

Compliance Activity Report 2021



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The EU bank 

Compliance Activity Report 2021

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Statement by the Group chief compliance officer

The EIB Compliance Function follows the highest standards in integrity and compliance in line with the principles and standards of relevant EU legislation, best banking practice and applicable market standards. Compliance activities are based on these principles and standards in the fields of business and market conduct (anti-money laundering and combating the financing of terrorism, or AML-CFT) including sanctions and tax good governance, and market abuse), data protection,¹ governance, ethics and culture.

In 2021, the Bank further enhanced its framework for AML-CFT with the approval of a new Group AML-CFT policy and AML-CFT procedures. The revised policy and procedures take into account the evolving regulatory environment, continued efforts to strengthen the management of non-financial risks, introduction of further enhancements of the risk-based approach and lessons learnt. As such, they result in a more streamlined, user-friendly AML-CFT framework better tailored to the Group's money laundering and terrorist financing (ML/TF) risks.

The Group's business and conduct risk management was further strengthened in 2021 with the approval of a new Group Market Abuse Policy, a revised Group Whistleblowing Policy and a Group Anti-Fraud Policy.² The codes of conduct for members of the EIB's governing bodies were also updated, with measures to further strengthen the role of the Board's Ethics and Compliance Committee. Together, these initiatives support the Group's strong commitment to maintain a robust risk culture in relation to ethics and integrity.

Beyond these policy advancements, and as the scope of regulatory focus continues to expand, the Compliance Function has continued to strengthen its second line of defence role with additional staff, improvements in internal processes as well as systems and data. Headcount increased from 74 to 100, and substantial progress was made in a number of key areas. The procurement of a new counterparty lifecycle management system has advanced and work has begun on implementing a data quality action plan. Looking ahead, key challenges are likely to remain in relation to systems and data improvements, prerequisites for further strengthening ongoing counterparty monitoring and an enhanced role of the first line of defence in AML-CFT risk management.

In other areas too, the emphasis will likewise shift from policy to implementation with further efforts to ensure a robust framework of compliance controls, increased automation and improved access to data, allowing for further development of the Group's Risk Appetite Framework, and the Risk Appetite Statement. Indeed, the recent reorganisation of the Group Risk and Compliance Function, effective since September 2021, is in part designed to reinforce the management of non-financial risks. It paves the way for greater consistency across the Group in the management of all operational risks, including both those within the traditional remit of the Compliance Function as well as those related to risks, for example in the fields of information technology, security and business continuity.

¹ Note that a separate Data Protection Activity Report is produced, therefore activities related specifically to data protection are not the subject of this EIB Compliance Activity Report.

² Under the responsibility of the Inspectorate General (IG)

Of course, the Compliance Function does not act alone. To promote a sound compliance culture in the Group, the EIB and EIF Compliance Functions continue to provide training and raise awareness through new e-Learning tools, surveys, phishing campaigns and dedicated workshops for staff. Both functions also work closely with and enjoy the strong support of other directorates in the first and second lines of defence and governing bodies while regular audits by the third line of defence and external auditors help to identify priority areas of action. The Compliance Functions of the EIB and the EIF have enhanced their mutual cooperation to promote Group alignment with best practice, as attested by the several Group-level policies approved in 2021.

2021 was a transformational year for the EIB Compliance Function from an organisational, policy and operational perspective. I am pleased to have led a team of highly committed and professional Compliance staff who have successfully adapted to the challenges posed by COVID, and am proud of the role played by the Compliance Function in strategic initiatives of the Group and of the high standards of ethics and integrity maintained by staff.

Nicholas Barclay

Group Chief Compliance Officer

1. Executive summary

During 2021, a new organisational structure for the Group Risk and Compliance Function was implemented with a view to promoting a more holistic management of EIB Group risk and increased emphasis on non-financial risks. Within this structure, the Group chief compliance officer (GCCO) took responsibility for all non-financial risks within the remit of the Group chief risk officer (GCRO) including operational risk and information risk. The GCRO continues to oversee and report on all Group risks including non-financial risks while the EIB Compliance Function, headed by the Group chief compliance officer, remains an independent function with direct access to the Bank's governing bodies.

While the EIB does not fall within the direct scope of application of EU legislation on credit institutions, the Bank, including its Compliance Function, aims to comply with relevant EU banking legislative acts and guidelines, to the extent determined by the competent governing bodies in line with the EIB's statutory duty to conform to best banking practice.

The Compliance Function of the EIB has made significant progress in developing a comprehensive risk management framework for non-financial risk and continues to regularly adapt its policies, practices and systems in line with the EIB's Risk Appetite Framework, market conditions, regulatory landscape and best industry practice. The function is involved in EIB operations throughout their lifecycle and acts as a second line of defence on ethics and integrity issues. In line with best banking practice, the Compliance Functions of the EIB and the EIF have increased their cooperation to promote Group alignment, where possible. The EIB's Compliance Activity Report is designed to provide further information about its work, including the main developments during 2021 and priorities for 2022.

2. Introduction

2.1. Purpose of the report

The report provides key information to all stakeholders on the approaches and actions of the EIB Group to manage risks in the remit of its Compliance Function. It describes the main developments in the Office of the Group Chief Compliance Officer (O-GCCO), its activities and structural changes during 2021 and priorities for 2022. The report should be read together with the EIB 2021 Risk Management Disclosure Report, which provides further information on the approach the EIB Group takes in managing the main non-financial risks, including compliance risk, to which it is exposed and the related capital and liquidity implications.

2.2. Best banking practice framework

In order to clarify and reinforce the EIB's Best Banking Practice (BBP) framework, the EIB Board of Governors approved the Bank's [BBP Guiding Principles](#)³, as published on the EIB website. The BBP Guiding Principles is a high-level document, defining the overall principles and the general scope of banking rules and guidelines applicable to the EIB in terms of BBP. It also sets assessment criteria aimed at identifying the relevant rules and specificities of the EIB's business model by way of general adjustments. Below are the key elements for the Compliance Function from the BBP Guiding Principles:

- ✓ According to the "Disclosure and transparency" principle:

"The Bank shall, where appropriate, publish information that is easily accessible and fairly reflects its financial condition, performance, risk exposures, risk management strategies and corporate governance policies and processes."

- ✓ According to the "business and market conduct" principle, in relation to abuse of financial services:

"The Bank shall have adequate policies and processes, including strict customer due diligence and anti-money laundering rules to promote high ethical and professional standards in the financial sector and prevent the Bank from being used, intentionally or unintentionally, for criminal activities."

- ✓ In relation to compliance, conduct and reputational aspects of non-financial risk management:

"The Bank shall have adequate policies and processes ensuring the accountability and protecting the integrity of the Bank and of financial markets, as well as the confidence in the Bank."

³ In line with the EIB Statute, Article 12.1

While the EIB does not fall within the scope of direct application of EU legislation on credit institutions, in applying the BBP Principles, the Bank implements and follows EU legislative acts and guidelines except for those rules, or parts of them, that are adapted or from which the Bank is exempted based on internal assessment. Through adaptations of rules, the Bank may also determine the implementation date from which it shall follow such rules. When the Bank adapts or is exempted from rules of EU legislative acts and guidelines, it implements mitigating measures, which are in line with the Bank's public policy nature and mission.

In this respect, the EIB under the lead responsibility of the O-GCCO assesses compliance with key EU banking regulatory requirements related to the fields of business and market conduct (AML-CFT, sanctions, tax good governance, and market abuse) as well as governance and culture (Compliance Function). Operational risk and information security risk were included in the Compliance Function's assessment following the reorganisation of the Risk Management and Compliance Functions discussed in Chapter 3.1.

2.3. EIB Group compliance core activities

As part of the second line of defence, the EIB Group Compliance Function's objective is to assess, monitor and report on relevant non-financial risks (NFRs) of the EIB Group including compliance, conduct, operational⁴, information and cybersecurity risks. In this context, the function ensures compliance with legal and regulatory requirements and is involved in EIB operations throughout their lifecycle⁵, providing expert advice and guidance in the field of AML-CFT, tax good governance and sanctions as well as monitoring to ensure that risks and controls are effectively managed.

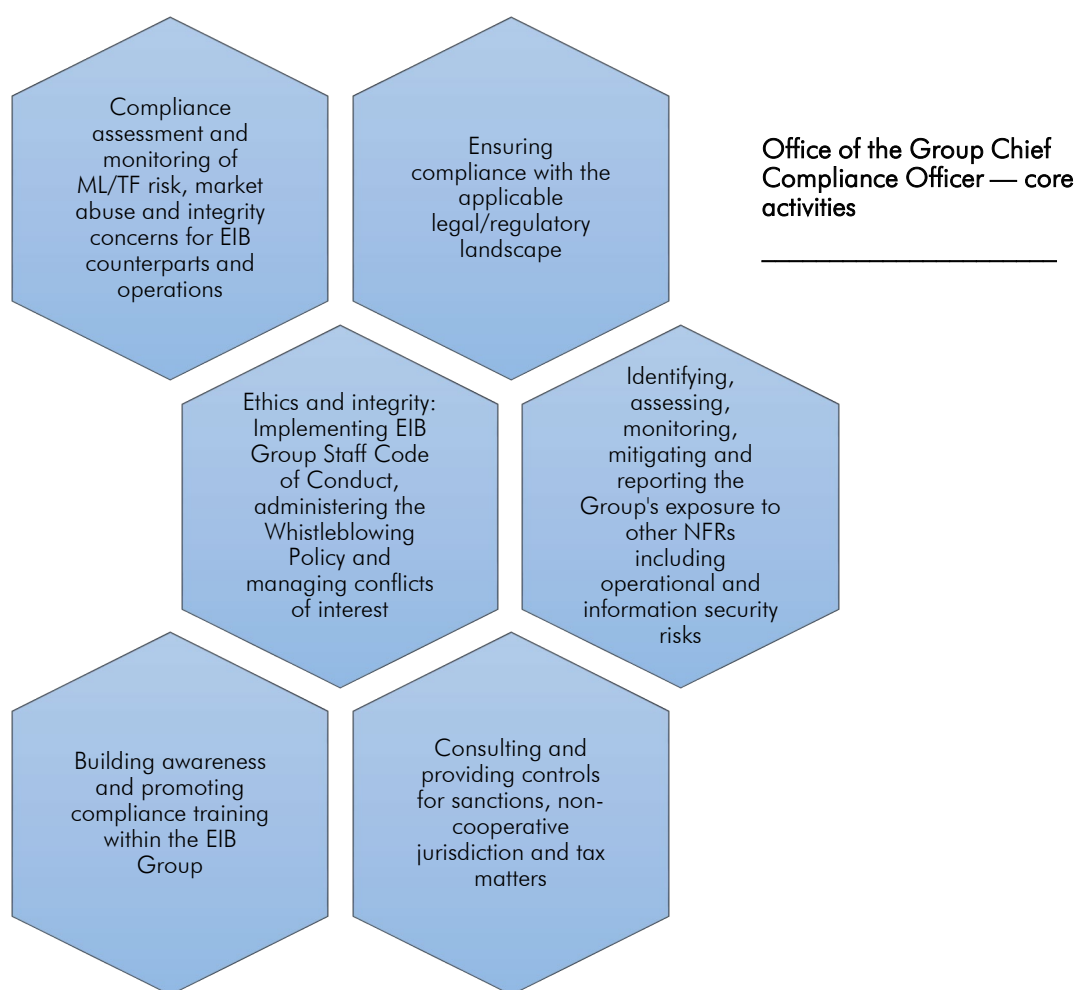
The Compliance Function also acts as the second line of defence and has an advisory and decisional role on ethics and integrity issues providing opinions and recommendations to ensure compliance with the principles and high standards of professional ethics. The function provides training and awareness raising on compliance matters and enforces the EIB Group Staff Code of Conduct and Whistleblowing Policy with a view to instilling a culture of integrity throughout the Group.

Operational risk and information security risk are captured as non-financial risks in the EIB's Risk Appetite Framework. The independent Operational Risk Management Function is responsible for the implementation of a sound Operational Risk Management Framework while the Information Security Unit strives for sound risk management approaches in line with the Bank's information security framework and industry-specific best practices.

⁴ Given the high level of specialisation in terms of separate regulatory and know-how requirements, certain operational risk sub-types such as fraud (as per the Group Anti-Fraud Policy and Group Operational Risk Policy) are managed by dedicated EIB functions.

⁵ From the proposal and appraisal stage through post-signature reviews to repayments.

Figure 2-1 Compliance core activities



2.4 The EIB's Compliance Function and COVID-19

Since the earliest stages of the COVID-19 pandemic, the EIB Group has provided extensive support to businesses most affected by the crisis and has addressed public health challenges and vaccine delivery. In 2020, the Bank put in place specific measures to respond quickly to the global pandemic and support the economies of EU Member States and other countries affected by the COVID-19 crisis. These measures were concluded at the end of the first quarter of 2021.

The EIB has continued to evaluate its procedures to follow a risk-based approach to current and emerging situations without undermining its AML-CFT standards, while ensuring vigilance towards associated risks. While 2021 saw a marked decrease in the overall number of consultations by the Compliance Function, their average level of complexity increased compared to the previous year.

