

The Governance *of the European Investment Fund*



The European Investment Fund (the “EIF” or the “Fund”) is part of the European Investment Bank (“EIB”) Group.

The EIF is the European Union’s (“EU”) main provider of risk financing for small and medium-sized enterprises (“SMEs”) and mid-caps and its central mission is to facilitate their access to finance. The EIF designs and develops venture and growth capital, guarantees and microfinance instruments, which specifically target this market segment and, in this role, the EIF promotes EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment. As part of the EIB Group, the EIF is also committed to supporting environmental, social and governance (“ESG”) principles and the United Nation’s Sustainable Development Goals (“SDGs”).

The EIF’s institutional organisation and strong corporate governance are key to the successful delivery of its objectives, and its tripartite shareholding structure positions it uniquely among other EU and international financial institutions.

In its activities, the EIF strives to operate in a sustainable, accountable and transparent manner in respect of best banking and corporate governance practices. The EIF is therefore confident of continuing as an established strategic partner of EU Member States, National Promotional Institutions (“NPI”) and other strategic operators in fostering support to SMEs.



What is the EIF?

The EIF was established in 1994 pursuant to the Statute of the EIB¹. The EIF’s shareholders comprise the EIB, the EU, represented by the European Commission (“EC”), and a large number of private and public financial institutions from across the EU Member States, the United Kingdom and Turkey. The EIF’s seat is established in Luxembourg. The EIF enjoys legal personality under EU law, financial autonomy and is governed by its own Statutes. It has also been categorised as Multilateral Development Bank under the Regulation on prudential requirements for credit institutions². As a supranational entity, the EIF is not registered in national company registers and does not have a certificate of incorporation.

The EIF has dual statutory objectives, reflecting the combination of public and private shareholdings:

- to foster EU objectives, notably in the field of entrepreneurship, growth, innovation, research and development, employment and regional development; and
- to generate an appropriate return for shareholders, through a commercial pricing policy and a balance of fee- and risk-based income.

The EIF is rated AAA by Moody’s, Standard and Poor’s, and Fitch.

What is the EIB Group?

The EIB Group was officially formed in 2000 and consists of the EIB and the EIF. Both institutions have separate, albeit similar, governing frameworks, the principles of which are laid down in their respective Statutes and Rules of Procedure.

¹ Article 28 (former Article 30), which empowers the Board of Governors to “decide to establish subsidiaries or other entities, which shall have legal personality and financial autonomy”.

² Regulation (EU) No 575/2013 of the European Parliament and of the Council.

What is the EIF's statutory and governance framework?

The EIF's Statutes and Rules of Procedure set the framework for the establishment, role and procedures of its governing bodies. Both documents are available on the EIF's website and the Statutes are also published in the Official Journal of the European Union³.

While the Statutes set out the fundamental elements of authority and responsibilities across the EIF's governing bodies, as well as the voting principles with regards to decision-taking processes, the Rules of Procedure provide specific detail on how and when decisions are taken within the context of the Statutes.

³ OJEC C 225, 10/08/2001 P. 0002 – 0008, and OJ C95/22 dated 21 March 2015.
⁴ www.eif.org/who_we_are/shareholder/index.htm

Who are the EIF's shareholders?

The EIF has a tripartite shareholding structure comprising:

- the EIB as majority shareholder,
- the European Union, represented by the European Commission, and
- Financial Institutions shareholders: a wide range of public and private banks and financial institutions from EU Member States, the United Kingdom and Turkey.

According to Article 4 of the EIF's Statutes "other legal entities from the financial sector whose business objectives support the tasks of the Fund may become members of the Fund".

The official register of shareholders, providing a detailed breakdown of the members of the Fund is available on the [EIF's website](http://www.eif.org/who_we_are/shareholder/index.htm)⁴.

What is the volume of the EIF's capital?

At inception, the EIF's authorised capital was ECU 2bn, later converted to EUR, equalling 2,000 shares with a nominal share value of ECU 1m each. As defined in the Statutes, the percentage of paid-in shareholder capital was fixed at 20%, a percentage which has remained unchanged.

As a result of the first capital increase, which was approved by the General Meeting and initiated in 2007, the EIF's authorised capital was increased from EUR 2bn to EUR 3bn, through the issuance of 1,000 new shares.

Following the second capital increase, approved and initiated in 2014, the General Meeting authorised an increase in the EIF's authorised capital from EUR 3bn to EUR 4.5bn, through the issuance of 1,500 new shares, retaining a nominal share value of EUR 1m, all of which were subsequently fully subscribed.

