

# **Audit Committee Annual Reports** for the year 2023



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# 2023 Annual report to the Board of Governors

## Introduction

The Audit Committee (AC) is established under European Investment Bank (EIB) Statute as a statutory body.

In accordance with the EIB Statute (Art.12) and Rules of Procedure (Art. 24), the Audit Committee has three main responsibilities:

- I. Confirmation that the financial statements, as well as any other financial information included in the annual report approved by the Board of Directors (BoD) give a true and fair view of the financial position of the Bank;
- II. Verification that the activities of the Bank are conducted in a proper manner, in particular with regard to risk management and monitoring; and
- III. Verification that the activities of the Bank conform to best banking practice (BBP) applicable to it.

On an annual basis, and in 2023, the AC has fulfilled its responsibilities by:

- Issuing the AC Statement on the EIB and EIB Group as of 31 December 2023, having carried out the tasks deemed necessary, having received assurance from the Management Committee concerning the effectiveness of the internal control systems, risk management and internal administration, and having examined the report of the external auditors, and
- Preparing this Annual Report to the Board of Governors.

In 2019, the EIB Review and Evaluation Process (EIB REP) was created as part of the decision of the Board of Governors to reinforce the oversight of the EIB Group and to add an additional role to the AC under the remit to verify compliance of the Bank with BBP. The EIB REP is based on the four supervisory pillars along the lines of the Supervisory Review and Evaluation Process (SREP) - Business Model; Governance; Capital; and Liquidity. For the year 2023, the AC issued its second EIB REP report, whose outcome is summarized at the end of this report.

The AC Annual Report is addressed to the Board of Governors and summarises the results of the AC's work and activities for the year 2023. The AC activities are presented in Annex 1. During the years, AC issued a number of recommendations for improvement, included in the "2018 AC Roadmap", followed up by the Management Committee (Management Committee) with progress reported to the Board of Directors. A number of these recommendations are not completed and are subject to regular review and assessment by the Management Committee and the AC.

## Financial Accounts and Risk Management

The AC has discharged its responsibilities related to the auditing of the EIB Group's accounts and oversight of the financial reporting process, which includes monitoring and assessing the integrity of the financial statements, by:

- Discussing matters related to the financial statements close process applied to the 2023 year end and applicable to the Bank's stand alone and consolidated financial statement of the EIB Group;
- Probing Services and the external auditor on general and specific financial reporting issues including matters related to the system of internal controls and the use of accounting policies, estimates and judgements;
- Reviewing financial reports during the year including the EIB Group Financial Report, interim reports, as well as monthly and quarterly analytical financial statements, as deemed necessary;
- Reviewing and assessing financial and non-financial risk reports and assessing financial statement risks;
- Reviewing the financial statements as at 31 December 2023 of the Bank and of the consolidated financial statements of the EIB Group;

- Assessing the Internal Control Environment including the results and conclusions of the EIB's Internal Control Functions.

Areas of specific focus in 2023 included: credit risk provisioning, the valuation of private equity and venture capital investments, interest rate strategy, the direct and indirect consequences of the conflict in Ukraine, and the management and financial impact of Mandates given to the EIB.

The EIB maintains its primary accounting and risk reporting framework under the EU Accounting Directives 2013/34/EU (EU AD), and the European Investment Fund (EIF) under International Financial Reporting Standards (IFRS). The EIB Group consolidated financial statements are established under both accounting frameworks, EU AD and IFRS.

With respect to risk management and monitoring, the AC has discharged its responsibilities under its mandate mainly by performing the following:

- Ensuring the existence of policies defining an appropriate EIB risk framework;
- Reviewing annual, quarterly and monthly risk reports, as deemed necessary;
- Probing Services on matters involving risk identification, risk assessment and measurement/ valuation.

Based on its work, the AC concluded that:

- The 2023 EIB stand-alone and EIB Group (EIBG) Financial Statements (FS) are fairly presented in all material respects.
- The approach to risk management and monitoring is overall conducted in a proper manner in 2023.

