

Call for EoI GR - No. 2024/01



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PROGRAMME
COMPETITIVENESS
2021 – 2027



HELLENIC REPUBLIC
Ministry of Economy
and Finance



European
Investment Fund

ANNEX IV – Underlying Fund Term Sheet for the Sustainability and Social Impact Window

Capitalised expressions utilised herein shall have the meaning attributed to them in the Call for Expression of Interest, unless otherwise defined below or the context requires otherwise. Unless the contrary intention appears, words in the singular include the plural and words in the plural include the singular.

This summary term sheet is for information purposes only. This document is an outline of the principal terms and conditions for the product described herein, which are subject to change and non-exhaustive.

Applicants are advised that any reference to legal and regulatory framework, including State Aid regime(s) shall be to the applicable version as amended, supplemented or replaced from time to time.

1. Policy Objective

The scope of the Sustainability and Social Impact Window can indicatively cover one or more of the following three sub-windows:

i. Social Impact

Investments aimed at supporting social enterprises or impact-driven enterprises delivering social impact in their path to scale. The main objective of such enterprises is to make intentional and positive social change through expansion and scale-up of their business model and related impact strategy and can reasonably be expected to be active on the following sub-sectors:

- a. Skills and education,
- b. Employment,
- c. Social inclusion.

ii. Environmental Sustainability

Technologies, products and solutions that contribute to environmental sustainability, climate mitigation and adaptation. Such investment activities include, but are not limited to, the subsectors below at every stage of development:

- a. mobility and transport,
- b. water and marine resources,
- c. pollution prevention,



- d. agri-tech and sustainable agriculture,
- e. food-tech,
- f. industrial biotech and green chemistry
- g. biodiversity and environmental ecosystems,
- h. circular economy, resource efficiency and waste management,
- i. energy,
- j. built environment, smart cities and urban tech
- k. prevention/management of extreme weather events and environmental disasters.

iii. Social Sustainability

Technologies, products and solutions that contribute to social sustainability through facilitating the development of new skills and tackling social issues and society welfare. Such activities include, but are not limited to, the subsectors below at every stage of development:

- a. Lifelong learning and specialized education
- b. Wellness and nutrition
- c. Workplace health
- d. Pet care and therapy.

The terms of reference described below comprise of four parts: parts I and III refer to horizontal terms of reference that are applicable at all times. Part II includes sets of additional terms of references that apply depending on the State Aid regime(s) to be selected by the Financial Intermediary and should be read in conjunction with parts I and III. Part IV includes an impact measurement framework that will apply to funds under specific sub-windows (indicatively Social Impact and Social Sustainability), to be agreed with the EIF on a case-by-case basis.

The applicable State Aid regime will ultimately depend on the investment strategy proposed by the selected Financial Intermediaries and their ability to source private financing (which is part of the commercial assessment criteria of applicants as outlined in chapter 9 of the main body of the Call documentation).

To this respect, the Financial Intermediaries will be invited to highlight their preference from the options listed below, bearing in mind that each option has different implications on Underlying Fund parameters, as further detailed in the following paragraphs:

1. **Pari-passu structure**
2. **Non pari-passu structure**

NOTE: Any reference to legal and regulatory framework, including State Aid regime (e.g. GBER, Commission Notice on the notion of State aid) shall be to the applicable version as amended, supplemented or replaced from time to time.

Part I. Terms of reference

Financial Instrument	EquiFund II – Sustainability and Social Impact Window
Type of financing	Equity and / or quasi-equity
Underlying Funds or Funds	<p>The investment funds and investment vehicles that are set up and managed by the Financial Intermediaries to provide financing to Final Recipients.</p> <p>The duration of Underlying Funds shall typically be 10 + 1 + 1 years (with extensions being subject to Funds' investors or advisory committee approval).</p> <p>Although the investment period of the Underlying Funds is expected to be in principle in line with market practice, due to constraints related to the source of financing of the CEoI, the investment period of the Underlying Funds that will be financed under this specific CEoI will not extend after 31 December 2029; for the avoidance of doubt, follow-on investments will be possible after this date, subject to the terms of the Operational Agreements.</p>
Investment Strategy of Underlying Funds	<p>Depending on the applicable State Aid regime, the Underlying Funds' investment strategy is expected to primarily target SMEs, Small Midcaps, Midcaps and/or Technology Transfer projects.</p> <p>Investments shall be in the form of equity or quasi-equity investments, as defined below:</p> <ul style="list-style-type: none"> • Equity is the provision of capital, invested directly or indirectly in return for total or partial ownership and where the equity investor may assume some management control of the firm and may share the firm's profits. • Quasi-equity, independent of its legal form, is the type of financing that, ranks between equity and debt, having a higher risk than senior debt and a lower risk than common equity. <p>Replacement capital (excluding strategies intended for asset stripping) may also be permitted (limitations apply in case of a State Aid regime different than Market Economy Operator Test, as per the State Aid framework described in Part II of this document below).</p> <p>Underlying Funds are expected to have an investment strategy primarily targeting Greece. Underlying Funds shall invest their full commitment in Target Recipients, as defined below.</p> <p>On an exceptional basis, regional funds (i.e. funds with an investment strategy targeting more than one country, including Greece) may also be supported. However, for regional funds, the following constraints apply:</p>