The EIF's shares are dematerialised. No share certificates are issued and the shares are not listed on any external securities account.

€4.5bn
Current capital

Which are the EIF's governing bodies?

The EIF has four statutory bodies (i.e. those referred to in the EIF's Statutes):

Three decision-making authorities:



One control body:



Who appoints the members of the EIF's governing bodies and for what term?

CE The *Chief Executive* is nominated by the shareholder holding the largest number of shares, i.e. the EIB, and is appointed by and reports to the Board of Directors. They are appointed for a term of up to five years, which may be renewed. The Statutes foresee that the Chief Executive may be assisted by a deputy, nominated and appointed following the same procedure.

BD The *Board of Directors* is composed of seven members and seven alternates, designated by the members of the Fund, according to their own internal procedures: four members/alternates designated by the EIB as majority shareholder, two members/alternates designated by the EC, and one member/alternate designated by the Financial Institutions shareholders. The Board members and alternates are appointed by and accountable to the General Meeting. Their term of office is for two years and may be renewed.

What authority is held by the EIF's governing bodies?

GM The *General Meeting* consists of one representative per shareholder, i.e. the President or a Vice-President of the EIB or another duly authorised individual, one member of the EC representing the EU, as well as a representative from each Financial Institution shareholder, designated in line with the internal procedures of each institution. No term of office is imposed by the governance framework.

AB The *Audit Board* consists of three members, nominated respectively by the EIB, the EC and the Financial Institutions shareholders, and one alternate member, nominated on a rotating basis by the three shareholder groups. The Audit Board members and alternate are appointed by and accountable to the General Meeting. Their term of office is for three consecutive financial years, allowing for one member to be replaced each year, and may be renewed.

The functioning of all four bodies is governed by the EIF's Statutes and Rules of Procedure, complemented by the Audit Board Charter.

CE The *Chief Executive* is responsible for the day-to-day management of the EIF. Under a delegation of powers by the Board to the Chief Executive, the latter may approve certain new transactions and certain changes to operations.

BD The *Board of Directors'* powers include to decide on all EIF operations and to adopt the guidelines and directives for the EIF's operations and management. It submits the annual accounts and the annual report on the activities of the Fund to the General Meeting.

GM The *General Meeting's* responsibilities include the approval of the annual report of the EIF, including the annual balance sheet and profit and loss account, the determination of the appropriation and distribution of the EIF's net income, any decision on the increase of the authorised capital of the Fund and the admission of new shareholders.

AB The *Audit Board* has the statutory responsibility of the audit of the accounts of the Fund. It confirms on an annual basis that, to the best of its knowledge and judgement, the operations of the Fund have been carried out in compliance with the formalities and procedures laid down in the Statutes and the Rules of Procedure, and that the financial statements give a true and fair view of the financial position of the Fund as regards its assets and liabilities, and of the results of its operations for the financial year under review.

When do the governing bodies take decisions?

BD The *Board of Directors* must meet not less than once in every calendar quarter, and normally 9-10 times a year. Decisions of the Board may also be taken by written procedure, in between physical meetings and if the circumstances so require. Written procedures are in principle tacit, whereby one or several proposals are submitted to the Board on the understanding that the proposal(s) will be considered approved after a defined timeframe, unless the procedure is interrupted with respect to (a) specific proposal(s).

GM An *Annual General Meeting* (“AGM”) must, according to the EIF’s Rules of Procedure, be convened before 30 June of each year for reasons linked to the approval of the EIF’s financial statements. The AGM is attended by representatives of the EIF’s shareholders, the Board of Directors, the Audit Board and the EIF’s executive and senior management. Decisions of the General Meeting may also be taken by written procedure, whereby the EIF’s shareholders are requested to communicate their vote on a proposal within a certain timeframe.

AB The *Audit Board* must meet at least four times a year, and normally eight times a year. The Audit Board may also take decisions by written procedure. Furthermore, at least three joint meetings are held annually between the Audit Board and the EIF’s Audit Committee in order to discuss and coordinate matters of shared interest.



How are the meetings of the governing bodies prepared?

As laid down in the Rules of Procedure, the Secretary of the Fund is the Secretary for the General Meeting and the Board of Directors. The Secretary and the General Secretariat are responsible for the preparation of the meeting agendas and the distribution of the relevant documents, according to an established timeframe.