In addition, the AC reiterates the following observations:

- The maintenance of different primary accounting and risk reporting frameworks between the EIB and EIF adds complexity to the financial and risk reporting processes.
- In the medium-term, internal and regulatory reporting, including key prudential risk indicators for capital and the results of stress testing exercises, should be prepared on an IFRS basis.

## Sustainability of Business Model

In 2023, the EIB committed to an overall level of new loans of €73.9 billion, 18% above 2022, and recorded total disbursements of €53.4 billion. The Bank's profitability remained stable at about €2.4 billion, and net banking income increased by 12%. Total assets at yearend are at €547 billion and the Bank's accumulated reserves amount to €43 billion.<sup>1</sup> The Bank runs a sustainable business model anchored in its high-quality portfolio, and a policy to transfer financial value-added to its clients, hereby making significant contributions to EU policy goals - this despite a challenging economic and financial environment as well as geopolitical uncertainties affecting the EU economy.

During 2023, the Bank continued to focus on its policy priorities such as: responding to the energy crisis with the REPowerEU initiative, financing climate and environmental protection, maintaining strong funding for medium and small companies to invest in innovation and new technologies, and to increase its reach outside the EU with EIB Global. Overall, the Bank's business development efforts continued to target a diversified portfolio of clients and higher risk projects.

With respect to the climate financing, the AC expects that the climate risks are managed prudently, and at a group level. AC will monitor the adequacy of the related assessment methodology, the stress testing exercises, the integration of climate risk indicators in risk management policies and climate-related reporting. In addition, the EIB G methodologies need to evolve in the context of changing regulatory frameworks to capture and assess related risks. As a leading climate financier, the EIBG needs to maintain its efforts to hold its lead in business and regulatory practices, including the upcoming climate risk reporting.

The AC made the following observations regarding the EIB's business model:

- It remains in the Bank's best interest to closely monitor its long-term sustainable lending capabilities and to balance the proportion of Mandates and Own Risk activities to best serve the long-term sustainability of the Bank.

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<sup>1</sup> Please refer to the EIB Financial Statements EU-AD as of 31 December 2023.



- While the Bank disposes of steadily growing reserves which determine the Bank's ability to grow its business, further loan and assets growth depends on the Bank's balancing of its policy driven agenda and careful cost management.
- The AC suggests that the EIBG maintains its focus on the critical risks anticipated in all markets and areas of operation, and in particular with regard to the EIB Global business activities outside the EU which the AC considers being potentially of higher risk.

The AC welcomes the creation of the position of Chief Financial Controller, established to improve cost management. The AC considers important that the Bank equips this function with the necessary authority to realise the expected benefits regarding financial performance to support the sustainability of its business model.

## Capital and Liquidity

As of 2023 yearend, the Bank's Own Funds amount to €80 billion contributing to the stability of its capital and liquidity positions. The Bank's strong capital position and business model is acknowledged by rating agencies, which reconfirmed the AAA rating of the EIB in 2023. Throughout the year 2023, despite challenging market conditions, the Bank maintained strong capital and liquidity positions. This allowed the Bank to maintain its targeted efforts in supporting, among others, the finance needs to address climate change.

With respect to liquidity, the EIBG is subject to a specific yearly oversight by the Banque Centrale du Luxembourg (BCL) and the Bank's liquidity position remains strong.

With respect to Capital and Liquidity the AC makes the following observations:

- Not all risks appear to be comprehensively addressed in the Risk Appetite Framework and Risk Appetite Statement, especially with respect to non-financial risks. This should be addressed as a matter of priority and all risk indicators and limits should be defined against explicit risk levels.
- The EIBG could improve the agility of its Asset Liability Management and reporting in the face of rapidly changing market conditions.
- Last but not least, the EIBG is invited to improve its ability to manage evolving financial risks.