	<p>a. The regional funds shall invest an amount at least equal to the total amount committed under this CEoI in Final Recipients that, at the time of first investment therein by the Underlying Fund, qualify as Target Recipients.</p> <p>b. It is noted that there is a cap on the max amount of the total CEoI budget that will be directed to regional funds, i.e. not more than 1/3 of the total budget of the CEoI will be committed to regional funds (in total).</p> <p>The investment strategy shall take into consideration the State Aid regime described in Part II below.</p>
<p>Final Recipients</p>	<p>The amount invested in a single Final Recipient by an Underlying Fund shall typically be up to 15% at any point in time (possible Fund advisory committee approval in case that limit needs to be exceeded, however subject to a maximum of 20% of the Fund's total commitments per Final Recipient).</p> <p>Investments in companies listed on the official list of a regulated market are not allowed, since the fact that they are listed on a regulated market demonstrates their ability to attract private financing otherwise.</p> <p>For the avoidance of doubt, investments into Final Recipients shall be expected to be financially viable at the time of investment.</p> <p>Investments into Final Recipients shall be made in accordance with applicable State Aid rules, as presented for information in Part II below.</p> <p>For avoidance of doubt, Final Recipients include Target Recipients.</p>
<p>Target Recipient(s)</p>	<p>A Final Recipient that, at the time of the first investment therein by the Fund complies with the following criteria:</p> <p>(i) it qualifies as one of the following (subject to the applicable State Aid regime):</p> <ol style="list-style-type: none"> a. an SME; OR b. a Small Midcap; OR c. a Midcap; OR d. a Technology Transfer project. <p>(ii) has a branch or establishment (i.e., is legally incorporated) in Greece; and EITHER has its main activities (i.e., the main portion of their activities based on headcount, assets or primary focus of the Final Recipient's business activities) in Greece OR is planning to expand the operations in Greece. For Final Recipients with expansion plans and/or early-stage portfolio companies with insignificant operations, the</p>

	<p>assessment of their main activities shall be based on the Final Recipient's business plan at the time of the first investment by the Fund;</p> <p>(iii) in the case of a TT project, including projects located outside Greece, is planning to establish operations in Greece based on the business plan at the time of the first investment by the Fund, it being understood that meeting the criterion under limb ii. above shall not be required in the case of TT projects.</p>
Technology Transfer project (TT)	<p>Technology Transfer refers to activities carried out by universities or other higher education institutes performing research and other research organisations aiming at (a) converting research, development, skills, knowledge, technologies or innovations into commercial applications, products, processes or services; and/or (b) fostering the application of existing technology to develop innovative products, processes or services for existing and new markets. Such activities may take any of the following forms: (i) demonstration and commercialisation (including, but not limited to, proof of concept, technology validation, technology demonstration, prototyping, market development, scaling up); and (ii) IP out-licensing, IP in-licensing, cross-licensing activities (including via project financing), sale of patents and/or other IP assets.</p>
Financial Intermediary or Fund Manager	<p>The EIF will strive to select Financial Intermediaries that are independent and in a position to take the management and investment decisions independently, in particular without the influence of investors, sponsors or any other third party which is not integrated in the structure. In any case, the EIF can deviate from this condition on a case-by-case basis at its own discretion.</p> <p>The Financial Intermediary will typically be comprised of a team of experienced professionals, acting with the diligence of a professional manager and in good faith, operating according to best industry practices, complying with professional standards issued by the Invest Europe, ILPA or other equivalent organisation.</p> <p>The selected Financial Intermediary will be expected to draw on their networks of relevant industry and market contacts to aid the development of their Final Recipients. For example, while not a pre-requisite, they may establish a formal or informal structure from which relevant industry experts could be engaged on an ad hoc basis by the Final Recipients (the form, size, industry concentration, commitment and incentivisation scheme of the structure would remain at the full discretion of the Financial Intermediary).</p> <p>EIF, in its sole discretion, may select one or more Financial Intermediaries (which in turn will set up and manage the selected Underlying Funds) as a result of the Call and subsequent selection process.</p> <p>There is no requirement to domicile either the Underlying Fund or Financial Intermediary in Greece; however, some degree of local presence, to be agreed with EIF on a case-by-case basis, is expected.</p>
Fund Manager's commitment	<p>The Financial Intermediary shall contribute an adequate minimum percentage of the total size of the Underlying Fund (i.e. its total commitments). The required commitment size will be assessed against and aligned with the Underlying Fund</p>

