TCFD Report 2022

In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

European Investment Bank | Group

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EIB Group — Task Force on Climate-related Financial Disclosures (TCFD) Report 2022

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The power of nature is awesome. Throughout history, people have feared its storms, its floods, droughts and eruptions. At this critical time, we realise that we must instead be in tune with nature and harness its power, if we are to beat the climate change that our own actions have caused. More than half the European Investment Bank's investments are now in climate action and environmental sustainability. Our priority is to finance the green transition to renewables powered by nature, from geothermal energy to hydroelectricity and wind power. That is why we are putting these natural forces right on the covers of our major reports this year.

For further information on the EIB's activities, please consult our website, www.eib.org.
You can also contact info@eib.org. Get our e-newsletter at www.eib.org/sign-up.

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2022 in brief

As the European Union's climate bank, the European Investment Bank (EIB) Group is a global leader in climate finance and one of the world's largest multilateral issuers of green and sustainability bonds. The Group's commitment to integrating climate considerations in all relevant aspects of its decision-making, governance, strategy and risk management underlines its position as a frontrunner in sustainable finance and climate action.

The EIB Group at COP27

The EIB launched a number of new climate-related initiatives at COP27 in November 2022. These included a high-level statement on the EIB's approach to just transition globally, which consists of a combined global approach to just transition (in response to climate mitigation policies) and to just resilience (to address the socioeconomic impact of climate change and climate adaptation policies).

Recognising the significant contribution of biodiversity and other environmental objectives to climate action, the Bank also launched its new Environment Framework to guide its efforts to supporting environmental sustainability projects globally and contribute to green, resilient, equitable and inclusive development.

As co-leader with the Islamic Development Bank of the joint multilateral development banks (MDBs) climate adaptation working group, the EIB also presented an updated adaptation finance tracking methodology. This reflects both adaptation needs in a wide range of vulnerable sectors and the broader range of financial products used by MDBs in financing climate change adaptation.

Approved in November 2020, the updated EIB Climate Strategy and the EIB Group Climate Bank Roadmap 2021-2025 detail the Group's approach to accelerating the transition to a low-carbon, climate-resilient and environmentally sustainable economy, while supporting a just transition for all. As part of this ambition, the Bank committed to gradually increase its annual financing dedicated to climate action and environmental sustainability to exceed 50% by 2025 and the EIB Group committed to supporting €1 trillion of investment in climate action and environmental sustainability from 2021 to 2030.

Additionally, the EIB Group committed to the alignment of all its new operations with the goals and principles of the Paris Agreement by end-2020. Climate risk management is a key part of the roadmap. As such, in the EIB Adaptation Plan published in October 2021, the EIB also committed to grow the share of its climate action for adaptation to 15% of its overall climate finance by 2025.

The Group already made significant progress towards these objectives in 2021 and 2022 as well as on other actions under the Climate Bank Roadmap.

- From the start of 2021, all new EIB Group financing activities have been aligned with the principles and goals of the Paris Agreement. Non-Paris aligned projects for which appraisal had been initiated before 2021 had to be approved by the end of 2022 or were deemed no longer eligible for EIB Group financing.

- Since the start of 2022, the new EIB Group Paris Alignment for Counterparties (PATH) framework has required Group corporate counterparties that are screened in to develop and publish decarbonisation plans and/or resilience plans, and for financial intermediaries to publish TCFD-aligned disclosures.

- In 2022, the EIB provided approximately €36.6 billion of climate action and environmental sustainability finance, representing 58% of total EIB own financing. It puts the Bank already on track to deliver on its commitment to exceed 50% by 2025 and beyond.

- Despite a substantial increase to €1.9 billion in 2022, the EIB's climate adaptation finance represents only 5.4% of the Bank's climate action finance. It demonstrates that considerable work remains to achieve the 15% target by 2025.

- The cumulative level of climate action and environmental sustainability investment supported by the EIB Group in 2021 and 2022 reached €222 billion, putting the EIB Group on track to meet the €1 trillion target over the period 2021-2030.

The EIB Group continues to support the Task Force on Climate-related Financial Disclosures as a leading framework to disclose climate-related information to end investors. It also supports TCFD reporting under the PATH framework, which requires certain financial intermediaries to disclose information in line with the TCFD recommendations.

This is the third TCFD report published by the Group, presenting our current activities and future commitments in the climate field. This report follows the TCFD's four pillars structure and a table provides a mapping of specific disclosure recommendations.

This report should be read in conjunction with the EIB Group's 2022 Sustainability Report, which details the EIB Group's broader approach to sustainability, including and beyond climate considerations, and contains the EIB's externally audited green finance figures and projects carbon footprint data for 2022 and the EIB Group 2022 Climate Bank Roadmap Progress Report, which presents its annual progress in delivery of the EIB Group Climate Bank Roadmap.

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TCFD RECOMMENDED DISCLOSURES MAP

GOVERNANCE

Addressing the climate crisis is one of the key transversal objectives of the EIB Group. It is embedded in all dimensions of its governance. In order to avoid duplicating information[1], this report focuses on the most relevant features of the EIB Group's climate governance.

After explaining how the EIB Group has integrated climate-related risks and opportunities in its governance at a general level, this section will look at the key bodies that govern it at board and management levels.

The Structure of the EIB Group

Established in 1958, the EIB is a policy-driven financial institution owned by the European Union's 27 Member States. Each Member State's share in the Bank's capital is based on its economic weight within the European Union (expressed in GDP) at the time of its accession.

The EIB Group consists of the European Investment Bank (EIB) and the European Investment Fund (EIF). The EIF has a shareholding structure that combines public and private investors. Based on the 7 300 subscribed shares as of December 2022, the shareholding breakdown is as follows:

- The European Investment Bank (59.4%)
- The European Union, represented by the European Commission (30%)
- Financial institutions from EU Member States, the United Kingdom and Türkiye (10.6%)

A. Governing climate-related risks and opportunities

As the European Union's climate bank, the EIB Group considers climate action to be one of its key priorities. This is demonstrated by its commitment to align all its financing activities to the principles and goals of the Paris Agreement and its increased ambitions for climate action and environmental sustainability (CA&ES), operationalised by the EIB Climate Strategy, and the Group's Climate Bank Roadmap[2].

In order to deliver on its ambitions, the Group has embedded the identification and management of climate-related risks and opportunities into its governance and organisational structure (Figure 1).

1. For a detailed presentation of the EIB Group's governance, please refer to the EIB Group Corporate Governance Report 2021.
2. CA&ES is the internal tool developed to track climate action within the Group. This, along with the Climate Strategy and Climate Bank Roadmap, will be discussed in the Strategy section of this report.

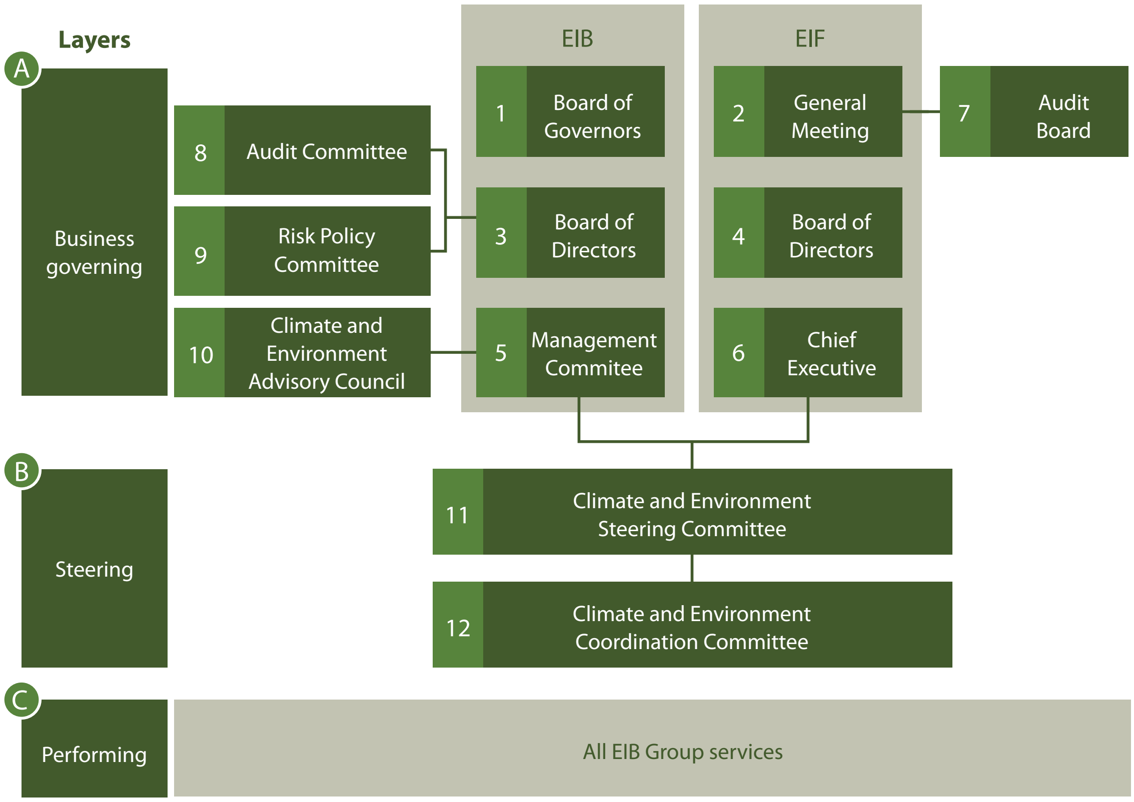


Figure 1: EIB Group governance of climate-related risks and opportunities

The Group's vision and strategy in relation to climate are set by the "Business Governing" layer A. It oversees prioritisation among other large-scale initiatives and ensures that the necessary resources to deliver are in place. The Business Governing layer is supported by the recently established EIB Group Climate and Environment Advisory Council 10, which provides the EIB Management Committee and EIF Chief Executive with independent non-binding advice and expertise on the activities that the EIB Group is carrying out to reach its Paris alignment and climate action and environmental sustainability targets.

The "Steering" layer B provides general direction and guidance, ensuring that the Group's Climate Bank Roadmap remains focused on its objectives. It is comprised of the Climate and Environment Steering Committee 11, which oversees the successful execution of the roadmap, and the Climate and Environment Coordination Committee 12 that brings together all the EIB Group services.

The "Performing" layer C is responsible for organising and executing the Climate Bank Roadmap's implementation. It includes representatives from all relevant EIB Group services responsible for the delivery of the activities related to the roadmap.

B. Climate-related responsibilities at governing level

EIB governing bodies

1 Board of Governors

The Board of Governors is the EIB's highest governing body. It is made up of ministers (usually finance ministers) designated by each EU Member State, the Bank's shareholders. The board lays down general directives for the EIB's credit policy — in accordance with EU objectives — approves the annual accounts and balance sheet, decides on the Bank's participation in financing operations outside the European Union, and approves capital increases. It also appoints the members of the Board of Directors, the Management Committee and the Audit Committee.

3 Board of Directors

The EIB's Board of Directors is a non-resident board consisting of 28 directors and 31 alternate directors. One director is appointed by each Member State and another by the European Commission. The board is charged with ensuring that the Bank is properly run and managed in accordance with the provisions of the EU treaties, the EIB Statute and the general directives laid down by the Board of Governors. The Board of Directors is responsible for approving the Operational Plan, financial transactions (including operations supporting climate action and environmental sustainability objectives), and climate-related policies and strategic documents[3].

5 Management Committee

The Management Committee is the Bank's permanent collegiate executive body. It consists of a president and eight vice-presidents[4], appointed for a period of six years by the Board of Governors. The Management Committee is responsible for the current business of the Bank, under the authority of the President and the supervision of the Board of Directors.

In this capacity, it oversees the day-to-day running of the EIB, preparing decisions for directors and ensuring their implementation.

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

8 The Audit Committee

The Audit Committee is an independent body that reports directly to the Board of Governors. It consists of six members, appointed by the Board of Governors for a non-renewable term of office of six consecutive financial years.

3. By way of example, the Board of Directors approved the Bank's new energy lending policy in 2019 and the EIB Group's Climate Bank Roadmap in 2020.
4. At the time of publication of this report, one Vice-President position is vacant.

The Audit Committee checks that the Bank's activities are conducted in compliance with the formalities and procedures laid down by its Statute and Rules of Procedure, in particular with regard to risk management and monitoring, including climate risk. The Audit Committee is responsible for auditing the Bank's accounts and verifies the degree to which the Bank conforms to best banking practice.

9 Risk Policy Committee

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

- Group risk management charter.
- Group capital sustainability policy.
- Group risk appetite framework.
- Group internal capital adequacy assessment process.
- Group internal liquidity adequacy assessment process.
- Group contingency funding plan.
- Group recovery plan.
- Group stress testing framework.

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

10 The EIB Group Climate and Environment Advisory Council

The role of the EIB Group Climate and Environment Advisory Council (CEAC) is to bring external high-level expertise and strategic insight to the implementation of the Climate Bank Roadmap and the EIB Group's climate and environmental policy framework, in general, on a consultative basis.

The Climate and Environment Advisory Council is composed of ten members. It forms a balanced group of high-level experts and recognised leaders from European and international institutions, civil society organisations, academia and research, think tanks and the private sector. They provide a broad spectrum of skills and expertise to the EIB Group.

The CEAC meetings are convened by the Chair and the EIB's Vice-President overseeing climate action and environmental sustainability. The CEAC holds, in principle, two meetings per year (the first time was in September 2021). It is currently chaired by the President of the European Central Bank Christine Lagarde.

EIF governing bodies

2 The General Meeting

The General Meeting decides on proposals entailing greater strategic implications, including a change in the EIF's tasks and activities, an increase in the EIF's authorised capital, and the appropriation and distribution of net income. It is also in charge of approving the EIF's annual report, balance sheet and profit and loss account.

It consists of one representative of the EIB, namely its President or a Vice-President, or another duly authorised individual, one member of the European Commission representing the European Union, and a representative from each financial institution that is a shareholder of the EIF.

4 The Board of Directors

The EIF Board of Directors decides on the proposals submitted by the Chief Executive. It also determines the objectives and limits of the EIF's operations and approves and submits the annual report and annual accounts to the General Meeting. Furthermore, the Board of Directors approves the EIF's annual Corporate Operational Plan and the thematic policy objectives' key performance indicator and targets, including those pertaining to climate action and environmental sustainability. Certain operations fulfilling specific criteria may be approved by the Chief Executive acting under a delegation from the Board of Directors.

The EIF's Board of Directors consists of seven members and seven alternates, designated by the shareholders of the Fund and appointed by the General Meeting.

6 The Chief Executive

The Chief Executive is responsible for the day-to-day management of the EIF and, within the policies and guidelines adopted by the Board of Directors, is responsible for deciding on the transactions, mandates, policies and strategic proposals presented to the board for approval. The Chief Executive also submits the EIF's Operational Plan, entailing operational, strategic and budgetary implications, to the board for approval.

Nominated by the shareholder with the largest number of shares (the EIB) and appointed by the Board of Directors, the new Chief Executive took responsibility as of 1 January 2023.

7 The Audit Board

The Audit Board is an independent body that reports directly to the General Meeting. Its role is to confirm that EIF operations have been carried out in accordance with the procedures laid down in the EIF Statutes and Rules of Procedure, while also verifying that the accounts give a fair view of the EIF's assets, liabilities and its operational results.

C. Climate-related responsibilities at steering and performing levels

In line with its climate bank commitments, including the alignment of all new EIB Group financing activities with the principles and goals of the Paris Agreement from 2021, climate change mitigation and adaptation considerations are integrated across the Group's steering and performing level.

To oversee the implementation of the Climate Bank Roadmap, a specific 11 **Climate and Environmental Steering Committee** was created. It is made up of the Bank's Directors General and the EIF's Chief Executive and Deputy Chief Executive and is chaired by a member of the Management Committee, Vice-President Ambroise Fayolle. The committee meets every quarter.

In addition, a 12 **Climate and Environment Coordination Committee** brings together all relevant departments across the EIB Group to ensure the coordination of various climate and environment-related work streams and to promote knowledge sharing. The committee meets on a weekly basis to discuss key topics.

Within the **EIB**, different departments and committees are responsible for climate-related activities:

- The EIB's **Projects Directorate** performs technical due diligence on projects supported by the EIB and takes a leading role in developing sector lending policies. It is structured along sector lines, typically staffed with engineers or economists with sector expertise. During project appraisal, the Projects Directorate assesses the implementation of EIB standards, including the Climate Bank Roadmap alignment framework, and environmental, climate and social standards. It also assesses the project's contribution to the Bank's climate action and environmental sustainability objectives, and whether the counterparty meets the requirements of the EIB Group's PATH framework.

  The EIB's **Environmental, Climate and Social Office** is based within the Projects Directorate. This office takes a leading role in developing climate-related strategies, policies and procedures, and providing quality assurance of climate-related statements by the EIB.

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

  The Group risk and compliance function is overseen by the **Group Chief Risk Officer**, who reports on Group-related risks to the Management Committee. The Group Chief Risk Officer oversees the integration of climate risk into the Group's risk frameworks and ensures a coordinated approach between the EIB and the EIF on the matter.

- The EIB's **Operations Directorate** is responsible for generating climate-related business in line with the Bank's targets and assessing counterparties' climate-related physical and transition risks for new operations. Loan officers are largely organised along geographical lines.

  A dedicated **Climate Office — Operations** has been set up within the Operations Directorate. Its main role is to help the front line meet climate-related targets, while supporting the development of financing and advisory activities in climate action and environmental sustainability for various sectors, geographies and financial products.

- **EIB Global** is the international development arm of the EIB. Established in 2022, EIB Global continues the EIB's decades-long commitment to financing development, climate action, innovation and sustainability around the world. It aims at increasing the impact of the Bank's development finance by helping to address global challenges and creating growth and opportunity on all continents.

