

EIB Group Compliance Activity Report 2022



European
Investment Bank | Group

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Statement by the Group Chief Compliance Officer and EIF Acting Chief Compliance Officer

This first Group-level report describes the activities of the EIB Group Compliance Function and gives an overview of developments in the European Investment Bank (EIB) and the European Investment Fund (EIF). This is a natural next step for the function with its commitment to fostering Group alignment through common policies, procedures and systems as well as a close working relationship underpinned by the Integrity Policy and Compliance Charter.

The Group Compliance Function is part of the second line of defence and, among others, sets standards, provides guidance, and performs risk-based monitoring of first line of defence controls. We actively monitor the constantly evolving regulatory environment for anti-money laundering and countering the financing of terrorism (AML/CFT) and related market practices, assess their relevance and implement any applicable elements in the EIB Group AML/CFT framework.

The Compliance Functions in both member institutions of the EIB Group follow the highest standards in compliance, in line with the principles and standards of relevant EU legislation, as well as best banking and market practice, as evidenced by multiple internal and external audits in recent years. Compliance activities are based on these principles, in the fields of business and market conduct (anti-money laundering and combating the financing of terrorism, sanctions, tax good governance and market abuse), data protection, governance and ethics.

In 2022, the EIB Group further strengthened its compliance control framework with the EIB/EIF Operational Guidelines to monitor EIB Group sanctions exposure, the updated EIB Group Staff Code of Conduct and declarations of interest. These policies and procedures contribute to a robust control environment especially in relation to ethics and integrity and build on recent work highlighted above.

Against this background, the Group Compliance Function has contributed significantly to increased risk ownership by the first line of defence, implemented a robust risk-based approach to managing compliance risks and continues to strengthen its role as the second line of defence. In doing so, it strongly supports the Group digital strategy, including data management, with the implementation of a new counterparty lifecycle management system and regulatory compliance tool.

In 2022, we reaped the benefits of the reorganisation of the Group Risk and Compliance Function carried out in 2021. This streamlined processes and provided greater consistency across the Group in the management of non-financial risks, including operational risk and risks related to information security and business continuity, together with the traditional remit of compliance.

Awareness raising of course remains one of the core tasks of Compliance to promote a sound compliance culture in the Group across a range of compliance topics. The EIB and EIF Compliance Functions are continuing to provide training through new interactive e-learning tools, surveys, phishing campaigns, and workshops as well as ethics days for staff. In 2022 alone, we launched new training sessions available to all staff on the Whistleblowing Policy, the EIB Group Staff Code of Conduct and market abuse.

In 2022, the Group Compliance Function was able to grow, implement Group policies and consolidate its organisation, allowing it to turn to new challenges in 2023. These include business continuity preparedness and resilience, and further enhancing compliance controls and digitalisation. We are very proud to work with the dedicated, motivated and highly professional teams within the Group Compliance Function and are confident that the significant progress made in recent years in aligning with best practice and improving efficiency will enable the function to play a key role in ensuring the success of the EIB Group's upcoming strategic initiatives.

Roberto Garcia Piriz
Group Chief Compliance Officer

Jobst Neuss
EIF Acting Chief Compliance Officer

1. Executive summary

The EIB Group Compliance Function is an independent control function, led by the Group Chief Compliance Officer (GCCO). The Office of the Group Chief Compliance Officer (O-GCCO) is part of the Group Risk and Compliance Function of the EIB. The Group Chief Compliance Officer operates under the Group Chief Risk Officer (GCRO), having direct access to the President, the Management Committee, the Audit Committee, and the Ethics and Compliance Committee as well as access to the Board Working Group on Tax and Compliance Matters. The Compliance Function at the EIF individual entity level is headed by the EIF Chief Compliance Officer, under the EIF Chief Risk Officer, and has direct access to the EIF Chief Executive/Deputy Chief Executive and to the statutory bodies of the EIF.

While the EIB Group does not fall within the direct scope of application of EU legislation on credit institutions, the EIB Group and its Compliance Functions aim to comply with relevant EU banking legislative acts and guidelines, to the extent determined by the EIB Group's governing bodies in line with its statutory duty to conform to best banking/market practice.

Group Compliance has made significant progress in developing a comprehensive risk management framework for non-financial risk and continue to regularly adapt their policies, practices, and systems in line with the EIB's and EIF's risk appetite frameworks, market trends, the regulatory landscape and best practice. Compliance is involved in operations throughout their lifecycle and acts as a second line of defence on integrity and good governance issues. In line with best banking practice, the Compliance Functions of the EIB Group have increased their cooperation to promote Group alignment and synergies, where proportionate to do so.

The Group Compliance Activity Report is designed to provide information about the work of the respective Compliance Functions, including the main developments during 2022 and priorities for 2023. This report is the first comprehensive activity report prepared on a Group basis. The report is not intended to provide a risk assessment of compliance risks or broader non-financial risks on which the governing bodies receive regular reports, or a view on the level of regulatory compliance of the EIB Group.

1.1. Overview of the report

The following sections will outline the purpose of the Group Compliance Activity Report, the best banking practice/best market practice frameworks under which the EIB Group operates, and the Compliance Functions' core activities.

Chapter 3 provides an overview of the structure of EIB Group compliance and governance. It includes the main features of the Group Compliance Functions' operational guidelines and processes, and outlines measures taken to reinforce Group alignment.

Chapter 4 provides details of the Group's compliance risk assessment and the EIB's and EIF's compliance monitoring programmes.

Chapter 5 outlines the governance of risks within the Group Risk and Compliance Function's remit, referencing the risk categories discussed in the compliance risk assessment. It describes the Compliance Functions' input in operations, including its contribution to AML/CFT, tax good governance, sanctions, and market integrity topics (such as market abuse, conflicts of interest at institutional level and requirements related to the Markets in Financial Instruments Directive (MiFID)).

Chapter 6 provides an overview of the Group's activities in promoting a strong compliance and ethics culture, including the prevention and mitigation of personal conflicts of interest, the application of the EIB Group Staff Code of Conduct, declarations and clearances as well as integrity matters related to statutory bodies.

Further information on the Group’s awareness-raising activities on compliance matters can be found in Chapter 7. The EIB Group’s current transversal projects on digitalisation and data governance are discussed in more detail in Chapter 8 on improving systems and compliance processes.

Information on the work of the EIB/EIF Data Protection Officers is provided in Chapter 9.

Chapter 10 outlines the EIB Group’s cooperation with other multilateral development banks and international stakeholders.

The report concludes with a forward-looking overview of the EIB Group’s priorities for 2023.

2. Introduction

2.1. Purpose of the report

This report provides key information to all stakeholders on the approaches and actions taken by the EIB Group to manage risks in the remit of its Compliance Functions. It describes the main developments in the Office of the Group Chief Compliance Officer and EIF Compliance, their activities and structural changes in 2022 as well as priorities for 2023.

The report should be read together with the 2022 Group Risk Management Disclosure Report, which provides further information on the approach the EIB Group takes in managing the main non-financial risks to which it is exposed, including compliance risk, and the related capital and liquidity implications.

2.2. Best banking/market practice framework

In order to clarify and reinforce the EIB’s best banking practice framework, the EIB Board of Governors approved the Bank’s Best Banking Practice Guiding Principles¹, as published on the EIB website. The BBP Guiding Principles is a high-level document which sets forth principles and assessment criteria, combined with adaptation requirements, for determining and adapting best banking practice that shall apply to the EIB on an individual basis and on a basis of the consolidated situation.

Pursuant to Article 2.3 of the EIF Statutes, the activities of the EIF “shall be based on sound banking principles and other sound commercial principles and practices as applicable.” In this context, the EIF Compliance Function remains committed to the EIF best market practice framework, as approved by the EIF Board of Directors, which sets out high-level regulatory principles and determines that the EIF must comply with (i) the EIB Best Banking Practice Guiding Principles regarding consolidation requirements, and (ii) additional rules relevant and applicable to the EIF as a stand-alone entity, together with best market practice for the EIF.

Below are the key elements of the Best Banking Practice Guiding Principles for the EIB Compliance Function:

- ✓ According to the “disclosure and transparency” principle:

“The Bank shall, where appropriate, publish information that is easily accessible and fairly reflects its financial condition, performance, risk exposures, risk management strategies and corporate governance policies and processes.”

¹ In line with the EIB Statute, Article 12.1

- ✓ According to the “business and market conduct” principle, in relation to abuse of financial services:

“The Bank shall have adequate policies and processes, including strict customer due diligence and anti-money laundering rules to promote high ethical and professional standards in the financial sector and prevent the Bank from being used, intentionally or unintentionally, for criminal activities.”

- ✓ In relation to compliance, conduct and reputational aspects of non-financial risk management:

“The Bank shall have adequate policies and processes ensuring the accountability and protecting the integrity of the Bank and of financial markets, as well as the confidence in the Bank.”

While the EIB Group does not fall directly within the scope of EU legislation applicable to credit institutions, in applying the Best Banking Practice Guiding Principles, the Bank implements and follows EU legislative acts and guidelines on a voluntary basis except for those rules, or parts of them, that are adapted or are not applicable, or that the Bank does not implement based on a reasoned “comply or explain” internal assessment as approved by the Board of Directors. When the Bank adapts or is exempted from rules of EU legislative acts and guidelines, it implements mitigating measures that are in line with the Bank’s public policy nature and mission.

In this respect, in line with the existing best banking practice framework, the EIB Compliance Function, under the lead responsibility of the Group Chief Compliance Officer, assesses compliance with key EU banking regulatory requirements related to the fields of business and market conduct (AML/CFT, sanctions and market abuse) as well as governance and culture (Compliance Function).

In the context of the EIB’s best banking practice framework and the evolving regulatory environment reflected in the Compliance Function’s activities, in 2022 the Office of the Group Chief Compliance Officer participated in the applicability assessments procedures in relation to regulatory topics under its remit.

A consolidated overview of the best banking practice programme for non-financial risk was presented to the EIB governing bodies in autumn 2022. Like the prudential best banking practice updates, the objective of this programme is to (i) enhance compliance with best banking practice as regards the management of non-financial risks in Group Risk and Compliance’s remit and (ii) provide reassurance to the governing bodies on continued progress in a holistic and consistent manner.

2.3. EIB Group Compliance core activities

As part of the second line of defence, the EIB Group Compliance Functions’ objective is to assess, monitor and report on relevant non-financial risks (NFRs) of the EIB Group including compliance and conduct, as well as on the EIB’s operational², information and cybersecurity risks. They are involved in operations throughout their lifecycle, providing expert advice and guidance in the fields of AML/CFT, tax good governance, market abuse, MiFID, institutional conflicts of interest and sanctions. In this context, the functions also provide advice to the Group’s governing bodies on measures to be taken to (i) ensure compliance with legal and regulatory requirements, and (ii) ensure that risks are effectively managed.

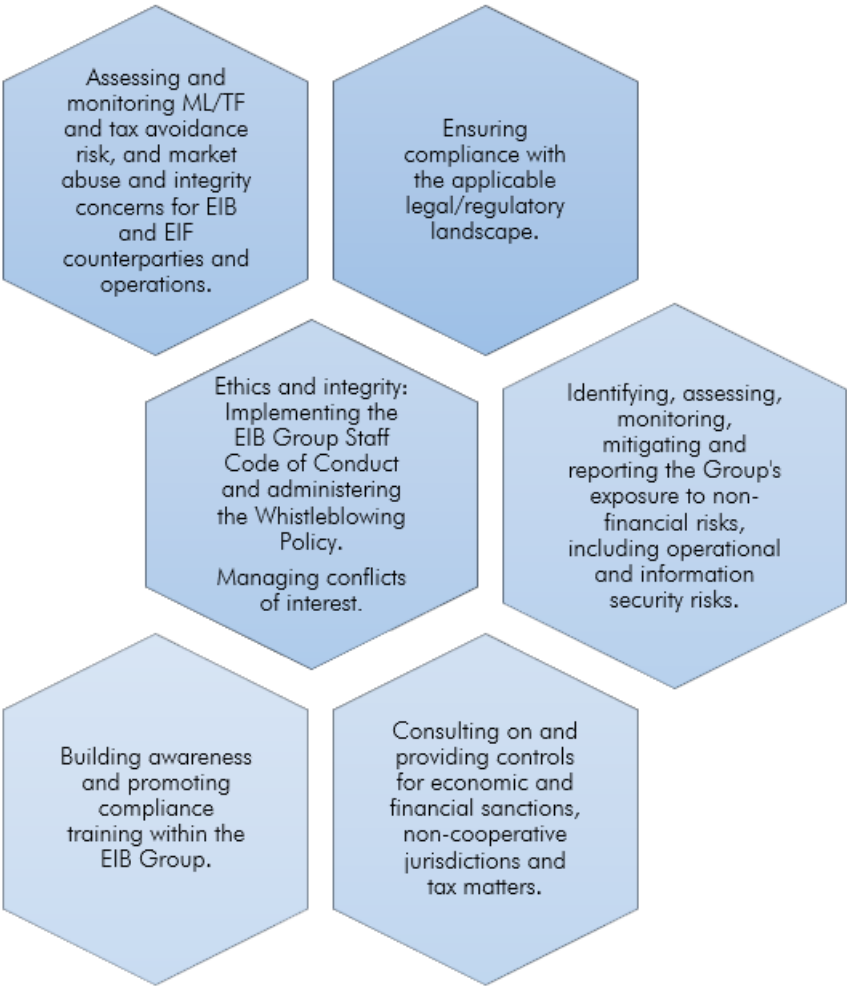
The Compliance Functions provide training, raise awareness on compliance matters and implement the EIB Group Staff Code of Conduct and Whistleblowing Policy with a view to instilling a culture of

² Given the high level of specialisation sometimes required in terms of separate regulatory expertise, certain operational risk sub-types such as fraud (as per the Group Anti-Fraud Policy and Group Operational Risk Policy) are managed by dedicated EIB Group functions.

integrity throughout the Group. As such, they also have an advisory and decision-making role on ethics and integrity issues, providing opinions and recommendations to ensure compliance with the principles and high standards of professional ethics, and actively supporting the EIB statutory bodies on matters relating to ethics and integrity.

