



## Indicative terms and conditions for the Uncapped (Counter-)Guarantee Instrument under Pan-European Guarantee Fund in response to COVID-19

### *Important Disclaimer*

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 non-exhaustive and subject to change.

This document is intended to provide a basis for discussions and does not constitute a recommendation, a solicitation, an offer or a binding commitment – either implicit or explicit – on the part of the European Investment Fund (“EIF” or the “Relevant Entity”) and/or any other person to enter into one or more transaction(s). Any finance commitment by the Relevant Entity can only be made, inter alia, after appropriate approval, conclusion of legal due diligence and finalisation of the required legal documentation. The Relevant Entity does not act as adviser to you or owe you any fiduciary duty. The Relevant Entity does not make any representations or warranties (whether explicitly or implicitly) with respect to the information contained in this document.

### Overview of the Uncapped (Counter-)Guarantee

The product will be deployed to the benefit of Financial Intermediaries either covering Final Recipient Transactions directly entered into by the Financial Intermediary or covering (directly or indirectly) Final Recipient Transactions originated by a Sub-Intermediary (each term as defined below). The indicative terms below shall be intended to refer to the Counter-Guarantee Instrument when the latter circumstance applies.

The credit risk protection shall be provided through a (Counter-)Guarantee issued by EIF for the benefit of a selected financial intermediary (the “Financial Intermediary”) complying with the criteria set out herein. The (Counter-)Guarantee shall constitute a financial guarantee and shall cover losses<sup>1</sup> incurred by the Financial Intermediary in respect of the guaranteed part of each defaulted Guaranteed Transaction included in the Portfolio (the “(Counter-)Guarantee”).

It shall partly cover the credit risk arising (directly or indirectly) from debt financing granted to SMEs and Small Mid-Caps (“Final Recipient Transactions”). In accordance with the terms of the (Counter-)Guarantee Agreement, the Financial Intermediaries will benefit from a risk cover up to 70% (the “(Counter-)Guarantee Cover”) on the outstanding amount of each Guaranteed Transaction and will pay a fixed (Counter-)Guarantee Fee to the (Counter-)Guarantor quarterly in arrears. The (Counter-)Guarantee Fee includes a risk premium component and an administrative fee.

The product can be structured as a Direct Guarantee or as a Counter-Guarantee. In case of a Direct Guarantee, the Guaranteed Transactions are the Final Recipient Transactions; in case of a Counter-

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<sup>1</sup> Relating to the occurrence of Credit Events, as further detailed below, and reduced pro-rata by any recovered amounts.

Guarantee, the Guaranteed Transactions are guarantees or risk-sharing arrangements issued by the Financial Intermediary and covering (directly or indirectly) Final Recipient Transactions originated by a Sub-Intermediary. For the purpose of alignment of interest, the Financial Intermediary will have to retain a minimum 10% exposure of the outstanding principal amount of each of Guaranteed Transaction included in the Portfolio.

The Financial Intermediary shall perform, in accordance with its standard origination and servicing procedures and according to pre-defined eligibility criteria on a transaction-by-transaction and portfolio basis, the origination, due diligence, documentation and servicing of the Guaranteed Transactions. In this context, the Financial Intermediary, or the Financial Sub-Intermediary with regards to Counter-Guarantee Agreements, shall retain the direct client credit relationship relating to each Final Recipient Transaction. Guaranteed Transactions will be automatically covered, by way of submitting inclusion notices to the (Counter-)Guarantor on a quarterly basis until the end of the relevant Inclusion Period (as defined below).

The (Counter-)Guarantee Agreement is structured (inter alia) to achieve compatibility, subject to the relevant regulator's views and any national legal and regulatory requirements, with regulatory capital relief in accordance with Regulation (EU) No 575/2013.

The Financial Intermediaries shall ensure, including where applicable via Financial Sub-Intermediaries, that the benefit of the (Counter-)Guarantee is passed on to the Final Recipients, and shall propose concrete measures to do so in the Expression of Interest, to be further analysed by EIF during the selection process. The proposals should seek to quantify the risk covered by the (Counter-)Guarantee and pass such benefit to the Final Recipients (including, inter alia, higher risk taking through lower interest rates, lower collateralisation levels, riskier final recipients, or any combination of those), in each case as compared to what would typically be required in accordance with the standard credit and collection policy of the Financial Intermediaries (and/or of the Financial Sub-Intermediaries, as applicable) applicable to comparable borrowers/loans.

| <b>Indicative Terms and conditions of the (Counter-)Guarantee</b> |  |
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| <b>A- General Terms</b>   |  |
| <b>Policy Objective</b>   | <p>The outbreak of COVID-19 is currently affecting EU supply chains and straining solvency of SMEs and mid-caps from every industry with an economic outlook bound to deteriorate further. EU-based financial intermediaries face constraints in providing funding to businesses operating in this economic environment due to the increased risk they represent as a result of the temporary lockdown measures; these constraints, and resulting lack of credit provision, further heighten the risk of enterprises failing.</p> <p>The Uncapped (Counter-)Guarantee aims to improve access to finance for enterprises through capital relief and loss protection for portfolios of eligible transactions, including refinancing of existing SME and Small Mid-Cap obligations.</p> |
| <b>(Counter-)Guarantee Agreement</b>                              | The agreement entered into between the (Counter-)Guarantor and a Financial Intermediary setting out the terms and conditions of the (Counter-)Guarantee.   |
| <b>(Counter-)Guarantor</b>  | The European Investment Fund (EIF).  |
| <b>Financial Intermediary</b>                                     | <p>a. With regards to the <u>Guarantee Instrument</u>:<br/>Any entity (including financial or credit institutions) duly authorised to carry out financing to Final Recipients according to the applicable legislation and operating in one or more Participating Member States.</p> <p>b. With regards to the <u>Counter-Guarantee Instrument</u>:</p>   |

