EIB Group

Task Force on Climate-related Financial Disclosures (TCFD) Report 2020

EIF

European Investment Bank

The EU bank

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This report has been written with the active assistance of many individuals across the European Investment Bank Group. Our cordial thanks go to all of them for their support.

Our investments support sustainability everywhere, including in the oceans, where the rich diversity of coral reefs is threatened by human activity and climate change. Coral reefs are an essential ecosystem. About 25% of all ocean fish depend on them. They protect the coasts and provide a source of income for millions of people. For a long time, their degradation was ignored. Now they symbolise the shift in thinking needed to stop climate change. That's why they deserve a place on the covers of our major reports this year.

For further information on the EIB Group's activities, please consult our websites, www.eib.org and www.eif.org.
You can also contact our Info Desk, info@eib.org.

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EIB GROUP 2020 TCFD REPORT

The European Investment Bank Group (EIB Group or the "Group") is one of the world's main financiers of climate action and the leading issuer of green bonds. **As the EU climate bank**, and in line with the high ambitions of the European Union in this field, **we support the implementation of the Paris Agreement**.

The Intergovernmental Panel on Climate Change (IPCC) considers the coming years as the "critical decade" to meet the long-term temperature and climate resilience goals of the Paris Agreement, and to address the environmental crisis.[1] Through the European Green Deal, the European Union has become the first region to endorse climate neutrality by 2050 and reducing emissions by at least 55% by 2030.

In this context, the EIB Group set ambitious targets with the objective to limit global warming to 1.5°C, promote resilience to climate change, and support wider environmental protection. The EIB Group's Climate Bank Roadmap 2021–2025 approved in November 2020 implements these targets. **The roadmap details our approach to accelerate the transition to a low-carbon, climate-resilient and environmentally sustainable economy and to align our activities with the Paris Agreement. All of this while leaving no one behind**, effectively supporting a *just* transition.

As part of this ambition, **we will increase our level of support for climate action and environmental sustainability to exceed 50% of our total lending target** by 2025 and beyond, **helping to support €1 trillion of investment** over the next decade. Back in 2019, we stopped financing new energy projects reliant on unabated fossil fuels. Following on from that, the Climate Bank Roadmap limits our support for new projects to those that are aligned with the Paris Agreement.

As a leader in climate finance and climate action, we also aspire to be a frontrunner in climate risk management. We are committed to integrating climate risk considerations into all relevant aspects of the Group's decision-making, governance, business strategy and risk management. In 2020, we made notable efforts to continue enhancing our climate risk management framework to help us assess physical risk and transition risk at project, counterparty and portfolio level.

As a long-term provider of financing, we recognise that our balance sheet and operations are exposed to near and distant effects of climate change. It is with this understanding in mind that **we became a supporter of the Task force on Climate-related Financial Disclosures (TCFD) in 2020. In this first TCFD report, we provide an overview of our current achievements and further actions to integrate climate-related risks and opportunities into the core of our business.** The disclosures should be read in conjunction with the EIB Group's 2020 Sustainability Report, which details the Group's broader approach to sustainability, including and beyond climate considerations.

1 The IPCC's 2018 Special Report on Global Warming of 1.5°C highlights that the decade beginning 2020 is critical to meet the long-term temperature and climate resilience goals of the Paris Agreement and to address the environmental crisis.

GOVERNANCE

A. BOARD OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

As the European Union's climate bank, the EIB Group considers climate action as one of its key priorities. To reflect this strong commitment, climate-related risks and opportunities are integrated into our governance structure.

The EIB Group is made up of the European Investment Bank (EIB) and the European Investment Fund (EIF).

i. EIB governance structure

With respect to the EIB's governance structure, this comprises the following four statutory bodies:

- The Board of Governors, made up of ministers designated by the Member States.
- The Board of Directors, composed of members appointed by the Board of Governors.
- The Management Committee, which is the executive management board of the EIB.
- The Audit Committee.

In addition, a Risk Policy Committee advises the Board of Directors on risk management matters.

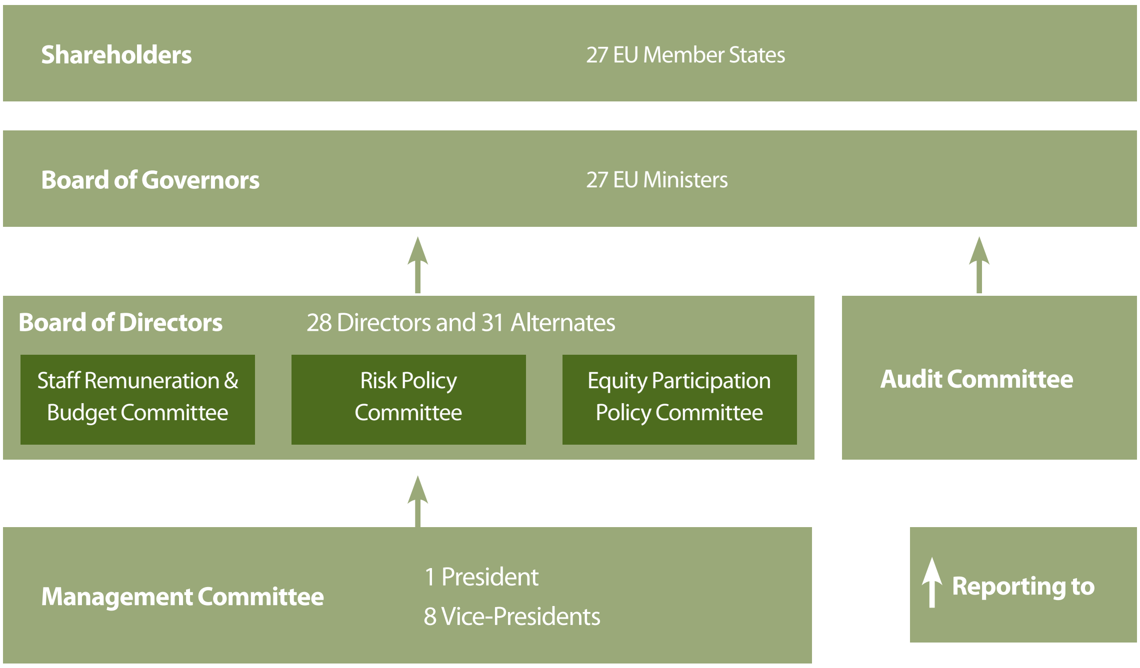

Figure 1: Governance structure of the EIB.

BOARD OF GOVERNORS

The EIB's shareholders are the 27 Member States of the European Union. The Board of Governors comprises ministers designated by each of the 27 Member States, usually finance ministers. It lays down credit policy guidelines, approves the annual accounts and balance sheet, and decides on the Bank's participation in financing operations outside the European Union and on capital increases.

BOARD OF DIRECTORS

The EIB's Board of Directors consists of 28 directors and 31 alternate directors. It is charged with ensuring that the Bank is properly run and managed in accordance with the provisions of the EU treaties, the EIB Statute and the general directives laid down by the Board of Governors. **The Board of Directors is responsible for approving financial transactions, which includes all climate-related operations and, whenever relevant, reviewing climate-related risks.**

As an example, in 2019, the Board approved the Bank's new Energy Lending Policy and the Climate Bank Roadmap in 2020.

A **Risk Policy Committee** made up of nine members of the Board of Directors facilitates the decision-making process by advising the Board on the Group's risk appetite, tolerance and strategy. It does so by providing opinions on whether the policies related to the identification, assessment and management of risks, including climate risk, are appropriate to the Bank's risk appetite, and by making recommendations if needed. More specifically, it provides advice on the following high-level risk policy documents, upon proposal from the Bank:

- Group Risk Management Charter
- Risk appetite framework
- Internal capital adequacy assessment process
- Internal liquidity adequacy assessment process
- Capital and liquidity contingency and recovery plan
- Stress testing framework

The Risk Policy Committee is regularly informed about the tools and processes which are being developed by the Group to incorporate climate risk into its frameworks (with a particular focus in the near future on stress testing, risk appetite framework and internal capital adequacy assessment process).

MANAGEMENT COMMITTEE

The Management Committee is the Bank's permanent collegiate executive body. It consists of a President and eight Vice-Presidents, appointed for a period of six years by the Board of Governors. The Management Committee is responsible for the current business of the Bank, under the authority of the President and the supervision of the Board of Directors.

In this capacity, the Management Committee approves financing proposals after reviewing the financial and climate risk assessment of an operation.

Members of the Management Committee are allocated different areas of oversight, including economic, environmental and social topics. A full list of these topics is available on the EIB website under each Management Committee member. **Vice-President Ambroise Fayolle's areas of oversight include financing of the environment, climate action and the circular economy.**

The Group Risk function is exercised by the **Group Chief Risk Officer**, which reports on Group risks to the Management Committee. The Group Chief Risk Officer oversees the integration of climate risk into the Group's risk frameworks, and ensures a coordinated approach between the EIB and the EIF on the matter. In particular, the Group Chief Risk Officer is responsible for the Group's internal risk reporting, which from 2021 will include the Group's exposure to climate-related risks.

AUDIT COMMITTEE

The Audit Committee is an independent body that reports directly to the Board of Governors.