As part of the COVID-19 response, the Compliance Function contributed to the success of the Pan-European Guarantee Fund (EGF) by assessing the compliance-related aspects of proposed operations under this initiative, with the number, challenging timeline and complexity of consultations adding to the work done across the teams and to the harmonisation of the contractual language within the Group.

Staffing for the Compliance Function during COVID-19

The pandemic has also affected the way the EIB's Compliance Function recruits, integrates and retains talent, triggering an increased emphasis on automation and digital technology, and the rescaling of our talent acquisition processes. Leveraging off the best offerings available via both virtual and face-to-face modes, we tried to ensure a positive candidate experience during remote hiring and integration. The uncertainty the COVID-19 crisis has exerted on mobility and cross-border travel has had an impact on the composition of the available candidate pool, where the Bank aims for diversity from all EU Member States.

Despite the challenging situation, the Compliance Function successfully recruited 27 new colleagues in 2021 and is continuously exploring new ways of engaging, retaining and recognising their talent in the remote working environment, with managers leading their teams in a hybrid mode. In this context, during the past year, the EIB saw an increased effort to help integrate new teammates virtually. The Compliance Function put in place a number of tools and communication channels enabling new colleagues to have a smooth induction process and become familiar with the EIB Group:

- ✓ Virtual presentations for newcomers on a monthly basis.
- ✓ Handbook for newcomers.
- ✓ Buddy programme where experienced staff members guide newcomers.
- ✓ Presentation of newcomers to the rest of the Office of the Chief Compliance Officer during virtual town hall meetings.
- ✓ Regular virtual welcome meetings for newcomers with the head of Compliance.

The Compliance Function will continue to adapt its responses to the evolving COVID-19 situation.

2.5. Overview of the report

This chapter has outlined the purpose of the Compliance Activity Report, the BBP framework in which the EIB operates, the Compliance Function's core activities and how it has responded to the COVID-19 crisis from a risk and management perspective.

Chapter 3 provides an overview of the structure of EIB compliance and governance and outlines the recent organisational changes including the creation of the Group Risk and Compliance Function. It includes the main features of the EIB Compliance Function's operational guidelines and processes for the respective divisions and departments, and outlines measures taken to reinforce Group alignment.

Chapter 4 provides details of the Group's Compliance Risk Assessment (CRA) and the EIB's Compliance Monitoring Programme (CMP), including related reporting and disclosures.

Chapter 5 outlines the governance of risks within the Group Risk and Compliance Function's remit, referencing the risk themes discussed in the Compliance Risk Assessment. It describes the Compliance Function's input into EIB operations, including its contribution to AML-CFT, tax good governance, sanctions and market integrity topics (such as market abuse, conflict of interest at institutional level and Markets in Financial Instruments Directive (MiFID))-related requirements.

Chapter 6 provides an overview of the Bank's activities in promoting a strong compliance and ethics culture, including the prevention and mitigation of personal conflicts of interest, the application of the EIB Group Staff Code of Conduct and Whistleblowing Policy, declarations and clearances as well as integrity matters related to EIB statutory bodies.

Chapter 7 summarises the framework and key activities associated with operational risk and information security risk, which were moved under the EIB's Compliance Function in 2021.

Procurement is discussed in Chapter 8.

Further information on the Bank's awareness-raising activities on compliance matters can be found in Chapter 9. The EIB Group's current transversal projects on digitalisation and data governance are discussed in more detail in Chapter 10 on systems and compliance process improvement.

Information on the work of the EIB's data protection officer is provided in Chapters 11 and 12 outlining the EIB's cooperation with other multilateral development banks and international stakeholders in the area of compliance. The report concludes with a forward-looking discussion and overview of the EIB Group's priorities for the Compliance Function in 2022.

This report and its external publication have been approved by the EIB's Management Committee (MC). In parallel, the report is also distributed for information and discussion to the EIB Board of Directors and the EIB's Audit Committee (AC).

3. Compliance organisation and governance

This chapter provides an overview of the EIB's non-financial risk governance, outlining the key roles and responsibilities for relevant risk-taking and oversight. Information is also provided on the organisational restructuring and creation of the Group Risk and Compliance Function in 2021.

3.1. Organisational structure of the Compliance Function

The EIB established its Compliance Function responsible for compliance risk management on an institutional level in 2005, as endorsed by the Board of Directors. It assesses, monitors and reports on non-financial risk including compliance risk in EIB activities.

The function has defined specific non-financial risk management policies and procedures and implemented risk management controls, aimed at ensuring that the risks in the Compliance Function remit inherent to EIB activities are managed in line with the principles, policies and limits defined. With a view to further Group alignment with the European Investment Fund, Section 3.3 also details the policies and procedures harmonised at Group level.

Creation of the Group Risk and Compliance Function

On 1 September 2021, the EIB Group set up the Group Risk and Compliance Directorate in line with the EIB Governing Bodies' aim to strengthen the Group Risk Management Function. The creation of the new entity continues the reorganisation of the risk management and compliance directorates initiated in 2020 with the appointment of a Group chief risk officer.

The merger of the Risk Management Function and Compliance Function has thus established an overarching set-up handling all financial and non-financial risks under the remit of the Group chief risk officer. The reorganisation reinforces the role and management of risk with improved Group-level oversight while ensuring the independence of the Compliance Function.

With risk techniques and tools becoming more widely used in compliance, the new structure aims to promote consistency and synergies between the two control functions and to foster a holistic view of EIB Group risk.

In this context, the Office of the Group Chief Compliance Officer is responsible for:

- ✓ **independently identifying, assessing and advising** on the non-financial risks of the EIB Group, namely compliance, conduct, operational and information security risk;
- ✓ **monitoring**, under the oversight of the Group chief risk officer, the above-mentioned risks;
- ✓ **developing and implementing EIB Group compliance policies and procedures**, in consultation with the EIF and under the oversight of the Group chief risk officer.

The Group chief risk officer has a line management responsibility for the Group chief compliance officer, enabling him to have a comprehensive view of all risks under his remit. However, the Group chief compliance officer has direct access to the President and to the Management Committee, participates in its meetings and submits written contributions if required. The Group chief compliance officer also has direct access to the EIB Board Working Group on Tax and Compliance matters, the Audit Committee and the Ethics and Compliance Committee (ECC).

Being accountable for compliance risks for operations, the Group chief compliance officer submits opinions and technical advice to the Management Committee on operations. In this respect, the decisions made by the Group chief compliance officer are taken independently and impartially.

Staffing and resources

The EIB Management Committee has approved a substantial number of new positions for the Compliance Function in 2020 and 2021 in order to reinforce the second line of defence activities in relation to AML-CFT, sanctions and tax, and to respond to the rapidly changing and expanding regulatory environment. The Compliance Function was able to attract a good mix of external and internal candidates, with compliance, legal, audit, tax, operational and regulatory backgrounds for these positions, while continuing to use specialised external consultants for more complex compliance-related operations or particularly sensitive integrity or transparency concerns, to support the development of new activities and compliance controls, or bridge resource gaps during recruitment periods.

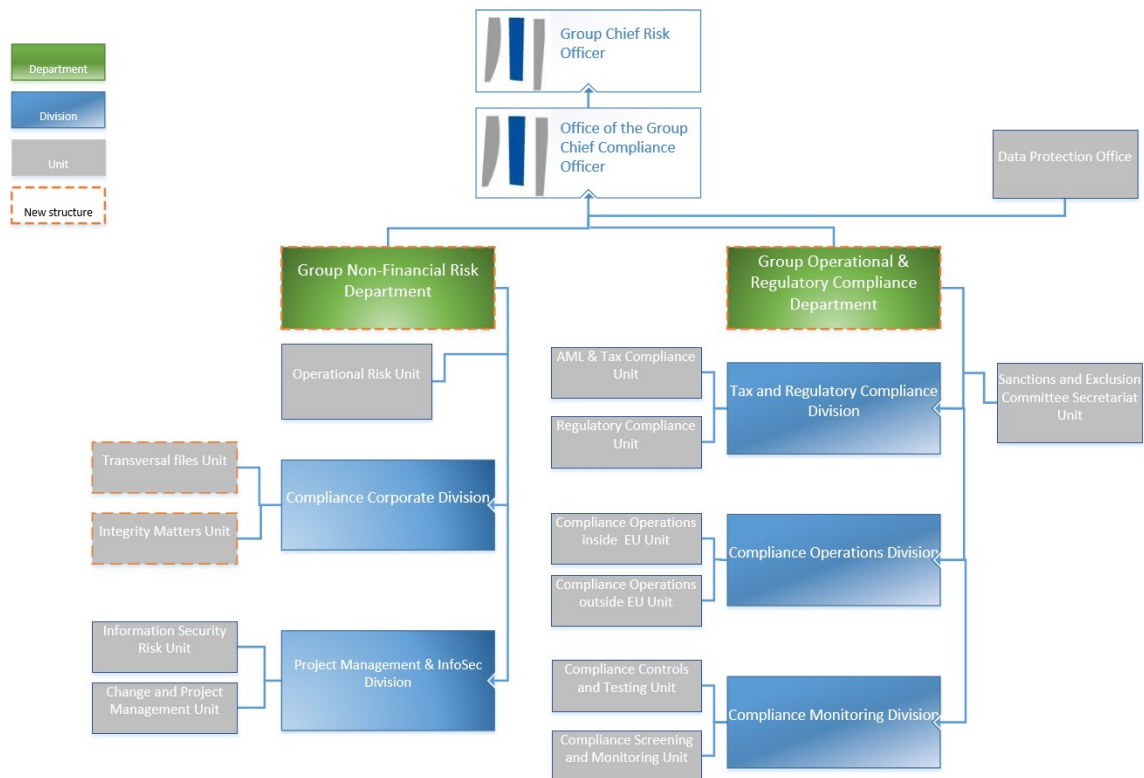
At the end of 2021, the EIB Compliance Function had a total of 100 staff, a 35% increase from 2020

The reorganisation and redeployment of staff at the beginning of the fourth quarter, coupled with the resources allocated by the Management Committee in 2021, led to a steep headcount increase (100 full-time equivalents estimated at the end of 2021 vs. 74 at the end of 2020). Today, the compliance and risk management functions can count on the knowledge and experience of over 400 staff in their fields of expertise.

As set out in Figure 3-1, the reorganisation also created a new Non-Financial Risk Department reporting to the Group chief compliance officer, bringing together the existing Compliance Corporate Division, the existing Operational Risk Unit and a new division combining teams responsible for information security and project and change management.

The main focus for people management in 2021 has centred around the consolidation of the newly formed teams, recruitment and integration of newcomers in a challenging context due to the COVID-19 pandemic. Information on training and certification for staff can be found in Chapter 9.

Figure 3-1 EIB Compliance Function structure 12/2021



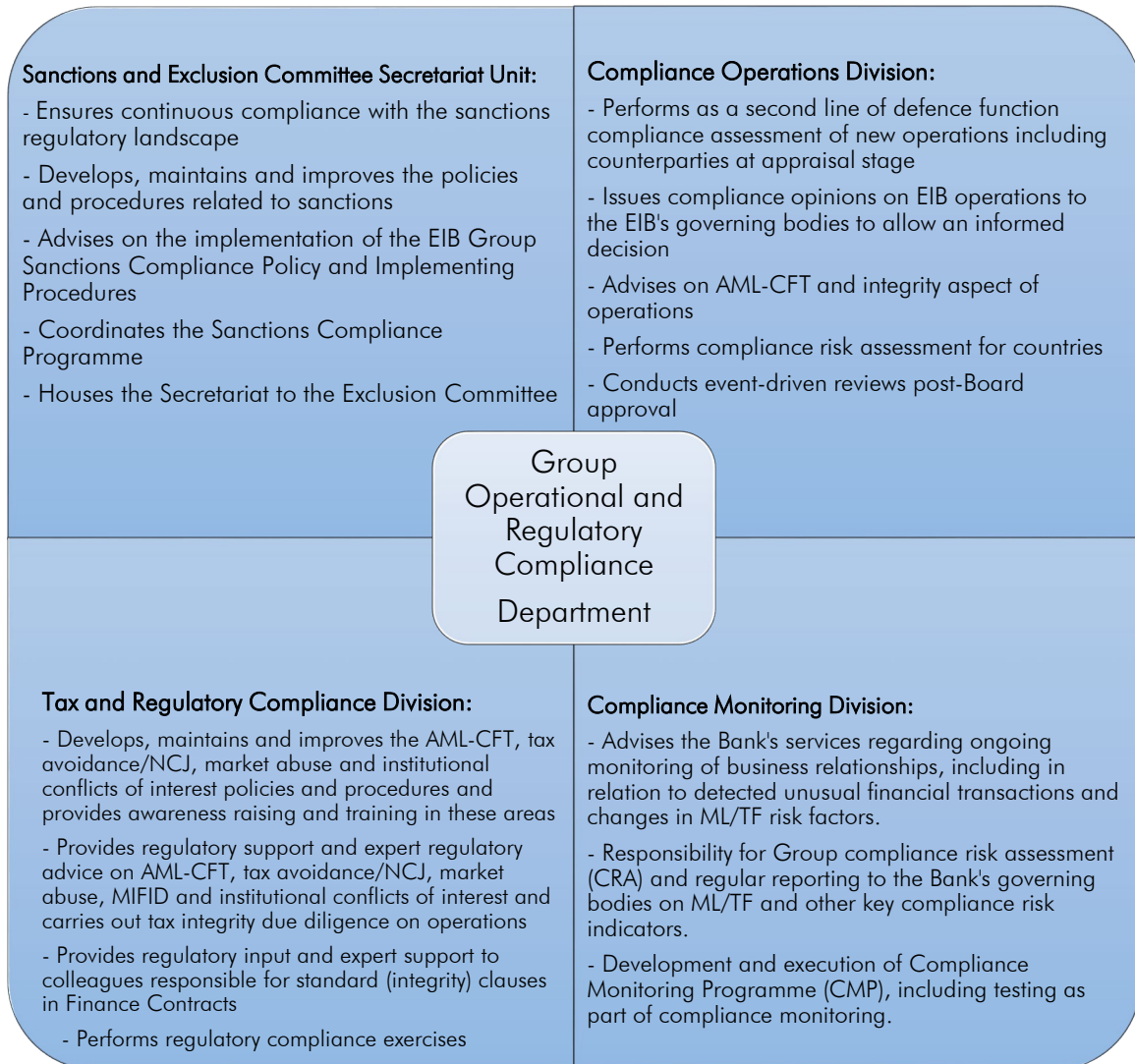
Compliance Function business activities

Following the creation of the Group Risk and Compliance Function, the Compliance Function has two new departments for Group Operational and Regulatory Compliance and Group Non-Financial Risk. The respective departments form the two compliance arms with horizontal responsibilities ensuring effective collaboration within the function and across directorates. The tasks of the divisions and units within these departments are described in more detail below.