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|  | <p>Any entity (including guarantee schemes, guarantee institutions) or other financial or credit institutions) duly authorised to issue (counter-)guarantees according to the applicable legislation and operating in one or more Participating Countries.</p> <p>Such institution shall comply with relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism, tax evasion and tax fraud to which it may be subject and shall not (other than as a result only of events or circumstances beyond the control of the Financial Intermediary) be established, in territories determined as Non-Compliant Jurisdictions, as defined in the open Call For Expression of Interest to select Financial Intermediaries under the Pan-European Guarantee Fund in response to COVID-19, unless in the case of NCJ Implementation.</p> <p>“NCJ Implementation” means that the Final Recipient is established and operating in the country of establishment of the Financial Intermediary and that there is no indication that the relevant Final Recipient Transaction supports actions that contribute to (i) criminal activities such as money laundering, financing of terrorism, tax crimes (i.e. tax fraud and tax evasion) and (ii) artificial arrangements aimed at tax avoidance.</p> <p>In the case of (Counter-)Guarantee Agreements involving multiple entities, the EIF shall include appropriate additional contractual provisions with respect to or relating to such entities in accordance with its internal policies and procedures.</p> |
| <b>Financial Sub-Intermediary</b>            | <p><i>Definition applicable only if the EGF guarantee instrument is a Counter-Guarantee.</i></p> <p>Any entity (including financial, guarantee or credit institutions) duly authorized to carry out financing and/or to issue guarantees to the benefit of Final Recipients according to the applicable legislation and operating in one or several of the Participating Member States. The Sub-Intermediaries shall meet mutatis mutandis the requirements for the Financial Intermediaries referred to above.</p>   |
| <b>(Counter-)Guarantee Fee</b>               | <p>The (Counter-)Guarantee fee, which includes a risk fee component and an administrative fee component, is equal to 70bps <i>per annum</i> for SMEs and Small Mid-Caps.</p> <p>The (Counter-)Guarantee fee is applied to the amount equal to (i) the outstanding balance of the performing Guaranteed Transactions multiplied by (ii) the (Counter-)Guarantee Cover. Performing Guaranteed Transactions are those for which a Credit Event has not occurred.</p>   |
| <b>Financial Intermediary Risk Retention</b> | <p>The Financial Intermediary undertakes, at all times until the expiration of the (Counter-)Guarantee, that it shall comply with the FI Risk Retention, i.e. it shall maintain an economic exposure of at least 10% of the outstanding principal amount of each Guaranteed Transaction (the “Relevant Portion”) included in the Portfolio, and it shall not enter into any credit support, guarantee or other risk transfer arrangements with respect to the Relevant Portion.</p>   |
| <b>Guaranteed Transactions</b>               | <p>Means:</p> <ul style="list-style-type: none"> <li>- With regards to the <u>Guarantee Instrument</u>, the Final Recipient Transactions included in the Portfolio;</li> <li>- With regards to the <u>Counter-Guarantee Instrument</u>, any guarantee instrument issued by the Financial Intermediary for the benefit of a Financial Sub-Intermediary and included in the Portfolio, covering (directly or indirectly) a Final Recipient Transaction.</li> </ul>  |

Annex IX to the Open Call for Expression of Interest:

Indicative terms and conditions for the Uncapped (Counter-)Guarantee Instrument under Pan-European Guarantee Fund in response to COVID-19

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| <b>(Counter-)Guarantee Cover</b>           | The Uncapped (Counter-)Guarantee Cover is the portion up to 70% of the outstanding amount of each Guaranteed Transaction covered, at any time, by the Uncapped (Counter-)Guarantee Instrument.   |
| <b>Participating Member States</b>         | The countries contributing to the EGF, as included in the list reported in Annex XI and updated from time to time. For the avoidance of doubt, Guaranteed Transactions originated in countries that became Participating Member States after the submission of the application by the Financial Intermediary are considered to be originated in a Participating Member State.  |
| <b>Governing Law and Language</b>          | The terms of the (Counter-)Guarantee Agreement shall be in the English language and the (Counter-)Guarantee Agreement shall be governed by the laws of Luxembourg.   |
| <b>EC Approval Date</b>                    | Means the date of adoption of the Decision by which the EGF Uncapped Guarantee Instrument is approved by the European Commission in respect of the Temporary Framework(section 3.1 and section 3.2).   |
| <b>(Counter-)Guarantee Coverage Period</b> | The (Counter-)Guarantee will cover Defaulted Amounts that have occurred from the start of the Inclusion Period and until the (Counter-)Guarantee Agreement Termination Date.   |
| <b>Inclusion Period</b>                    | <p>The Inclusion Period is the period during which Guaranteed Transactions to be included in the Portfolio may be [signed by the Financial Intermediary and] entered into with Final Recipients or, in the case of Counter-Guarantees, entered into by Financial Sub-Intermediaries with Final Recipients.</p> <p>The Inclusion Period may start prior the signing date of the (Counter-)Guarantee Agreement but not in any case before the EC Approval Date. Guaranteed Transactions originated prior to the signature of the (Counter-)Guarantee Agreement shall comply with the conditions approved by the State aid decision and other provisions of the (Counter-)Guarantee Agreement, including, without limitation, the Guaranteed Transaction Eligibility Criteria.</p> <p>The Inclusion Period shall typically last between 24 and 36 months (unless terminated earlier because of a Trigger Event or a (Counter-)Guarantee Termination Event), subject to de minimis Framework being applicable. The Inclusion Period may be extended in justified circumstances.</p> <p>Inclusions occur upon receipt by the (Counter-)Guarantor of an inclusion notice and a Report submitted by the Financial Intermediary on a quarterly basis, typically one month after the end of each calendar quarter, and the Guaranteed Transactions are deemed to be covered from their respective signature date.</p> |
| <b>Payment Demands</b>                     | <p>Payment Demands shall only be valid if they are:</p> <ul style="list-style-type: none"> <li>- relating to Defaulted Amounts incurred by the Financial Intermediary in respect of Credit Events occurred no later than 31/12/2037; and</li> <li>- sent during the (Counter-)Guarantee Coverage Period.</li> </ul> <p>The (Counter-)Guarantor shall pay any amounts claimed by the Financial Intermediary within 60 calendar days of the date of the relevant Payment Demand . Payment Demands may be sent before, during or after the workout/recovery procedures in respect of a Guaranteed Transaction.</p> <p>Payment Demands shall be in respect of Defaulted Amounts relating to Guaranteed Transactions included in the Portfolio.</p>   |

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|  | <p>One Payment Demand may be sent for each calendar quarter, provided it is sent during the period from the last day of each calendar quarter to the following Report Date.</p>   |
| <b>Defaulted Amounts</b>                   | <p>Means,</p> <ol style="list-style-type: none"> <li>a. with respect to Direct Guarantee Agreements: <ol style="list-style-type: none"> <li>1. Principal and/or interest (excluding late payment or default interest, capitalised interest, fees and other costs and expenses and excluding any interest amounts which accrued after a period of 90 days) due, payable and outstanding at such time following occurrence of either a Final Recipient Transaction Default or a Final Recipient Transaction Acceleration, or</li> <li>2. Any reduction in principal and/or interest amounts due (excluding late payment or default interest, capitalised interest, fees and any other costs and expenses and excluding any interest amounts which accrued after a period of 90 calendar days and excluding amounts of principal in excess of the amounts paid by the Intermediary to the Final Recipient) as a result of a Final Recipient Transaction Restructuring.</li> </ol> </li> <li>b. With respect to Counter-Guarantee Agreements: <p>relating to a Guaranteed Transaction and the relevant underlying Final Recipient Transaction, principal and/or interest (excluding late payment or default interest, capitalised interest, fees and other costs and expenses and excluding any interest amounts which accrued after a period of 90 days from the occurrence of a Credit Event) due and paid by the Financial Intermediary to the Financial Sub-Intermediary pursuant to the terms of the relevant Guaranteed Transaction, following occurrence of a Credit Event.</p> </li> </ol> <p>Defaulted Amounts are covered at the (Counter-)Guarantee Cover.</p> <p>The definition of Defaulted Amounts shall be adapted, as necessary, to address the specificities of the products covered under the (Counter-)Guarantee Agreement with the relevant Financial Intermediary.</p> |
| <b>Credit Event</b>                        | <p>Means a Final Recipient Transaction Default, a Final Recipient Transaction Acceleration or a Final Recipient Transaction Restructuring.</p> <p>The definition of Credit Event, and of Final Recipient Transaction Default, Final Recipient Transaction Acceleration and Final Recipient Transaction Restructuring, shall be adapted, as necessary, to address the specificities of the products covered under the (Counter-)Guarantee Agreement with the relevant Financial Intermediary.</p> <p>The reporting of Credit Event (not necessarily the Payment Demands) to the (Counter-)Guarantor shall be within three Report Dates following the calendar quarter in which such Defaulted Amounts have occurred.</p>   |
| <b>Final Recipient Transaction Default</b> | <p>The earlier of:</p> <ul style="list-style-type: none"> <li>- Any time when the Financial (Sub-)Intermediary considers (acting reasonably in accordance with its internal procedures) that a Final Recipient is unlikely to meet its payment obligations under a Final Recipient Transaction (without recourse by the Financial (Sub-)Intermediary to actions such as realisation of security); or</li> </ul>   |