## Asset Quality

Despite difficult market conditions, EIB's portfolio continued to exhibit very low levels of NPEs., and the level of credit losses are low in light of prudent lending and credit enhancement. EIB's average portfolio ratings improved slightly in 2023. The overall equity exposure amounted to 4% of the Bank portfolio and remained relatively low. During the year, the Bank further refined its equity valuation approaches for accounting purposes and reviewed its equity limits to foster the monitoring capabilities of this asset class.

In 2023, the AC continued to monitor the quality of EIBG assets through regular reports from Services. In this regard, the AC makes the following observations:

- The AC reiterates the need for a more frequent review of parameters and related factors that impact credit risk provisioning in case of geopolitical shocks, marked trends or changes to macro-economic factors.
- While the Bank maintains a range of risk assessment tools, the Group would benefit to converge to one common IFRS 9 impairment standard.
- The EIB Group's exposure to equity or quasi-equity investments is impacted by interest and market developments that require reliable valuation methods supported by effective internal control systems. Valuation tools and approaches need regular revision and back-testing to validate their appropriateness and to continuously refine inputs and results.

## Operational Resilience

Digital transformation and robust operational resilience are a EIBG priority, and the Bank has made progress on the implementation of its digital transformation strategy approved by the Board in 2022. In particular, the projects to modernise the IT infrastructure are on track and the Group has improved its stress testing and operational resilience capabilities. During 2023, the AC has closely followed the implementation of the Digital Ambition Strategy and obtained regular updates from EIBG Services. While the overall implementation of the Digital Ambition Strategy remains largely on track, the AC makes the following observations:

- The EIBG outsources significant IT related resources and processes. The Bank would benefit from one comprehensive outsourcing approach and from evolving towards best banking practices in that area.
- Integrity of data and systems, as well as quality of access controls, are cornerstones of operational resilience, and the Audit Committee AC considers further efforts necessary to improve security, including cybersecurity.
- The reliability and robustness of the Bank's Business Continuity Planning and Disaster Recovery Planning needs to be improved, including more frequent and systematic testing and training.

## Group Alignment and Internal Controls

In 2023 the EIBG continued to make progress in group functions and alignment, especially in the areas of Group Risk and Compliance, and IT. Group alignment remains a topic where there are still areas for improvement. In this regard, AC makes the following observations:

- The EIBG implementation of the 3 Lines of Defence (3LoD) principles is partial and the AC encourages the EIBG to complete the process and align further to reflect best practice in this area.
- The Bank approved in 2023 the Group ICF Policy defining the responsibilities in relation to EIB and EIF. The ICF Group function is not fully mature, and the current setup does not foresee a centralised ICF Group function to exercise effective monitoring and supervision as to whether Group policies and procedures are properly applied within the EIB Group.
- Internal Audit should evolve to become a group function.

## Best Banking Practice

The Board of Governors approved the BBP Guiding Principles in 2018. The BBP Guiding Principles is a high-level document, defining the overall principles and the general scope of the banking rules and guidelines applicable to the EIB. It also sets forth assessment criteria aimed at identifying the relevant rules and considers specificities of the EIB's business model by way of general adjustments.

The AC has discharged its responsibilities related to assessing the Bank's compliance with Best Banking Practices as applicable to it by:

- Requesting updates from Services regarding the status of compliance with EU Legislative Acts and Guidelines;
- Being involved in the consultative process for adaptations, exclusions or amendments of evolving regulations, as decided by the EIB BoD;
- Taking note and questioning Services in connection with the Bank's yearly BBP Self-Assessment process;
- Obtaining assurances from the Management Committee.

AC verified the Bank's conformity with BBP, as applicable to it. AC concluded that the overall Bank's status is "partially compliant", unchanged from last year.

## REP

### Coverage of the 2023 EIB REP

In 2023, the AC, supported by the REP team completed the second EIB REP cycle, which is guided by the EIB Review and Evaluation Process based on the following four supervisory assessment pillars:

- Business model & Sustainability;
- Governance & Risk management;
- Risk to capital;
- Risk to liquidity.