Within the reorganised Compliance Function, the Data Protection Office continues to report directly to the Group chief compliance officer, ensuring liaison with the European Data Protection Supervisor. In accordance with the EIB Data Protection Implementing Rules, the data protection officer reports functionally to the Management Committee. The data protection officer also provides guidance on practical improvement of data protection to the EIB and advises the data controllers on the application of data protection provisions. For more information on the data protection officer’s activities, see Chapter 11.

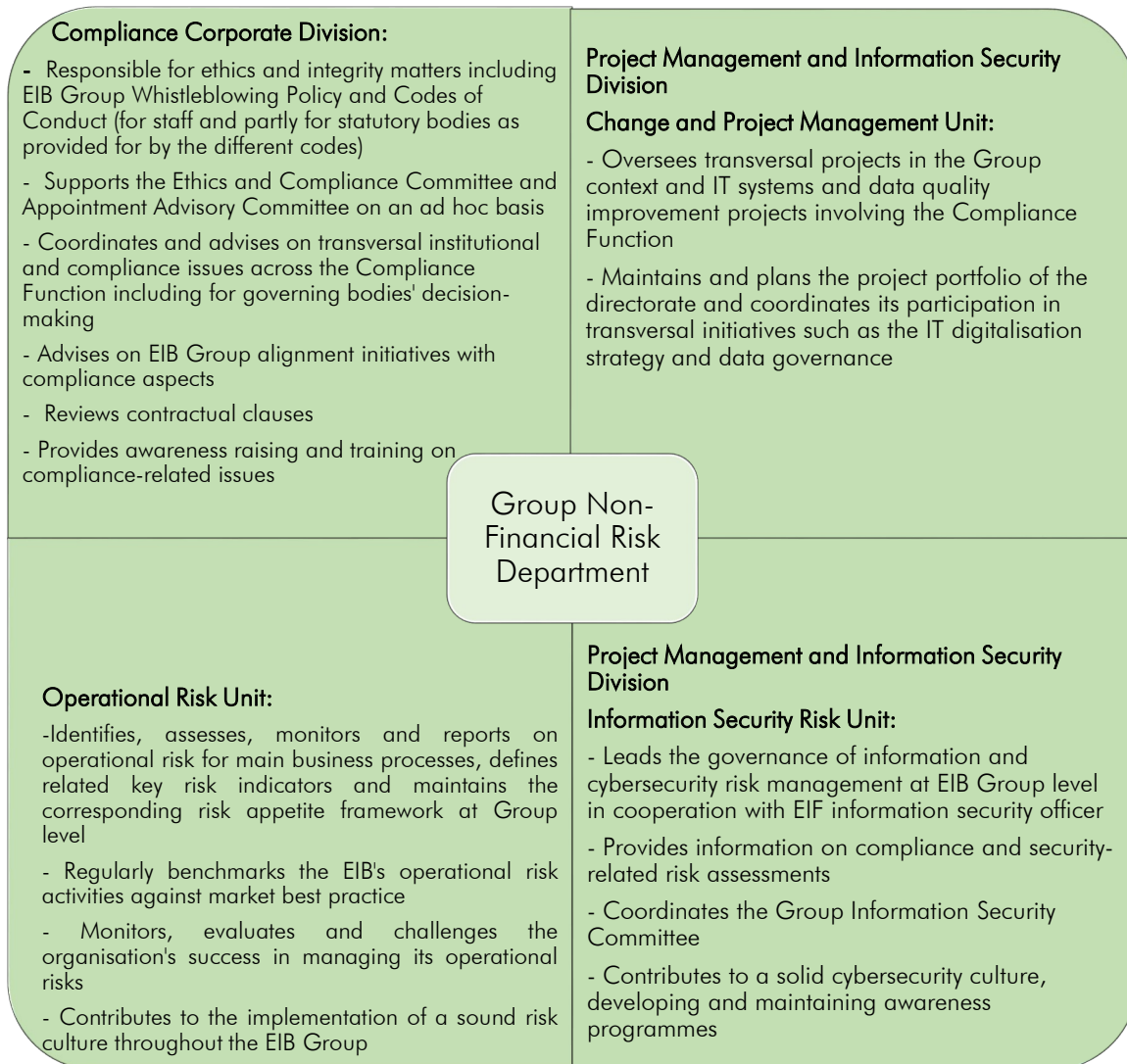
The Group Operational and Regulatory Compliance Department:

- ✓ Oversees the areas of AML/CFT, tax compliance, sanctions, market abuse and institutional conflicts of interest at various stages of the EIB’s project cycle.
- ✓ Develops and executes Compliance Risk Assessment and the Compliance Monitoring Programme.



The Group Non-Financial Risk Department:

- ✓ Centralises, under the responsibility of the Compliance Function, the management of non-financial risks (excluding AML-CFT) within the remit of the Group chief risk officer, namely operational, information security, and ethics and integrity risks.
- ✓ Coordinates horizontal issues across the Compliance Function and at an intra-directorate level, including for Group alignment.



3.2 Working Groups and Committees

The EIB has a number of committees and working groups that support the implementation of the Bank's compliance policies:

The **Ethics and Compliance Committee (ECC)** rules and makes decisions on any conflict of interest of a member or former member of the Board of Directors or of the Management Committee and provides opinions on any conflict of interest of a member or an observer of the Audit Committee. The committee also provides opinions on any ethical matter concerning members of the Board of Directors or the Management Committee, regulated in their respective Code of Conduct or in related relevant provisions. More information on the functioning of this committee can be found in its [Operating Rules](#) and in its [2020 Annual Report](#).

The **Appointment Advisory Committee (AAC)** gives non-binding opinions on candidates' suitability to perform the duties of member of the Management Committee and of full member or observer of the EIB Audit Committee before appointment by the Board of Governors. More information on the functioning of this committee can be found in its [Operating Rules](#).

The **New Product Committee (NPC)** approves new products prior to their use.

The **Exclusion Committee** gives recommendations to the EIB's Management Committee regarding the culpability of entities or individuals found engaged in prohibited conduct following an investigation by the Inspectorate General's Fraud Investigations Division (IG/IN) and, if culpability is established, offers recommendations on exclusion decisions. The [EIB's Exclusion Policy](#) can be consulted for further information on the work of the committee. It sets forth the policy and procedures for the exclusion of entities and individuals found to have engaged in prohibited conduct related to EIB-financed projects and other EIB activities for a certain period of time. The EIB's Exclusion Policy enforces the prohibitions contained in the EIB's Anti-Fraud Policy⁶ (see also Section 5.2).

The **Board Working Group on Tax and Compliance Matters (WGTC)** discusses and gives recommendations to the Board of Directors on (i) the Bank's good governance approach on taxation issues, (ii) the EIB Group NCJ Policy, (iii) the AML-CFT framework as mandated by operational aspects and/or regulatory developments, as well as AML/CFT compliance on EIB activities outside the above-mentioned framework, and (iv) other substantial compliance policies such as related to the revision of the codes of conduct, the Whistleblowing Policy and the Sanctions Policy. In line with its terms of reference, the Group chief compliance officer participates in the meetings of the WGTC.

The **Board Committee on Risk Policy (RPC)** advises the Board of Directors on the Bank's risk policies, including at Group level, by providing non-binding opinions and/or recommendations to the Board of Directors on policies regarding the overall risk appetite, tolerance and strategy in order to facilitate the decision-making process of the Board. Further information on the committee's functioning can be consulted in its [Terms of Reference](#).

Additional details on the statutory bodies and the Board's committees and working groups are available in the Annual Corporate Governance Report published on the EIB's official website.

⁶ Under the responsibility of the IG

3.3 Compliance governance

Governance refers to the set of rules, controls, policies and systems according to which an organisation is controlled and operates. This chapter outlines the governance model and terms of reference put in place for the EIB's Compliance Function in line with best banking practice and the Group's approach to managing non-financial risks.

Group alignment

In line with the principles derived from the European Union's fourth Anti-Money Laundering (AML) Directive (amended by the fifth AML Directive), the Compliance Functions of the EIB and the EIF have increased their cooperation, seeking alignment where possible. The Group has also set internal procedures for regular reporting on the assessment of differences between the EIB and its subsidiary. Particularly noteworthy initiatives for cooperation include:

- ✓ Approval of the Group Risk Management Charter (GRMC) Implementing Provisions.
- ✓ Review of the Group Risk Appetite Framework (RAF) for non-financial risks.
- ✓ Significant alignment of policies within the remit of the compliance functions, such as the EIB Group Anti-Money Laundering and Combatting the Financing of Terrorism Policy (2021), the EIB Group Anti-Fraud Policy (2021⁷), the EIB Group Policy towards weakly regulated, non-transparent and non-cooperative jurisdictions and tax good governance (2019), the EIB Group Sanctions Compliance Policy (2018), the EIB Group Whistleblowing Policy (2021), the EIB Group Staff Code of Conduct (2019), Group Data Protection Policy (2020) and the EIB Group Information Classification Policy (2021).
- ✓ Approval of the Group Operational Risk Policy, a number of Group policies in the area of information security, such as the new Information Security Policy dedicated to IT suppliers' minimum security requirements, and joint initiatives on communication and awareness building.
- ✓ The Market Abuse Guidelines will be replaced by the EIB Group Market Abuse Policy (approved in 2021).
- ✓ Progress in developing and implementing procedures⁸, differences to which may be explained by the respective business models and risk appetite of the different entities.

These activities are designed for the EIB and its subsidiary to ensure the regulatory compliance of both their operations.

⁷ Under the responsibility of the Inspectorate General

⁸ The implementing procedures are aligned when referring to terms or Group policy. As they concern specific aspects of business, they cannot be fully aligned on an EIB/EIF level.

Integrity Policy and Compliance Charter

The Group Integrity Policy and Compliance Charter sets out the fundamental ethical principles applicable to the EIB and the EIF and underlines the commitment of the EIB Group to a policy of integrity in the performance of its mission. The observance of the Integrity Policy constitutes an essential element in safeguarding the reputation and image of the EIB Group.

The Codes of Conduct adopted by each member of the EIB Group lay down the guiding principles of the Integrity Policy and constitute a key element of the EIB Group's governance. For more information on the Codes of Conduct, see Chapters 6.1 and 6.2.

Three lines of defence

The EIB Group's internal control functions and risk management systems are consistent with the three lines of defence model in line with BBP. Additional work is being undertaken to further align with best practice in respect of AML-CFT by:

- ✓ strengthening the first line of defence's capacity to identify, analyse, measure, monitor, manage and report;
- ✓ refocusing second line of defence activities on monitoring compliance with legal and regulatory requirements and internal policies;
- ✓ providing advice on compliance to the management body and other relevant staff; and
- ✓ establishing policies and processes to manage compliance risks and ensure compliance.

The first line of defence at the Bank includes the client-facing Operations, Finance, and Portfolio Management and Monitoring directorates. The work of the Compliance Function as the second line of defence is supported by the Financial Control Directorate, which has established the Internal Controls and Assertion Division, aiming to strengthen the Bank's second line of defence. This division also provides a common platform to assess and report on the EIB's control risks.