- The Sustainable Finance Team in EIB's **Finance Directorate** is in charge of the development of Climate Awareness Bonds (CAB) and Sustainability Awareness Bonds (SAB). This team was also in charge of the issuance of these bonds and since 2022, the issuance of these bonds has been concentrated in two other teams.

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

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

At the **EIF**, the main departments involved in climate-related activities are:

- The EIF's **Centre of Expertise for Climate and Sustainability**, composed of representatives of both Mandate Management and Equity and Investment Guarantees, leads the development of climate-related criteria, procedures and guidance documents and implementation of the EIF's ambitions in terms of climate investments.

  It contributes to the Climate Bank Roadmap review, coordinates different projects and exercises related to sustainability and climate and supports EIF services on climate-related matters. It closely interacts with the EIB's Environmental, Climate and Social Office and Climate Office — Operations, to ensure coherence of the implementation of these topics across the Group.

- The EIF's **Mandate Management** and **Equity Investments and Guarantees Directorates** play a leading role in the implementation of the climate strategy of the Fund in its operations. The former is responsible for sourcing climate-related mandate resources while the latter oversees the generating of all EIF climate-related business with financial intermediaries and engaging on climate fundraising from private investors and for setting sustainability and climate-related targets for transactions.

- The EIF's **Risk Management Directorate** is responsible for the assessment, monitoring and reporting of the Fund's climate risk at counterparty level for its existing portfolio, and for the integration of climate risk assessment into the EIF's risk management framework and policies. The department works closely with the EIB's Corporate Responsibility Department on the Group's sustainability-related reporting.

- The EIF's **Operations and Information Management Directorate** is responsible for mandate and transaction portfolio level climate-related reporting and monitoring.

- The EIF's **Compliance Department** oversees the implementation of the Fund's policy on restrictions and exclusions, which also includes Paris alignment framework-related restrictions.

- The EIF's **Corporate Strategic Development Division** supports the Fund's senior management in the design and implementation of strategic corporate development, including in the domains of operational strategy and internal processes and digitalisation.

STRATEGY

The EIB Group is the lending arm of the European Union. Article 309 on the Treaty of the Functioning of the European Union (TFEU) sets its task to "*contribute, by having recourse to the capital market and utilising its own resources, to the balanced and steady development of the internal market in the interest of the Union.*"

The EIB Group does so by providing finance and expertise for economically, technically, financially and environmentally sound investment projects and operations which contribute to EU policy objectives and priorities. In practice, 90% of the EIB Group's investments are within the European Union and 10% are in the rest of the world.

The EIB Group differs considerably from commercial banks in that its activity is driven by public policy objectives. It is a not-for-profit financial institution that applies sound managerial practices as required by its triple-A credit rating status. As such, it does not have a specific target for return on equity, but rather aims to generate income that enables it to meet its obligations, to cover its expenses and risks, and to build up a reserve fund.

This means that for the EIB Group, the climate-related opportunities shaping the institution's strategy are not profit maximising climate-related opportunities, but are financially viable activities that contribute to climate mitigation and adaptation policy objectives.

Therefore, when describing the materiality exercise that leads to the definition of the climate-related characteristics of the Group's strategic approach, it is first necessary to understand its commitment to sustainable development and more specifically to the climate-related public policy goals that guide its action, as well as to climate risk management.

A. Climate change as a policy priority

As illustrated in the special report on global warming of 1.5˚C and subsequent assessment reports by the Intergovernmental Panel, the 2020s is the critical decade to meet the long-term temperature and climate-resilience goals of the Paris Agreement and to address the environmental crisis.

Through the European Green Deal, the European Union has become the first continent to endorse no net emissions of greenhouse gases by 2050, and has committed to build alliances with partner countries and regions worldwide. The Green Deal comprises a comprehensive package of policies designed to avert the dual threat that climate change and environmental degradation presents to Europe and the world.

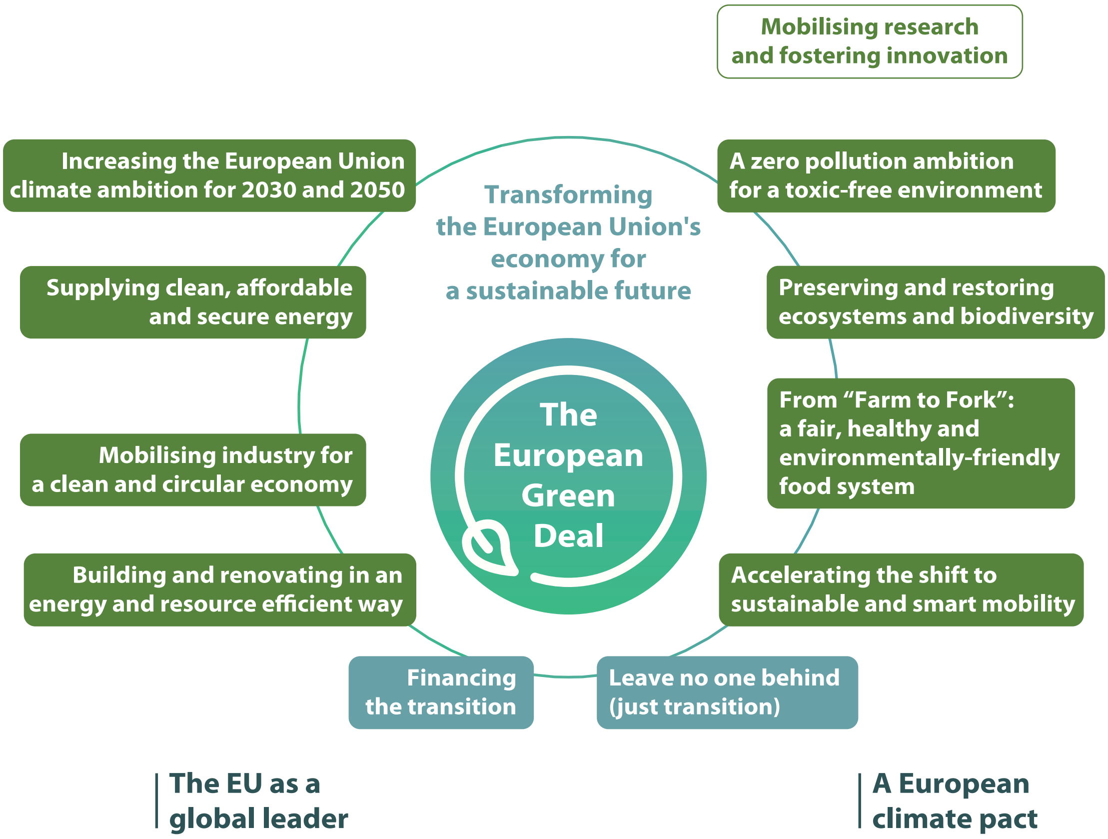


Figure 2: The European Green Deal

As the bank of the European Union, the EIB Group leverages its position as one of the largest financiers of climate action to support investments in the main focus areas of the European Green Deal, as shown in Figure 2.

The Group recognises that we face a truly global development challenge. Climate change and environmental degradation result in adverse impacts undermining the ability of all countries to achieve sustainable development. Developing countries, particularly least developed countries and small island developing states, are among those most adversely affected and least able to cope with the current and anticipated shocks to their social, economic and natural systems.

These challenges require internationally coordinated solutions to help developing countries move towards low-carbon, climate-resilient and sustainable economies. Meeting the United Nations Sustainable Development Goals also requires sustained long-term investment: to decarbonise the physical capital stock and ensure it is resilient for a changing climate, to preserve and enhance natural capital, and to train and re-skill people to participate in the new green economy.

It is against this policy backdrop that the Group's strategic approach to climate has to be understood.

Based on the European Union's policy priorities defined in the 2021-2027 Multiannual Financial Framework, the Group's increased ambitions as the EU climate bank and its ongoing contribution to the United Nations Sustainable Development Goals, both the EIB and the EIF have developed coherent public policy goal frameworks (Figure 3). These frameworks encapsulate the Group's core priorities and ensure that its activities support EU objectives.

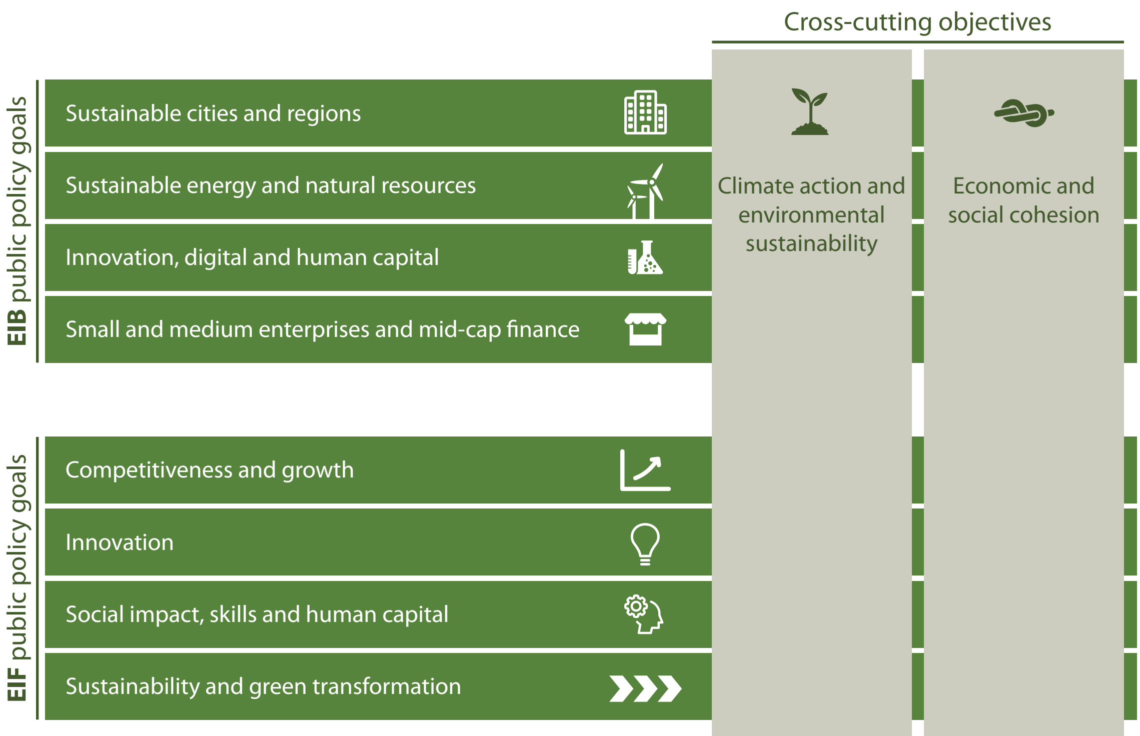


Figure 3: EIB Group public policy goals and cross-cutting objectives

Climate action and environmental sustainability are grouped together in a single cross-cutting objective as the Group recognises their interrelation through the compounding risks posed by both climate change and environmental degradation. It is also a mutually reinforcing response opportunity, given the joint benefits of climate action and environmental sustainability.

B. The EIB Group's strategic approach to climate change

The EIB Group recognised climate change risks and opportunities early on and developed a leading position among international finance institutions in the field of climate action. For instance, in 2007 the EIB pioneered the green bonds market by issuing the first Climate Awareness Bond (CAB), allocated exclusively to climate change mitigating activities in line with the European Union's evolving legislation on sustainable finance.

The Group's approach to climate action has evolved over time and has progressively been embedded into its activities and actions within and outside the European Union.

In line with the political ambition behind the European Green Deal, the EIB and EIF Boards of Directors decided in 2019 and 2020 respectively to increase the Group's climate action and environmental sustainability ambition. This had far-reaching implications for the Group, effectively transforming it from "an EU bank supporting climate" into "the EU climate bank."

Becoming the "EU climate bank"

For years, the EIB Group has been developing policies that aimed at tackling climate change, including the EIB's energy lending policy, which when reviewed in 2019 committed the Bank to phasing out support for energy projects reliant on unabated fossil fuels. However, in order to become the EU climate bank and to turn its ambitions into reality, the Group needed to strengthen its strategic approach.

Based on the identification of its material climate-related risks and priorities, this process led to the review of the EIB Climate Strategy and the development of an implementation framework: the EIB Group Climate Bank Roadmap.

The **Climate Strategy** guides the Bank's actions within and outside the European Union to reinforce EIB finance for projects which bear a positive climate impact. In 2020, it was revised following a thorough analysis of achievements and challenges encountered in previous years.

This process benefited from the input of external stakeholders and took into account the ratification of the Paris Agreement, the latest developments in European and international climate policy, and the latest scientific evidence on climate change. This revised strategy is now guiding the Bank's medium to long-term climate actions focusing on three strategic areas:

- Reinforcing the impact of EIB climate financing.
- Building resilience to climate change.
- Further integrating climate change considerations across all of the Bank's standards, methods and processes.

Approved in 2020, the **EIB Group's Climate Bank Roadmap** builds on the EIB's revised Climate Strategy and outlines the Group's response to the worsening climate situation.

Being an open and transparent institution, the EIB Group invited stakeholders to contribute to the development of this roadmap. Following the announcement of this invitation and preliminary discussions during the 2020 Seminar between the EIB's Board of Directors and civil society, two rounds of stakeholder engagement were organised[5].

The extensive feedback received as well as the in-depth work carried out with other multilateral development banks (see box on the next page) were instrumental in shaping the Climate Bank Roadmap and refining certain elements, in particular regarding:

- The Paris alignment of infrastructure investments.
- Intermediated financing activities and counterparts.
- The focus on adaptation.
- The need for a just transition to a green economy.

5. For more information, please refer to the EIB Public Consultation Hub.

The multilateral development banks' Paris alignment framework

Multilateral development banks (MDBs) have worked closely to develop a common approach to aligning their activities with the goals of the Paris Agreement. The Climate Bank Roadmap is built on this multilateral development bank framework.

The multilateral development banks' Paris alignment framework is based on six building blocks (see Figure 4 below) around which specific strategies for alignment can be developed[6]. This framework is holistic: it goes beyond new financing commitments to address all aspects of the MDBs' operations, mindful of their role in setting norms and good practices. This approach has been referred to by the Group of 20 (G20) and the European Council in the lead-up to the United Nations climate conference in Madrid (COP25), and ambitious progress on the MDB joint work is being called for by EU climate ambassadors.

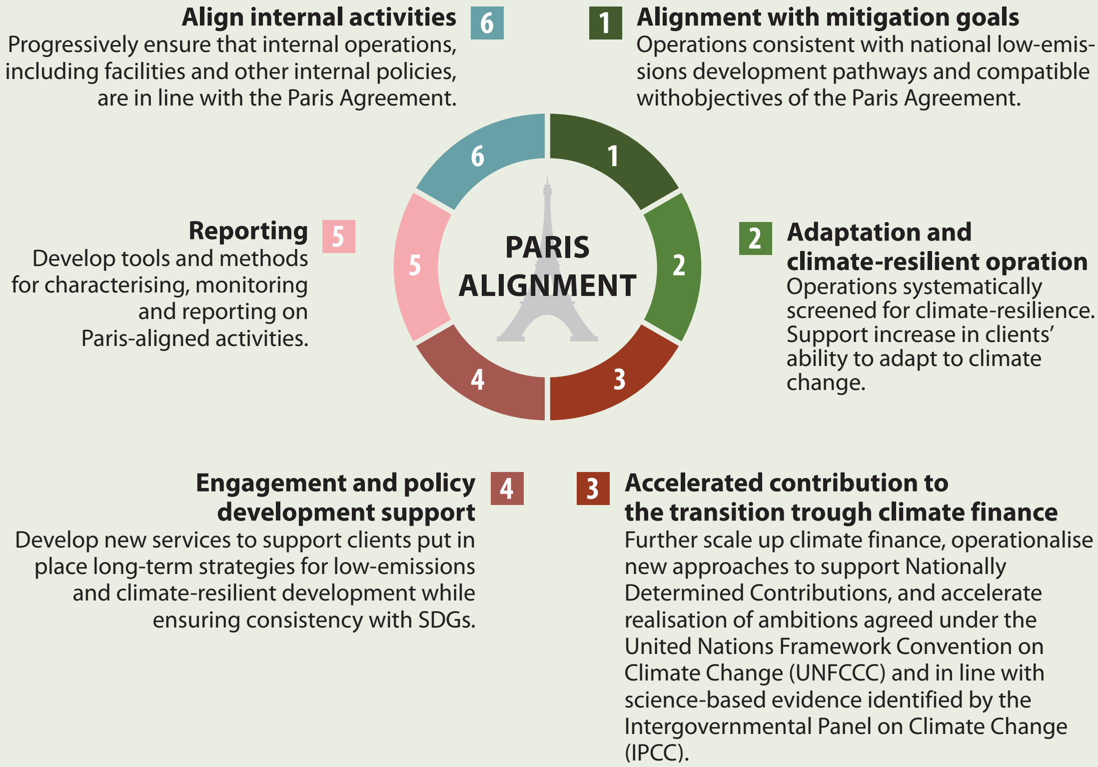


Figure 4: The multilateral development banks' Paris alignment framework

The Climate Bank Roadmap is firmly built on this framework, covering all six building blocks[7], and provides a first, comprehensive example of its application. However, the EIB Group's approach must be commensurate with its role as the EU climate bank and in line with EU policy, including relevant elements of the EU Taxonomy. In some cases, this requires going a step further[8] than the multilateral development banks' common approach.

6. For more details on this, please see the MDBs' declaration on their joint framework for aligning their activities with the goals of the Paris Agreement.
7. For a mapping of the six building blocks of the MDB Paris alignment framework with the workstreams of the Climate Bank Roadmap, please see Table 1.1 in Chapter 1 of the EIB Group Climate Bank Roadmap.
8. As stated in the 2018 joint declaration on the MDB framework, the building blocks serve as the basis for a joint MDB approach towards alignment with the objectives of the Paris Agreement, while fully acknowledging each MDB's mandate, capability and operational model. Accordingly, differentiated ways and timing of implementation are possible within robust common principles, framework, criteria and timeline.

