

# Environmental Social & Governance

*Principles*

The  
European  
Investment  
Fund

# About EIF

The European Investment Fund (“EIF” or the “Fund”) is an EU body established in 1994 with the status of a multilateral development bank (MDB) that is part of the European Investment Bank Group (“EIBG”)<sup>1</sup>. It is the EU’s specialist provider of risk finance instruments for the benefit of small and medium-sized enterprises (SME) and (small) mid-caps across Europe. Its shareholders are the European Investment Bank (EIB), the European Union (EU), represented by the European Commission (EC), and a variety of financial institutions from public and private sectors<sup>2</sup>. In function of the majority shareholding of EIB, the EIF is consolidated by EIB and hence forms part of EIB Group. Its policy framework is developed within and in consideration of the EIB Group Policy Framework.

In addition to its own capital base, EIF manages and advises, as an asset manager a large number of mandates and co-operation schemes (“Mandates”) for a variety of stakeholders organized across four pillars: (i) the EIB, (ii) the EC, (iii) EU member states, regions and National Promotional Institutions (NPIs) and (iv) institutional operators in the EU financial markets. These Mandates constitute, alongside EIF’s own resources, the main sources out of which EIF funds its business activities.

To date, the EIF has become one of the largest providers of financial guarantees and other risk sharing instruments as well as investments in private equity fund structures in Europe. The details regarding the financing are included on a yearly basis in the EIF’s Annual Report<sup>3</sup>.

The EIF’s statutory mission is to contribute to the pursuit of EU objectives (EIF Statutes<sup>4</sup>, Article 2/1) while conducting its business in a way that generates an appropriate return on its resources (EIF Statutes Article 24). This mission is implemented:

- Firstly, through the issuance of guarantees to financial intermediaries (ranging from more traditional entities like banks and micro-finance institutions to, more recently, universities and crowdfunding platforms); and
- Secondly, through the participation in private equity and venture capital funds, both with the ultimate aim to enhance the access to risk finance for the benefit of small and medium-sized enterprises as well as (small) mid-caps, within the EU’s geographical remit. More recently, EIF’s activities include also the participation in infrastructure funds.

Supported by the present Principles the EIF intends to actively promote a thematic approach to its operations guided by six public policy goals (see [section 1.2](#)). In addition, the EIF is transitioning from a volume to an impact driven organisation, which is steered by green and digital priorities in line with the EU Green Deal and NextGenerationEU. The EIF’s activities are guided by four statutory bodies<sup>5</sup>. The Board of Directors (the “Board”) is empowered to decide on all EIF operations and to adopt the guidelines and directives for the EIF’s operations and management. Members of the Board are appointed by, and report to, the General Meeting, which consists of EIF’s shareholders’ representatives. Day-to-day management of the EIF is entrusted to the Chief Executive and the Deputy Chief Executive, who are appointed by and report to the Board. The Audit Board has the statutory responsibility of the audit of the accounts of the Fund. Members of the Audit Board are appointed by and accountable to the General Meeting.

The EIF strives at operating in accordance with best market practices and promoting environmental, social and governance standards in line with the EIB Group Environmental and Social Policy<sup>6</sup> (ESP) both within the organization as well as in its relationship with its counterparties.<sup>7</sup>

<sup>1</sup> The EIF was established as a body with legal personality and financial autonomy on the basis of a decision of the EIB Board of Governors (EIB Statute, Article 28, formerly Article 30; EIF Statutes Article 1). The EIF forms part of EIB Group and ensures its operations are in line with Best Banking Practices consolidated by EIB.

<sup>2</sup> For the most recent shareholding percentages, please consult: [Shareholders \(eif.org\)](#)

<sup>3</sup> EIF Annual Reports: [EIF All publications - Annual Reports](#)

<sup>4</sup> EIF Statutes Art. 2/1. For the most recent EIF Statutes, please consult: [EIF Statutes](#)

<sup>5</sup> [EIF Governance](#)

<sup>6</sup> [EIB Group Environmental and Social Policy](#)

<sup>7</sup> The EIF Best Market Practices are in line with the EIB Best Banking Practices whilst reflecting the particularities of the EIF’s business model.