The focus of the 2023 EIB REP was largely on Governance including the EIB statutory bodies. These areas were only addressed to a limited extent during the first EIB REP exercise for 2022. Therefore, it is through the 2023 exercise only that the EIB REP has now established a complete benchmark of the current EIB Group state, against which future EIB REP assessments will be mapped.

### Outcome of the 2023 EIB REP

The 2023 REP assessment confirms that the EIB Group operates on the basis of a solid capital position supported by a viable business model. The 2023 REP assessment also identifies a number of important issues regarding the EIB governance and Group-wide control arrangements that could expose the EIB Group to potential negative consequences of risks.

### Going forward

Given the completion of its full 2-year cycle for the EIB Group by covering the ECB SREP elements, the AC, supported by the REP team, intends to apply a more focused approach for the forthcoming REP reviews. Such focus areas will be selected on the basis of a risk-based approach and may be complemented by additional priority areas. Also, and further to the steps undertaken in the year 2023, the AC, supported by the REP team will continue its efforts to align the REP assessment to current supervisory practices and standards.

### Status of remediation

The Bank has communicated the status of its remediation efforts regarding the 2022 EIB REP findings. The closure process will commence upon formal receipt of the closure requests.

**Luxembourg, 21 June 2024**

**Signed by:**

**CHRISTOPH HAAS CHAIRMAN**

**NUNO GRACIAS  
FERNANDES**

**KATJA PLUTO**

**IVAN SRAMKO**

**EVA-LENA NORGRÉN**

## ANNEX 1

### Mandate

The AC is established under the EIB Statute as one of the EIB's four governing bodies, which is independent from the BoD and reports directly to the Board of Governors.

### Composition

As of the end of 2023, AC was composed of 5 members and 3 observers. Following the resignation of Mr Triantopoulos in April 2023, the chairmanship was temporarily maintained by AC members, and as of July 2023, it passed to Mr Christoph Haas.

The Members of the AC are appointed by the Board of Governors and are independent experts and professionals with knowledge, expertise and skills in finance, banking, accounting, and auditing, risk management and banking supervision in both the private and public sectors. The CVs of the AC members and observers are available on the EIB's website.

The AC has established a skill matrix that serves to monitor whether its members are representing the necessary important skills to discharge the function of the AC.

### Meetings and external liaison

In 2023, AC held 11 regular meetings. AC also held 2 additional briefing calls.

AC also met:

- with the Audit Board of the EIF to discuss common issues in relation to the risk management and risk governance at the EIF, the consolidated Financial Statements of the EIB Group or group policies for example for capital allocation within the Group, IT and cyber security, the outcome of Group internal audits, and
- with the Management Committee and the Board of Directors of the EIB to discuss the REP report and the AC Annual Report.
  - i. Confirmation that the financial statements, as well as any other financial information contained in the annual report approved by the BoD give a true and fair view of the financial position of the Bank;

Duties	Action taken by the Audit Committee
<b>EIB Group Financial Statements</b>	
<b>Review of Financial Statements and other financial information</b>	<p>Reviewed the individual and consolidated Financial Statements and related disclosures.</p> <ul style="list-style-type: none"><li>• Met with Financial Control (FC) at 9 of the 11 AC meetings in 2023.</li><li>• Reviewed the semi-annual and annual financial statements as well as monthly financial statements, as deemed necessary.</li><li>• Discussed the financial statement close process applied by the Bank as of 2023 year end.</li><li>• Reviewed changes to accounting standards applied to individual and consolidated Financial Statements.</li><li>• Discussed significant variations and changes presented by FC.</li><li>• Discussed with Services the approach to risk identification and measurement and proper reflection in the individual and consolidated financial statements and related disclosures (refer also to below).</li></ul>
<b>Execution of audit by the external auditor</b>	<p>Reviewed the work performed by the external auditor in relation to the individual and consolidated Financial Statements and related disclosures.</p> <ul style="list-style-type: none"><li>• Met with the external auditor, KPMG, at 6 of the 11 AC meetings held in 2023.</li></ul>