The operational plan provided by the Climate Bank Roadmap is structured around four key workstreams:

- **Accelerate the transition to a low-carbon, climate-resilient and environmentally sustainable economy** by investing and mobilising significant volumes of green finance in line with the goals of the Paris Agreement to support achievement of the following targets:
    - Gradually increase the share of the EIB's annual financing dedicated to climate action and environmental sustainability to at least 50% by 2025 and beyond.
    - Support €1 trillion of investment in climate action and environmental sustainability between 2021 and 2030 at Group level.

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

- **Align all financing activities with the principles and goals of the Paris Agreement** from 2021.

- **Build strategic coherence and accountability** ensuring a coherent EIB Group approach across its policy framework, its transparency, accountability and quality assurance processes and related institutional support.

The Group's climate bank commitments were thus operationalised through the Climate Strategy and Climate Bank Roadmap, and ultimately inform the business development targets presented in the Group Operational Plan 2023-2025 and EIF's Operational Plan 2023-2025.

For instance, the commitment to have at least 50% of the Bank's overall annual financing activity supporting climate action and environmental sustainability by 2025 has led the Bank to increase its focus on green business, including renewable energy, energy efficiency, electricity networks, deployment of electric vehicle charging infrastructure, and green innovation and breakthrough technologies. More climate windows are also being developed for EIB operations targeting small and medium enterprises and mid-caps through intermediated and framework loans, guarantee products, green securitisations and alignment with national green guarantee schemes.

The first dedicated EIB Climate Adaptation Plan, published in October 2021, builds on the Group approach to climate adaptation and resilience outlined in the Climate Bank Roadmap and establishes the additional target of growing the share of the EIB's climate action for adaptation to 15% of its overall climate finance by 2025. The plan further aims to increase the Bank's support for vulnerable countries and communities, and also provide more access to advisory services and technical assistance to build greater resilience capacity in both the public and private sectors. Through this initiative, the EIB endorses the EU Adaptation Strategy for smarter, faster and more systemic adaptation within and outside the European Union.

In addition to the Bank's ambitions, the EIF also plays a significant role in supporting the green transition. Climate action and environmental sustainability (CA&ES) is one of the EIF's key policy goals over the 2023-2025 planning period across all its product families, including through increased REPowerEU[9] support under its Risk Capital Resources and Infrastructure & Climate Funds mandates managed on behalf of the EIB, and the InvestEU mandate managed on behalf of the European Commission.

Furthermore, the EIF has developed a climate business development plan in contribution to the Climate Bank Roadmap. In this context, the EIF has raised its 2022-2024 climate action and environmental sustainability commitment targets based on its assessment of future funding resources targeting green finance. The targets are set at 16% of funding in 2022, 22% in 2023 and 25% in 2024. Investments will focus on climate and infrastructure equity funds, equity for climate and environmental technologies and debt funding for small enterprises and individuals through risk-sharing portfolio guarantee and securitisation products.

9. For more details about the EIB's support for REPowerEU, please see the box on page 18.

Operationalisation of the EU climate bank commitments

The EIB Group Climate Bank Roadmap provides a robust and comprehensive operational framework for the delivery of its climate action and environmental sustainability commitments in the period 2021 to 2025 across the four core workstreams presented in Figure 5 below[10].

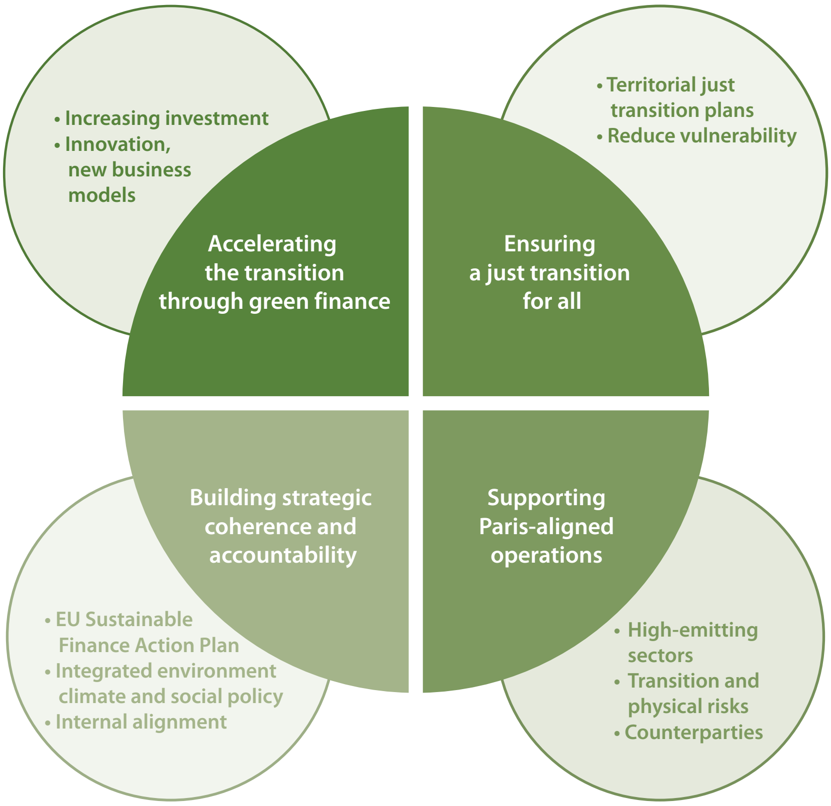


Figure 5: Main workstream of the Climate Bank Roadmap

Accelerating the transition through green finance

The Group continues to develop a range of tools to support the focus areas identified under the European Green Deal presented in Figure 5, such as the deployment of large volumes of loan finance, development of new and innovative products and provision of advisory support, as outlined in more detail in the Climate Bank Roadmap itself.

In terms of loan finance, the EIB is stepping up efforts to support investment in areas that require large volumes of long-term and low-cost capital, such as public transport, renewable energy generation, the deployment of low-carbon technologies by industry, and power transmission.

10. Further information on delivery in respect of the Climate Bank Roadmap during 2022 can be found in the EIB Group 2022 Climate Bank Roadmap Progress Report.

As for **innovative instruments**, the EIB is increasing the impact of its funding activity to support emerging low-carbon technologies conducive to sectoral decarbonisation pathways (for instance, by supporting investment in the battery ecosystem and further development of new technologies in the renewable sector or in carbon capture and storage). Given the breadth and scale of the EU climate bank's ambition, the Bank is also enhancing its product offering to generate increasing volumes of green funding and deliver additionality. Some of these are blending instruments, combining grant and loan finance to improve financing conditions (optimised allocation of risk and/or reduced cost of capital). These products include equity funds, layered risk funds and funds of funds. In addition, the EIB has developed joint instruments with the European Commission and other donors, for example in the area of energy efficiency or for conservation of natural capital and adaptation measures.

Moreover, **advisory services** can add value across the whole project cycle or to different types of financial intermediaries, contributing to the Group's climate-related objectives. From helping counterparts identify, develop and prepare viable investment projects or develop decarbonisation and climate-resilience plans for meeting Paris alignment goals, or guiding financial intermediaries in the origination and monitoring of EIB intermediated green loans, to supporting the development of new or enhanced green financing products, advisory services are integrated in the Bank's funding activities and help mobilise green investments. Through its advisory activities, the Bank, in cooperation with the EIF, nurtures markets for innovative clean technologies to scale up their deployment.

The InvestEU Advisory Hub

Under the InvestEU Advisory Hub launched in 2022, the EIB Group is the main advisory partner to the European Commission. The Hub plays a key role in achieving the Group's strategic objectives in support of EU priorities on climate action and environmental sustainability by acting as the only entry point for project promoters and financial intermediaries seeking advisory support, capacity building, and technical assistance related to centrally managed EU investment funds.

The flagship advisory programme, the Green Gateway, assists EIB financial intermediaries in their implementation of EIB intermediated finance products. It helps financial institutions assess and report on the green eligibility and green impact of the projects being financed and offers essential guidance and case studies on green investment criteria. In October 2022, a version of the Green Gateway was launched, dedicated to supporting the EIF's financial intermediaries in the implementation of the InvestEU Sustainability Guarantee product.

Outside the European Union, the Green Gateway supports the scaling up of green investments through advisory services to central banks and supervisors on the one hand, and financial intermediaries on the other to promote climate-resilient financial systems that will ultimately support the deployment of investments related to climate action and environmental sustainability.

As part of its Climate Adaptation Plan, the EIB also developed the ADAPT advisory platform in 2022. Recognising that investments in adaptation may face many barriers, including market failures, uncertainty of revenue streams, information asymmetries and exposure to unfamiliar risks, this platform provides technical and financial advisory services to project promoters to improve the quality and maturity of adaptation investment projects, deploying complementary resources under EU advisory mandates such as the InvestEU Advisory Hub and the Joint Assistance to Support Projects in European Regions (JASPERS) initiative.

On the **funding side**, being the largest MDB issuer of green and sustainability bonds with dedicated use of proceeds, the EIB aims at playing a leading role in further supporting the growth and quality of the green bond market.

The EIB issues **Climate Awareness Bonds (CAB)**, allocated to projects that contribute substantially to climate change mitigation, and **Sustainability Awareness Bonds (SAB)**, allocated to projects that contribute substantially to further environmental and social sustainability objectives.

The EIB is taking steps to align its tracking methodology for green finance with the evolving EU sustainable finance taxonomy framework being established by the Taxonomy Regulation[11]. These steps on the lending side are being gradually reflected to capital markets with the progressive extension of the Climate Awareness Bonds and the Sustainability Awareness Bonds eligibilities, as illustrated by the latest CAB and SAB Frameworks[12,13]. CABs and SABs are gradually being aligned with the provisions of the upcoming EU Green Bond Standard, which requires the alignment of the use of proceeds with the EU Taxonomy.

These frameworks are audited with Reasonable Assurance (ISAE 3000), the highest level of assurance provided by auditors in the green bond market. The CAB and SAB Frameworks are also likely to be the only reports on the gradual alignment with the EU Taxonomy to be audited with Reasonable Assurance.

Ensuring a just transition for all

The EIB Group's approach to just transition established in the Climate Bank Roadmap aims to ensure that no people or places are left behind in the transition to low-carbon and climate-resilient societies. In 2022 the EIB Group published its Comprehensive proposal in support of the Just Transition Mechanism, a key element of the Sustainable Europe Investment Plan assisting EU regions most affected by the transition challenge. Throughout 2022, the Group also tracked progress and engaged with authorities developing their territorial just transition plans.

Recognising how climate change, climate action, and social and economic development are intrinsically linked in various complex ways across the globe, the Climate Bank Roadmap sets out the ambition in this regard with a focus on gender equality, conflict and fragility, climate-induced migration and forced displacement and a just transition globally.

To this end, in 2022 8% of signed EIB climate action and environmental sustainability finance projects also contributed significantly to advancing gender equality and women's economic empowerment. During 2022, the EIB financed investments supporting women entrepreneurs in the climate and environment space and projects that expand women's access to renewable energy services and low-carbon mobility options, strengthen rural women and female farmers' adaptive capacity, and enhance women's access to climate-resilient water, health and urban infrastructure services.

In 2022, the EIB also published a new Strategic Approach to Fragility and Conflict, which strengthens the rationale for addressing climate-security risks through climate action investments in fragile and conflict-affected contexts. During 2022 EIB Global supported two important climate action projects in fragile contexts enhancing low-carbon and climate resilient energy and mobility infrastructure, for a total EIB lending volume of over € 158 million.

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

12. CAB Framework 2021 (eib.org)

13. SAB Framework 2021 (eib.org)

Building on its 2021 cooperation with other multilateral development banks on just transition outside the European Union, culminating in the publication of the MDB Just Transition High-Level Principles at COP26, the EIB worked intensively during 2022 to prepare its own approach to a just transition globally. After a series of internal and external stakeholder workshops, the EIB published Exploring an EIB Approach to Just Transition Globally at COP27. The paper outlines a proposed approach promoting both just transition in response to climate mitigation policies and just resilience to address the socioeconomic impact of climate change and adaptation-related policies.

Supporting Paris-aligned operations

Under the comprehensive alignment framework presented in the Climate Bank Roadmap and subsequent developments, the EIB Group committed to aligning new financing, advisory and treasury operations with both the temperature and resilience goals of the Paris Agreement from 2021.

It is important to note that the EIB commitment to Paris alignment of all financing activities does not include a specific commitment to greenhouse gas emission or climate risk reduction of its existing portfolio. The approach adopted, in line with the wider six building blocks of the multilateral development bank Paris alignment framework, involves a focus on ensuring the Paris alignment of new operations whilst identifying and, as a further step, managing climate risks in its existing portfolio.

The alignment framework, described in detail in the Risk Management section of this report, is applied at both investment projects and counterparties levels.

At investment projects level, the alignment framework ensures that the EIB only supports projects which are aligned to a pathway to low-carbon and climate-resilient development. It is underpinned by detailed climate-related due diligence of proposed investment projects to support the financing decision, identifying risks, key mechanisms to mitigate the risk and assessing the overall residual risk. New projects with high transition risks are in effect excluded by the Bank's low-carbon framework (the Climate Bank Roadmap, EIB eligibility, excluded activities and excluded sectors list, sectoral policies, shadow cost of carbon), while those with high physical risks are screened by a Climate Risk Assessment (CRA) system, providing a basis to improve a project's resilience to future climate change. This is a core safeguard to manage climate-related risks.

At counterparty level, the EIB Group applies its Paris Alignment for Counterparties (PATH) framework. The main goal of this framework is to engage with and support counterparties that are aligned or willing to align with the Paris Agreement, while ensuring that the Group does not finance new operations (save for some limited exceptions set out in the PATH framework) of organisations that are active in incompatible activities (such as coal mining, high-carbon oil production and others).

REPowerEU

The EIB Group will support the REPowerEU Plan with an additional €30 billion in loans and equity financing over the next five years.

The REPowerEU Plan aims at transforming Europe's energy system: ending EU dependence on Russian fossil fuels before 2030 and tackling the climate crisis. In that respect, a temporary and exceptional extension of the exemption to the EIB Group's PATH framework was introduced.

The existing exemption allowed the Bank to work with companies involved in incompatible activities such as oil and gas, albeit only in the context of demonstration projects and early commercial deployment of low-carbon technologies with excellent innovation content. The temporary and exceptional exemption, currently running until 31 December 2027 (subject to a Climate Bank Roadmap review scheduled for 2025) is covering support for renewable energy projects and electric vehicle charging infrastructure inside the European Union. This will allow the EIB to finance a greater number of clean energy projects with a wider range of clients and utility companies contributing to the European Union's climate objectives and energy security.

Over this period of the exemption, the EIB will continue to engage with clients to support them in developing decarbonisation plans.

Building strategic coherence and accountability

To deliver on the three workstreams above, the EIB Group is developing a coherent policy approach supporting sustainable finance. This approach ensures robust and timely delivery of all Paris alignment activities, and allows for monitoring, learning and improving. It is based on three cross-cutting aspects.

First, the EIB Group ensures that its climate-related activities are progressively aligned with wider policy developments. This is illustrated by the revision in 2022 of both the EIB Environmental and Social Sustainability Framework, which now includes a standard dedicated to financial intermediaries, and the EIF Environmental, Social and Governance Principles[14]. The ongoing integration of relevant elements of the EU Taxonomy and climate-related disclosures are other areas of work.

Second, the EIB Group is improving its climate, environmental and social risk management tools to harmonise its approaches with other international financial institutions (IFIs) and the European Union, develop systems to track progress in delivery of its commitments, and report regularly on both Climate Bank Roadmap delivery and more broadly on its activities relating to climate action and environmental sustainability.

Third, the EIB Group is implementing "institutional support" initiatives to complement and bolster its delivery of the Climate Bank Roadmap objectives. This entails aligning its operations with the goals and principles of the Paris Agreement by reducing its own carbon footprint[15], sharing knowledge and experience as well as promoting transparency by engaging with strategic partners as illustrated on the next page, and enhancing the management of its human resources needed to achieve its increased climate action and environmental sustainability ambitions.

14. More details can be found in the Risk Management Section of this report.
15. Please refer to the EIB 2022 Carbon Footprint Report.

Main international and institutional initiatives

The EIB and the EIF are appointed members of the Platform on Sustainable Finance, an advisory body that provides recommendations to the European Commission on the implementation and usability of the EU Taxonomy and the sustainable finance framework more broadly.

Since 2019, the EIB has been an observer at the International Platform on Sustainable Finance (IPSF), a forum for dialogue between policymakers, with the overall aim of increasing the amount of private capital being invested in environmentally sustainable investments.

The European Financial Reporting Advisory Group (EFRAG) is the association in charge of setting the European Sustainability Reporting Standards (ESRS) required under the Corporate Sustainability Reporting Directive (CSRD). The EIB is an observer at EFRAG's Sustainability Reporting Board (SRB) and its Technical Expert Group (TEG).

The EIB is an observer at the Network for Greening the Financial System (NGFS), a network of central banks and financial supervisors that aims to accelerate the scaling up of green finance. The EIB is represented in the NGFS Plenary and its different working groups aimed at developing recommendations and guidance for environment and climate risk management in the financial sector, regularly updating the NGFS climate scenarios, and mobilising mainstream finance to support the transition towards a sustainable economy.

In 2021 and following long-time engagement with CDP, the EIB Group joined the CDP Investor Signatories Initiative with the objective of reinforcing the outreach of CDP campaigns including its Science-Based Targets Campaign and its reporting platform for local governments and cities.

Since October 2020, the EIF is a signatory to the Principles for Responsible Investment (PRI), a United Nations-supported network.

The EIB Group is a Gold Community Member of the Global Reporting Initiative (GRI) and has been applying the GRI's standards since 2007.

Since 2021, the EIB Group has been a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and publishes an annual report in line with these recommendations.

