

## European Investment Fund

### Environmental, Social and Corporate Governance (ESG) Principles

#### 1. Scope

The European Investment Fund (EIF) is an EU body and international financial institution with the status of a multilateral development bank (MDB). Its shareholders are the European Investment Bank (EIB), the European Union (EU) and a variety of financial institutions from the public and private sectors<sup>1</sup>. In addition to its own capital base, EIF manages a large number of mandates and co-operation schemes for a variety of stakeholders.

EIF pursues its statutory mission, to contribute to EU policies<sup>2</sup>, in particular through the issuance of guarantees to financial intermediaries (such as banks and micro-finance institutions) and the participation in private equity funds, both with the ultimate aim to enhance the access to risk finance for the benefit of Micro-, Small and Medium Sized Enterprises (together: “SMEs”) and Small MidCaps within its geographical remit. Through its business activity, EIF has become one of the largest providers of financial guarantees and private equity investments in Europe.

EIF bases its activities on sound banking principles or other sound commercial principles and practices. In this context, EIF strives at implementing the principles of best market practices in its business and is committed to promote environmental, social and governance standards both within the organisation as well as in its relationship with its counterparts. Being aware of its role in the market, EIF is committed to compliance with relevant standards.

EIF forms part of the EIB Group and is hence part of the overall policy framework established for the EIB Group.

These Environmental, Social and Corporate Governance Principles (“ESG Principles”) set out herein describe key parameters of the ESG framework applicable to EIF and its operations and, as relevant, to other EIF contractual counterparts. The ESG Principles are monitored and reviewed regularly by an internal ESG Committee under the leadership of the Corporate Social Responsibility unit.

#### 2. Responsibility in business activities

##### 2.1 Operations

Fostering EU objectives, notably in the field of entrepreneurship, growth, innovation, research and development as well as employment and regional development, EIF attaches great importance to the impact it has on society and the environment. In the context of its EU and other policy-driven mandates, EIF has established an open and transparent selection through processes such as, for instance, “Calls for Expression of Interest” under the initiative and surveillance of EIF Compliance,

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<sup>1</sup> For the most recent shareholding percentages, please consult: [http://www.eif.org/who\\_we\\_are/shareholder/index.htm](http://www.eif.org/who_we_are/shareholder/index.htm)

<sup>2</sup> EIF Statutes Art. 2/1

which aim at ensuring an impartial selection of business partners for its operations, following the principles of transparency, equal treatment and non-discrimination.

EIF is committed to be a value-driven and responsible market operator. Its main responsibility is to ensure that the institution runs successfully on a long-term basis for the benefit of its stakeholders. At the same time, it is committed to roll out its statutory policy objectives aiming to achieve a sustainable impact on both society and the economy, always in line with the objectives of the EU.

Competence, compliance, diligence and responsible conduct are key to the success of EIF's business. This includes taking account of social and environmental aspects when conducting business.

EIF has developed dedicated lines of activity concentrating on ESG related impact, such as on micro-finance, social impact, student loans and technology transfer. ESG principles also form part of the general due diligence process on the basis of a specific questionnaire for potential business partners, standard undertakings requested and internal controls, in particular, under

- EIF's Policy on Restricted Sectors, which excludes financial support for certain economic sectors and provides ethical guidance for the investment in certain sensitive economic sectors, such as life science and health care;
- EIF's Policy on Offshore Financial Centres and Governance Transparency, which provides the basis for an in-depth assessment on the risk of tax avoidance;
- the overall integrity due diligence process relating to a comprehensive assessment of integrity and reputational risk under the responsibility of EIF Compliance, including market standards on Anti-Money Laundering and tax structuring of operations.

EIF regularly acts as cornerstone investor negotiating its position on the basis of best market practices and takes a hands-on investor approach, through the regular participation in investor committees established by fund managers. In this role, EIF actively promotes a dialogue with its counterparts on its general policy framework and mission requirements.

The systematic and regular monitoring of EIF's operations, under the lead of its Risk Management Department focuses on the impact achieved in light of the expectations of the mandate principals and shareholders.

As well as being financially viable, all operations EIF supports must comply with the policy parameters of EIF's mission and with its standards. EIF actively supports programmes which, inter alia, focus on innovation, energy efficiency or eco-innovation, life science or healthcare and runs a dedicated investment programme on social impact investment.

It will only contractually engage with counterparts which act in an ethical manner by abiding by EIF's Guidelines on Restricted Sectors.<sup>3</sup> EIF encourages its financial intermediaries to monitor and regularly report on ESG-related risks in the underlying portfolio of small and medium-sized enterprises (SMEs).<sup>4</sup>

Whenever EIF acquires goods or supplies or has recourse to external service providers, it follows a structured procurement process drawing on relevant EU legal frameworks and adhering to the principles of transparency, equal treatment and non-discrimination, governed by EIF Compliance.

