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EIF Policy on Exclusions and Restrictions

Applied to EIF operations relating to certain economic activities and sectors

The EIF applies exclusions and restrictions to its business activities in relation to certain activities and sectors, which are considered not to be compatible with the ethical, environmental and/or social principles of the EIF's statutory mission and, in particular, which do not comply with the European Union objectives.

In order to qualify for EIF support, an EIF operation¹ must meet one of EIF's primary public policy goals and not support an excluded activity or a restricted sector. This Policy defines the types of projects² the EIF operations do not support³. This Policy will be updated from time to time.

Sections 1 and 2 set out the conditions an activity must meet in order to be eligible for support under an EIF operation.

Section 3 includes additional restrictions concerning sectors of final recipients.

1. EIF's public policy goals

All of the operations supported by EIF contribute to one or more of the four primary public policy goals: competitiveness and growth; innovation; social impact, skills and human capital; sustainability and green transformation. The public policy goals, as may be amended over time, seek to ensure that EIF operations contribute to our statutory mission to pursue EU priorities and objectives.

Operations not consistent with one of EIF's primary public policy goals do not qualify as eligible for EIF support.

2. Excluded activities

In order to be eligible for support under an EIF operation, an activity must not be excluded from the overall strategic direction of the EIF. The following activities cannot benefit from the support of EIF under an EIF operation:

- a. **Projects which result in limiting people's individual rights and freedom, or violation of human rights, such as**
 - i. Prisons and detention centres of any form (such as correctional institutions or police stations with detention facilities)
 - ii. Any activities which are known directly or indirectly to result in harmful or exploitative forms of forced labour⁴ or harmful child labour⁵, as defined by the International Labour Organization's Fundamental Labour Conventions

¹ When used in this Policy, an EIF operation refers to equity products and debt products offered by the EIF.

² When used in this Policy and depending on the type of EIF operation and/or product, a project may refer to the economic activities in which the final recipient is involved or the specific project of the final recipient being supported by the EIF operation.

³ In addition, the EIF applies the Paris Alignment framework restrictions and exclusions as outlined in the EIB Group Climate Bank Roadmap (and the relevant implementing procedure), pursuant to which, as a general rule, corporates supporting activities listed as incompatible with the goals of the Paris Agreement, and subject to all conditions and caveats contained therein, will be restricted from EIF support.

⁴ Forced labour means traditional practices of forced labour, such as vestiges of slavery or slave-like practices, and various forms of debt bondage, as well as new forms of forced labour that have emerged in recent decades, such as human trafficking, also called modern-slavery, to shed light on working and living conditions contrary to human dignity.

⁵ Harmful child labour means the employment of children that is economically exploitative, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, moral or social development.

b. Projects unacceptable in climate and environmental terms

- i. Activities not aligned with the principles and goals of the Paris Agreement, as defined in the EIB Group Climate Bank Roadmap⁶
- ii. Any activity involving significant degradation, conversion or destruction⁷ of critical habitats⁸
- iii. Conversion of natural forests into plantation. This includes irrigated forests⁹, logging, clear cutting or degradation of (and commercial concessions over) tropical natural forests or high conservation value forests¹⁰ in all regions, as well as the purchase of logging equipment for this purpose
- iv. Unsustainable fishing methods (such as drift net fishing in the marine environment using nets in excess of 2.5 km in length and blast fishing)
- v. Extraction of mineral deposits from the deep sea¹¹
- vi. Extraction or mining of conflict minerals and metals¹²

⁶ [The EIB Group Climate Bank Roadmap 2021-2025](#) as applicable at the time of contract signature.

⁷ Destruction means 1) the elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or 2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

⁸ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the International Union for Conservation of Nature (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary forest or forests of high conservation value shall be considered critical habitats. Critical habitats include species under strict protection in accordance with Articles 12-16 of the Habitats Directive (Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora, as amended).

⁹ Except for temporary watering in the first three years after planting, which is allowed for the seedlings to develop deep rooting systems to ensure high survival rates.

¹⁰ High conservation value forests are defined by the Forest Stewardship Council as those that possess one or more of the following attributes: 1) forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (such as endemism, endangered species, refugia); 2) forest areas containing globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance; 3) forest areas that are in or contain rare, threatened or endangered ecosystems; 4) forest areas that provide basic services of nature in critical situations (such as watershed protection, erosion control); 5) forest areas fundamental to meeting basic needs of local communities (such as subsistence, health); 6) forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).

¹¹ Deep sea is defined as the areas of the ocean below 200 m — The International Seabed Authority and Deep Seabed Mining. United Nations.