Following the implementation of the Group Chief Risk Officer function and subsequent organisational changes in 2021, operational risk and information/cybersecurity risk are classified as non-financial risks in the EIB Group’s risk appetite framework under the responsibilities of the Group Chief Compliance Officer. More detailed information can be found in EIB’s Risk Disclosure Report.

Figure 2-1 Compliance core activities



3. Compliance organisation and governance

This chapter provides an overview of the EIB Group’s non-financial risk governance, outlining the key roles and responsibilities for relevant risk-taking and oversight.

3.1. Organisational structure of the Compliance Functions

The EIB Group Compliance Function was established in 2005 and is responsible for compliance risk management on an institutional level, as endorsed by the Board of Directors. It assesses, monitors, and reports on non-financial risk including compliance risk in EIB Group activities. In 2021, the EIB

Group set up the Group Risk and Compliance Directorate in line with the EIB governing bodies' aim to strengthen the Group Risk Management Function. The restructuring resulted in increased interaction between the EIF Chief Compliance Officer and both the Group Chief Compliance Officer and Group Chief Risk Officer.

The function has defined specific non-financial risk management policies and procedures and implemented risk management controls aimed at ensuring that the risks in the Compliance Functions' remit inherent to Group activities are managed in line with the defined principles, policies, and limits. Section 3.3 also details the policies and procedures harmonised at Group level.

The role of the Group Chief Compliance Officer and the EIF Chief Compliance Officer

With risk management techniques and tools becoming more widely used in compliance, the Group Risk and Compliance Directorate aims to promote consistency and synergies between the Group control functions and to foster a holistic view of EIB Group risks.

In this context, the EIB's Office of the Group Chief Compliance Officer (GCCO) is responsible for:

- ✓ **independently identifying, assessing and advising** on non-financial risks of the EIB Group, namely compliance, conduct, and EIB operational and information security risks;
- ✓ **monitoring** the above-mentioned risks;
- ✓ **developing and implementing EIB Group compliance policies and procedures**, in consultation with the EIF.

The Group Chief Risk Officer has line management responsibility for the Group Chief Compliance Officer. This provides the Group Chief Risk Officer with a comprehensive view of all risks under their remit. However, the Group Chief Compliance Officer has direct access to the President and the Management Committee, participates in its meetings and submits written contributions if required. The Group Chief Compliance Officer also has access to the EIB Board Working Group on Tax and Compliance Matters, and direct access to the Audit Committee and the Ethics and Compliance Committee (ECC).

Being accountable for compliance risks in operations, the Group Chief Compliance Officer submits opinions and technical advice to the EIB Management Committee on operations. In this respect, the decisions by the Group Chief Compliance Officer are taken independently and impartially.

The EIF Compliance Function forms part of EIF Risk Management. The EIF Chief Risk Officer has line management responsibility for the EIF Chief Compliance Officer. The EIF Chief Compliance Officer also has direct and unequivocal access to the EIF Chief Executive and the Deputy Chief Executive, the EIF Board of Directors and Audit Board, the Group Chief Compliance Officer, and the Group Chief Risk Officer. The EIF Chief Compliance Officer reports to the EIF's management and governing bodies on EIF Compliance activities and holds regular meetings with the EIF Board of Directors and with the EIF Audit Board.

Staffing and resources

In 2022, the EIB Management Committee allocated new positions to the Compliance Function in order to reinforce second line of defence activities in relation to sanctions, and to respond to the Bank's digital transformation ambition. Following the successful recruitment campaigns, the Compliance Function's headcount has increased by 11% (111 staff members at the end of 2022 vs. 100 at the end of 2021).

The EIF Compliance Department saw an increase in headcount in 2022 after recruiting new staff within both of its newly created divisions (Compliance Operations Division and Corporate Compliance, Internal Control and Ethics Division), including heads of division and senior/junior compliance officers.

Since 2021, the EIF Compliance Function’s headcount has increased by 20% and at the end of 2022 consisted of 23 staff members.

Figure 3-1 EIB Compliance Function structure

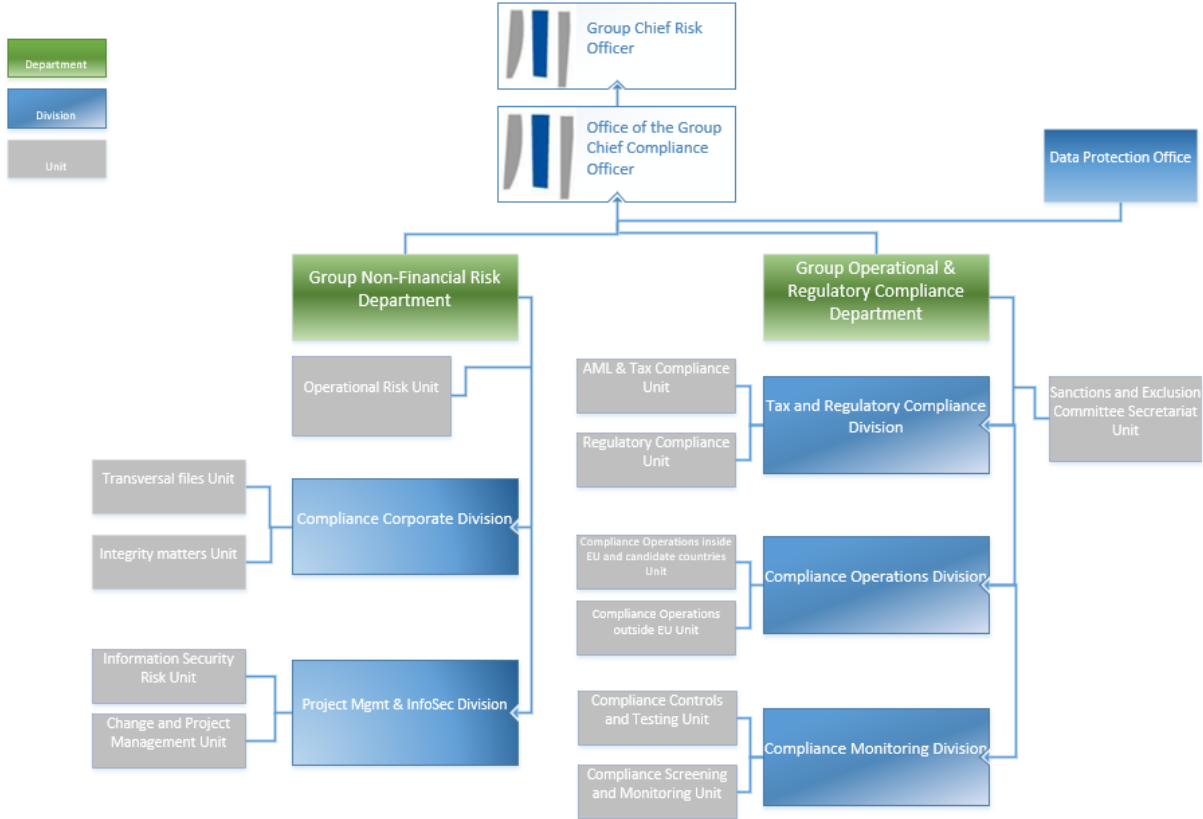
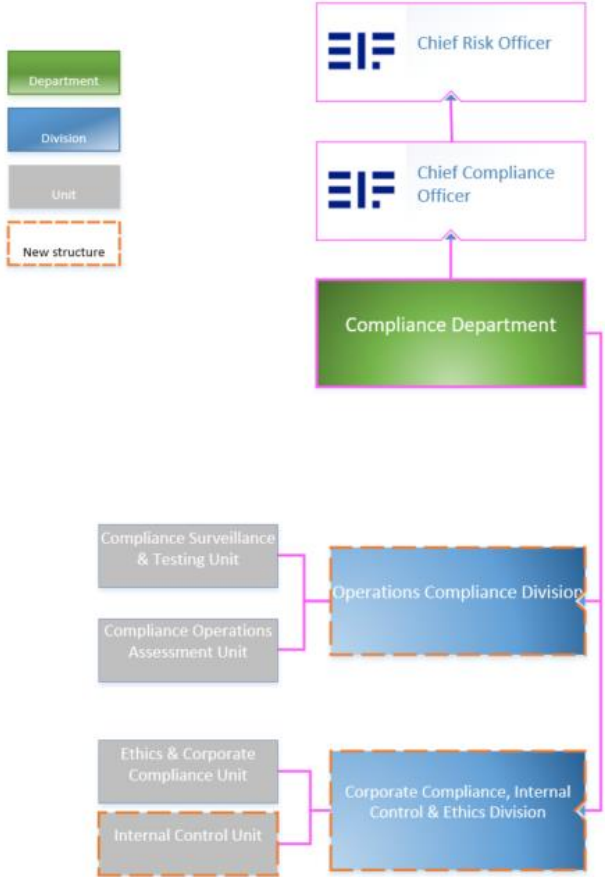


Figure 3-2 EIF Compliance Function structure



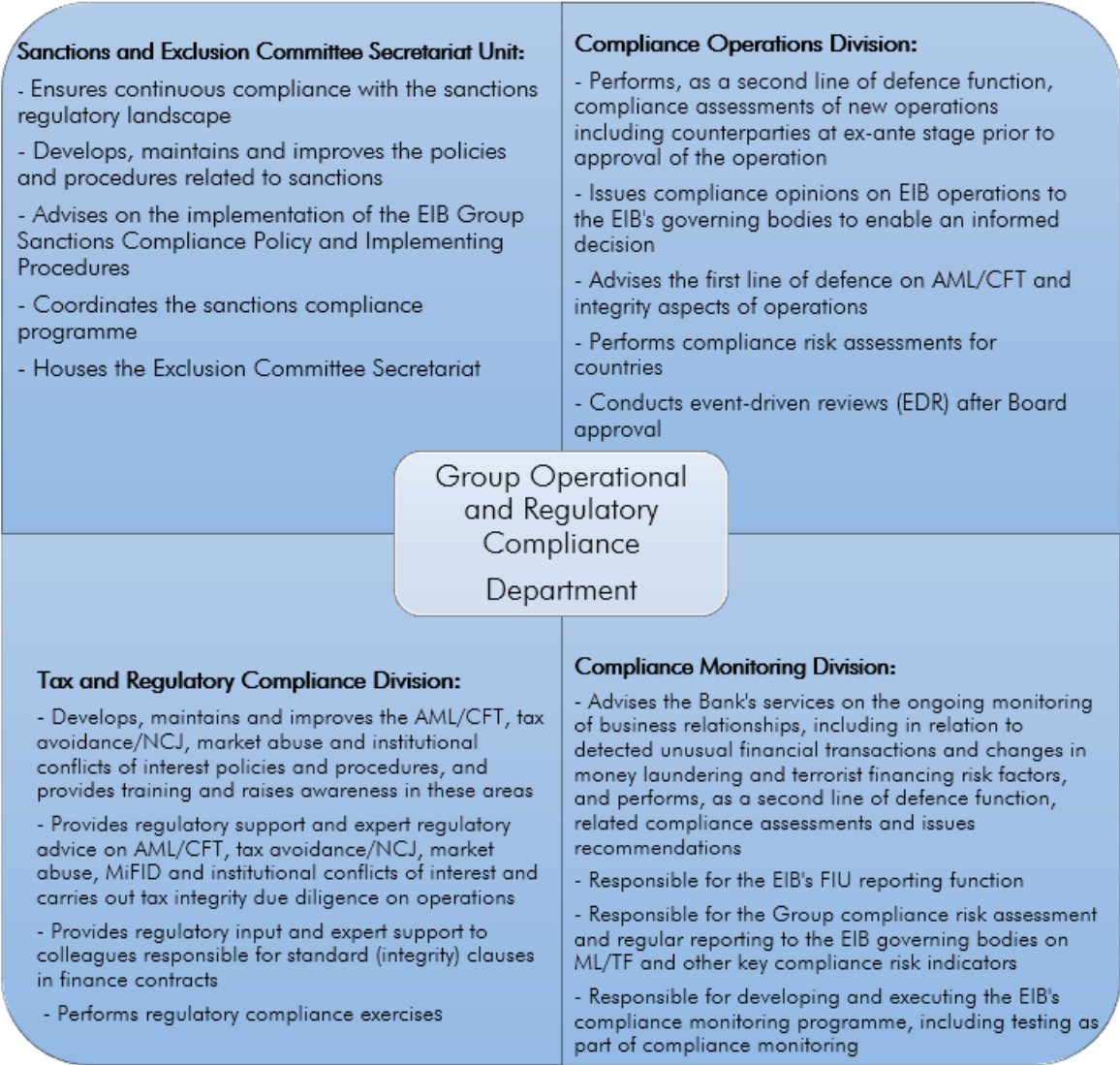
Compliance Functions business activities