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<sup>3</sup> EIF Guidelines on the Restricted Sectors:

[http://www.eif.org/attachments/publications/about/2010\\_Guidelines\\_on\\_restricted\\_sectors.pdf](http://www.eif.org/attachments/publications/about/2010_Guidelines_on_restricted_sectors.pdf)

<sup>4</sup> In this context, Invest Europe's "ESG Due Diligence Questionnaire for Private Equity Investors and their Portfolio Companies" could be helpful: [https://www.investeurope.eu/media/523237/Invest-Europe\\_ESG\\_DD\\_Questionnaire.pdf](https://www.investeurope.eu/media/523237/Invest-Europe_ESG_DD_Questionnaire.pdf)

### **3. Responsibility for the environment**

EIF is committed to preserve the environment and natural resources, following a strict “do-no-harm” approach in its daily business to prevent negative impacts.

The EIB Group aims at operating in an environmentally friendly and carbon-neutral manner by reducing its carbon footprint as much as possible. It measures and reports its direct carbon footprint by applying GHG Protocol Corporate Standards<sup>5</sup> and produces a carbon footprint report that includes emissions generated by mobility activities, buildings energy use, waste disposal and office paper consumption. EIF actively contributes to the report as part of its commitment to the responsible use of resources in accordance with the targets set out in the EU 2030 climate and energy framework. EIF strives to increase environmental responsibility and awareness both inside and outside the organisation. It promotes the efficient use of resources, supports environmentally friendly technologies and encourages a behavioural shift towards sustainability.

### **4. Social responsibility and ethical behaviour**

EIF focuses on promoting sustainable and inclusive growth and follows ethical considerations in its activities.

The respect for and promotion of fundamental human rights as laid out in the EU Charter of Fundamental Rights, the UN Declaration of Universal Human Rights and the European Convention on Human Rights guide the relationship with internal and external stakeholders. As a consequence, EIF may refuse to enter into business with counterparts which disregard or violate the principle of respect for persons or principles which affirm the dignity of all people, irrespective of ethnicity, gender, age, disability, sexual orientation, education and religion.

EIF considers its staff to be its most valuable asset. With its internal policies, standards, rules and procedures, EIF acts in accordance with relevant European labour laws and safety standards. It actively supports the wellbeing of its employees and aims to ensure a proper work-life-balance for its staff. EIF encourages staff to keep their skills up-to-date and offers its staff ways to develop additional competencies through dedicated training and development programmes.

EIF attaches high importance to the maintenance of a multinational and multicultural working environment. Regular staff surveys allow the monitoring of staff satisfaction. The behaviour of EIF staff is governed by a Code of Conduct<sup>6</sup> which forms part of the employment relationship for all employees and is also applicable to contracts with external consultants employed by EIF.

EIF is an inclusive and diverse European institution. It is an equal opportunities employer committed to recruit people regardless of ethnicity, gender, age, disability, sexual orientation, education and religion and it values each individual for its unique talent.

A college of Staff Representation is elected on a regular basis to represent the interests of staff, to ensure a collective voice.

#### **4.1. Philanthropy**

As an institution that serves EU objectives and a member of the EIB Group, EIF regards itself as an integral part of the economy and society. It therefore aims to run its business in a way that creates value for all its stakeholders. EIF strives to achieve a positive and sustainable impact on society. It lives up to its role as a responsible institution by supporting various charitable organisations and

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<sup>5</sup> <http://www.ghgprotocol.org/corporate-standard>

<sup>6</sup> [http://www.eif.org/news\\_centre/publications/eif-staff-code-of-conduct.pdf](http://www.eif.org/news_centre/publications/eif-staff-code-of-conduct.pdf)

projects on a selective basis in line with its corporate giving standards and, more specifically in the context of the EIB Group where the EIB Institute is engaged in European initiatives for the common good in social, cultural, educational and research fields<sup>7</sup>.

## 5. Corporate governance

### 5.1 Management structure and organisation

EIF is committed to sound governance, a system of checks and balances and the highest standards of integrity. EIF is governed by its Board of Directors with the day-to-day management carried out by the Chief Executive and a Deputy Chief Executive. Both the Chief Executive and the Deputy Chief Executive are appointed by the Board of Directors; the Chief Executive represents EIF, and EIF staff is under the authority of the Chief Executive. EIF has an independent Audit Board which is responsible for the audit of EIF's activities.

The Board of Directors and the Audit Board are appointed by the General Meeting and are accountable to the General Meeting. The structure of EIF's governing bodies reflects the shareholder structure, provides an adequate balance between strategic and day-to-day management and includes adequate control processes.

Throughout its organisation, EIF is committed to the principle of four eyes control. The Chief Executive is responsible for the organisation of EIF's internal structure and may be assisted by a deputy. EIF's Risk Management Department and Compliance team perform a comprehensive second line of defence control over EIF's activities, while internal audit, as a third line of defence, is outsourced to the EIB under a framework agreement.

