

Indicative Term Sheet

for the EGF Equity & Debt Funds Products

Product: Senior Private Credit Funds

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This document is for information purposes only. This document is an outline of the principal operational guidelines for the product described herein, which are subject to change and non-exhaustive.

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Annex VII to the Open Call for Expression of Interest to select Financial Intermediaries under EGF

1. Definitions

Whenever used in these guidelines, the following terms shall have the meanings opposite them. Any capitalised items not defined in this Annex have the meaning given to them in the Open Call for Expression of Interest or as the case may be Annex I thereto.

EIF EGF Investment	Means a commitment in any form entered into by EIF under EGF to invest in or alongside a Financial Intermediary, excluding any commitments made by EIF from other resources managed or advised by EIF, if any.
Financial Intermediary	Means an investment fund in any form (including parallel vehicles, feeder funds, co- investment schemes, managed accounts and other types of contractual arrangements), or a special purpose vehicle, in any form, established or to be established, which, applying a portfolio investment approach, invests, directly or indirectly, predominantly in the form of Senior Debt, while it may also invest, directly or indirectly, in non-distressed contractually subordinated debt or hybrid debt-equity instruments. For the avoidance of doubt, investments in equity (– like) instruments may be allowed as follow-ons, including as part of credit recovery strategies.
Excluded Final Recipient	Means i) an entity that cannot benefit directly or indirectly from financing supported by EGF as a result of the application of the Guidelines on the EIF Restricted Sectors ¹ as amended from time to time or ii) a large corporate with more than 3000 full-time equivalent employees.
Target Final Recipient	<p>A Final Recipient that is at the time of first financing by the Financial Intermediary: i) an SME, Small Mid-Cap and/or Mid-cap and ii) not an Excluded Final Recipient.</p> <p>On a case-by-case basis, the EIF reserves the right to restrict the perimeter of the definition of Target Final Recipient (e.g. to be inclusive of SME only).</p>
Final Recipients	Means an entity benefiting directly or indirectly (including inter alia through holding companies and, platforms and/or other funds) from financing provided by the Financial Intermediary, which shall not be an Excluded Final Recipient.
Senior Debt	Means a non-contractually subordinated, non-distressed, secured or unsecured, debt in any legal form including, but not limited to, facilities in the form of loan, bond, unitranche and asset-based financing.
SME	SME means a micro, small or medium-sized enterprise as defined in Commission Recommendation 2003/361/EC (OJ L 124, 20.5.2003, p. 36), as amended from time to time.

¹ http://www.eif.org/news_centre/publications/2010_Guidelines_for_Restricted_Sectors.htm.

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Small Mid-Cap	Small Mid-Cap means an entity with fewer than 500 full-time equivalent employees that is not an SME.
Targeted Activities	Mean (i) criminal activities such as money laundering, financing of terrorism, tax crimes (i.e. tax fraud and tax evasion); and (ii) tax avoidance practices.
Mid-Cap	Mid-Cap means an entity with fewer than 3000 full-time equivalent employees that is not a SME, nor a Small Mid-Cap.
Fund Agreement	Means, but is not limited to, the agreement whereby the EIF commits to invest under EGF in, or alongside, a Financial Intermediary.
Minimum Allocation	<p>A Financial Intermediary receiving EIF EGF Investment shall make direct or indirect investments in Target Final Recipients, and shall have invested or expect to invest at least the aggregate amount drawn down from the EIF EGF Investment for the purpose of investment directly or indirectly into Target Final Recipients operating in Participating Member States.</p> <p>In addition, the Financial Intermediary shall undertake to invest at least two times the aggregate amounts drawn down (for the purpose of investment) under the EIF EGF Investment directly or indirectly into Target Final Recipients operating in the EU.</p>
Non-Compliant Jurisdiction ("NCJ")	<p>Includes jurisdictions</p> <ul style="list-style-type: none"> (i) listed in the Annex I of the Council of the European Union conclusions on the revised European Union list of non-cooperative jurisdictions for tax purposes, adopted by the Council of the European Union at its meeting held on 18 February 2020, and/or (ii) 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, and/or (iii) rated as "partially compliant", "provisionally partially compliant" or "non-compliant" by the Organisation for Economic Cooperation and Development and its Global Forum on Transparency and Exchange of Information for Tax Purposes and/or (iv) included in the Financial Action Task Force "Public Statement" (i.e. countries or jurisdictions with such serious strategic deficiencies that the Financial Action Task Force calls on its members and non-members to apply counter-measures or for which the Financial Action Task Force calls on its members to apply enhanced due diligence measures), and/or (v) included in the Financial Action Task Force statement "Improving Global AML/CFT Compliance: On-Going process" (i.e. countries or jurisdictions with strategic weaknesses in their AML/CFT measures but that have

