

Breaking internal silos while engaging with external stakeholders¹

In 2019, the European Investment Bank launched a public consultation on its new energy lending policy. Conducted amidst Europe's growing climate ambitions, the consultation garnered a greater number of contributions from a broader array of stakeholders than any previous consultations. Not only did the consultation significantly impact the final version of the policy, it also contributed to breaking internal silos inside the organisation and paved the way for more systematic use of external consultations by the Bank.

The European Investment Bank

The European Investment Bank (EIB) is the lending arm of the European Union (EU). Its shareholders are the Member States of the European Union. It is headquartered in Luxembourg.

The EIB's main mission is to support the policies of the EU through long-term project funding, guarantees and advice. The Bank is active in the European Union and globally, through its development arm. Its priority areas are climate and environment, cohesion, innovation and digital and human capital, small and medium-sized enterprises, sustainable cities and regions, and sustainable energy and natural resources. In 2023, it lent 75.15 bn EUR.

The highest governing body of the Bank is the board of governors, made up of the finance ministers of the Member States. The board of governors lays down general directives for the EIB's credit policy, approves the annual report and accounts, and decides on participating in financing operations outside the EU and on capital increases. It appoints the board of directors and the management committee. The management committee is made up of a president and 8 vice presidents, each with sector oversight responsibilities (**Exhibit 1**). Andrew McDowell, an Irish national, was the vice president with responsibilities for lending operations and policy in the energy sector in 2019.

Stakeholder engagement at the EIB

Stakeholder engagement at the EIB started in the 2000s with a push by the unit in charge of relations with civil society organisations and external stakeholders to align the Bank's practices with those of other international institutions.

Today, the EIB engages with its external stakeholders at three levels: at the board of directors' level, at the policy level, and at the project level.

- Engagement at the board level takes the form of annual conversations between the board and civil society.
- Engagement at the policy level typically works through public consultations. The first public consultations concerned transversal policies, such as information and disclosures by the Bank, but were later also used for sectoral policies (**Exhibit 2**). Public consultations are not

¹ Date: April 2024. This case was prepared by Prof. Estelle Cantillon as a basis for discussion at the third UCB-SBSEM symposium "Business and Society" in May 2024. It seeks to describe, from the perspective of one protagonist, the transformation journey of their organisation and how they developed their governance and leadership model to support their sustainability ambitions.

systematic. They remain a decision of the board following a proposal by the management committee.

- Projects funded by the EIB must follow some rules of engagement with stakeholders to ensure their perspectives are taken into account.

Consultation on the energy lending policy

In January 2019, the EIB initiated a public consultation to revise its energy lending policy in light of the increased climate and energy ambitions of the EU. A background document, written by the Energy Department, laid out the EIB's vision of the upcoming transformation of the sector and its proposed priorities. Because the Bank knew this was a sensitive topic, especially for some Member States, the initial document was relatively conservative: it did not propose any significant changes in the criteria applied by the Bank on funded projects to ensure their alignment with climate targets. The consultation asked stakeholders for their views on the EIB's vision and priorities.

The consultation was open for three months and attracted a record (to that date) 149 contributions from a very diverse set of stakeholders: individual businesses, business federations, public administrations and agencies, NGOs and individuals. Some stakeholders asked for bilateral meetings.

As is the standard procedure, the contributions were reviewed by a panel of representatives of all directorates and co-chaired by the Head of the Transparency and Civil Society Unit at the General Secretariat and his team for the process side, and the Projects Directorate's Energy Department for the technical side. The review panel first summarized the many contributions in an "issue matrix" document that listed and organized the viewpoints of the different contributions along the consultation questions. Then came the task of deciding, especially on issues involving contradictory viewpoints. Because the stakes were so high, the panel largely drew on advice from other people inside the organisation. "Everyone was involved in the discussion, including some of the EU Member States", recalled Juan Manuel Sterlin, the Head of the Transparency and Civil Society Unit.

A first draft policy was published in July. The draft policy was bolder than the initial document and announced an end to funding for fossil-based energy projects. Additionally, it proposed an Energy Transition Package to support regions facing challenges in the transition away from fossil fuels. The draft policy was first discussed at the EIB board in September, after which a revised draft was issued, clarifying some aspects of the phase-out decision, allowing for some exceptions, and adapting some of the wording. A revised draft was discussed at the board in October and the final version was approved in November 2019. VP McDowell played a key role, especially during the more political and sensitive discussions. At the time of the approval, the EIB posted on its website a short interview of McDowell explaining the decision, another first in EIB's history. By then, the European Commission had launched the Green Deal and announced its ambition to make Europe the first climate-neutral continent. Shortly afterward, the EIB declared itself the EU climate bank (see

Exhibit 3 for a timeline of events).

The internal benefits of external engagement

The public consultation on the energy lending policy was a game changer for the EIB. Given its broad appeal to diverse stakeholders, responding to it required the active involvement of many parts of the organisation, well beyond the review panel. The process contributed to raising awareness about climate change inside the organisation and to a shared understanding of the market dynamics involved in the energy transition. It helped integrate the views of the different parts of the organisation and ensure their thorough understanding of the policy, which later contributed to smoother discussions regarding its application to projects. As a result, views on the value of public consultations improved

inside the Bank. They were no longer a formal step in the preparation of new policies, but a tool to improve content, facilitate internal discussion, and increase impact. While the decision to carry out a public consultation is still a voluntary decision of the Bank, directorates are increasingly using them as part of their process of policy reviews.