The Office of the Group Chief Compliance Officer is structured around two departments: (i) Group Operational and Regulatory Compliance and (ii) Group Non-Financial Risk. The respective departments form the two compliance arms of the EIB with horizontal responsibilities ensuring effective collaboration within the function and across directorates. The EIF Compliance Function has two divisions within the department — the Operations Compliance Division and the Corporate Compliance, Internal Control and Ethics Division. The tasks of the various divisions and units of the EIB and EIF Compliance Functions are described in more detail below.

Within the EIB Compliance Function, the Data Protection Office reports administratively to the Group Chief Compliance Officer, ensuring liaison with the European Data Protection Supervisor. In accordance with the EIB data protection implementing rules, the Data Protection Officer reports functionally to the Management Committee. The Data Protection Officer also provides practical guidance to the EIB on how it can improve data protection and advises the data controllers on the application of data protection provisions. For more information on the Data Protection Officer’s activities, see Chapter 9. At the EIF, the Data Protection Officer reports to the EIF Deputy Chief Executive.

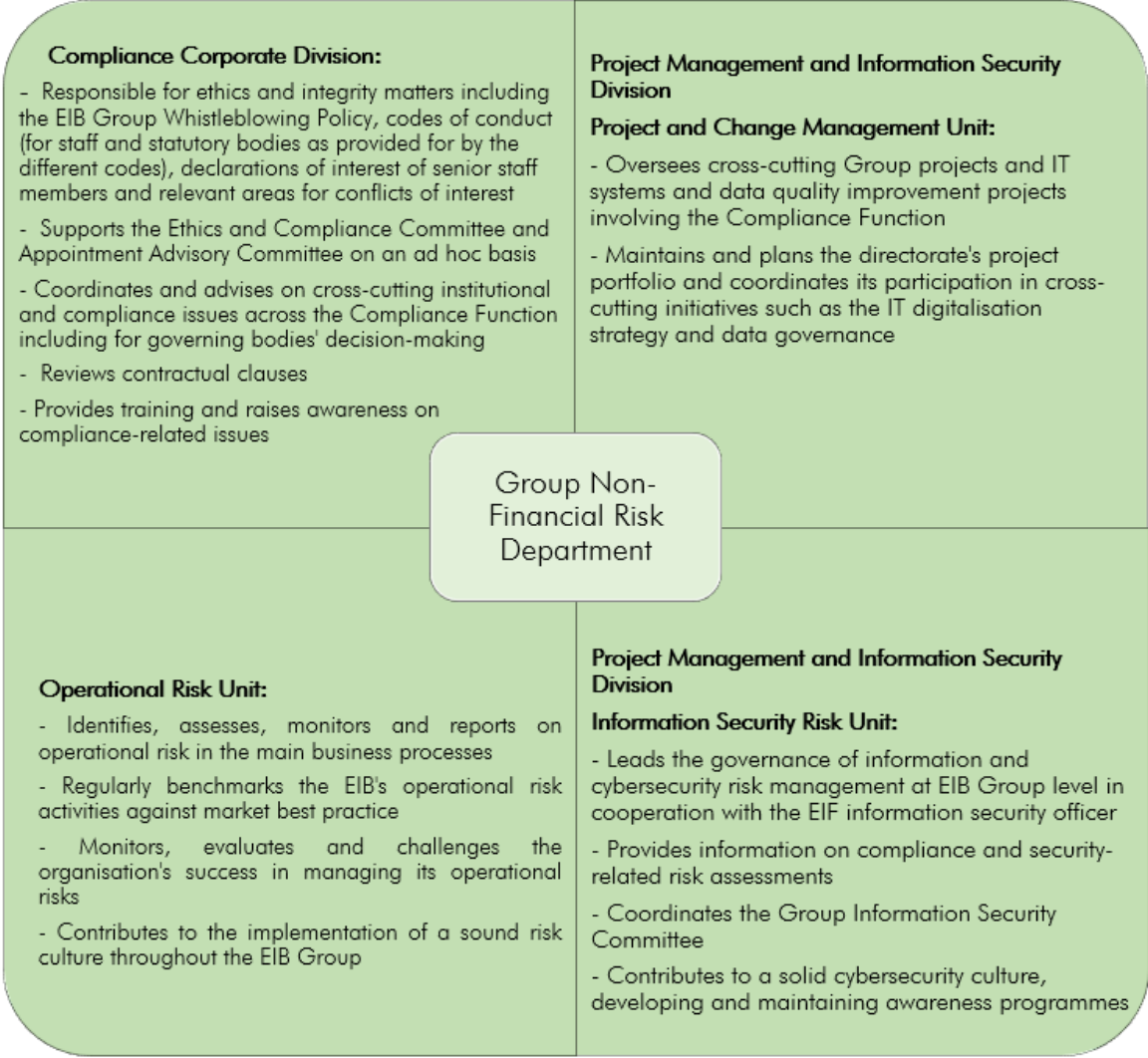
The EIB’s Group Operational and Regulatory Compliance Department:

- ✓ Oversees the areas of AML/CFT, tax compliance, sanctions, market abuse, MiFID and institutional conflicts of interest at various stages of the EIB’s project cycle.
- ✓ Develops and executes compliance risk assessments and the Compliance monitoring programme.



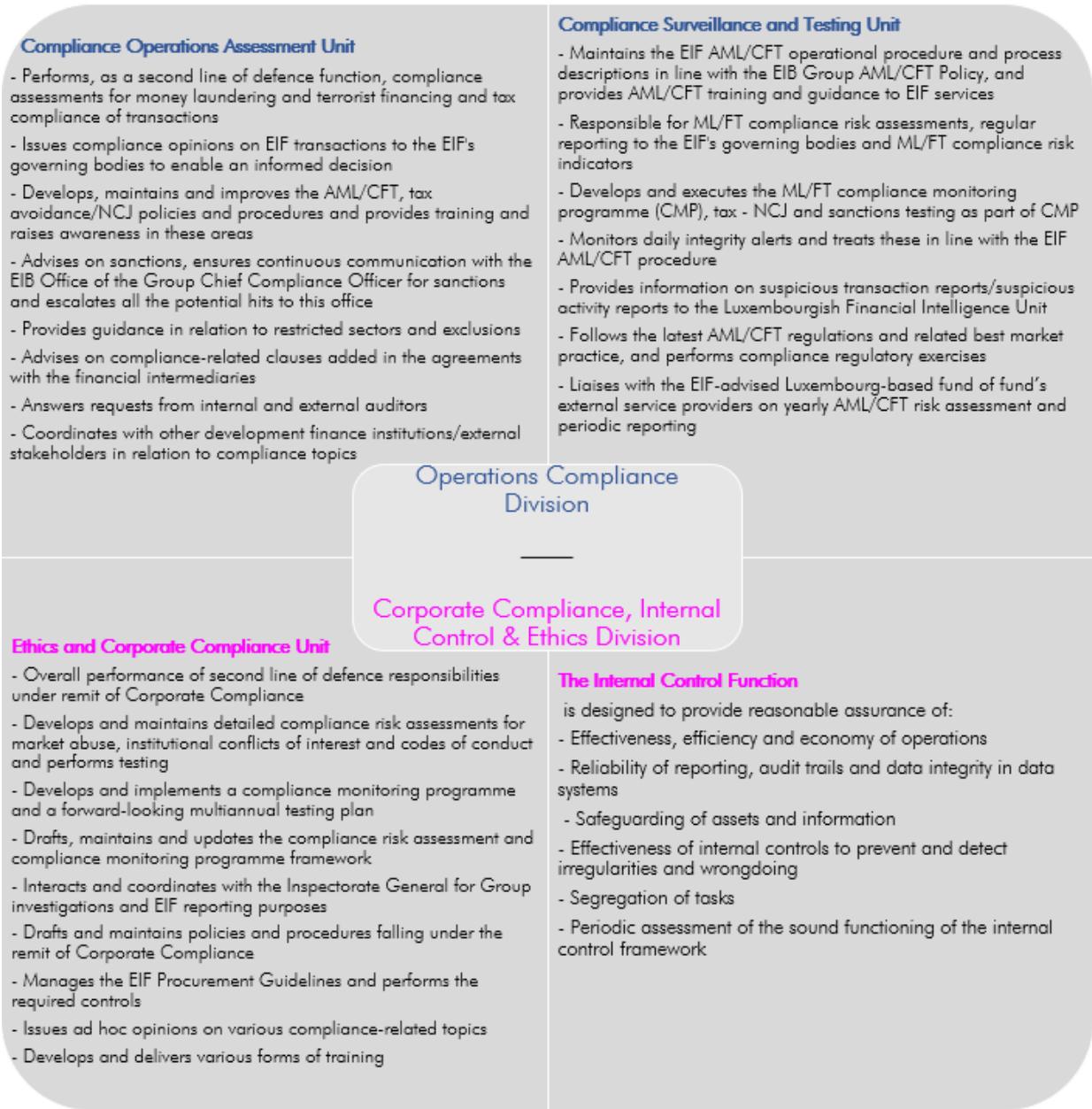
The EIB’s Group Non-Financial Risk Department:

- ✓ Centralises, under the responsibility of the Compliance Function, the management of non-financial risks (excluding AML/CFT and sanctions) within the remit of the Group Chief Risk Officer, namely operational, information security, and ethics and integrity risks.
- ✓ Coordinates horizontal issues across the Compliance Function and at an intra-directorate level, including for Group alignment.



The EIF’s Compliance Department:

- ✓ Comprises two divisions and each division has two units.



3.2. Working groups and committees

The EIB has several committees and working groups that support the implementation of the Bank's compliance policies, which include:

The **Appointment Advisory Committee (AAC)** gives non-binding opinions on candidates' suitability to perform the duties of members of the Management Committee and of full members or observers of the EIB Audit Committee before appointment by the Board of Governors. More information on the functioning of this committee can be found in its [Operating Rules](#).

The **Ethics and Compliance Committee (ECC)** rules and makes decisions on any personal and role-related conflict of interest of a member or former member of the Board of Directors or of the Management Committee and provides opinions on any personal and role-related conflict of interest of a member or an observer of the Audit Committee. The committee also provides opinions on any ethical matter concerning members of the Board of Directors or the Management Committee, regulated in their respective code of conduct or in related relevant provisions. More information on the functioning of this committee can be found in its [Operating Rules](#) and in its [2021 Annual Report](#).

The **Board Working Group on Tax and Compliance Matters (WGTC)** discusses and gives recommendations to the Board of Directors on (i) the Bank's good governance approach on taxation issues, (ii) the EIB Group NCJ Policy, (iii) the EIB Group AML/CFT framework as mandated by operational aspects and/or regulatory developments, as well as AML/CFT compliance on EIB activities outside the above-mentioned framework, and (iv) other substantial compliance policies such as those related to market abuse, the revision of the codes of conduct, the EIB Group Whistleblowing Policy and the EIB Group Sanctions Compliance Policy. In line with its terms of reference, the Group Chief Compliance Officer participates in the meetings of the working group.