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|  | <p>- A Final Recipient has failed to meet a payment obligation for at least 90 consecutive calendar days under a Final Recipient Transaction.</p>  |
| <b>Final Recipient Transaction Acceleration</b>  | <p>Unless otherwise specified in the specific terms of the (Counter-)Guarantee Agreement, the acceleration is the occurrence of an event of default (howsoever defined) under a Final Recipient Transaction which has entitled the Financial (Sub-)Intermediary to accelerate payment of any amounts owed to it and the Financial (Sub-)Intermediary has exercised such right of acceleration (or is prevented from exercising such rights of acceleration solely by application of mandatory laws and regulations preventing or staying the exercise of such right).</p>  |
| <b>Final Recipient Transaction Restructuring</b> | <p>Unless otherwise specified in the specific terms of the (Counter-)Guarantee Agreement, the Financial (Sub-)Intermediary, acting in a commercially reasonable manner and in accordance with its standard internal procedures, agrees to the restructuring of a Final Recipient Transaction such that the amount of principal scheduled to be paid, and/or any interest amount due, by the relevant Final Recipient is reduced, in order to improve the collectability of the claims arising from the relevant Final Recipient Transaction.</p>   |
| <b>Recoveries</b>                                | <p>Each and every amount, net of recovery and foreclosure costs (if any), recovered or received by the Financial Intermediary in respect of Defaulted Amounts, including by way of set-off. Definition of Recoveries shall be adapted, as necessary, to address the specificities of the products covered under the (Counter-)Guarantee Agreement with the relevant Financial Intermediary.</p> <p>All Recoveries shall be shared pari passu between the (Counter-)Guarantor and the Financial Intermediary, pro rata to the (Counter-)Guarantee Cover.</p> <p>In the case of Counter-Guarantees, the Financial Intermediary shall undertake to ensure that its claims will rank at least pari passu with any Financial Sub-Intermediary's claims with regard to recoveries from Final Recipients.</p> <p>The Financial Intermediary shall send to the (Counter-)Guarantor at any relevant time, but not later than 30 days of the end of each calendar quarter a recovery notice with accompanying recoveries schedule and shall pay to the (Counter-)Guarantor any relevant amount, within three months of the end of each calendar quarter in which Recoveries are recovered or received by the Financial Intermediary.</p> |
| <b>Trigger Event</b>                             | <p>EIF may include Trigger Events in the (Counter-)Guarantee Agreement, the occurrence of which entitles EIF, but does not oblige it, to terminate the new inclusions of Guaranteed Transactions in the Portfolio, without affecting the cover of the included Guaranteed Transactions.</p> <p>Trigger Events may include a Portfolio Trigger Event and/or a Cumulative Default Rate Trigger Event with respect to a Portfolio.</p> <p>A <u>Portfolio Trigger Event</u> occurs if, on one or more specified date(s) during the Inclusion Period, the ratio between (i) the Actual Portfolio Volume and (ii) the Agreed Portfolio Volume is below a predetermined level defined under the (Counter-)Guarantee Agreement.</p> <p>A <u>Cumulative Default Rate Trigger Event</u> occurs if, on one or more specified date(s) during the Inclusion Period, the aggregate outstanding principal amount of</p>   |

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|  | <p>Guaranteed Transactions for which a Credit Event has occurred exceeds a predetermined level.</p>   |
| <p><b>Transfer of Benefit</b></p>                            | <p>The (Counter-)Guarantee agreement will contain specific obligations for the Financial Intermediary to ensure that the benefit of the guarantee is passed on to the largest extent possible to the Final Recipients, where applicable through Financial Sub-Intermediaries, in the form of:</p> <ul style="list-style-type: none"> <li>- higher volumes of financing, or</li> <li>- riskier portfolios (e.g. riskier final recipients (e.g. start-ups); or</li> <li>- opening/launching new products/business lines with riskier profiles and/or directed at underserved/excluded client groups; etc); or</li> <li>- lower collateral requirements, lower guarantee premiums or lower interest rates (or other forms of remuneration);</li> </ul> <p>Or any combination of the above.</p> <p>Examples of transfer of benefit mechanisms include, but are not limited to:</p> <ul style="list-style-type: none"> <li>- Limitation of level and/or type of collaterals that can be requested from Final Recipients;</li> <li>- Reduction in interest rates, e.g. through the reduction of the credit risk spread charged to the Final Recipient (taking into account the cost of the guarantee);</li> <li>- Targeting (including by launching new products/business lines) new types of clients (e.g. riskier borrowers such as start-ups, vulnerable groups etc.) and/or regional areas (e.g. rural areas) than the ones traditionally served by the Financial (Sub-)Intermediaries.</li> </ul> <p>EIF shall analyse the transfer of benefit mechanism proposed by the Financial Intermediaries and may, where appropriate, adjust the transfer of benefit during the due diligence phase.</p> |
| <p><b>(Counter-)Guarantee Termination Events</b></p>         | <p>The (Counter-)Guarantee Agreement will set out standard events of default, including, inter alia, non-payment of amounts due under the (Counter-)Guarantee Agreement, material breach of obligation, insolvency, unlawfulness and misrepresentation.</p> <p>The occurrence of an event of default, if not remedied within the relevant grace period (if any), may result in the termination of the (Counter-)Guarantee Agreement.</p>  |
| <p><b>(Counter-)Guarantee Agreement Termination Date</b></p> | <p>The (Counter-)Guarantee shall terminate on the earlier of:</p> <ul style="list-style-type: none"> <li>(i) the date on which an early termination as a result of any (Counter-)Guarantee Termination Event has occurred,</li> </ul>   |