The third line of defence is performed by Internal Audit, which provides an independent review of the risk management practices and internal control framework and reports functionally to the Audit Committee or to the EIF's Audit Board, as relevant. Internal Audit conducts an annual audit of AML-CFT and market abuse activities as well as regular audits of other activities falling within the remit of the Compliance Function (such as ethics, conflicts of interest, information security, operational risk). In 2021, the Compliance Function also completed the InvestEU pillar assessment required under Article 154(3) of the Financial Regulation for funds under indirect management, for sub-pillars 6b (tax avoidance/non-cooperative jurisdictions (NCJ)), 6c (AML-CFT) and 9 (data protection).

Internal control functions are separate functions, each having direct access to the relevant executive body (EIB President/Management Committee), the relevant Board Committees and the Audit Committee.

3.4. Risk Appetite Framework

The processes and activities performed by the EIB to manage its risk appetite are formalised in the Group Risk Appetite Framework approved by the Board of Directors and last updated in June 2021. The Group RAF Policy sets the overall guiding principles, processes, roles and responsibilities through which risk appetite is established, communicated and monitored. The RAF embeds a healthy organisational risk culture within the Group through implementation and monitoring of measurable risk appetite metrics, which are subject to limits and (where provided for) cascaded further down to a more granular level. The RAF is established in line with the EIB's Group Risk Management Charter.

The EIB Group RAF covers both the financial risk and non-financial risk categories

The EIB Group's risk appetite is articulated in the Group Risk Appetite Statement (RAS), which communicates to management and oversight bodies, employees and other key stakeholders the risk profile that the EIB Group is willing to assume in the pursuit of its mission, policy objectives and strategy. The risk appetite aims to align the EIB Group's risk-taking with its strategy and business model. The high-level RAS, which is available publicly, establishes an overarching qualitative statement. The RAS is translated into risk appetite metrics and limits.

Non-financial risk categories including compliance, conduct, reputational, operational and informational and communication technology (ICT) risk were included in the RAF reporting in 2020, based on the following risk taxonomy:

- ✓ **Compliance risk:** the risk of legal or regulatory sanctions, financial loss, or loss to reputation a member of the EIB Group may suffer as a result of its failure to comply with all applicable laws, regulations, staff codes of conduct and standards of good practice.
- ✓ **Conduct risk:** the current or prospective risk of losses to an institution arising from inappropriate conduct towards clients, counterparties and the financial system, including cases of wilful or negligent misconduct. (see also Chapter 6)
- ✓ **Reputational risk:** the risk 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 retain continued access to sources of funding.
- ✓ **Operational risk:** operational risk can be described as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, which includes legal risk. (see also Chapter 7.1)
- ✓ **ICT risk:** risk of loss due to breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data or inability to change information technology (IT) within a reasonable time at a reasonable cost when the environment or business requirements change. This includes security risks resulting from inadequate or failed internal processes or external events including cyber-attacks or inadequate physical security. (see also Chapter 7.2)

The following chapters provide an overview of the main elements of the management of various risks in the Compliance Function's remit, as well as concise descriptions of relevant risk management policies, procedures and processes with reference to the Compliance Risk Assessment.

4. Group Compliance Risk Assessment, EIB Compliance Monitoring and Testing Plan and risk reporting

This chapter provides an overview of the Group Compliance Risk Assessment, the Compliance Monitoring Programme and related reporting. In 2021, the Compliance Function and the Inspectorate General also formalised their collaboration to benefit from transversal synergies across the control functions.

4.1. Group Compliance Risk Assessment

During 2021, the Compliance Function performed its Group Compliance Risk Assessment (CRA). This assessment is designed to meet specific regulatory requirements⁹, guidance and best market practices. The underlying methodology, developed with the aid of external consultants, is gradually being rolled out at the EIF so as to allow for a fully-fledged Group Compliance Risk Assessment starting in 2022.

In 2021, the CRA identified the compliance risk exposure of the EIB Group's business activities in the geographic locations in which it operates and in line with the Compliance Function's remit. On that basis, it assessed the Group's exposure to money laundering and terrorist financing (ML/TF) risks as well as sanctions, non-compliant jurisdictions/tax good governance, market integrity, conduct and procurement risks. The assessment in 2021 looked at inherent risks and took into account the existing control environment to determine the underlying residual risks. Based on the assessment, the CRA Report formulates recommendations and proposes actions to be taken in order to address identified compliance risks.

The results of the exercise are reviewed on a yearly basis, and the ML/TF data-driven risk assessment is performed again every quarter.

4.2. Compliance Monitoring Programme

The outcome of the Group Compliance Risk Assessment serves as a basis for the development of an annual risk-based Compliance Monitoring Programme. The CMP, developed separately for the EIB and the EIF, enables the respective compliance functions to assess the design adequacy and operating effectiveness of identified compliance controls. The Compliance Monitoring Programme feeds back into the Compliance Risk Assessment to inform the control effectiveness assessment. Based on the CRA 2021 exercise, compliance-related controls were identified and selected for inclusion in the 2022 Compliance Monitoring Programme.

The Bank's governing bodies are regularly informed about the Compliance Risk Assessment and Compliance Monitoring Programme results.

⁹ Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU; Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC which Member States were due to transpose into national law in 2017 and 2020 respectively (fourth and fifth EU AML/CFT Directives); FATF Recommendations and the EBA/ESMA/EIOPA Joint Guidelines JC 2017 37 (EBA's Risk Factor Guidelines).

5. Operations and regulatory compliance

5.1 ML/TF risk

The EIB Group places great emphasis on integrity and good governance and is committed to the highest standards of AML-CFT. This chapter provides information and data on ML/TF risks and AML-CFT compliance and an overview of the actions the EIB Group takes to combat ML/TF both within the European Union and globally.

EIB Group AML-CFT Policy

The EIB Group adheres to an AML-CFT framework on the basis of the [EIB Group AML-CFT Policy](#) and implementing procedures. The revised policy, published in 2021, and its implementing procedures aim to prevent the EIB Group, its governing bodies, staff and counterparties from being associated with or used for money laundering, financing of terrorism or other criminal activities. The AML-CFT Policy was updated as part of the EIB's Transitional Roadmap in July 2021 following approval by the EIB and EIF boards of directors. Key changes in the policy include:

- ✓ A clarified commitment to fighting ML/TF.
- ✓ Communication of the requirement for counterparties to comply with applicable AML-CFT laws.
- ✓ Development of references to the EIB Best Banking Practice (BBP) framework.
- ✓ Explanation of the context of AML-CFT-related responsibilities of the management bodies, including from an overall governance and ML/TF perspective in line with industry guidance.
- ✓ Listing of the principle underlying roles and responsibilities of the first and second lines of defence at a high level in line with European Banking Authority (EBA) and Basel Committee guidance.

EIB anti-money laundering and combating financing of terrorism procedure

The Compliance Function monitors the constantly evolving AML-CFT regulatory environment and practices and assesses their relevance and implementation in EIB Group AML-CFT standards, processes and controls. The Bank follows legislative proposals from the European Commission such as on the European Union's AML-CFT rules, which are assessed in line with the EIB BBP Guiding Principles. The Transitional Roadmap programme for AML-CFT also includes a stronger alignment of obligations, as per industry guidance, the streamlining of compliance consultations, unification of risk indicators in ML/TF risk factors, the introduction of a criteria-based relevant counterparty concept and risk-based approach, references to adverse media checks as well as the recent development of improved controls for in- and outbound flows of funds.

The Compliance Function constitutes the second line of defence and, among others, sets standards and provides guidance to the first line of defence as well as support and counsel on ML/TF risk limits, and performs risk-based monitoring of first line of defence controls, especially in cases requiring a referral to the Compliance Function as a result of ML/TF risks communicated by the first line of defence. The Compliance Function's involvement is commensurate to the identified ML/TF risk factors.

- ✓ Additional updates aiming to further strengthen the Bank's AML-CFT framework are anticipated for 2022.

Reporting on AML-CFT

The Compliance Function will share the following information with senior management:

- ✓ sufficiently comprehensive and timely information and data on ML/TF risks and AML-CFT compliance;
- ✓ impact of changes in the legal or regulatory environment on the Bank's activities and compliance framework;
- ✓ highlighting AML-CFT controls to be implemented or improved, proposals for improvement and progress reports on significant remedial programmes with regard to their ML/TF risk exposure;
- ✓ proportionate to the scale and nature of the Bank's activities, information on:
 - ML/TF risk assessment
 - Resources
 - Policies and procedures

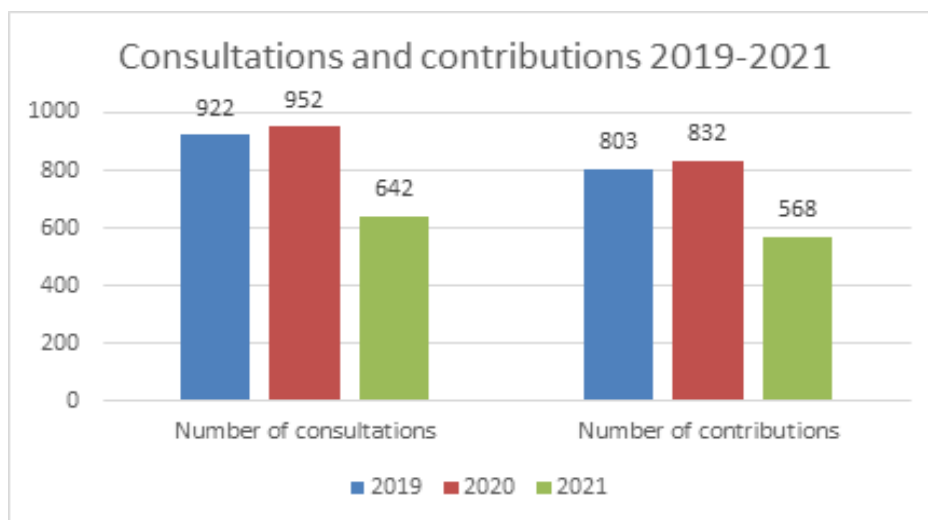
Ex-ante AML-CFT due diligence and compliance assessment of the operations

As the second line of defence, the Compliance Function assesses new operations, including the involved counterparties at the appraisal stage. The ex-ante compliance due diligence includes the assessment of ML/TF risk factors identified by the first line of defence in the context of the EIB's operations and counterparties.

In accordance with the EIB Group AML-CFT Policy, the EIB applies customer due diligence measures to relevant counterparties for all EIB operations on a risk-sensitive basis, taking into account the type of counterparties, the nature of the relationship with counterparties, the product or transaction and the country of operation. Compliance consultation is mandatory where the Bank has identified ML/TF risk factors through its due diligence or automated screening processes. When consulted, the Compliance Function assesses the compliance risk potentially associated with a specific operation and counterparty. The outcome of this assessment is documented in a compliance opinion addressed to the attention of the Bank's decision-making bodies and relevant services.

In 2020, the Bank put in place specific measures to respond quickly to the global crisis and support the economies of EU Member States and of other countries affected by the COVID-19 crisis, and these were concluded at the end of the first quarter of 2021. The Bank will continue to evaluate its procedures to follow a risk-based approach to current and emerging situations without undermining its AML-CFT standards while ensuring commensurate vigilance towards associated risks.

Figure 5-1 Number of compliance consultations and contributions, 2019-2021



As illustrated in Figure 5-1, the decrease in consultations in 2021 compared to 2020 derives from external factors (change in business environment, negotiations of new mandates in particular for the Bank's operations outside the European Union) and internal factors (increased efficiency in relation to processes and tools).

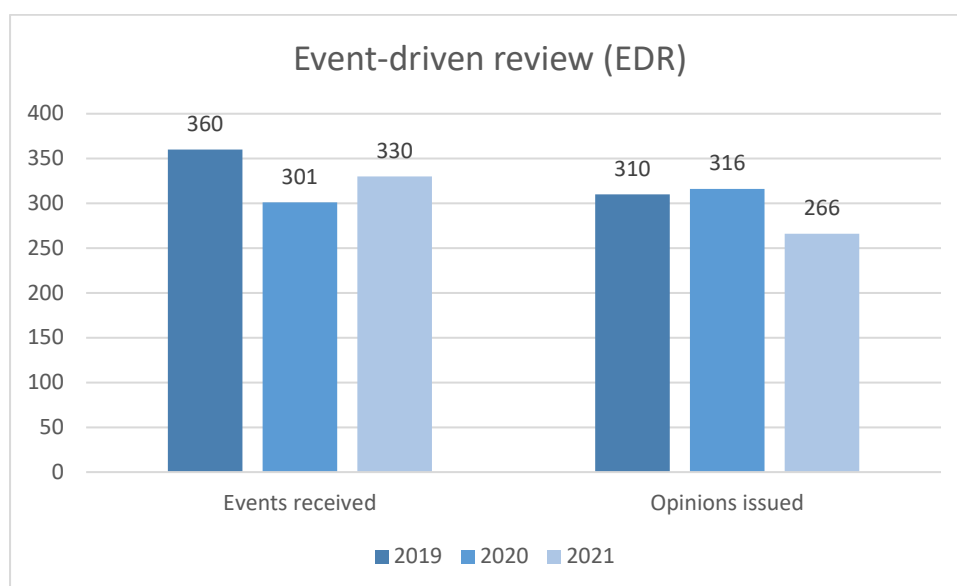
The Compliance Function's involvement in the new product approval process

Pursuant to the EIB New Product Policy, the Bank observes a process for assessing new products and significant changes applied to the EIB's new products, markets and services as well as related instruments and processes. The Compliance Function is a member of the New Product Committee (see Chapter 3.2) and as such fulfils its role as the Compliance Function in the new product approval process, as described in the EBA guidelines on internal governance.