Since 2018 (first report in 2020), the EIB has been publishing sustainability disclosures in accordance with the Sustainability Accounting Standards Board (SASB) Framework.

Since 2018, the EIB Group has implemented an Environmental Management System in accordance with the European Eco-Management and Audit Scheme (EMAS), a voluntary environmental management instrument developed by the European Commission for organisations to evaluate, report and improve their environmental performance.

C. EIB Group's approach to climate-related risks at portfolio level

Defining climate-related risks: The Group uses the classification provided by the European Commission in its Non-Financial Reporting Directive, which complements the TCFD's definition.

Physical risks	**Acute physical risks**, which arise from specific weather-related events such as storms, floods, wildfires or heatwaves. These extreme weather events may damage production facilities and disrupt value chains. **Chronic physical risks**, which arise from longer-term changes in the climate, such as temperature changes, rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity. Physical risks cause damages to assets and disrupt operations and supply chains
Transition risks	**Policy risk** results from policy and regulatory actions seeking to limit global warming or promote adaptation to climate change. **Legal risk** stems from climate-related litigation claims as organisations fail to mitigate impacts of climate change, to adapt to climate change or to provide sufficient disclosure around material financial risks **Technology risk** arises from new technologies making old systems prematurely obsolete, thus having a disruptive impact **Market risk** is caused by supply and demand shifts for certain commodities, products and services taking into account climate considerations **Reputational risk** comes from changing perceptions of an organisation's impact on climate.

Figure 6: Definitions of climate-related risks, as provided by the European Commission

The EIB Group's overall exposure to climate risks in the context of traditional banking risk categories

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

Across these time horizons, climate change may affect, to different degrees, the various traditional banking risk categories that the Group is exposed to. As shown in Table 1, credit risk is considered to be one of the risk categories most affected by climate change.

Risk type	Impact from climate risk	Time frame *	Level of impact	EIB Group's exposure
Credit risk	Stranded assets	M L		Historically, the Group has had stronger restrictions related to fossil fuel financing than the market. It no longer supports energy projects that rely on unabated fossil fuels. Nevertheless, the clients supported in their decarbonisation efforts may be exposed to transition risk through parts of their business that the Group does not finance. This risk is assessed at appraisal stage.
	Changing customer behaviours	S M L		This risk could affect the Group's clients in high-emitting sectors subject to changing consumption patterns (automotive, food industry, etc.).
	Business interruptions or damaged assets	S M L		Although the Group assesses the climate resilience of its operations and counterparties, the unpredictable nature of physical climate events means that the risk cannot be entirely avoided.
Market risk	Sudden demand and supply shifts for financial instruments (due to altering investor preferences)	M L		Interest rate and foreign exchange risks can be mitigated through hedging. Treasury assets can be liquidated more easily that loans and investments. EIB Treasury integrates environmental aspects in the decision-making process for long-term investments. In 2021, a dedicated methodology adapted to financial markets was developed under the principles of the EIB Group PATH framework, reducing exposure to climate risk.
Liquidity risk	Missing cash inflows from clients (credit risk). Reduction in the market value of liquid assets (market risk). Decrease in the liquidity of treasury assets (market risk supply and demand). Increase in refinancing/ funding risk.	S M L		The Group has a conservative risk management approach combined with ambitious climate policies and its financing relies significantly on climate awareness bonds, which are earmarked for climate action.
Operational risk	Disruption of the Group's operations, either directly or through the operations of its suppliers.	L		Strong safeguards and business continuity measures are in place.
Reputational risk	The Group's failure to live up to its climate action and environmental sustainability commitments may result in a negative perception by its external stakeholders.	S M		The Group is developing the necessary processes and tools to deliver on its objectives. Progress under the Climate Bank Roadmap is regularly monitored, in order to take rapid action in case the performance is not in line with the objectives. In spite of its thorough due diligence, the risk of greenwashing by clients cannot be totally avoided. Nonetheless, it is expected that increased regulatory standards and scrutiny in that field will make greenwashing much more difficult going forward.

* S: short term; M: medium term, L: long term

Table 1: Types of risk across different time horizons

EIB Group's exposure to physical and transition risks

From the credit risk perspective, the EIB Group has analysed its portfolio's credit exposure to transition and physical risks based on the output of the internally developed climate risk screening tool that will be presented in more detail in the Risk Management section of this report.

The tool scores the physical and transition risk of counterparties on a scale of one (low risk) to five (high risk). In 2022, the Group achieved a coverage of application of the tool of approximately 90% of its exposure.

Figure 7 below shows the overall exposure of the Group portfolio to climate risks at year-end. The scores are grouped in three equal intervals — low, medium and high climate risk.

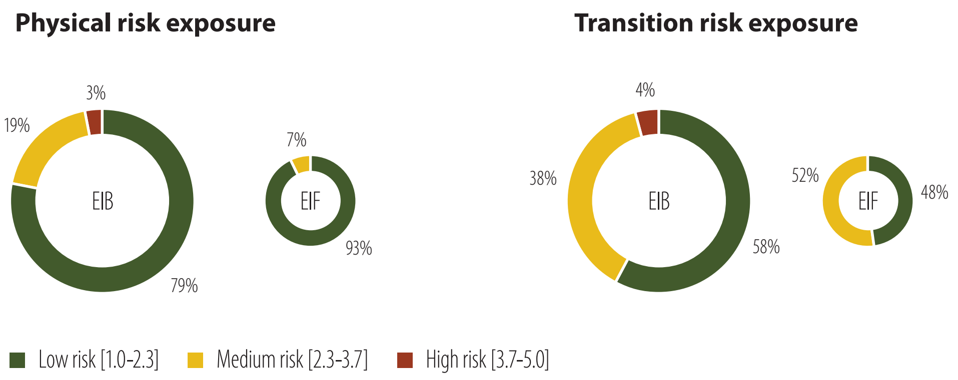


Figure 7: EIB and EIF exposure to climate risk

In a horizon of five to ten years — as considered by the screening tool — the Group's counterparties are considered to have a limited exposure to physical risks. Exposure to transition risk is higher due to the traditional focus of the Bank on energy and infrastructure activities, as reflected by the much higher share of exposure with medium risk. Exposure to these sectors will remain high as its role as the climate bank is to support the decarbonisation of critical industries. Under the PATH framework, the Bank nevertheless ensures that its corporate counterparties, which are in scope, have transition plans in place or requires that such counterparties develop and publish decarbonisation or resilience plans, which mitigate the risk.

Deep dive into the EIB Group's exposure to physical and transition risks

With respect to climate risks, the EIB Group has analysed its portfolio's credit exposure to transition and physical risks as at year-end 2022 based on the output of the climate risk screening tool briefly introduced above[16].

16. A detailed presentation of the climate risk screening tool is available on page 30 of this report.

Physical risk

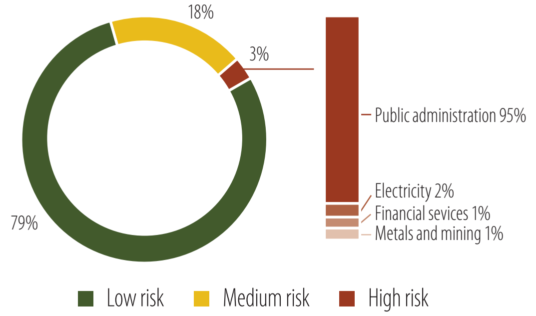


Figure 8: The Group's exposure to physical risk and high risk distribution by sector

Overall, the Group's exposure to physical risk is relatively low. In fact, in the short to medium term, physical risk is expected to have a low material impact on the Group's risk profile. However, this risk is significant in the long term. Most of the Group's high physical risk exposure is concentrated in the public administration. This is explained by the fact that the public administration sector financing includes specific sectors highly at risk from climate change, and reflects the physical risk of countries outside the European Union, which tends to be higher. There was an increase in the overall exposure to high risk versus the previous year where the exposure was 1%. This was largely due to an update of the regional scores which feed into the model, and these scores were increased for a number of countries.

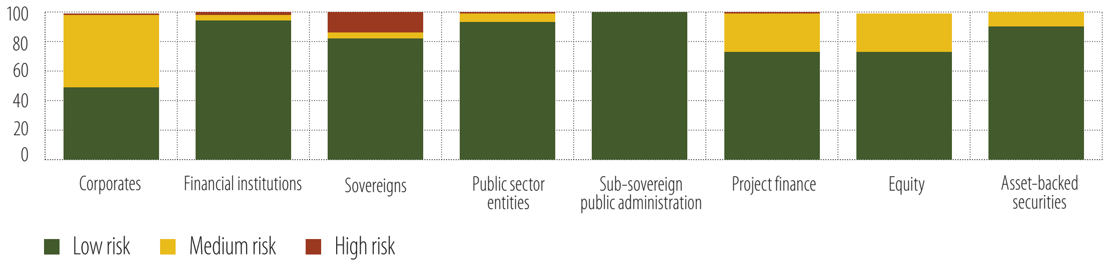


Figure 9: The Group's exposure to physical risk by credit segment

The high proportion of low risk for sub-sovereigns is linked to the fact that European countries (to which the Group is highly exposed) generally have a high capacity to mitigate physical risk. There is more high risk exposure in the sovereigns credit segment due to a change of assessment of a number of countries. However, the change was not significant — the score was borderline and has now moved to the higher risk category. The corporate credit segment is more exposed to medium risk due to exposure to agriculture and infrastructure sectors like regulated networks, transportation and electricity, which are vulnerable to the physical effects of climate change.

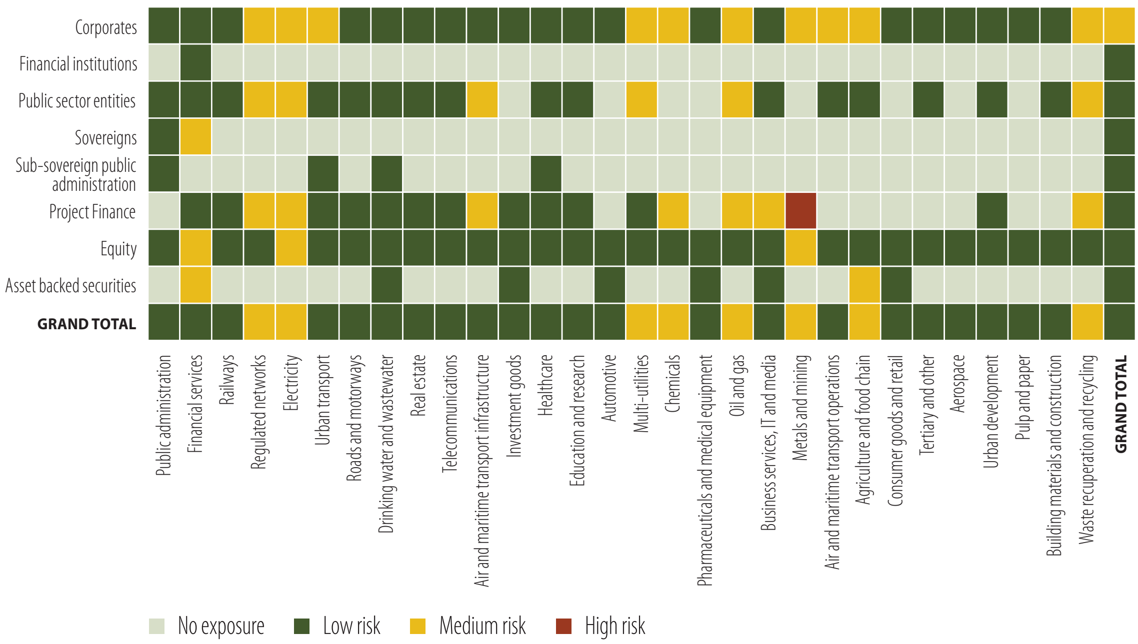


Figure 10: Physical risk — credit segment vs. economic sector (average weighted score)

Transition risk

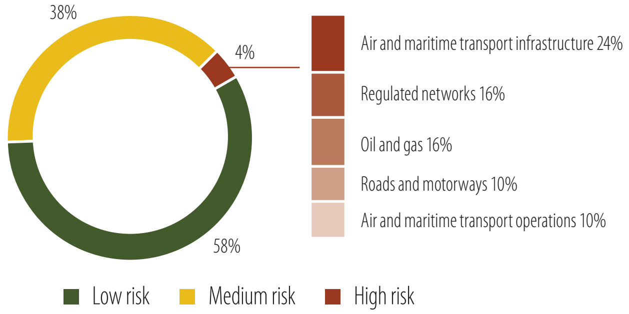


Figure 11: The Group's exposure to transition risk and high risk distribution by sector

In the short to medium term, the Group's portfolio will be more sensitive to transition risk. The distribution of high risk exposure by sector shows that most of it is concentrated in the air and maritime transport infrastructure and operations, oil and gas, and roads and motorways. The Group's exposure to the oil and gas sector comes mostly from the legacy portfolio considering that its energy policy became stricter in 2019. The medium risk exposure is concentrated in the corporate and financial services sectors. As financial services are exposed to multiple sectors, they reflect the average economic risk.

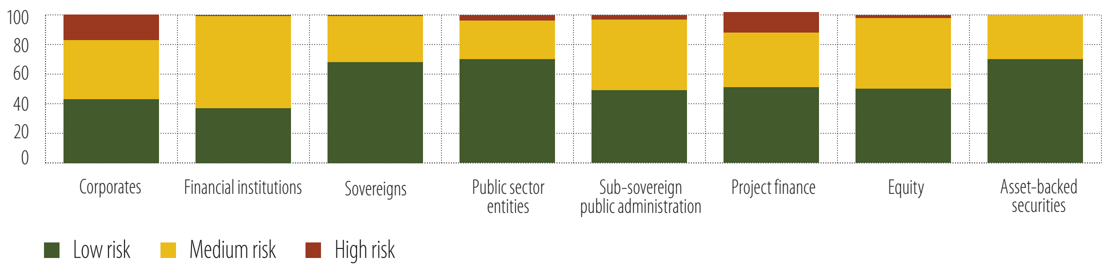


Figure 12: The Group's exposure to transition risk by credit segment

Financial institutions are generally exposed to the overall economy, and therefore reflect the average transition risk. The predominant medium risk of sub-sovereigns is linked to the overall average transition risk of the geographies the Group is exposed to. The high risk for project finance is mainly linked to exposures to legacy projects in mining, and gas infrastructure. In the corporate credit segment the high risk exposure is spread across multiple sectors although the largest exposures are in the regulated networks, transportation, oil and gas and electricity sectors.

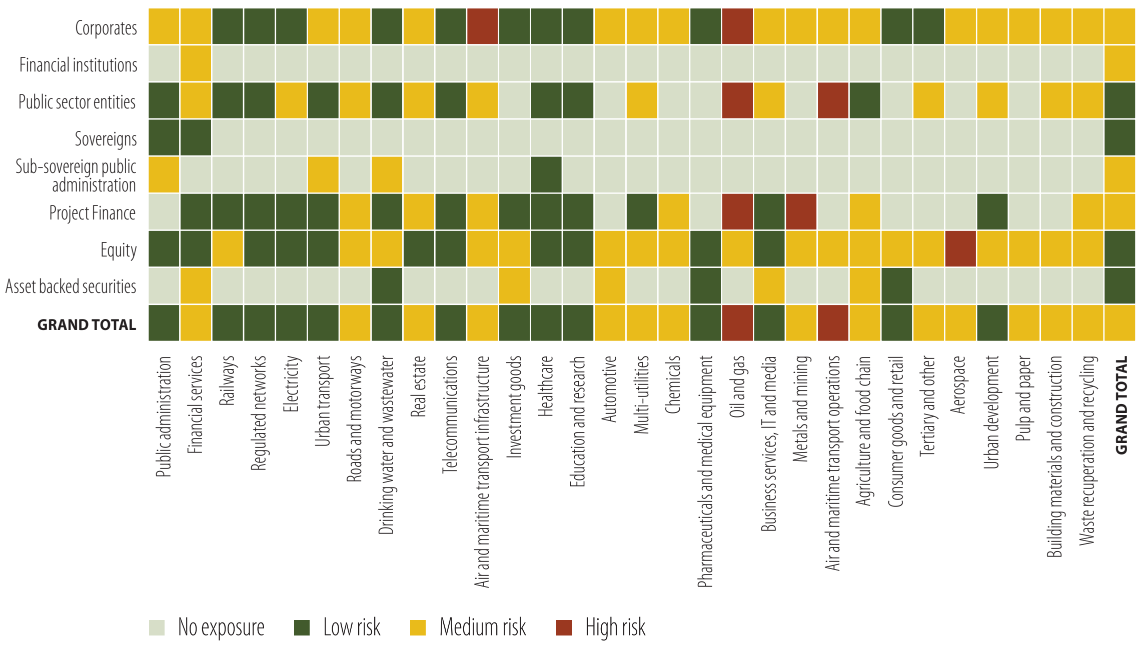
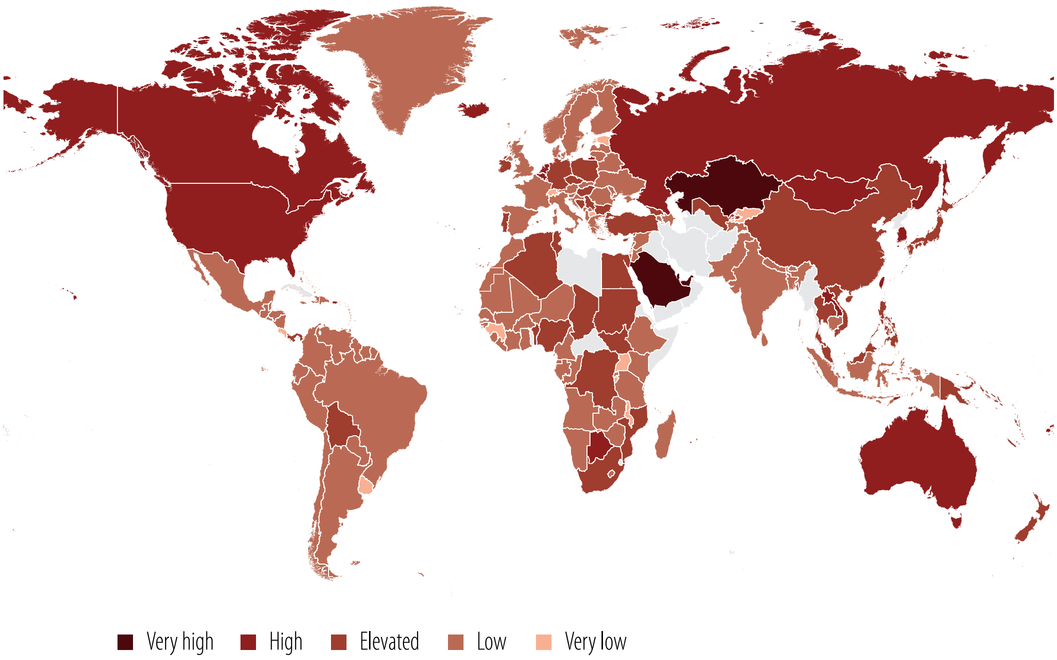


Figure 13: Transition risk — credit segment vs. economic sector (average weighted score)

Assessing transition and physical risk at country level

Alongside the climate risk screening tool (and feeding into it), in 2020 the Group developed an in-house model to assess the vulnerability of over 180 countries to physical risk and transition risk[17].



