

Annex IV (b)
Sustainability Portfolio Guarantee Product
- Specific provisions -
(updated on 12 December 2023)

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| <p>EU Policy Objective</p> | <p>Sustainable growth and the protection and improvement of the quality of the environment are core values of the European Union. Furthermore, on climate policy specifically, the EU has set targets for reducing its greenhouse gas (“GHG”) emissions progressively to become carbon-neutral by 2050 and has set itself the goal of becoming a climate resilient society by 2050, fully adapted to the unavoidable impacts of climate change.</p> <p>The Sustainability Portfolio Guarantee Product aims to support investments contributing to the green and sustainable transformation of the European economy, supporting access to Debt Financing for Target Final Recipients. Additionally, it will also seek to support investments aiming to enhance the accessibility of services, products and infrastructure and to develop assistive technologies and making the organisation and its premises accessible for customers and employees with disabilities and/or impaired function.</p> |
| <p>Type of (Counter-) Guarantee</p> | <p>The Sustainability Portfolio Guarantee Product shall be offered by EIF in the form of either a Capped (Counter-) Guarantee or an Uncapped (Counter-) Guarantee.</p> |
| <p>Applicable (Counter-) Guarantee Rate</p> | <p>The (Counter-) Guarantee Rate shall be:</p> <ul style="list-style-type: none"> a) up to 70% of each Guarantee Transaction where the Target Final Recipient is an SME or a Small Mid-Cap b) up to 80% of each Guarantee Transaction where the Target Final Recipient is listed under paragraph (1) of the Target Final Recipients section below c) notwithstanding a) above, up to 80% with respect to where the Final Recipient is established in Just Transition Regions or Cohesion Regions. |
| <p>Applicable (Counter-) Guarantee Cap Rate</p> | <p>In case of Capped (Counter-) Guarantees, the (Counter-) Guarantee Cap Rate shall be set up to the level of expected loss and shall not exceed 25%.</p> |
| <p>Target Final Recipient</p> | <p>Is :</p> <ul style="list-style-type: none"> 1) a natural person or a housing association, as the case may be, that enters into a Final Recipient Transaction which meets at least one of the following Product Eligibility Criteria: <ul style="list-style-type: none"> a) Climate Change Mitigation/Renewable Energy (as defined in item 2.1 of the Product Eligibility Criteria and the related part of the Use Case Document). |

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| | <p>b) Climate Change Mitigation/Green and energy efficient buildings – Residential (as defined in item 2.3 of the Product Eligibility Criteria and the related part of the Use Case Document);</p> <p>c) Climate Change Mitigation/ Zero and Low emission mobility (as defined in item 2.5 of the Product Eligibility Criteria and the related part of the Use Case Document);</p> <p>Where a Financial Intermediary includes Final Recipient Transactions in respect of Target Final Recipients listed under this paragraph 1), such Final Recipient Transactions shall be included in a distinct Portfolio and a Committed (Counter-) Guarantee Volume shall be set for such Portfolio.</p> <p>2) an SME or a Small Mid-Cap, that either:</p> <p>a) is a “Sustainable Enterprise” as defined in section A of the Product Eligibility Criteria and the related part of the Use Case Document, or</p> <p>b) enters into a Final Recipient Transaction that meets at least one of the Product Eligibility Criteria set out in sections B, C or D of the Product Eligibility Criteria and the related part of the Use Case Document.</p> <p>Where a Financial Intermediary includes Final Recipient Transactions in respect of Target Final Recipients listed under this paragraph 2), such Final Recipient Transactions shall be included in a distinct Portfolio and a Committed (Counter-) Guarantee Volume shall be set for such Portfolio.</p> <p>In addition, for the purpose of the Product Eligibility Criteria set out in items B (“Green Investments”) and C (“Green Investments in Agriculture and Forestry”), with respect to a Final Recipient Transaction provided to a Final Recipient, which is an SME or a Small Mid-Cap forming part of a group of linked or partner enterprises, such Final Recipient shall be deemed to comply with a Product Eligibility Criterion if it is met by another entity of such group. In such case, the entity that meets that Product Eligibility Criterion shall fully benefit from the Debt Financing provided under the Final Recipient Transaction.</p> |
| <p>Product Eligibility criteria</p> | <p>The Product Eligibility Criteria shall be implemented in accordance with an explanatory document (the “Use Case Document”), which elaborates the Product Eligibility Criteria and outlines the relevant conditions, thresholds, minimum reduction levels, benchmarks, certificates and pre-defined lists and is available at the following link¹.</p> |

¹ https://www.eif.org/InvestEU/guarantee_products/sustainability-use-case.pdf

Financing that conforms to the provisions of the Use Case Document shall be deemed to meet the Product Eligibility Criteria.