It verifies that the activities of the Bank are conducted in a proper manner, in particular with regard to risk management and monitoring, including climate risk. The Committee is responsible for the auditing of the Bank's accounts and verifies that the activities of the Bank conform to best banking practice.

ii. EIF governance structure

The European Investment Fund has a shareholding structure that combines public and private investors. Based on the 4 500 authorised and subscribed shares as of December 2020, the shareholding breakdown is the following:

- The European Investment Bank (58.8%)
- The European Union, represented by the European Commission (29.7%)
- Financial institutions from EU Member States, the United Kingdom and Turkey (11.5%)

The EIF is governed according to a three-layer structure:

- General Meeting (consisting of one representative of the EIB, one member of the European Commission representing the European Union, and a representative from each financial institution that is a shareholder of the EIF)
- Board of Directors (consisting of seven members and seven alternates, designated by the shareholders of the EIF)
- Chief Executive (nominated by the shareholder holding the largest number of shares, namely the EIB).

Together with the Audit Board, they make up the statutory bodies of the EIF.

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.

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.

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.

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 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.

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.

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's governing bodies on Group risk-related matters.

The EIF is supported by a strong in-house legal service whose remit is to pursue 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.

B. CLIMATE-RELATED RESPONSIBILITIES AT MANAGEMENT LEVEL

In line with the Climate Bank Roadmap and the Group's commitment to align its activities with the objectives of the Paris Agreement, climate considerations are integrated across the Group.

To oversee the implementation of the Climate Bank Roadmap, a specific **Climate and Environmental Steering Committee** was created. The Committee is made up of the Bank's directors general and the EIF's Chief Executive and Deputy Chief Executive and is chaired by a member of the Management Committee, Ambroise Fayolle. The Committee meets every two months.

At the management level, different committees and departments are responsible for climate-related activities:

- A **Climate & Environment Coordination Committee** brings together all departments across the Group to ensure coordination of various climate and environment-related work streams and knowledge sharing. The Committee meets on a weekly basis.

- The EIB's **Projects Directorate** performs technical due diligence on projects supported by the EIB, as well as developing sector-lending policies. It is structured along sector lines, typically staffed with engineers or economists with sector expertise. In the context of project appraisal, the Projects Directorate assesses the application of EIB standards — including the Climate Bank Roadmap alignment framework, and environmental and social standards more generally. It also assesses the contribution of the project to the Bank's climate action and environmental sustainability target.

  Within the Projects Directorate is the EIB's **Environmental, Climate and Social Office**. On the climate side, this office takes a leading role in developing climate-related policies and procedures, as well as quality assurance of climate-related statements by the EIB. It is staffed with approximately ten climate specialists, and works in close cooperation with sector teams across the Projects Directorate.

- The EIB's **Operations Directorate** is responsible for generating climate-related business, in line with the Bank's targets. Loan officers are largely organised along geographical lines. Within the Operations Directorate, a dedicated **climate team** has been set up. Its main role is to facilitate the front line in meeting climate-related targets and support the development of financing and advisory activities in climate action and environmental sustainability for various sectors, geographies, financial products and advisory solutions. The initial phase of business development activities includes ongoing engagement with key stakeholders, the creation of a structured origination activity and the development or enhancement of our green product offer.

- The EIB and EIF's **Risk Management Directorates** are responsible for developing and managing tools and processes to integrate climate risks into the Group's risk management framework and policies, including climate risk reporting, as further detailed below.

- The **EIB's Transaction Management and Restructuring Directorate** is responsible for the assessment of the Bank's physical and climate risk at counterparty level for the existing portfolio. This assessment is done on a 12-month rolling basis as part of the annual counterparty review process.

- The EIB's **Corporate Responsibility Department** within the General Secretariat is responsible, among other things, for the Group's sustainability-related reporting. This includes the EIB Group's flagship Sustainability Report, this TCFD report, disclosures according to the Global Reporting Initiative standards, disclosures according to the Sustainability Accounting Standards Board framework, as well as the Group's carbon footprint report and environmental statement. In addition, the Civil Society Division within the Corporate Responsibility Department leads the Bank's stakeholder engagement efforts, which include a number of consultations and exchanges on climate-related topics.

At the **EIF**, the **Corporate Strategic Development Division** leads strategic corporate development, in close cooperation with all EIF Departments.

- The Corporate Strategic Development Division is responsible for ensuring that the Senior Management of EIF has the key elements available to take relevant and swift decisions in strategic matters.

- The EIF's **Mandate Management, Equity Investments and Guarantees, and Risk Management Department** are taking a leading role in implementing the Climate Bank Roadmap within the EIF and are identifying climate-related opportunities for various sectors, geographies and financial products. Experts within these services ensure that new operations respect the Group's climate and environmental standards, and determine for each guarantee or investment its contribution to climate action and environmental sustainability where relevant.

STRATEGY

Supporting the implementation of the Paris Agreement is at the core of what we do, as a public institution. We do this by increasing finance dedicated to climate and environmental sustainability, and by aligning all our financing activities with the objectives of the Paris Agreement.

A. CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Climate Bank Roadmap that was approved in 2020 builds on our revised Climate Strategy[2] and incorporates our response to the worsening climate situation, which calls for an acceleration and scale-up of our climate-related actions.

The commitments made in the Climate Bank Roadmap focus on three key objectives:

1. **Accelerate the transition to a low-carbon, climate-resilient and environmentally sustainable economy** by investing and mobilising significant volumes of green finance in line with the goals of the Paris Agreement. We have set the following targets:

   - Support €1 trillion of investment in climate action and environmental sustainability from 2021 to 2030 at Group level;
   - Gradually increase the EIB's share of annual financing dedicated to climate action and environmental sustainability to 50% by 2025 and beyond.

2. **Ensure a just transition for all, so that no people or places are left behind in the transition.**

3. **Align all the Group's activities with the principles and goals of the Paris Agreement** going forward.

These new objectives complement existing policies such as the EIB's Energy Lending Policy, under which the **Bank has phased out support for energy projects reliant on unabated fossil fuels.**

2 EIB Climate Strategy

From a definition perspective, we use the classification of climate-related risk provided by the European Commission, which aligns with and complements the TCFD definition:

Defining climate-related risks: the Group uses the classification provided by European Commission in its Non-Financial Reporting Directive, which complements the TCFD's definition.	
Transition risk arises from the need to transition to a lower-carbon economy. In particular: **Policy risk** results from policy and regulatory actions seeking to limit global warming or promote adaptation to climate change. **Legal risk** stems from climate-related litigation claims as organisations fail to mitigate impacts of climate change, to adapt to climate change or to provide sufficient disclosure around material financial risks. **Technology risk** arises from new technologies making old systems prematurely obsolete, thus having a disruptive impact. **Market risk** is caused by supply and demand shifts for certain commodities, products and services taking into account climate considerations. **Reputational risk** comes from changing perceptions of an organisation's impact on climate. The risk of negative impacts by a company on climate, through the specificities of its business model and its exposure to fossil fuels, increases its exposure to transition risk.	**Physical risk** can be caused by: Acute physical risks, which arise from specific weather-related events such as storms, floods, wildfires or heatwaves. These extreme weather events may damage production facilities and disrupt value chains. Chronic physical risks, which arise from longer-term changes in the climate, such as temperature changes, rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity. Physical risks cause damages to assets and disrupt operations and supply chains.

Figure 2: Definitions of climate-related risks, as provided by the European Commission.

B. IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

To identify climate-related opportunities, we adopt different, sectorial strategies. We consider the areas below as key to support climate action:

- **Clean transportation:** On top of financing clean transportation infrastructure and rolling stock, we have also set up special products to finance innovative transportation technologies and business models. One of these is the Connecting Europe Facility "Future Mobility" to support the development of high performing, sustainable and efficiently interconnected trans-European networks in the fields of transport, energy and digital services.

- **Clean energy:** Together with mobility, investments in both energy efficiency and renewable energy already make up a significant proportion of our lending dedicated to climate action, as further illustrated in the "Metrics and targets" section. The Group will continue to support these critical areas going forward.

- **Innovative technologies:** We will continue to support the development and deployment of climate-resilient technologies, products and services. The EIB Group will help companies to play a key role in driving forward technological innovation globally, from crops more resistant to droughts and floods, to water-saving technologies and satellites for earth observation.

- **Bonds issuance:** Building on our expertise in the green bonds market, we will continue to expand eligibilities of our climate awareness bonds and sustainability awareness bonds. We will do this in line with the definitions of the EU Taxonomy Regulation.

- **Advisory services:** Most of the EIB advisory services are provided under mandates. The next multiannual financial framework and the EU Recovery Plan offer opportunities for climate action and environmental sustainability advisory, particularly through the emphasis on a green transition.

To assess the impact of climate-related risks, we apply several criteria, policies and tools that are integrated in our core activities, strategy and planning.

GENERAL ELIGIBILITY CRITERIA

While climate action is part of everything we do, in 2020 we focused on the following priority areas, by providing direct financing or through intermediaries: climate and environment, development, innovation and skills, small and medium-sized businesses, infrastructure and cohesion. Projects directly financed by the Bank go through an in-depth sustainability due diligence.

First, we exclude incompatible activities or sectors. We support sectors that make a significant contribution to sustainable growth in Europe and beyond (see overview of eligible sectors). Consequently, a number of activities are excluded from EIB lending if not compatible with our mandate.

With respect to the energy sector in particular, a big step forward was taken in 2019, when the Bank approved a new energy lending policy effectively ending new financing for unabated fossil fuel energy projects.

