

# Review and Evaluation Process Guiding Principles



European  
Investment  
Bank

*The EU bank* 



# EIB Review and Evaluation Process Guiding Principles

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## 1. Preamble

According to Article 12(1) of the Statute of the European Investment Bank (the “Bank” or the “EIB”), the EIB’s Audit Committee (the “Audit Committee”) is required to verify that the activities of the EIB conform to best banking practice. In order to formalise and reinforce the Bank’s BBP framework, including strengthening the supervisory role of the Audit Committee within that framework, the EIB Board of Governors approved the EIB’s Best Banking Practice Guiding Principles (the “BBP Guiding Principles”) in 2018.

Pursuant to Section 5(b)(iv) of the BBP Guiding Principles, the EIB is not subject to the supervisory review and evaluation process (SREP). The review and evaluation process applicable to the EIB shall reflect its specific features, taking into account its nature, policy mission, specific tasks and governance structure.

The present EIB REP Guiding Principles (the “EIB REP Guiding Principles”) set forth the general principles, rules and provisions regarding the governance, organisational structure and functioning of the review and evaluation process applicable to the EIB (the “EIB REP”).

## 2. EIB Review and Evaluation Process (EIB REP)

### 2.1. Role of the Audit Committee

The Audit Committee is responsible for carrying out the EIB REP within the provisions set out in the EIB Statute and the Rules of Procedure.

Subject to the framework set out by these EIB REP Guiding Principles and the respective EIB REP implementing rules (“EIB REP Implementing Rules”) and following consultation with the competent EIB governing bodies, the Audit Committee shall further develop and adopt a review and evaluation approach and methodology specific to the EIB Group based on the European Banking Authority’s Guidelines on the Supervisory Review and Evaluation Process (EBA SREP Guidelines). This approach and methodology shall facilitate verification that the EIB has implemented robust internal controls and risk management strategies, processes and mechanisms, to ensure the ongoing viability and sustainability of the business model and the adequacy of its capital and liquidity.

## **2.2. Independence and objectivity of the EIB REP activities**

When performing its activities under the EIB REP, the Audit Committee shall be independent and it shall remain free from all conditions that may threaten its ability to carry out its responsibilities in an unbiased and objective manner.

In the discharge of its EIB REP duties, the Audit Committee shall be supported by the EIB REP team. In this capacity, the EIB REP team shall perform its tasks according to transparent processes and sound governance that do not undermine its operational independence. The EIB REP team shall benefit from adequate budget and resources while respecting the Bank's own resource and budgetary processes.

The EIB REP team shall also assist the Audit Committee in the development and implementation of an EIB review and evaluation approach and methodology specific to the EIB Group.

## **2.3. EIB specificities**

The EIB REP approach and methodology, approved by the Audit Committee, shall duly take into account the EIB's statutory framework and specific features and be reviewed and adapted regularly to (a) reflect the BBP framework, in particular the BBP Guiding Principles and the BBP Book of the EIB; and (b) take account of periodic updates, extensions or enhancements to the EBA SREP Guidelines.

# **3. Scope of the EIB REP activities**

## **3.1. Elements of the EIB REP approach and methodology**

The EIB REP approach and methodology shall be based on the following four elements, as specified in the EBA SREP Guidelines:

1. business model analysis;
2. assessment of internal governance and institution-wide controls;
3. assessment of risks to capital;
4. assessment of risks to liquidity and funding.

## **3.2. EIB REP and the BBP framework**

The EIB REP approach and methodology shall include the review and assessment of the implementation status and compliance with the approved BBP framework to provide support for the Audit Committee's statutory responsibilities in verifying the conformity of the EIB's activities with the latter.

## **3.3. EIB REP and the EIB Group**

The EIB REP shall cover the review and assessment of the four elements specified above at individual EIB and at consolidated EIB Group level.

## **4. Organisational Principles of the EIB REP**

### **4.1. Audit Committee responsibilities**

The Audit Committee shall:

- adopt the EIB REP Implementing Rules, after endorsement by the EIB Board of Directors;
- further develop and adopt a review and evaluation approach and methodology specific to the EIB Group, subject to the framework set out by these EIB REP Guiding Principles and the EIB REP Implementing Rules, and following consultation with the competent EIB governing bodies;
- approve the annual REP Examination Programme presented by the Head of the EIB REP team, covering the timeline, the tasks and the activities to be carried out to execute the annual evaluation according to identified priorities and areas of attention;
- approve the multi-year REP Strategic Plan presented by the Head of the EIB REP team, on an annual basis;
- propose the EIB REP annual budget and resource plan, in accordance with section 2.2. above;
- be consulted on the appointment and removal of the Head of the EIB REP and the appointments to the EIB REP team, on the basis of recommendations from the Head of EIB REP team;
- receive communications from the Head of the EIB REP team on the function's performance relative to its plan and other matters.

### **4.2. Access to information and to Bank's departments**

In the discharge of its REP duties, the Audit Committee shall have access to information and the departments of the Bank in accordance with the provisions set forth in the Rules of Procedure.

### **4.3. EIB REP dialogue and access to the Bank's governing bodies**

The Audit Committee shall ensure the EIB REP dialogue with the EIB's governing bodies.

Without prejudice to the discharge of the EIB governing bodies' duties, the EIB REP team may attend meetings of the EIB's Board of Directors, on an exceptional basis, when key documents related with the elements of the EIB REP set out in section 3.1. are discussed and adopted. Detailed provisions on the attendance shall be set out in the EIB REP Implementing Rules.

## **5. EIB REP Execution and Outcome**

### **5.1. EIB REP planning**

The EIB REP annual cycle shall start with the EIB REP Examination Programme containing the planning of the activities and the allocation of resources to perform the annual assessment, in line with the multi-year REP Strategic Plan.

The EIB REP Examination Programme shall contain a standard minimum set of activities (minimum engagement level) to be conducted by the Audit Committee and the REP team on a yearly basis and may include additional activities such as in-depth reviews or thematic examinations to monitor specific risks.

## **5.2. EIB REP due process**

The EIB REP Implementing Rules shall lay down organisational arrangements to ensure the due process including but not limited to the specification of the roles and responsibilities of the EIB REP team, access to information and the Bank's departments, reporting lines, and procedures for documenting and recording findings, procedures for the approval and communication of the findings. To enhance communication and the robustness of the EIB REP, the process will include interaction with the EIB governing bodies and services to communicate and discuss the draft findings, and explain the outcome of the EIB REP and related recommendations.

The EIB REP Implementing Rules shall specify the nature of interaction with the EIB governing bodies and set out the related procedural steps to ensure an effective right to be heard and the adoption of the EIB REP conclusions.

## **5.3. EIB REP outcome**

The EIB REP outcome shall be reported by the Audit Committee, on an annual basis, to the EIB's Board of Governors, based on observations and/or recommendations related with the four elements specified in 3.1. above.

# **6. Approval and revision procedures**

These EIB REP Guiding Principles are adopted and, when necessary, amended by the EIB's Board of Governors, after endorsement by the Audit Committee.

The Audit Committee shall adopt and, when necessary, amend the EIB REP Implementing Rules, after endorsement by the EIB's Board of Directors.

# **7. Final provisions**

These EIB REP Guiding Principles and any amendments thereto shall enter into force on the day of their approval by the EIB's Board of Governors.



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