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|                                     | <p>(ii) the date (if any) on which the EIF is no longer liable to effect further payments to the Financial Intermediary and has no further claims under the (Counter-)Guarantee; and</p> <p>(iii) 31 December 2037.</p>  |
| <b>B – The Portfolio</b>            |  |
| <b>Portfolio</b>                    | The portfolio of Guaranteed Transactions covered by the (Counter-)Guarantee. In case of a Direct Guarantee, the Guaranteed Transactions are the Final Recipient Transactions; in case of a Counter-Guarantee, the Guaranteed Transactions are guarantee instruments covering (directly or indirectly) Final Recipient Transactions   |
| <b>Eligibility Criteria</b>         | <p>Eligibility Criteria shall comprise the Final Recipient Eligibility Criteria, the Final Recipient Transaction Eligibility Criteria, the Portfolio Eligibility Criteria and, in case of a Counter-Guarantee, the Financial (Sub-)Intermediary Criteria and the Guaranteed Transaction Eligibility Criteria.</p> <p>Guaranteed Transactions to be included in the Portfolio under the (Counter-)Guarantee Agreement shall comply with the eligibility criteria set out under Appendix I and any additional eligibility criteria set out in the specific terms of the relevant (Counter-)Guarantee Agreement (collectively, the “Eligibility Criteria”).</p> <p>A breach of any of the Eligibility Criteria shall result in an exclusion of the relevant Guaranteed Transaction(s) from the Portfolio save as specified in the “Exclusion Process”.</p>  |
| <b>Maximum Portfolio Volume</b>     | The maximum aggregate amount of principal of Guaranteed Transactions to be included in the Portfolio, as agreed in the (Counter-)Guarantee Agreement. The Maximum Portfolio Volume shall be denominated in the Base Currency. The Maximum Portfolio Volume may be made available by EIF in tranches during the Inclusion Period, by increasing the Agreed Portfolio Volume.  |
| <b>Agreed Portfolio Volume</b>      | <p>The Agreed Portfolio Volume is the maximum aggregate amount of principal of eligible Guaranteed Transactions to be included in the Portfolio<sup>2</sup>, as agreed in the (Counter-)Guarantee Agreement.</p> <p>The Agreed Portfolio Volume will correspond to a percentage of the Maximum Portfolio Volume and shall be denominated in the Base Currency, regardless of the denomination of the Final Recipient Transactions included in the Portfolio.</p> <p>At any time during the Inclusion Period, the Agreed Portfolio Volume may be reduced by agreement between the EIF and the Financial Intermediary if the Financial Intermediary materially lags behind its Portfolio ramp up time schedule as reflected in the (Counter-)Guarantee Agreement.</p> <p>At any time during the Inclusion Period, the Guarantor may agree with the Financial Intermediary to increase the amount of the Agreed Portfolio Volume up to an amount specified in the (Counter-)Guarantee Agreement, (such amount being the Maximum Portfolio Volume) if the ramp-up of the Portfolio has been substantially achieved or, considering the facts and circumstances, is certain to be achieved well before the end of the Inclusion Period.</p> |
| <b>(Counter-)Guarantee Currency</b> | The (Counter-)Guarantee shall be expressed in the Base Currency. All amounts and payments made under the (Counter-)Guarantee Agreement by and to the EIF shall be in the Base Currency.  |

<sup>2</sup> To determine the Agreed Portfolio Volume and the Maximum Portfolio Volume, Guaranteed Transactions are considered up to the amount committed by the Financial Intermediary (or the Financial Sub-Intermediary, as applicable) to the Final Recipient.



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|  | If a Guaranteed Transaction is denominated in a currency other than the Base Currency, or a Loss has been incurred in a currency other than the Base Currency, or a Recovery is in a currency other than the Base Currency, the (Counter-)Guarantee Agreement shall specify the applicable FX mechanism.  |
| <b>Base Currency</b>                         | The Guaranteed Transactions can be denominated in EUR or certain other currencies. If the Portfolio consists of Guaranteed Transactions denominated in currencies other than EUR, one of such non-EUR currency may be designated as the Base Currency.  |
| <b>Actual Portfolio Volume</b>               | Expressed in the Base Currency, the aggregate amount of the principal committed to be made available under Guaranteed Transactions included in the Portfolio from time to time, provided that, for the avoidance of doubt: <ul style="list-style-type: none"> <li>- if any Guaranteed Transaction is prepaid and/or repaid, then this shall not reduce the Actual Portfolio Volume;</li> <li>- if a Guaranteed Transaction is excluded from the Portfolio as a result of the exclusion process described below, then such Guaranteed Transaction will not be taken into account for the calculation of the Actual Portfolio Volume; and</li> </ul> the Actual Portfolio Volume may in no circumstances exceed the Maximum Portfolio Volume. |
| <b>Replenishment</b>                         | During the Inclusion Period and if so regulated in the (Counter-)Guarantee Agreement at the discretion of EIF, [once the Agreed Portfolio Volume is reached] the FIs may include further new transactions with SMEs and Small Mid-Caps in the portfolio to replenish the amortised principal amount of Guaranteed Transactions, as calculated from the Report Date in which the Actual Portfolio Volume is equal to the Agreed Portfolio Volume.<br>The terms and conditions of the (Counter-)Guarantee Agreement, including <i>inter alia</i> the definition of Maximum Portfolio Volume, Agreed Portfolio Volume, Actual Portfolio Volume and (Counter-)Guarantee Cap Amount, shall reflect provisions on Replenishment, if applicable.   |
| <b>Final Recipient</b>                       | A natural or legal person which has entered into a Final Recipient Transaction.   |
| <b>SME</b>                                   | A micro, small or medium-sized enterprise as defined in the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC) ("Commission Recommendation") as amended from time to time.  |
| <b>Small Mid-Cap</b>                         | An enterprise, as defined in Article 1 of Title I of the Annex of the Commission Recommendation, where the following cumulative conditions need to be fulfilled: <ul style="list-style-type: none"> <li>- the enterprise has a number of employees up to 499 where the staff headcount is calculated in accordance with Articles 3, 4, 5 and 6 of Title I of the Annex of the Commission Recommendation; and</li> <li>- the enterprise is not an SME.</li> </ul>  |
| <b>Final Recipient Transaction</b>           | Debt financing transaction entered into between a Financial Intermediary (or a Financial Sub-Intermediary, in the case of Counter-Guarantees) and a Final Recipient.  |
| <b>Eligible Final Recipient Transactions</b> | Financing (including refinancing of existing debts) covering investment and/or working capital/liquidity needs.<br><br>Eligible Final Recipient Transactions may be in the form of senior financing, including loans, financial leasing, revolving credit lines (including overdrafts), documentary finance (including bank guarantees, letters of credit, bid bonds),  |