Event-driven reviews

The AML Directive requires that information about relevant counterparties and their risk profile be kept up to date throughout the lifetime of the business relationship. At the EIB, to the extent applicable, this is a shared responsibility among the services. As the second line of defence, the Compliance Function is consulted for any event-driven review triggered by new ML/TF risk factors or by changes to known ML/TF risk factors post-Board approval. The guidelines and procedures in relation to event-driven reviews were updated in 2021.

Figure 5-2 Event-driven review statistics, 2019-2021



Post-Board approval of ongoing compliance monitoring activities

As part of its post-approval ongoing compliance monitoring, the Compliance Function in 2021 was involved in:

- ✓ **Review of payments:** The EIB's services implemented reinforced controls to identify unusual transactions and, in accordance with a risk-based approach, the Compliance Function is consulted by the relevant first line of defence services on incoming and outgoing payments in case of pre-defined ML/TF risk-related trigger events. Where ML/TF risk factors are identified and the Compliance Function has been consulted, the consultation may also trigger enhanced customer due diligence measures and in the event of suspicion of ML/TF, reporting to the Luxembourg Financial Intelligence Unit (FIU).
- ✓ **Ex-post AML-CFT due diligence:** Periodical Know Your Customer (KYC) reviews are carried out on the portfolio of existing counterparties. Please refer to Chapter 10 on ongoing projects to enhance systems and data. The Compliance Function guides and advises the first line of defence (the Bank's Operations, Finance and Portfolio Management and Monitoring directorates) by assessing, via a risk-based approach, ML/TF risk factors identified by the first line of defence throughout the duration of its business relationships. As an outcome of the review, the Compliance Function may issue recommendations to address these ML/TF risk factors and ensures the update of the ML/TF risk rating of the relevant counterparty and/or operation in the Bank's systems. Separately, the Compliance Function carried out a specific analysis in relation to the so-called Pandora Papers in 2021.
- ✓ **Automated name screening:** In addition to reacting to internal reports, the Bank proactively performs adverse media checks, automated screening against sanctions lists (see also Section 5.2 on sanctions risk) and risk-based automated name screening for politically exposed persons (PEPs). In this context, a new methodology for the assessment of PEPs in the EIB's business relationships was implemented in 2021 and is being gradually rolled out to existing counterparties starting with higher-risk counterparties and new business relationships.

- ✓ **Reporting of suspicious activities and transactions:** As an EU body and international financial institution, the EIB seeks to foster public accountability and contribute to market integrity. In 2008, the EIB concluded on a voluntary basis a memorandum of understanding (MoU) with the FIU in Luxembourg, setting up a framework for the exchange of information between the parties for the reporting of suspicious activities and transactions that may constitute ML, related underlying offences or TF. In 2019, the EIB initiated a review of the MoU with the Luxembourg FIU to revise and update the terms of the original MoU, including through reporting of appropriate cases via the secure online portal. The updated MoU was signed between the EIB and the Luxembourg FIU in March 2020; the related processes have been fully operational since then. The GCCO also acts as Money Laundering Reporting Officer (MLRO) and ensures a case-by-case assessment of the need to report suspicions of ML/TF. The MLRO cooperates closely with the Bank's Investigations Division within the Inspectorate General responsible for the performance of all investigations into alleged violations of the Board-approved Anti-Fraud Policy and related matters, including any investigation concerning ML/TF-related issues.
- ✓ **Identification of ML/TF-related data inconsistencies:** The EIB's Compliance Function has reinforced its focus on the identification of data inconsistencies with respect to ML/TF risk ratings and related data in the Bank's system.

5.2. Sanctions risk and exclusions

The sanctions landscape in 2021

The sanctions landscape remains challenging and increasingly complex for the EIB Group. 2021 saw significant new sanctions adopted by numerous countries, and further measures added to existing sanction regimes. There was a marked deterioration in a number of countries' democratic values, the Taliban took over in Afghanistan and there was an increase in human rights abuses in various sectors.

In terms of human rights violations, the EIB has closely monitored recent developments in EU, US and UK sanctions and their potential impact on the green energy transition, with particular focus on supply chains. Ongoing conflicts in Africa and the Middle East have made the Bank's operational environment challenging in parts of these regions.

It is worth noting that some of the most innovative sanctions-related developments in 2021 were in the field of crypto-currencies, ransomware and blockchain, where the Bank became active in 2021. The EIB remains vigilant on the evolution of these activity-driven sanctions to promptly adapt its systems and controls, and consequently minimise its sanctions risk exposure.

Post-Brexit UK sanctions and their impact on the EIB and its business is another area closely monitored by the Bank with assessments carried out to avoid any exposure to legal, financial and reputational risk.

Sanctions Compliance Programme

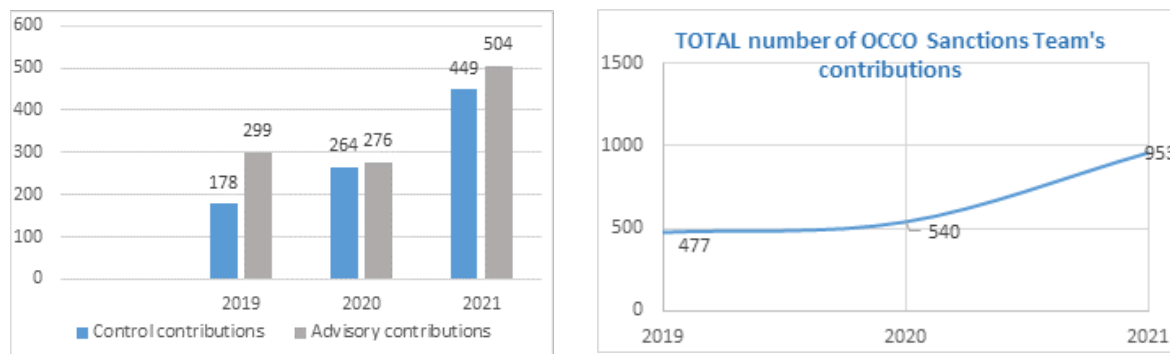
The EIB's expanding reach and increasing product and programme diversification require an up-to-date control framework that appropriately manages sanctions risks.

To this end, the EIB's Compliance Function continued to implement its Sanctions Compliance Programme in 2021, in line with best banking practice and recommendations from the sanctions authorities entailing, among others, appropriate systems and controls to manage sanctions risks and meet sanctions-related legal obligations under European laws, UN Conventions and third countries' laws, as applicable to the Bank and its operations.

Key initiatives in 2021 included:

- ✓ **Policy and procedures:** update of the EIB's internal regulatory framework, to remain constantly aligned with the increasing complexity of the sanctions landscape; second revision of the EIB's procedures implementing the EIB Group Sanctions Compliance Policy; work to enhance and align protective clauses for operations within the EIB Group.
- ✓ **Risk assessment:** adoption of a quantitative Sanctions Risk Assessment methodology, covering all areas of business undertaken by the EIB. The new methodology seeks to identify controls in place in order to mitigate the inherent risk of sanctions faced by the EIB and assess the remaining residual risks in a more objective manner.
- ✓ **Process and controls:** regulatory watch enhancement over the sanctions landscape, mainly focused on territories of geopolitical interest for the EIB portfolio; tailor-made control measures to minimise sanctions risk exposure in digital currency operations as the EIB has become active in blockchain; elaboration of sanctions compliance mitigants for projects with UN specialised agencies.

Figure 5-3 Compliance sanctions team activities, 2019-2021



Exclusion Committee Secretariat

The Office of the Group Chief Compliance Officer is responsible for the Secretariat of the Bank's Exclusion Committee, established in October 2020 (see Chapter 3.2). The secretariat's activities comprise the review of materials, submissions and preparation of notices on behalf of the Exclusion Committee to determine whether the evidence presented convincingly supports the conclusion that a counterparty has engaged in prohibited conduct. Moreover, the secretariat drafts the deeds to be issued on behalf of the Exclusion Committee, as well as addressing any procedural, legal and operational questions from committee members.

5.3. Non-cooperative jurisdictions and tax good governance

The EIB is committed to having effective compliance-related policies and procedures in place in order to prevent EIB operations from being misused for tax fraud, tax evasion and tax avoidance, among others.

The revised EIB Group Policy towards weakly regulated, non-transparent and non-cooperative jurisdictions and tax good governance ([EIB Group NCJ Policy](#)) was approved in 2019. It takes account of recent European and international regulatory developments in the area of tax integrity as well as tax good governance standards and policies such as the EU Council conclusions on the EU list of non-cooperative jurisdictions for tax purposes, the OECD's Base Erosion and Profit Shifting project and the European Union's Anti-Tax Avoidance Package.

Non-cooperative jurisdictions

Non-cooperative jurisdictions (NCJs) under the EIB Group NCJ Policy are designated on the basis of relevant classifications made by one or more lead organisations with respect to jurisdictions which have not made sufficient progress towards satisfactory implementation of EU and/or internationally agreed standards in connection with AML-CFT and/or tax transparency/tax good governance. The lead organisations include, among others, the European Union, the Financial Action Task Force (FATF), the OECD, the Global Forum and G20.

In 2021, the EIB closely followed and took into account the updates in the reference lists of the lead organisations.

For more information on the reference lists of lead organisations, please visit the EIB Group NCJ Policy — [Frequently Asked Questions](#).

Tax integrity due diligence

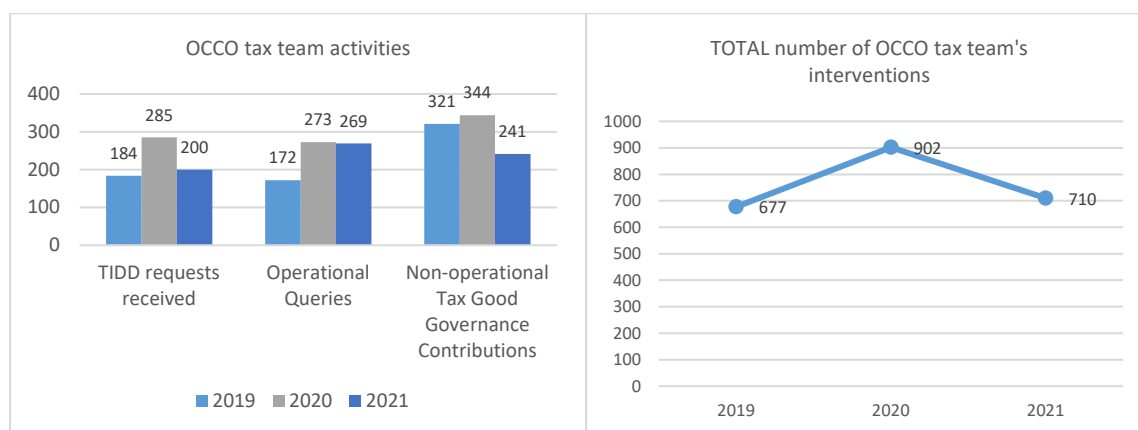
The EIB Group NCJ Policy includes the Anti-Tax Avoidance Toolbox, which sets out general expectations vis-à-vis contracting counterparties as part of the tax integrity due diligence (TIDD) process at the EIB. All EIB operations are assessed, on a risk-sensitive basis, in line with the standards of the due diligence process outlined in, among others, the EIB Group NCJ Policy and its revised implementing procedures (NCJ Procedures) which were approved and entered into force in 2020.

On a risk-sensitive basis and in line with EIB Group policies, the EIB Group may decide to extend the above-mentioned checks to operations with contracting counterparties incorporated or established in jurisdictions that are generally cooperative but have not yet resolved outstanding tax good governance deficiencies.

Resources and activities

In 2021, the Compliance Function's tax team consisted of four tax experts. The figures below represent activities carried out by the tax team in the course of 2021. The 2021 figures show a decrease in the number of consultations compared with 2020. This can be explained by an unusually high number of operations in 2020 due to the COVID-19 response as well as a more mature control environment and increased awareness within the first line of defence, which reduced the number of non-operational tax good governance queries.

Figure 5-4 Compliance tax team activities, 2019-2021



In the course of 2021, the tax team handled a number of more complex and demanding projects which included, among others:

- ✓ **Supporting the InvestEU pillar assessment audit** performed by an external auditor on sub-pillar 6b on tax avoidance and NCJs.
- ✓ **Awareness raising on the EIB Group NCJ Policy and the EIB's tax good governance approach** delivered internally to compliance staff and different Bank services and externally to multilateral and national development banks.
- ✓ **Exchanges with the European Commission** on the need to establish and maintain an overview of the harmful preferential tax regimes present in jurisdictions listed in Annex I and Annex II to the Council conclusions in respect of non-cooperative jurisdictions for tax purposes.¹⁰ This request was made in order to carry out the tax integrity due diligence and facilitate the implementation of provisions embedded in the contractual documentation with counterparties.