Complaints management, investigations, IT services and IT security are provided by the EIB. Likewise, other administrative tasks are outsourced and subject to framework agreements.

### 5.2 Transparency

To promote accountability and sound governance, the EIB Group attaches great value to transparency and stakeholder engagement. Transparency in terms of full visibility on EIF's structures and activities strengthens credibility and allows for critical reflections and possible process optimisations to ensure a high level of efficiency.<sup>8</sup> As a public institution and in line with its Transparency Policy, EIF discloses key information regarding its decision-making processes and has adequate supervisory mechanisms in place to monitor the responsible use of financial resources in its business activities.

### 5.3 Data protection

EIF abides by the provisions set out in applicable EU legislation<sup>9</sup> and has appointed a data protection officer (DPO) to ensure that EIF respects its data protection obligations.

EIF DPO plays an active role within the group of data protection officers of EU institutions and bodies and has established a regular dialogue on the development of data protection with the European Data Protection Supervisor.

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<sup>7</sup> For more details: <https://institute.eib.org/>

<sup>8</sup> EIF Transparency Policy: [http://www.eif.org/news\\_centre/publications/eif-transparency\\_policy\\_01022016.pdf](http://www.eif.org/news_centre/publications/eif-transparency_policy_01022016.pdf)

<sup>9</sup> Regulation (EC) 45/2001 of the European Parliament and of the Council of 18 December 2000: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:008:0001:0022:en:PDF>

#### 5.4 Corruption, fraud, bribery, money laundering

EIF follows the EIB Group's zero tolerance to fraud, corruption, bribery and/or money laundering, whether occurring in connection with operations of the EIB Group or perpetrated by its own staff.<sup>10</sup>

The principles of the EIF Anti-Fraud Policy are enforced by the EIB's Inspectorate General in close co-operation with EIF Compliance.

#### 5.5 Whistle-blowing

EIF has a Whistleblowing Policy in place which is a key element for safeguarding the institution's integrity and underpinning its system for combatting practices that might damage its activities and reputation. The policy requires EIF staff members to report incidents of suspected fraud, corruption, collusion and coercion, and other serious infringements of the rules and policies in force at the EIF and safeguards the rights of its staff in whistle-blowing situations.<sup>11</sup>

#### 5.6 Conflict of interest

EIF follows a strict conflict of interest approach on the basis of the EIF Code of Conduct. Members of staff shall avoid any situation that is liable to give rise to any conflict of interest, such as private or personal interests which may influence the impartial and objective performance of their duties, as further set out in the relevant policies.

In addition, pursuant to detailed terms of the relevant internal policies, staff shall not apply for, receive or accept from any source outside of EIF any advantage, direct or indirect, which is in any way connected with their employment with EIF, such as gifts or other benefits above a certain value, which is set by the EIB Group Chief Compliance Officer.

#### 5.7 Integrity and tax due diligence

The assessment and control of integrity risk constitutes a core element of the due diligence process at EIF and is managed by EIF Compliance. This comprises all the consequent assessment of risks related to money laundering and the financing of terrorism and EIF follows the principles expressed in the EU Anti-Money Laundering directives and related legislation and regulations.

As part of its overall integrity due diligence, EIF has developed specific parameters to assess the risk of tax avoidance by its counterparts and their ultimate beneficial owners. Within the larger EIB policy framework, EIF does not engage in operational relationships with counterparts located in or organised via non-cooperative jurisdictions as so defined by relevant international organisations, such as the OECD or by the EU.<sup>12</sup>

#### 5.8 Impartiality

EIF conducts its business in an impartial manner, thereby not granting any political favours and not tolerating undue influence. It also does not make any donations or voluntary expenditures which could endanger its impartiality.

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<sup>10</sup> EIF Anti-Fraud Policy: [http://www.eif.org/attachments/publications/about/Anti\\_Fraud\\_Policy.pdf](http://www.eif.org/attachments/publications/about/Anti_Fraud_Policy.pdf)

<sup>11</sup> EIF Whistleblowing Policy: [http://www.eif.org/attachments/publications/about/2009{EIF\\_Whistleblowing\\_Policy.pdf](http://www.eif.org/attachments/publications/about/2009{EIF_Whistleblowing_Policy.pdf)

<sup>12</sup> OFC and Governance Transparency Policy:

[http://www.eif.org/attachments/publications/about/2009\\_OFC\\_and\\_Governance\\_Transparency\\_Policy.pdf](http://www.eif.org/attachments/publications/about/2009_OFC_and_Governance_Transparency_Policy.pdf)

## **6. Reporting**

EIF considers the monitoring and regular reporting on ESG-related matters and on the impact of its operations to be essential. It discloses information about its sustainability activities regularly<sup>13</sup>. The ESG data are analysed continuously and provide an important source for further improving the institution's business practices and processes.

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<sup>13</sup> e.g. the EIB Group Annual Sustainability Report and disclosures, the EIB Group Carbon Footprint Report and the EIF Annual Report.