



ANNEX III – Pre-seed Co-investment Fund Term Sheet

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.

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. Rationale

The purpose of the Financial Instrument is to co-invest alongside VC funds, business angels and other institutional and non-institutional investors in pre-revenue stage SMEs, with an objective to increase the number of pre-seed investments primarily in the Czech Republic as well as to support the rise of a number of new systematic VC investors on the market by co-investing alongside them.

2. Terms of reference

Financial Instrument	Pre-seed Co-investment Fund (“Fund”)
Type of financing	Equity and / or quasi-equity
Fund duration	Typically 10 + 1 + 1 years (with extensions being subject to Fund’s investors or advisory committee prior approval)
Investment period	In line with market practice, i.e., typically no longer than 5 + 1 years

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Investment focus	<p>The Fund shall support the development of venture capital and the digital transformation of the economy in the Czech Republic by co-investing in innovative pre-seed and seed stage start-ups alongside VC funds, business angels and other investors. It shall leverage support for early-stage technology start-ups, encourage the establishment of new dedicated VC teams focused on early stage companies, and support the growth of the start-up and innovation environment in the Czech Republic in the long term. As the Fund is expected to encourage the emergence of new professional VC teams on the Czech market, it is not expected to systematically co-invest only alongside business angels.</p> <p>The Fund shall focus on investments in companies at pre-revenue stage, such as those having just been incorporated, developing a minimum viable product or carrying out market testing, with no commercial sales to date, excluding limited sales to test the market (for the avoidance of doubt, companies which have pivoted from their previous activities and are developing a new product shall be considered eligible).</p> <p>In light of the co-investment focus, the Fund shall build on established networks and contacts, further developing them. Overall, in light of the stated investments strategy, the Fund is expected to build a larger portfolio of investments.</p> <p>For the avoidance of doubt, the Fund shall invest only in companies which, at the time of the first investment, qualify as being in Seed stage as defined by Invest Europe and updated from time to time.</p>
Investment range	<p>In principle, initial investments are anticipated generally up to EUR 500k (including both the Fund's and its co-investors' participation).</p> <p>Together with follow-on investments, total amount invested by the Fund per portfolio company could generally reach up to around EUR 1m, but in no case more than 15% of the total fund size at any point in time (possibly exceeded with the Fund's advisory committee prior approval), with the aim of building a diversified portfolio.</p> <p>The investments shall be expected to be financially viable. The Fund shall typically acquire minority stakes in Final Recipients.</p>
Capital recycling	<p>The Fund may reinvest proceeds from investments in accordance with standard market practice, subject to the Fund's net invested capital at no point in time exceeding 100% of its size (i.e., its total commitments).</p>
Final Recipient	<p>A legal person receiving financial support from the Fund.</p> <p>Investments in companies listed on the official list of a regulated market at the time of the first investment are not allowed, since the fact that they are listed on a regulated market demonstrates their ability to attract private financing otherwise. Undertakings in difficulty as defined by GBER 651/2014 as well as companies that received illegal aid and are subject to a recovery decision are also not eligible.</p>

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	<p>Investments into Final Recipients shall be made in accordance with applicable State aid rules, as presented for information in part 3 below.</p> <p>For avoidance of doubt, Final Recipients include RRF Final Recipients.</p>
<p>RRF Final Recipient</p>	<p>Means a Final Recipient which, at the time of the first investment by the Fund:</p> <ul style="list-style-type: none"> (i) qualifies as small and medium-sized enterprises or "SME", meaning a micro, small or medium-sized companies as defined in accordance with the Recommendation of the European Commission of 6 May 2003 (EC/2003/361) concerning the definition of micro, small and medium-sized enterprises, as amended from time to time; (ii) is established and/or mainly operating (i.e., with the main portion of their activities based on headcount, assets or primary focus of the Final Recipient's business activities) in the Czech Republic. For portfolio companies with insignificant operations, the assessment of their main operations shall be based on the Final Recipient's business plan at the time of the first investment by the Fund; and (iii) primarily focuses its activities on one or more of the intervention fields listed in Annex VII to the RRF Regulation which have a 100% coefficient for the calculation of support to digital transition (general ICT solutions like e-commerce, healthtech, fintech and other as well as technologies like AI, cyber security, DLT, etc.)¹. <p>For the avoidance of doubt, the RRF Final Recipients shall, at the time of the first investment by the Fund, qualify as being in Seed stage as defined by Invest Europe and updated from time to time (including, for the avoidance of doubt, pre-seed stage).</p> <p>At least an amount equal to the amount drawn from the RRF CZ FoF by the Fund for investments shall be invested in RRF Final Recipients ("Minimum RRF Final Recipients Allocation").</p> <p>For the avoidance of doubt, unless the Fund Manager opts to do so at its own discretion, the Fund is not required to invest in RRF Final Recipients more than the Minimum RRF Final Recipients Allocation and can allocate any other available amounts, including any amounts potentially made available under additional sources of funding EIF may commit to the Fund (other than from the RRF CZ FoF), for investments in Final Recipients that do not qualify as RRF Final Recipients but are otherwise in line with the broader investment strategy of the Fund.</p>
<p>Fund Manager</p>	<p>A financial institution, fund management company or other legal entity selected by EIF to manage or advise the Fund responsible for providing the resources made under this initiative to Final Recipients.</p> <p>The Fund Manager must be independent, i.e., must be in a position to take management and co-investment decisions independently, including background and other checks on its co-investors (so-called "whitelisting", see below), in particular without the influence of investors, sponsors or any other third party which is not integrated in the structure.</p>