Like the Bank, the EIF applies restrictions to its operations for certain sectors (EIF Restricted Sectors). These restrictions generally apply to activities that are considered incompatible with the ethical or social standards of the EIF's public mission and/or do not comply with the European Union or the Group's policies.

Second, we ask our counterparties to comply with the EIB Environmental and Social Principles and Standards. In accordance with the EIB Statement of Environmental and Social Principles and Standards, projects that receive EIB financing are required to meet the following environmental and social sustainability standards:

1. Assessment and management of environmental and social impact and risks
2. Pollution prevention and abatement
3. Biodiversity and ecosystems
4. Climate-related standards
5. Cultural heritage
6. Involuntary resettlement
7. Rights and interests of vulnerable groups
8. Labour standards
9. Occupational and public health, safety and security
10. Stakeholder engagement

Similarly, the EIF relies on monitoring and risk management activities to ensure sustainable and compliant business operations. Its Environmental, Social and Governance Principles underline the EIF's commitment to responsible and sustainable practices.

In line with the EIB Group Climate Bank Roadmap, in 2021 we will be revising the EIB Group Environmental and Social Policy Framework, including the Environmental and Social standards and EIF Environmental, Social and Governance principles, to reflect the latest policy developments, incorporate lessons learned and meet the changing needs of our clients and promoters.

Third, the EIB measures hidden costs to society as part of its appraisal process. The markets do not fully integrate social costs into product prices or investment decisions. This leaves it to society to absorb the long-term external costs, such as carbon emissions or local air pollution. The aim of our economic test is to assess whether the investment costs of the project are outweighed by the net benefits to society over its operating period. The inclusion of external costs is an essential element in making that assessment.

The Bank has been using the shadow cost of carbon for projects that go through an economic assessment since the 1990s. Different from a financial appraisal, the economic assessment allows the EIB to measure the costs and benefits generated by a project for society at large, taking into account the various resources used by the project (human, technological or natural). For greenhouse gas emissions, we apply a shadow cost of carbon to assess the cost of saving or emitting a tonne of carbon. Based on our economic assessment, only projects that contribute positively to society are considered for EIB financing.

To align with the Paris Agreement, we reviewed the latest modelling evidence and agreed to increase these values. As shown in the graph below, the shadow cost of emitting one tonne of carbon equivalent rises to €250 by 2030, and to €800 by 2050.

Figure 3: EIB shadow cost of carbon (in € per tCO_2e), as included in the Climate Bank Roadmap. It is based on the estimated full cost to society of limiting the rise in global average temperature to 1.5˚C above pre-industrial levels and helps to assess whether EIB financing is on track with this goal. This will be reviewed on an annual basis and the cost will be adjusted accordingly.

ALIGNMENT WITH LOW-CARBON PATHWAYS

The Climate Bank Roadmap focuses on supporting the transition to a low-carbon economy, based around key themes of mass electrification based on renewables, increasing electrification of transport and industrial sectors and use of e-fuels for sectors unable to electrify. This implies the EIB withdrawing support in specific cases as outlined below:

- **Aviation:** While the aviation sector lacks a clear pathway for decarbonisation, the EIB Group is currently focusing on improving existing airport capacity, including safety, security, resilience and decarbonisation investment. Support will be withdrawn from airport capacity expansion and conventionally fuelled aircraft.

- **Road infrastructure:** To address concerns around increasing road infrastructure capacity, we are adapting the economic test for large projects. In particular, demand forecasts will be adapted in line with recognised long-term modelling studies, paying attention to the penetration rates of electric vehicles. Net emissions from the project will be valued at a shadow cost of carbon, which is consistent with the 2050 climate neutrality target. This approach will screen out projects dependent on high short-term traffic growth (and hence emissions). We will continue to support robust projects designed to improve existing traffic flows, rehabilitation projects or projects with strong safety elements.

- **Road vehicles:** the EIB Group will focus on decarbonising vehicle fleets. In the case of intermediated operations and taking into account the current context of the economic downturn, we are implementing the principle of "do no significant harm" for climate mitigation as defined under the EU Taxonomy Technical Expert Group.

- **Energy and industry:** For the energy sector, alignment is ensured through the adoption of the EIB Energy Lending Policy. As for industry, we do not support industry per se — but rather address the market failures associated with innovation, pollution and carbon externalities. Support will be withdrawn from any new capacity based on traditional high-carbon processes (and without abatement technologies). In the case of existing conventional plants, we will support energy efficiency, depollution or circular economy projects that have an economic life running out before 2035, well ahead of the 2050 date by which the sector should be producing net zero emissions. In the case of intermediated operations, certain energy-intensive industries included in the Technical Expert Group report (basic iron and steel, plus associated downstream activities, aluminium, basic chemicals, cement and plastics) are excluded from the EIB Group's support under standard products. These exclusions would not apply to clearly defined investments in climate action or environmental sustainability activities, for example under dedicated multi-beneficiary intermediated loan climate action and environmental sustainability windows or similar.

- **Research, development and innovation:** The EIB Group will continue to support research, development and innovation in general. However, support will be withdrawn from activities that are no longer viable under the Paris alignment framework (such as the internal combustion engine or fossil fuel-based propulsion systems in the maritime and aviation sectors).

- **Agriculture and forestry**: The EIB will ensure that activities do not expand or impact areas of high carbon stocks or high biodiversity value. Moreover, given the importance of livestock as a source of emissions, we will focus on supporting those meat and dairy industries that are adopting sustainable methods to raise animals while reducing greenhouse gas emissions. In addition, in line with the approach adopted for the aviation sector, we no longer support export-oriented agro-business models that focus on long-distance air transport for commercial markets. This measure would exclude investments that depend on international shipping of fresh, perishable agricultural goods through long-haul air cargo.

ALIGNMENT WITH CLIMATE-RESILIENT PATHWAYS

The cornerstone of our work to integrate climate resilience into direct lending is a physical climate risk assessment system.

The EIB screens direct lending operations for physical climate risk through its climate risk assessment system. The system includes two levels of screening and a more detailed assessment for projects assessed to be at risk:

- An initial triage is carried out when a project is initiated. This screening filters out projects that are not likely to be affected by climate change (for example projects with no infrastructure) and is automatically performed by the system based on the sector sensitivity and the adaptive capacity of the country in which the project is situated.

- A second screening is carried out when more details of the projects are known, mainly location and subsectors. It is performed with a customised screening tool and identifies climate hazards such as sea level rise, heavy rain, floods, droughts and cyclones, which can affect the project's performance.

- A further climate risk and vulnerability assessment is performed for projects ranked at risk to determine to what extent the risks posed by climate change have been taken into account by the project promoter and what adaptation measures have been integrated into the project.

At the end of the process, the climate risk assessment system estimates the residual physical climate risk. This is the risk that a project may still be affected by climate change after adaptation measures have been incorporated. It is a qualitative output metric of the climate resilience of EIB investments.

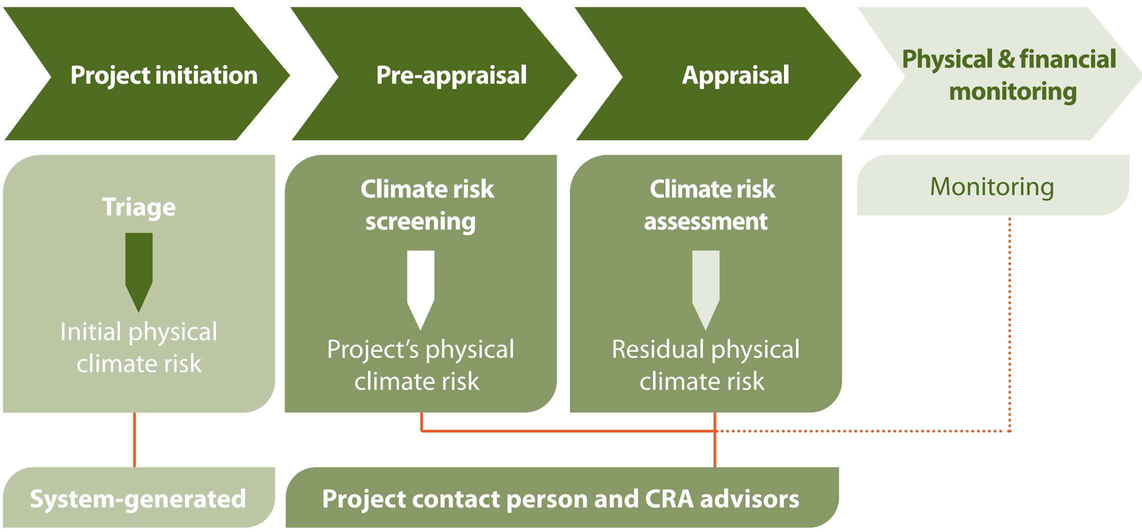

Figure 4: Steps of the EIB climate risk assessment system at project level.

C. RESILIENCE OF OUR STRATEGY

The section above describes our alignment with climate-resilient pathways. **We believe that by ensuring the alignment of all financing activities with low-carbon and climate-resilient pathways — namely the Paris alignment — the EIB Group has strong mitigants in place towards both physical and transition risk.**

This alignment is ensured through the Climate Bank Roadmap, sectorial strategies and project-related tools.