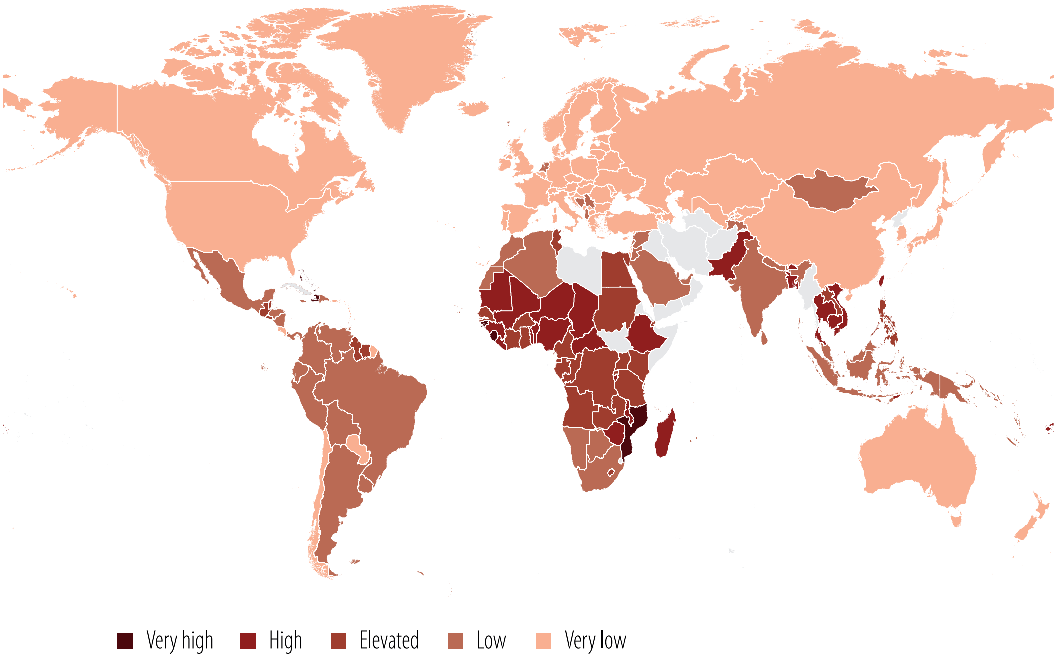


Figure 14: Maps displaying country climate transition risk scores (top) and physical risk scores (bottom). An average score was used for the 27 EU Member States (source: EIB Economics Department)

17. More information can be found in EIB Working Paper 2021/03 — Assessing climate change risks at the country level: the EIB scoring model. Please note that the model was updated in 2022.

The two maps representing physical and transition risks, respectively, show that there are stark differences across countries and regions, as well as a clear ranking trend. Caribbean and Pacific countries face very high physical risks, while Bahrain, the United Arab Emirates, Saudi Arabia, Qatar, Kazakhstan and Trinidad and Tobago face higher transition risks.

Generally, poorer countries are more exposed to physical risks due to lower financial capacity to take adaptation measures or respond to shocks, whereas developed and fossil fuel producing countries are more exposed to transition risks. However, specific sectors can be at high risk of transition or physical risk in whichever country they are located.

D. The resilience of the EIB Group's strategic approach

The Group's strategic approach to climate-related risks and opportunities as described so far has resilience inbuilt at its core.

Being policy-driven, the Group has specific policies that make it less exposed to some particularly risky sectors such as energy or transport[18], and it has strong mitigants in place against both physical and transition risks.

At the heart of this is the alignment of all its new financing activities with low-carbon and climate-resilient pathways. This has been illustrated by the Group's commitment to align its new operations with the objectives of the Paris Agreement as previously described.

The Group's resilience to climate impact is also supported by its focus on sound operations, as illustrated by the Bank's Adaptation Plan, as well as by the use of the low-carbon framework[19], the climate risk assessment tool and the PATH framework mentioned before and presented in more detail in the Risk Management section of this report.

The Group's resilience to climate impact is monitored in various ways. For instance, climate sensitivity analyses were initiated in 2020, and further refined in 2021, testing the resilience of the Bank's loan portfolio to physical and transition risks, using the output from the screening tool.

In 2022, the EIB replicated internally the European Central Bank (ECB) climate risk stress test, albeit with some adaptations to reflect the specific nature of the institution. The replication of this exercise enabled the EIB to test its capability and capacity to perform supervisory climate stress tests and showed that the Bank's climate risk framework development is broadly in line with commercial banks. The Bank is currently furthering the development of the necessary modelling approaches to conduct climate-related stress testing on a regular basis.

Furthermore, both the sensitivity analyses and the replication of the 2022 climate risk stress test have shown that the EIB Group balance sheet is resilient even to severe climate risk scenarios, with an impact on the Group risk metrics that appears to be moderate overall. However, the EIB will continue to closely and proactively manage climate-related risks in its portfolio as these risks may become material in the longer term if corporations fail to accomplish their climate transition.

18. See page 28-29 of this report.
19. The exclusion of incompatible activities together with the application of the shadow cost of carbon are the main elements of a low-carbon framework applied at project level. More details are provided in the next section of this report.

RISK MANAGEMENT

As a provider of long-term financing, the EIB Group is exposed to potential climate risk-related financial impacts. As an AAA-rated entity and in its capacity as the EU climate bank, the Group is fully committed to establishing a comprehensive and prudent climate risk management framework in line with prevailing regulatory requirements and best banking and market practices.

The EIB and best banking practice

In line with its Statute, the EIB is neither subject to requirements for an authorisation nor supervised by any external supervisory banking authority. The Bank is generally not subject to legislative acts and guidelines applicable to commercial banks and is not formally subject to the supervisory review and evaluation process.

However, reflecting its statutory duty to conform with best banking practice (BBP), the EIB aims to comply with relevant EU banking legislative acts and guidelines, to the extent determined by the competent governing bodies and in line with the BBP Guiding Principles. The Bank may adapt rules which are relevant to the Bank's activities but are incompatible with its specific features, taking into account the nature, policy mission, specific tasks and governance structure of the Bank.

The EIB Group has several standards, tools and processes that enable it to identify climate risk, both in the lending and financing origination phase but also in the monitoring phase. The Group applies these climate risk assessment tools and processes at several levels: the financed operation (project/transaction level) and the financed entity (counterparty level).

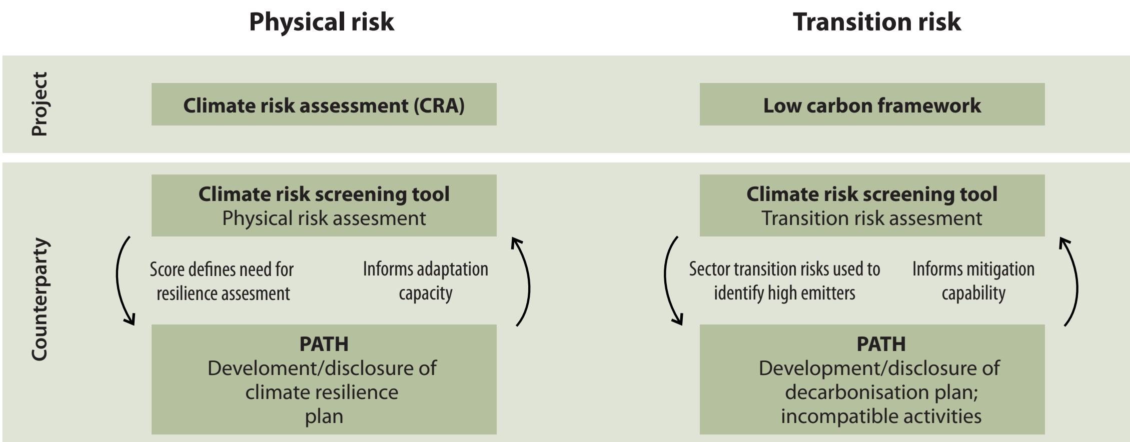


Figure 15: EIB Group climate risk assessment tools and processes at financed project and counterparty level

Through the Climate Bank Roadmap, the Group has committed to further develop these tools and processes and to embed the climate-risk related procedures and appetite in its overall risk management framework.

A. Assessing and managing climate-related risks at project level

Projects directly financed by the Bank go through an in-depth sustainability due diligence process. The climate-related assessment consists of several steps that form a low-carbon framework aimed at ensuring that the Bank only finances low-carbon projects. It is complemented by a climate risk assessment focusing on physical climate risk for the country and industry of an operation as illustrated in Figure 16.

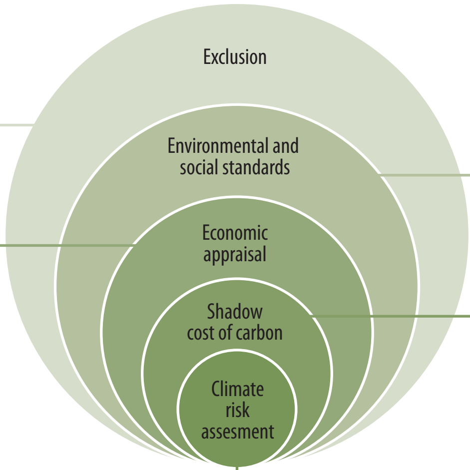
Exclusion of incompatible activities or sectors

The EIB supports sectors that make a significant contribution to sustainable growth in Europe and beyond (see overview of eligible sectors). Consequently, the Bank has exclusions in place for certain activities or sectors that are incompatible with the ethical, environmental and social principles of their public policy objectives. Annex 2 to the Climate Bank Roadmap further provides a high-level list of sectors supported and not supported by the EIB Group because of the alignment or lack thereof with its framework for alignment with the temperature goal of the Paris Agreement, respectively. 1

Implementation of environmental and social standards

The EIB applies a set of environmental and social standards, including climate-related ones, that must be met by potential projects in order to be eligible for its funding.
A new Environmental and Social Sustainability Framework (ESSF) was developed in 2021 following an extensive public consultation. It consists of:

- The EIB Group Environmental and Social Policy.
- The 11 EIB Environmental and Social Standards (including one specifically for climate change and a new standard dedicated to intermediated finance).
- The EIF Environmental, Social and Governance Principles.



Hidden costs to society are measured

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

Shadow cost of carbon is applied

The economic assessment enables the Bank to measure the costs and benefits generated by a project for society at large, taking into account the various resources used by the project (human, technological or natural). For greenhouse gas emissions, the EIB applies a shadow cost of carbon to assess the cost of saving or emitting a tonne of carbon. Based on this economic assessment, only projects that contribute positively to society are considered for EIB financing. 2

Climate risk assessment system for projects is applied

The climate risk assessment system aims at identifying and assessing the physical climate risks of our financed projects. The system helps us and our clients understand if and how the physical impact of climate change could affect a project's performance over its lifetime and whether appropriate adaptation measures have been taken into account. 3

Figure 16: Sustainability assessment steps at project level

1 In addition, the EIB also applies sector-specific policies that support the contribution of its investments to the green transition. With respect to the energy sector, the Bank took a big step forward in 2019 with its Energy Lending Policy, which effectively ended new financing for unabated fossil fuel energy projects. Similarly, in 2022 the EIB approved a new Transport Lending Policy for a safe, secure, accessible, green and efficient mobility system. Both policies were reviewed after extensive public consultation. The exclusion of incompatible activities together with the application of the shadow cost of carbon are the main elements of a low-carbon framework applied at project level.

2 The Bank has been using the shadow cost of carbon for projects that undergo an economic assessment since the 1990s. To align with the Paris Agreement, the EIB reviewed the latest modelling evidence and agreed to increase these values. As shown in the graph below, the shadow cost of emitting one tonne of carbon equivalent rises to €250 by 2030, and to €800 by 2050 (as measured in 2016 euros).

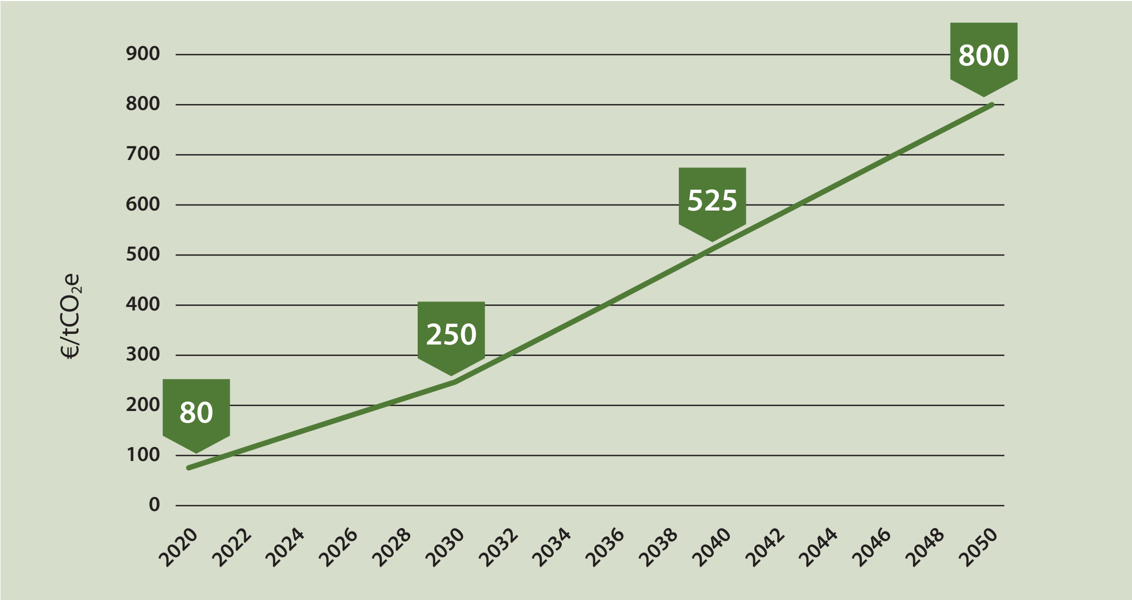


Figure 17: EIB shadow cost of carbon (in € per tCO_2e), as included in the Climate Bank Roadmap[20]

3 In 2019, the EIB introduced a climate risk assessment system. This system is a bespoke business process fully integrated within the EIB's technical due diligence. The climate risk assessment system starts with an automated initial screening based on conservative physical climate risk data for the country and industry of an operation. If the initial screening suggests a higher risk, the Bank performs a second screening using climate service tools based on climate projections and Geographic Information System data to identify vulnerabilities at the location of a project.

If, after the screening, the project is associated with potentially material physical climate risk, the EIB will engage with the client to obtain further information and may decide to ask its client to conduct a climate risk and vulnerability assessment and develop adaptation measures, where appropriate. In certain cases, the Bank can provide technical support for performing this assessment. At the end of the climate risk assessment process, the Bank estimates the residual physical climate risk level for each project. The assessment enables the EIB to monitor the portfolio of projects and improve the understanding of sector and geography-specific physical climate risks in its operations[21].

20. The EIB shadow cost of carbon is based on the estimated full cost to society of limiting the rise in global average temperature to 1.5°C above pre-industrial levels and helps to assess whether EIB financing is on track with this goal. This will be reviewed on an annual basis and the cost will be adjusted accordingly.

21. The metrics are available on pages 22 to 26 of this report.

The EIF approach to climate-related risk at operations level

The EIF applies restrictions to its operations for certain sectors and activities (EIF Restricted Sectors). These restrictions apply to activities that are considered incompatible with the ethical, environmental and social principles of the Fund's public mission and/or do not comply with the European Union's or EIB Group's policies. The restrictions are reflected in the Guidelines on the EIF Restricted Sectors.

The EIF ESG Principles describe the EIF's key policies and processes with respect to environmental, social, governance and climate elements, including public policy goals and restricted sectors and activities. The Principles guide the EIF's business across all products (except infra-funds). In relation to infrastructure equity funds operations, at transaction level, the EIB's Environmental and Social Standards apply to these operations and the EIF cooperates with EIB services in the due diligence and monitoring processes.

B. Assessing and managing climate-related risks at counterparty and portfolio levels

Climate Risk Screening Tool

In order to identify and quantify the exposure of the EIB Group's portfolio to climate risk, the Group developed a climate risk screening tool, which is applied at counterparty level, to consistently assess the exposure to physical and transition risk.

The output of the climate risk screening tool enables the Group to map and monitor climate risks across the portfolio, and it is used for reporting. In addition, the tool provides the basis for climate risk sensitivity analysis and stress testing, which helps the Group shape its climate risk management strategies.