BD Proposals and notes for information to the *Board of Directors* are submitted to the Board on behalf of the Chief Executive⁵, having been prepared by the relevant EIF services and cleared by the appropriate internal procedures, including a Product and Mandate Committee and an Investment and Risk Committee. The Rules of Procedure foresee the submission of the Board agenda and documents 15 days before the meeting. Additional items may be included on the agenda with the agreement of the Chair, usually in advance of the meeting.

GM Depending on the nature of the proposal, documents submitted to the *General Meeting* may require the prior authorisation by the Board of Directors (e.g. the proposal for a capital increase, EIF’s annual report), or they are submitted on behalf of the Chair (e.g. appointments to the Board of Directors or Audit Board, requests for the admission of new shareholders). Documents are submitted 20 days before the deadline for decision.

AB The *Audit Board* is assisted by an Audit Board Liaison Officer, who is a member of the EIF staff and is responsible for circulating the agenda and supporting documentation to the Audit Board in advance of each meeting or deadline for decision. The Audit Board also has access to the documents submitted to the Board of Directors and the General Meeting.

The governance framework in place foresees that all of the above meetings may take place as either physical meetings or, in exceptional circumstances, via teleconference.

⁵ Should there also be a Deputy Chief Executive, as is currently the case, proposals are submitted on behalf of the Chief Executive and the Deputy Chief Executive.

Who chairs the meetings of the governing bodies?

- BD** The Chair of the *Board of Directors* is elected from amongst its members by majority vote.
- GM** *General Meetings* are chaired by the representative of the shareholder with the highest number of shares in the EIF.
- AB** The *Audit Board* is chaired by the member who is entering the third and final year of their mandate, starting the day after the AGM which marks the beginning of that final year and ending on the day of the following AGM.

⁶ www.eif.org/who_we_are/governance/board_of_directors/decisions.htm
⁷ www.eif.org/who_we_are/governance/annual_general_meeting/index.htm

How are decisions taken by the governing bodies?

- BD** Decisions of the *Board of Directors* are adopted by simple majority of members present. The quorum for a meeting of the Board is reached when at least half of the members are present. Since March 2017, and within the framework of the EIB Group Transparency Policy and the EIF's Transparency Policy, the EIF publishes minutes of decisions of the *Board of Directors*⁶.
- GM** The quorum required to hold a *General Meeting* is reached when shareholders present or represented hold at least 50% of the subscribed capital. Each shareholder has a number of votes equal to the number of shares subscribed by it, and decisions are adopted by the majority of the votes cast, except with regard to the following matters, which require a qualified majority of 85% of the votes cast:
 - A change in the tasks and activities as defined in the Statutes (Article 2),
 - A change in the location of the seat of the EIF (Article 3),
 - An increase in the EIF's authorised capital (Article 5),
 - The decision to permanently terminate the operations of the EIF (Article 31).

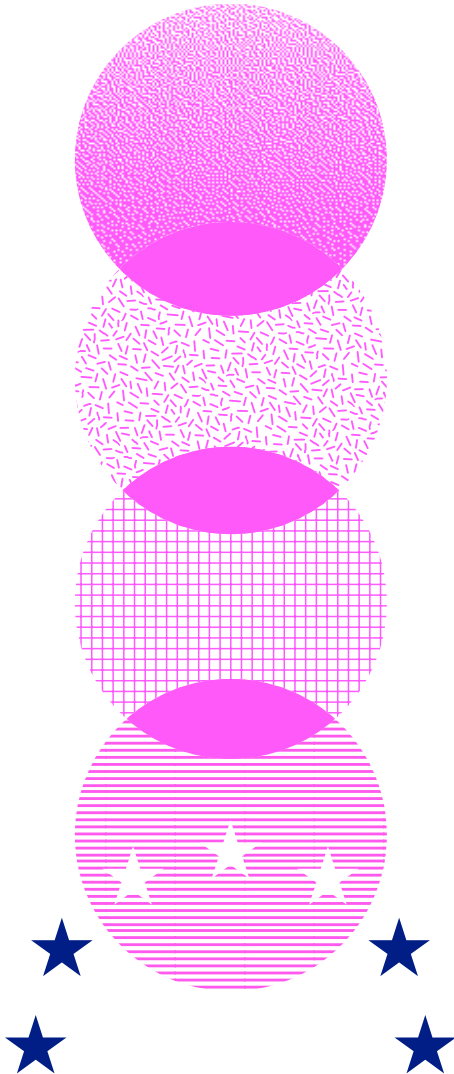
Minutes of the AGM are available on the EIF's [website](#)⁷.