Beyond specific project-level management of climate risks, in 2020 we also introduced a methodology (the climate risk screening tool) to systematically and consistently assess climate-related risk at counterparty level. We describe this in more detail further below in the "Risk management" section.

In terms of stress testing and forward-looking scenario analysis, we are currently building the necessary modelling approaches to conduct climate-related stress testing on a regular basis, as further described in the "Risk management" section. Developing stress testing will further help us to assess the implications of physical and transition hazards on our portfolios, and to inform our business strategy and capital planning.

RISK MANAGEMENT

As a provider of long-term financing, the EIB Group is exposed to the financial impacts resulting from climate risk. Moreover, in our capacity as the EU climate bank, we are fully committed to establishing a comprehensive and prudent climate risk management framework in line with prevailing regulatory requirements and best banking and best market practice. To gain an early understanding of forthcoming trends in this area, the EIB Group is also an observer to the Network for Greening the Financial System, a group of central banks and supervisors promoting best practice related to green finance.

In 2020, the Group developed the first building block of its climate risk management framework, the "climate risk screening tool" or "screening tool", which will enable climate risk considerations to be further integrated into its global risk management approach, as outlined below:

Embedding climate risk into the Group's risk management framework
in line with prevailing regulation and best banking practice

Risk appetite framework

Risk appetite currently covering major financial and non-financial risk categories

Ongoing work to integrate climate risk in 2022

Risk measurement and monitoring

Assessment methodologies developed to assess climate risk for counterparties across the Group's portfolios

Ongoing work on the climate risk stress testing framework, with initial analyses performed in 2020

Capital adequacy assessment

Ongoing work to integrate climate-related risk into the internal capital adequacy assessment process in 2021

Risk reporting

Comprehensive reporting on climate risk exposures, concentrations and main drivers to be provided regularly to the Management Committee and Board of Directors starting from 2021

Risk culture
Multiple training sessions conducted for business functions on how to identify and assess climate risk in the Group's business activities

Figure 5: Embedding climate risk into the Group's risk management framework.

A. IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

The Group has considered the impact climate change will have on its financing activities across different time periods. **Up to five years is considered to be short term (ST), from five to ten years is considered medium term (MT), and more than ten years (until 2050) is considered long term (LT).**

Across these time horizons, climate change may impact, to different degrees, the various risk categories that we are exposed to, as shown in the following table:

Risk type	Impact from climate risk	Time frame	Impact level	Comments
Credit risk: risk that a borrower or counterparty of the Group fails to meet its repayment obligations.	Physical climate events or a disruptive transition to a low-carbon economy may increase the financial vulnerability of counterparties, for example			
	• Clients' assets could become 'stranded' in the event of a late and chaotic energy transition (unforeseen regulatory measures, disruptive technologies, etc.).	MT-LT	Medium	Historically, the Group has had stronger than market average restrictions related to fossil fuel financing. We no longer support projects that rely on unabated fossil fuels. Nevertheless, the clients that we are supporting in their decarbonisation efforts may be exposed to transition risk through parts of their business that we do not finance. This risk is assessed at the appraisal stage.
	• Financial results could deteriorate if clients face changing consumer behaviours.	ST-MT-LT	Medium	This risk could affect the Group's clients in the automotive industry or other high-emitting sectors.
	• Financial results could deteriorate if clients face business interruptions or damaged assets in the event of physical climate events.	ST-MT-LT	Medium	Although the Group is assessing the climate resilience of its operations and counterparties, the unpredictable nature of physical climate events means that the risk cannot be entirely discounted.
Market risk: the risk of loss arising from adverse movements of market variables such as interest rates, foreign exchange rates and equity market prices.	Physical climate events or a disruptive transition to a low-carbon economy may result in sudden demand and supply shifts of financial instruments, thus impacting market prices for exposed sectors and countries.	MT-LT	Low	Interest rate and foreign exchange risks can be mitigated through hedging. Treasury assets can be liquidated more easily than loans and investments. Treasury has been integrating environmental aspects in the decision making process for long-term investments since the second half of 2020 and is developing an extended methodology to be implemented for all treasury assets, therefore reducing exposure to climate risk.

Risk type	Impact from climate risk	Time frame	Impact level	Comments
Liquidity risk: the risk that the Group is unable to fund assets or meet obligations at a reasonable price or, in extreme situations, at any price.	Liquidity risk, being a consequential risk impacted by other risk types like credit or market risk, can be affected by climate risks in the sense of: • Missing cash inflows from clients (credit risk). • Reduction of market value of liquid assets (market risk). • Decrease of asset liquidity of treasury assets (market risk supply and demand). • In addition, climate risk can lead to an increase in refinancing/funding risk.	ST-MT-LT	Low	The Group has a conservative risk management approach combined with ambitious climate policies and its financing relies significantly on climate awareness bonds, which are earmarked for climate action.
Operational risk: risk of losses resulting from inadequate or failed processes or systems, human factors or due to external events, which includes legal risk but excludes strategic and reputational risk.	Physical climate events may disrupt the Group's operations, either directly or through operations of its suppliers.	LT	Low	Strong safeguards and business continuity measures in place.
Reputational risk: risk of losses arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a bank's ability to maintain existing (or establish new) business relationships and continuous access to sources of funding.	Non-compliance of the Group with respect to providing financing in line with its Climate Bank Roadmap, Climate Strategy and the European Green Deal may result in a negative perception from the Group's external stakeholders.	ST-MT	Low	The Group is developing all the processes and tools necessary to deliver on its objectives, therefore limiting reputational risk.

B. ASSESSING AND MONITORING CLIMATE-RELATED RISKS

As shown in the table above, credit risk is considered to be the risk category most affected by climate change. Therefore, **the EIB Group has developed a climate risk screening tool, a counterparty-level methodology to assess the exposure of counterparties to both physical and transition risks in a consistent manner.** The first objective is to provide transparency on the portfolio's exposure to climate risk.

The assessment pursues the following approach:

a) **Initial score** taking into account the sectors and countries of operation of a counterparty (by combining scores reflecting, respectively, the physical risk and transition risk exposures of sectors and countries). This initial score serves as the starting point for the counterparty's climate risk assessment.

b) **Adjustments** to the initial scores are made to account for differences among counterparties within an industry sector or a region. These adjustments are based on the counterparty's specific vulnerability to physical hazards and, when relevant, on quantitative indicators of industry-specific risks.

c) The combination of the initial score and the adjustments results in the **inherent risk score** (separate scores for physical and transition risk).

d) **The adaptation and mitigation capacity** assessment captures the counterparty's ability to withstand climate hazards and to adapt its business model to the requirements of a lower-carbon economy.

e) The **final scores** (separate scores for physical and transition risk) result from the combination of the inherent risk score and the adaptation and mitigation capacity. This is the main outcome of the model, with scores ranging from 1 (lowest risk) to 5 (highest risk).

While the underlying assessment logic is consistent across all credit segments, tailored versions are applied to cover all counterparty types across our portfolios, applying to corporates, financial institutions, public sector entities, sub-sovereign public authorities, project finance, and (indirectly) equity.

The output of the climate risk screening tool is used to assess and monitor climate risk across the Group's portfolio and to report to the Group's governing bodies.

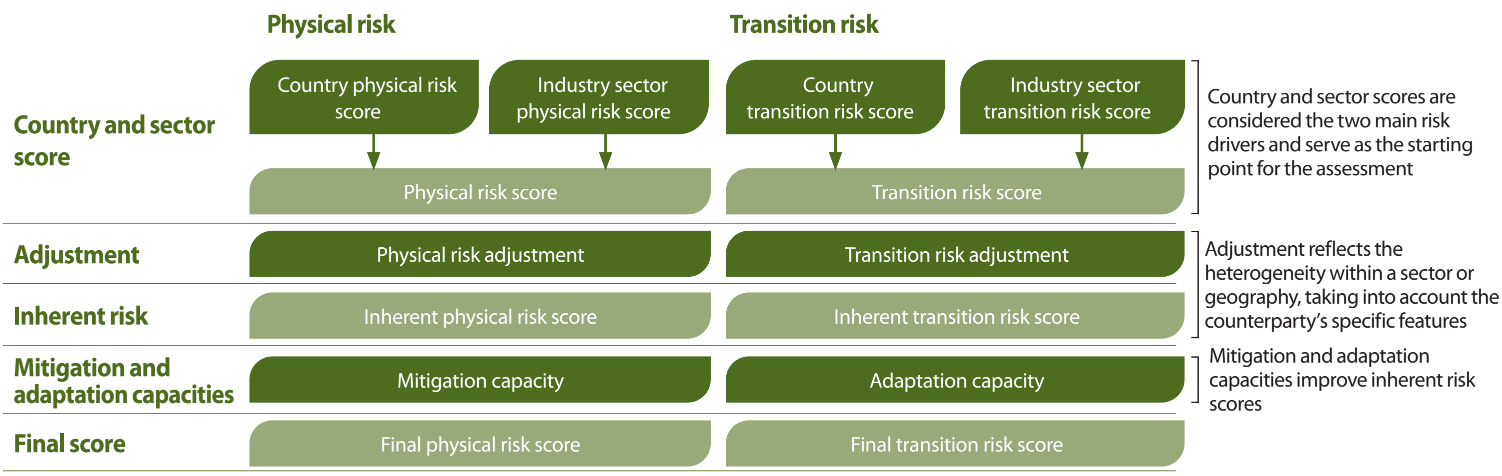

Figure 6: Overview of our climate risk screening tool for the corporate credit segment.

