



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

Interpretation



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**.

Type “**app.interactio.io**” in your browser and use “**ESSF**” as a password, or download the app on your phone.

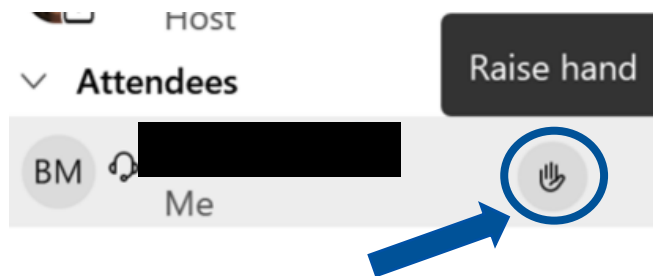
WELCOMING REMARKS

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



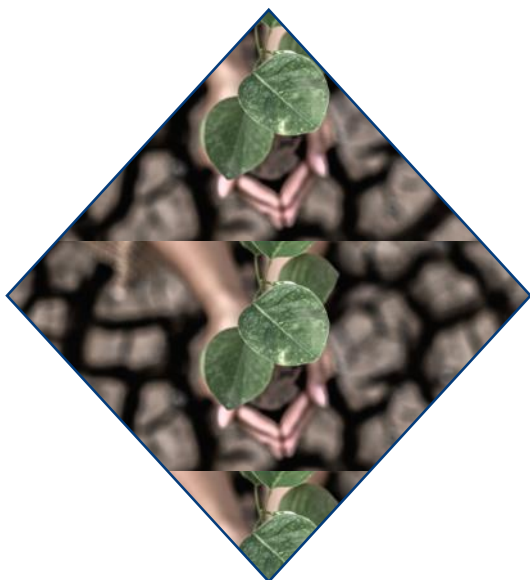
The slides and a summary of the discussion will be made available on our consultation webpage

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



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...

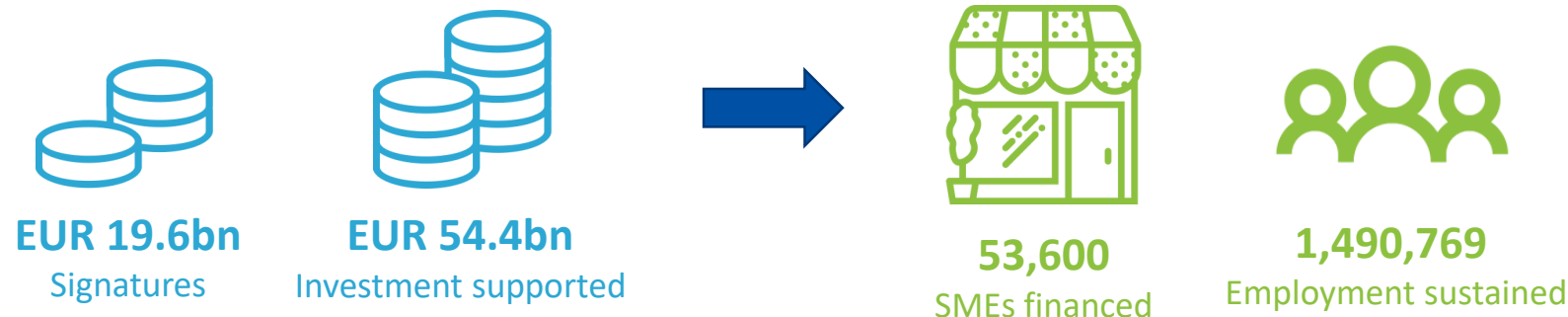
Please share your views...

- 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*:



* Excluding EIF contribution

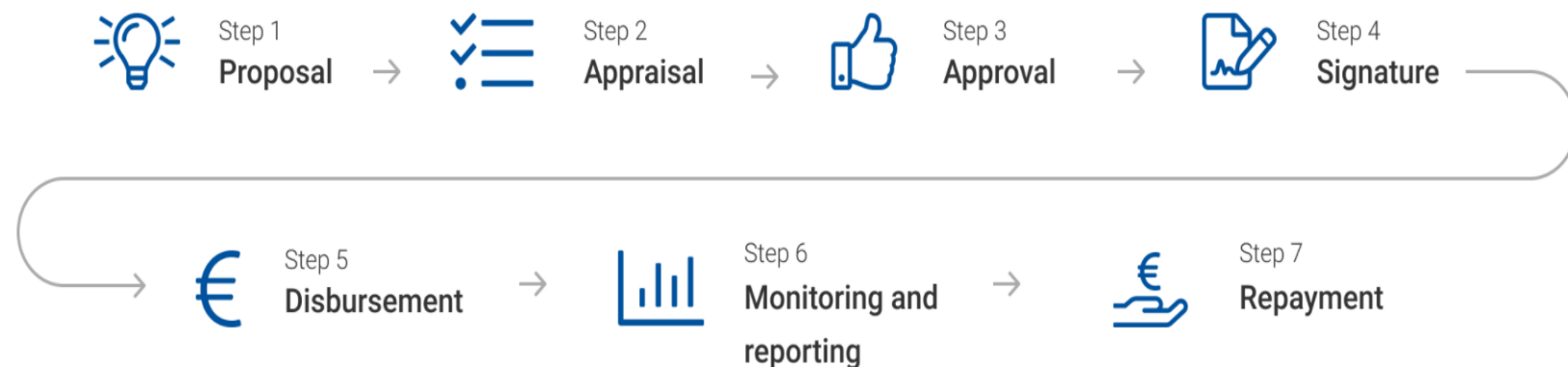
Standard 11: Laying out requirements for FIs