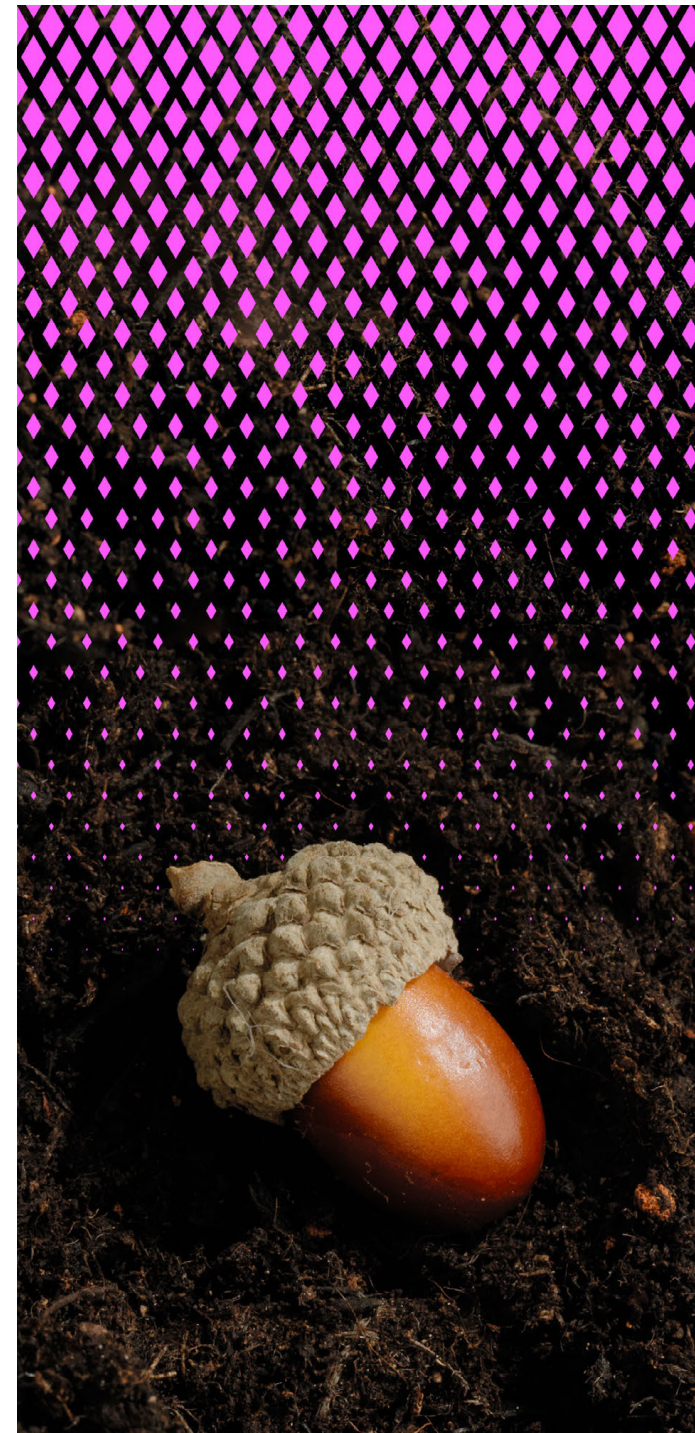


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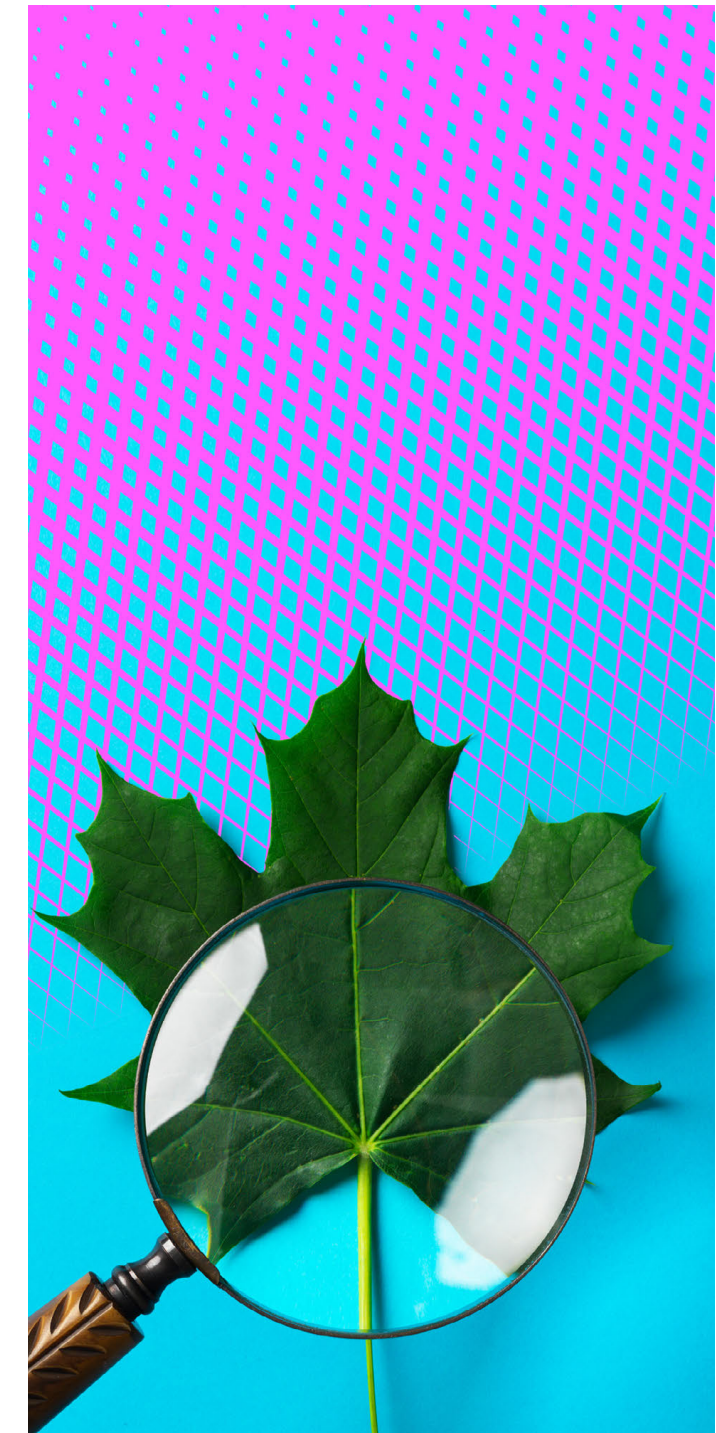


## Chapter 2

### Principles applying at transaction level

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*EIF's ESG Principles aim at elaborating on the key aspects, which guide the ESG performance of the EIF's business across all business lines and its public policy goals (see section 1.2). In addition, the EIF is seeking to increase the positive environmental and social impact of its business activities and decision making processes, including by increasing the share of transactions that contribute to the environmental and social public policy goals.*







# 1

## Principles applying across mandates & products



# The EIB Group Environmental and Social Policy

The Environmental, Social and Governance Principles (“ESG Principles”) set out in this document complement the EIBG Environment and Social Policy (“ESP”), which together apply across the EIF’s organisation. The document describes the basic principles guiding the assessment, management and reporting of Environmental, Climate and Social (“ECS”) risks and matters related to the EIF and its transactions with its Financial Intermediaries (“FI”) and other counterparties as relevant.

In relation to infrastructure equity fund operations, the EIF requires such operations to be structured to comply with the EIB 11 Environmental Standards.

The ESP recalls the environmental and social objectives and principles embedded in the EU Treaties, EU Charter of Fundamental Rights and related policies as well as international agreements. On that basis, it sets out, in particular, the EIB Group vision on the importance of taking a balanced view of the climate and environmental, social, and economic dimensions of sustainable and inclusive development at the heart of its activities.



*EIB Group Environmental  
and Social Policy*

[Read here](#)

*EIB Group Environmental  
and Social Standards*

[Read here](#)