	<p>economics and the broader financial position of the manager’s team to provide a relevant alignment of financial interest with investors. A typical commitment may often be at least 2% of the total commitments. The EIF can deviate from this condition on a case-by-case basis at its own discretion.</p>
Underlying Fund manager’s due diligence before investments into Final Recipient(s)	<p>The Financial Intermediary will make investment decisions aimed at profit-making, based on the Fund’s commercial investment strategy, each investment’s business plan, which should contain product description, turnover and profitability calculations and forecasts, previous assessment of project viability, as well as each investment’s clear and real exit strategy and other necessary points (such as potential conflict of interest).</p>
Management fee and establishment costs cap	<p>The management fee is typically paid on the total commitments of the Underlying Fund during the investment period and on the invested capital (acquisition cost of the active portfolio of the Underlying Fund reduced by the acquisition costs of the Underlying Fund’s investments that have been sold, written-off or written-down) thereafter. Alternatively, fixed fee for the post investment period could be considered.</p> <p>The management fee and establishment costs cap shall be deemed to include any fees, expenses and costs necessary to set up, manage and wind-up the Underlying Fund including transaction costs, as applicable.</p> <p>The management fees to be paid will be negotiated with the EIF after analysis of Fund Manager’s budget and should be proportional to the operational requirements of the Underlying Fund and the investment strategy.</p>
Additional features of the Fund Manager	<p>The Financial Intermediary will manage the Underlying Fund based on commercial principles.</p> <p>Investors’ representatives shall be appointed on appropriate advisory committee structures to review, inter alia, conflicts of interest.</p> <p>In the management of the Underlying Fund, the Financial Intermediary shall apply best practices, inter alia considering guidelines developed by Invest Europe and ILPA, and shall perform controls as required by the public nature of the Underlying Fund’s investment.</p>
Data Protection Statement	<p>Means EIF’s Data Protection Statement on the processing of personal data of Applicants and Financial Intermediaries, as published on the EIF website: eif_data_protection_statement_financial_intermediaries_due_diligence_en.pdf</p>
Addressing Climate Action and Environmental Sustainability	<p>The contribution of Financial Intermediary transactions to Climate Action and Environmental Sustainability (“CA&ES” or “green”) objectives shall be determined, if applicable/relevant/indicated by the EIF, in accordance with the latest EIF Climate Action and Environmental Sustainability Guidelines¹ published in EIF’s website.</p>

¹ [Guideline on the EIF’s criteria for Climate Action and Environmental Sustainability \(CA&ES\)](#)

Targeted Activities under the EIB Group NCJ Policy	Means (i) criminal activities such as money laundering, financing of terrorism, tax crimes (i.e. tax fraud and tax evasion) and (ii) tax avoidance practices (i.e. wholly artificial arrangements aimed at tax avoidance).
Restrictive Measures	Means, without limitation, restrictive measures adopted pursuant to the Treaty on European Union (TEU) or to the Treaty on the Functioning of the European Union (TFEU).
Reporting	<p>The Financial Intermediary shall provide EIF with quarterly information in a standardised form and scope as per Invest Europe guidelines for reporting to be specified in the Operational Agreement.</p> <p>The Financial Intermediary may also be requested to collect and / or send information on the entity that receive equity financing (Ultimate Beneficial Owners information), notably in order to comply with the reporting requirements under national Regulation; details will be defined in the Operational Agreement(s).</p> <p>The Financial Intermediary will take all the measure for avoidance of double funding.</p> <p>Finally, it is important to note that CPR, ERDF and State Aid reporting rules may require Financial Intermediaries to provide new data points which typically are not being tracked and a higher granularity of data. Furthermore, the Fund Manager should report any additional data that may derive from future changes to the Union Funds or State Aid regulations. More detailed reporting requirements will be set out in the Operational Agreement(s).</p>
Monitoring and Audit	The Financial Intermediaries and the Final Recipients shall agree to keep records and to allow and provide access to documents related to the Financial Instrument for the representatives of the European Commission, the European Anti-Fraud Office (OLAF), the European Court of Auditors (ECA), the EIF, the EIB, the Hellenic Republic and any other authorised bodies duly empowered by applicable law to carry out audit and/or control activities. The Financial Intermediary and the Final Recipients shall enable these bodies to discharge their duties with respect to monitoring, control and auditing of the correct use of the Investments. These controls may include on-the-spot controls of the Financial Intermediaries and the Final Recipients. To that effect, appropriate provisions shall be included in each Operational Agreement.
Visibility	<p>The Financial Intermediary, in line with applicable law and Union Funds rules, shall carry out adequate marketing and publicity campaigns aimed at making the public contribution known, as to be specified through the Operational Agreement. To this respect, the Financial Intermediary shall:</p> <ol style="list-style-type: none"> i. explicitly inform the portfolio companies that financing is made possible through the support of the Fund with the financial backing of the Hellenic Republic. Such information needs to be prominently included either in the contractual documentation and/or in an accompanying cover letter;