For further information, please consult:

- The EIB Group NCJ Policy: EIB Group Policy towards weakly regulated, non-transparent and non-cooperative jurisdictions and tax good governance
- FAQs on the EIB Group NCJ Policy: EIB Group NCJ policy — Frequently Asked Questions (FAQs)
- Tax governance statement: Taxation: avoiding misuse of EIB Group operations

¹⁰ <https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/>

5.4 Market integrity

Market abuse

The guidelines for the prevention of insider dealing and market manipulation were revised and transformed into an EIB Group Market Abuse Policy in July 2021 following approval by the EIB and EIF boards of directors. The policy provides the overall framework for market abuse compliance at the EIB.

The Market Abuse Policy establishes in more detail the specific market abuse prohibitions, requirements and responsibilities of the first and second lines of defence (third line of defence being largely unchanged) on the prevention and detection of market abuses.

In 2021, the Compliance Function prepared an overview of the current second line of defence control measures, arrangements and systems generally deployed in the Compliance Function which contributed to a better understanding of the control environment and to gaining maturity in adequately capturing, managing and mitigating market abuse risks. Other notable achievements are:

- ✓ The execution of a Market Abuse Training Control to strengthen the Compliance Function's monitoring of compliance and operational risks related to the training of EIB staff on market abuse requirements set out in EIB internal documents and stemming from the Market Abuse Regulation. During 2021, the Compliance Function contributed to five market abuse training sessions for the EIB's most exposed services, covering the concepts of inside information, market abuse prohibitions, duties of the owners of inside information, information classification, and personal investment prohibitions.
- ✓ Detailed guidance on the roles and responsibilities of owners of inside information was issued.
- ✓ Analysis of regulatory requirements regarding inside information was carried out and recommendations were issued on the information classification of inside information.
- ✓ A check of the Group Central Register was prepared to monitor its completeness and timely update by the services.
- ✓ As part of its regulatory watch activities, the Compliance Function took part in the applicability assessment procedure of the Level 2 measures performed by the BBP Watch Team.

As part of its day-to-day activities, the Compliance Function provided market abuse-related advice for 98 queries.

Institutional conflicts of interest

The EIB has in place a framework for dealing with institutional conflicts of interest (I-Col) situations. These Guidelines establish a uniform definition of I-Col, outline the key risks the EIB Group and relevant persons could be exposed to in connection with I-Col and set out the key principles for the timely identification and management of I-Col arising in the course of or in connection with the EIB Group's activities. For information on personal conflicts of interest, see Chapter 6.3.

In 2021, the Compliance Function, together with the Bank's services, organised several workshops to further clarify the framework for I-Col situations in the Bank's mandate-related activities. In 2021, the Compliance Function worked on further enhancements of the I-Col control environment and prepared an implementation roadmap for the second line of defence's controls to be put in place on I-Col risks and to monitor the first line of defence's compliance with the I-Col framework. As part of its day-to-day activities, the Compliance Function provided I-Col-related advice on 85 queries to monitor compliance with the respective legal and regulatory requirements.

In the course of next year, the Compliance Function will continue to further strengthen the I-Col framework, including as regards Group alignment, controls and awareness by, among others:

- ✓ Revising the EIB Group framework for conflicts of interest.
- ✓ Improving the controls on I-Col.
- ✓ Revamping the EIB's requirements regarding training and awareness-raising needs vis-à-vis I-Col.

For information on the updates of the codes of conduct of the EIB statutory bodies, please consult Chapter 6.2.

Markets in Financial Instruments Directive

In line with 2020 initiatives, the Compliance Function continued to design strategic compliance plans and perform control activities to analyse existing internal documentation, processes and controls, identify gaps and deploy adequate remedial actions.

- ✓ As part of its day-to-day activities the Compliance Function provided the Markets in Financial Instruments Directive (MiFID) with related advice for 77 queries to monitor compliance with the respective legal and regulatory requirements.

Sustainable finance, climate risk and Climate Bank Roadmap

With regard to the Climate Bank Roadmap, the Compliance Function joined the DG Climate Representatives Core Group as a permanent member.

The Compliance Function also initiated a process to analyse, design and formalise its compliance strategy on sustainable finance regulatory requirements.

Legal matters in the area of AML, tax avoidance/NCJ, market abuse, I-Col and MiFID

In 2021, as part of its day-to-day activities, regulatory support, opinions and legal assistance were provided for 62 queries on regulatory topics linked to NCJ, AML-CFT, tax and general integrity matters.

6. Conduct risk

Conduct risk is defined as the current or prospective risk of losses to an institution arising from inappropriate conduct towards clients, counterparties and the financial system, including cases of wilful or negligent misconduct. This chapter outlines the policies and approaches that the EIB Group has put in place to actively promote the highest standards of integrity for both its staff and statutory bodies.

6.1 Staff integrity matters

The promotion of a strong compliance culture among its employees remains one of the highest priorities for the EIB Group. In order to do this and to minimise compliance, conduct and reputational risks, EIB Group staff continued their engagement in the Compliance Culture Change Programme in 2021, including the promotion of awareness on integrity matters enhanced through training (see Chapter 9).

This chapter will discuss the EIB Group Whistleblowing Policy (WBP) and the EIB Group Staff Code of Conduct (Staff CoC). The WBP was the subject of a review in 2021, as an important milestone in the update of policies and procedures in the context of the Compliance Culture Change Programme. Together with the Staff CoC, the WBP has a Group dimension to strengthen cooperation between the EIB and the EIF and their respective Compliance Functions, create synergies, increase the efficiency of compliance risk management and achieve consistency across the EIB Group. The revision of these documents is part of the actions listed in the Group Alignment Implementation Plan. Complementing the above documents, the [Staff Regulations](#) (updated in 2020) lay down the staff's general conditions of employment.

As of January 2022, reporting of the alleged breaches of the EIB Group Staff Code of Conduct will be centralised through the IG/IN single entry point. Allegations of breaches of the EIB Group Staff Code of Conduct will be assessed on the need for investigation, and if necessary will be investigated by IG/IN. O-GCCO shall be responsible for certifying the facts, that is, to establish if the facts provided by IG/IN constitute breaches of the EIB Group Staff Code of Conduct, issue the final report and take the necessary follow-up actions.

The EIB's Board of Directors is closely involved in the setting of compliance policies and the promotion of both a compliance culture and ethical behaviour, reinforcing the protection of the EIB Group's reputation through a collective commitment to EIB Group values and integrity principles in line with the EBA and Basel Committee Guidelines.

The revision of the EIB Group Staff Code of Conduct commenced in 2021. The revised EIB Group Staff Code of Conduct is expected to enter into force before the end of 2022.

EIB Group Whistleblowing Policy

In 2021, the Management Committee approved the revised EIB Group WBP. The revised policy takes into account a number of internal and external requests and requirements, including (a) from services, (b) from the members of the EIB Board of Directors, members of the European Parliament and the European Data Protection Supervisor, and (c) the need to further align the provisions of the EIB Group WBP with the Whistleblowing Directive.¹¹

The revised EIB Group WBP entered into force in November 2021.

¹¹ Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law

6.2 Statutory bodies' integrity matters

The Compliance Function continued its support to the governing bodies in matters of ethics and integrity. This was primarily done through opinions provided to the Ethics and Compliance Committee (ECC) (see Chapter 3.2) with regard to conflicts of interest of the Board of Directors (BoD), Management Committee (MC) and Audit Committee (AC) as well as ethical matters concerning the BoD and the MC.

Throughout the first two quarters of 2021, the Compliance Function was actively involved in the revision of these statutory bodies' codes of conduct and the wider reform of the ethical framework of EIB Group governance (rules of procedure, ECC operating rules and Appointment Advisory Committee operating rules). These reforms were subject to approval by the governing bodies and its committees and working groups before being approved in August 2021 by the EIB Board of Governors.

Other governing bodies' codes of conduct

The revision of the EIB statutory bodies' codes of conduct led by the Secretariat General is aimed at strengthening the ethical framework, which governs the conduct of the top decision-makers and supervisory bodies of the EIB. The revision of the codes of conduct promotes accountability and the sound management of regulatory, reputational and conduct risks at the level of the governing bodies. The revised codes also address, where possible, recommendations from the European Ombudsman and the European Parliament, including on the prevention of conflicts of interest.

In 2021, the Compliance Function supported the General Secretariat, in collaboration with other services, in updating the codes of conduct of the BoD and the MC with a view to aligning them to the greatest extent possible. The revisions of the codes include reinforcement and clarification of the principles of independence and confidentiality, the exclusion of market abuse and prohibited conduct, and conflict of interest management. This latter area is complemented by a strengthened role for the ECC. The revised codes also provide further guidance on prospective employment and post-term activities of both MC and Board members as well as the extended cooling-off periods (12 months for BoD members and 24 months for MC members), and a new obligation for BoD members to submit a declaration of interest.

The revised AC Code of Conduct aligns with the BoD and MC codes on independence, conflicts of interest management and outside professional activities. It reinforces the principles that each AC member or observer can approach the ECC for a decision within its remit.

The Board of Governors has approved the revised codes of conduct of the BoD, the MC and AC, providing a similar level of approval to the operating rules of the ECC.

Governance reforms

The Compliance Function contributed to the revision of the Rules of Procedure of the EIB (“RoP”) and the operating rules of the ECC and of the Appointment Advisory Committee (AAC), led by the Secretariat General.

Under the new framework (Article 11.4 of the RoP and Article 2 of the ECC operating rules), the ECC will continue to rule and make decisions on any conflict of interest situation to which a current or former BoD or MC member is exposed. It will also continue to provide opinions on ethical matters for former members of the BoD and the MC. In addition, the governance reform will allow the ECC to provide opinions on any conflict of interest matter of a member or an observer of the Audit Committee. Nevertheless, to account for the role of the AC as oversight body, the final decisions on such conflict of interest situations of AC members or observers will remain with the AC in line with the AC Code of Conduct.

The role of the ECC chair in the ECC operating rules has also been strengthened. Furthermore, the revision of Article 6 of the ECC operating rules strengthened the quorum and deliberation requirements alongside the rules on voting and record-keeping.

6.3 Personal conflicts of interest

The EIB Group Staff Code of Conduct, which entered into force in 2019, makes a clear distinction between institutional, organisational and personal conflicts of interest and further specifies that conflicts of interest may be actual, potential or apparent.

Conflicts of interest have the potential to prejudice the independence and loyalty of staff members and impair the discharge of their professional duties, having in turn an impact on the reputation and integrity of their employer. All conflicts of interest must be avoided or — if they do arise — be appropriately managed. Situations that may be liable to give rise to conflicts of interest should be declared to the EIB or the EIF Compliance Function for guidance, assessment and recommendation of the appropriate mitigating action. Mitigating measures are considered in connection with identified conflicts of interest:

- ✓ on a standing basis for permanent conflicts of interest inherent to certain categories of activities/products; or
- ✓ on an ad hoc basis, subject to the specific risks of a given situation/operation and/or on a one-time basis.

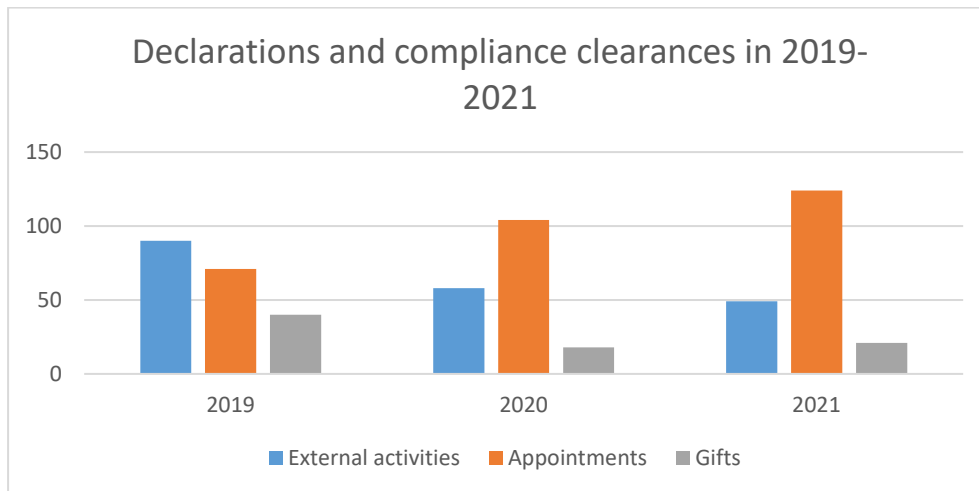
For information on institutional conflicts of interest, see Chapter 5.4.

Declarations and compliance clearances

The Compliance Function’s preliminary assessment and informal advice were sought by staff and members of the Management Committee in connection with conflicts of interest, private investments, gifts, external activities and declarations of interest prior to the transmission of formal declarations.

During 2021, the Compliance Function issued 21 clearances for declarations of gifts, 49 clearances for external activities applications and 124 clearances for appointments to external bodies.

Figure 6-1 Declarations and compliance clearances 2019-2021



Administrative inquiries

In 2021, several cases of alleged breaches of the Code of Conduct were examined by the Compliance Function, in cooperation with the Inspectorate General and the Personnel Directorate, where applicable: Six new cases of alleged breaches of the Code of Conduct were communicated to the Compliance Function (including two whistleblowing cases) and 11 cases were concluded in 2021.