SCREENING TOOL IMPLEMENTATION

The roll-out of the screening tool started in July 2020 across the Group's existing lending and investment portfolios. The tool's use will expand in 2021 to new operations. A climate risk assessment will be performed for all new counterparties at appraisal stage and be updated on a yearly basis as part of the annual counterparty review process.

CLIMATE RISK COUNTRY SCORES

The EIB's Economics Department has developed an in-house model to separately assess the exposure of over 180 countries to physical risk and transition risk. The model is the result of in-depth research by EIB economists and builds on the most recent literature, while combining various publicly available data sources. The scores, updated on a yearly basis, are complemented where necessary by expert adjustments ("overrides") of country experts. The resulting climate risk country scores are then used as the geographical anchor scores for the screening tool.

To assess physical risk, indicators were developed to capture the impact of:

- Acute risks, through the damage caused by hydrological (floods and landslides), meteorological (extreme temperatures, fog, storms) and climatological (droughts, wildfires, glacial lake outburst) events.
- Chronic risks, including the exposure to rising sea levels and the impact of changes in average temperatures or precipitation patterns (for example on agriculture, infrastructure and productivity).

Costs or losses due to these risks are expressed in terms of gross domestic product. The model then takes into account the country's adaptation capacity, which is assessed through fiscal strength and the quality of governance.

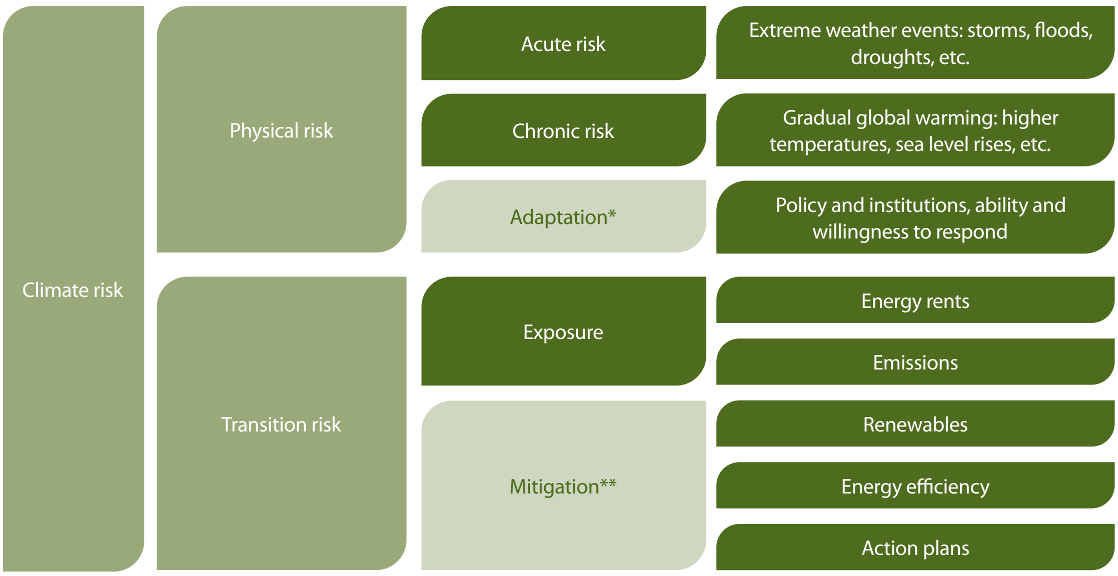

Figure 7: Climate risk country scores and underlying indicators.

* Adaptation: ability to reduce the vulnerability to the effects of climate change, alleviate the effects, moderate damage. It includes the economic stability and institutional capacity.
** Mitigation: actions to reduce greenhouse gas emissions.

To assess transition risk, a composite indicator was developed taking into account, in principle, the Kaya identity (Kaya, 1990)[3] and capturing the following dimensions:

- Exposure to carbon emissions, through the importance of fossil fuel rents in the economy, and overall dependence on carbon-emitting activities.

- Mitigation activities, as reflected by the deployment of renewables, the pursuit of energy efficiency policies and the future climate action commitments.

The model brings these indicators to a common scale (normalisation), allowing for partial compensation among each other, and selects the appropriate weights of the various climate risk dimensions based on the literature and econometric analysis. Finally, in any effort to reflect common but differentiated responsibilities, the cross-country assessment evaluates the current state and the policy's effectiveness for each country over the past five years, as well as its distance to the optimal, global pathway to respect the objectives of the Paris Agreement.

CLIMATE RISK INDUSTRY SCORES

In a similar manner, we have also developed a methodology to score industries according to their exposure to transition risk.

This methodology uses the Bank's new risk sector classification, which includes 30 risk sectors and 65 subsectors. Within these subsectors, industry experts (engineers and economists specialised in mobility, energy, bio-economy and other industries) defined, whenever needed, more granular industry segments that are exposed to the same transition risks.

These segments are then scored taking into account their current emission levels, their ability to decarbonise, their exposure to regulatory and technology risk and their resilience to potential changes in consumer behaviour. The resulting climate risk sector scores are then used as sector anchor scores for the screening tool.

The methodology is based on a mix of publicly available data and expert judgement. In view of the rapid developments in regulation, technology and market risk, experts will review and update their assessment on a yearly basis.

CLIMATE RISK STRESS TESTING

Climate risk stress testing and scenario analyses are complementary approaches that assess the implications of physical and transition hazards in EIB Group portfolios and inform our business strategy and capital planning. Using the output from the screening tool, a first analysis was conducted in 2020 to test the resilience of the Bank's loan portfolio to physical and transition risks.

This exercise was meant to be informative, without any impact on decision-making. Building on this experience and on developing regulatory guidance, we will refine our stress testing methodology and intend to repeat the sensitivity analysis at Group level in 2021.

3 Kaya (1990); Impact of Carbon Dioxide Emission Control on GNP Growth: Interpretation of Proposed Scenarios.

C. INTEGRATING CLIMATE-RELATED RISKS INTO OUR OVERALL RISK MANAGEMENT

THE GROUP'S THREE LINES OF DEFENCE FRAMEWORK

The EIB Group's approach to climate-related risks is based on the three lines of defence framework, where various directorates have a distinct role in managing climate-related risks, as shown in the table below:

1st line of defence	2nd line of defence	3rd line of defence
Business functions	**Risk Management, Compliance, Financial Control and Legal functions**	**Internal Audit function**
Identification and management of risks within an established set of limits and boundaries	Maintenance, development and implementation of the risk management and control framework in line with policies and regulations	Independent review of risk management practices and the internal control framework

Figure 8: The Group's three lines of defence framework.

In particular, the following roles and responsibilities are assigned to different functions.

FIRST LINE OF DEFENCE

The business functions identify new financing or investment operations in line with the Bank's climate risk and sector lending policies. As part of the loan appraisal process, compliance with the Bank's Climate Bank Roadmap (CBR) is confirmed. The CBR sets out the Bank's interpretation that the project is consistent with a pathway to low-carbon and climate resilient development, making it "Paris aligned".

At counterparty level, the Bank assesses physical and transition risks through a climate risk screening tool. The assessment is performed on a yearly basis throughout the life of a loan as part of the annual counterparty review process. From 2021, this assessment will also be performed at appraisal stage for all clients. The EIB is currently working to develop counterparty alignment guidelines, to be presented in 2021. In the meantime, the EIB Group continues to work with its existing approach anchored in the assessment of the relevant corporate decarbonisation plans of high-emitting counterparties.

At the EIF, from 2021, physical and transition risks will be assessed at (indirect) Equity, Guarantee and Securitisation level with the Climate Risk Screening Tool. The tool will be run at the appraisal stage and updated on a regular basis.

SECOND LINE OF DEFENCE

The Risk Management and additional second line of defence functions are responsible for controlling, monitoring and reporting on financial and non-financial risks that the Group is exposed to. Risk Management is responsible for integrating climate risk into the Group's risk management framework in accordance with prevailing regulatory requirements and best banking and best market practice. Risk Management also provides regular reporting on the Group's climate risk exposure to its governing bodies. While the objective is to fully integrate climate risk into the risk culture, dedicated teams within the EIB and the EIF Risk Management Directorates are responsible for the development and continuous enhancements of the Group's climate risk assessment models.

THIRD LINE OF DEFENCE

The Internal Audit function is responsible for examining and evaluating internal control systems and risk procedures. To that end, Internal Audit reviews the Group's climate risk policies and procedures and ensures that they are correctly applied.

To make climate risk a full part of the credit culture, multiple training sessions were held within the first and second lines of defence, including monitoring teams, to raise awareness about climate-related risks and deploy the screening tool.

RISK APPETITE FRAMEWORK

The EIB Group's risk appetite framework formalises the level of risk that the Group is willing and able to incur as part of its activities and objectives and in compliance with its governing texts. At present, the risk appetite framework covers the major financial risks (including credit, liquidity, market and treasury risks) and non-financial risk categories (including operational, communication and technology, conduct and compliance and reputational risks). We will incorporate climate risk into the risk appetite framework in 2022, building on the results from the 2021 sensitivity analysis, according to a methodology currently under development.