	<p>ii. ensure the visibility of European Union funding, by informing Final Recipients and the public of the support received from the Union Funds and by displaying in Operational Agreements and relevant publicity materials, if applicable, (brochures, website, banners, social media, billboards, posters etc.) as well as on the Final Recipient's website, the European Union flag and the statement 'Co-funded by the European Union', and other publicity obligations, in accordance with a text to be included in the Operational Agreement;</p> <p>iii. include in any press release or other marketing action that the Financial Intermediary may choose to make with regard to the operation that the Financial Intermediary has benefited from the support of EquiFund II.</p> <p>More detailed visibility requirements will be set out in the Operational Agreement(s).</p>
Transfer	<p>Under the Funding Agreement, EIF may be substituted in its role as the EquiFund II manager. In the event of such substitution, the Hellenic Republic, or the entity appointed by the Hellenic Republic as new EquiFund II manager, will assume the full discretion and responsibility to perform the tasks of EquiFund II and to implement the EquiFund II operations in Greece, and may take over the Financial Instrument(s). The Operational Agreement will provide for the possible substitution of EIF, in order to allow the transfer of the Operational Agreements to the successor entity.</p>
General requirements	<p>The Financial Intermediary shall ensure compliance with applicable law, including but without limitation rules covering the ERDF and all relevant national law and regulations, State Aid and money laundering, the fight against terrorism and tax fraud, as applicable. The Financial Intermediary, may, in line with its internal rules and procedures and particularly in the cases where fraudulent behaviour is suspected, be required to perform monitoring checks at the level of the Final Recipients.</p> <p>The Operational Agreement(s) may also include provisions in terms of the Underlying Fund's cash flow management, as deemed necessary.</p> <p>The Underlying Fund shall not be established in a NCJ unless the operation is physically implemented in the relevant NCJ and does not present any indication that it supports actions that contribute to Targeted Activities under the EIB Group NCJ Policy².</p> <p>The Operational Agreements will include provisions, the objective of which will be to provide appropriate remedies for protecting EIF's and EquiFund II interest in Underlying Funds in case an investment does not comply with the agreed eligibility criteria. The Underlying Fund may be required to return amounts invested in Final Recipients which do not meet the eligibility criteria and/or which are found to be in an exclusion situation not duly disclosed or supervened (in</p>

² Targeted Activities under the EIB Group NCJ Policy, which means (i) criminal activities such as money laundering, financing of terrorism, tax crimes (i.e. tax fraud and tax evasion) and (ii) tax avoidance practices (i.e. wholly artificial arrangements aimed at tax avoidance)

the event that cannot be cured). In these cases, the Fund may be required to apply all applicable contractual and legal measures with due diligence for the purpose of recovering the relevant amounts.

Financial Intermediaries and Final Recipients:

- shall not use any investment under the EquiFund II to support any of the excluded activities as described in Part III of this document,
- shall not be established in a NCJ unless the operation is physically implemented in the relevant NCJ and does not present any indication that it supports actions that contribute to Targeted Activities under the EIB Group NCJ Policy²,
- shall undertake to comply with all applicable laws and regulations and the relevant applicable international and European Union standards and legislation on the prevention of money laundering, the fight against terrorism, tax fraud, tax evasion and artificial arrangements aimed at tax avoidance; and, therefore, not support actions that contribute to tax evasion or finance artificial arrangements aimed at tax avoidance,
- shall acknowledge the EIB Group Anti-Fraud Policy³ which sets out the policy of EIF for preventing and deterring corruption, fraud, collusion, coercion, obstruction, money laundering and terrorist financing as amended from time to time, and shall take appropriate measures (as may be further specified in the relevant agreement) to (i) facilitate implementation of such policy as well as to (ii) undertake to support investigations performed by the EIF or the European Investment Bank, the European Public Prosecutor's Office (EPPO), or the European Anti-Fraud Office (OLAF), or the European Court of Auditors (ECA) in connection with actual or suspected prohibited conduct,
- shall ensure via contractual provisions that no funds or economic resources are made available directly or indirectly to, or for the benefit of, persons or entities designated by Restrictive Measures⁴.

³ *EIB Group Anti-Fraud Policy*

⁴ *As part of its due diligence process, EIF will analyse and exclude any applicant if it or any of its key persons, including ultimate beneficial owners, are subject to EU/UN/US/UK restrictive measures (sanctions), including but not limited to sanctions related to the invasion of Ukraine by the Russian Federation.*

Part II. State Aid regime option(s) and applicable terms of reference

I. *Pari passu structure*

Investing as Market Economy Operators (State aid free) in line with relevant provisions of the Commission Notice on the notion of State aid⁵ and the relevant Practical guidance for Member States on The Market Economy Operator Test for Risk Finance Measures⁶, in which case the following provisions apply.

Investment Range	Typically up to 15% of the total Underlying Fund size in any single investee at any point in time (fund investors' advisory board approval required in case that limit needs to be exceeded subject to a maximum of 20% of the total commitments). No regulatory cap for State aid “free” funds investing as a market economy operator in line with the Commission Notice on the notion of State aid.
Eligible Investees	In line with Part I, Target Recipients, point (i) of this Call, in addition to SMEs, Small Mid-caps, Mid-caps and Technology Transfer projects may be targeted.
Distribution Cascade	<i>Pari passu</i> distribution cascade for all investors. <ol style="list-style-type: none"> 1. First, 100% to all investors (pro-rata to their underlying economic interest) until they have received distributions in aggregate equal to the total capital committed to the Underlying Fund; 2. Second, 100% to the Private Investors and the EIF, acting on behalf of the MS, (pro-rata to their underlying economic interest) until each investor has received sums equal to a compounded market standard Hurdle Rate on their capital drawn to the Underlying Fund as from the respective dates of drawdown until the dates distributions are made; 3. Third, 100% to the Fund Manager until the Fund Manager has received an additional amount equal to 25% of the total preferred returns distributed to the investors under the paragraphs above; 4. Thereafter, 80% to the EIF (acting on behalf of the MS) and Private Investors (pro-rata to their underlying economic interest) and 20% to the Fund Manager (Carried Interest).⁷

⁵ Commission Notice on the notion of State aid as referred to in Article 107(1) of the Treaty on the Functioning of the European Union C/2016/2946, [EUR-Lex - 52016XC0719\(05\) - EN - EUR-Lex \(europa.eu\)](#)

⁶ [20240126_practical_guidance_for_member_states_the_market_economy_operator_test_for_risk_finance_measures.pdf\(europa.eu\)](#)

⁷ The carried interest of funds applying impact measurement framework, may be conditional to the achievement of impact KPIs (to be agreed during EIF's DD), as per the impact measurement framework presented in Part IV to this Term Sheet.