Are the members of the EIF's governing bodies paid?

- AB** The Audit Board may only take decisions if all its members are present or represented. Decisions are taken by simple majority, except those concerning the EIF's financial statements, which require unanimous approval.

The terms of remuneration of the Board of Directors and of the Audit Board are determined by the General Meeting, which is a non-remunerated governing body.

- BD** The members and alternate members of the *Board of Directors* are entitled to an attendance fee of EUR 300 per meeting and a flat rate daily allowance of EUR 220, in addition to the reimbursement of travel expenses. Due to their specific professional circumstances, some Board members and alternates choose not to receive remuneration for their membership or ask for payments to be credited to their employer. The Board members and alternates do not receive a bonus and are not paid for preparation time between Board meetings or for decisions taken by written procedure.
- AB** The *Audit Board* members and alternate are entitled to a EUR 1,050 attendance fee per meeting and a daily allowance of EUR 200, in addition to the reimbursement of travel expenses. The Audit Board members and alternate do not receive a bonus and are not paid for preparation time between Board meetings or for decisions taken by written procedure.





Who decides on the EIF's strategy and operations?

- CE** The Chief Executive is responsible for the day-to-day management and, within the policies and guidelines adopted by the Board, is responsible for deciding on the transactions, mandates, policy and strategic proposals which may be presented to the Board for approval. The Chief Executive also submits the EIF's Operational Plan, entailing operational, strategic and budgetary implications, to the Board for approval.
- BD** The Board of Directors decides on the above proposals submitted by the Chief Executive, with authority extending, for example, to the determining of the objectives and limits of the EIF's borrowing operations and the approval and submission of the annual report and annual accounts to the General Meeting. Certain operations, fulfilling specific criteria, may be approved by the Chief Executive acting under a delegation from the Board of Directors.
- GM** The General Meeting decides on proposals entailing greater strategic implications, including a change in the EIF's tasks and activities, an increase in the EIF's authorised capital, and the appropriation and distribution of net income.

How are operations monitored and what are the EIF's internal control and risk management systems?

- The EIF follows a sustainable and consistent strategy to achieve its mission by means of a strong risk management culture that permeates all areas of the EIF's business functions and processes with the objective of maintaining value creating risk management and the EIF's AAA rating.
- The EIF's first layer of control is exercised through internal processes and procedures developed and implemented by means of financial and operational controls designed to enable effective and efficient day-to-day operations, ensure reliable financial reporting and compliance with applicable rules and policies.
- The second layer of control consists of independent risk and compliance functions. The Financial and Corporate Risk department is tasked with transaction and portfolio management, as well as corporate risk management. The Compliance department assesses – in line with best market practices and the EIB Group's policy framework – the institutional, transactional and ethical aspects of the EIF's compliance risk.

At overarching Group level, the Group Chief Risk Officer is involved in defining and proposing the Group Risk Management Framework, in ensuring risk management oversight and in providing technical advice to the EIB and EIF governing bodies on Group risk-related matters.

- The third layer includes both internal and external audit activities that are coordinated by the Audit Board. Internal Audit (which is outsourced to the EIB's Internal Audit) examines and evaluates the relevance, design and effectiveness of the internal control systems and procedures within the EIF.
- The EIF is supported by a strong in-house legal service whose remit, within its area of responsibility, is to pursue the strategic goals and protect and preserve the legal integrity of the Fund. This is achieved through the provision of legal advice based on expertise and specialist knowledge throughout the lifecycle of all the EIF's operational activities and in connection with institutional, strategic and policy-related matters.
- In addition to the maintenance of an internal control environment in line with the highest standards of the financial and banking sector, the EIF is subject to periodic reviews by independent control bodies such as the European Court of Auditors, the Internal Audit Service of the European Commission and national or regional authorities entrusted with the task of monitoring the correct utilisation of funds under the relevant rules and within their respective remits.

How do the shareholders interact with the EIF?

