

Annex IV (c)

Innovation and Digitalisation Portfolio Guarantee Product

- Specific provisions -

<p>Background</p>	<p>The Innovation and Digitalisation Portfolio Guarantee Product builds on the successful implementation and deployment by EIF of the InnovFin SME Guarantee and COSME LGF digitalisation pilot in the previous programming period, 2014-2020.</p>
<p>EU Policy Objective</p>	<p>Research and Innovation (R&I) investment is a critical driver of productivity and economic growth, and essential for maintaining the EU’s global competitiveness. However, a persistent investment gap remains.</p> <p>Innovation may relate to a specific technology or processes, products or services. Innovation can also relate to innovation in business model where the risk is not purely a technology risk but also a market risk.</p> <p>Digitalisation, particularly investment in Information Communication Technologies (“ICT”) has a strong impact on innovation, job creation, productivity and economic growth. The adoption of these digital technologies by European businesses across all sectors is critical for Europe to remain competitive in a global marketplace, to prepare enterprises to expand into new markets and/or adjust to structural changes.</p> <p>The Innovation and Digitalisation Portfolio Guarantee Product shall provide support to innovation and digitalisation driven SMEs and Small Mid-Caps. Consequently, the portfolio guarantee offered by the EIF will aim to enhance access to finance to R&I intensive SMEs and Small Mid-Caps as well as support the uptake of digital technologies and digital transformation of enterprises.</p> <p>Additionally, it will also seek to support investments aiming to enhance the transfer of technologies and research results to the market to support market enablers and cooperation between enterprises, the demonstration and deployment of innovative solutions and support for the scaling up of innovative companies.</p>
<p>Type of (Counter-) Guarantee</p>	<p>The Innovation and Digitalisation 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% with respect to each Guarantee Transaction, as applicable, b) Notwithstanding point a) above, up to 80% with respect to a Final Recipient Transaction 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 an SMEs or a Small Mid-Cap that meets at least one of the Product Eligibility Criteria.</p> <p>In addition, with respect to a Final Recipient Transaction provided to a Final Recipient which is 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 Final Recipient must comply with at least one of the following Innovation Criteria or Digitalisation Criteria:</p> <p><u>Innovation Criteria</u></p> <ol style="list-style-type: none"> 1) The Final Recipient declares to use the Final Recipient Transaction to: <ol style="list-style-type: none"> i. invest in producing, developing or implementing new or substantially improved: <ul style="list-style-type: none"> • products, processes or services, or • production or delivery methods, or • organisational or process innovation including business models that are innovative and where there is a risk of technological or industrial or business failure, as evidenced by an evaluation carried out by an external expert, or ii. to primarily finance investments in intangible assets (including intellectual property) in particular where the Financial Intermediary’s internal policies do not attribute a collateral value to such assets. 2) The Final Recipient is a “fast-growing enterprise”, operating in a market for less than 10 years following its first commercial sale and with an average annualised endogenous growth in employees or in turnover greater than 20% a year, over a three-year period, and with ten or more employees at the beginning of the observation period, or 3) The Final Recipient shall have a significant innovation potential or be an “R&I-intensive enterprise”, by satisfying at least one of the following conditions: <ol style="list-style-type: none"> i. The Final Recipient’s R&I annual expenses are equal or exceed 20% of the Final Recipient Transaction amount as per the Final Recipient’s latest statutory financial statements, under the condition that the Final Recipient declares to increase its R&I expenses for an amount at least equal to the Final Recipient Transaction amount; ii. The Final Recipient undertakes to spend an amount at least equal to 80% of the Final Recipient Transaction amount on R&I