The **Board Committee on Risk Policy (RPC)** advises the Board of Directors on the Bank's risk policies, including at Group level, by providing non-binding opinions and/or recommendations to the Board of Directors on policies regarding the overall risk appetite, tolerance, and strategy to facilitate the decision-making process of the board. Further information on the committee's functioning can be consulted in its [Terms of Reference](#).

To ensure ongoing alignment at the EIB Group level in compliance matters, the EIB and EIF Compliance Functions have also actively participated in several internal working groups and committees. The EIB Group Chief Compliance Officer and EIF Chief Compliance Officer are also members of the EIB Group Risk Steering Panel.

Additional details on the EIB's statutory bodies and the board's committees and working groups are available in the Annual Corporate Governance Report published on the EIB's official website. Similar details regarding EIF governance and statutory bodies can be found here: [Governance \(eif.org\)](https://www.eif.org/governance)

3.3. Compliance governance

Governance refers to the set of rules, controls, policies and systems according to which an organisation is controlled and operates. This chapter outlines the governance model and terms of reference put in place for the EIB's and EIF's Compliance Functions in line with best banking and market practice as well as the Group's approach to managing non-financial risks.

Group alignment

The EIB and EIF Compliance Functions signed a framework of cooperation in 2018. This has enabled best practice to be shared, enhanced collaboration and increased synergies. This notwithstanding, the Group has also set internal procedures for regular reporting on the assessment of differences between the EIB and its subsidiary. Particularly noteworthy alignment initiatives include:

- ✓ Group Risk Management Charter and its implementing provisions.
- ✓ Review of the Group risk appetite framework for non-financial risks.
- ✓ Replacement of the EIB Group AML/CFT framework with the EIB Group AML/CFT Policy.
- ✓ Group policies within the remit of the Compliance Functions, such as the EIB Group Market Abuse Policy (2021), the EIB Group Anti-Fraud Policy (2021³), the EIB Group Policy towards weakly regulated, non-transparent and non-cooperative jurisdictions and tax good governance (2019), the EIB Group Sanctions Compliance Policy (2018) and EIB Group Sanctions Compliance Programme, the EIB Group Whistleblowing Policy (2021), the EIB Group Staff Code of Conduct (2019⁴), the EIB Group Personal Data Protection Policy (2020) and the EIB Group Information Classification Policy (2021).
- ✓ Conflicts of interest.
- ✓ Approval of the Group Operational Risk Policy (2021) and event management procedure as well as several Group policies in the area of information security, such as the new Information Security Policy on minimum security requirements for IT suppliers, and joint initiatives on communication and awareness raising.
- ✓ Alignment of compliance-related contractual provisions for operations under the European Guarantee Fund.
- ✓ Centralisation of the EIF best market practice relevance and applicability assessment for the Group (in progress).
- ✓ Design and execution of new controls within Compliance (control of the registry of insider lists).
- ✓ Awareness raising including a new e-learning course on market abuse.
- ✓ Joint work on key projects, notably:
 - the implementation of a Group counterparty lifecycle management system, OMEGA;
 - the implementation of a regulatory compliance tool, DiReCT.
- ✓ Common use of a Group money laundering and terrorist financing risk scoring tool and embedded impact assessment methodology for politically exposed people.
- ✓ Progress in developing and implementing procedures⁵, differences in which may be explained by the respective business models and risk appetite of the different entities.

Integrity Policy and Compliance Charter

The Group Integrity Policy and Compliance Charter sets out the fundamental ethical principles applicable to the EIB and the EIF and underlines the commitment of the EIB Group to a policy of integrity in the performance of its mission. The observance of the Integrity Policy constitutes an essential element in safeguarding the reputation and image of the EIB Group. This document will be updated in 2023, together with the EIF Compliance Charter and Compliance Policy.

The codes of conduct adopted by each member of the EIB Group lay down the guiding principles of the Integrity Policy and Compliance Charter and constitute a key element of the EIB Group's governance. For more information on the codes of conduct, see Chapters 6.1 and 6.2.

³ Under the responsibility of the Inspectorate General.

⁴ The new EIB Group Staff Code of Conduct has been subsequently amended in 2023 and published: [EIB Group Staff Code of Conduct](#)

⁵ The implementing procedures are aligned when referring to terms or Group policy. As they concern specific aspects of business, they cannot be fully aligned on an EIB/EIF level.

Three lines of defence

The EIB Group follows the three lines of defence model in its internal management of compliance risks and controls. Additional work is being undertaken to further align with best practice, particularly in respect of AML/CFT by:

- ✓ strengthening the first line of defence's capacity to identify, analyse, measure, monitor and manage compliance risks and report to the Group's Compliance Function, senior management and governing bodies, as relevant;
- ✓ refocusing second line of defence activities on monitoring compliance with legal and regulatory requirements and maintenance of internal policies at Group level;
- ✓ providing advice on compliance to the governing bodies and staff;
- ✓ further strengthening policies and processes to manage compliance risks.

The first line of defence at the Group includes the Operations, Finance, and Portfolio Management and Monitoring Directorates. The second line of defence includes risk management and control functions, including the Compliance Function and part of the Financial Control Directorate. Financial Control has established the Internal Controls and Assertion Division, aiming to strengthen the second line of defence and to provide a common platform to assess and report on the EIB's risks and controls.

The third line of defence is performed by Internal Audit, which provides an independent review of the risk management practices and internal control framework and reports functionally to the Audit Committee or to the EIF Audit Board, as relevant. Internal Audit conducts an annual audit of AML/CFT and market abuse activities as well as regular audits of other activities falling within the remit of the Compliance Function (such as ethics, conflicts of interest, information security and operational risk)⁶.

Internal control functions at the EIB and EIF are separate functions, each having direct access to the relevant executive bodies (EIB President/Management Committee/EIF Chief Executive/Deputy Chief Executive), the relevant board committees and the Audit Committee/Audit Board.

3.4. Risk appetite framework

The processes and activities performed by the EIB Group to manage its risk appetite are formalised in the Group risk appetite framework approved by the Board of Directors and last updated in 2022. The Group Risk Appetite Framework Policy sets the overall guiding principles, processes, roles and responsibilities through which risk appetite is established, communicated and monitored. The framework embeds a healthy organisational risk culture within the Group through the implementation and monitoring of measurable risk appetite metrics. The risk appetite framework is established in line with the [EIB Group Risk Management Charter](#).

The EIB Group risk appetite framework covers both the financial risk and non-financial risk categories

The EIB Group's risk appetite is described in the Group Risk Appetite Statement, which provides information on the risk profile that the EIB Group is willing to assume in the pursuit of its mission, policy objectives and strategy for management and oversight bodies, employees, and other key stakeholders. The risk appetite aims to align the EIB Group's risk-taking with its strategy and business model. The high-level Risk Appetite Statement, which is publicly available, establishes an overarching qualitative statement, which is translated into risk appetite metrics and limits. To clarify the Group's risk appetite in relation to non-financial risks and to enhance transparency given the increased

⁶ At the EIF, operational risk and information security are currently not within the remit of Compliance.

attention on such risks by the Group's stakeholders, the non-financial risk framework has been reviewed and updated.

The following chapters provide an overview of the main elements of the management of various risks in the Compliance Function's remit, as well as concise descriptions of relevant risk management policies, procedures, and processes with reference to the compliance risk assessment.

4. Group compliance risk assessment, EIB and EIF compliance monitoring programmes

This chapter provides an overview of the Group compliance risk assessment, the compliance monitoring programmes for the EIB and the EIF and related reporting.

4.1. Group compliance risk assessment

The Compliance Function performed the Group compliance risk assessment in 2022. This assessment is designed to meet specific regulatory requirements⁷, guidance and best banking/market practice.

The results of the exercise are reported on a yearly basis, and the data-driven risk assessment for money laundering and terrorist financing is performed again every quarter.

4.2. Compliance monitoring programme

The compliance monitoring programme, deployed separately for the EIB and the EIF, enables the respective Compliance Functions to assess the design adequacy and operating effectiveness of identified compliance controls. The compliance monitoring programme is a key element of the integrated Group compliance risk assessment framework. The compliance monitoring programme feeds back into the compliance risk assessment to provide information on the control effectiveness assessment and thereby calibrate respective residual risks. In turn, the outcome of the compliance risk assessment serves as a basis for the development of the (multi)annual risk-based plan for the compliance monitoring programme.

The governing bodies/executive management at the EIB/EIF are informed about the results of the compliance risk assessment and compliance monitoring programme.

5. Operations and regulatory compliance

5.1. Money laundering and terrorist financing risk

The EIB Group places great emphasis on integrity and good governance and is committed to the highest standards of AML/CFT. This chapter provides information and data on money laundering and terrorist financing risks and AML/CFT compliance as well as an overview of the actions the EIB Group takes to combat money laundering and terrorist financing within the context of its activities both within the European Union and globally.

⁷ Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU; Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, which Member States were due to transpose into national law in 2017 and 2020, respectively (fourth and fifth EU AML/CFT Directives); FATF Recommendations and the EBA/ESMA/EIOPA Joint Guidelines JC 2017 3 7 (EBA's Risk Factor Guidelines).

EIB Group AML/CFT Policy

The EIB Group adheres to an AML/CFT framework through the EIB Group AML/CFT Policy (last revised in 2021). The policy together with the implementing procedures aim to prevent the EIB Group, its governing bodies, staff and counterparties from being associated with or used for money laundering and terrorist financing or other criminal activities.

Anti-money laundering and combating financing of terrorism procedure

The Group Compliance Function monitors the constantly evolving AML/CFT regulatory environment and related market practices, assessing their relevance and implementing relevant aspects in the EIB Group AML/CFT framework. The EIB Group follows legislative proposals from the European Commission such as on the European Union's AML/CFT rules, which are assessed in line with the EIB BBP Guiding Principles and EIF Best Market Practice Guidelines.

Role of the EIB Group Compliance Functions

The Compliance Functions constitute the second line of defence and, among other responsibilities, set standards and provide guidance to the first line of defence, support and advise on money laundering and terrorist financing (ML/TF) risks, and perform risk-based monitoring of first line of defence controls, especially in cases requiring a referral to the Compliance Functions as a result of ML/TF risks communicated by the first line of defence. The Compliance Functions' involvement is commensurate to the identified money laundering and terrorist financing risk factors.

Reporting on AML/CFT

The Compliance Functions share the following information with senior management:

- ✓ Comprehensive and timely information and data on money laundering and terrorist financing risks and AML/CFT compliance, proportionate to the scale and nature of the activities:
 - ML/TF risk assessment
 - Resources
 - Policies and procedures
- ✓ Impact of changes in the legal or regulatory environment on the activities and compliance framework.
- ✓ AML/CFT controls to be implemented or strengthened, proposals for improvement and progress reports on significant remedial programmes about their money laundering and terrorist financing risk exposure.

Ex-ante AML/CFT due diligence and compliance assessment of the operations

As the second line of defence, the Compliance Functions provide independent expert advice to the first line of defence and the decision-making bodies on AML/CFT and integrity aspects of operations at the ex-ante stage.

In accordance with the EIB Group AML/CFT Policy, the Group applies customer due diligence measures to relevant counterparties for all operations on a risk-sensitive basis, considering the type of counterparty, the nature of the relationship, the product or transaction as well as the country of operation. Compliance consultation is mandatory where the Group has identified money laundering and terrorist financing risk factors through its due diligence or automated screening processes. When consulted, the Compliance Functions assess the compliance risk potentially associated with a specific operation and/or counterparty and may propose measures to mitigate/manage money laundering and

terrorist financing and other compliance risks, including reputational risk. The outcome of this assessment is documented in an independent compliance opinion addressed to the attention of the decision-making bodies and relevant services. In 2022, the EIB Compliance Function received 758 consultation requests in relation to new operations and issued 627 compliance opinions.