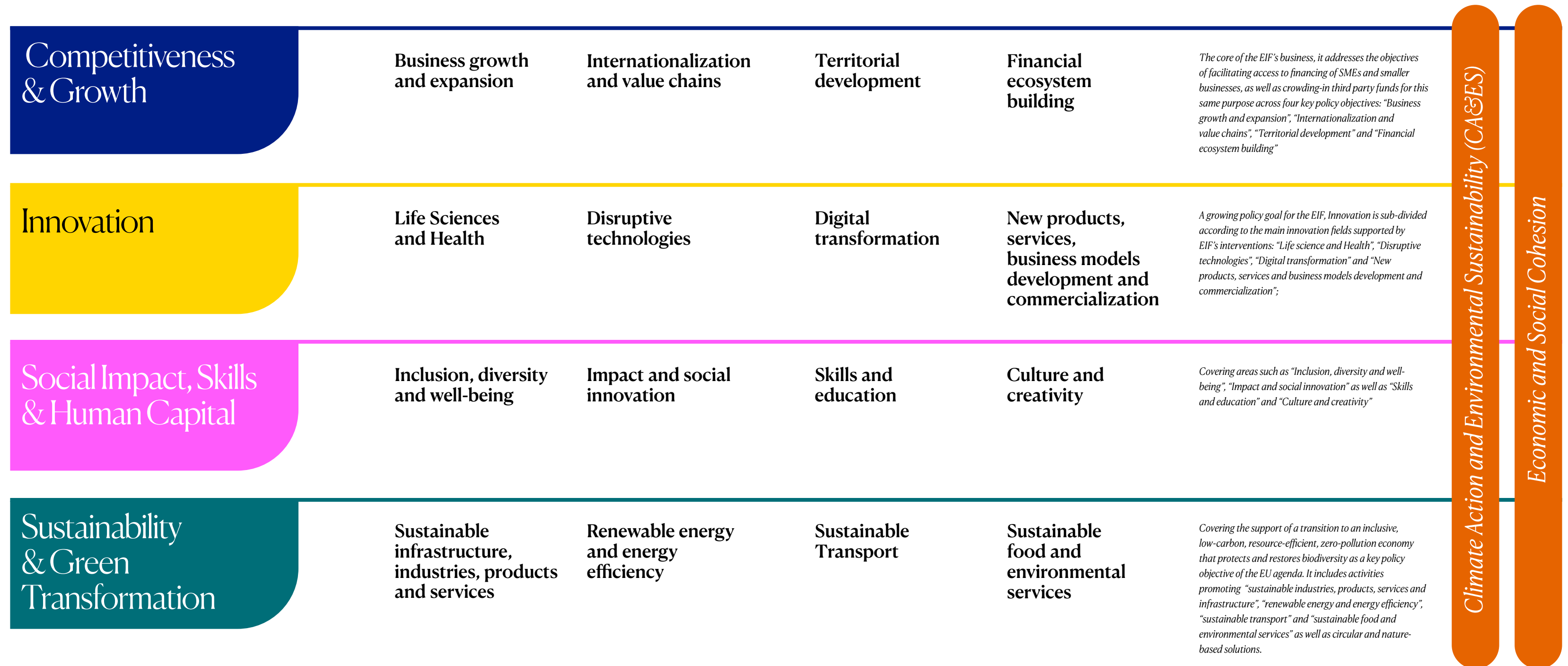
# EIF's Public Policy Goals

To ensure that its business activities are linked to EU priorities, the EIF pursues its business in the context of thematic interventions guided by four horizontal and two vertical public policy goals ("PPGs") (see figure below). As such, the policy focus is cascaded throughout the EIF from mandate acquisition strategy to deployment, monitoring and reporting. Whilst the ESP applies to all thematic interventions, the following horizontal PPGs aim at specifically pursuing positive impacts:

Additionally, the vertical PPGs cut across all four pillars, allowing to capture their contribution to the below PPGs:

**Climate Action and Environmental Sustainability (CA&ES)**  
As per criteria agreed at EIB Group level for the purpose of measuring the EIF contribution to EIB Group CA&ES targets – hence acknowledging that programmes targeting other horizontal PPGs can yield a positive contribution to CA&ES;

**Economic and Social Cohesion**  
Similarly to the previous transversal pillar, it measures the contribution across all the EIF programmes to financing Cohesion regions. These are defined as those who have a GDP lower than 100 % of the EU-27 average.



*These policy goals are closely aligned to those of the EIB, enabling the EIB Group to address policy-based delivery as part of a Group strategy.*

Climate Action and Environmental Sustainability (CA&ES)

Economic and Social Cohesion



# The UN Sustainable Development Goals

Building on the mandate policy framework of the PPGs, the EIF is also able to map its thematic interventions according to the Sustainable Development Goals.

This is performed by means of mapping the contribution of the Mandates or programmes to the specific policy aspects within the PPGs that, in turn, are linked to related SDGs at target level. This allows to track and determine the EIF's support to the achievement of the SDGs.



EIF activities address a broad range of SDGs, notably:

- 
*Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*
- 
*Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation*
- 
*Reduce inequality within and among countries*
- 
Climate Action

Additionally, the rest of the 17\* SDGs will be impacted when additional resources are channelled to the PPGs of innovation, social impact, skills and human capital and sustainability and green transformation.