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|  | <p>supply chain finance (including reverse factoring (confirming) and with recourse factoring); subordinated financing, quasi-equity financing.</p> <p>Depending on the nature of the Final Recipient Transaction, the Guarantee Agreement's terms may be adapted for example in respect of Recoveries, Actual Portfolio Volume, Default Amount, Recoveries, etc.</p>   |
| <b>Revolving Credit Transaction</b>                | <p>Means a Final Recipient Transaction taking the form of a loan instrument pursuant to which a Final Recipient is entitled to use, on a revolving basis, financing made available to it by the Financial Intermediary for a specified period through one or more drawdowns and repayments (including by settling obligations arising from documentary finance and supply chain finance) up to the commitment.</p> <p>For the avoidance of doubt, Revolving Credit Transactions shall include revolving working capital facilities, including those embedded in or linked to a current account and exclude any credit or loan resulting from utilisation of credit card limits.</p> <p>The definition of Revolving Credit Transaction, including the conditions for Rollover and Conversion, shall be adapted, as necessary, to address the specificities of the products with revolving nature covered under the (Counter-)Guarantee Agreement with the relevant Financial Intermediary.</p> |
| <b>Rollover of Revolving Credit Transactions</b>   | <p>In the case of Revolving Credit Transactions, any entry into an agreement with a new maturity for a Revolving Credit Transaction with the same Final Recipient as a replacement of an existing Revolving Credit Transaction by the Final Recipient of amounts outstanding under the existing Revolving Credit Transaction, shall be treated as an extension of the maturity of the existing Final Recipient Transaction and not as the entry into a new Final Recipient Transaction with the relevant Final Recipient.</p> <p>For the avoidance of doubt, such extended maturity shall not result in the aggregate term of the Revolving Credit Transaction to exceed 180 months, where the relevant term shall be calculated starting from the day the existing Revolving Credit Transaction was entered into, as further specified in section Eligibility Criteria below.</p>  |
| <b>Conversion of Revolving Credit Transactions</b> | <p>If a Revolving Credit Transaction is converted to a Final Recipient Transaction which is not a Revolving Credit Transaction, as a result of entry into a new contractual agreement or the execution of a contractual amendment, the resulting Final Recipient Transaction shall continue to be covered by the (Counter-)Guarantee (and shall not be treated as a new Final Recipient Transaction entered into with the relevant Final Recipient).</p>  |
| <b>Restricted Sectors</b>                          | <p>Final Recipients who have a substantial focus on one or more Restricted Sectors are not eligible to enter into Final Recipient Transactions.</p> <p>The guidelines for EIF restricted sectors, including the list of restricted sectors, can be found on the EIF website:</p> <p><a href="http://www.eif.org/news_centre/publications/2010_Guidelines_for_Restricted_Sectors.htm">http://www.eif.org/news_centre/publications/2010_Guidelines_for_Restricted_Sectors.htm</a></p> <p>The binding list of Restricted Sectors shall be set as of the date of the (Counter-)Guarantee Agreement.</p>   |
| <b>State Aid</b>                                   | <p>As further detailed in Appendix I (Eligibility Criteria) and Appendix II (State Aid), the Financial Intermediary shall contractually undertake to ensure compliance of the</p>   |

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|                          | <p>Guaranteed Transactions (including, for Counter-Guarantees, via Financial Sub-Intermediaries of the Final Recipient Transactions) included in the Portfolio with the applicable State aid rules.</p> <p>The aid provided by the Uncapped (Counter-)Guarantee Instrument may be treated in compliance with either i) Section 3.1 of the Temporary Framework (“TF”); ii) Section 3.2 of the TF or iii) the De Minimis Regulation<sup>3</sup> (each a “State Aid Framework”). The terms and conditions of the (Counter-)Guarantee Agreement, including the Eligibility Criteria, shall reflect the applicable State Aid regulations, as further detailed in Appendix I (Eligibility Criteria). To be noted that the applicability of the De Minimis Regulation to the Instrument is still to be confirmed, therefore as of the date of publication of this Call and until further notice the inclusion period must end by 31/12/2021.</p> <p>For the purposes of EGF, “Temporary Framework” refers to the Temporary Framework for State aid Measures to Support the Economy in the Current COVID-19 Outbreak, Communication from the Commission of 19 March 2020, C(2020)1863 (OJ C 911, 20.3.2020, p. 1), as amended from time to time and as applicable to the EGF Guarantee Fund, as further specified in the EC Decision approving (inter alia) the EGF Capped and Uncapped (Counter-)Guarantee instruments.</p> <p>Final Recipient Transactions which are signed after the end of 2021 can only be covered by the (Counter-)Guarantee if in compliance with the relevant De minimis regulation; as section 3.1 of the Temporary Framework may not be used after the end of 2021.</p> |
| <b>Sanctioned Person</b> | Means any person who is a designated target of Sanctions or is otherwise a subject of Sanctions.  |
| <b>Sanctions</b>         | Means any restrictive measures adopted pursuant to Article 215 of the Treaty on the Functioning of the European Union.  |
| <b>Exclusion Process</b> | <p>If a Guaranteed Transaction which has been included in a Portfolio does not comply with relevant Eligibility Criteria, it shall be excluded from the Portfolio (and shall not be covered by the (Counter-)Guarantee) and reduce the Actual Portfolio Volume.</p> <p>However, if a Guaranteed Transaction is or becomes non-eligible 1) as a result of any event or circumstance beyond the control of the Financial Intermediary and 2) after a Payment Demand relating to such Guaranteed Transaction was served by the Financial Intermediary to the (Counter-)Guarantor such Guaranteed Transaction shall remain covered by the Guarantee and shall not be considered an Excluded Guaranteed Transaction.</p> <p>Similarly, if a Guaranteed Transaction is or becomes non-eligible 1) as a result of any event or circumstance beyond the control of the Financial Intermediary but 2) before a Payment Demand relating to such Guaranteed Transaction was served by the Financial Intermediary to the (Counter-)Guarantor, then such Guaranteed Transaction shall remain covered by the (Counter-)Guarantee if the Financial Intermediary, or the Financial Sub-Intermediary as applicable, accelerated payment</p>  |

<sup>3</sup> “De minimis” refers to either (as applicable) Commission Regulation 1407/2013 of 18 December 2013; Commission Regulation 1408/2013 of 18 December 2013 (primary production of agricultural products); or Commission Regulation 717/2014 of 27 June 2014 (fisheries and aquaculture).