The Financial Intermediary shall ensure that the Final Recipients and/or Final Recipient Transactions, as applicable, comply with the following Product Eligibility Criteria (as detailed in the Use Case Document):

A. A Final Recipient which is an SME or Small Mid-Cap qualifies as a “Sustainable Enterprise” by satisfying at least one of the criteria below:

- 1.1. it has been awarded within the last 3 years a clean-tech or "green" prize, grant or funding from an EU/National institution/body/ support scheme from a pre-defined list, and the purpose of the Final Recipient Transaction is to maintain or further develop the activity of the Final Recipient; or
- 1.2. it has registered within the last 3 years, at least one renewable or clean-tech - related technology or other relevant technology right related to climate and environmental sustainability and the purpose of the Final Recipient Transaction is to enable, directly or indirectly, the use of this technology right, or
- 1.3. it has registered an eco-label from an EU, national or international environmental labelling scheme from a pre-defined list and the purpose of Final Recipient Transaction is to maintain or further develop the related activity of the Final Recipient, or
- 1.4. its main activity falls into one or more of the specified green activities as set out in the Use Case Document, provided that Final Recipient’s revenues from such activities represents at least 90% of its turnover, or
- 1.5. it has incorporated in its business model “green” practices with externally verifiable climate and environmental positive impact, or
- 1.6. it has been certified with an environmental certificate from a pre-defined list, valid at the time of application for the Final Recipient Transaction.

B. The Final Recipient Transaction qualifies as a “Green Investment” by having as purpose an investment one or more of the following areas:

2. Climate change mitigation:

- 2.1. Renewable energy (“RE”): Investments in RE projects, production and/or transmission of RE, RE electricity storage solutions, RE heating and/or cooling systems, manufacturing of products, components and machinery for RE.
- 2.2. Green and energy efficient buildings – commercial: Investment in the construction or renovation of commercial buildings, resulting in minimum qualifying energy performance, or meeting minimum thresholds