	<ul style="list-style-type: none"> <li>• Held private sessions with KPMG without the presence of EIB Services.</li> <li>• Reviewed and challenged the application of the audit methodology and approach set out in KPMG’s annual audit plan including key areas of judgement and estimation in the Financial Statements, areas of AC specific focus such as credit provisioning and IFRS 9 ECL calculations.</li> <li>• Monitored the execution of KPMG’s audit plan, regularly discussed the audit status and outcome.</li> <li>• Discussed the selection of Key Audit Matters (KAM) by the external auditor and approach applied in addressing respective risks.</li> <li>• Reviewed and discussed the summary of identified adjusted and unadjusted audit differences raised by the external auditor.</li> <li>• Received assurance from the external auditor that the audit process was executed as expected, with support from the Bank’s Services.</li> <li>• Reviewed and discussed KPMG’s recommendations reported in their Management Letter to the Bank, as well as the status of the implementation of prior year recommendations.</li> </ul>
<p><b>Monitoring of external auditor independence</b></p>	<p>Performed procedures to ensure independence of the external auditor.</p> <ul style="list-style-type: none"> <li>• Received and discussed confirmation from KPMG regarding their auditor independence.</li> <li>• Received written confirmation from KPMG that the members of the audit team remained independent within the meaning of regulatory and professional requirements and that the objectivity of the audit team, including the audit, was not impaired.</li> <li>• Monitored that KPMG did not provide services to the EIB other than those defined, and pre-approved by the AC, as per the Framework Agreement.</li> </ul>
<p><b>Rotation of external auditor</b></p>	<p>Prepared the appointment of the new external auditor.</p> <ul style="list-style-type: none"> <li>• The term of KPMG’s mandate was extended to end with the approval of the 31 December 2026 EIB financial statements by the EIB Board of Governors in 2027. KPMG has been the auditor of the EIB Group since 2009.</li> <li>• The Bank and the AC has launched the new tender of the rotation of the external auditor, which is expected to be completed during 2024. AC met on 6 occasions with Services on this project.</li> </ul>

- ii. Verification that the activities of the Bank are conducted in a proper manner, regarding risk management and monitoring.

<b>Internal Audit</b>	
<b>Internal audit function</b>	<ul style="list-style-type: none"> <li>• Met with the IA function, at each of the 11 AC meetings held in 2023.</li> <li>• Review and provided input to the annual IA Risk Assessment.</li> <li>• Reviewed and approved the annual and long-term IA plan.</li> <li>• Examined and discussed the conclusions and results of IA reports including the Agreed Action Plans (AAPs).</li> <li>• Received quarterly updates of the status of implementation of the related agreed action plans and monitored the timeliness of their implementation.</li> </ul>

<b>Group Risk and Compliance (GR&amp;C)</b>	
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>• Met with the Group Risk 11 times to discuss credit and financial risk matters.</li> <li>• Reviewed and discussed annual, quarterly and monthly risk reports (as deemed necessary) covering the RAF Dashboard and key credit, market, capital, liquidity risk metrics and non-financial key risk indicators.</li> <li>• Read and discussed RM prudential documents such as e.g., the RAF, RAS, ICAAP, ILAAP, Stress test scenarios and results, Group Capital Plan.</li> <li>• Received and discussed dedicated risk reports on credit risks, climate risk and other risks.</li> </ul>
<b>Compliance</b>	<ul style="list-style-type: none"> <li>• Met with the Compliance at 7 of the 11 AC meetings.</li> <li>• Obtained regular updates on the status of the AML-CFT Dashboard and compliance, Sanctions, Compliance Monitoring Programme, conduct and market integrity risk, as well as on the update of the Compliance Risk Assessment.</li> </ul>
<b>Internal Control Framework</b>	
<b>Effectiveness of the internal control systems</b>	<ul style="list-style-type: none"> <li>• Met with Financial Control - Internal Controls and Assertion Division 3 times during 2023 and discussed the ICF on several other occasions.</li> <li>• Examined and discussed the Internal Control Framework and the new EIB Group ICF Policy – Implementing Provisions.</li> <li>• Received updates on progress with initiatives intended to further strengthen the Internal Control Framework.</li> <li>• Reviewed and discussed the nature and implications of prior year's ICF-ICT results.</li> <li>• Reviewed the annual ICF results of the Bank.</li> </ul>