Prohibited types of investees and activities	<p>Investments in following types of investees and activities and/or sectors shall not be supported:</p> <ul style="list-style-type: none"> a. undertakings that have received illegal State aid which has not been fully recovered; b. companies listed on the official list of a stock exchange or a regulated market; c. investees, activities or sectors restricted or excluded as per Part III thereof.
Private Investors	<p>Has the meaning set out in point 3(8) of the Commission’s Market Economy Operator Test for Risk Finance Measures: Practical guidance for Member States (“MEOT Guidance”) as amended or replaced from time to time.</p> <p>Private Investors include, in particular, credit institutions investing at own risk and from own resources, private endowments and foundations, family offices and business angels, corporate investors, insurance undertakings, pension funds, academic institutions, as well as private individuals or natural persons (also in consideration of point 3(10) of the MEOT Guidance).</p>
Private Investor contribution	<ul style="list-style-type: none"> a. 30% Independent Private Investor contribution at the Underlying Fund level on a ‘<i>pari passu</i>’ basis (same terms and conditions and therefore the same level of risk and rewards)⁸. b. intervention of public and Independent Private Investor resources always simultaneous (inherent in equity fund’s structure). c. ‘<i>pari passu</i>’ distribution cascade. <p>It is reminded that the ability to source private financing is part of the quality assessment criteria of applicants.</p> <p>Please see further below dedicated section on Additional considerations relevant to the Market Economy Operator Test (<i>pari passu</i> structure).</p>

Additional considerations relevant to the Market Economy Operator Test (*pari passu* structure)

It is understood that investments made by the Underlying Fund under the *pari passu* structure, also alongside other Independent Private Investors at the level of the Final Recipients if that is the case, will be considered to be in full compliance with the *pari passu* structure in Final Recipients in which public and Independent Private Investors have not previously invested, hence resulting in the automatic application of the Market Economy Operator Test as provided for in various rules codified by the European Commission⁹. For the avoidance of doubt, given that both public and Independent Private Investors delegate all investment / divestment

⁸ Commission Notice on the notion of State aid as referred to in Article 107(1) of the Treaty on the Functioning of the European Union C/2016/2946, as well as *The Market Economy Operator Test for Risk Finance Measures* of 26 January 2024.

⁹ e.g. Commission Notice on the Notion of 2016 (Chapter 4.2), *The Market Economy Operator Test for Risk Finance Measures* of 26 January 2024, *Updated Guidelines on State Aid to the European Structural and Investment Funds (ESI) - Financial Instruments for the 2014-2020 programming period (Section 3.3)* and *Risk Finance Guidelines from 2022*.

decisions to the Fund Manager for all investment cases, it is understood that their starting position is fully comparable with regard to the Underlying Fund they invest in and the underlying transactions the Underlying Fund will undertake.

II. *Non pari-passu structure*

Investing in line with Article 21 of GBER¹⁰, in which case the following provisions apply¹¹. Additional instructions further detailing the non pari-passu provisions mentioned below will be provided to the selected Financial Intermediaries opting for the non pari-passu structure.

For the avoidance of doubt, under the non pari-passu structure, **only final recipients that fall under the SME definition will be eligible for financing.**

Investment Range	<p>Typically up to 15% of the total Underlying Fund size in any single investee at any point in time (fund investors' advisory board approval required in case that limit needs to be exceeded subject to a maximum of 20% of the total commitments).</p> <p>For GBER compliant Funds, the cap is at EUR 16.5 million per eligible undertaking under any risk finance measure. The GBER compliant Funds may invest together with other GBER compliant funds up to the maximum cumulated limit of EUR 16.5m per SME, in accordance with Articles 8 and 21 of GBER.</p>
Eligible Investees	<p>Under GBER, a non-pari-passu distribution cascade may apply. The Underlying Fund:</p> <ol style="list-style-type: none"> 1. shall target enterprises that at the time of the initial investment round are unlisted SMEs and fulfil, at the time of the initial investment round, at least one of the following criteria in accordance with Article 21(3) GBER: <ol style="list-style-type: none"> a) they have not been operating in any market; b) they have been operating in any market for any of the following <ol style="list-style-type: none"> i. less than 10 years following their registration; or ii. less than 7 years after their first commercial sale¹²; c) they require an initial risk finance investment which, based on a business plan prepared in view of a new economic activity is higher than 50% of their average annual turnover in the preceding 5 years. 2. may also provide follow-on investments made in enterprises, including after the eligibility period mentioned in 1b) above, if the following cumulative conditions are fulfilled, in accordance with Article 21(4) GBER:

¹⁰ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (Text with EEA relevance) Text with EEA relevance, [EUR-Lex - 02014R0651-20210801 - EN - EUR-Lex \(europa.eu\)](#), as amended from time to time.

¹¹ Please note that the definitions of art. 2 of GBER always prevail.

¹² 'first commercial sale' means the first sale by a company on a product or service market, excluding limited sales to test the market.