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|                                 | <p>of all amounts owed to it under the relevant Final Recipient Transaction, no later than on the Report Date immediately following the date on which it became aware of the same.</p> <p>However, if the Financial Intermediary (or the Financial Sub-Intermediary) does not accelerate such Final Recipient Transaction within the timeframe specified above then the relevant Guaranteed Transaction shall be excluded from the relevant Portfolio and shall be deemed never to have been covered by the (Counter-)Guarantee.</p> <p>If an eligible Subordinated Beneficiary Transaction is or becomes a non-eligible Transaction as a result of any event or circumstance beyond the control of the Financial Intermediary and the Financial Intermediary was prevented from acceleration of all amounts owed to it under such Beneficiary Transaction (either by contract or application of the mandatory laws and regulations) to the EIF such transaction shall be deemed to be covered by the Guarantee.</p> <p>The Actual Portfolio Volume shall be adjusted following an exclusion from the Portfolio by deducting from the Actual Portfolio Volume the aggregate committed principal amount of the Guaranteed Transactions excluded.</p> <p>If the Actual Portfolio Volume is adjusted pursuant to this section, the Financial Intermediary may include one or more further Guaranteed Transactions in the Portfolio to the extent that the Actual Portfolio Volume does not exceed the Agreed Portfolio Volume and provided that (i) such inclusions are made by the end of Inclusion Period and (ii) any other conditions set out in the (Counter-)Guarantee Agreement.</p> |
| <b>Right of Clawback</b>        | <p>EIF will be entitled to be repaid by the Financial Intermediary certain amounts in specified circumstances, including any amounts paid under the (Counter-)Guarantee by EIF in excess of the Defaulted Amounts, and any excess amount paid by EIF as a result of an exclusion of a Guaranteed Transaction from the Portfolio.</p>   |
| <b>Visibility and promotion</b> | <p>The Financial Intermediaries shall carry out adequate information, marketing and publicity campaigns, including through their website or alternative ways of communication to achieve equivalent visibility.</p> <p>The Financial Intermediaries shall further ensure that the Final Recipient Transaction agreements, promotional material, press releases and any publication on their website or alternative ways of communication to achieve equivalent visibility pertaining to the Facility contains a statement to the effect that the Final Recipient Transactions benefit from support from the EGF programme (as further detailed in the Guarantee Agreement).</p>  |
| <b>Reporting</b>                | <p>The Financial Intermediary shall provide the (Counter-)Guarantor, within 30 calendar days after the end of each calendar quarter (the "Report Date") in the case of Direct Guarantees and within 60 calendar days after the end of each calendar quarter (the "Report Date") in the case of Counter-Guarantees, with quarterly information in a standardised form (see [Appendix III]), including among others, information on the Guaranteed Transactions, Final Recipients covered by the (Counter-)Guarantee, Final Recipient Transactions, and relevant amounts outstanding.</p>  |
| <b>Monitoring and Audit</b>     | <p>Financial Intermediaries shall agree to allow and to provide access to documents and premises related to the relevant (Counter-)Guarantee for the representatives of the [relevant national authorities, national court of auditors, the European Anti-Fraud Office ("OLAF"), the European Public Prosecutor's Office (EPPO), the EIF, agents of the EIF, the EIB, and any EU or national institution or body which is entitled</p>   |

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|                             | to verify the use of the Counter-Guarantee in the context of the EGF Programme. To that effect, the Financial Intermediaries shall also include appropriate provisions in each agreement with Final Recipients (or Financial Sub-Intermediaries (if any)) or ensure that each Financial Sub-Intermediary includes appropriate provisions in each agreement with the Final Recipients (as applicable).  |
| <b>Compliance with Laws</b> | <p>The Financial Intermediary shall comply in all respects with all applicable laws and regulations (whether national laws and regulations or laws and regulations of the European Union) to which it may be subject.</p> <p>The Financial Intermediary shall include in the documentation evidencing the Final Recipient Transaction and, with respect to Counter-Guarantee Agreements, shall procure that each Financial Sub-Intermediary includes the documentation evidencing the Final Recipient Transaction (as relevant):</p> <ul style="list-style-type: none"> <li>- undertakings from the Final Recipients equivalent to that described above; and</li> <li>- any representations, warranties and undertakings from the Final Recipients necessary for the purpose of ensuring that each Final Recipient Transaction included in the Portfolio shall comply at any relevant time with the Eligibility Criteria.</li> </ul> |
| <b>Publicity</b>            | The Financial Intermediary shall ensure that the Final Recipient Transaction contractual documentation, promotional material, press releases and any publication on their website or alternative ways of communication contains a pre-set statement concerning the support obtained.   |
| <b>Publication</b>          | The EIF shall be entitled to publish from time to time on its website, information on the Financial (Sub-)Intermediary, the (Counter-)Guarantee Agreement, the Final Recipients or Final Recipient Transactions, as shall be further specified in the (Counter-)Guarantee Agreement.   |
| <b>Record keeping</b>       | The Financial Intermediary shall maintain or be able to produce all the documentation related to the implementation of the (Counter-)Guarantee Agreement for the period specified in the (Counter-)Guarantee Agreement.  |

APPENDIX I  
ELIGIBILITY CRITERIA

The Eligibility Criteria are composed of the (i) Eligibility Criteria for Final Recipients (indicatively set out in Section A), (ii) Eligibility Criteria for the Final Recipient Transactions (indicatively set out in Section B), (iii) Eligibility Criteria for the Portfolio (described in Section C), as set out below and as may be further supplemented or otherwise modified in the (Counter-)Guarantee Agreement. In addition, in the case of Counter-Guarantees, Eligibility Criteria for the Financial Sub-Intermediary and for the Guaranteed Transactions (the Financial Intermediary's guarantee) shall also apply as set out in the Counter-Guarantee Agreement.

The Financial Intermediary shall ensure that each Guaranteed Transaction included in a Portfolio complies with the Eligibility Criteria.

Certain Eligibility Criteria shall be met at all times, while certain Eligibility Criteria shall only be met on the signing date or approval date of the relevant Final Recipient Transaction (or another date specifically indicated in the (Counter-)Guarantee Agreement).

A breach of any of the Eligibility Criteria shall result in an exclusion of the relevant Guaranteed Transaction(s) from the Portfolio, save as specified in the term "Exclusion Process".

| Eligibility Criteria for Final Recipients   |  | Timing of application |
|---|--|-----------------------|
| Guaranteed Transactions shall be (or, in the case of Counter-Guarantees, shall cover directly or indirectly) Final Recipient Transactions granted to Final Recipients meeting the criteria specified below. To be noted that the applicability of the De Minimis Regulation to the Instrument is still to be confirmed. |  |                       |
| 1   | The Final Recipient is an SME or a Small Mid-Cap   | Signing date          |
| 2a  | Financial Standing of the Final Recipient, <u>to comply with requirements under the Temporary Framework</u> : The Final Recipient is not an SME or a Small Mid-Cap already in difficulty as of 31 <sup>st</sup> December 2019 <sup>4</sup> .   | Signing date          |
| 2b  | Financial Standing of the Final Recipient, <u>to comply with requirements under the De Minimis Regulation</u> : <ul style="list-style-type: none"> <li>- The Final Recipient shall not be subject to collective insolvency proceedings nor fulfil the criteria under their domestic law for being placed in collective insolvency proceedings at the request of their creditors.</li> <li>- For Small Mid-Caps only, the creditworthiness of the Final Recipient shall be at least equivalent to B- rating.</li> </ul> | Signing date          |
| 3   | Restricted Sectors: the Final Recipient shall not have a substantial focus on one or more Restricted Sectors (as determined by the Financial Intermediary in its discretion based, without limitation, on the proportionate importance of such sector on revenues, turnover or client base of the relevant Final Recipient);   | Signing date          |

<sup>4</sup> For the purposes of the TF, "aid may not be granted to undertakings that were already in difficulty (within the meaning of the General Block Exemption Regulation) on 31 December 2019

In derogation to the above, aid can be granted to micro or small enterprises (within the meaning of Annex I of the General Block Exemption Regulation) that were already in difficulty on 31 December 2019 provided that they are not subject to collective insolvency procedure under national law, and that they have not received rescue aid or restructuring aid." (paras. 22c) and 22c)bis of TF).