<b>Inspectorate General (IG)</b>	
<b>Coordination with the Inspectorate General</b>	<ul style="list-style-type: none"> <li>• Met with the Inspector General at 2 of the 11 AC meetings held in 2023.</li> <li>• Noted the status of on-going fraud investigation cases and of the status of the complaints received.</li> <li>• Discussed and reviewed the outcome of evaluations.</li> </ul>
<b>Portfolio Management and Monitoring (PMM)</b>	
<b>Early Warning System (EWS)</b>	<ul style="list-style-type: none"> <li>• Met 5 times with the PMM Directorate.</li> <li>• Received regular updates on the risk-related evolution of the credit portfolio, annual restructurings and non-compliance events.</li> <li>• Reviewed and discussed updates on the status of the quasi-equity exposures.</li> </ul>
<b>Finance (FI)</b>	
<b>Liquidity, Funding and Treasury Management</b>	<ul style="list-style-type: none"> <li>• Held 4 meetings with the Funding Directorate (FI).</li> <li>• Reviewed the annual Funding and Treasury Management report and the Group Contingency Funding Plan.</li> <li>• Received an update on the Bank's Interest rate strategy.</li> <li>• Reviewed the Bank approach regarding the Global interest rate benchmark reform and execution of the respective transition.</li> <li>• Received updates on market developments, and on the Bank's liquidity and funding management.</li> </ul>

<b>Meetings with other Services</b>	
<b>Group Corporate Services Directorate</b>	<ul style="list-style-type: none"> <li>• Met with the Group Corporate Services Directorate on 6 occasions.</li> <li>• Discussed the Business Continuity Strategy, Disaster Recovery Process and related IT contingency processes.</li> <li>• Obtained regular updates on the status of the Digital Ambition implementation.</li> </ul>
<b>Operations Department</b>	<ul style="list-style-type: none"> <li>• Met with the Operations Directorate on 2 occasions.</li> <li>• Obtained a status of business development efforts across various sectors and geographies; was informed about latest trends in venture capital and equity related activities; was informed about operational aspects of on-boarding EC-related mandates.</li> </ul>
<b>EIB Global Department</b>	<ul style="list-style-type: none"> <li>• Held 2 meetings with EIB Global Directorate.</li> <li>• Obtained an update on the new 2023 EIB Global Strategy. Discussed the implications of expanding activities outside the EU.</li> </ul>

iii. Verification that the activities of the Bank conform to best banking practice (BBP) applicable to it.

<b>EIB Compliance with Best Banking Practice</b>	
<b>EIB REP review</b>	<ul style="list-style-type: none"> <li>• Met with the EIB REP team at every AC meeting during the year.</li> <li>• Reviewed and discussed the 2023 REP Work Program.</li> <li>• Provided guidance as to the priorities and strategic orientations of the 2023 EIB REP process.</li> <li>• Monitored the status and discussed progress regarding the issuance of the 2023 EIB Group REP report.</li> <li>• Discussed findings of the 2023 EIB Group REP report with the EIB Management Committee.</li> <li>• Approved the 2024 REP Engagement Plan and REP Strategic Plan.</li> <li>• As part of the 2023 REP process, the AC supported by the REP team initiated a “lessons learnt exercise” collecting feedback obtained from the prior year’s EIB REP to derive recommendations which were shared with the Management Committee and the BoD and mostly implemented in the current period.</li> </ul>
<b>BBP Framework:</b> <b>BBP Guiding Principles, BBP Book,</b> <b>BBP Applicability Assessment</b> <b>Procedure, BBP Rules repository</b> <b>and BBP self-assessments</b>	<ul style="list-style-type: none"> <li>• Held 11 meetings with the Secretary General Directorate.</li> <li>• Provided input to the BBP Applicability assessment, as submitted to the AC.</li> <li>• Discussed the status of the BBP Rules repository.</li> <li>• Discussed the status of compliance with the BBP Principles with Services.</li> <li>• Assessed the IA reports covering the state of compliance with the BBP Guiding Principles.</li> <li>• Reviewed the annual BBP Self-assessments prepared by Services and aggregated by the Secretary General Directorate.</li> <li>• Concluded on the overall level of EIB’s compliance with BBP as being “partially compliant”.</li> </ul>