Figure 5-1 Number of EIB compliance consultations and opinions 2020-2022

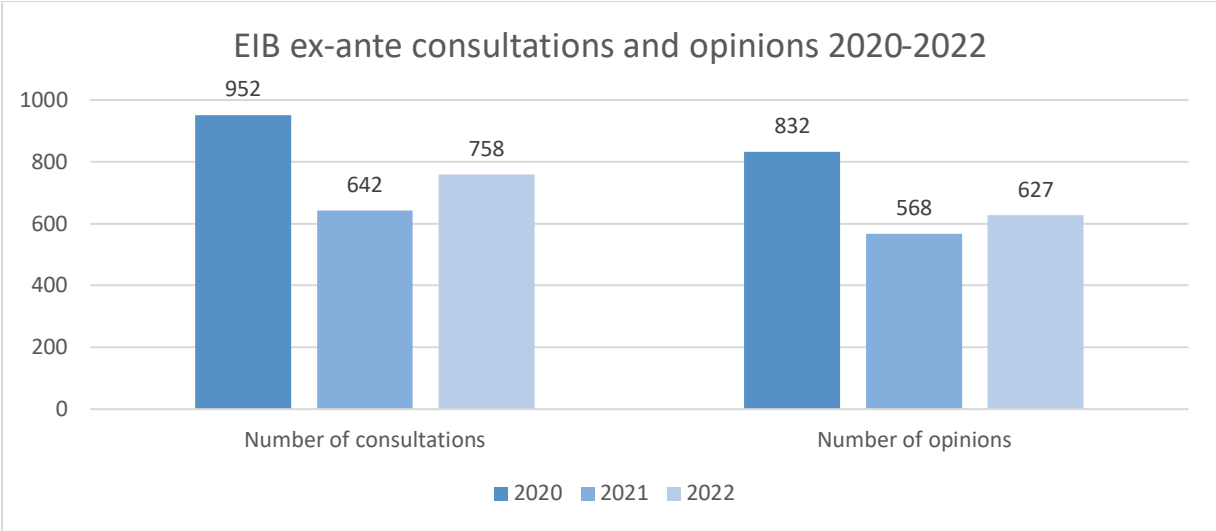
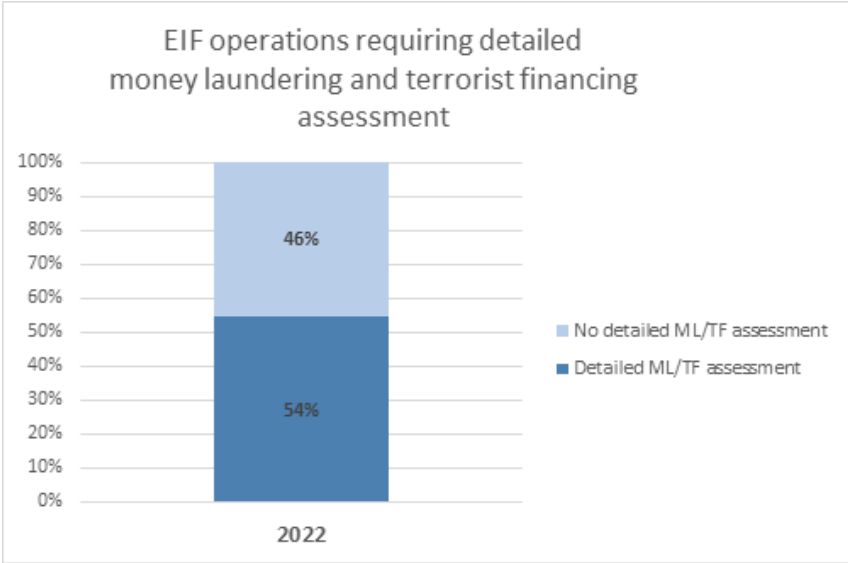


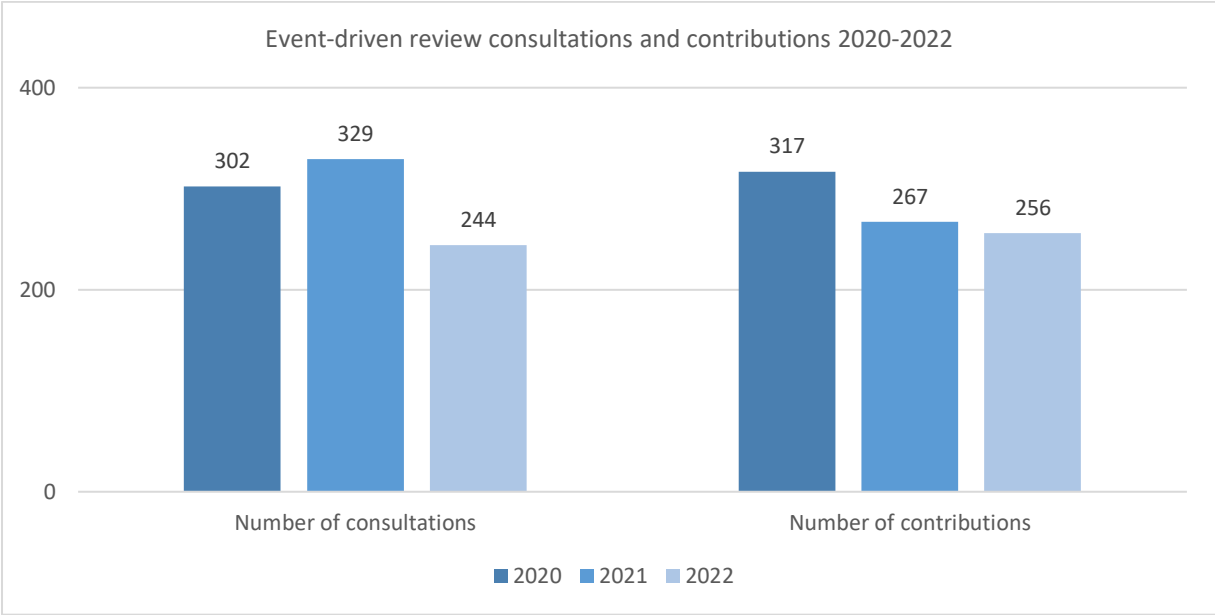
Figure 5-2 Percentage of EIF operations requiring detailed money laundering and terrorist financing assessment in the compliance opinion in 2022



Event-driven reviews post-Board approval

The EU AML Directive requires that information about relevant counterparties and their risk profile be kept up to date throughout the lifetime of the business relationship. In this context, as the second line of defence, the EIB and EIF Compliance Functions are consulted on a risk-based approach when events/changes in relation to counterparties or operations occurring post-Board approval involve higher money laundering and terrorist financing risk factors and/or may impact the existing ones. In 2022, the EIF had 28 positive daily screening alerts resulting in money laundering and terrorist financing risk assessments. Figure 5-3 displays the EIB’s event-driven review statistics for 2020 to 2022.

Figure 5-3 EIB event-driven review statistics 2020-2022



Ex-post AML/CFT due diligence other than event-driven reviews

In relation to ex-post counterparty due diligence, in 2022 the Compliance Functions were involved in the review of unusual payments, ongoing monitoring of counterparties, and the reporting of suspicious activities and transactions. Further information and statistics on these activities are provided below.

Review of unusual payments: The Group’s services reinforced controls to identify unusual transactions. In accordance with the EIB risk-based approach, the Compliance Functions are consulted by the relevant first line of defence services on incoming and outgoing payments in case of pre-defined money laundering and terrorist financing risk-related triggers. Compliance Function consultation may trigger enhanced customer due diligence measures, and in the event of suspicion of money laundering and terrorist financing, reporting to the Luxembourg Financial Intelligence Unit (FIU).

Ongoing monitoring of counterparties: The Compliance Function guides and advises the first line of defence by assessing, via a risk-based approach, money laundering and terrorist financing risk factors identified throughout the duration of business relationships. The Compliance Function is involved in reviews where relevant. The Compliance Functions may issue recommendations to mitigate the money laundering and terrorist financing risk and ensures that the money laundering and terrorist financing risk assessment of the relevant counterparty and/or operation is updated.

In 2022, 121 ad hoc reviews were performed by EIB Compliance Monitoring Division.

Reporting of suspicious activities and transactions: The EIB and EIF have a voluntary memorandum of understanding in place with the Luxembourg Financial Intelligence Unit that provides a framework for exchanging information when reporting suspicious activities and transactions that may constitute money laundering, related underlying offences or terrorist financing. The Group Chief Compliance Officer and EIF Chief Compliance Officer act as Money Laundering Reporting Officer (MLRO) for the EIB and EIF, respectively, and ensure a case-by-case assessment of the need to report suspicions of money laundering and terrorist financing.

The Money Laundering Reporting Officers cooperate through the dedicated FIU reporting function closely with the EIB Investigations Division within the Inspectorate General responsible for performing all investigations into alleged violations of the EIB Group Anti-Fraud Policy and related matters, including any investigation concerning money laundering and terrorist financing-related issues.

5.2. Sanctions risk and exclusions

The sanctions landscape in 2022

The sanctions landscape remains challenging and increasingly complex for the EIB Group. In 2022, the wide array of sanctions concerning the Russian-led invasion of Ukraine required an immediate response from the EIB Group. Sanctions monitoring was enhanced to closely follow all EU sanctions packages as well as sanctions imposed by the United States and United Kingdom. A sanctions risk assessment of the targeted sanctions against Russia was carried out and is continually updated, with specific mitigants implemented to minimise the EIB Group's sanctions exposure.

In line with the EIB Group Sanctions Compliance Policy, the EIB and EIF follow the principles set out by the framework of cooperation agreement between the two institutions, in order to:

- ✓ strengthen the cooperation between the Compliance Functions;
- ✓ ensure the appropriate mutual exchange of information;
- ✓ share best practice and respective business knowledge;
- ✓ identify and implement synergies;
- ✓ achieve alignment and consistency.

Sanctions compliance programme

The EIB Group's expanding reach and increasing product and programme diversification require an up-to-date control framework that appropriately prevents, identifies, and mitigates sanctions risks.

In 2022, the EIB's sanctions compliance framework was mainly affected by the Bank's decision to apply the UK sanctions regime to EIB activities and staff, following a risk-based approach. Work was carried out to update and implement the relevant sanctions controls accordingly.

In 2022, in cooperation with the EIB, the EIF also strengthened its sanctions procedure, and controls to identify the impact of new sanctions and further mitigate EIF sanctions and reputational risks. The EIF continues to apply best market practice, general principles and standards set out in EU law and recommendations from the different authorities, while closely monitoring the sanctions regulatory developments.

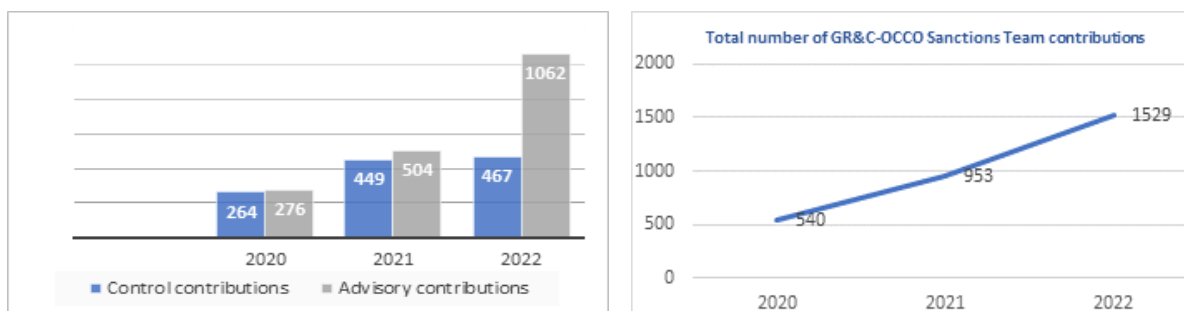
Key initiatives in 2022 for sanctions included:

- ✓ **Policy and procedures:** Update of the EIB's internal regulatory framework to remain aligned with the increasing complexity of the sanctions landscape.
- ✓ **Risk assessment:** At the EIB, finalisation of the 2021 sanctions risk assessment, following the revised Group compliance risk assessment methodology, based on risk scenarios as well as portfolio data. The 2021 sanctions risk assessment was fully integrated in the 2021 Group compliance risk assessment exercise.
The EIF conducted a detailed exercise to identify and mitigate its direct and indirect exposure to the new sanctions applicable under relevant sanctions regimes. The EIF also carries out a separate sanctions compliance risk assessment, which is incorporated into the EIB Group Compliance Risk Assessment Report.
- ✓ **Governance and reporting — Group alignment:** As part of continuous EIB Group alignment, the EIB and EIF have strengthened their collaboration in the sanctions field (such as ensuring the mutual exchange of information, sharing best practice and business knowledge, and identifying possible synergies).

- ✓ **Process and controls at the EIB:** At the EIB and EIF, key controls to mitigate the UK sanctions risk were implemented (such as an update of the screening and payment filtering tools⁸). With respect to the newest Russia-related sanctions, customised controls were carried out on specific areas of activity.
- ✓ **Training and awareness at the EIB:** Sanctions workshops were provided for EIB staff and the EIB Board of Directors. These workshops were also made available to EIF staff.
- ✓ **Review of guidelines and standard clauses at the EIF:** The EIF prepared and shared sanctions guidelines with the relevant EIF services. It also updated its standard contractual clauses to ensure compliance with relevant sanctions regimes.
- ✓ **Allocation of resources at the EIF:** The EIF allocated more expertise to assess, identify and mitigate the EIF's sanctions and reputational risks in relation to transactions, payments, equity commitment drawdowns, and other activities in which the EIF is involved.
- ✓ **Internal and external communication at the EIF:** The EIF shared relevant updates of the sanctions landscape with all staff and external parties.

