a shift. However, this was



“ If it were my children, my family, I would hope that someone would help them. I wanted to make them feel welcome.

Olivia Saunders
European Investment Bank

not viable whilst working full time and catering to the needs of her young family. So she took the bull by the horns and organised a group of 60 volunteers from the EIB and the EIF in Luxembourg who offered all kinds of support, including committing their time and donating things in demand. She helped recruit volunteer language tutors and teachers for crafts and hobbies, and found equipment for the children’s play area. Things didn’t always go smoothly but: “To be able to help locally, and be part of something much bigger than yourself, is extremely rewarding.”



Olivia's faith in people has been somewhat restored as, throughout her various initiatives, she has seen the commitment and dedication not only of all the staff working in the various 'refugee' centres, but also of a great number of her EIB Group colleagues, their spouses and children, who are as passionate as her about their own initiatives. "I am so grateful for all the support I received and overwhelmed by the incredible number of great people with great initiatives that I have discovered within the EIB Group".

Employer of choice

The EIB Group achieves its goals thanks to more than 3,200 highly qualified and diverse staff from all 28 EU Member States working in a multicultural environment that fosters cooperation and innovation.

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. We encourage our 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.

2016 a year of dynamic change

The unprecedented and rapid pace of change seen at the EIB Group over recent years has provided us with the impetus to rethink and challenge the way we work. The EIB's Personnel Division has taken this opportunity to launch the 'Growing Talent Project' – a multi-phase project aimed 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 Bank – supported by a user-friendly, state-of-the-art online solution.

2016 saw the development of the key requirements and a review of relevant policies and procedures. In mid-January 2017, the first-phase of the project, which focuses on improving the way we manage our staff's performance, was launched. This process starts during the probation period and continues throughout the whole career of an employee. In this context, we also launched core and managerial competencies. These constitute a critical component related to how members of staff conduct business and interact with each other.

The next stage of the project, being rolled out in spring 2017, will focus on enhancing individual development. Over the medium to longer term, we will develop the EIB's talent management approach with a view to opening the Talent Management and Succession Planning modules starting in 2018.

Almost half of our staff have been hired over the last five years and we have developed 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 Manager's on-boarding process has also been developed and implemented. Both on-boarding programmes include training on multi-cultural awareness and diversity and inclusion.

Conscious of the impact of rapid change on colleagues, the Bank's Organisational Health Programme entered a new phase in 2016 by significantly increasing its activities and stepping up structural initiatives. These initiatives saw the development of an Organisational Health Strategy, a process for improved management of sickness absences and return to work, and ongoing development and pilot testing of a methodology for workplace psychosocial risk assessment.

The Bank also put in place a comprehensive programme for individual and team health, including workshops on 'Wellbeing and Work Relations' to address key sources of workplace stress and malfunction, a 'Whole Person Wellbeing Programme' consisting of staff-led social and wellbeing initiatives promoting a range of events including mindfulness at work, and an increase in individual workplace counselling services to support staff and managers in situations of stress or conflict in the workplace.

Finally, a number of events raising health awareness were carried out during the year, culminating in an entire week in October dedicated to Organisational Health and Wellbeing.

Diversity and inclusion

In 2016, the Bank developed the strategic direction key priorities and objectives for the 2017–2021 Diversity and Inclusion Strategy. A number of awareness-raising events were organised to celebrate International Women’s Day on 8 March, Diversity Day Lëtzebuerg on 11 May and the International Day of Persons with Disabilities on 3 December. The measures taken in 2015 and 2016 to bring diversity and inclusion more to the fore at the EIB have resulted in the share of staff who agree that the EIB truly values the diversity of its employees increasing from 50% in 2015 to 62% in 2016. To further strengthen the Bank’s commitment to diversity, it is specifically referred to in the new competency framework and Bank-wide ‘organisational commitment’ core competency applicable to all staff.

To reinforce the diversity of its workforce and with the aim of attracting diverse candidates, significant resources were deployed to increase the EIB’s presence on social media and in recruitment fora targeting particular groups (women, people with disabilities, different nationalities, LGBT community, etc.).





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INDEPENDENT LIMITED ASSURANCE REPORT TO EIB GROUP

We have been engaged by the Management of the Group, which includes the European Investment Bank and the European Investment Fund (the "Group" or the "EIB Group"), to provide limited assurance on the following information included in the Sustainability Report 2016 for the year ended 31 December 2016 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 2016, as detailed on page 9 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 2016 at the Group as detailed on page 9 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 .

KPMG Luxembourg, Société coopérative, a Luxembourg entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

T.V.A. LU 27351518
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- 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 2016 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 2016 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 .

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 2016 at the Group, as detailed on page 9 of the Report.

Luxembourg, 15 June 2017

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.

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EIB Group 2016 Sustainability Report