# Annual Activity Report to the Board of Governors on the Investment Facility for the 2023 Financial Year

## Introduction

The Audit Committee is responsible by the EIB's Statute and Rules of Procedure for the following: the auditing of the EIB and the EIB Group's accounts, for which the Audit Committee largely relies on the external auditor; the verification on an annual basis that the operations of EIB are conducted and its books kept in a proper manner in particular with regard to risk management and monitoring.

This report from the Audit Committee to the Board of Governors provides a summary of the Committee's work and activities focused on the Investment Facility ('IF') during the year 2023. The Audit Committee issues a statement each year, confirming to the best of its knowledge and belief, that the IF's Financial Statements, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union ('IFRS'), give a true and fair view of the IF's financial position, its financial performance and its cash flows for the year then ended.

## Audit Committee review

The Audit Committee issued a Statement on the IF financial statements as at 31 December 2023. This AC Statement is largely based on the work of the external auditor performed by KPMG, but also on the fact that the IF relies on a number of functions provided by the Bank. The Audit Committee obtains an understanding of the activities and risks associated with the various developments by reviewing management reports and by interacting with the relevant Bank services involved in the IF activities.

### 1.1.1 Financial Control

During the past year, the Audit Committee received updates and reviewed the semi-annual and annual reports on the IF from Financial Control.

The Audit Committee met on 3 occasions with FC to discuss the IF Financial Statements, the foreign exchange risk monitoring and state of services provided to the mandate.

### 1.1.2 Mandate Management

The Audit Committee met with the department of Operations/ Mandate Management to discuss the set-up and the on-boarding of mandates including the IF and also met with the EIB Global department to be updated on the status and management of mandates.

### 1.1.3 External auditors (KPMG)

The external auditors responsible for the audit of the IF's Financial Statements are appointed by and report to the Audit Committee. In order to be able to rely on the work performed by the external auditors, the Audit Committee monitored KPMG's activity, by requesting verbal and written reports on the external audit status, by reviewing the external auditors' deliverables and making further inquiries as to the approach applied and conclusions reached.

The Audit Committee held discussions with the external auditors throughout the year, in order to keep the Audit Committee briefed on the audit progress and the audit and accounting issues. The Audit Committee received from KPMG a report on the audit of the IF, and held an audit de-briefing meeting with KPMG before issuance of its Statement. The Audit Committee received assurances that the audit process was completed as expected, with the full support from the Bank's Services. The Audit Committee assessed the external auditors' independence.

#### **1.1.4 Internal Audit**

The Internal Audit ('IA') Department is an independent function within the EIB with a statutory reporting line to the Bank's President and a functional reporting line to the Audit Committee. The Head of IA retains unrestricted access to the Audit Committee and may request private sessions. The Audit Committee received a special report on the IF and discussed the state of internal controls and outcomes.

#### **1.1.5 Inspectorate General**

The internal oversight function at the Bank is headed by the Inspector General ('IG'). The Inspectorate General comprises three divisions: fraud investigation, operations evaluations and complaints mechanism. The Inspector General retains unrestricted access to the Audit Committee and may request private sessions. In carrying out its responsibilities, the Audit Committee meets regularly with IG and examines reports and in particular ongoing cases with the Fraud Investigations Division.

The Audit Committee met with the Inspector General on 2 occasions. The Audit Committee examined and discussed with IG the ongoing cases under their remit and was informed about any alleged cases of wrongdoing and ongoing investigations relating to Bank projects. The Audit Committee received assurances that there were none.