The sanctions compliance programme will continue to be enhanced and optimised in line with best banking practice/best market practice and recommendations from the competent sanctions authorities, with a particular focus on sanctions regulatory developments related to Russia's aggression against Ukraine. The EIB sanctions team's activities between 2020 and 2022 are illustrated in Figure 5-4. In addition, EIF Compliance recorded 66 consultations conducted with the EIB Compliance Function's sanctions team.

Figure 5-4 EIB Compliance sanctions team activities 2020-2022



Exclusion Committee Secretariat

The Office of the Group Chief Compliance Officer is responsible for the Secretariat of the Bank's Exclusion Committee, established in 2020. The Secretariat's activities take place under the guidance of the Chair and comprise the preparation of notices, decisions and other documents based on the deliberations of the Exclusion Committee. Moreover, the Secretariat addresses any procedural, legal, and operational questions from committee members.

⁸ The EIB has procured the SWIFT filtering tool on its BIC code, whereas the EIF relies on the filtering tools of its EU-regulated custodian banks.

5.3. Non-cooperative jurisdictions and tax good governance

The EIB Group is committed to having effective compliance-related policies and procedures in place in order to prevent operations from being misused for tax fraud, tax evasion and tax avoidance, among others.

The EIB Group Policy towards weakly regulated, non-transparent and non-cooperative jurisdictions and tax good governance ([EIB Group NCJ Policy](#)) was approved in 2019. It takes account of recent European and international regulatory developments in tax integrity as well as tax good governance standards and policies, such as the EU Council conclusions on the EU list of non-cooperative jurisdictions for tax purposes, the OECD's base erosion and profit shifting project and the European Union's anti-tax avoidance package.

Non-cooperative jurisdictions

Non-cooperative jurisdictions (NCJs) under the EIB Group NCJ Policy are designated based on relevant classifications made by one or more lead organisations with respect to jurisdictions which have not made sufficient progress towards satisfactory implementation of EU and/or internationally agreed standards in connection with AML/CFT and/or tax transparency/tax good governance. The lead organisations include, among others, the European Union, the Financial Action Task Force (FATF), the OECD, the Global Forum and the G20.

The EIB Group closely follows and considers updates made to these lead organisations' reference lists. For more information on the reference lists, please see the EIB Group NCJ Policy — [Frequently Asked Questions](#).

Tax integrity due diligence

The EIB Group NCJ Policy includes the Anti-Tax Avoidance Toolbox, which sets out general expectations vis-à-vis contracting counterparties as part of the tax integrity due diligence process at the EIB Group.

All EIB and EIF operations are assessed, on a risk-sensitive basis, in line with the standards of the due diligence process outlined in, among others, the EIB Group NCJ Policy and the respective EIB/EIF revised implementing procedures (NCJ Procedures) which were approved and entered into force in 2020.

On a risk-sensitive basis and in line with EIB Group policies, the EIB Group may decide to extend the above-mentioned checks to operations with contracting counterparties incorporated or established in jurisdictions that are generally cooperative but have not yet resolved outstanding tax good governance deficiencies.

The 2022 figures for the EIB show that the level of activity for the total number of consultations remained stable compared with 2021. While there was a small decrease in operational queries, the number of tax integrity due diligence requests increased by around 18.5% compared to 2021. This could be partially due to the higher number of changes in the jurisdiction classified by one or more lead organisations for not having made sufficient progress towards satisfactory implementation of EU and/or internationally agreed standards in connection with AML-CFT and/or tax transparency/tax good governance standards.

Figure 5-5 EIB Compliance tax team activities 2020-2022

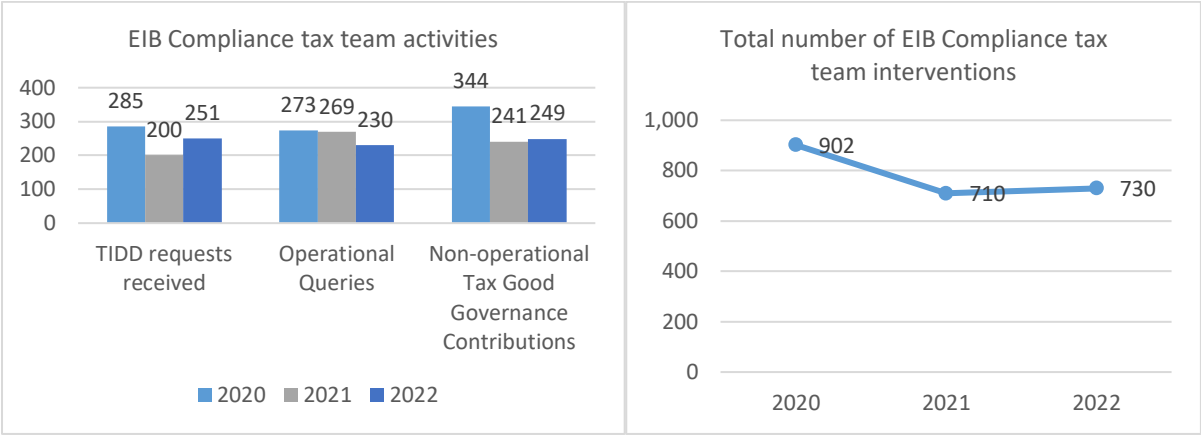
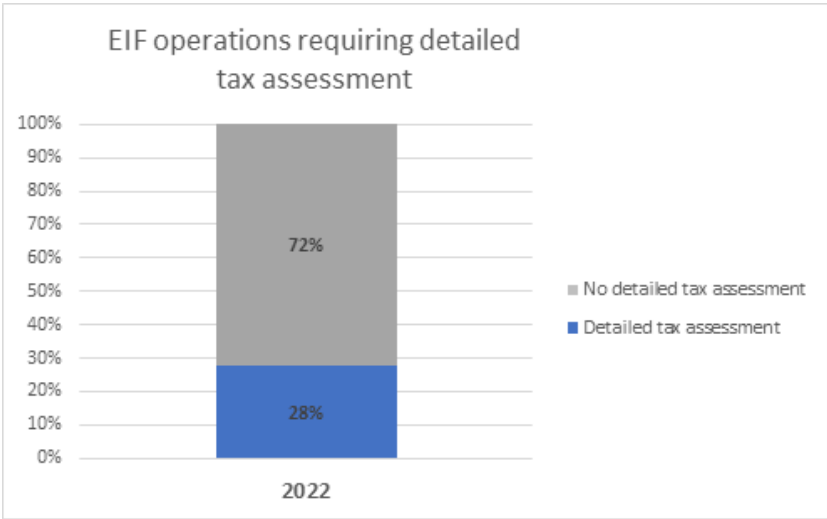


Figure 5-6 EIF operations requiring detailed tax assessment in 2022



In 2022, the EIB Group tax teams engaged in awareness-raising and networking activities:

- ✓ **Awareness raising on the EIB Group NCJ Policy and the EIB Group’s tax good governance approach** delivered internally to compliance staff and different services.
- ✓ **Exchanges with other international financial institutions** on tax integrity due diligence approaches.
- ✓ **Exchanges with the Global Forum on Transparency and Exchange of Information for Tax Purposes** and participation at the 2022 Global Forum plenary meeting.

Regulatory matters in AML, tax avoidance/NCJ, market abuse, institutional conflicts of interest and MiFID

In 2022, as part of the EIB and EIF Compliance Functions’ day-to-day activities, regulatory support, opinions and interpretative assistance were provided for queries on regulatory topics linked to non-cooperative jurisdictions, AML/CFT, tax and general integrity matters. These matters stem from integrity clauses included in the New Product Committee and mandate-related documentation (MiFID 2/Market Abuse Regulation/institutional conflicts of interest, AML/non-cooperative jurisdictions), special agreements and finance structures (such as agreements with the United Nations and memorandums of understanding), and from other specific regulatory queries related to the interpretation of the EIB Group’s policies and procedures.

EIF Compliance was consulted on multiple occasions in the context of the negotiation of contractual arrangements with intermediaries and on monitoring events related to compliance clauses.

5.4. Market integrity

Market abuse

The guidelines for the prevention of insider dealing and market manipulation were revised and transformed into an EIB Group Market Abuse Policy that was approved by the EIB and EIF Boards of Directors in 2021. This policy provides the overall framework for market abuse compliance at the EIB Group. In 2022, the EIB Group adopted the Market Abuse Procedure. The Market Abuse Policy and the Market Abuse Procedure entered into force on 8 July 2022.

The Market Abuse Policy establishes in more detail the specific market abuse prohibitions, requirements, and responsibilities of the first and second lines of defence (the third line of defence being largely unchanged) on the prevention and detection of market abuses.

In 2022, the EIB Compliance Function issued guidance to enhance the ability to detect inside information, and to further clarify the segregation of information barriers. Furthermore, controls were performed on the insider lists. A new EIB Group e-learning module on market abuse for staff from the EIB and EIF was also launched, covering market abuse fundamentals.

Digitalisation efforts are under way to further automate insider lists. The Compliance Functions also contributed to various market abuse-related training sessions. Lastly the Compliance Functions also provides ongoing advisory services related to operations with market abuse exposure as well as regulatory interpretations on market abuse topics. In 2022, a frequently asked questions guide on market abuse topics was also published on the EIB intranet.

Institutional conflicts of interest

The EIB has a framework in place for dealing with situations involving institutional conflicts of interest to protect market integrity. For more information on institutional conflicts of interest, please consult Chapter 6.3.

Markets in Financial Instruments Directive

In line with initiatives from previous years, the Compliance Function continued to design strategic compliance plans and perform activities to analyse existing internal documentation, processes, and controls, identify gaps and take adequate remedial action.

As part of its day-to-day activities, the EIB Compliance Function provided advice on the Markets in Financial Instruments Directive (MiFID) in response to queries coming from EIB services to monitor compliance with the relevant legal and regulatory requirements.

Sustainable finance, climate risk and Climate Bank Roadmap

In respect of **sustainable finance**⁹, the EIB Compliance Function:

- ✓ Contributed to the best banking practice applicability assessment of the ECB Guide on climate-related and environmental risks and continued to participate in the best banking practice applicability assessments on non-financial disclosure requirements.
- ✓ Provided advice on queries on the above topics coming from EIB services as and when required.

⁹ For more information on the EIB's sustainability, please refer to the [EIB Group Sustainability Report 2021](#).

With regard to the [Climate Bank Roadmap](#)¹⁰, the EIB Compliance Function:

- ✓ Continued to be part of the DG Climate Representatives Core Group as a permanent member.
- ✓ Participates in the Bank-wide Climate Champion Initiative.

The EIB Compliance Function also continued to foster the process that it had initiated to analyse, design and formalise its compliance strategy on sustainable finance regulatory requirements.

Meanwhile, EIF Compliance acts as the second line of defence and is closely cooperating with the relevant teams to implement exclusions and restrictions on the provision of financial support to its counterparties and final recipients. EIF Compliance, together with the EIF Mandate Risk Management Unit, provides advice on sustainability/climate-related requests and contributes to Group documents and reports whenever necessary.

5.5. The EIB Group Compliance Functions' involvement in the new product approval process and new mandates approval process

Pursuant to the EIB New Product Policy, the Bank observes a process for assessing new products and significant changes applied to the EIB's new products, markets, and services as well as related instruments and processes. The EIB Compliance Function is a member of the New Product Committee and as such fulfils its role in the new product approval process, as described in the EBA guidelines on internal governance, providing compliance risk assessment of the new product, if applicable.

The EIF Compliance Function carries out similar activities within the framework of the EIF Product and Mandate Committee. It participates actively in the approval, development and deployment process for mandates, new products, and new institutional investor onboarding at the EIF.

In 2022, the EIB Compliance Function participated in the following activities:

- ✓ Review of the EIB New Product Policy and Procedure.
- ✓ Approval process for new products.

In 2022, the EIF Compliance Function participated in the following activities:

- ✓ Update of the applicable compliance framework and its integration into mandate acceptance, new products, and the new institutional investor process, where applicable.
- ✓ Approval of approximately ten new mandates, including InvestEU, the Recovery and Resilience Facility (RRF), the Scale-Up Europe initiative, and Climate and Sustainable Infrastructure Funds.

Pursuant to the Mandates Management Procedures Guide (Mandate Guide), the Bank has established a procedural framework setting out all operational aspects that are common for all mandates required to formally process the approval, signature, and eventual termination of a mandate.