¹ [Page 57 of Regulation \(EU\) 2021/241](#)

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	<p>The Fund Manager 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 Fund Manager 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 Fund Manager).</p> <p>While only one Fund Manager is expected to be selected, EIF, in its sole discretion, may potentially select more Fund Managers (and, as a result, more Funds) as a result of the Call and subsequent selection process, particularly if additional funding becomes available under the RRF CZ FoF.</p> <p>For the avoidance of doubt, international team members or partnerships with international funds, as well as newly set-up teams are not excluded, and their establishment will be encouraged and supported by EIF.</p>
Fund Manager's commitment	The Fund Manager shall contribute an adequate minimum percentage of the total size of the Fund (i.e., its total commitments) as a limited partner of the Fund. The required commitment size will be assessed against and aligned with the Fund economics and the broader financial position of the Fund Manager's team to provide a relevant alignment of financial interest with investors.
Management fee	Typically paid on the total commitments of the Fund during the investment period and on the invested capital (acquisition cost of the portfolio of the Fund reduced by the acquisition costs of the Fund's investments that have been sold, written-off or written-down) thereafter. Alternatively, a fixed fee for the post-investment period could be considered. The proposed management fee shall be supported by the fund manager's budget and corresponding fund model.
Fund's establishment and operating expenses	<p>The establishment and operating costs cap shall be deemed to include any fees, expenses and costs necessary to set up, manage and wind-up the Fund including transaction costs, as applicable.</p> <p>For the avoidance of doubt, the management company shall pay its own operating expenses (such as office rental and employees), its own tax expenses as well as costs that are not attributable to the Fund in accordance with market standards.</p>
Additional features of the Fund Manager	<p>The Fund Manager will manage the Fund based on commercial principles, making investment decisions based on its due diligence and each investment's commercial merit and 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> <p>EIF representative(s) shall be appointed on appropriate advisory committee structures to review, inter alia, conflicts of interest.</p>

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	In the management of the Fund, the Fund Manager 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 Fund's investment and further communicated to the Fund Manager.
Data Protection Statement	Means EIF's Data Protection Statement on the processing of personal data of Applicants and Fund Managers, as published on the EIF website and as amended from time to time: eif_data_protection_statement_financial_intermediaries_due_diligence_en.pdf
Addressing Climate Action and Environmental Sustainability	The contribution of the Fund Manager 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 Guidelines ² published in EIF's website and applicable at the time of the Commitment Agreement. The contribution percentage will be reflected in the contractual documentation between the EIF and the Fund Manager as relevant. For the avoidance of doubt, the RRF CZ FoF has no specific CA&ES targets or objectives.
Private (Co-)Investors	Private (Co-)Investors are deemed to be any private investors which are economically and structurally independent from the portfolio companies where an investment is made, to the extent that they bear the full risk in respect of their investment, in accordance with Article 2 (72) of GBER ³ .
Private Investor contribution and co-investment mechanism	<p>No other investors are envisaged at the Fund level besides the EIF and the Fund Manager's commitment, though their participation is not excluded. Independent Private (Co-)Investors will be sourced case-by-case at the level of each underlying investment, on the basis of their ex-ante "whitelisting" by the Fund Manager. It should be noted that the Fund can only co-invest alongside other legal entities.</p> <p>Minimum 30% participation by Private (Co-)Investors on a pari passu basis is foreseen in each investment round of a Final Recipient.</p> <p>While the choice of co-investors will be at the Fund Manager's discretion, the Fund shall have among its objectives to co-invest, across its whole portfolio, with a larger number of co-investors, including less established investors. In the case of significant concentration on co-investments with a particular co-investor or group of co-investors, further co-investments with such party(-ies) may have to be approved by the advisory committee of the Fund.</p> <p>The Fund may, subject to compliance with the applicable State aid regime and at the Fund Manager's discretion, offer certain preferential conditions to certain co-investors and for certain co-investments, provided that such are deemed by the Fund Manager to be in the best interest of the Fund. Such conditions may be considered particularly for investments in companies developing</p>