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| | <p>2.3. Green and energy efficient buildings – residential: Investments in renovation of residential buildings, resulting in minimum qualifying energy performance, or meeting minimum thresholds</p> <p>2.4. Industrial energy efficiency</p> <p>2.5. Zero and Low emission mobility: Investments in low and/or zero emission transport assets, in the renewal and retrofitting of transport assets and infrastructure for zero-emission and clean energy vehicles and vessels</p> <p>2.6. Green Information Communication Technology: Developing or adopting green Information Communication Technology and digital solutions, tools, equipment, applications that enable a decrease in energy consumption/pollutant emissions, or contribute to climate mitigation objectives.</p> <p><u>3. Climate change adaptation:</u></p> <p>3.1. Climate resilience: Investments that enable a higher climate resilience of the company or the territory against climate change and climate-related events and/or reduce climate vulnerabilities for agriculture.</p> <p><u>4. Transition to a circular economy</u></p> <p>4.1. Sustainable use of materials</p> <p>4.1.1 Investments that contribute to the circular economy transition, by allowing reduction of primary raw material use and/or higher use of secondary materials compared to existing practice.</p> <p>4.1.2 Investments in activities that are key to net resource saving through reuse, repair, refurbish, remanufacturing, repurpose or recycling activities.</p> <p>4.2. Waste reduction, collection, recovery: Investments in the segregated collection of waste, redundant products, parts, materials and residues in order to enable high quality recycling, reuse, recovery and/or valorisation.</p> <p>4.3. Product as a service, reuse and sharing models that enable circular economy strategies: Product-as-a-service, reuse and sharing models based on, inter alia, leasing, pay-per-use, subscription or deposit return schemes, that enable circular economy.</p> <p>4.4. Green ICT enabling circular economy: Investments in development/deployment of tools, applications, and services enabling circular economy business models.</p> <p><u>5. Investments related to environmental impact and sustainable management of natural resources:</u></p> <p>5.1 Water resources: Investments in water resource management and efficiency and related technologies.</p> <p>5.2. Pollution prevention and control: Investments in reduction, control or prevention of pollutant emissions into air and noise reduction.</p> |
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| | <p><u>6. Protection and restoration of biodiversity and ecosystems:</u></p> <p>6.1. Investments in nature-based solutions or financing of enterprises operating in sectors providing nature-based solutions.</p> <p><u>C. The Final Recipient Transaction qualifies as a “Green Investment in Agriculture and Forestry” by having as purpose an investment one or more of the following areas:</u></p> <p>7.1 Sustainable forests and other climate mitigation investments: Investments in afforestation, reforestation, forest rehabilitation/restoration including related equipment, sustainable forest management (SFM).</p> <p>7.2 Investments in the development or adoption of sustainable and organic agricultural practices: Investments in new or existing (i) certified organic production, and/or (ii) sustainable agriculture production, where such investments do not lead to the conversion, fragmentation or intensification of use of natural habitats (particularly areas of high-biodiversity value).</p> <p><u>D. The Final Recipient Transaction qualifies as a “Social Accessibility Investment” by having as purpose an investment in the following area:</u></p> <p>8.1 Investments to enhance accessibility of services, products and infrastructures and to develop assistive technologies as well as for making the organisation and its premises accessible for customers and employees with disabilities and/or impaired function</p> |
| <p>Enhanced Access to Finance Measures</p> | <p>For the purpose of Enhanced Access to Finance Measures, compliance with the requirements under Enhanced Access to Finance Measures Implementation described in Annex II or III, as the case may be, may be satisfied through any of the following:</p> <ol style="list-style-type: none"> 1) <u>Reduction of cost of financing:</u> <ol style="list-style-type: none"> a) <i>in the context of Uncapped (Counter-) Guarantee only:</i> Where the Financial Benefit is above zero. b) <i>in the context of Capped (Counter-) Guarantee only:</i> a reduction of the customary risk spread or risk premium charged by the Financial (Sub-) Intermediary (directly or indirectly), as applicable, under the Guarantee Transaction, as the case may be, at least in proportion to the level of the (Counter-) Guarantee Cap Rate for the part covered by the (Counter-) Guarantee. 2) <u>Reduction of collateral requirements:</u> as result of the guarantee support, the Financial Intermediary will, with respect to the relevant Final Recipient Transaction, (i) deviate from its standard lending practice and collateral requirements and not request any security (provided that personal guarantee or similar instruments (soft collateral) shall be permitted) or (ii) provide a substantial reduction of collateral requirements which results in improved access to finance to the eligible Final Recipients; |