The EIB Compliance Function will be involved in the [Mandate Guide](#) review that began at the end of 2022. Similarly, the EIF is in the process of revising its procedural framework setting out the compliance aspects applying to all mandates and new institutional investors that are required to formally process the approval, signature and deployment of a mandate and new institutional investors. The EIB Group Compliance Function participates in the approval process for new mandates by providing compliance risk assessments concerning the EIB Group's involvement in a new mandate.

The EIB Compliance Function participated in the approval process for approximately 20 new mandates and sub-mandates in 2022. The most relevant of these are the Neighbourhood, Development, and International Cooperation Instrument (NDICI) and InvestEU. The EIF Compliance Function participated in the approval process for approximately 19 new EIB, European Commission, national and regional public managing authorities, and national promotional institution mandates. In addition,

¹⁰ [EIB Group Climate Bank Roadmap](#).

approximately 21 new institutional and private sector investors were onboarded within the institutional asset management activities of the EIF (fourth pillar).

6. Conduct risk

Conduct risk is defined as the current or prospective risk of losses to an institution arising from inappropriate conduct towards counterparties and the financial system, including cases of wilful or negligent misconduct. This chapter outlines the policies and approaches that the EIB Group has put in place to actively promote the highest standards of integrity for both its staff and statutory bodies.

6.1. Staff integrity matters

The promotion of a strong compliance culture among its employees remains one of the highest priorities for the EIB Group. To do this and to minimise compliance, conduct and reputational risks, EIB Group staff continued their engagement in the compliance culture change programme, including the promotion of awareness on integrity matters enhanced through training (see Chapter 7).

The EIB and EIF Boards of Directors are closely involved in setting compliance policies and promoting a compliance culture and ethical behaviour, reinforcing the protection of the EIB Group's reputation through a collective commitment to EIB Group values and integrity principles in line with the EBA and Basel Committee Guidelines.

EIB Group Staff Code of Conduct

The revised EIB Group Staff Code of Conduct approved by the Management Committee and the EIF Chief Executive/Deputy Chief Executive in 2022 will enter into force in 2023. Supplementing the above documents, the [Staff Regulations](#) (updated in 2020 for the EIB and 2021 for the EIF) lay down the staff's general conditions of employment.

The EIB Group Staff Code of Conduct seeks to strengthen cooperation between the EIB and the EIF and their respective Compliance Functions, create synergies, increase the efficiency of compliance risk management, and achieve consistency across the EIB Group.

As of 2022, the reporting of alleged breaches of the EIB Group Staff Code of Conduct was centralised so that it is now done through a single-entry point¹¹ — the Investigations Division within the Inspectorate General. Allegations of breaches of the EIB Group Staff Code of Conduct are assessed on the need for investigation, and, if necessary, investigated by this division¹². The Office of the Group Chief Compliance Officer is responsible for certifying the facts, that is, to establish if the facts provided by the Investigations Division constitute breaches of the EIB Group Staff Code of Conduct, issue the final report and take the necessary follow-up actions.

EIB Group annual compliance declaration

Formal acknowledgement of the EIB Group Staff Code of Conduct was decided as part of the Bank's 2012 corporate responsibility exercise. At the same time, best banking practice points to the need to enhance awareness of fundamental compliance and ethics policies. As a result, in 2022, the EIB Group

¹¹ The receipt and registration of allegations for all types of misconduct (Prohibited Conduct as defined in the EIB Group Anti-Fraud Policy, breaches of the EIB Group Staff Code of Conduct and of the EIB Group Dignity at Work Policy) as well as their investigation (where necessary) are centralised within the EIB Investigations Division within the Inspectorate General.

¹² Currently, at the EIF this process remains with the EIF Compliance Function with the application of a similar approach being assessed. However, allegations of Prohibited Conduct as defined in the EIB Group Anti-Fraud Policy concerning EIF are investigated by the EIB Investigations Division within the Inspectorate General.

launched its annual compliance declaration, replacing the formal acknowledgement, with the aim to consolidate staff's awareness of the rules in this area.

The current declaration comprises three sections on: (a) adherence to the EIB Group Staff Code of Conduct, (b) private investments and (c) prohibited conduct. Furthermore, staff members are requested to proactively declare personal conflicts of interest, outside professional activities, and gifts. Such additional control contributes to: (a) a reduction in associated residual risk for the Group after considering relevant related controls, and (b) further alignment with best practice.

6.2. Statutory bodies' integrity matters

The Group Compliance Functions continued to support the governing bodies in matters of ethics and integrity. This was primarily done through opinions provided to the Ethics and Compliance Committee at the EIB (see Chapter 3.2) about conflicts of interest of the Board of Directors, Management Committee and Audit Committee as well as ethical matters concerning the Board of Directors and the Management Committee.

At the EIF, opinions of the EIF Chief Compliance Officer concerning integrity matters of the Chief Executive/Deputy Chief Executive, the Board of Directors and the Audit Board are provided to the Chair of the EIF Board of Directors.

6.3. Institutional conflicts of interest

The EIB has a framework in place for dealing with institutional conflict of interest situations to protect market integrity. It establishes a uniform definition of institutional conflicts of interest, outlines the key risks the EIB Group and relevant people could be exposed to in connection with institutional conflicts of interest, and sets out the key principles for the timely identification and management of such conflicts of interest arising during or in connection with the EIB Group's activities.

The revised 2022 framework follows the regulatory developments whilst building further on the principles, concepts, measures, roles and responsibilities introduced therein. Moreover, the Compliance Function, together with the Bank's services, organised several workshops to further clarify the framework for institutional conflict of interest situations across the Bank's relevant services, as well as refresher workshops for the Bank's mandate-related activities. In 2022, the Compliance Function worked on further enhancing the institutional conflict of interest control environment by introducing control-related manuals and executing certain second line of defence's controls on institutional conflict of interest risks such as a training/awareness control as well as a control on the alignment of the institutional conflict of interest framework with regulatory expectations. As part of its day-to-day activities, the Compliance Function supported the Bank's services by providing institutional conflicts of interest-related and technical advice to monitor compliance with the respective legal and regulatory requirements. A similar approach has been taken by the EIF Compliance Function as well.

6.4. Personal conflicts of interest

The revised EIB Group Staff Code of Conduct makes a clear distinction between institutional, role-related and personal conflicts of interest.

Personal conflicts of interest may prejudice the independence and loyalty of staff members and compromise the discharge of their professional duties, having in turn an impact on the reputation and integrity of their employer. Conflicts of interest may be actual, potential or apparent, the latter category having a particular reputational risk aspect. All conflicts of interest must in principle be avoided or — if they do arise — be appropriately reported and mitigated. Situations that may be liable to give rise to conflicts of interest should be declared to the manager and the EIB or the EIF Compliance

Function for guidance, assessment, and recommendation of the appropriate mitigating action. Mitigating measures are considered in connection with identified conflicts of interest:

- ✓ on a permanent basis for identified situations of conflicts of interest inherent to certain categories of activities/products; or
- ✓ on an ad hoc basis, subject to the specific risks of a given situation/operation and/or on a one-time basis.

In the context of the wider conflicts of interest framework, in 2022 the EIB approved the new declaration of interests for senior staff members and members of the Management Committee, which will first be used in the declarations of 2023. The EIF will also implement these declarations of interest for the Chief Executive/Deputy Chief Executive and its senior staff members in the first quarter of 2023. The new declaration of interests aims to gather comprehensive and detailed information on interests held (current and past activities, financial interests, real estate, liabilities), enabling the Bank to promptly mitigate any situations that could give rise to conflicts of interest.

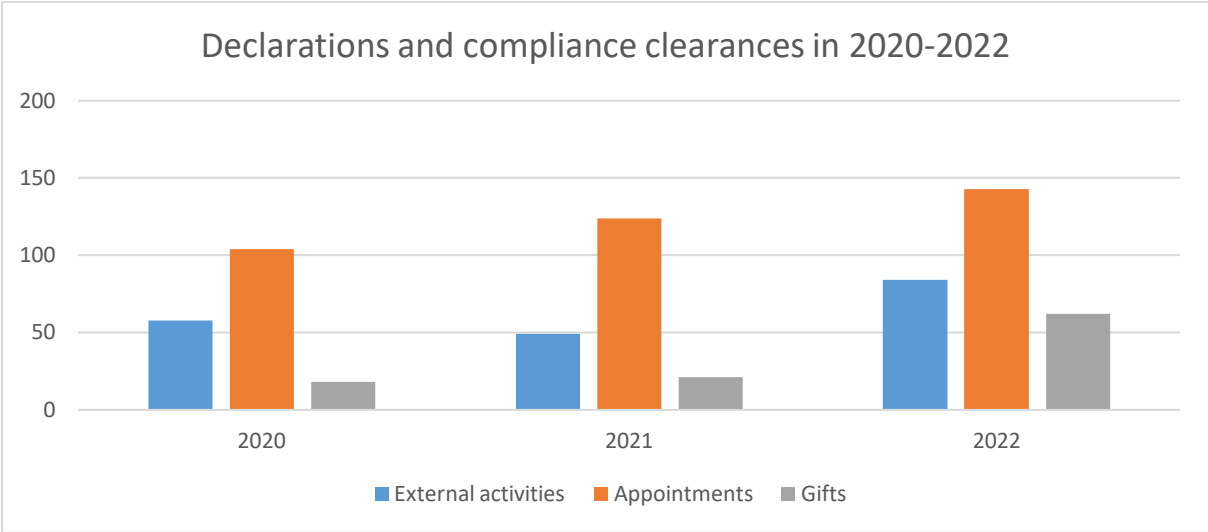
Declarations and compliance clearances

Staff and members of the Management Committee sought preliminary assessments and informal advice from the EIB Compliance Function in connection with conflicts of interest, private investments, gifts, external activities and declarations of interest prior to the transmission of formal declarations.

The digital ambitions of the Office of the Group Chief Compliance Officer and the Bank as whole is also reflected in this area. In 2022, extensive collaboration between the Office of the Group Chief Compliance Officer and Group Corporate Services resulted in the launch of the first of several modules enabling EIB staff to declare outside professional activities in a digitalised and partly automated end-to-end solution. This development aims to provide a user-friendly experience for monitoring declarations and clearances. The launch of the module in 2022 for outside professional activities is expected to be followed by the launch of new module for other types of declarations in 2023.

In 2022, the EIB Compliance Function issued 62 clearances for declarations of gifts, 84 clearances for external activities applications and 143 clearances for appointments to external bodies. Meanwhile, the EIF Compliance Function issued two clearances for declarations of gifts and 16 clearances for external activities applications.

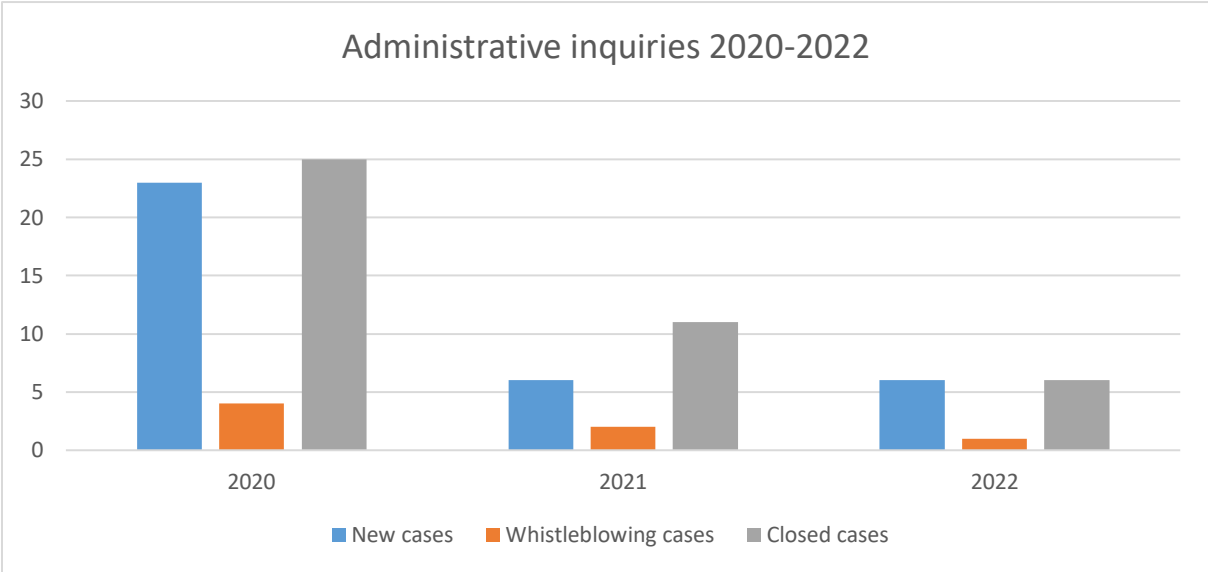
Figure 6-1 EIB declarations and compliance clearances 2020-2022



Administrative inquiries

Figure 6-2 below shows a decrease in the volume of administrative inquiries handled by the Compliance Function, which may be due to the transfer of investigative activities to in the Investigations Division of the Inspectorate General, together with work on the compliance culture and related awareness-raising initiatives conducted for staff, including the release of the e-learning module on the EIB Group Staff Code of Conduct and Whistleblowing Policy.