\*Except for SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

- Competitiveness & Growth
- Innovation
- Social Impact, Skills & Human Capital
- Sustainability & Green Transformation



## Restricted sectors and activities

The EIF applies exclusions and restrictions to its operations in relation to certain economic sectors and activities, which are not considered compatible with the ESP and other relevant EIB Group or EIF policy frameworks. These restrictions are set out mainly in the Guidelines on the EIF Restricted Sectors, subject to regular updates. In addition, the EIF applies further restrictions to new operations approved as of 2021 in line with the EIB Group Paris alignment framework. These specific restrictions focus on three key sectors: energy, mobile assets for transport services, and energy-intensive industries.

For activities performed by the EIF under Mandates, the provisions of the respective mandate may contain additional restrictions.

As outlined in the Guidelines on the EIF Restricted Sectors, the EIF will not invest in, guarantee or otherwise provide financial or other support to an illegal or prohibited economic activity (e.g. human cloning, even where it may be allowed by national legislation, e.g., for therapeutical purposes) Subject to the relevant contractual provisions and legal/regulatory constraints, EIF support may be withdrawn if such circumstances occur following the signature of the respective transaction.

*Guidelines on the EIF  
Restricted Sectors*

[Read here](#)

*EIB Group Climate Bank  
Roadmap 2021-2025*

[Read here](#)

## Accountability and Transparency

### Transparency

To promote accountability and sound governance, the EIF 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. As a public institution and in line with its Transparency Policy, the 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.

*EIF Transparency  
Policy*

[Read here](#)



# Best Market Practices

The EIF has set up a robust and elaborate framework to exercise its activities in line with the highest standard of financial market principles, commercial principles and other practices as applicable (“Best Market Practices”, or “BMP”).

The BMPs, which the EIF monitors and applies to its operations, include principles and guidelines issued by the European Commission, the OECD, FATF, the European Central Bank, the Basel Committee on Banking Supervision, the European Banking Authority as well as recognised standards of the financial markets and the specific markets of the products deployed (e.g. Invest Europe standards).

The EIF seeks to ensure the application of Best Market Practices, as applicable, in its equity investments in funds to underline its position as cornerstone investor in funds, facilitating EIF to enhance the “catalytic effect” of EIF’s funding and attraction of additional funding from private sources.

As a part of the EIB Group, the EIF is subject to the Group’s Complaints Mechanism. The Complaints Mechanism investigates complaints and establishes whether actions, decisions or omissions taken by the EIB Group failed to comply with internal policies, standards or procedures or with applicable legislation.

In the context of its EU and other policy-driven mandates, the EIF has established an open and transparent selection of financial intermediaries through processes such as, “Calls for Expression of Interest” which aim at ensuring an impartial selection of business partners for its operations following the principles of transparency, equal treatment and non-discrimination under the supervision of EIF Compliance.

## *EIB Group Complaints Mechanism overview*

[Read here](#)

## Counterparty Integrity

Money laundering, financing of terrorism, tax avoidance and evasion pose a great threat to the stability of financial systems and economies. The EIF places great emphasis on ensuring integrity as well as preventing financial systems and institutions from being abused for criminal purposes. This commitment is extended to the EIF’s counterparties who are subject to comprehensive due diligence process and contractual undertakings for that purpose.

As further set out in the relevant EIB Group or EIF policies, counterparties entering into a business relationship with the EIF are contractually required to undertake measures necessary to ensure integrity when contracting with third party entities which will become Final Beneficiaries (as defined below) of the EIF support.

## Tax Good Governance Principles

The EIF acts appropriately to promote tax good governance standards and prevent tax fraud, tax evasion, artificial arrangements aimed at tax avoidance and aggressive tax planning in its operations. A set of policies and procedures has been created to avoid the risk of misuse of its funds for illegal or abusive purposes. Counterparties entering in relationship with the EIF are subject to comprehensive tax due diligence and contractually obliged to ensure compliance in all material respects with the applicable laws, including relevant taxation laws.

The EIF implemented the EIB Group Policy towards weakly regulated, non-transparent and non-cooperative jurisdictions and tax good governance (“Non-compliant jurisdictions Policy” or “NCJ Policy”) within its operations. Under the NCJ Policy, the EIF applies due diligence to all its contracting counterparties, their beneficial owners and other parties integral to the project.

## *EIB Group NCJ Policy*

[Read here](#)

## Anti-fraud

The EIF has a zero tolerance policy towards fraud and corruption. The EIB Group Anti-Fraud Policy sets out the framework for preventing and deterring corruption, fraud, collusion, coercion, obstruction, money laundering, terrorist financing, theft at EIB Group premises and misuse of EIB Group resources or assets. Counterparties entering into a business relationship with the EIF

are obliged to act similarly and facilitate the implementation of such policy, as well as support investigations performed by the EIB’s Inspectorate General Investigations Division acting on behalf of EIF, OLAF, the European Public Prosecutor’s Office (EPPO), the ECA, or any other relevant EU institution or body in connection with actual or suspected prohibited conduct.