² [Guideline on the EIF's criteria for Climate Action and Environmental Sustainability \(CA&ES\)](#)

³ [EUR-Lex - 02014R0651-20210801 - EN - EUR-Lex \(europa.eu\)](#)

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	strategic digital technologies, including AI, blockchain and DLT, cybersecurity, quantum computing, IoT, products and services based on 5G, edge computing and other.
Compliance and KYC checks (“whitelisting”)	<p>Private (Co-)Investors shall be subject to ex ante verification of pre-defined criteria, including background and reputation checks. Clear procedures for KYC/AML and integrity checks on the Private (Co-)Investors and management of potential conflicts of interest shall be implemented by the Fund Manager in line with requirements of national legislation, EU legislation and conditions set out by the RRF, the Czech RRP and its legal framework, as applicable, as well as best practices.</p> <p>The Applicant shall acknowledge the EIB Group Anti-Fraud Policy⁴ 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.</p>
Distribution cascade	<p>Standard pari passu distribution to investors at Fund level, typically:</p> <ol style="list-style-type: none"> 1. First, any proceeds are distributed to the Fund’s investors/limited partners up to an amount equal to 100% of their total commitments, 2. Second, any remaining proceeds are distributed to the Fund’s investors/limited partners up to an amount equal to a market standard hurdle rate on the basis of their drawn commitments, 3. Third, any remaining proceeds are distributed to the Fund Manager up to an amount equal to 25% of the amount distributed to the Fund’s investors/limited partners under the previous point (full catch-up), 4. Finally, any remaining proceeds are split 80:20 between the Fund’s investors/limited partners and the Fund Manager (carried interest).
Envisaged State aid regime	<p>Under the current terms, the Fund’s operations are deemed to comply with the Market Economy Operator Test and as such do not entail State aid, as envisaged under section 4.2.3 (i) of the Commission Notice on the notion of State aid as referred to in Article 107(1) of the Treaty on the Functioning of the European Union⁵.</p> <p>For further details, see section 3 below.</p>

⁴ <https://www.eib.org/en/publications/anti-fraud-policy>

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 \(europa.eu\)](#)

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Reporting	<p>The Fund Manager shall provide EIF with quarterly information in a standardised form and scope as per Invest Europe guidelines for reporting to be specified in the Commitment Agreement.</p> <p>The Fund Manager will be also requested to regularly send information on the companies or persons that receive equity financing (ultimate beneficial owners information) directly to the responsible authority(ies) within the Czech Republic, notably in order to comply with the reporting requirements under the RRF Regulation as well as the Czech RRP and the binding requirements for its implementation; details will be defined in the Fund documentation.</p> <p>Finally, it is important to note that RRF and State aid reporting rules may require the Fund Manager to provide 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 be required under or derive from future changes to the RRF or State aid regulations. More detailed reporting requirements will be set out in the Fund documentation.</p>
Monitoring and audit	<p>The Fund Manager 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 (including the European Anti-Fraud Office (OLAF), the Court of Auditors of the European Communities, the EIF, the EIB, the Czech Republic and any other authorised bodies duly empowered by applicable law to carry out audit and/or control activities. The Fund Manager and the Final Recipient 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 Fund Manager and the Final Recipients. To that effect, appropriate provisions shall be included in each Commitment Agreement.</p>
Visibility	<p>The Fund Manager, in line with applicable law and RRF rules, shall carry out adequate marketing and publicity campaigns aimed at making the public contribution known, as to be specified through the Commitment Agreement. To this respect, the Fund Manager shall:</p> <ol style="list-style-type: none"> <li data-bbox="562 1007 2040 1106">i. explicitly inform the portfolio companies that financing is made possible through the support of the Fund with the financial backing of the Government of the Czech Republic. Such information needs to be prominently included either in the contractual documentation and/or in an accompanying cover letter; <li data-bbox="562 1126 2040 1289">ii. ensure the visibility of European Union funding, by informing Final Recipients and the public of the support received from the RRF and by displaying in Commitment Agreement(s) and relevant publicity materials, if applicable, (brochures, website, banners, social media, billboards, posters etc.) the European Union flag and the statement ‘funded by the European Union – NextGenerationEU’, and other publicity obligations for publicity of the Czech RRP, in accordance with a text to be included in the Commitment Agreement; <li data-bbox="562 1310 2040 1378">iii. include in any press release or other marketing action that the Fund Manager may choose to make with regard to the operation that the Fund Manager has benefited from the support of the RRF CZ FoF.