Figure 6-2 EIB administrative inquiries 2020-2022



6.5. Compliance consultations for integrity policy clauses

The EIB Compliance Corporate Division has been tasked with leading compliance consultations in respect of relevant integrity and policy clauses. Consultation takes place, where needed, in respect of relevant integrity policy clauses.

In 2022, 145 consultations were conducted on integrity policy clauses.

Similarly, the EIF Operations Divisions is responsible for compliance consultations in respect of relevant integrity and policy clauses. This occurs predominantly when formalising mandate-related standard terms and for individual operation contract signatures.

7. Training and awareness

A series of initiatives designed to ensure regular, up-to-date, and high-quality training courses and awareness raising on topics within Compliance's remit were continued or initiated in 2022, either directly by the Group Compliance Function or in collaboration with Personnel. The EIB Group is committed to providing dedicated and continuous training on compliance matters. To minimise any compliance, conduct and reputational risks, the EIB Group continued to promote a sound compliance culture.

As part of this, several learning modules were developed and workshops on professional duties and compliance topics were delivered throughout 2022:

- ***Mandatory AML/CFT e-learning course***

In 2022, the EIB Group continued to offer the compulsory AML/CFT e-learning courses. Further developments to e-learning modules are in progress. Specifically, a refresher course went live in early 2022 and courses for targeted audiences were also under preparation for 2022.

Concerning training for members of the EIB Board of Directors, a dedicated e-learning platform was launched in 2022 providing access to all existing courses offered internally. Further contributing to the regular training for Board of Directors members on compliance-related matters, workshops on sanctions were also held in 2022.

- ***Market abuse training***

In 2022, the Group Compliance Functions of the EIB and EIF developed and finalised an e-learning module on the fundamental market abuse concepts under the EIB Group Market Abuse Policy. The e-learning course lists the main prohibitions and requirements under the Market Abuse Regulation, explains the purpose of the regulation, the characteristics of inside information, the notion of "need to know", the EIB Group personal transaction restrictions, as well as the duties of services, staff and owners of inside information.

- ***Institutional conflicts of interest awareness raising***

In 2022, the EIB Compliance Function launched a standard awareness-raising campaign on institutional conflicts of interest for EIB staff. The institutional conflicts of interest foundation slide deck provides a general explanation of institutional conflicts of interest and how to identify, assess, manage, mitigate, monitor, and prevent them. Furthermore, at the request of the Bank's services, advanced workshops beyond the standard awareness-raising activities for institutional conflicts of interest were held to accommodate some specific learning needs they had identified.

The EIF Compliance Function is aiming to roll out a standard (EIF-specific) awareness-raising campaign on institutional conflicts of interest in the first quarter of 2023. If necessary, this may be further supplemented by more specific training courses at the EIF services' request.

- ***EIB Group Staff Code of Conduct and Whistleblowing Policy awareness raising: Ethics e-learning module and whiteboard videos on ethics***

The EIB and the EIF worked jointly on the EIB Group Staff Code of Conduct and Whistleblowing Policy e-learning module that went live in October 2022. Available Group-wide, the training includes a series of animated case studies and practical exercises allowing staff to apply their knowledge on ethics and integrity in practice. In addition to the existing awareness-raising

materials, a series of whiteboard videos on staff's main professional duties stemming from the EIB Group Staff Code of Conduct are used as part of internal training and awareness-raising campaigns on the EIB Group Staff Code of Conduct and Whistleblowing Policy. This includes the existing regular online business ethics workshops delivered in collaboration with other services, which constitute a key component of the ethics awareness-raising programme.

- ***Mandatory information security training***

In 2022, the "Introduction to Cyber Security" e-learning module became mandatory for all EIB staff. Moreover, the e-learning curriculum was extended with extra training for people with privileged user status. In addition, several general and tailored (such as for Management Committee members and payments staff) awareness-raising sessions were also held. The staff's level of security awareness was tested once a quarter with phishing simulations.

The EIF also implemented a comprehensive security awareness programme, with mandatory training modules such as "Kevin Mitnick Security Awareness Training", "Social Media: Staying Secure in a Connected World" and "Internet Security — When You Work From Home". The training modules include multiple-choice questions to test user comprehension. Additionally, phishing campaigns were rolled out on a regular (quarterly) basis.

- ***Newcomer training***

In 2022, newcomers received presentations on the Compliance Function ("Control Functions" and "EIB Core Business Processes"), and mandatory training on the EIB Group Staff Code of Conduct and Whistleblowing Policy, and on fraud and corruption awareness¹³. At the EIF, all newcomers receive a one-off classroom training on anti-money laundering, whereas all EIF Compliance officers are required to complete any Group compliance-related e-learning modules.

8. Systems and data

Digitalisation and effective data governance play a key role in the efficient and secure management of the EIB Group's processes and projects.

High-quality data and a robust data management culture are also of vital importance for effective compliance monitoring and reporting. The Group Compliance Function has launched several initiatives to improve its data governance, data quality and reporting. Specifically, the Group Compliance Function put in place several data quality controls. New structured data elements were identified and added to the Bank's main systems and databases. Key compliance data were migrated to the Bank's Enterprise Data Warehouse, ensuring access to historical data, better data analytics, increased employee efficiency and automated reporting.

9. Personal data protection at the EIB Group: Implementing the Data Protection Regulation

The EIB appointed a Data Protection Officer in 2003, being one of the first EU institutions to have institutionalised the function. The EIF appointed a Data Protection Officer in 2007. In 2022, these officers' activities continued to concentrate on ensuring compliance with the obligations deriving from the European Union's Data Protection Regulation (EUDPR) 2018/1725.

¹³ The Group Anti-Fraud Policy is under the remit of the Inspectorate General.

Following the completion of the internal data protection regulatory framework in 2021, with the adoption of the necessary implementing acts and procedures, the Data Protection Officers focused on implementing digital tools to facilitate the internal workflow on data protection matters. The ticketing tool for the EIB and the data protection register tool for the EIB and EIF put in place in 2022 will help ensure EIB Group compliance with the regulatory obligations. In line with proper document management at the EIB and at the EIF, the Data Protection Officers ensure that the relevant data protection implementing acts and procedures are periodically reviewed.

The Bank-wide compliance exercise initiated in 2020 continued in 2022, including a review of the centralised register records by following the action points of the established roadmap. The Data Protection Officer continued to deliver dedicated awareness-raising sessions across the Bank. There was also ongoing cooperation between the EIB and EIF Data Protection Officers based on the relevant memorandum of understanding — which was renewed in 2020 — regarding the cooperation and replacement of these officers.

The [EIB Group Personal Data Protection Policy](#) published in 2020 provides information on the general data protection principles applied by both the EIB and the EIF. Owing to a different organisational set-up, the EIF Data Protection Officer does not operate under the EIF Chief Compliance Officer but reports directly to the EIF Deputy Chief Executive. In 2022, the EIF revised and updated the General Terms and Conditions applicable to service contracts in the framework of public procurement to ensure compliance with regulatory requirements, while aligning with the EIB approach.

10. Cooperation with multilateral development banks and other international stakeholders

The EIB Group Compliance Function maintains regular contact with peer international financial institutions (such as the World Bank, the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC), the Asian Development Bank (ADB) and the Nordic Investment Bank (NIB)), EU bodies, standard-setting international organisations (such as the Financial Action Task Force (FATF) and the European Banking Authority (EBA)) and civil society organisations to enable ongoing alignment of compliance activities with relevant international standards and best banking practice in areas such as ethics and integrity, risk assessment, AML/CFT and tax and NCJ matters. In this context, the Group Chief Compliance Officer also participates in various international meetings, including the annual meetings of Chief Compliance Officers of multilateral development banks. Furthermore, the EIB Group Compliance Function's tax teams participate in regular meetings with other international financial institutions to share experiences and discuss tax good governance approaches.

The EIB Group continues to actively monitor guidance and guidelines issued by the EBA and FATF as well as legislative proposals from the European Commission, such as on the European Union's AML/CFT rules, which are assessed in line with the EIB Best Banking Practice Guiding Principles.

Of note during 2022 was the enhanced cooperation with peer institutions, the European Commission's External Action Service and the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) on sanctions issues.

11. Priorities for 2023

The Compliance Functions will continue to enhance and streamline their processes and systems in 2023 while performing their role as the second line of defence in Group Risk and Compliance and supporting EIB Global and the Climate Bank Roadmap. Going forward, important priorities include

business continuity preparedness and resilience, the enhancement of compliance controls, and an improved risk culture.

The priorities for the functions are closely aligned with the common corporate objectives of the EIB Group in the areas of best banking practice, Group alignment, digitalisation, the compliance culture programme, and further implementation of the three lines of defence model. Attention will also be given to streamlining key processes and further strengthening the internal control framework. Noteworthy priorities for 2023 include:

Digitalisation: In 2023, the Compliance Functions will continue to implement a forward-looking and ambitious agenda to develop and promote digitalisation across their activities and processes to enhance systems and data quality, for example through the delivery of OMEGA and DiReCT projects.

Three lines of defence: In particular, in relation to AML/CFT, the responsibilities of the first and second lines of defence within the EIB Group will continue to be clearly specified. Meanwhile, in relation to other non-financial risks, the second line of defence role will continue to be re-enforced (see below).

Non-financial risks: The EIB Group Compliance Functions will continue to strengthen the management of non-financial risks and the related reporting, with a particular focus on the Group risk appetite framework. Building on the new Group risk classification approved in 2022, they will also focus on scenario analysis, strengthening the second line of defence role in business continuity management and reinforcing organisational resilience overall.

Compliance monitoring programme/compliance risk assessment: Based on the Group-level compliance risk assessment 2022 exercise, compliance-related controls were identified and selected for inclusion in the work plan for 2023 of the compliance monitoring programme. This enables the Group Compliance Function to assess the design adequacy and operating effectiveness of identified compliance controls.

Group alignment: The Compliance Functions continue to participate in Group alignment and benefit from the related synergies while building on the positive developments and framework outlined in Chapter 3.3. Of particular note is the planned review and further alignment of Compliance opinions for EIB and EIF operations.

EIB Global: The EIB Compliance Function will continue to actively support the new arm for activities outside the European Union launched in 2022 and develop its due diligence and reporting accordingly.

Policies and procedures: The Compliance Functions will continue to review and develop their policies and procedures across their divisions and units and support similar work in the first line of defence in line with best practice. This includes the European Commission's AML/CFT legislative instruments with its EU single rulebook on AML/CFT and the Guidelines on Personal Transactions, among others.

Compliance culture change: The EIB Group will continue the compliance culture change programme with respect to ethics and integrity matters, with an ethics survey and awareness raising, a personal and role-related conflict of interest procedure, the revision of the Integrity Policy and Compliance Charter and the Group Chief Compliance Officer Terms of Reference, as well as enhancements to the framework for managing conflicts of interest at the level of the governing bodies.

Best market practice: In 2023, the EIF internal control framework team will remain committed to executing the approved best market practice implementation roadmap. The main priority will be to carry out a gap analysis/assessment on the relevant and applicable regulatory areas in the affected directorates based on a similar approach followed at Group level. The alignment of EIB best banking practice and EIF best market practice processes will be further strengthened and both teams will work closely together on aligning deliverables.

12. Appendix

12.1. Appendix I — Abbreviations

BBP	Best banking practice
BCBS	Basel Committee on Banking Supervision
CMP	Compliance monitoring programme
CoC	Code of conduct
CoI	Conflict of interest
CRA	Compliance risk assessment
DPO	Data Protection Officer
EBA	European Banking Authority
EDPS	European Data Protection Supervisor
EC	European Commission
ECC	Ethics and Compliance Committee
EIB	European Investment Bank
EIF	European Investment Fund
EU	European Union
FATF	Financial Action Task Force
GCCO	Group Chief Compliance Officer
GCRO	Group Chief Risk Officer
GRMC	Group Risk Management Charter
MC	Management Committee
MLRO	Money Laundering Reporting Officer
NCJ	Non-cooperative jurisdiction
NFR	Non-financial risk
O-GCCO	Office of the Group Chief Compliance Officer
PEP	Politically exposed person
RAF	Risk appetite framework
TIDD	Tax integrity due diligence

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