## *EIB Group Anti-Fraud Policy*

[Read here](#)



# Reporting & Disclosures

The EIF considers the monitoring and regular reporting on ESG-related matters and, more broadly, on the impact of its operations to be essential. It discloses information about its sustainability activities regularly via the publication of reports and research papers on its website. Furthermore, it publishes the decisions of its Board of Directors, the list of all its financial intermediary counterparties and the related financing volumes on its website.

EIF is represented in the European Financial Reporting Advisory Group EFRAG, Expert Working Group on SMEs and the Platform on Sustainable Finance Data and Usability, and Social sub-groups.

## Annual Report

The EIF Annual Report provides details on its performance, financials, objectives and initiatives. It reflects on the ongoing commitment and support of the EIF for SMEs and (small) mid-caps.

*EIF Annual Report 2020*

[Read here](#)

## Sustainability Report

The Sustainability Report provides an overview of the EIB Group operations and impact in supporting sustainable and inclusive growth in Europe and across the globe. It is published on an annual basis, together with three technical annexes:

- The Global Reporting Initiative (GRI) Standards,
- The SASB disclosures,
- The Task Force on Climate-related Financial Disclosures (TCFD) report\*.

*\*TCFD aims to promote transparency in investment and lending decisions in order to prevent potential systemic risks caused by climate change, to make markets more efficient and economies more stable and resilient.*

*EIB Group Sustainability Report 2020*

[Read here](#)

*EIBG GRI Standards for 2020*

[Read here](#)

*EIBG SASB disclosures for 2020*

[Read here](#)

*EIBG TCFD report for 2020*

[Read here](#)

## UN-Sponsored Principles for Responsible Investment

The EIF joined the list of signatories of the UN-sponsored PRI. The PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

As a PRI signatory, the EIF will further enhance its ESG investment practices, processes and reporting of equity and debt fund investments. This cooperation is in line with EIF's strong commitment to support the European Green Deal and the EU Climate Bank new level of ambition.

## Carbon Disclosure Project

The EIF, as member of the EIB Group, is an investor signatory to the Carbon Disclosure Project (CDP).

CDP is a non-profit organization that promotes and collects the disclosure of environmental impact (climate, deforestation and water) of companies, cities, regions and states. This includes emissions, emission targets and climate-change risk considerations.

## United Nations Development Program (UNDP)

In 2017, the EIF entered a Memorandum of Understanding with the UNDP as a basis for dialogue on the SDGs, which are managed within the United Nations Organisation by the UNDP. This Memorandum of Understanding was renewed in 2020.