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| | <p>3) <u>Reduction in down-payment in respect of Final Recipient Transactions, which are in the form of leases</u>: as result of the guarantee support, the Financial Intermediary will deviate from its standard lending practice and offer reduced down-payment requirements than those that would otherwise be typically offered;</p> <p>4) <u>Increase in financing volumes</u>: as result of the guarantee support, the Financial Intermediary will substantially increase the volume of financing offered to the Target Final Recipients by reference to its standard lending practice in the absence of guarantee support.</p> <p>5) <u>Support to excluded segments</u>: the launch of a new product aimed at Target Final Recipients, to the extent that such Target Final Recipients would not be considered for financing (or to the same extent) under its standard lending practice, in the absence of the guarantee support;</p> <p>6) <u>Financing at longer maturities</u>: the Financial Intermediary will deviate from its standard lending practice and offer longer maturities than those that would otherwise be typically offered in the absence of the guarantee support;</p> <p>7) <u>Bespoke financing arrangements</u>: providing bespoke repayment terms to Final Recipients Transactions, to the extent that such option would not typically be made available (or to the same extent) under its standard lending practice in the absence of the guarantee support;</p> <p>8) <u>Any Subordinated Debt Transactions</u>, given that it supports the solvency of the Final Recipient.</p> <p>For the avoidance of doubt, the above list is not exhaustive and the Financial Intermediary can propose any further Enhanced Access to Finance Measures.</p> |
| <p>Distribution of Portfolio</p> | <p>For Portfolios where the Target Final Recipients are the Target Final Recipients listed in paragraph 2) of the Target Final Recipient section, the aggregate Guarantee Transaction (Counter-) Guaranteed Principal Amount of the Final Recipient Transactions complying with the Product Eligibility Criteria set out in sections:</p> <ul style="list-style-type: none"> (i) A. Sustainable Enterprise, (ii) The following B sections: B.4 Transition to a circular economy, B.5 Investments related to environmental impact and sustainable management of natural resources, B.6 Protection and restoration of biodiversity and ecosystems, (iii) C. Green Investment in Agriculture and Forestry, and (iv) D. Social Accessibility Investment <p>shall not exceed 30% of the maximum (counter-) guaranteed amount of the overall Portfolio as defined and further set out in the Individual (Counter-) Guarantee Agreement. In duly justified cases, EIF may agree to exceptions to the 30% threshold specified above.</p> |
| <p>Applicability of subsequent</p> | <p>The version of the Use Case Document as indicated in an Individual (Counter-) Guarantee Agreement will apply to that (Counter-) Guarantee.</p> |

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| amendments to the Use Case Document | EIF may update the Use Case Document from time to time. In such cases, the updated Use Case Document may apply, if agreed between the EIF and the Financial Intermediary, to future Final Recipient Transactions to be entered into between Financial Intermediaries and Target Final Recipients as from the moment of such agreement between the EIF and the Financial Intermediary. |
| Minimum Principal Amount of the Final Recipient Transaction | No minimum principal amount is applicable. |
| Maximum Principal Amount of a Final Recipient Transaction | Means: (i) EUR 7.5 million or EUR equivalent or (ii) EUR 2 million or EUR equivalent if the Final Recipient Transaction is entered into by a Financial (Sub-) Intermediary who is a National Promotional Bank or Institution. |
| Minimum Maturity of a Final Recipient Transaction | The scheduled minimum maturity of the Final Recipient Transactions shall be 12 months. |
| Maximum Maturity of a Final Recipient Transaction | No maximum scheduled maturity of the Final Recipient Transactions is required, provided that the coverage of the Final Recipient Transactions under the Individual (Counter-) Guarantee Agreement shall not extend beyond the (Counter-) Guarantee Termination Date. The EIF may set a maximum scheduled maturity for the Final Recipient Transactions in the relevant Individual (Counter-) Guarantee Agreement. |
| Obligor Limit | The aggregate principal amounts outstanding under all Final Recipient Transactions entered into by the Financial (Sub-) Intermediary with the same Final Recipient shall not exceed EUR 7.5 million (or EUR equivalent), provided that for Final Recipients, which: <ul style="list-style-type: none"> a) have benefited from Final Recipient Transaction(s) covering “Green Investments” other than for the purpose of manufacturing (i.e. NACE code C), or b) have benefited from Final Recipient Transaction(s) covering “Green Investments” in manufacturing (i.e. NACE code C) to be made in a Cohesion Region or a Just Transition Region <p>the aggregate of all principal amounts outstanding under all Final Recipient Transactions entered into by the Financial (Sub-) Intermediary shall not exceed EUR 15 million (or EUR equivalent).</p> <p>Final Recipients which are Small Mid-Caps shall provide, prior to the signature of the Final Recipient Transaction, a self-declaration stating, to the best of their knowledge, whether or not they benefit, at the date of such self-declaration, from an InvestEU Fund supported debt financing</p> |

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| | <p>instrument (provided by any financial institution) as well as the outstanding principal amount of such instrument, if any.</p> <p>The Financial (Sub-) Intermediary shall exclusively rely on such declaration provided by such Final Recipients which are Small Mid-caps and shall take into account such outstanding principal amount of the debt financing instrument supported by the InvestEU Fund when determining the Obligor Limit as if such debt financing instrument were a Final Recipient Transaction granted by the Financial (Sub-) Intermediary to such Final Recipients.</p> |
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