

## EFSI Equity Instrument

### Addendum to the indicative Annex II to the Open Call for Expression of Interest introducing the new Impact Investing initiative

The Open Call for Expression of Interest introduces specific measures aimed at supporting investments in the Impact Investing field. This document specifies and implements these measures in sections 2, 3 of this Addendum. The measures complement or supersede the relevant terms and conditions set out in the [Annex II](#) to the Call. The other terms and condition set out in the [Investment guidelines](#) apply unless otherwise specified in this Addendum.

#### 1. Applicability of the Impact Investing pilot initiative

This document aims to describe the context and conditions for Impact Investing operations that the European Investment Fund (“EIF”) will be seeking as part of the [EFSI Equity Instrument](#), as well as to provide additional elements of considerations for investors operating in this space. It therefore does not replace the terms and conditions provided in the Call for Expression of Interest (“[the Call](#)”), which shall remain valid.

The Impact Investing pilot will be deployed fully in EU Member States and will observe the requirements and conditions set out by the EFSI.

#### 2. Outline of Impact Investing initiative

The Commission and the EIF as part of the [EFSI Equity Instrument](#) are supporting social entrepreneurship and the development of the European social impact ecosystem through innovative mechanisms<sup>1</sup>. These targeted interventions strengthen EFSI's social focus and ability to deliver on EU policy objectives for smart, sustainable and inclusive growth.

In order to complement the social investment toolbox available to date under the EFSI Equity Instrument, the Commission and the EIF are launching a new pilot to support investment activities in the field of **Impact Investing**. The pilot will serve to inform the preparation of new equity products under the Social Investment and Skills window of the future InvestEU fund (2021-2027).

With this new pilot initiative, the spectrum of interventions under EFSI will be further enlarged by targeting investments into intermediaries, typically impact venture capital funds that, in turn, support enterprises whose business model seeks to generate an intentional and measurable positive impact alongside economic value, and which are managed in an accountable and transparent way. These companies, in order to reach scale, need to be able to fund their development process through market-based models while delivering on their impact mission.

The new EFSI pilot aims at supporting and promoting an investment approach whereby environmental and/or social impact goals are intrinsic to the strategy pursued by the financial intermediary, ensuring accountability for their impact achievement. The pilot will contribute to promote value creation and sustainable finance in the EU investment ecosystem.

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<sup>1</sup> Please refer to the Guidance for social impact investors

### 3. New and amended terms and definitions

In order to introduce the EFSI Impact Investing pilot initiative set out in section 2 of this Addendum the following terms are added or amended below:

<b>Impact Investing</b>	For the purpose of this Call, the term refers to an investment approach aimed at generating social benefits to individual stakeholders and the society at large alongside a financial return to the investor. In doing so, impact investing considers social impact accruing to societal stakeholders as an investment objective at least at-par with the financial risk/return profile. The purpose of impact investing in enterprises hence is to support enterprises whose business model seeks to generate an intentional and measurable positive impact alongside economic value, and which are managed in an accountable and transparent way.
<b>Target Final Recipient</b>	Typically SMEs and Small Mid-Caps aim at offering entrepreneurial solutions to one or more societal issues. They aim to generate social benefits to individual stakeholders and the society alongside a financial return to their investor(s). Appendix I provides for an indicative set of features of these enterprises, which are typically referred to as “impact-driven enterprises”.
<b>EFSI Financial Intermediary</b>	EFSI Financial Intermediaries that will typically target in their investment strategy investments in Target Final Recipient in <b>Early and/or Expansion and Growth Stage</b>

### 4. How to apply

Interested parties seeking to become financial intermediaries under EFSI Equity and seeking investments in the Impact Investing segment shall apply following the procedures outlined in the Call.

For further information, please send an email to [efsi\\_equity@eif.org](mailto:efsi_equity@eif.org) specifying that the query relates to the EFSI Equity investment instruments.

## Appendix I

### Main characteristics of the impact-driven enterprises<sup>1</sup>

The table below aims to provide an overview, on an indicative basis, of the main features of the type of enterprises targeted, amongst others, under the EFSI Equity Instrument.

Feature	
<b>Target Group</b>	Enterprises offering entrepreneurial solutions to one or more societal issues. They aim to generate social benefits to individual stakeholders and the society alongside a financial return to their investor(s).
<b>Primary objective</b>	The achievement of measurable, positive social impact alongside the generation of a financial return.
<b>Mission</b>	Enshrined in their article of associations or other corporate documents, including commercial documents.
<b>Governance</b>	Managed in an entrepreneurial, accountable and transparent way, taking into account the general interests of employees, customers and other stakeholders affected by their business activities.
<b>Profit orientation</b>	Profit-making is foreseen, alongside the generation of social/societal value.  Remuneration of capital from investors is part of the operating expenses of impact-driven businesses that require access to capital at scale to pursue their social mission.
<b>Impact measurement</b>	Required. In the frame of their social purpose, they define ex-ante social impact objectives within their business plans and specify associated metrics for directing operations and monitoring their impact ex-post.
<b>Scalability</b>	The entrepreneurial solution aims to be scalable, in order for the enterprise to expand its activity and magnify its impact.
<b>Self-sustainability/ business model</b>	These enterprises are typically commercially viable and have business models and structures which enable them to fund themselves on a non-grant basis with a view to self-sustainability and to allow investors to hold and sell an interest in them in market standard terms (without excluding enterprises that benefits from grants but could become self-sustainable in their absence).
<b>Maximum amount of underlying investment in a portfolio company</b>	No maximum threshold applicable

<sup>1</sup> Without prejudice to a different naming convention