¹² Minerals and metals covered by the Regulation (EU) 2017/821 laying down supply chain due diligence obligations for European Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas, as amended.

c. Activities prohibited by national legislation or international agreements ratified by the European Union

- i. This includes any products or activities subject to international phase out or bans, including production of or trade in products containing PCBs¹³; production, placing on the market and use of asbestos fibres¹⁴; production, use of or trade in ozone depleting substances¹⁵ and other substances which are subject to international phase-outs or bans, including pharmaceuticals, pesticides/herbicides, chemicals¹⁶, and other hazardous substances; trade in mercury, mercury compounds, and a large range of mercury-added products¹⁷; production or use of or trade in persistent organic pollutants¹⁸; production or trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); transboundary movements of waste prohibited under public international law¹⁹
- ii. Activities prohibited by host country legislation or international legal instruments ratified by the European Union, relating to the protection of biodiversity resources, or cultural heritage
- iii. Any activities relating to the deliberate release of genetically modified organism (GMO)²⁰

d. Ethically or morally controversial projects

- i. Animal and human reproductive cloning
- ii. Activities involving live animals for scientific and experimental purposes, including gene editing and the breeding of these animals²¹
- iii. Sex trade and related infrastructure, services and media
- iv. Projects with the purpose of producing, manufacturing, processing or distribution of tobacco
- v. Gambling and related equipment, hotels with in-house casinos²²
- vi. Projects with political or religious purpose

e. Production of or trade in weapons and ammunition, including any explosives and sporting weapons

¹³ PCBs: Polychlorinated biphenyls are a group of highly toxic chemicals.

¹⁴ Commission Regulation (EU) 2016/1005 of 22 June 2016 amending Annex XVII to Regulation (EC) No 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) as regards asbestos fibres (chrysotile).

¹⁵ Ozone depleting substances (ODS) are chemical compounds that react with and remove stratospheric ozone, resulting in holes in the ozone layer. The Montreal Protocol on Substances that Deplete the Ozone Layer lists ODSs and their target reduction and phase-out date.

¹⁶ Based on Regulation (EU) No. 649/2012 of the European Parliament and of the Council of 4 July 2012 concerning the export and import of hazardous chemicals as amended; United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); World Health Organization Recommended Classification of Pesticides by Hazard.

¹⁷ Regulation (EU) 2017/852 of the European Parliament and of the Council of 17 May 2017 on mercury.

¹⁸ Based on Stockholm Convention on Persistent Organic Pollutants (POPs) as amended in 2009.

¹⁹ Based on Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; and Decision C(2001)107/Final of the OECD Council concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations.

²⁰ Unless in compliance with EU Directive 2001/18/EC and EU Directive 2009/41/EC, and related country legislation, as further amended.

²¹ Unless in compliance with (EU) Directive 2010/63/EU as amended by Regulation (EU) 2019/1010 of the European Parliament and of the Council on the protection of animals used for scientific purposes.

²² Projects whose main purpose is other than gambling are excluded if more than 10% of its annual revenues is generated by gambling.

3. Additional restrictions concerning certain projects

The EIF applies additional restrictions to certain products and activities at the level of the final recipient²³. While the compliance with certain additional criteria and/or requirements may lead to the approval of such EIF operations in some circumstances²⁴, in general final recipients whose main activity²⁵ is in the following sectors cannot benefit from the support of EIF under an EIF operation:

a. Certain categories of projects with substantial environmental and social risks

- i. Projects in the mining sector
- ii. Manufacturing of explosives and nitrogen compounds
- iii. Nuclear energy and manufacturing within the nuclear industry (such as processing of nuclear fuel, uranium enrichment, irradiated fuel reprocessing)
- iv. Hydropower
- v. Waste incineration and collection, treatment and disposal of hazardous waste

b. Projects which require complex conditions to be Paris-aligned

- i. Thermal power stations
- ii. Industrial manufacturing activities covered by the EU Taxonomy Delegated Acts associated with significant CO₂ emissions²⁶
- iii. Air transport and related infrastructure (such as airports and airport installations) and services and manufacturing and acquisition of aircraft²⁷ and related machinery²⁸
- iv. Desalination

c. Additional project restrictions

- i. Research, development, production and/or commercialization of equipment or infrastructure dedicated to military/police use²⁹
- ii. Health sector projects with secure or forensic units
- iii. For-profit projects in the education sector by kindergarten, primary and secondary schools located outside the European Union

²³ Final recipients are the ultimate beneficiaries of a financing, which is supported or backed in whole or in part by an EIF operation through (a) contractual counterparty(ies) of EIF (or otherwise financial intermediaries that are either receiving or managing financial support under an EIF operation).

²⁴ For example, investments that qualify as environmentally sustainable investments as defined in the “EU taxonomy for sustainable activities” (Regulation (EU) 2020/852 (“EU Taxonomy”), as amended from time to time) as supplemented by the technical criteria established under the “EU Taxonomy Delegated Acts” (Commission delegated Regulations (EU) supplementing Regulation (EU) 2020/852 or upcoming Taxonomy Delegated Acts, as amended from time to time respectively), or (ii) are eligible under EIF’s Climate Action & Environmental Sustainability (CA&ES) criteria for green financing.

²⁵ Final recipients with their main activity in the sectors listed in section 3 are excluded. The main activity corresponds to the activity that contributes most to the total gross value added — as measured by income before interest, taxes and depreciation — of the final recipient.

²⁶ Cement, aluminium, iron and steel, basic chemicals, fertilisers and plastics in primary form, included in the First Climate Delegated Act on sustainable activities for climate change mitigation and adaptation objectives of the EU Taxonomy.

²⁷ With the exception of civil defence aircraft.

²⁸ Except for space transport and services and manufacturing and acquisition of spacecraft and related machinery, which shall be eligible for support under an EIF operation.

²⁹ Projects (including in equipment or infrastructure) with the potential to be used for both civil and military/police purposes (dual use) are not restricted.