CAPITAL ADEQUACY ASSESSMENT

As part of the EIB Group's best banking practice framework, an internal capital adequacy assessment process has been established. This process aims to ensure that the Group identifies and is protected against all risks to which it is exposed, including credit, market, operational and other risks. Climate change risk is considered in the risk identification process of the internal capital adequacy assessment. Where relevant, outcomes from climate scenario analyses and stress tests will be reflected in the internal capital adequacy assessment process documentation. Upon further integration of climate risk into the risk framework, we will assess the potential need to capitalise climate risk, also considering regulatory and supervisory expectations.

RISK REPORTING

A new reporting framework to track the EIB Group's climate risk exposure, based on the output of the screening tool, will be introduced in 2021:

- A monthly synthesis, which includes information on the climate risk exposures across the Group's portfolio (covering the EIB and the EIF, lending and investment as well as treasury and derivatives portfolios, as they become available) to be provided to the Management Committee, the EIB Board of Directors and the Audit Committee, as part of the EIB Group Risk Report.

- A more comprehensive climate risk report to be produced on a semi-annual basis. It will provide an overview of the exposure to physical and transition risk of the existing portfolio and new operations (including operations under mandate), with breakdowns and deep dives by credit segment, sector, geography and credit rating to better inform the decision-making processes.

2021

Climate sensitivity analysis: the methodology used for the first analysis in 2021 will be refined. Sensitivity analysis at Group level will be performed (Q4).

Internal climate risk reporting: publication of a monthly and semi-annual internal report on climate risk (Q2 and Q3 respectively).

Screening tool implementation: coverage extended to new operations and treasury and derivative counterparties (Q3).

2022

Risk appetite framework: incorporation of climate risk.

Figure 9: Next steps to integrate climate-related risks into the Group's risk framework.

METRICS AND TARGETS

To reflect the Group's enhanced commitment to climate action, **we pledged to increase the share of climate action and environmental sustainability financing to 50% of our business by 2025 and beyond, and to support €1 trillion of investment in this area over the next decade.**

A. CLIMATE-RELATED METRICS

The proportion of EIB climate action financing as a percentage of total financing increased from 26% in 2016 to 37% in 2020. Climate action financing reached €24 billion in 2020.

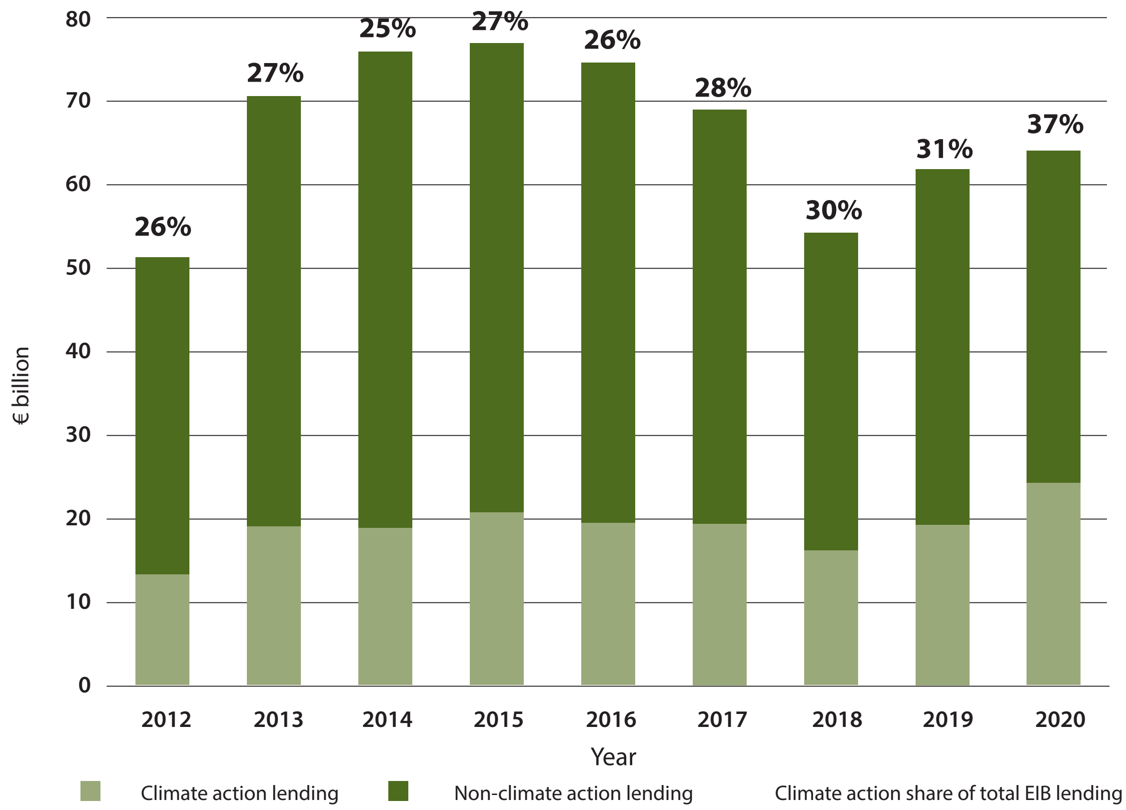

Figure 10: EIB total climate action lending as a share of total EIB lending, 2012–2020.

A breakdown of climate action financing by type shows significant increases in 2020 in energy efficiency financing, up to €5.7 billion from €4.6 billion in 2019, and in lower-carbon transport, up to €8.1 billion from €7.6 billion in 2019. Climate change adaptation financing showed the most significant increase from €0.8 billion in 2019 to €2.4 billion in 2020.

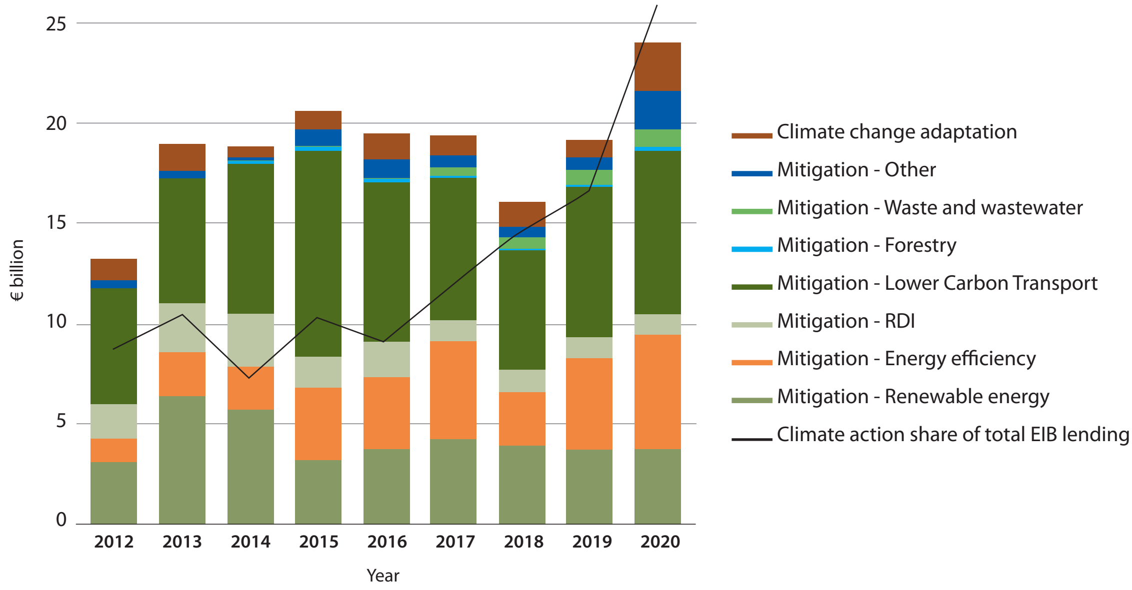

Figure 11: EIB total climate action breakdown by area of intervention, 2012–2020.

Our ambition to increase the share of climate action and environmental sustainability financing to 50% of our business by 2025 and beyond is also supported by the Group's green bond issuance. In 2007, we were the first institution to issue a green bond, that we internally call climate awareness bond. Since then, the interest in climate awareness bonds and sustainability awareness bonds has been growing exponentially, fueled by the trend towards sustainable development.

Going forward, and in line with the Climate Bank Roadmap, the EIB Group will align its tracking methodology for green finance with the framework established by the Taxonomy Regulation[4]. To reflect this alignment and **to support our enhanced climate-related targets, we are extending the eligibilities of the EIB's green and sustainable bonds to cover additional activities**, in line with the proposed EU Green Bond Standard. We will hence support the further development of the green bond market by increasing quantity and improving quality.

To support that objective, the EIB has created a specialised Sustainability funding team, entirely dedicated to the development and issuance of climate awareness bonds and sustainability awareness bonds.

In 2020, the Group managed to more than double the issuance of climate awareness bonds and sustainability awareness bonds compared to 2019 (from €4.1 billion to €10.5 billion). These bonds accounted for 15% of the EIB's funding programme. The awareness bonds link the proceeds of the issuances directly to specific climate and sustainability objectives, such as renewable energy, energy efficiency or water investments. It is important to note that all EIB bonds' proceeds, including those going beyond the awareness bonds, are subject to the EIB's sustainability due diligence process (as described in the sections above) when invested in projects.

4 The EIB Group climate action tracking for intermediated financing, including but not limited to that for small and medium-sized enterprises (SMEs), will continue to be supported through simplified approaches.