# Accountability

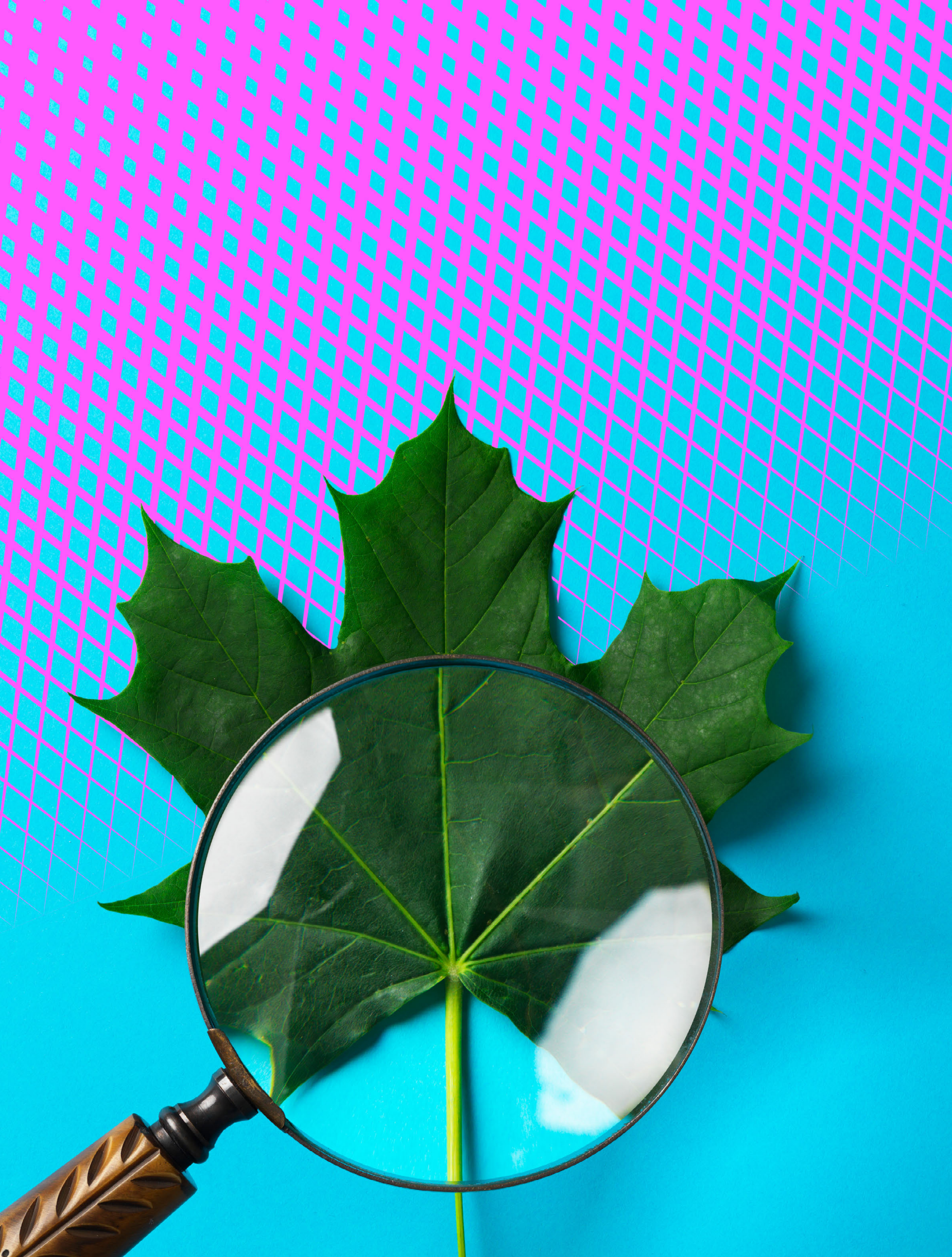
The EIB Group Complaints Mechanism Policy sets out the rules and procedures to be followed when a complaint of alleged maladministration is lodged against an entity of the the EIB Group. The EIF values the importance of sound governance, transparency and accountability as key contributors to the efficiency, effectiveness and sustainability of its activities, including through public access to information and meaningful stakeholder engagement.

Any natural or legal person who alleges a case of maladministration by the EIB Group in its decisions, actions and/or omissions can lodge a complaint with the EIB's Complaints Mechanism.

*EIB Group Complaints Mechanism overview*

[Read here](#)





# 2

## Principles applying at transaction level



The EIF applies specific policies and procedures on topics that connect to ESG, which are summarised in this document. Financial Intermediaries requesting support from the EIF are made aware of, and acknowledge the applicable policies and the importance of the connected matters for the EIB Group.

In order to apply the ESG Principles to the day-to-day activities regarding fund investments and guarantees, inclusive finance and securitisation transactions, the EIF has adopted a set of procedures that apply during the individual transaction's appraisal, due diligence and transactional process.

In relation to infrastructure equity funds operations, the EIB's Environmental and Social Standards apply to these operations and the EIF cooperates with EIB services in the due diligence process. In relation to the EIF's non-infrastructure equity funds operations, the relevant EIF's policies, procedures and the EIF ESG Principles apply to these operations.

# ESG Due Diligence

The EIF financial support products are provided through financial intermediaries, with the aim to enhance the access to risk financing of SMEs and (small) mid-caps as the main final beneficiaries of EIF's financing support ("Final Beneficiary/ies"). EIF's direct transactional counterparties are therefore the FIs,

- which build up the investment or guaranteed financing portfolio after contract signature, and
- to which the management of the underlying financing benefiting from the EIF financial support ("Underlying Financing") is fully delegated within the agreed contractual frameworks.

The ESG due diligence includes the assessment whether the FI's policies, processes and systems adequately factor sustainability impacts and risks into investment decisions. In addition, to the extent such intermediated finance is fully or partially dedicated\* to promoting environmental and social sustainability objectives, the ESG due diligence may include additional elements, as relevant (and developed in the context of the "Do No Significant Harm" ("DNSH") and "Minimum Safeguards" ("MS") principles and requirements). The contractual arrangements may contemplate associated reporting requirements and undertakings.