The tool was developed for each of the EIB's main credit segments and for the EIF's equity and debt portfolios, and separately assesses the transition and physical risk of each counterparty.

The roll-out of the screening tool started in July 2020 across the Group's existing lending and investment portfolios. Since then, the tool's usage has expanded to the treasury and financial collateral portfolios.

The climate risk assessment is now performed for new counterparties at the appraisal stage and is updated on a yearly basis as part of the annual counterparty review process.

In 2023, the integration of the tool within the Group's IT platform will be finalised, and work on expanding the tool to wider environmental risks focusing first on biodiversity loss will start. Other developments of the tool will include the integration of internally-produced industry physical risk scores and externally-sourced climate data.

Methodology

The methodology captures the physical risk, transition risk and the mitigation/adaptation capacity of each counterparty, providing a climate score from one (low risk) to five (high risk). The scores are grouped in three levels: low, medium, and high climate risk. The screening tool follows a process illustrated in Figure 18 on the next page.

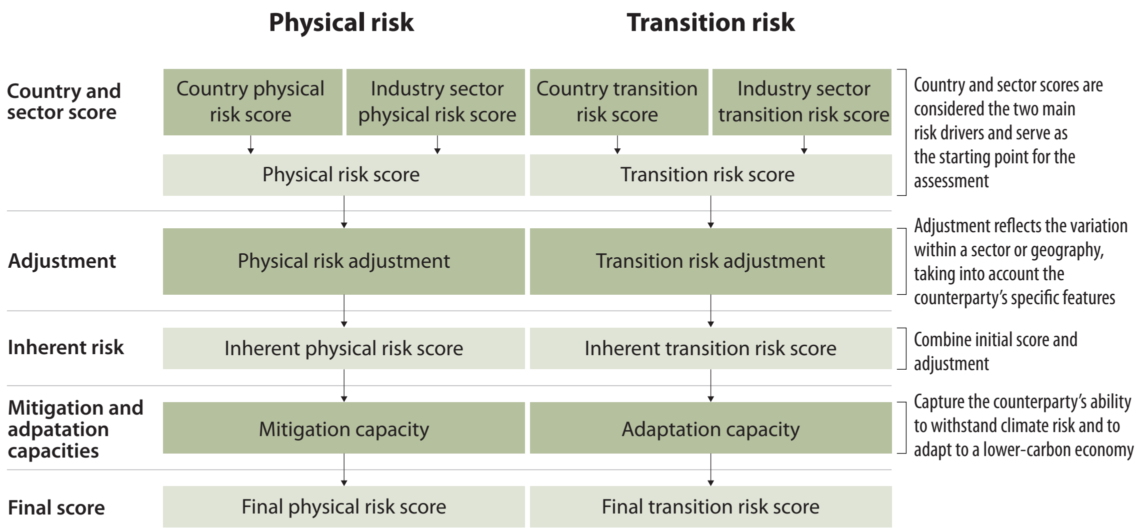


Figure 18: Overview of our climate risk screening tool for the corporate credit segment

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

The country physical and transition scores, as well as the industry transition scores, are developed in-house, based on the methodology described below.

Climate risk regional scores

Alongside the climate risk screening tool, in 2020 the Group developed an in-house model to assess the exposure of over 180 countries to physical risk and transition risk[22]. The model is the result of in-depth research by EIB economists and builds on the most recent literature, combining various publicly available data sources. The scores are updated on a yearly basis and are adjusted by country experts (overrides) if necessary. The resulting climate risk country scores are then used for sovereign counterparties as the final risk scores, and for other counterparties as the country anchor scores for the screening tool.

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

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

22. More information can be found in EIB Working Paper 2021/03 — Assessing climate change risks at the country level: the EIB scoring model. The model was updated in 2022.

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

To assess transition risk at country level, a composite indicator has been developed capturing the following:

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

- **Mitigation activities**, based on the deployment of renewables, the pursuit of energy efficiency policies and future climate action commitments.

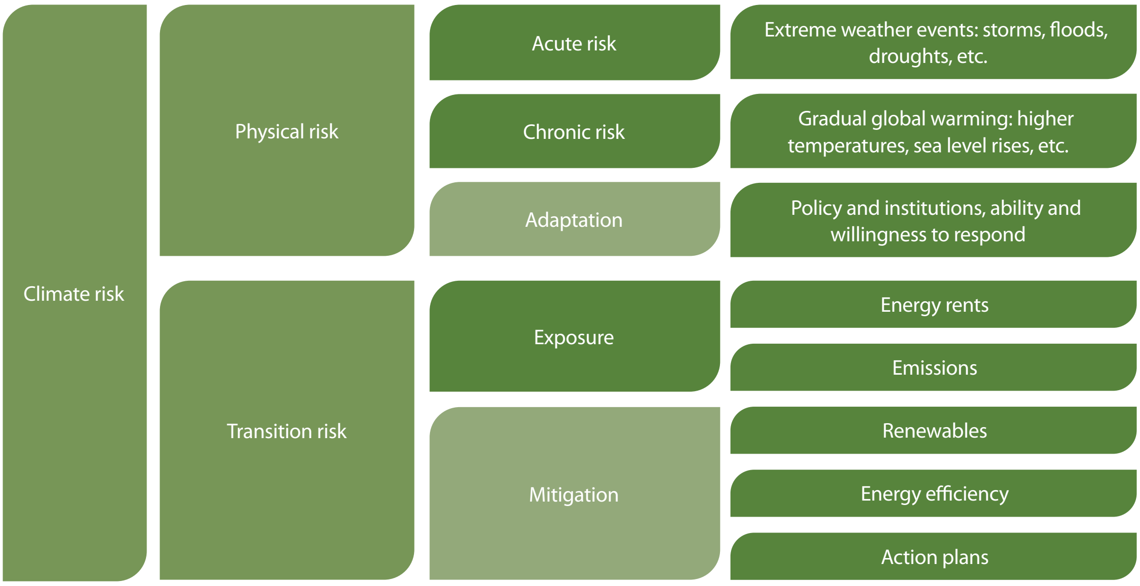


Figure 19: Climate risk country scores and underlying indicators

The model brings these indicators to a common scale (normalisation), allowing for partial compensation among each other, and selects the appropriate weights of the various climate risk dimensions based on the literature and econometric analysis.

Lastly, the assessment evaluates the current state and policy effectiveness of each country over the past five years in mitigating greenhouse gas (GHG) emissions and becoming less energy-intensive. It also evaluates its distance to the optimal global pathway to respect the objectives of the Paris Agreement.

Climate risk industry scores

In a similar manner, the Group has also developed a methodology to score industries according to their exposure to transition risk. The outcome of this exercise is presented in the Strategy section of this report.

This methodology uses the Bank's new risk sector classification, which includes 30 risk sectors and 65 subsectors. Within these subsectors, industry experts identified more granular industry segments that are exposed to the same transition risks.

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

The methodology is based on a mix of publicly available data and expert judgment. In view of the rapid developments in regulation, technology and market risk, the assessment is reviewed on a yearly basis.

The development of industry physical risk scores started in 2022 and is expected to be finalised and integrated within the climate risk screening tool in 2023.

Paris alignment for counterparties (PATH) framework

Since the beginning of 2022, the EIB Group asks its relevant counterparties to comply with the Group's Paris alignment for counterparties (PATH) framework.

The overarching aim of the PATH framework is to engage with and support counterparties that are either aligning or willing to align with the goals of the Paris Agreement. The framework also reduces the reputational risk of the EIB Group financing new projects with a counterparty (save for some limited exceptions set out in the PATH framework) that is involved in activities that go against the goals of the Paris Agreement such as high-carbon oil production, coal mining, coal-fired power plants and the destruction of high-value carbon sinks.

The PATH framework applies to high-emitting and high-vulnerability corporates operating both under private law and public law (public sector entities) and major financial institutions globally. For corporate clients, the framework ensures that counterparties are taking steps to decarbonise their business activities and strengthen their resilience to the impact of climate change in line with the goals of the Paris Agreement. In the case of financial intermediaries, the PATH framework requires the most significant ones[23] to publicly disclose in line with the TCFD recommendations.

Part of the EIB's support is the possibility to offer free-of-charge technical assistance to counterparties that are lacking or have incomplete transition (decarbonisation or resilience) plans, or have not reported according to TCFD, to help them create and improve on these missing elements. For treasury investments, which by nature do not lend themselves to counterparty engagement, a dedicated methodology adapted to financial markets has been developed under the principles of the PATH framework as explained on the following page.

As the regulatory landscape is evolving fast, the framework will need to change over time, reflecting changes in EU legislation, global climate policies, the progress of the EIB Group's counterparties in aligning with the goals of the Paris Agreement, stakeholder expectations and lessons learned during the application of the framework.

The results of the first year of implementation of the PATH framework are available under the Metrics and Targets section.

23. Financial institutions with more than €30 billion in total assets or which are among the three largest in their country, as well as fund managers with assets under management of more than €500 million, will be in scope. Sovereigns, sub-sovereigns, microfinance institutions, business angels and guarantee institutions are out of scope.

C. Assessing and managing climate-related risks at treasury level

Since 2022, treasury investments have respected the Paris Agreement goals laid out in the Climate Bank Roadmap. Treasury activities refer to the management of financial portfolios with different instruments and maturities to ensure that the EIB and the EIF hold sufficient liquidity to meet their lending commitments. As part of the Climate Bank Roadmap, environmental factors have been included in the Group's long-term treasury investments since mid-2020.

The EIB has developed a methodology adapted to financial markets under the principles of the PATH framework. This methodology applies to all treasury investments[24]. It is based on the following assessment approach:

- Integrating into treasury decisions the assessment carried out on the lending side to meet the Paris Agreement goals.

- Relying on data from leading independent organisations to measure companies' alignment with the Paris Agreement.

- Quantitative assessment: Appraising the actual reduction of companies' greenhouse gas emissions based on available data over the past three years, indicating whether a company is decarbonising in line with the goals of the Paris Agreement.

- Qualitative assessment: Reviewing companies' Paris alignment-relevant disclosures, which indicate whether a company is adequately acknowledging and preparing for the transition to a low-carbon and sustainable economy.

Investments in green bonds follow the same methodology and, in addition, they are only possible in instruments complying with the green bond principles of the International Capital Market Association, or the European green bond standard.

24. With the exception of securities issued by sovereigns or sovereign-related entities, and supranational institutions.

D. Integrating climate-related risks into the EIB Group's overall risk management

In 2022, the Group made significant progress in further integrating climate risk considerations into its global risk management approach, as outlined in Figure 20 below.

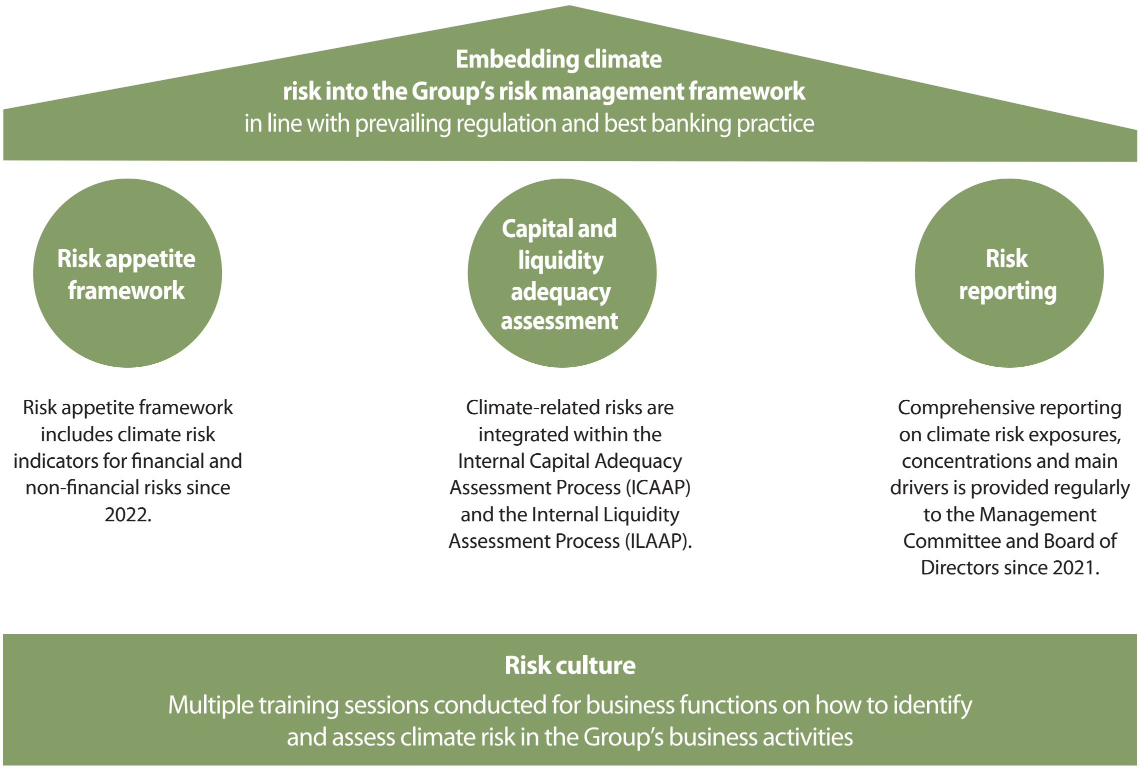


Figure 20: Embedding climate risk into the Group's risk management framework

Risk appetite framework

The EIB Group's risk appetite framework formalises the level of risk that the Group is willing to take as part of its activities and objectives. The framework covers the major financial risks (including credit, liquidity, market and treasury risks) and non-financial risk categories — including operational, communication and technology, conduct and compliance, and reputational risks.

In 2022, the Group introduced new indicators to monitor climate risk both from a financial and non-financial perspective. The new indicators will be reported on as from 2023.

Capital and liquidity adequacy assessment

As part of the EIB Group's best banking practice framework, an **EIB Group Internal Capital Adequacy Assessment Process** (ICAAP) has been established. The aim is to ensure that the Group identifies and is protected against all risks to which it is exposed, including credit, market, operational and other risks.

Climate change risk is considered in the assessment's risk identification process. Where relevant, outcomes from climate scenario analyses and stress tests will be reflected in the assessment documentation. As climate risk is further integrated into the risk framework, the Group will assess the potential need to capitalise climate risk, considering regulatory and supervisory expectations.

Similarly, an EIB Group **Internal Liquidity Adequacy Assessment Process** (ILAAP) has been established as part of the Group's best banking practice framework. It recognises the climate change and environmental impacts on the Group's business in the form of transitional effects or the emergence of physical risks. Sensitivity analyses are used when assessing climate risk materiality from a liquidity risk perspective.

Climate risk reporting

The EIB Group has a fully operational reporting framework to track its climate risk exposure, based on the output of the climate risk screening tool. This framework includes:

- A monthly synthesis report, with information on climate risk exposures across the Group's portfolio. This is provided to the Management Committee, the EIB Board of Directors and the Audit Committee as part of the EIB Group Risk Report.

- A more comprehensive climate risk report is produced on a semi-annual basis providing an overview of exposure to physical and transition risk for the existing portfolio and new operations — including operations under mandate — with breakdowns and deep dives into the credit segment, sector, geography, and credit rating to better inform the decision-making processes.

Integrating climate risk into the Group's three lines of defence framework

In line with the Group's general approach to managing risks based on the three lines of defence framework, we have applied the same principles for climate risks with the directorates having distinct roles, as shown in Figure 21 on the next page.

1st Line of Defence

Business functions

Identification and management of risks within an established set of limits and boundaries

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

At counterparty level, the EIB assesses physical and transition risks through the climate risk screening tool. The assessment is performed at appraisal stage for all counterparties and renewed on a yearly basis throughout the life of a loan.

The Group's Paris Alignment for Counterparties (PATH) framework aims to help counterparties to transition to a low-carbon and climate-resilient future. The Group's ambition is to help our counterparties align with the goals and principles of the Paris Agreement and therefore accelerate the transition to a low-carbon and climate-resilient world. PATH focuses on corporates engaged in high-emitting activities and/or operating in a highly vulnerable context and requires those counterparties to develop and publicly disclose an alignment plan as well as on large financial intermediaries, which are required to publicly disclose in line with the TCFD recommendations.

2nd Line of Defence

Risk Management, Compliance, Financial Control and Legal functions

Maintenance, development and implementation of the risk management and control framework in line with policies and regulations

The Risk Management and additional second line of defence functions are responsible for controlling, monitoring and reporting on financial and non-financial risks to which the Group is exposed. Risk management is responsible for integrating climate risk into the Group's risk management framework in accordance with prevailing regulatory requirements and best banking and best market practice. Furthermore, EIB Risk Management reviews and approves the climate risk assessment of proposed counterparties at appraisal and during the annual review process. At the EIF, climate risks are calculated and updated automatically by the IT systems and validated by Risk Management. Risk Management also provides regular reporting to the Group's governing bodies on its climate risk exposure. Dedicated teams within the EIB and the EIF Risk Management Directorates are responsible for the development and continuous enhancement of the Group's climate risk assessment models.

3rd Line of Defence

Internal Audit function

Independent review of risk management practices and the internal control framework

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

Multiple training sessions are held within the first and second lines of defence, including monitoring teams, to raise awareness about climate-related risks, and deploy the screening tool.

The third line of defence at the EIF includes both internal and external audit activities that are coordinated by the Audit Board. Internal Audit (which is outsourced to the EIB's Internal Audit) examines and evaluates the relevance, design and effectiveness of the internal control systems and procedures within the EIF. In addition, the EIF cooperates with other independent control bodies such as the Internal Audit Service of the European Commission and the European Court of Auditors.

Figure 21: Climate risk integration in the Group's three lines of defence framework

METRICS AND TARGETS

As part of its strategic approach to climate action, as established in the EIB Group Climate Bank Roadmap, the Group has developed a results framework that enables it to assess, manage and monitor progress, and to evaluate and transparently report on the impacts and outcomes of its activities related to Climate Bank Roadmap implementation, both to its shareholders and other stakeholders.