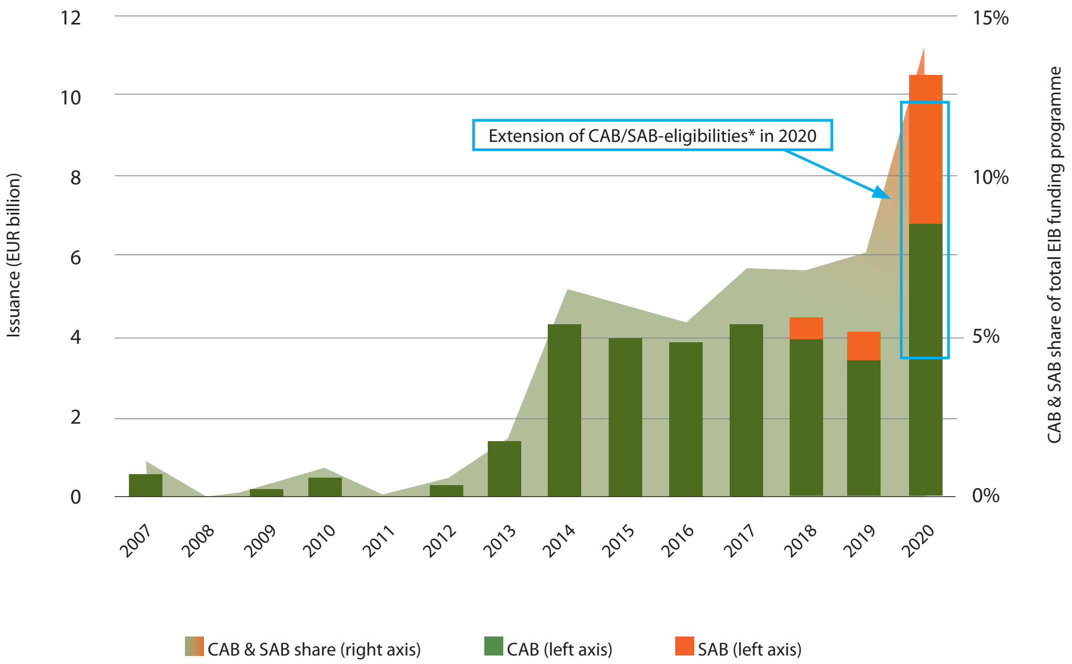

Figure 12: Evolution of our climate awareness bond (CAB) and sustainability awareness bond (SAB) issuance. Source: EIB.

* **CLIMATE AWARENESS BOND ELIGIBILITY: 2007-2020:** Renewable energy and energy efficiency projects; **2020:** Extended to: (a) electric rail infrastructure and vehicles and other electric public land transport vehicles, (b) research, development and deployment of innovative low-carbon technologies.

* **SUSTAINABILITY AWARENESS BOND ELIGIBILITY: 2018-2020:** Water projects; **2020:** Extended to education and health projects (including COVID-19).

Since our first green bond issuance, we have played a pioneering role in promoting transparency and accountability in green finance, implementing best reporting practice and actively participating in the development of common standards. To support this work, the EIB Group has been an active member of the EU Technical Expert Group on Sustainable Finance, participating in the development of:

- The EU Taxonomy Regulation, which entered into force in July 2020, and sets the stage for the adoption of the Taxonomy by the European Commission within the context of the Capital Markets Union. The Taxonomy provides a basis for the classification of the financial instruments used to fund sustainable economic activities (such as green loans or green bonds), establishing a single framework for the European Union and therefore for the sustainability lending and funding activities of the EIB.

- The EU Green Bond Standard proposed by the European Commission's Technical Expert Group on Sustainable Finance requires that proceeds from EU Green Bonds be allocated to economic activities aligned with the Taxonomy.

These initiatives take place in the context of the EU Action Plan on Financing Sustainable Growth, which aims to scale up sustainable finance and reorient capital flows toward a more sustainable economy.

EIB PHYSICAL CLIMATE RISK ASSESSMENT SYSTEM

As described above, the climate risk assessment system that we introduced in 2019 assesses physical climate risks at project level. The system helps us and our clients understand how climate change may affect a financed project and whether appropriate adaptation measures have been taken. As part of the assessment system, an initial screening based on the subsector and country of operation is performed for all new operations. In the case of high or medium risk, a second and more detailed screening takes place to identify project vulnerabilities. During the appraisal process, we conduct a climate risk and vulnerability assessment, or equivalent analysis, and assess resulting adaptation measures. At the end of the process, we estimate the residual physical climate risk for each operation.

In 2020, the EIB assessed 99% of direct lending operations that were initiated after the launch of the climate risk assessment system and signed in 2020. Of these, 81% were assessed as low residual risk, 18% were assessed as medium residual risk, and 1% as not sensitive to climate change.

PORTFOLIO LEVEL ASSESSMENT

The screening tool, which provides a counterparty-based assessment of climate risk, was rolled out across the existing portfolio in July 2020. The objective is to cover the whole portfolio in 2021, including new operations and treasury counterparties.

In 2015, the EIB started assessing climate change risks in its portfolio, as part of its 2015 Climate Strategy. For this purpose, a task force for valuing climate change risks was created, bringing together different services at the Bank and sharing information on legislation and best practice in the field.

In 2016, the EIB assessed the physical and transition climate change risks in the EIB's energy, transport and industry sectors, as well the carbon intensity of different subsectors and their susceptibility to climate policies and vulnerability to physical climate change risks. Fossil fuel transmission and distribution, as well as power and heat generation from fossil fuels, were found to be the key source of transition risks, as well as being a source of liability and reputational risk for the EIB. Sea level rise and floods were considered the main physical risks for all three sectors.

In the following years, we continued to assess the exposure of our portfolio to transition climate-related risks. Further analysis showed that our portfolio was sufficiently diversified, both in terms of geography and sector, to mitigate transition climate change risks under 1.8°C, 2.0°C and 2.7°C scenarios.

B. SCOPE 1, 2 AND 3 EMISSIONS

As reported in our flagship EIB Group Sustainability Report, **we estimate and report the greenhouse gas emissions of projects where emissions are expected to be significant.**[5] To determine the expected greenhouse gas emissions from an EIB-financed project we use a set of published methodologies[6] that has been harmonised with other international financial institutions.

We believe it is important to assess significant emissions and removals from all the sectors we fund. In measuring our annual carbon footprint, we include projects from conventional and renewable energy generation and networks, energy efficiency, transport, industry, water and solid waste, agriculture and forestry. This allows us to assess the contribution from all types of lending.

In 2020, 99 of the projects in the EIB portfolio[7] had estimated emissions above the absolute or relative emissions thresholds and were included in the 2020 carbon footprint exercise. They represent total EIB signatures or allocation approvals of €14.4 billion.

5 Namely emissions above one or both of the following thresholds: (i) absolute emissions (actual emissions from the project) > 20 000 tonnes of carbon equivalent (CO_2e) per year for a standard year of the project's operations, (ii) relative emissions (estimated increases or reductions in emissions compared to the expected alternative) > 20 000 tonnes of CO_2e per year.

6 See our latest version of greenhouse gas methodologies.

7 Projects with a finance contract signed or large allocations approved in the year. Large allocations under already signed framework loans include individual investment projects that have undergone a full individual project appraisal.

The related total absolute greenhouse gas emissions are estimated at 5.2 million tonnes of CO_2e per year, with carbon sequestration from forestry estimated at 0.3 million tonnes of CO_2e per year. The overall reduced or avoided emissions from the same financing are estimated at 3.7 million tonnes of CO_2e per year in accordance with the carbon footprint methodology.

Data for projects included in the carbon footprint are reported in our Environmental and Social Data Sheets and published in our public register, in application of the Aarhus Convention.

The table below shows the results of the aggregate figures for the last eight years. The relative emissions figures show large savings of between 2.4 and 3.7 million tonnes of CO_2e per year. Overall, the EIB's investment projects continue to support reduced emissions.

Carbon footprint of EIB financing, 2013–2020

	2013	2014	2015	2016	2017	2018	2019**	2020**
Number of projects	67	70	73	70	55	68	96	99
Total EIB amount signed (in € billion)	13.8	15.1	11.2	17.7	9.4	9.5	13.6	14.4
Absolute emissions (in Mt CO_2e/year)*	3.2	4.9	5.6	2.4	5.2	2.2	3.9	5.2
Carbon sequestration from forestry (in Mt CO_2e/year)*	0.0	-0.2	-1.0	-3.5	-0.3	-2.8	-0.9	-0.3
Relative emissions (in Mt CO_2e/year)*	-2.4	-3.0	-3.1	-2.7	-2.9	-3.5	-2.9***	-3.7

Absolute emissions per sector (in Mt CO_2e/year)*	2013	2014	2015	2016	2017	2018	2019**	2020**
Industry	0.5	0.6	1.9	0.2	3.7	0.3	1.0	2.1
Energy	1.0	2.9	3.0	1.2	0.7	0.7	1.2	1.9
Mobility	1.6	1.4	0.6	0.8	0.7	0.7	1.5	0.7
Other (water, sewage, forestry, food and agriculture)	0.1	0.1	0.1	0.2	0.0	0.6	0.3	0.5

Relative emissions per sector (in Mt CO_2e/year)*	2013	2014	2015	2016	2017	2018	2019**	2020**
Industry	0.0	-0.2	-0.1	0.0	-0.3	0.0	-0.5	-0.1
Energy	-2.2	-2.6	-2.5	-2.3	-2.4	-2.9	-1.9	-2.8
Mobility	-0.2	-0.1	-0.2	-0.1	0.0	-0.1	0.1	-0.2
Other (water, sewage, forestry, food and agriculture)	0.0	-0.1	-0.4	-0.2	-0.3	-0.4	-0.6	-0.6

* Emissions and carbon sequestration are prorated to the EIB lending volume prior to aggregation. Total project emissions (absolute) and savings (relative) would be significantly larger. Mt CO_2e = megatonnes of CO_2 equivalent.