*\*Sub-projects geared to certain objectives, including but not limited to, climate action, environmental sustainability, gender equality, etc.*

The ESG due diligence is essentially conducted through a dedicated questionnaire, which aims at evaluating:

- the FI's ESG risk profile, its ESG policies/practices, incl. a focus on Diversity & Inclusion and Climate Change, and its governance structure;
- the integration of ESG factors in the investment/lending decision and the FI's stewardship role, if applicable, with regard to the Final Beneficiaries and its ESG reporting and disclosures; and
- the related internal monitoring and control framework.

The outcome of the ESG Due Diligence is summarised in an internal ESG score for each transaction counterparty as part of the proposal in the decision-making process\*\*.

*\*\*For fund investments, the ESG score was introduced in January 2020, while for guarantee, inclusive finance and securitisation transactions, the ESG score is being progressively introduced from the beginning of 2022.*



# Paris Alignment of Counterparties

A focused assessment of the counterparty's efforts to align with the goals of the 2015 Paris Agreement is integrated within the ESG questionnaire. The EIB Group Paris Alignment ("PATH") assessment focuses on large and significant counterparties, taking into account the wide diversity of FIs in terms of size and resources but also their portfolio's impact on CO2 emissions.

Moreover and in line with existing and forthcoming legislation, under the PATH assessment, the EIF will contractually require all relevant FI counterparties to disclose climate relevant information in accordance with the TCFD recommendations and in line with applicable EU legislation.

Technical assistance can be provided to help the development of a reporting framework. This may be particularly useful for smaller FIs or for counterparties operating outside of the EU.



## Climate Risk

The EIF is committed to integrating climate risk considerations into all relevant aspects of decision-making, governance, business strategy and risk management.

Climate Risk for a counterparty includes two different risk dimensions, outlined on the right.

The climate risk model is based on the climate risk of the economic sector and regional allocations of the underlying financings. The methodology captures both physical risk and transition risk, providing a climate score from 1 (low risk) to 5 (high risk). As such, and as recommended by the ECB, the use of climate risk scores attempts to strengthen EIF's business strategy, capital allocation and treasury, due diligence process and credit risk analysis.

*Guide on climate-related and environmental risks*

[Read here](#)

### Physical Risk

#### *Acute risks*

*More frequent and more severe occurrence of natural hazards: floods, storms.*

#### *Chronic risks*

*Structural changes to the physical environment: reduction of perma-frost, sea-level rise, increase of the average temperature.*

### Transition Risk

*Refers to risks for the business model of counterparties due to the transition towards a low-carbon economy: for example, triggered by governments, technological advancement, and/or changing customer preferences.*





# ESG Transaction Obligations, Monitoring and Reporting

As further specified in the implementing procedures to be adopted by the EIF, the operational agreements with FIs will include:

- appropriate compliance with laws and regulations undertakings (thereby covering all relevant national and EU social and environmental legislation\*); and
- an obligation to apply the relevant requirements from the present guidelines to the underlying financings, and in particular, the excluded or restricted sectors and activities.
- an obligation to provide on regular and comprehensive basis to the EIF sustainability-related reporting where relevant, such as sustainability KPIs and contributions to EIF's CA&ES and policy objectives.

EIF will regularly and systematically monitor the ESG Risk and the FIs' compliance with their contractual obligations in accordance with its standard monitoring procedures and best market practices. For this purpose, the standard contractual documentation to be entered into with FIs shall include appropriate information undertakings and monitoring, control and audit rights for the EIF to verify that the execution and implementation of the agreements comply with the relevant contractual requirements implemented pursuant to the present guidelines.

In addition, the EIF uses external tools, such as RepRisk and other KYC-related databases, to further refine its due diligence and monitoring process. The information from these databases allows to further assess the ESG risk of a transaction and therefore helps the EIF to assess and monitor individual transactions, and to evaluate the ESG impact of EIF's business activities. The ESG data is analysed regularly and provides an important source for further improving the institution's business practices and processes.

*\* For FIs located outside the EU the relevant provisions will be adapted to the extent relevant EU legislation is not applicable*



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European Investment Fund  
37 Avenue John F. Kennedy  
2968 Luxembourg

+352 2485-1  
[www.eif.org](http://www.eif.org)  
[info@eif.org](mailto:info@eif.org)