The General Block Exemption Regulation defines an undertaking in difficulty as an undertaking in respect of which (already on 31 December 2019), i.e at that time one of the following circumstances had occurred (with the exception of micro and small enterprises, as set out in the TF): "(a) In the case of a limited liability company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, 'limited liability company' refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU (1) and 'share capital' includes, where relevant, any share premium.

(b) In the case of a company where at least some members have unlimited liability for the debt of the company (other than an [SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an] SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, 'a company where at least some members have unlimited liability for the debt of the company' refers in particular to the types of company mentioned in Annex II of Directive 2013/34/EU.

(c) Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.

(d) Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan.

(e) In the case of an undertaking that is not an SME, where, for the past two years:

(1) the undertaking's book debt to equity ratio has been greater than 7,5 and

(2) the undertaking's EBITDA interest coverage ratio has been below 1,0."

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| 4  | The Final Recipient shall be established and operating in a Participating Member State  | Signing date          |
| 5  | The Final Recipient shall not be established in a Non-Compliant Jurisdiction, unless in the case of NCJ Implementation  | Signing date          |
| 6  | The Final Recipient shall not be performing illegal activities according to applicable law (including national, European Union and international legislation, including the Charter of Fundamental Rights of the European Union and the European Convention on Human Rights and its Supplementary Protocols)  | Signing date          |
| 7  | The Final Recipient shall not be a Sanctioned Person  | Signing date          |
| 8  | The Final Recipient shall not be in an Exclusion Situation (as defined in the (Counter-)Guarantee Agreement).   | Signing date          |
| <b>Eligibility Criteria for Final Recipient Transactions</b>   |   | Timing of application |
| <p>The aid provided by the Uncapped (Counter-)Guarantee Instrument may be treated in compliance with Section 3.1, or Section 3.2, of the Temporary Framework ("TF"), or with the de minimis Regulation (each of them, a "State Aid Framework"). The applicable State Aid Framework shall define the set of Eligibility Criteria applicable to each Guaranteed Transaction, as defined below. The Financial Intermediary shall report to EIF which of the three State Aid Framework each Guaranteed Transaction has been used for the purposes of compliance with State aid rules.</p> <p>Final Recipient Transactions which are entered into after the end of 2021 may only be included if they have been provided in compliance with the De Minimis Regulation.</p> |   |                       |
| 1  | Final Recipient Transactions shall be entered into by the Financial Intermediary during the Inclusion Period (for the avoidance of doubt, refinancing of earlier obligations shall also be allowed).  | Signing date          |
| 2  | Final Recipient Transactions shall be granted for one or more permitted purposes: (1) investment in tangible and/or intangible assets and/or (2) working capital/liquidity needs <sup>5</sup> . For the avoidance of doubt, refinancing of existing obligations shall also be allowed.  | Signing date          |
| 3a   | Final Recipient Transactions shall be in the form of senior financing including loans, financial leasing, revolving credit lines (including overdrafts), documentary finance (including bank guarantees, letters of credit, bid bonds), supply chain finance (including reverse factoring (confirming) and with recourse factoring); subordinated financing; or quasi-equity financing.   | Continuing            |
| 3b   | <u>To comply with requirements under Section 3.2 TF State Aid Framework:</u> Final Recipient Transactions shall be in the form of senior financing including loans, financial leasing, revolving credit lines (including overdrafts), documentary finance (including bank guarantees, letters of credit, bid bonds), supply chain finance (including reverse factoring (confirming) and with recourse factoring), originated to SMEs. | Continuing            |

<sup>5</sup>For the avoidance of doubt, the (Counter-)Guarantee shall also cover business transfer transactions.



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| 4a  | <p>Maximum financing amount, <u>to comply with requirements under Section 3.1 of the Temporary Framework</u>:</p> <p>The guaranteed amount<sup>6</sup> shall not exceed EUR 800,000 per Single Undertaking, to be checked in cumulation with other EGF aid that is granted under TF 3.1 (not, for the avoidance of doubt, with any other aids granted under the TF or other regimes).</p>  | Signing date |
| 4b  | <p>Maximum financing amount, <u>to comply with requirements under Section 3.2 of the Temporary Framework</u>:</p> <p>The total amount of financing supported by section 3.2 of the Temporary Framework at the level of the Single Undertaking may not exceed one of the following thresholds:</p> <ul style="list-style-type: none"> <li>- Double the annual wage bill of the Final Recipient (including social charges as well as the cost of personnel working on the undertaking's site but formally in the payroll of subcontractors) for 2019, or for the last year available. In the case of undertakings created on or after 1 January 2019, the maximum loan must not exceed the estimated annual wage bill for the first two years in operation; or</li> <li>- 25% of the Final Recipient's total turnover in 2019 or for the last year available; or</li> <li>- Based on a self-declaration by the Final Recipient (but in any case in line with the Financial Intermediary's applicable credit policies and procedures), up to the Final Recipient's foreseen financing needs for a period of 18 months.</li> </ul> | Signing Date |
| 4c  | <p>Maximum financing amount, <u>to comply with requirements under the de minimis Regulation</u>:</p> <p>The guarantee amount shall not result in the Gross Grant Equivalent (GGE) of the EGF Guarantee at the level of the Single Undertaking to exceed the applicable aid ceiling, i.e.:</p> <ul style="list-style-type: none"> <li>- EUR 100,000 (road freight transport);</li> <li>- EUR 30,000 (fisheries and aquaculture)</li> <li>- EUR 20,000/25,000 (depending on detailed conditions set out in the relevant De Minimis Regulation) for the primary production of agricultural products;</li> <li>- EUR 200,000 (other sectors).</li> </ul>   | Signing date |
| 5   | Final Recipient Transactions shall not be affected by fraud;   | Continuing   |
| 6.a | <p>Maturity, <u>to comply with Section 3.1 of the Temporary Framework or de minimis Regulation</u>:</p> <p>The Final Recipient Transaction shall have a minimum maturity of 3 months and a maximum maturity of 180 months.</p>   | Signing date |

<sup>6</sup> Calculated as Guarantee Rate multiplied by the amount committed by the Financial Intermediary to the Final Recipient under the Debt Financing