	<ul style="list-style-type: none"> a) the maximum amount of risk finance as per GBER (EUR 16.5m) per eligible undertaking is not exceeded in aggregate; b) the possibility of follow-on investments was provided for in the original business plan; c) the enterprise receiving follow-on investments has not become linked, within the meaning of Article 3(3) of Annex I of GBER, with another undertaking other than the Financial Intermediary or the Independent Private Investor providing risk finance under the measure, unless the new entity is an SME within the meaning of Annex I of GBER.
Eligible Investees	The Fund shall invest in enterprises qualifying as SMEs in both initial and subsequent financing rounds.
Replacement capital	Under GBER, the Fund may provide support for replacement capital only if the latter is combined with new capital representing at least 50% of each investment round into the eligible undertakings.
Distribution Cascade	<p>Under a non pari-passu structure, the Fund may benefit from State aid - non-pari-passu incentives for Independent Private Investors in the form of capping the net return on the EquiFund II investment at 6% p.a., for the benefit of such private investors.</p> <ol style="list-style-type: none"> 1. First, 100% to all investors (pro-rata to their underlying economic interest) until they have received distributions in aggregate equal to the total capital committed to the Underlying Fund; 2. Second, 100% to the Private Investors and the EIF, acting on behalf of the MS, (pro-rata to their underlying economic interest) until each investor has received sums equal to a compounded Hurdle Rate of 6% of their capital drawn to the Underlying Fund as from the respective dates of drawdown until the dates distributions are made; 3. Third, 100% to the Fund Manager until the Fund Manager has received an additional amount equal to 25% of the total preferred returns distributed to the investors under the paragraphs above. 4. Thereafter, 80% to Private Investors (pro-rata to their underlying economic interest, excluding the share of EIF (acting on behalf of the MS) and 20% to the Fund Manager (Carried Interest)¹³.
Prohibited types of investees and activities	<p>Investments in following types of investees and activities and/or sectors shall not be supported:</p> <ul style="list-style-type: none"> a. undertakings in difficulty, as defined in Art. 2(18) of the GBER. b. undertakings that have received illegal State aid which has not been fully recovered. c. undertakings operating in additional not supported activities as per Art. 1 of GBER.

¹³ The carried interest of funds applying impact measurement framework, may be conditional to the achievement of impact KPIs (to be agreed during EIF's DD), as per the impact measurement framework presented in Part IV to this Term Sheet.

	d. investees, activities or sectors restricted or excluded as per Part III hereof.
Independent Private Investors	<p>Means an investor who is private and independent, in accordance with Article 2 (72) of GBER 651/2014¹⁴.</p> <p>‘Private’ investors mean investors who, irrespective of their ownership structure, pursue a purely commercial interest, use their own resources and bear the full risk in respect of their investment, and include, in particular: credit institutions investing at own risk and from own resources, private endowments and foundations, family offices and business angels, corporate investors, insurance undertakings, pension funds, academic institutions, as well as natural persons who either conduct an economic activity or not. The European Investment Bank, the European Investment Fund, an international financial institution in which a Member State is a shareholder, or a legal entity that carries out financial activities on a professional basis which has been given a mandate by a Member State or a Member State’s entity at central, regional or local level to carry out development or promotional activities (national promotional bank or another promotional institution), will not be considered private investors for the purposes of this definition.</p> <p>‘Independent’ investor means an investor that is not a shareholder of the eligible undertaking in which it invests. In the context of follow-on investments, an investor remains ‘independent’ if it was considered as an independent investor in a previous investment round. Upon the creation of a new company, any private investors, including the founders, of such new company, are considered to be independent from that company.</p>
Independent Private Investor contribution	<p>A minimum of 10% financing from Independent Private Investors is required at fund level in accordance to GBER.</p> <p>The Fund Manager will be contractually required to constantly monitor the portfolio to ensure that the combined private participation rate at the Fund and the portfolio companies level at all times represent at least the weighted average based on the volume of the individual investments in the underlying portfolio and resulting from the application of the minimum participation rates to such investments, as given in the next points and, in any event, in accordance with Article 21(3) GBER in corroboration with Article 21(12) and Article 21(13) GBER, unless the required participation from independent private investors is achieved at the level of the eligible undertakings.</p> <ol style="list-style-type: none"> a. enterprises that, at the time of concerned initial or follow-on investment have not been operating in any market, require minimum 10% private participation, thus the Fund may be the only investor (private participation is achieved through the Independent Private Investors in the Fund); b. enterprises that, at the time of concerned initial or follow-on investment, have operated in any market for less than 10 years following their registration or less than 7 years following their first commercial sale, require minimum 20% private

¹⁴ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (Text with EEA relevance) Text with EEA relevance, [EUR-Lex - 02014R0651-20210801 - EN - EUR-Lex \(europa.eu\)](#), as amended by Commission Regulation (EU) 2023/1315 of 23 June 2023 (Regulation - 2023/1315 - EN - EUR-Lex (europa.eu)) and as further amended from time to time.

participation, thus the Fund shall need to syndicate with Independent Private Investors on enterprises level, unless the weighted average participation rate in already existing portfolio, as mentioned above, does not already cover the shortfall;

c. enterprises that:

i. at the time of concerned initial investment require an initial investment which, based on a business plan prepared in view of a new economic activity, is higher than 50 % of their average annual turnover in the preceding 5 years (that threshold shall be limited to 30 % in particular cases)

OR

ii. at the time of concerned follow-on investment, have operated in any market for 10 years or more following their registration or 7 years or more following their first commercial sale,

require minimum 30% private participation, thus the Fund shall need to syndicate with Independent Private Investors on enterprises level, unless the weighted average participation rate in already existing portfolio, as mentioned above, does not already cover the shortfall.