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	More detailed visibility requirements may be set out in the Fund documentation.
Transfer	Under the Funding Agreement, under certain circumstances EIF may be substituted in its role as the RRF CZ FoF manager. In the event of such substitution, the Czech Republic, or the entity designated by the Czech Republic as the new RRF CZ FoF manager, will assume the full discretion and responsibility to perform the tasks of the RRF CZ FoF and to implement the RRF CZ FoF operations in the Czech Republic, and may take over the Financial Instrument(s). The Commitment Agreement will provide for the possible substitution of EIF, in order to allow the transfer of the Commitment Agreement(s) to the successor entity.
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).
Non-Compliant Jurisdictions (NCJ)	<p>Means a jurisdiction:</p> <ul style="list-style-type: none"> a) listed in Annex I of the European Council conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes; b) included in the OECD/G20 list of jurisdictions that have not satisfactorily implemented the tax transparency standards; c) listed in the Annex of the Commission Delegated Regulation (EU) 2016/1675 of 14 July 2016 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council by identifying high-risk third countries with strategic deficiencies; d) rated as “partially compliant” or “non-compliant”, including corresponding provisional ratings, by the Organisation for Economic Cooperation and Development and its Global Forum on Transparency and Exchange of Information for Tax Purposes against the international standard on exchange of information on request; e) included in the Financial Action Task Force statement “High risk Jurisdictions subject to a Call for Action”); and/or f) included in the Financial Action Task Force statement “Jurisdictions under Increased Monitoring”, <p>in each case as such statement, list, directive or annex may be amended and/or supplemented from time to time.</p> <p>Please refer to the EIB’s website⁶ for an FAQ containing the most updated reference lists of NCJs or enquire with the EIF for confirmation of NCJ status.</p>

⁶ <https://www.eib.org/en/about/compliance/tax-good-governance/faq>

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	The Fund Manager 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 Policy.
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).
Other requirements	<p>The Fund Manager shall ensure compliance with applicable law, including but without limitation rules covering the RRF and all relevant national law and regulations, State aid and money laundering, the fight against terrorism and tax fraud, as applicable. The Fund Manager, 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 Fund documentation may also include provisions in terms of the Fund's cash flow management, as deemed necessary.</p> <p>The 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 Policy.</p> <p>The Commitment Agreement(s) will include provisions, the objective of which will be to provide appropriate remedies for protecting EIF's and RRFCZ FoF's interest in Fund in case an investment does not comply or no longer complies with the agreed eligibility criteria. The 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 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.</p> <p>The Fund Manager and the Final Recipients:</p> <ul style="list-style-type: none"> • 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 Policy^{Error! Bookmark not defined.}, • 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 Policy 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

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	<p>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,</p> <ul style="list-style-type: none"> • 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 Measures⁷.
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3. State aid framework

Given that RRF CZ FoF resources are State resources, compliance with State Aid rules is required at all levels of the instrument: Fund Manager(s), Fund(s), co-investors and Final Recipients.

3.a. at the level of Fund Managers (including the Fund)

There is no State aid present at this level when Fund Manager are chosen through a competitive, transparent, non-discriminatory and unconditional selection procedure, as is the case of the EIF selection process including this CEoI, as the remuneration further to the competitive process will be in line with market rates. The Fund is a vehicle for the transfer of financing to the target enterprises in which the investment is made (not a beneficiary of aid in its own right).