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| 6.b   | Maturity, <u>to comply with Section 3.2 of the Temporary Framework:</u><br>The Final Recipient Transaction shall have a minimum maturity of 3 months and a maximum maturity of 72 months.  | Signing Date |
| 7   | Final Recipient Transactions shall be denominated in EUR and/or any other currency as specified in the (Counter-)Guarantee Agreement. If a Final Recipient Transaction is denominated in a non-EUR currency, equivalent amounts to the maximum thresholds specified under (4) above should be respected. | Continuing   |
| 8   | Final Recipient Transactions must comply with the terms of the (Counter-)Guarantee Agreement relating to the transfer of benefit.  | Continuing   |
| <b>Eligibility Criteria for the Portfolio</b>   |  |              |
| <p>In the (Counter-)Guarantee Agreement, EIF may set Eligibility Criteria for the Portfolio, including concentration limits for specific rating classes, Final Recipient Transaction sizes, or limits to the coverage of Small Mid-Caps. Breach of these criteria results in the exclusion from the Portfolio of those Final Recipient Transactions that result in a breach at Portfolio level.</p> |  |              |

## APPENDIX II STATE AID RULES

Due to the nature of the EGF Guarantee, Final Recipient Transactions directly or indirectly guaranteed by EGF contain an aid element which must be treated by Financial Intermediaries in compliance with State aid rules. One of three available State Aid Frameworks must apply, determining both certain specific Eligibility Criteria (as further described in Appendix I) and certain specific cumulation rules. The Financial Intermediary shall elect which of the three State Aid Frameworks to apply (directly or via the Sub-Financial Intermediaries, as applicable) to each Final Recipient Transaction and shall be contractually responsible to ensure compliance with the relevant rules. This Appendix II provides an overview of the Guarantee Agreement's provisions regarding cumulation rules specifically.

### **State Aid Frameworks**

1. Temporary Framework, Section 3.1
2. Temporary Framework, Section 3.2
3. De Minimis Regulation

### **Rules Common to all State Aid Frameworks**

The Financial Intermediary (and/or Sub-Intermediary, if and as applicable) shall check that the relevant amount received by the Final Recipient complies with the maximum cumulation limits of the relevant State Aid Framework. Such check shall be carried out according to procedures to be specified, including by reference to applicable national rules (if any). The cumulation limit to be checked is applicable to the relevant types of state aid received by the Final Recipient and also by any other entity connected to it in a "Single Undertaking", as defined below.

The Financial Intermediary shall also ensure that the Final Recipients are informed of the amount and nature of the aid received via the Final Recipient Transaction, so that future relevant cumulation limit checks may be performed.

The Financial Intermediary shall report to EIF the relevant State Aid Framework elected and the amount of the EGF support, as part of the quarterly reporting obligations.

### **Cumulation check under 1. Temporary Framework, Section 3.1**

- EGF amount subject to cumulation check: the EGF-guaranteed share of the nominal initial principal amount of the Final Recipient Transaction
- Other support to be cumulated with the above EGF amount: only other EGF-guaranteed amounts under this same Section 3.1 State Aid Framework (not, for the avoidance of doubt, with any other aids granted under the Temporary Framework by EGF or at national level, including under Section 3.1 but outside of EGF).
- Maximum cumulative amount per Single Undertaking: EUR 800,000 of EGF-guaranteed amount

### Cumulation check under 1. Temporary Framework, Section 3.2

- EGF amount subject to cumulation check: the nominal initial principal amount of the Final Recipient Transaction
- Other support to be cumulated with the above EGF amount: the nominal initial principal amount of any other loans received by the relevant Single Undertaking and guaranteed under the Temporary Framework, Section 3.2 (whether under EGF or under national programmes)
- Maximum cumulative amount per Single Undertaking: any of the three maximum limits referred to in Appendix I Eligibility Criteria, Eligibility Criteria for Final Recipient Transactions, 4b

### Cumulation check under De Minimis Regulation

- EGF amount subject to cumulation check: the Gross Grant Equivalent (GGE) of the EGF guarantee for the Final Recipient Transaction, calculated by the Financial Intermediary (or under its responsibility where the calculation is performed by the Financial Sub-Intermediary) according to the methodology described below in the definition of GGE Calculation.
- Other support to be cumulated with the above EGF amount: other aid amounts (GGE or cash grant amounts) that have been also granted under the De Minimis Regulation to the relevant Single Undertaking, during the fiscal year in course and the two preceding years.
- Maximum cumulative amount per Single Undertaking: EUR 20,000/25,000 (depending on detailed conditions set out in the relevant De Minimis Regulation) for financing of primary production of agricultural products; EUR 30,000 for financing of fisheries or aquaculture; EUR 100,000 for financing of road freight transport activities for hire or reward, EUR 200,000 for financing of any other eligible activities.

### Definitions

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| <b>Temporary Framework</b>   | Means Temporary Framework for State aid Measures to Support the Economy in the Current COVID-19 Outbreak, Communication from the Commission of 19 March 2020, C(2020)1863 (OJ C 911, 20.3.2020, p. 1) as amended from time to time, and as further reflected in the Decision of the European Commission approving the EGF Guarantee instruments.   |
| <b>De Minimis Regulation</b> | Means refers to either (as applicable) Commission Regulation 1407/2013 of 18 December 2013; Commission Regulation 1408/2013 of 18 December 2013 (for primary production of agricultural products); or Commission Regulation 717/2014 of 27 June 2014 (for fisheries and aquaculture). or   |
| <b>Single Undertaking</b>    | A Final Recipient should be viewed as part of a Single Undertaking where (based e.g. on a self-declaration): <ol style="list-style-type: none"> <li>one enterprise has a majority of the shareholders' or members' voting rights in another enterprise;</li> <li>one enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;</li> <li>one enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;</li> </ol> |

|                               |   |
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|                               | <p>one enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.</p> <p>For the avoidance of doubt, Single Undertaking includes the relevant Final Recipient and all "linked" enterprises within the meaning of the Commission Recommendation.</p>  |
| <p><b>GGE Calculation</b></p> | <p>For the financing to Final Beneficiaries which is compliant with the relevant De minimis regulation, the FI shall calculate the GGE of the EGF guarantee according to one of the methodologies prescribed in Article 4.6b) or c) of the De Minimis Regulation:</p> <ul style="list-style-type: none"> <li>• <math>[Loan\ amount \times Guarantee\ Rate \times guarantee\ maturity\ in\ years \times 200/1500/5]</math></li> <li>• GGE calculated based on safe harbour premia in the "Commission Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees"<sup>7</sup> and its Corrigendum<sup>8</sup></li> </ul> |

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<sup>7</sup> (2008/C 155/02), OJ C 155, 20.6.2008, p. 10–22

<sup>8</sup> OJ C 244, 25.9.2008, p. 32–3

APPENDIX III INDICATIVE  
REPORTING TEMPLATE