It is reminded that the ability to source private financing is part of the assessment criteria of applicants.



Part III. Restricted sectors of activity

The **EIF Restricted Sectors** (“Restricted Sectors”) are published on the EIF’s website¹⁵ and/or may be amended from time to time by the EIF. The list of Restricted Sectors in force as at the date of this Call are the following:

Financial Intermediaries and Underlying Funds shall not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities:

- a) whose business activity consists of an illegal economic activity (i.e., any production, trade or other activity which is illegal under the laws or regulations applicable to the Underlying Funds or the relevant company or entity, including, without limitation, human cloning for reproduction purposes);
- b) which substantially focus on:
 - i. the production of and trade in tobacco and distilled alcoholic beverages and related products;
 - ii. the financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;
 - iii. casinos and equivalent enterprises;
 - iv. the research, development or technical applications relating to electronic data programmes or solutions, which:
 1. aim specifically at:
 - a. supporting any activity included in the EIF Restricted Sectors referred to above;
 - b. internet gambling and online casinos; or
 - c. pornography,
 - or which:
 2. are intended to enable anyone to illegally:
 - a. enter into electronic data networks; or
 - b. download electronic data;
 - v. fossil fuel-based energy production and related activities, as follows:
 - a. Coal mining, processing, transport and storage;
 - b. Oil exploration & production, refining, transport, distribution and storage;
 - c. Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage;
 - d. Electric power generation exceeding the Emissions Performance Standard (i.e., 250 grams of CO₂e per kWh of electricity) applicable to fossil fuel-fired power and cogeneration plants, and geothermal and hydropower plants with large reservoirs;
 - vi. energy-intensive and/or high CO₂-emitting industries, as follows:
 - a. the manufacture of other inorganic basic chemicals (NACE 20.13)
 - b. the manufacture of other organic basic chemicals (NACE 20.14)

¹⁵ [2010 EIF Guidelines on Restricted Sectors](#)

- c. the manufacture of fertilisers and nitrogen compounds (NACE 20.15)
- d. the manufacture of plastics in primary forms (NACE 20.16)
- e. the manufacture of cement (NACE 23.51)
- f. the manufacture of basic iron and steel and of ferro-alloys (NACE 24.10)
- g. the manufacture of tubes, pipes, hollow profiles and related fittings, with steel (NACE 24.20)
- h. the manufacture of other products of first processing of steel (NACE 24.30, incl. 24.31-24.34)
- i. the production of aluminium (NACE 24.42)
- j. the manufacture of conventionally-fuelled aircraft and related machinery (sub-activity of NACE 30.30)
- k. conventionally-fuelled air transport and airports and service activities incidental to conventionally-fuelled air transportation (sub-activities of NACE 51.10, 51.21 and 52.23).

Substantial focus definition:

The EIF considers that an EIF counterparty or Final Recipient has a “substantial focus” on a sector or business activity if such sector or activity is identified as being an essential part of business activity of the EIF Counterparty or Final Recipient respectively. This assessment is based, in particular, on the proportionate importance of such restricted sector or activity in relation to the revenues, the turnover or the client base of the respective EIF counterpart or Final Recipient, in such a way that could affect the financial sustainability/going-concern of the EIF Counterparty or Final Recipient should such restricted activity cease.

Notwithstanding the above, investments in sectors mentioned under limb vi. items a) – k) above shall be allowed if the Financial Intermediary confirms that the specific investment either (i) qualifies as environmentally sustainable investment as defined in the “EU taxonomy for sustainable activities” (Regulation (EU) 2020/852, as amended from time to time, and 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) is eligible under the EIF’s Climate Action & Environmental Sustainability (CA&ES) objectives in accordance with the latest criteria as published on the EIF website as of the date of this Call or any further version published after such date¹⁶.

As per its internal policy, the EIF applies additional restrictions to Underlying Funds with debt/loan strategies which envisage the issuing of loans to finance specifically identified assets.

In addition, when providing support to the financing of the research, development or technical applications relating to:

- (a) human cloning for research or therapeutic purposes; and
- (b) Genetically Modified Organisms (“GMOs”),

the EIF will require from Financial Intermediaries appropriate, specific assurance on the control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.