Figure 6-2 Administrative inquiries 2019-2021

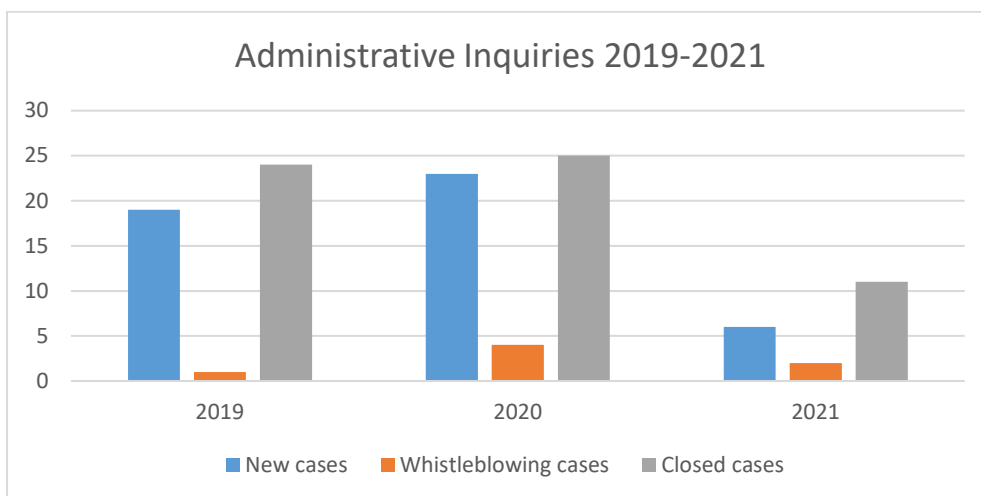


Figure 6-2 displays a decrease in the volume of administrative inquiries handled by the Compliance Function, which may result from work on the compliance culture and related awareness-raising initiatives conducted for staff.

6.4 Compliance consultations for integrity policy clauses

The Compliance Corporate Division has been tasked with leading compliance consultations in respect of relevant integrity and policy clauses. Consultation takes place, where needed, in respect of relevant integrity policy clauses.

During 2021, 173 consultations were conducted on integrity policy clauses.

7. Operational and information security risks

In line with the reorganisation of the Compliance Function, operational risk and information security risk have transferred to the O-GCCO with a view to promoting a holistic approach to non-financial risk. The EIB's approach to these risks and the activities of the Operational Risk Unit and the Information Security Risk Unit are described in this chapter.

7.1 Operational risk

Operational risk can be described as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, which includes legal risk¹². Operational risk may stem from all EIB activities. In line with its definition, operational risk covers, but is not limited to, internal and external fraud, legal risk, compliance and conduct risk, vendor risk, information security, model risk, manual processing risk, system unavailability, provision of inappropriate advice, and other risks. Given the high level of specialisation in terms of separate regulatory and know-how requirements, certain operational risk sub-types such as compliance, fraud and ICT are managed by dedicated EIB functions.

EIB's Operational Risk Management Framework

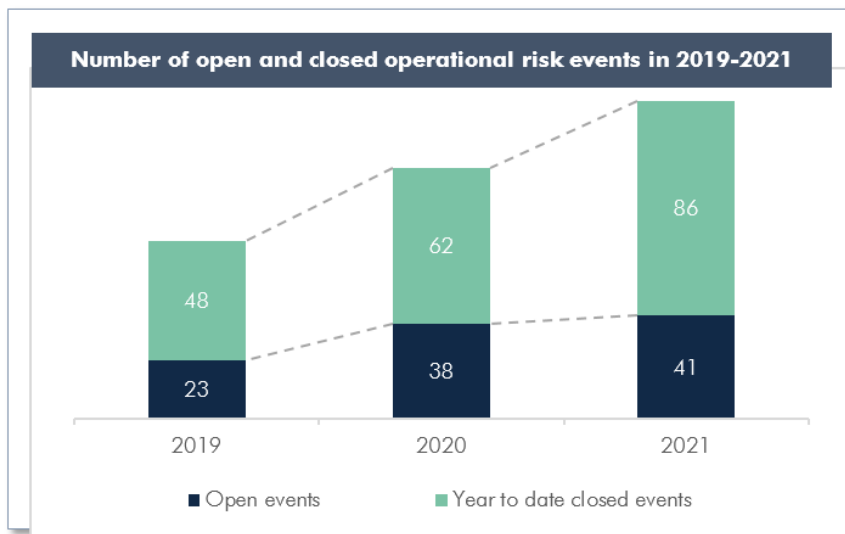
The Operational Risk Management Framework (ORMF) is a set of principles, rules and documentation describing the way the EIB Group manages its operational risks. The framework covers four main components: governance, risk appetite, risk management process and capital management.

In 2020, the Operational Risk Unit, with the help of external consultants, carried out a comprehensive review of the Operational Risk Management Framework. This led to a strategic roadmap, which was presented to the Management Committee and the Audit Committee in September 2021. The strategic roadmap includes steps to develop the Operational Risk Management Framework at Group level. The EIB Group Operational Risk Policy and a newly developed Group Operational Risk Report are key elements of this roadmap which were finalised in 2021. The Operational Risk Report will be implemented progressively in 2022.

The Operational Risk Function managed by the Operational Risk Unit is responsible for the implementation of the ORMF. The independent Internal Audit Department (IA), as the third line of defence, ensures the appropriateness and efficient implementation of the ORMF to the relevant governing bodies, verifying that it has been adequately designed and implemented by both the first and second lines of defence.

¹² The definition of external events excludes cases of client bankruptcy or unfavourable market movements or similar events, which represent triggers for credit and, respectively, market risk.

Figure 7-1 Operational risk events, 2019-2021



As indicated in Figure 7-1, in 2021, 86 operational risk events were investigated and closed year-to-date.

Figure 7-2 Evolution of open remediation actions ¹³

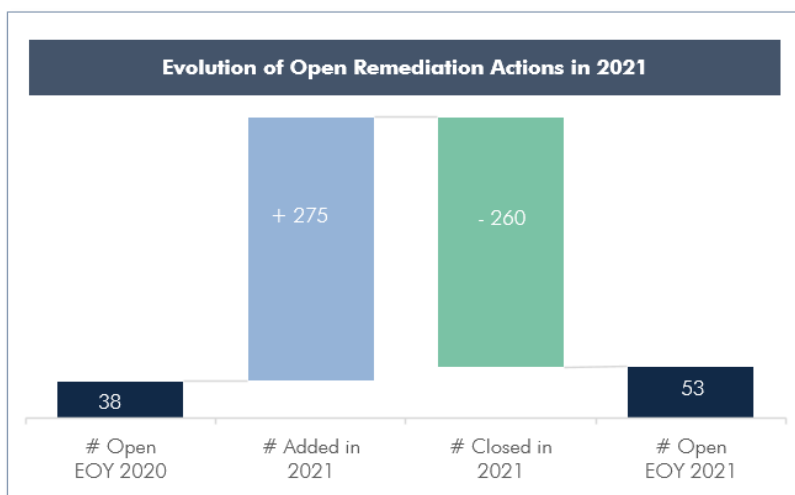


Figure 7-2 illustrates that 260 remediation actions were closed in 2021 and 53 actions remained open at year-end.

¹³ Operational risk actions should address the root cause of the operational risk event and reduce exposure to a risk or its impact if the risk materialises. Mitigating actions are classified as directive actions, preventive actions, detective actions and corrective actions.

7.2 Information security risk

Information security risk can be defined as the risk of incurring losses due to breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data (see Chapter 3). The EIB continuously seeks to align with best practices in this regard, notably with reference to:

- ✓ **EBA guidelines for ICT and security risk management**, which represents the main financial services industry regulation followed by the Bank.
- ✓ **ISO/IEC 2700x and NIST (US National Institute of Standards and Technology)**. Both of these international best practices are used to calibrate the information security framework. Since they are not industry-specific they are treated in combination with EBA guidelines for ICT and security risk management.
- ✓ **European framework for threat intelligence-based ethical red teaming for cyber resilience activities**.

Key areas of focus concern policy development, governance, training and awareness, compliance assurance and cyber resilience.

The management of information security risk remains challenging and increasingly complex. The threat landscape is continuously evolving, with attack techniques increasing in sophistication. The EIB Group remains committed to implementing industry-specific best practices as well as regulatory requirements.

In 2021, training was provided to staff on various information security topics. For more information, see Chapter 9. The cyber e-Learning is set to be made mandatory to all staff in the first half of 2022. In addition, various forms of cyber awareness training are planned for 2022, through simulations, external speakers, an updated e-Learning course, panels with IFIs and a CISO (chief information security officer) symposium.

8. Procurement

The role of procurement compliance is based on the EIB's Corporate and Technical Assistance Procurement Guide, which was revised in 2017 in order to harmonise the EIB procurement framework for the EIB's own account and for technical assistance¹⁴ services. The guide transposes the principles of Directive 2014/24/EU on public procurement into the EIB rule framework. The number of procurement clearances has been stable in recent years.

After the Group risk and compliance reorganisation, the role of procurement compliance was transferred to GR&C/-/COORD/- /- as of 1 September 2021. Until the end of August 2021, procurement compliance was within the remit of the Compliance Function and until then, a total of 1 547 procurement clearances¹⁵ were issued. The procurement team also contributes to enhancing the Bank's procurement practice by delivering coaching, training and awareness-raising sessions on procurement compliance on a regular basis. It is also closely involved in the transversal project to streamline procurement processes across the Bank.

9. Training

Several initiatives designed to ensure regular, up-to-date and high-quality training courses and awareness raising on topics within Compliance's remit were initiated or continued in 2021, either directly by the Compliance Function or in collaboration with Personnel. The EIB is committed to providing dedicated and continuous training on compliance matters. To minimise any compliance, conduct and reputational risks and to promote a strong compliance culture, the EIB Group continued to promote a sound compliance culture.

In this context, following the update of the EIB Group Staff Code of Conduct, the EIB Group Whistleblowing Policy and the EIB Management Committee and Board of Directors Codes of Conduct, learning modules based on these documents were developed and workshops on professional duties and compliance topics were delivered throughout 2021:

- ***Mandatory AML-CFT learning***

In 2021, the staff compliance rate on taking the Bank-wide compulsory AML-CFT e-Learning course stood at 98%, excluding authorised exceptions. The development of a new Group-wide e-Learning concept on compliance was launched with the support of an external provider and went live in February 2021. Further developments to e-Learning modules are under development. Specifically, a refresher course is expected to go live in early 2022 and courses for targeted audiences are also under preparation for 2022.

Concerning the training of the members of the EIB's Board of Directors, a purpose-designed AML-CFT course was delivered in January and May 2021 with continuation planned for 2022. Contributing to the regular training for Board of Directors members on compliance-related matters, workshops on sanctions are also planned for 2022.

¹⁴ Technical assistance refers to all actions and advice provided by the EIB's staff or contracted to external consultants and managed by the EIB's staff with the aim of helping promoters, national authorities or financial intermediaries to improve their institutional or regulatory set-up, financial management, investment projects or programmes (through assistance in project preparation and implementation), etc. Technical assistance services may be provided to borrowers or third parties with the aim to improve the quality of investments and ensure compliance with EU policies and applicable standards.

¹⁵ Procurement clearances issued for new contracts and modifications to existing contracts.

- Market abuse training***

During 2021, the Compliance Function contributed to five market abuse training courses for the EIB's most exposed services covering the concepts of inside information, market abuse prohibitions, duties of the owners of inside information, information classification, and personal investment prohibitions. Furthermore, a market abuse training programme is currently being developed in collaboration with Personnel.
- Code of Conduct and ethics e-Learning and training on the Whistleblowing Policy***

The EIB and the EIF have worked jointly on the Group Code of Conduct and Whistleblowing Policy e-Learning that is expected to go live in 2022. In addition to the existing awareness-raising materials, a series of whiteboard videos on staff's main professional duties stemming from the Code of Conduct has been developed in cooperation with an external consultant. These materials will support the existing regular online business ethics workshops delivered in collaboration with other services, which constitute a key component of the ethics awareness-raising programme. In the fourth quarter of 2021, a dedicated training course on the Group's Whistleblowing Policy was delivered to staff handling whistleblowing cases.
- Information security training***

Apart from further promoting existing e-Learning, several general and tailored awareness-raising sessions were held with a particular focus on training privileged users, business owners and users of critical payments systems. Furthermore, the general security awareness level of staff was tested through repeated phishing simulations.
- Newcomers training***

In 2021, newcomers received presentations on the Compliance Function, mandatory training on ethics and the Code of Conduct, fraud and corruption awareness¹⁶ and the tax good governance framework.
- Certification in regulatory compliance and data protection***

Thirty compliance officers participated in the compliance officer certification course (ICA International Advanced Certificate in Regulatory Compliance), organised by the Compliance Function between September 2020 and end-2021. Compliance officers also participated in a data protection certification course (European Institute of Public Administration [EIPA] Data Protection Certification course) in the fourth quarter of 2021.