- **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



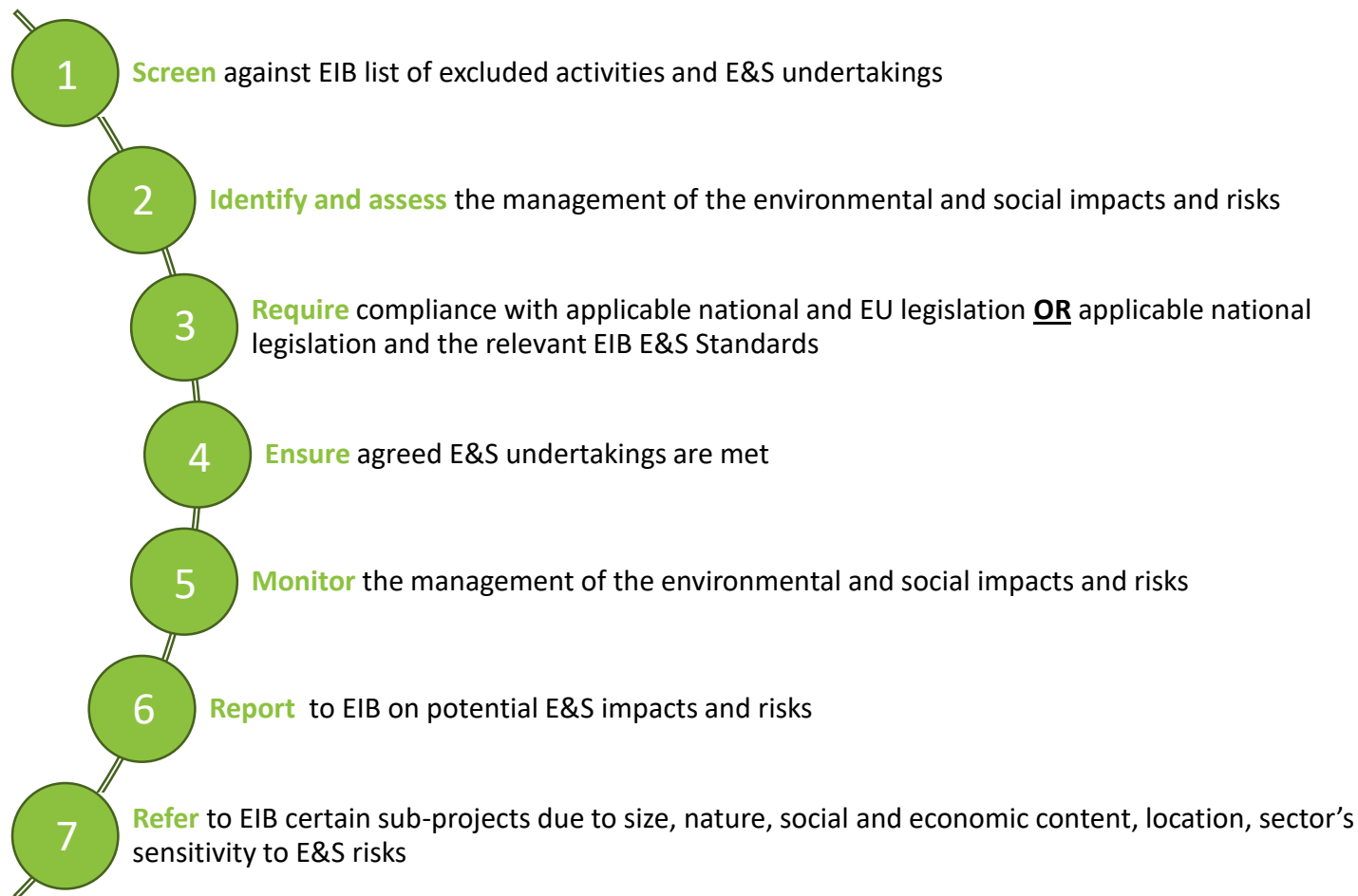
Standard 11: EIB due diligence context

- 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



Standard 11: General requirements for FIs

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



Standard 11: Specific requirements for FIs

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:

<u>EU and EFTA countries</u>	<u>Rest of the world</u>
Sustainability disclosure requirements under national and EU legislation which is applicable to their activities	<ul style="list-style-type: none">• 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

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY FRAMEWORK

PUBLIC CONSULTATION

3 JUNE TO 6 AUGUST 2021

WHAT IS UP FOR CONSULTATION?



- 1) The new EIB Group Environmental and Social Policy
- 2) The EIB's 11 Environmental and Social Standards

pollution prevention **intermediated finance** labour rights
stakeholder engagement **climate change** management of risks
vulnerable groups and Indigenous Peoples health and safety
cultural heritage **biodiversity** **involuntary resettlement**

HOW TO PARTICIPATE



COMPLETE THE QUESTIONNAIRE

Fill it out online

You can then save your answers in draft format, share it with colleagues, and come back to it later. You can also attach supporting documents.

OR

Download it and send it back to:
essfconsultation@eib.org



JOIN OUR WEBINARS

22 JUNE TO 9 JULY

These online events will cover the Environmental and Social Policy, each Standard and our approach to human rights.

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).