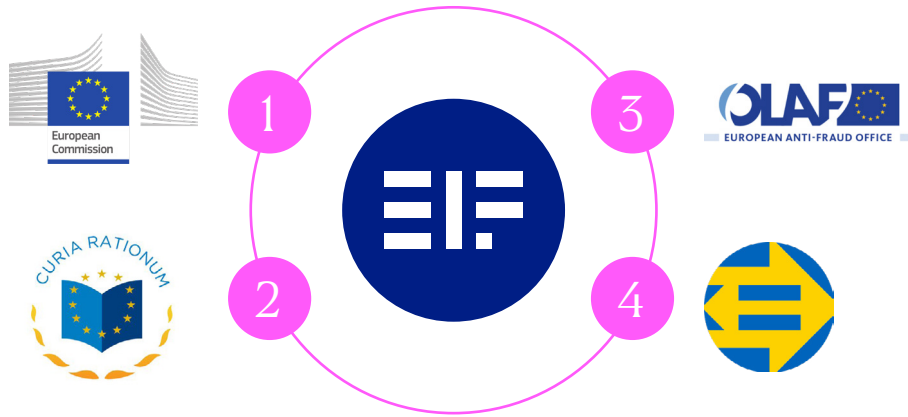
The EIF's shareholders are represented in the General Meeting, which is a governing and decision-making body, which, where necessary, can sanction the members of the other statutory bodies. Interaction and collaboration between the shareholders and the EIF are further maintained through a range of exchanges and channels of communication, including newsletters, formal and informal meetings, presentations and workshops. Governance and decision-making processes are administered by the Governing Bodies unit within the General Secretariat, whilst the Corporate Relations division is tasked with the day-to-day management of shareholder relations.

The financial Institution members of the EIF collectively form the Financial Institutions Shareholder Group ("FISG"), and they designate a representative among themselves to act as FISG Coordinator, who facilitates communication and decision-making within the FISG and vis-à-vis the EIF.

How does the EIF interact with other EU institutions and bodies?

Being part of the EIB Group and having the **EIB** as its majority shareholder, the EIF naturally enjoys a close relationship with the EIB, also in the context of a wider corporate governance framework. The EIF manages resources on behalf of the EIB and certain synergies at service level reinforce a close cooperation.

1
The **European Union**, represented by the **European Commission**, holds the second largest shareholding in the EIF. Cooperation with the EC is vital, particularly in terms of risk capacity and achieving EU policy objectives. A number of mandates have been entrusted to the EIF by the EC under the umbrella of a Financial and Administrative Framework Agreement as well as through the implementation of the European Fund for Strategic Investments under the Investment Plan for Europe, in close partnership with the EC and the EIB.



2
The **European Court of Auditors** ("ECA") has an audit role insofar as EU resources handled by the EIF are concerned (Article 287 of the Treaty on the Functioning of the EU ("TFEU")). Consequently, the deployment of funds from the EU budget through the EIF is subject to control by ECA. Furthermore, ECA has certain audit rights as regards the shareholding of the European Union in the EIF, which are detailed in a tripartite agreement between the EIF, the European Commission and ECA.

3
In the context of co-operation with the **European Anti-Fraud office** ("OLAF") and the fight against fraud and corruption, the EIF has implemented co-operation principles with OLAF and issued an EIF Anti-Fraud Policy, which is published on the EIF's website.

4
The **European Ombudsman** has the power to conduct inquiries concerning instances of maladministration in nearly all the activities of the EU institutions or bodies, including the EIF as part of the EIB Group. When citizens are not satisfied with the outcome of the internal EIF complaints investigation, they have the right to contact the European Ombudsman about alleged maladministration.

Like all EU institutions and bodies, the EIF is subject to Regulation (EU) 2018/1725 of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC. The EIF's Data Protection Officer is the contact person for any questions regarding data protection at the EIF.

Which EIF services are responsible for best practices in the field of corporate governance?

The Secretary of the Fund is responsible for the proper administration of the decision-making processes, and more generally, the efficient management of, and support to the EIF’s governing bodies and, to this end, is supported by a dedicated Governing Bodies unit in the Corporate and Institutional Affairs (“CIA”) department within the General Secretariat. The CIA keeps abreast of developments in the field of corporate governance and advises as to proposed developments in the governance set-up of the Fund.

How can I find out more about the EIF’s governance?

The key documents establishing or explaining the EIF’s governance framework are the EIF’s Statutes and Rules of Procedure, the Codes of Conduct of the governing bodies (Board of Directors and Audit Board), the Annual Report and the annual EIB Group Corporate Governance Report, all of which are published on the EIF’s website. The last of these documents summarises the most important changes and developments at the EIF as well as at the EIB, including the composition of the governing bodies. The EIF’s InfoDesk can be contacted for all requests for general information, including questions on the EIF’s role and activities (info@eif.org).

Follow our stories and work on social media