	<p>activities as indicated in its business plan and the remainder on costs necessary to enable such activities;</p> <ul style="list-style-type: none"> iii. The Final Recipient has been formally awarded grants, loans or guarantees from European R&I support schemes or through their funding instruments over the last 36 months, under the condition that the Final Recipient Transaction is not covering the same expense; iv. The Final Recipient has been awarded over the last 36 months a Research and Development or Innovation prize provided by an EU institution or an EU body; v. The Final Recipient has registered at least one technology right (such as patent, utility model, design right, topography of semiconductor products, supplementary protection certificate for medicinal products or other products for which such supplementary protection certificates may be obtained, plant breeder's certificate or software copyright) in the last 36 months, and the Final Recipient Transaction purpose is to enable, directly or indirectly, the use of this technology right; vi. The Final Recipient has received an investment over the last 36 months from a venture capital investor or from a business angel being a member of a business angels network; or such venture capital investor or business angel is a shareholder of the Final Recipient at the time of the Final Recipient's application for the Final Recipient Transaction; vii. The Final Recipient requires a risk finance investment which, based on a business plan prepared in view of entering a new product or geographical market, is higher than 50% of its average annual turnover in the preceding 5 years; viii. The Final Recipient's R&I costs represent at least 10% of its total operating costs in at least one of the three years preceding the Final Recipient's application for the Final Recipient Transaction, or in the case of an enterprise without any financial history, as per its current financial statements; ix. The Final Recipient is a Small Mid-Cap and its R&I costs represent: <ul style="list-style-type: none"> a. either, at least 15% of its total operating costs in at least one of the three years preceding the Final Recipient's application for the Final Recipient Transaction, or b. at least 10% per year of its total operating costs in the three years preceding the Final Recipient's application for the Final Recipient Transaction; x. The Final Recipient has incurred R&I expenses qualified in the past 36 months as part of general support measures approved by the Commission and designed to incentivize companies to invest in R&I, provided that (i) the Final Recipient Transaction covers incremental expenditure as indicated in the Final Recipient's business plan, and (ii) the Final Recipient Transaction is not covering the same eligible costs already supported by aforementioned measures; or
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	<p>xi. The Final Recipient has been designated in the past 36 months as an innovative company by an EU Institution or body and can be verified by the (Sub-) Intermediary and the purpose of the Final Recipient Transaction is to maintain or further develop the business activity of the Final Recipient.</p> <p><u>Digitalisation Criteria:</u></p> <p>The Final Recipient declares to use the financing transaction for at least one of the following purposes:</p> <ol style="list-style-type: none"> 1. Innovative business models: Development of new business models through adoption and integration of digital technologies, e.g. servitisation (adding services to products or even replacing a product with a service). 2. Supply chain management: Introducing or enhancing digitalization in supply chain management, including but not limited to business data sharing, inventory management and condition monitoring, interaction with suppliers, enhancing services and participation in integrated supply chains with business partners. 3. Product/service innovations: Enhancing existing products or services by making use of, or by integrating digital technologies into products and services and/or by adopting or integrating digital technologies to develop new products and services, including transition to carbon neutrality. 4. Customer relationships: Integrating or making use of digital technologies in customer relationship management, including enhanced customer feedback systems or delivery capabilities. 5. Business development: Business development and customer acquisition, via expansion to new markets, geographies or customers based on adoption or integration of digital technologies. 6. Cybersecurity/data protection: Increasing security of data or business resilience against threats of cyberattacks, data protection and privacy. 7. Internal processes: Improvements to business processes through the integration of innovative deep technologies (such as artificial intelligence, blockchain, drones and robotics, biotechnology, photonics, electronics advanced materials and quantum computing), in the operations of the Final Recipient.
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	<p>8. Digital skills, training and upskilling: Training and upskilling in digital skills of existing workers and employees, recruitment of new workers with digital skills and development of management and business skills in a digital world.</p> <p>9. Digitalisation enterprises: Support to service providers that enable and support companies in the digitalization of value chains, as long as these service providers focus predominantly on the provision and adoption of digital products and services.</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 of this Call, 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 (i.e. minimum 50% reduction by reference to its standard collateral requirements and resulting maximum collateral cover no higher than 60%) which results in improved access to finance to the eligible Final Recipients; or 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; or 4. <u>Increase in financing volumes:</u> as result of the guarantee support, the Financial Intermediary will substantially increase (minimum 50% increase) the volume of financing offered to the Target Final Recipients by reference to its standard lending practice in the absence of guarantee support; or

	<ol style="list-style-type: none"> 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 (e.g. targeting new market segments or geographical areas), in the absence of the guarantee support; or 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; or 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; or 8. <u>Any Subordinated Debt Transactions</u>, given that it supports the solvency of the Final Recipient. <p>For the avoidance of doubt, the above list is not exhaustive and the Financial Intermediary can propose further Enhanced Access to Finance Measures.</p>
Minimum Principal Amount of a Final Recipient Transaction	No minimum principal amount is applicable;
Maximum Principal Amount of a Final Recipient Transaction	Means: <ol style="list-style-type: none"> (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 which 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 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 a Financial (Sub-) Intermediary with the same Final Recipient shall not exceed EUR 7.5 million (or EUR equivalent) provided that for Final Recipients which: <ol style="list-style-type: none"> (i) are SMEs or Small Mid-Caps, which comply with one or more of Innovation Criteria, or

	<p>(ii) are SMEs, which comply with one or more of Digitalisation Criteria</p> <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 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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