This results framework enables the EIB Group to continuously improve its practices and policies over time, adapting its actions to take account of the lessons learned, the changing political and legal requirements, best practices and scientific knowledge.

The framework is designed to trace the direct outputs of EIB Group roadmap activities, including green finance and advisory assignments, through to the outcomes of projects financed. It provides a substantive amount of information to monitor and assess the implementation of the roadmap.

The climate-related impacts of the roadmap can be measured principally in terms of savings in greenhouse gas emissions (climate change mitigation) and the reduction of risks from current and future climate change (climate change adaptation). The results framework, however, also provides insight into the contributions of EIB Group finance across the various dimensions of the European Green Deal.

This section of the report presents the EIB Group's progress regarding its climate-related targets as well as some key metrics. These targets and metrics are presented in more detail in the EIB Group 2022 Climate Bank Progress Report.

A. On our way to meet our climate-related targets

In 2019, the EIB Board of Directors approved a set of ambitious commitments for climate action and environmental sustainability. As a result, from the start of 2021, all EIB Group operations have been aligned with the principles and goals of the Paris Agreement. The Group has also been tracking progress in achievement of its quantitative commitments in 2021 and 2022, the first two years of Climate Bank Roadmap implementation. These are presented in Table 2 below.

	Commitment indicators	2021 results	2022 results	Targets
1	Share of EIB finance dedicated to climate action and environmental sustainability	51%	58%	More than 50% by 2025
2	Share of climate adaptation in EIB climate action finance	4.9%	5.4%	15% by 2025
3	Volume of climate action and environmental sustainability investment supported by the EIB Group*	€75 billion	€222 billion	€1 trillion by 2030

* Reported cumulatively to reflect ten-year cumulative target. The figure in the 2022 results column therefore represents investment supported in 2021 and 2022.

Table 2: High-level commitments[25]

25. Targets determined in the roadmap and subsequent EIB Climate Adaptation Plan.

The EIB committed to increase the share of its annual financing dedicated to climate action and environmental sustainability to over 50% by 2025 and beyond 1. In 2022, the EIB provided €36.6 billion of climate action and environmental sustainability finance, an increase on the €27.6 billion for 2021. Measured in terms of the EIB's own total financing, this represents a share of 58%.

Under the new EIB Climate Adaptation Plan in 2021 2,the EIB Board of Directors raised the level of ambition for adaptation finance to 15% of overall climate action finance by 2025. In 2022, this was at 5.4%, up just over 10% on the 2021 level. However, in terms of volume, adaptation finance rose over 45%, from €1.3 billion in 2021 to €1.9 billion in 2022. To reach the target of providing 15% of EIB climate finance to adaptation by 2025, it is clear that the EIB will need to continue to focus on delivery of its Adaptation Plan.

The cumulative level of green investment supported by the EIB Group 3 in 2021 and 2022 reached €222 billion. This brings the EIB Group on track to meet the €1 trillion target for green investment supported over the period 2021 to 2030.

To meet these commitments, the EIB Group will continue to support areas that have already shown considerable progress towards the transition — such as low-carbon electricity, electric vehicles and battery storage — and tackle other areas that are lagging behind. For investments in natural capital, for example, carbon sinks, biodiversity and ecosystems preservation, the transition has barely begun.

In addition to these high-level commitments determined in the roadmap and subsequent EIB Climate Adaptation Plan, the Group set two additional climate-related targets presented in the table below.

Commitment indicators	2021 results	2022 results	Targets
4 Share of EIF finance dedicated to climate action and environmental sustainability	13.1%	21%	16% in 2022, 22% in 2023 and 25% in 2024
5 EIB Group corporate absolute carbon emissions reduction compared to 2018 baseline	-81%	-32%	12.4%* absolute reduction of GHG emissions by 2025

* Corresponding to a 30% emissions reduction in 2025 compared to a business-as-usual growth scenario.

Table 3: Additional climate-related targets

Similarly to the EIB, the EIF committed to raise the share of its annual funding dedicated to climate action and environmental sustainability to 16% in 2022, 22% in 2023 and 25% in 2024 4. The target set for 2022 has been exceeded with the dedicated share of funding reaching 21%.

In line with the objectives of its Climate Bank Roadmap, the temperature goals of the Paris Agreement and the European Union's increased ambition of reducing greenhouse gas emissions to at least 55% below 1990 levels by 2030, the EIB Group also committed to significantly cut its corporate absolute carbon emissions.

Using a science-based reduction pathway, the Group set the target to reduce its Scope 1, 2 and 3 emissions by 12.4% by 2025 with 2018 as a baseline year[26] 5 . If the EIB Group's expected growth is taken into consideration[27] over the coming years, the reduction target is set at around 30% compared to a business-as-usual scenario as shown in the figure below.

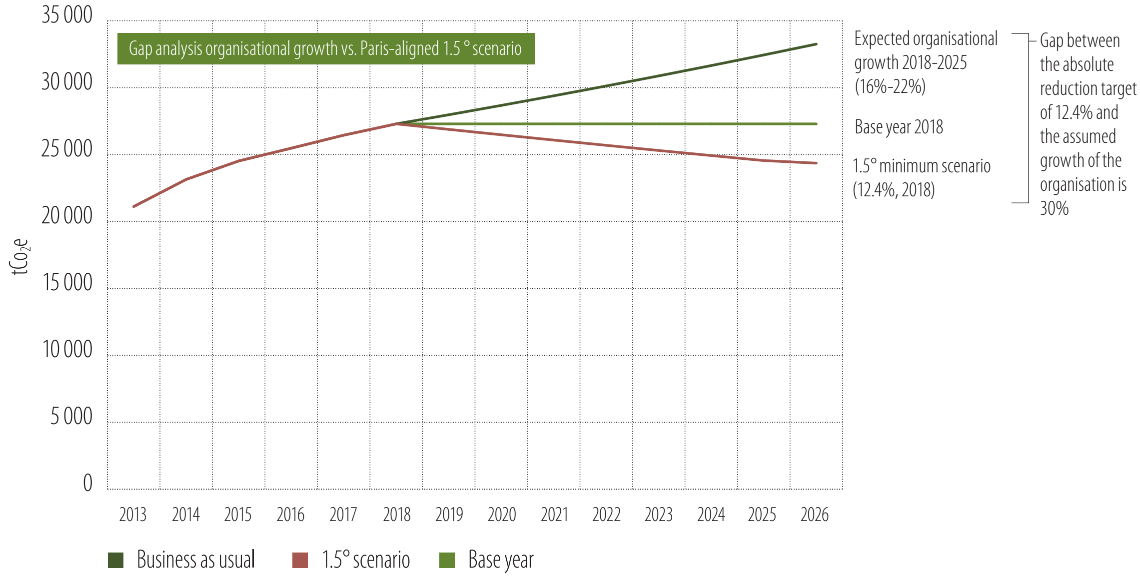


Figure 22: Science-based emissions reduction pathways

In 2020 and 2021, the EIB Group saw carbon reductions in almost all areas owing to the effects of the global coronavirus pandemic. In 2022, the reduction in net emissions compared to the baseline remains significant at 32% and well below the defined reduction trajectory as illustrated in Figure 23.

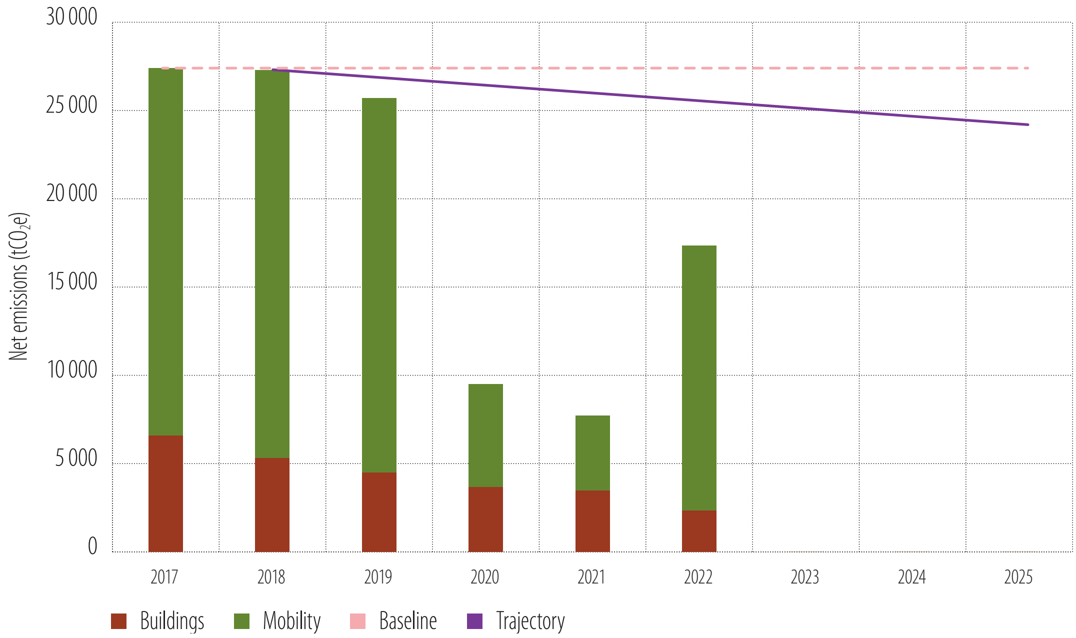


Figure 23: Science-based corporate absolute emissions reduction pathway

26. For more details, please refer to the EIB Group Carbon Footprint Report 2022.
27. Assuming expected growth (in terms of full-time employees) of about 2% per year, based on internal calculations.

B. Scope 1, 2 and 3 emissions

The EIB Group calculates the greenhouse gas emissions of both its corporate activities and its lending business.

EIB Group corporate footprint

Since 2007, as reported in the EIB Group Carbon Footprint Report, the Group has been calculating the greenhouse gas emissions of its corporate activities in Luxembourg, excluding greenhouse gas emissions from EIB-financed projects.

The Group does so by using the methodology of the Greenhouse Gas Protocol to ensure consistent reporting of its direct and indirect emissions, which include business travel, employee commuting and homeworking. Under its corporate activities, the Group measures greenhouse gas emissions for the following Scope 3 operational boundaries: business travel, mobility between EIB Group buildings, courier, water, waste, paper, data centres, staff commuting and staff homeworking.

As shown in Figure 24, in 2022 the EIB Group recorded a decrease of 30.1% in its total net emissions as compared to baseline year 2018. Scope 3 corporate emissions are the main drivers with air travel representing 98% of the overall net emissions in 2022.

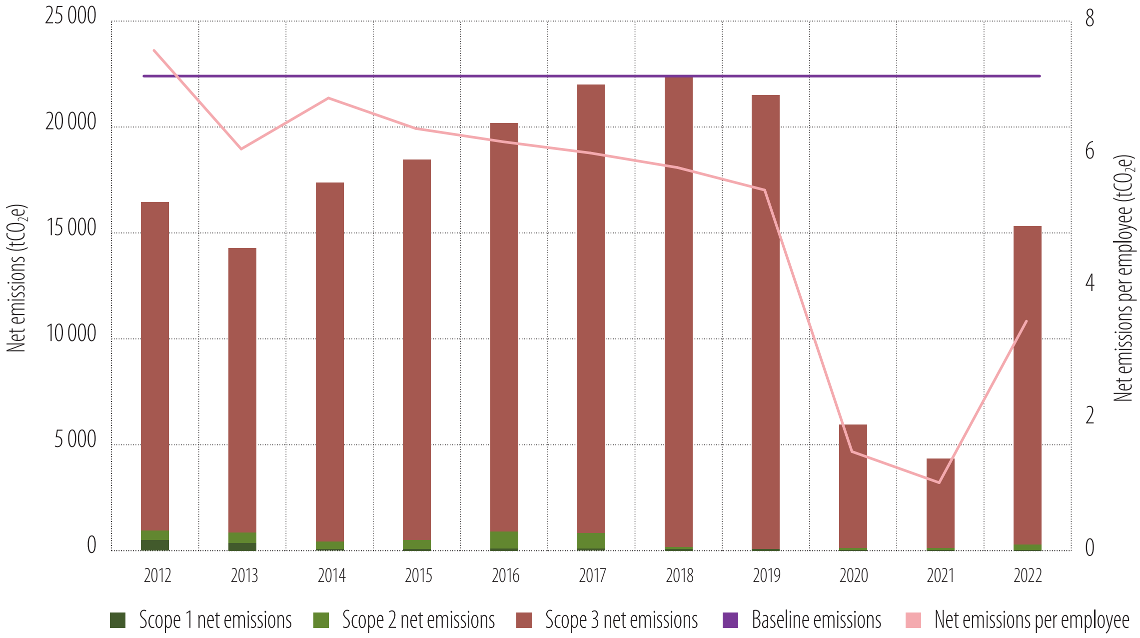


Figure 24: EIB Group corporate net emissions over time and emissions intensity (tCO_2e)

The EIB Group also measures its corporate net emissions intensity taking into consideration its number of employees (Figure 24 above). While corporate net emissions decreased by 81% in 2021 and 32% in 2022 compared to the base year 2018, this reduction was more pronounced for net emissions per employee with 83% and 41% respectively.

The table below shows the evolution and breakdown of our net emissions over the last ten years.

	Emissions source	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Scope 1	**Natural gas**	3	12	10	20	24	28	28	24	0	297	399
	Company cars	21	30	32	58	51	62	70	58	69	75	96
Scope 2	**Electricity**	1 893	2 372	2 689	3 495	4 226	5 344	5 245	5 717	5 693	6 765	6 876
	Purchased steam	261	861	731	653	660	743	798	421	354	485	459
Scope 3	**Business travel** (flights and rail)	11 393	1 313	3 084	18 228	18 905	17 736	15 972	14 724	13 677	11 163	9 168
	Minibus (incl. internal mail)	33	28	17	54	60	46	38	32	27	56	52
	Commuting	1 354	617	758	2 755	2 838	2 874	2 735	2 638	2 701	2 042	6 190
	Courier[28]	34	33	37	61	62	72	74	70	70	70	
	Rental cars[29]	37	6	13	58	52	45	92				
	Water[30]	21	17	45	69	70	62	58	50	47	50	
	Waste	8	8	6	15	17	10	11	11	13	10	-6
	Paper consumption	43	31	37	98	130	109	107	105	73	106	83
	Data centres[31]	96	177	152	139	189	277	290	405	422		
	Homeworking[32]	2 156	2 204	1 876								
Totals	**Total scope 1**	**24**	**41**	**42**	**78**	**75**	**91**	98	82	69	372	495
	Total scope 2	**2 154**	**3 232**	**3 420**	**4 148**	**4 886**	**6 087**	6 042	6 137	6 047	7 249	7 335
	Total scope 3	**15 174**	**4 434**	**6 025**	**21 476**	**22 319**	**21 231**	19 375	18 035	17 030	13 496	15 488
	Total gross emissions	**17 353**	**7 708**	**9 487**	**25 702**	**27 280**	**27 408**	25 515	24 254	23 146	21 118	23 317
	Electricity (green tariff)	-1 990	-2 549	-2 841	-3 634	-4 226	-5 344	-5 245	-5 717	-5 693	-6 765	-6 876
	Purchased steam (biomass)[33]	0	-770	-651	-574	-577						
	Courier	-34	-33	-37	-61	-62	-72	-74	-70	-70	-70	0
	Total net emissions	**15 329**	**4 356**	**5 958**	**21 434**	**22 415**	**21 993**	20 197	18 468	17 383	14 283	16 441
	Annual variation	+251.9%	-26.9%	-72.2%	-4.4%	+1.9%	+8.9%	+9.4%	+6.2%	+21.7%	-13.1%	-16.5%
Intensity	**Employees**	**4 475**	**4 412**	**4 092**	**3 964**	**3 896**	**3 682**	3 290	2 913	2 556	2 369	2 185
	Net emissions per employee	**3.43**	**0.99**	**1.46**	**5.41**	**5.75**	**5.97**	6.14	6.34	6.80	6.03	7.52

Table 4: EIB Group corporate emissions by scope, 2012-2022 (tCO_2e)

28. Data available since 2013.
29. Rental car emissions were first reported in 2016.
30. Water emissions were introduced in 2013.
31. Data available since 2014.
32. As a result of the coronavirus pandemic.
33. Since late 2017, all our purchased steam supplies are produced using biomass (wood pellets).

Despite the results achieved so far, and knowing that, as a growing organisation, the EIB Group will continue to use energy and travel as it conducts its business, carbon compensation is part of its strategy to reduce its corporate carbon footprint. The EIB Group remains committed to offsetting yearly its residual greenhouse gas emissions in 2022 and going forward. However, in the rapidly evolving voluntary carbon credit market and in view of the upcoming European rules on certifying carbon removals, the EIB is reviewing its selection criteria and processes to ensure its support for climate finance via the purchase of carbon credits remains both agile and best-in-class. In practice, this means that the EIB intends to offset its 2022 residual greenhouse gas emissions through a public tender to voluntary carbon credit market participants in 2023.

Footprint of EIB-financed projects

The EIB follows the International Financial Institutions (IFI) Framework for a Harmonised Approach to Greenhouse Gas Accounting and the harmonised standards, adopted by the IFI Technical Working Group on Greenhouse Gas Accounting[34], to assess greenhouse gas emissions of projects where emissions are expected to be significant[35].

The EIB believes it is important to assess significant emissions and removals from all the sectors it funds. In measuring its annual carbon footprint, the Bank includes projects from energy generation and projects related to networks, energy efficiency, transport, industry, water and solid waste, agriculture and forestry.

In 2022, 91 of the projects in the EIB portfolio[36] had estimated emissions above the absolute or relative emissions thresholds and were included in the 2022 carbon footprint exercise. They represent total EIB signatures or allocation approvals of €16 billion.