¹⁶ The Group Anti-Fraud Policy is under the remit of the IG.

10. Systems and data

Digitalisation and effective data governance play a key role in the efficient and secure management of the EIB Group's processes and projects. This chapter provides an overview of the recent developments and priorities at the EIB in this field.

High-quality data and a robust data management culture are of vital importance for effective compliance monitoring and reporting. In 2021, the Compliance Function increased resources for that purpose and launched several initiatives to improve its data governance, data quality and reporting. Specifically, the Compliance Function put in place several data quality controls. New structured data elements were identified and added in the Bank's main systems and databases. Key compliance data were migrated to the Bank's Enterprise Data Warehouse, allowing access to historical data, better data analytics, employee efficiency and automated reporting. The Compliance Function also participated in the EIB Group's ongoing BCBS 239 Project and provided continuous support to the Bank-wide data governance activities.

During this year and in 2023, work will continue on improving data ownership, data quality, data accessibility and reporting elements. In parallel, the Compliance Function together with other key stakeholders will have to deal with new challenges like the migration of data between the Bank's current systems.

11. Personal data protection: implementing the data protection regulation

The EIB appointed a data protection officer (DPO) in 2003, being one of the first EU institutions to have institutionalised the function. During 2021, the DPO's activities continued to concentrate on ensuring compliance with the obligations deriving from the European Union's Data Protection Regulation 2018/1725.

The DPO focused on the completeness of the adoption of the necessary implementing acts and procedures. During 2020, the DPO implementing rules describing the duties and tasks of all data protection stakeholders at the EIB were adopted by the Management Committee and an EIB Group Data Protection Policy was adopted by the EIB's Board of Directors. In 2021, the Management Committee also adopted the Personal Data Breaches Management Procedure, which together with the procedures related to the exercise of data protection rights and the conducting of data protection impact assessments constitute the EIB's data protection implementing framework.

In 2021, all EIB services participated in the Bank-wide compliance exercise, initiated by the DPO in 2020

The Bank-wide compliance exercise in 2021 included a review of the records of the centralised register by following the action points of the established roadmap. The DPO continued delivering dedicated awareness-raising sessions across the Bank and continued cooperating with the EIF DPO on the basis of the relevant memorandum of understanding in order to enhance data protection compliance at Group level.

The [EIB Group Personal Data Protection Policy](#) was published in 2020 and provides information on the general data protection principles applied by both the EIB and the EIF.

12. Cooperation with multilateral development banks and other international stakeholders

The Compliance Function and the GCCO hold regular contacts with peer international financial institutions (such as the World Bank, the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC), the Asian Development Bank (ADB) and the Nordic Investment Bank (NIB)), EU bodies, standard-setting international organisations (such as the Financial Action Task Force (FATF) and the European Banking Authority (EBA) as well as civil society organisations (such as non-governmental organisations) to enable ongoing alignment of compliance activities to relevant international standards and best banking practice in areas including ethics and integrity, risk assessment, AML-CFT and tax and NCJ matters. In this context, the GCCO also participates in various international meetings including the annual meetings of European chief compliance officers.

The Compliance Function's tax team furthermore participates in regular meetings with other international financial institutions to exchange experiences and discuss tax good governance approaches. In this context, in 2021 the Compliance Function's tax team delivered presentations on upcoming EU and international tax developments, the EIB Group's NCJ Policy and the EIB's tax integrity due diligence approach to national development banks. The Compliance Function's ethics team also regularly attends the Ethics Network of Multilateral Organisations (ENMO), a forum to exchange information on new developments on ethics and integrity matters.

The EIB continues to actively monitor guidance and guidelines issued by the EBA and FATF as well as legislative proposals from the European Commission, such as on the European Union's AML-CFT rules which are assessed in line with the EIB BBP Guiding Principles.

13. Priorities for 2022

In 2022, the Compliance Function will continue to develop and streamline its processes and systems while refocusing its role as the second line of defence, consolidating the new organisational structure for Group risk and compliance, finding related synergies and preparing to support the activities of the EIB's new arm for activities outside the European Union (EIB Global) and the Climate Bank Roadmap.

The priorities for the function are closely aligned with the common corporate objectives of the EIB Group in the areas of best banking practice, Group alignment, implementation of the AML-CFT Transitional Roadmap, digitalisation, the compliance culture programme and further implementation of the three lines of defence model. Attention will also be given to streamlining key processes and the further strengthening of the internal control framework. Noteworthy priorities for 2022 include:

Digitalisation: In 2022, the Compliance Function will proceed with a forward-looking agenda to develop and promote digitalisation across its activities and processes to enhance systems and data quality.

AML-CFT Transitional Roadmap: The EIB Compliance Function will continue its implementation of the Transitional Roadmap with work streams dedicated to:

- ✓ Systems and data.
- ✓ Know Your Customer (KYC) periodic reviews and politically exposed persons (PEP) review.
- ✓ Implementation of the target operating model for the first line of defence.
- ✓ Continued roll-out of the risk-based approach.
- ✓ Enhancing OCCO's second line of defence role.

Non-financial risks: The Compliance Function will reinforce the management of non-financial risks in line with the new organisation of the GCRO function with a particular focus on the Risk Appetite Framework, risk taxonomy, associated key risk indicators (KRIs) and reporting. Focus will also be given to strengthening of the Operational Risk Management Framework and the second line of defence in the management of information security including cyber resilience risks as well as to alignment with European Central Bank expectations related to risk management and disclosure on climate-related and environmental risks.

CMP/CRA: The Compliance Monitoring Programme (CMP) enables the Compliance Function to assess the design adequacy and operating effectiveness of identified compliance controls. Based on the Compliance Risk Assessment (CRA) 2021 exercise, compliance-related controls were identified and selected for inclusion in the 2022 CMP.

Group alignment: The Compliance Function participates in Group alignment and regularly reports on developments in this area to the governing bodies. Areas where further operational synergies will be explored include Compliance Monitoring Programme testing approaches and counterparty management including further alignment of compliance risk rating methodologies and conduct risk management.

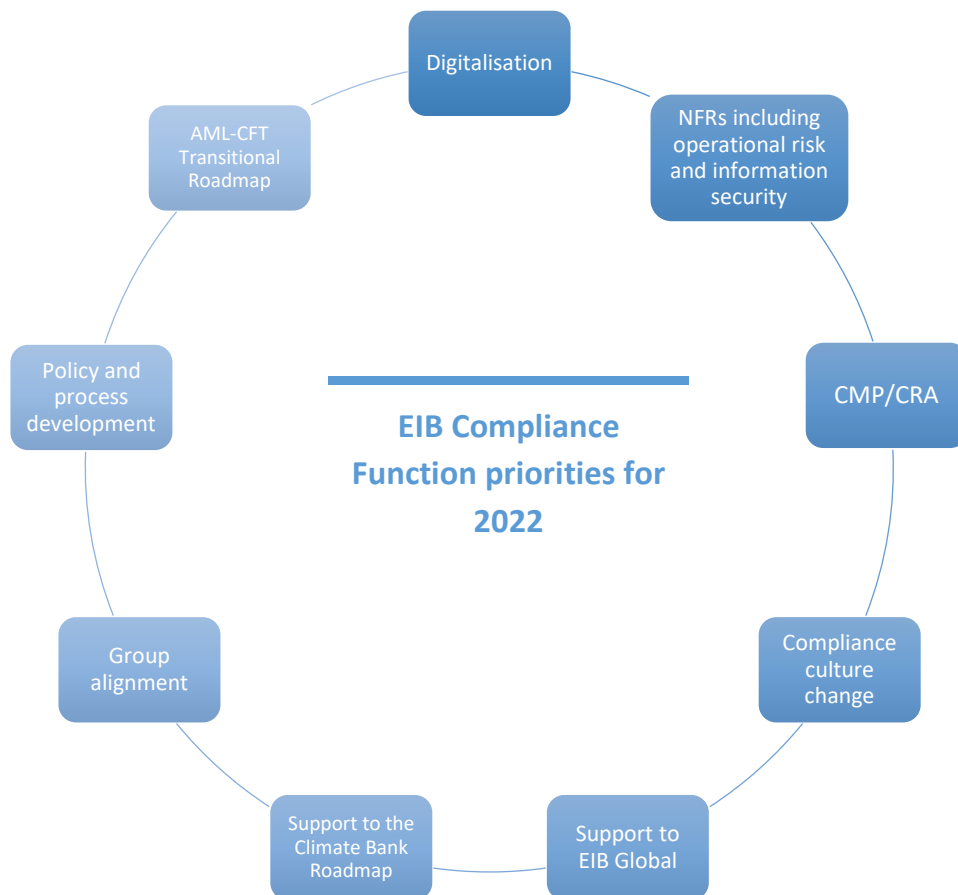
Climate Bank Roadmap: In the coming year, in order to factor in climate risk with key developments and reinforce the management of non-financial risks and the Operational Risk Management Framework, the Compliance Function will support the Climate Bank Roadmap in the following activities:

- ✓ Review of the Group Risk Appetite Framework with a focus on climate risk taxonomy and responsibilities in line with the third line of defence model and climate-related operational risk KRIs.
- ✓ Monitoring and reporting of operational events from climate risk-related drivers.
- ✓ Developing a scenario analysis to assess the resilience of the Bank’s operations, business model and strategies and determine the impact of climate risk drivers on the overall operational risk profile.

The Compliance Function will furthermore contribute to the applicability analysis of EU sustainable finance regulations and strive to further integrate climate compliance risks into its compliance assessment and monitoring framework.

EIB Global: The Compliance Function stands ready to actively support the new arm for activities outside the European Union (EIB Global) to be launched in 2022.

Figure 13-1 Compliance priorities for 2022



Policies and procedures: The Compliance Function will continue to review and develop its policies and procedures across its divisions and support similar work in the first line of defence in line with best practice. In 2022, this will include work on Know Your Customer (KYC) procedures and refinements of the risk-based approach. The market abuse guidelines are set to be replaced by an EIB Group Market Abuse Policy and the Group Conflicts of Interest Policy will be launched. Moreover, the comprehensive review of the EIB Group Guidelines on Conflicts of Interest will continue, with a view to strengthening the institutional conflict of interest framework and controls by mid-2022.

Compliance culture change: The EIB Compliance Function supports the Compliance Culture Change Programme with training and staff awareness-raising through new e-Learning tools, surveys, phishing campaigns and dedicated workshops. An update of conflict of interest guidelines for staff and governing bodies, new declaration of interest requirements, introduction of the annual compliance declaration and revision of the Staff Code of Conduct are planned. In 2022, the third Ethics and Integrity Report will also be prepared including anonymised cases of alleged professional misconduct aiming to communicate transparently to all staff and raise awareness of the concrete actions the Bank is taking to address any breaches of professional duties.

Operational risk: The Operational Risk Unit will continue to provide regular reports to the Bank's governing bodies on operational risk. In 2022, the unit will also update the Group RAF for non-financial risks with a focus on developing an improved Group operational risk taxonomy, review operational risk KRIs and scenario analyses and prepare for the implementation of a new IT system. The first EIB Group Operational Risk Report will be produced in 2022 following the development of its structure, content and format in 2021 together with the EIF.

Information security risk: The Information Security Risk Unit will place further emphasis on cyber resilience aspects of information security, for example through updates to its business continuation plan, and enhance its reporting to governing bodies on cyber risks and related risk management initiatives. The Information Security Risk Unit will also continue ensuring compliance with critical and mandatory controls for SWIFT CSP and TARGET2 for 2022. Of particular significance will be the completion of a TIBER-EU exercise and follow-up of recommended actions as well as continued efforts to raise staff awareness of cyber risks.

14. Appendix

14.1. Appendix I — Abbreviations

BBP	Best Banking Practice
BCBS	Basel Committee on Banking Supervision
BoD	Board of Directors
CCC	Compliance and Controls Committee
CBR	Climate Bank Roadmap
CMP	Compliance Monitoring Programme
CoC	Code of Conduct
CoI	Conflict of Interest
CRA	Compliance Risk Assessment
DPO	Data Protection Officer
EBA	European Banking Authority
EDPS	European Data Protection Supervisor
EC	European Commission
ECC	Ethics and Compliance Committee
EGF	Pan-European Guarantee Fund
EIB	European Investment Bank
EIF	European Investment Fund
EU	European Union
FI	Finance Directorate
FATF	Financial Action Task Force
GCCO	Group chief compliance officer
GCRO	Group chief risk officer
GRMC	Group Risk Management Charter
ICF	Internal control framework

MC	Management Committee
MLRO	Money Laundering Reporting Officer
NCJ	Non-Cooperative Jurisdiction
NFR	Non-Financial Risk
NPC	New Product Committee
O-GCCO	Office of the Group Chief Compliance Officer
ORMF	Operational Risk Management Framework
PEP	Politically exposed person
PJ	Projects Directorate
RAS	Risk Appetite Statement
RAF	Risk Appetite Framework
RM	Risk Management Directorate
SREP	Supervisory review and evaluation process
TIDD	Tax integrity due diligence
WBP	Whistleblowing Policy

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Compliance Activity Report 2021



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