3.b. at the level of co-investors in or alongside the Fund

For (co-)investors there is no advantage (and therefore no State aid) if an investment is made *pari passu* between public and private investors.

An investment is considered *pari passu* when effected in line with the relevant provisions of the Commission Notice on the notion of State Aid⁸:

⁷ As part of its due diligence process, EIF will analyse and exclude any applicant if it or any of its ultimate beneficial owners/key persons are subject to UN/EU/OFAC/UK restrictive measures (sanctions) in relation to Russia as well as the non-government controlled territories of Ukraine.

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, [EUR-Lex - 52016XC0719\(05\) - EN - EUR-Lex \(europa.eu\)](#) as well as [UPDATED Guidance on State Aid in European Structural and Investment \(ESI\) Funds Financial instruments in the 2014-2020 programming period](#) as of March 2021, considering a 30% private investors participation as economically significant.

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- it is made under the same terms and conditions by public and private investors (public and private investors share the same risks and rewards and hold the same level of subordination in the same risk class in case of a layered funding structure), and
- both categories of operators intervene simultaneously (the investment of public and private investor is made by way of the same investment transaction), and
- the intervention of the private investor is of real economic significance (the minimum at 30%).
- in case investments are made in companies in which fund investors have invested previously, the fund manager shall perform an analysis before investing into companies in which either the private or the public investors have previously invested, ensuring to maintain the profit-making purpose.

3.c. at the level of Final Recipients

No State aid is present when the investment is made according to the Market Economy Operator Principle in line with the relevant provisions of the Commission Notice on the notion of State Aid as described above.

4. Restricted sectors of activity

The **EIF Restricted Sectors** (“Restricted Sectors”) are published on the EIF’s website 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:

The Fund Manager(s) and the Underlying Fund(s) 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;

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- 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)
 - 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)

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- 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 gross revenue, profit or 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. The proportionate importance of the restricted sector or activity shall, in any case, not exceed 50% of the gross revenue.

Notwithstanding the above, investments in sectors mentioned under limb vi. items a) – k) above shall be allowed if the Fund Manager confirms that the specific Final Recipient transaction 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) criteria for green financing, as applicable.

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 Fund Managers 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.

Furthermore, in accordance with Article 19(3), point (d), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the RRP is expected to ensure that no measure for the implementation of reforms and investments projects included in the RRP does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council (“Taxonomy Regulation”) (the principle of ‘do no significant harm’).

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The application of the “Do no significant harm” principle shall be fulfilled in accordance with the CID by applying indicatively the following eligibility criteria:

1. The instrument shall be implemented in accordance with “Commission Notice (2021/C 280/01) on Technical guidance on sustainability proofing for the InvestEU Fund” of 13/07/2021⁹, in particular Chapter 3 on Sustainability proofing approach for indirect financing operations.

In order to comply with the sustainability proofing requirements set out in the Sustainability Proofing Guidance¹⁰ for the InvestEU Fund, the Fund Manager shall require that:

- a. for any Final Recipient whose activities include anaerobic digestion of bio-waste, landfill gas capture and utilisation, a monitoring plan for methane leakage of these activities must be in place;
 - b. for any Final Recipient whose activities include transport of CO₂ and underground permanent geological storage of CO₂, a detailed monitoring plan in line with the provisions of the CCS Directive 2009/31/EC and EU ETS Directive 2018/410 must be in place;
 - c. no Final Recipient transaction covers the financing of vessels, vehicles or rolling stock specifically dedicated to transport fossil fuels;
 - d. the Fund Manager and Final Recipient shall comply with the national environmental, climate and social laws and regulations to which they are subject;
 - e. for Final Recipients whose activities or projects require an environmental impact assessment - as per the national legislation - that the assessments, permits and authorisations are in place;
2. The Fund Manager(s) shall not invest in activities excluded for Invest EU support, as described under the InvestEU Regulation 2021/523¹¹, annex V, point B.;
 3. The Fund Manager(s) shall not invest in Final Recipients:
 - engaging in activities restricted or excluded under EIF’s Guidelines on Restricted Sectors¹², subject to updates from time to time, and
 - with a substantial focus on activities falling under EIF’s restrictions stemming from the EIB Group Paris alignment framework, as follows:
 - (i) 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;

⁹ [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021XC0713\(02\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021XC0713(02))

¹⁰ [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021XC0713\(02\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021XC0713(02))