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	<p>(vi) provided a high-level commitment to an action plan developed with the Financial Action Task Force), and/or included in the OECD/G20 list of jurisdictions that have not satisfactorily implemented the tax transparency standards</p> <p>in each case as such statement, list, directive or annex may be amended and/or supplemented from time to time.</p> <p>Where the relevant support is not reserved for operations, projects or activities implemented in the same jurisdiction where the concerned Applicant is incorporated, the Applicant shall not be incorporated in or invest through a Non-Compliant Jurisdiction. Please refer to the EIB's website² for the most updated list of Non-Compliant Jurisdiction or enquire with EIF for confirmation of Non-Compliant Jurisdiction status.</p>
Participating Member States	<p>Means the EU Member States that have individually entered into a contribution agreement with the EIB as required to formalise their adherence to EGF. Please refer to the following link for the list of Participating Member States (Annex X).</p>

2. Terms and objectives of EIF EGF Investment

Policy rationale and strategic objective	<p>The objective of this product is to contribute to the availability of alternative debt financing to Target Final Recipient, in response to the crisis following the COVID-19 pandemic, by supporting Financial Intermediaries (managed by firsttime, emerging or established teams):</p> <ul style="list-style-type: none"> (i) in their fundraising period to achieve first closing or (ii) in their subscription period to have subsequent closings and reach targeted or adequate fund sizes. <p>Via Senior Private Credit, the EIF shall selectively take increased stakes in Financial Intermediaries and make larger commitments.</p>
Duration of EIF EGF Investment	<p>The manager of the Financial Intermediary shall not, without EIF's prior written consent, make or propose to investors in the Financial Intermediary to vote upon any amendments in order to extend the term of the Financial Intermediary beyond December 2036.</p>
Investor Base of the Financial Intermediary	<p>At least 30% of total commitments to Financial Intermediaries, excluding the EIF EGF Investment are made by independent private investment sources (as set forth below):</p> <ul style="list-style-type: none"> • EIF/EIB own resources, invested at own risk and excluding public parts of mandates

² <https://www.eib.org/en/about/compliance/tax-good-governance/faq>

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	<ul style="list-style-type: none"> • Financial institutions (investing at own risk and from own resources) • Private endowments & foundations • Family offices & Business Angels (including joint investment vehicles set-up by/with Business Angels) • Corporate investors • Insurance companies • Pension funds • Private individuals • Academic institutions (including universities and public and private research institutions) • National promotional banks/institutions investing own resources, for their own risk, and on commercial terms • fund-of-funds provided that they invest exclusively on commercial terms and are managed or advised by a privately held asset manager, save that: <ul style="list-style-type: none"> - any fund-of-funds fully funded by state budget resources shall not be considered an independent private investment source; - where a fund-of-funds is partially funded by state budget resources, in pari passu with private resources invested on commercial terms, the investment made by such a fund-of-funds into a Fund or Side Fund shall be considered as an independent private investment source pro rata to the amounts invested by the fund-of-funds which are funded by private resources. <p>Other categories of investors may also be considered private investment sources (e.g. sovereign wealth funds or fund-of-funds) where the resources invested are generated by commercial activities and are invested on commercial terms.</p> <p>For the purpose of the above provisions, state budget resources shall include European Structural and Investment Funds.</p> <p>In assessing compliance with the above requirements, the EIF may rely on a declaration, representation or undertaking from the Financial Intermediary.</p>
Approval Period	The EIF may approve EIF EGF Investment until 31 December 2021, unless otherwise extended by EGF governance body.
Requirements	<p>Financial intermediaries receiving EIF EGF Investment:</p> <ul style="list-style-type: none"> i. Shall not engage in activities incompatible with the Guidelines on the EIF Restricted Sectors; ii. Shall not be entitled to use EIF EGF Investment for any Excluded Final Recipients;

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	<p>iii. 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. The EIF will provide relevant arrangements in order for the Financial Intermediary to transpose this requirement at the level of the Final Recipients;</p> <p>iv. Shall undertake to comply with applicable European Union law and agreed international and European Union standards and, therefore, not support actions that contribute to tax evasion or finance artificial arrangements aimed at tax avoidance. The EIF will provide relevant arrangements in order for the Financial Intermediaries to transpose this requirement at the level the Final Recipients;</p> <p>v. Shall acknowledge the EIF Anti-Fraud Policy which sets out the policy of EIF for preventing and deterring corruption, fraud, collusion, coercion, obstruction, money laundering and terrorist financing³ 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 EPPO, or the European AntiFraud (OLAF), or Court of Auditors (ECA) in connection with actual or suspected prohibited conduct.</p>
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³ Please refer to http://www.eif.org/attachments/publications/about/Anti_Fraud_Policy.pdf