#### **1.1.6 Group Risk and Compliance**

The Audit Committee met with Group Risk and Compliance Directorate, which is the second line of defence in the EIB Group and covers risk management and compliance functions., The Audit Committee received the monthly and quarterly risk reports which provided a review of the status and risk profile of the mandates, including IF.

**Luxembourg, 21 June 2024**

**Signed by:**

**CHRISTOPH HAAS  
CHAIRMAN**

**NUNO GRACIAS  
FERNANDES**

**KATJA PLUTO**

**IVAN SRAMKO**

**EVA-LENA NORGREN**

# Management Committee response to the annual report of the Audit Committee for the 2023 financial year

1. The Management Committee expresses appreciation for the diligent work of the members of the Audit Committee in preparing the annual report for the financial year 2023, and reiterates, as in previous years, the commitment of the European Investment Bank (EIB) to reflect on the observations made by the Audit Committee for the purpose of further strengthening its internal functions and risk management processes.
2. The year 2023 was another significant one for the EIB. Despite the challenges posed by the global economic environment, the Bank has achieved substantial progress in its mission to foster sustainable growth both within the European Union and worldwide through the action of its development arm EIB Global. Not only have the Bank's investments in green energy projects, infrastructure development and SME support contributed to the economic recovery, but they are also aligned with the EU's long-term sustainability goals.
3. [Together with its subsidiary, the European Investment Fund \(EIF\), in 2023 the Bank signed a total of €87.8 billion of new financing for high-impact projects in areas including climate action, sustainable infrastructure and healthcare](#), including €9.5 billion directed to projects outside the EU. This financing is expected to mobilise around €320 billion in investment to support 400 000 companies and 5.4 million jobs.
4. The Bank maintains solid financial strength, underpinned by robust solvency, liquidity, high asset quality and support from shareholders. A continuous presence is maintained in different funding markets to regularly gauge the capacity to raise funding. The Bank's overall strong financial position is recognised by the highest ratings assigned by the major credit rating agencies. The same applies to the EIF, which shows exceptional capitalisation, strong shareholder support and liquidity.
5. To complement its financial strength, the Bank continues to invest in its operational resilience and improve monitoring of non-financial risks, including information and communication technology (ICT) risks, through the timely implementation of the business continuity strategy and updated non-financial risk framework. In 2023, substantial progress was made on the Group Digital Ambition, which is the cornerstone of the Bank's digitalisation journey and serves to reinforce efficient business delivery.
6. The Management Committee welcomes the observations made by the Audit Committee in this report. The computation and reporting of the Bank's risk metrics under International Financial Reporting Standards is a measure to be carefully evaluated. It will require a thorough assessment of related costs and benefits against the role and mission of the Bank as a public long-term lender, and the implications for its balance sheet and asset portfolio. The Bank will perform this assessment on the use of an accounting framework that must be suitable for the Bank's business model. The results of such analysis will be reported to the Audit Committee. In all other areas where the Audit Committee has focused its considerations, the Bank is currently in the process of evaluating possible solutions or implementing, as the case may be, relevant remedial actions, while fully respecting the specific statutory framework of the organisation. This will help the institution ensure viable and sustainable delivery of its policy mission and priorities in the long term.
7. The Management Committee will promote an ongoing dialogue between the Bank's Services and the Audit Committee on the initiatives to be implemented in the identified areas for improvement, to foster the exchange of views and discuss viable solutions. The Audit Committee will be regularly updated on the progress of such initiatives in the context of properly functioning internal regular reporting channels, or the follow-up of existing recommendations stemming from internal control processes, such as the Review and Evaluation Process (REP).
8. The Management Committee once again thanks the Audit Committee for the work done in 2023 and, together with the Services, looks forward to further collaboration for the purpose of fortifying the Bank's standing and of ensuring that it continues to serve as the EU's leading investment institution.





# Audit Committee Annual Reports for the year 2023