¹¹ <https://eur-lex.europa.eu/eli/reg/2021/523/oj>

¹² https://www.eif.org/news_centre/publications/2010_Guidelines_for_Restricted_Sectors.htm

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- c) Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage;
 - d) Electric power generation, exceeding the Emissions Performance Standard of 250 grams of CO₂e per kWh of electricity, applicable to fossil fuel-fired power and cogeneration plants, geothermal and hydropower plants with large reservoirs.
- (ii) Energy-intensive and/or high CO₂-emitting industries, as follows:
- a) Manufacture of other inorganic basic chemicals (NACE 20.13)
 - b) Manufacture of other organic basic chemicals (NACE 20.14)
 - c) Manufacture of fertilisers and nitrogen compounds (NACE 20.15)
 - d) Manufacture of plastics in primary forms (NACE 20.16)
 - e) Manufacture of cement (NACE 23.51)
 - f) Manufacture of basic iron and steel and of ferro-alloys (NACE 24.10)
 - g) Manufacture of tubes, pipes, hollow profiles and related fittings, of steel (NACE 24.20)
 - h) Manufacture of other products of first processing of steel (NACE 24.30, incl. 24.31-24.34)
 - i) Aluminium production (NACE 24.42)
 - j) 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).

Notwithstanding the above, investments in sectors mentioned in section (ii) items a) – k) included, shall be allowed if the fund manager confirms that the specific final recipient transaction qualifies as environmentally sustainable investments as defined in the “EU taxonomy for sustainable activities” (Regulation (EU) 2020/852, as amended from time to time) as supplemented by the technical screening 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).

4. Restrictions related to polluting vehicles:

The Fund Manager(s) shall not invest in Final Recipients with a ‘substantial focus’ on the production, rental or sale of “polluting vehicles”.

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Substantial focus¹³: The EIF considers that an EIF counterparty or Final Recipient has a “substantial focus” on a sector or business activity if the Final Recipient derives more than 50% of their revenues during the preceding financial year from activities and/or assets related to production, rental or sale of polluting vehicles.

Production, rental or sale [of polluting vehicles]: The EIF considers the “production, rental or sale of polluting vehicles” any activity that concerns the:

- Manufacture of combustion engine vehicles (sub-activity of NACE 29.10 Manufacture of motor vehicles)
- Wholesale and retail trade of polluting vehicles (sub-activities of NACE codes 45.11 Sale of cars and light motor vehicles, 45.19 Sale of other motor vehicles)
- Rental and leasing of polluting vehicles (sub-activities of NACE 77.11 Renting and leasing of cars and light motor vehicles, 77.12 Renting and leasing of trucks)

Polluting vehicles: “Polluting vehicles” are defined as:

- Vehicles exceeding the threshold of 50g CO₂/km (M1 passenger cars and N1 light-duty vehicles).
 - Trucks and other heavy-duty vehicles e.g. tractors (i.e. categories N2 and N3) - only zero-emission, low-emission (as defined in Article 3(12) of Regulation (EU) 2019/1242: with CO₂ emissions of less than half of the reference CO₂ emissions of all vehicles in the vehicle sub-group; reference values differ depending on the type of truck).
 - Buses:
 - ‘low-floor’ buses (M2 and M3 categories, typically urban and suburban buses running on short distances within an agglomeration). Only electric and plug-in hybrid buses would be DNSH-compliant.
 - ‘high-floor’ buses (M2 and M3 categories, typically inter-urban coaches): all coaches that comply with the latest step with respect to pollutant emissions from heavy-duty vehicles under EURO VI (EURO VI-E) would be DNSH compliant.
5. Fund Manager(s) shall be required to exclude support to Final Recipients, to whose activities the Directive 2003/87/EC applies (the “Emission Trading System Directive”, or “ETSD”), as per the Annex I of the ETSD.
6. Fund Manager(s) shall be required to exclude support to Final Recipients, whose activities include:
- Waste collection (NACE 38.1x)

¹³ This substantial focus definition applies only in the context of this particular restriction on ‘combustion-engine vehicles’. To be noted that EIF might apply more stringent requirements based on its policy (e.g. the EIF Policy on Exclusions and Restrictions).

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- Waste treatment and disposal (NACE 38.2x)
 - Processing of nuclear fuel (NACE 24.46)
 - Production of nuclear energy (sub-activity of NACE 35.11)
7. The “compliance with environmental legislation” requirements will be implemented through the InvestEU Sustainability Proofing requirements as per item 1 above.