Intermediated Finance (Standard 11)
Environmental and Social Sustainability Framework (ESSF)
Public consultation webinar series

*We will be starting this session shortly*

Friday 9 July 2021

**Moderators:** Olivia Saunders, Senior Civil Society Officer
Catherine McSweeney and Giuseppe Nastasi
Ce webinaire a une interprétation de et vers le français.

De votre PC, tapez « app.interactio.io » dans votre browser et introduisez le code: ESSF ou téléchargez l’application « Interactio » sur votre téléphone.

This webinar has interpretation to and from English.

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WELCOMING REMARKS
Olivia Saunders, Senior Civil Society Officer
How to participate in the discussions

- Go to sli.do on your browser and insert the code #ESSF
- Alternatively, raise your hand if you wish to speak
- State your name & organization and provide a succinct comment or question
- Lower your hand if you no longer wish to speak

You can “like” other people’s questions and comments to give them priority!

The slides and a summary of the discussion will be made available on our consultation webpage

Public consultation webinar
Intermediated Finance (Standard 11)
https://consult.eib.org

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Slido code: #ESSF
Friday 9 July 2021
Agenda

- Introduction

- Presentation on Standard 11 (Intermediated Finance), by Eve Walter, Head of Unit - Policy Support

- Discussion with EIB panel

- Closing remarks by Monique Koning, Director, Operations Support Department and Stephen O’Driscoll, Head of Division, Environmental, Climate and Social Office
Introduction: what are we consulting on?

New EIB Group
Environmental and Social Policy

11 EIB
Environmental and Social Standards

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Introduction

Today: Standard 11, Intermediated Finance

This Standard sets out how the environmental and social impacts and risks arising from sub-projects shall be identified, assessed for their significance, managed and monitored, in line with applicable requirements and commensurate with the sub-project’s size, nature, sector, sensitivity to environmental and social risks, socioeconomic context and location.
There are many topics to discuss today. We are here to listen! Here are some of our questions...

Please share your views...

- Is it **clear** what this Standard is seeking to achieve?
- Do you see any **possible challenges** in the implementation of this Standard, for example in view of your local context?
- Is this Standard **effective** in setting out how environmental and social impacts and risks arising from sub-projects shall be identified, assessed, managed and monitored?
- Are the differences in the requirements for projects **inside EU** and projects **outside the EU** clear?
- Does this Standard adequately reflect the need for **transparency**, manageable **reporting requirements** and **compliance with confidentiality** obligations?
- How **compatible** is this Standard with the legislative framework you operate in?
- Do you see any **duplication** of and/or **overlap** with Standards 1-10, or any additional elements to be taken into consideration?
Introduction: Overview of intermediated lending

- SMEs represent over 99% of all non-financial enterprises in the EU, accounting for almost 55% of Europe’s GDP and employing two thirds of the labour force in the non-financial business sector. They play a key role as well in the rest of the world.

- EIB Support for SMEs and Midcaps constitutes an important policy goal in terms of volume and outreach to local enterprises

- The EIB intervention logic targets the expansion of intermediaries’ financing capacity, improved financing conditions and the diversification of finance sources available to small enterprises

Key EIB figures for SME lending in 2020*:

- **EUR 19.6bn**
  - Signatures

- **EUR 54.4bn**
  - Investment supported

- **53,600**
  - SMEs financed

- **1,490,769**
  - Employment sustained

* Excluding EIF contribution
Standard 11: Laying out requirements for FIs

• **A new standard** to stipulate relevant environmental and social obligations of financial intermediaries when on-lending to SMEs and other beneficiaries (sub-projects)

• Covers a wide range of EIB products for intermediated lending, including loans, guarantees and equity funds

• Extends to all types of FIs; commercial banks, national/regional promotional banks, leasing companies and other financial institutions, funds and microfinance institutions
Standard 11: EIB due diligence context

- The EIB project cycle applies to all operations, including intermediated finance.
- During appraisal, EIB carries out due diligence on the capacity of the Financial Intermediary to comply with the requirements of standard 11.
- This includes fulfilling general requirements for the FI and the FI capacity to on-lend EIB funds to sub projects in line with the contractual requirements, including E&S provisions.
- EIB tracks sub projects to ensure continued compliance to maturity.

Diagram:

1. Proposal
2. Appraisal
3. Approval
4. Signature
5. Disbursement
6. Monitoring and reporting
7. Repayment
Standard 11: General requirements for FIs

FIs need to have in place an environmental and social impact and risks management process:

1. Screen against EIB list of excluded activities and E&S undertakings
2. Identify and assess the management of the environmental and social impacts and risks
3. Require compliance with applicable national and EU legislation OR applicable national legislation and the relevant EIB E&S Standards
4. Ensure agreed E&S undertakings are met
5. Monitor the management of the environmental and social impacts and risks
6. Report to EIB on potential E&S impacts and risks
7. Refer to EIB certain sub-projects due to size, nature, social and economic content, location, sector's sensitivity to E&S risks
Applicable to:

- **Intermediated finance** pursuing environmentally and socially sustainable objectives (specific reporting and undertakings);
- **Equity funds** (monitoring of E&S performance of investees and progress on specific indicators where applicable);
- **Microfinance institutions** (guaranteeing the alignment with strict client protection principles).
Standard 11: Labour, health and safety at the FI

FIs are required to:

• Respect the labour rights of its employees
• Provide a safe and healthy working environment in accordance with:
  (i) applicable national and EU legislation to which the FI is subject (if located in EU, EFTA, CPCC);
  (ii) applicable national legislation to which the FI is subject and relevant aspects of EIB’s Standard 8 on Labour Rights and Standard 9 on Health, Safety and Security (if located outside the EU).
Standard 11: Transparency

- Applicable to non-financial, sustainability-related information
- Financial Intermediaries are requested to comply with, depending on the location:

<table>
<thead>
<tr>
<th>EU and EFTA countries</th>
<th>Rest of the world</th>
</tr>
</thead>
</table>
| Sustainability disclosure requirements under national and EU legislation which is applicable to their activities | • Applicable national legislation
• Make available to the public information on their due diligence policies and procedures for assessing and managing the environmental and social impacts and risks of sub-projects |
Discussion with EIB Panel

Yorgos Aronis
Head of Unit - SME Policy & Additionality and Impact

Jean-Marc Martin
Deputy Head of Division – Climate Office, Operations Directorate

Eve Walter
Head of Unit – Policy Support, Operations Directorate

Daniela Diedrich-Ristic
Climate Change Specialist, Projects Directorate

Eva Mayerhofer
Lead Environment & Biodiversity Specialist, Projects Directorate

Adina Relicovschi
Head of Environmental Policy Unit, Projects Directorate

Juan Sterlin
Head of the Civil Society Unit, General Secretariat

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Closing Remarks

Monique Koning
Director, Operations Support Department

Stephen O’Driscoll
Head of Division, Environmental, Climate and Social Office
Thank you!

- Submit your contribution before **6 August**
- Email us with your outstanding questions at **essfconsultation@eib.org**
- Give us your feedback on this session on **Slido**

All information is available on our consultation hub (consult.eib.org).