** Note that a different threshold for absolute emissions and carbon sequestration from forestry applied from 2019 onwards (+/-100 tCO_2e/year), therefore direct comparison with 2019 and 2020 for absolute emissions data is not possible.

*** The relative emissions figure for 2019 has been adjusted from the figure reported in the previous Sustainability Report (-3.1 Mt CO_2e/year) due to a correction in data.

In addition to measuring the carbon footprint generated by investment projects, we are also strongly committed to reducing our own corporate carbon footprint.

The EIB Group has been reporting on its carbon footprint since 2007. For the footprint of our internal, corporate activities in Luxembourg, we use the methodology of the Greenhouse Gas Protocol to ensure consistent reporting of our direct and indirect emissions, which include business travel and employee commuting. The table and graph below show the evolution of our net emissions over time and the breakdown by scope.

	Emissions source	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Scope 1	**Natural gas**	10	20	24	28	28	24	0	297	399	433	329
	Company cars	32	58	51	62	70	58	69	75	96	103	112
Scope 2	**Electricity**	2 689	3 495	4 226	5 344	5 245	5 717	5 693	6 765	6 876	7 061	7 111
	Purchased steam	731	653	660	743	798	421	354	485	459	390	502
Scope 3	**Business travel** (flights and rail)	3 084	18 228	18 905	17 736	15 972	14 724	13 677	11 163	9 168	12 131	11 413
	Minibus (incl. internal mail)	17	54	60	46	38	32	27	56	52	141	130
	Commuting	758	2 755	2 838	2 874	2 735	2 638	2 701	2 042	6 190	6 369	6 369
	Courier[8]	37	61	62	72	74	70	70	70			
	Rental cars[9]	13	58	52	45	92						
	Water[10]	45	69	70	62	58	50	47	50			
	Waste	6	15	17	10	11	11	13	10	-6	-2	-4
	Paper consumption	37	98	130	109	107	105	73	106	83	115	146
	Data centres[11]	152	139	189	277	290	405	422				
	Homeworking[12]	1 876										
Totals	**Total scope 1**	**42**	**78**	**75**	**91**	98	82	69	372	495	536	441
	Total scope 2	**3 420**	**4 148**	**4 886**	**6 087**	6 042	6 137	6 047	7 249	7 335	7 451	7 613
	Total scope 3	6 025	**21 476**	**22 319**	**21 231**	19 375	18 035	17 030	13 496	15 488	18 755	18 055
	Total gross emissions	**9 487**	**25 702**	**27 280**	**27 408**	25 515	24 254	23 146	21 118	23 317	26 741	26 109
	Electricity (green tariff)	-2 841	-3 634	-4 226	-5 344	-5 245	-5 717	-5 693	-6 765	-6 876	-7 061	-7 111
	Purchased steam (biomass)[13]	-651	-574	-577								
	Courier	-37	-61	-62	-72	-74	-70	-70	-70	0	0	0
	Total net emissions	5 958	21 434	22 415	**21 993**	20 197	18 468	17 383	14 283	16 441	19 681	18 998
	Annual variation	-72.2%	-4.4%	+1.9%	+8.9%	+9.4%	+6.2%	+21.7%	-13.1%	-16.5%	+3.6%	+14.6%
Intensity	**Employees**	**4 092**	**3 964**	**3 896**	**3 682**	3 290	2 913	2 556	2 369	2 185	2 175	2 079
	Net emissions per employee	**1.46**	**5.41**	**5.75**	**5.97**	6.14	6.34	6.80	6.03	7.52	9.05	9.14

Figure 13: EIB Group corporate emissions by scope, 2010-2020 (tCO_2e).

8 Data available since 2013.
9 Rental car emissions were first reported in 2016.
10 Water emissions were introduced in 2013.
11 Data available since 2014.
12 As a result of the COVID-19 pandemic.
13 Since late 2017, all our purchased steam supplies are produced using biomass (wood pellets).

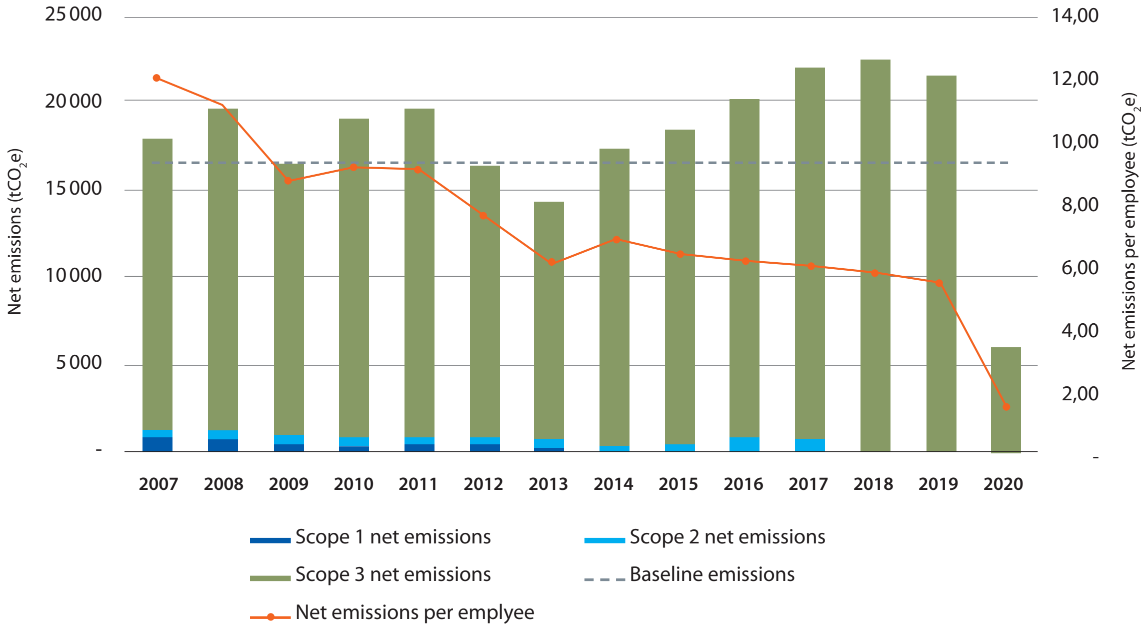

Figure 14: EIB Group corporate net emissions over time and emissions intensity (tCO_2e).

We compensate for our residual corporate emissions through high-quality carbon credits. Since 2014, we have been purchasing carbon credits generated by the Kasigau Corridor REDD+ Project that prevents deforestation and forest degradation, helping to protect wildlife and promote biodiversity in 500 000 acres of highly endangered Kenyan forest. This landmark project was the first REDD+ project to be validated and verified under the Verified Carbon Standard (VCS) and the Climate, Community and Biodiversity Standard (CCB).

More information on our internal carbon footprint is available in the EIB Group Carbon Footprint Report that is published annually.

C. CLIMATE-RELATED TARGETS

As described earlier in the "Strategy" section, in 2020 we set ourselves the following key targets:

- **Increase our level of support to climate action and environmental sustainability to exceed 50% of our overall lending activity by 2025.**
- **Help to support €1 trillion of investment over the critical decade ahead.**
- **Align all the Group's activities with the principles and goals of the Paris Agreement going forward.**

These new objectives complement existing policies such as the EIB's Energy Lending Policy, under which **we no longer support energy projects that rely on unabated fossil fuels.**

The Climate Bank Roadmap is our response to the worsening climate situation, which calls for an acceleration and scale-up of our climate-related actions.

The proportion of EIB climate action financing as a percentage of total financing has already increased significantly, reaching 37% in 2020 compared to 26% in 2016. The coming years will be critical to reach our new target of 50%.

The roadmap details our new level of commitment to accelerate the transition to a low-carbon and climate-resilient economy. To reach our enhanced targets, we will continue to support areas that already showed considerable progress towards the transition (such as low-carbon electricity, electric vehicles and battery storage), and tackle other areas that are lagging behind. For investments in natural capital, for example carbon sinks, biodiversity and ecosystems preservation, the transition has barely begun.

By doing so, we will support a green and resilient transition that leaves no person or region behind. A just transition is of particular concern for countries that currently rely on carbon-intensive sectors or where local economies may become less viable due to climate change. A just and inclusive transition is directly linked to the wider issue of social development. The effects of climate change continue to disproportionately affect least developed countries and disadvantaged and vulnerable populations, specifically undermining people's health, incomes, livelihoods, food security and human rights. The Group will continue to target investments that can contribute to both the green transition and social development.

It is with all of this in mind that we will continue to make strong contributions to limit global warming to 1.5°C and to promote resilience to climate change.

European Investment Bank Group

The EIB Group consists of
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EIB Group

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