Exhibits

Exhibit 1: Governance structure of the European Investment Bank (source: EIB 2022 Corporate Governance Report)

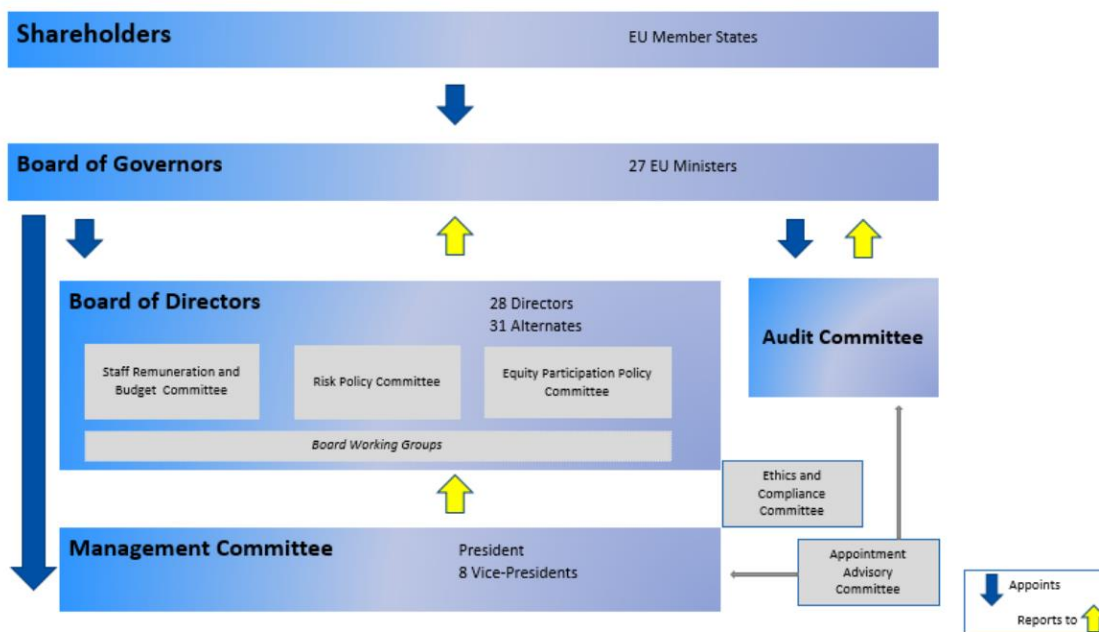


Exhibit 2: Number of contributions received by EIB public consultations (source: EIB)

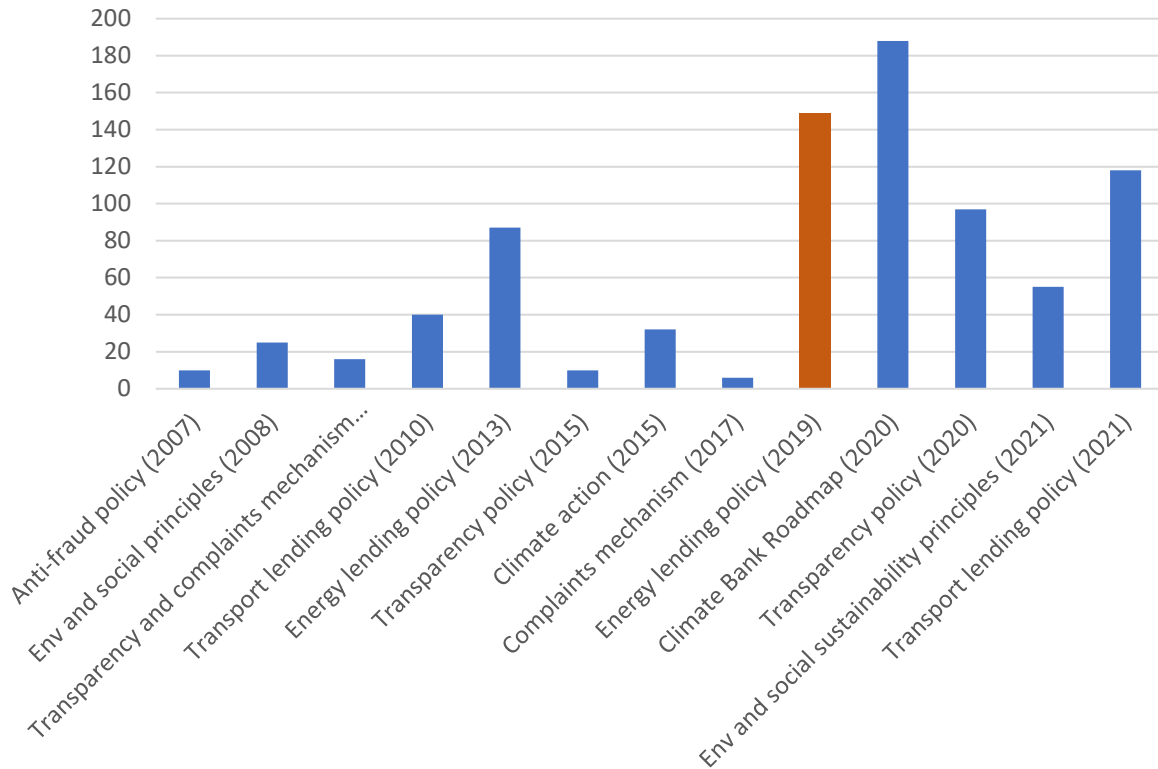


Exhibit 3: Timeline of the public consultation for the revision of the energy lending policy