¹⁶ https://www.eif.org/news_centre/publications/climate-action-sustainability-criteria.htm, as may be updated from time to time



Part IV. EIF Impact Performance Methodology

The EIF's impact performance methodology

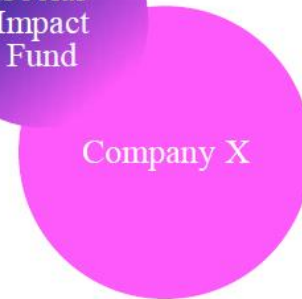
EIF impact performance methodology

3 steps to track the positive correlation between financial value and social impact, overseen by an Advisory Committee

Step 3
Monitor progress and share the impact multiples achieved at company and portfolio level



Step 1
Define 1 to 5 impact indicators per portfolio company



Step 2
Set a quantifiable target on each impact indicator, at the moment of the investment as well as a weighting

The EIF's impact performance methodology

2

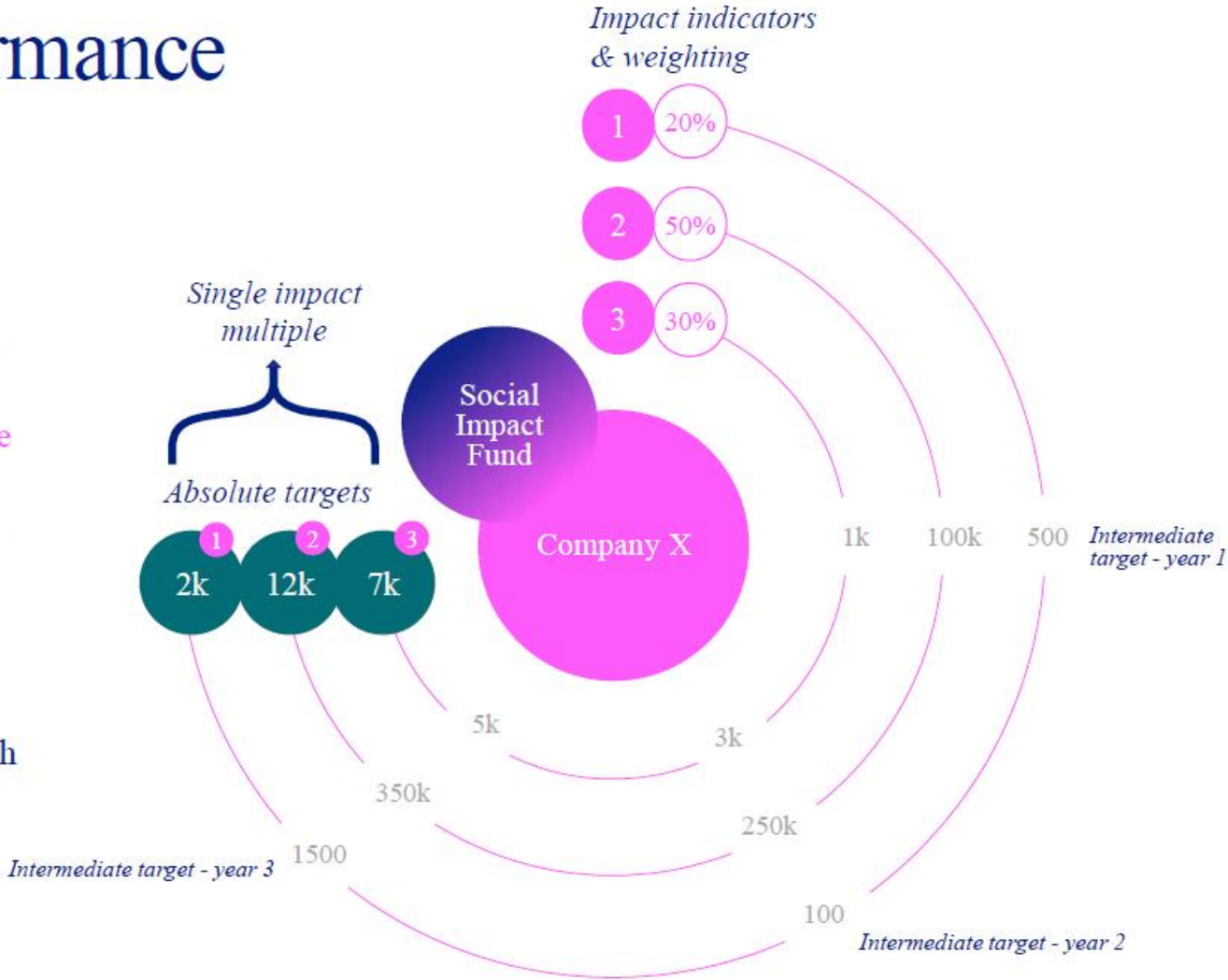
EIF impact performance methodology

An example

“Food4GOOD” (construed case study)

A food sharing app that helps neighborhoods cut down on waste, create a sense of community and allow for marginalized communities to get access to quality food

- 1 Tons of redundant food redirected
- 2 Number of recurrent customers with wage level below minimum wage
- 3 Number of food sharing interactions/month



The EIF's impact performance methodology

3

Impact accountability

Linking carried interest to impact performance

	Relative weight of investment	Company Multiple	Weighted Company Multiple	Overall Fund Impact Multiple	Carry Entitlement (max. 20%)
<i>Company 1</i>					
EUR 7.000.000	32%	X 1.17 =	0.37	} → 0.78	Linear decrease of 50% of carry entitlement over span 0.8 to 0.6 $(0.78-0.8)/(0.6-0.8) \times 50\% = 10\%$ 20% carry – 10% = 18%
<i>Company 2</i>					
EUR 12.000.000	54%	X 0.52 =	0.28		
<i>Company 3</i>					
EUR 3.000.000	14%	X 0.94 =	0.13		
<i>Total Fund Investment</i>					
EUR 22.000.000					