The related total absolute greenhouse gas emissions are estimated at 1.6 million tonnes of CO_2e per year, with carbon sequestration from forestry estimated at 0.03 million tonnes of CO_2e per year. The overall reduced or avoided emissions from the same financing are estimated at 4.6 million tonnes of CO_2e per year, in accordance with the carbon footprint methodology.

Data for projects included in the carbon footprint are reported in the Bank's environmental and social data sheets and published in its Public Register, in compliance with the Aarhus Regulation.

The Table 5 shows the results of the aggregate figures for the last ten years. The relative emissions figures show large savings of between 2.3 and 4.6 million tonnes of CO_2e per year. Overall, the EIB's investment projects continue to support reduced emissions.

34. https://unfccc.int/climate-action/sectoral-engagement/ifis-harmonization-of-standards-for-ghg-accounting/ifi-twg-list-of-methodologies.
35. Namely emissions above one or both of the following thresholds: (i) absolute emissions (actual emissions from the project) > 20 000 tonnes of carbon equivalent (CO_2e) per year for a standard year of the project's operations; (ii) relative emissions (estimated increases or reductions in emissions compared to the expected alternative) > 20 000 tonnes of CO_2e per year.
36. Projects with a finance contract signed or large allocations approved in the year. Large allocations under already signed framework loans include individual investment projects that have undergone a full individual project appraisal.

Carbon footprint of EIB financing, 2013–2022	2013	2014	2015	2016	2017	2018	2019**	2020**	2021	2022
Number of projects	67	70	73	70	55	68	96	99	86	91
Total EIB amount signed (in € billion)	13.8	15.1	11.2	17.7	9.4	9.5	13.6	14.4	15.6	16
Absolute emissions (in Mt CO_2e/year)*	3.2	4.9	5.6	2.4	5.2	2.2	3.9	5.2	2.3	1.6
Carbon sequestration from forestry (in Mt CO_2e/year)*	0.0	-0.2	-1.0	-3.5	-0.3	-2.8	-0.9	-0.3	0	-0.03
Relative emissions (in Mt CO_2e/year)*	-2.4	-3.0	-3.1	-2.7	-2.9	-3.5	-2.9***	-3.7	-2.3	-4.6

Absolute emissions per sector (in Mt CO_2e/year)*	2013	2014	2015	2016	2017	2018	2019**	2020**	2021	2022
Industry	0.5	0.6	1.9	0.2	3.7	0.3	1.0	2.1	1.1	0.4
Energy	1.0	2.9	3.0	1.2	0.7	0.7	1.2	1.9	0.4	0.3
Mobility	1.6	1.4	0.6	0.8	0.7	0.7	1.5	0.7	0.7	0.5
Other (water, sewerage, forestry, food and agriculture)	0.1	0.1	0.1	0.2	0.0	0.6	0.3	0.5	0.2	0.5

Relative emissions per sector (in Mt CO_2e/year)*	2013	2014	2015	2016	2017	2018	2019**	2020**	2021	2022
Industry	0.0	-0.2	-0.1	0.0	-0.3	0.0	-0.5	-0.1	-0.1	-0.1
Energy	-2.2	-2.6	-2.5	-2.3	-2.4	-2.9	-1.9	-2.8	-1.7	-3.9
Mobility	-0.2	-0.1	-0.2	-0.1	0.0	-0.1	0.1	-0.2	-0.3	-0.2
Other (water, sewerage, forestry, food and agriculture)	0.0	-0.1	-0.4	-0.2	-0.3	-0.4	-0.6	-0.6	-0.2	-0.4

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

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

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

Table 5: Carbon footprint of EIB financing, 2013–2022

C. Other climate-related metrics

EIB Group Climate Bank Roadmap Results Framework

The Results Framework developed to facilitate progress monitoring and assessment of the Climate Bank Roadmap implementation includes metrics reflecting EIB Group outputs and outcomes in delivery of the Climate Bank Roadmap, supporting the high-level metrics presented above, as well as the related outputs and outcomes of investment projects supported.

The Results Framework is presented in the EIB Group 2022 Climate Bank Roadmap Progress Report and annual updates to metrics monitored are published in subsequent annual reports.

Financing climate action

A key metric the EIB has used now for over a decade is the proportion of annual financing dedicated to climate action. As shown in the graph below, the proportion of climate action financing increased significantly during that period, reaching 56% in 2022, amounting to €35.1 billion.

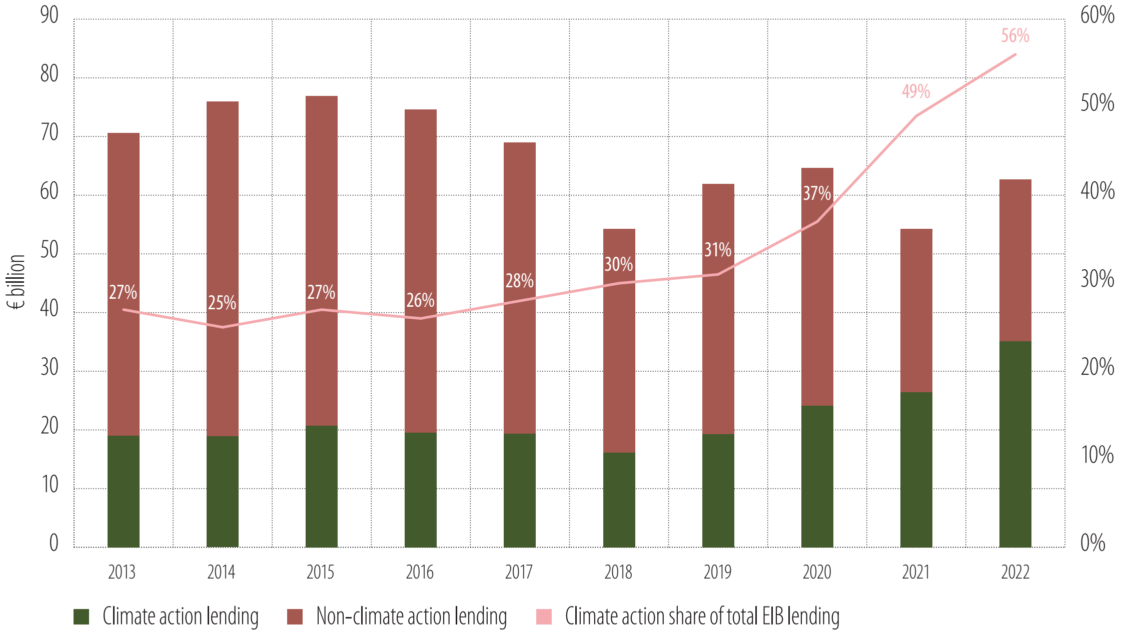


Figure 25: EIB total climate action lending as a share of total EIB lending, 2013–2022

In terms of methodology, the Bank works within the climate finance tracking approach agreed with other multilateral development banks. In addition, in the Climate Bank Roadmap the EIB Group has committed to align its tracking methodology for climate action and environmental sustainability finance with the framework defined by the EU Taxonomy regulation as it evolves over time.

The EIB Group climate action definitions were updated in 2022 to incorporate the EU Taxonomy substantial contribution criteria set out in the EU Climate Delegated Act as appropriate. For sectors that were not covered, the EIB followed criteria defined in the Common Principles for Climate Mitigation Finance Tracking, agreed with other multilateral development banks and the International Development Finance Club. For climate change adaptation, the joint multilateral development bank methodology[37] was applied for sectors not covered by the EU Taxonomy.

The breakdown of climate action financing by type (Figure 26) shows an increase in the financing of renewable energy (up to €7.2 billion from €5.7 billion), lower-carbon transport (up to €10.1 billion from €9.1 billion) and research, development and innovation (up to €2.8 billion from €1.6 billion). The Bank allocated financing of €1.9 billion for climate change adaptation (4.5% of total climate action), up from €1.3 billion.

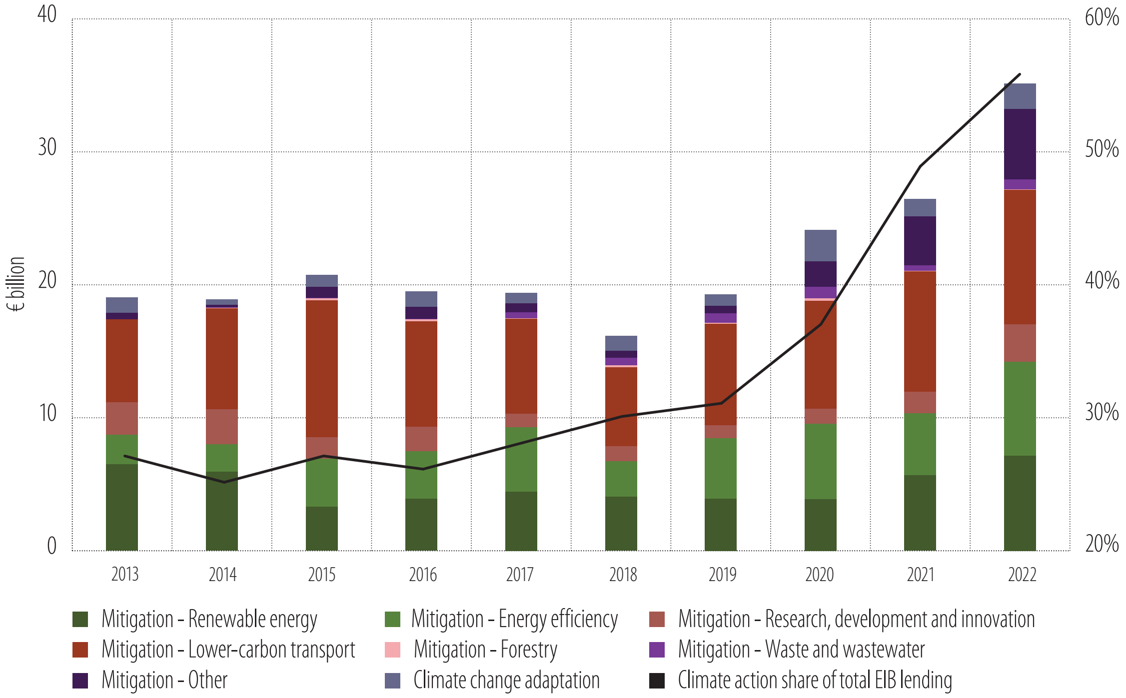


Figure 26: EIB total climate action breakdown by area of intervention, 2013-2022

EIB climate risk assessment system for physical climate risk in projects

In 2022, the EIB assessed 99% of direct lending operations that were initiated after the launch of the climate risk assessment system and signed in 2022. Of these, 81% were assessed as low residual risk, 18% were assessed as medium residual risk, and 1% as not sensitive to climate change.

37. The applied adaptation finance tracking methodology can be found on the EIB website in the Joint Report on Multilateral Development Bank's Climate Finance published annually since 2011.

PATH-related results

As described in more detail under the Risk Management section of this report, 2022 was the first, full year of implementation of the EIB Group PATH framework.

During the year, 19 corporate clients and 64 financial intermediaries were screened in[38] for further assessment of their alignment strategy and public disclosures, pursuant to the PATH framework. Following the assessment, a number of them met PATH requirements. Six corporates and 48 financial intermediaries were required to increase disclosures.

Portfolio level assessment

The climate risk screening tool, which provides a counterparty-based assessment of climate risk, was rolled out across the existing portfolio in July 2020. In 2021, this was expanded to cover the whole portfolio, including new operations and treasury counterparties. We described the results of the assessment earlier on in this report (see page 20).

Indicators	2021 figures	2022 figures
EIB Group portfolio (signed exposure)	€626.02 billion	€632.80 billion
Share of overall EIB Group portfolio covered by climate risk screening tool, of which:	81%	89%
Share rated as medium- and high-risk for physical risk	18%	21%
Share rated as medium- and high-risk for transition risk	53%	42%

38. Screened-in corporates are the ones considered high-emitting, and/or those exposed to a high degree of physical climate risk, as explained in paragraphs 4.4-4.6 of the PATH framework. Screened-in financial intermediaries are large and significant counterparties in terms of size and resources, but also in terms of their portfolio's impact on CO_2 emissions, as described in paragraph 5.6 of the PATH framework.

Sustainability funding

In 2022, sustainability funding — the issuance of Climate Awareness Bonds (CABs) and Sustainability Awareness Bonds (SABs) — reached a record high of close to €20 billion, with an unprecedented share of 45% of the EIB's total funding plan.

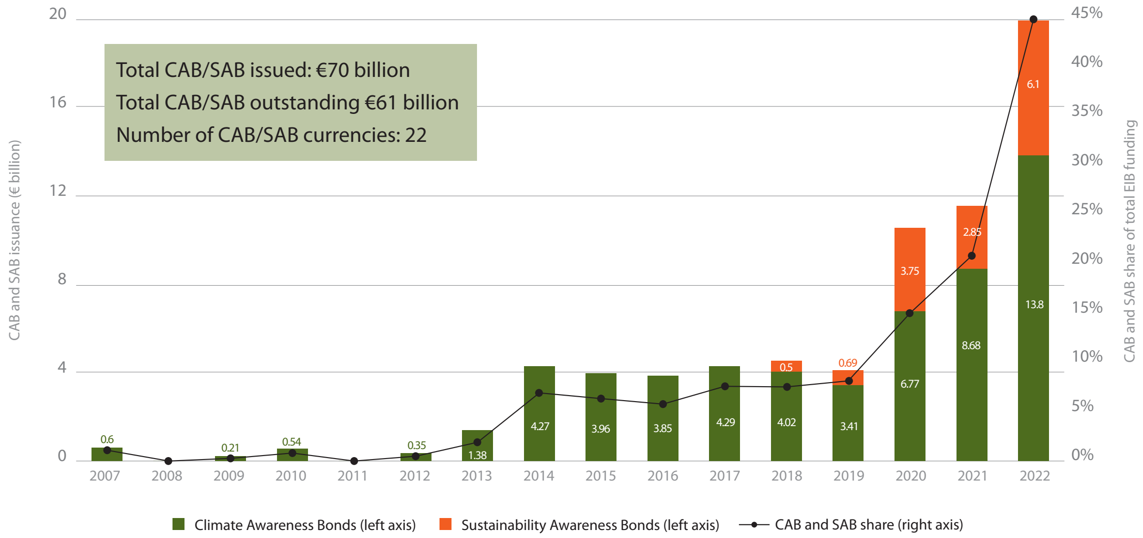


Figure 27: Evolution of Climate Awareness Bond (CAB) and Sustainability Awareness Bond (SAB) issuance and their share of total EIB funding

This growth is the result of the gradual extension of Climate Awareness Bonds and Sustainability Awareness Bonds eligibilities (see Figure 28 on the next page), and the increase of the eligible share of the Bank's disbursements, in the context of the EIB's Climate Bank Roadmap.

<table>
<tr><th></th><th>Climate Awareness Bonds</th><th colspan="2">Sustainability Awareness Bonds</th></tr>
<tr><th></th><th>Environmental</th><th>Environmental
(other than climate change mitigation)</th><th>Social</th></tr>
<tr><td>Objectives</td><td>• Climate change mitigation (2007)</td><td>So far:
• Sustainable use and protection of water and marine resources (2018)
• Pollution prevention and control (2018)
• Protection and restoration of biodiversity and ecosystems (2021)</td><td>So far:
• Access to water and sanitation (2018)
• Natural disaster risk management (2018)
• Access to equitable and inclusive education (end 2019)
• Universal access to affordable health services (end 2019)
• Health emergencies response and preparedness capacity (2020)
• Access to social and affordable housing (2021)</td></tr>
<tr><td>Activities</td><td>Eligible activities:
• Renewable energy (2007)
• Energy efficiency (2007)
• Electric rail infrastructure and rolling stock, and electric buses (2020)
• Research, development and deployment of innovative low-carbon technologies (2020)
• Further taxonomy-eligible low-carbon activities in transport, manufacturing, waste, and energy sectors (2022)</td><td>Eligible activities:
• Water supply and management (2018)
• Wastewater collection and treatment (2018)
• Sustainable forest management (2021)</td><td>Eligible activities:
• Water supply and management (2018)
• Wastewater collection and Treatment (2018)
• Flood protection (2018)
• Education (2019), including higher education (2020)
• Health (2019), including COVID-related activities (2020)
• Housing (2021)</td></tr>
</table>

Figure 28: Climate Awareness Bond and Sustainability Awareness Bond eligibilities

List of acronyms

BBP	Best Banking Practice
CA&ES	Climate Action and Environmental Sustainability
CAB	Climate Awareness Bond
CBR	Climate Bank Roadmap
CDP	Carbon Disclosure Project
COP	Conference of the Parties
CRA	Climate Risk Assessment
CSRD	Corporate Sustainability Reporting Directive
ECB	European Central Bank
EFRAG	European Financial Reporting Advisory Group
EIB	European Investment Bank
EIF	European Investment Fund
EMAS	European Eco-Management and Audit Scheme
ESRS	European Sustainability Reporting Standards
ESSF	Environmental and Social Sustainability Framework
EUT	European Union Taxonomy Regulation
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
ICAAP	Internal Capital Adequacy Assessment Process
ICMA	International Capital Market Association
IFI	International Financial Institution
ILAAP	Internal Liquidity Adequacy Assessment Process
IPSF	International Platform on Sustainable Finance
KPI	Key Performance Indicator
MDB	Multilateral Development Bank
NGFS	Network for Greening the Financial System
PATH	Paris Alignment for Counterparties framework
SAB	Sustainability Awareness Bond
SASB	Sustainability Accounting Standards Board
SFDR	Sustainable Finance Disclosures Regulation
SREP	Supervisory Review and Evaluation Process
TCFD	Task Force on Climate-related Financial Disclosures
UNPRI	United Nations Principles for Responsible Investment

TCFD Report 2022

In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

European Investment Bank | Group

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