ESCALAR Programme

Term Sheet

Important Disclaimer

This document is for information purposes only. It is an outline of the principal operational guidelines for the product described herein, which are subject to change and non-exhaustive. It 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 (the "EIF") and/or any other person to enter into one or more transaction(s). Any finance commitment by the EIF can only be made, inter alia, after appropriate approval, conclusion of legal due diligence and finalisation of the required legal documentation. The EIF does not act as adviser to you or owe you any fiduciary duty. The EIF does not make any representations or warranties (whether explicitly or implicitly) with respect to the information contained in this document.

1 Terms of an ESCALAR Investment

EIF ESCALAR Investment

Means a commitment in any form entered into by EIF under the ESCALAR Programme to invest in a Fund or Side Fund, excluding any co-investments from other resources managed or advised by EIF, if any.

Size of EIF ESCALAR Investment

Each EIF ESCALAR Investment shall:

- not exceed one hundred million euro (EUR 100,000,000) or the EUR equivalent in another eligible currency at the time of commitment;
- not exceed 50% of the aggregate commitments made to the Fund in case of ESCALAR Option 1 or the Side Fund in case of ESCALAR Option 2.

Investment structure

The EIF ESCALAR Investment may take the form outlined in the schedules to this Annex under ESCALAR Option 1 or ESCALAR Option 2

Duration of an ESCALAR Investment

The term of the EIF investment typically ranges between 5 and 20 years.

Investor base of a Financial Intermediary

As a general rule, at least 30% of total commitments to a Financial Intermediary shall be made by Third-Party Benchmark Investors, or by the EIF or EIB on their own risk and from their own resources, provided that Third-Party Benchmark Investors account for at least 15% of total commitments.

The minimum commitment from Third-Party Benchmark Investors may be further reduced under certain circumstances.

Ranking of InvestEU Investments

An InvestEU investment shall be made into a Financial Intermediary through a standard investment whereby the EIF shall rank *pari passu* with other investors investing in the same risk class (i.e. "like-risk-like-reward"). The InvestEU Investment shall not be subordinated to other investors in any risk class issued by the Financial Intermediary.

Minimum Investment Allocation Requirements

a) Financial Intermediaries shall commit to invest a minimum amount (the “Minimum Eligible Allocation”) into Eligible Final Recipients (as defined below is <u>*section 3*</u>). Only Primary Investments and Eligible Secondary Investments shall be eligible for the purpose of calculating the Minimum Eligible Allocation. The Minimum Eligible Allocation shall be equal to at least the higher of:
   i. 50% of the Financial Intermediary’s aggregate invested amounts, and
   ii. 2 times the amount drawn down from EIF under the ESCALAR Investment for investment purposes, capped at 80% of the Financial Intermediary’s aggregate invested amounts.

b) Financial Intermediaries shall indicate at the time of application, which Target Areas are captured by their investment strategy,

and shall be required to commit a minimum amount into Scale-ups (as defined in *section 3*) operating in the agreed Target Area(s) (the "Minimum Target Allocation").
The Minimum Target Allocation shall be equal to at least 2 times the amount drawn down by the Financial Intermediary under ESCALAR Investment for the purpose of investments in Eligible Final Recipients under the relevant Thematic Strategy (or any Target Area part of it), capped at 80% of the Financial Intermediary's aggregate invested amounts.

Maximum Investment in a single Funding Round	The maximum invested amount by the (Side) Fund in a single funding round of a Final Recipient shall not exceed the portfolio diversification limits established in the legal documentation of the ESCALAR Financial Intermediary, to such effect that the share of any such investment funded indirectly by the ESCALAR Shares shall not exceed EUR 50 million (or equivalent). Notwithstanding the preceding sentence, in cases in which ESCALAR Shares are being subscribed by other Third-Party Benchmark Investors, in addition to the EIF ESCALAR Investment, for an amount representing 15% or more of the aggregate commitments subscribed in ESCALAR Shares of the relevant ESCALAR Financial Intermediary, then this limitation shall not apply.

2 ESCALAR Financial Intermediaries

Establishment of Financial Intermediaries	Financial Intermediaries shall be established (domiciled) in a Member State,in an OCT[1] or in the territory of Other Participating Countries.
Fund Investment Strategy	The ESCALAR Financial Intermediary shall undertake long term risk capital investments in the form of equity, preferred equity, Hybrid Debt-Equity Instruments, other type of mezzanine financing, with a focus on Scale-ups but excluding entities targeting buy-out (or replacement capital) intended for asset stripping.
Independence of management teams	Financial Intermediaries shall be managed by Independent Management Teams, except where, due to the nature of the market, the domain investment expertise is concentrated within a few industry participants who act, or are otherwise linked with potential investors in a Financial Intermediary. In such case, the Financial Intermediary shall take the necessary measures in order to mitigate potential conflicts of interest, such measures to be agreed with the EIF.
Management fees and Carry	The manager of the ESCALAR Financial Intermediary shall not be entitled to charge management fees on the EIF ESCALAR Investment but shall be entitled to the carried interest pursuant to the Fund's contractual documentation.
Other Participating Country	Means a country other than a Member State which has entered into an agreement with the Union for the purpose of contributing additional resources to the EU Compartment. As of 24 October 2023, such countries are Norway and Iceland.
Target IRR for ESCALAR Shares	The ESCALAR Shares shall target an overall internal IRR of at least 5% (including both the Initial Return and the share of Distributable Investment Proceeds allocated to the ESCALAR Shares).
Transparency of remuneration	The remuneration of the Financial Intermediary's manager or advisor, as the case may be, shall be transparent to its investors. Management fees shall be set at a level that covers operational and management costs in a sustainable way without disturbing the alignment of interests aimed for. The level of management fees shall in principle allow for the execution of the Financial Intermediary's investment strategy.
Addressing Climate Action and Environmental Sustainability	For those Financial Intermediaries addressing Thematic Areas under the Thematic Strategy of Climate and Environmental Solutions, the contribution to Climate Action and Environmental Sustainability[2] ("CA&ES") – and to the extent possible, an estimation of the split of such contribution between Climate Action and Environmental

[1] Overseas Countries and Territories | International Partnerships (europa.eu)
[2] Guidelines on the EIF's criteria for Climate Action and Environmental Sustainability (CA&ES)

Sustainability – will be determined by the EIF during the selection process based on the information received from the Financial Intermediaries, and, in such cases, will be reflected in the contractual documentation between the EIF and the Financial Intermediary.

The Financial Intermediary's contribution to Climate Action and Environmental Sustainability is measured as the aggregate percentage of the ESCALAR supported financing, which contributes to climate and environment activities by matching the activity criteria of the CA&ES, which have been determined in the spirit of the EU Taxonomy for sustainable finance[3].

The contribution to Climate Action and Environmental Sustainability included in the contractual documentation between the EIF and the Financial Intermediary will be monitored as part of the operational reporting presented by the Financial Intermediary to the EIF and as described in *Annex IV* to the CEoI.

For the avoidance of doubt, the contribution to CA&ES shall be made without prejudice to the Minimum Target Allocation under the Thematic Strategy of Climate and Environmental Solutions set for the Financial Intermediary.

[3] EU taxonomy for sustainable activities | European Commission (europa.eu)

3 ESCALAR Final Recipients

Financial Intermediaries shall select Final Recipients according to their internal rules and procedures, taking due account of the economic viability of projects of Final Recipients.

Eligible Final Recipients

Final Recipients, which are not Excluded Final Recipients, and which satisfy all of the following eligibility criteria:

a) are located (in the case of projects) or *established and operating* (in the case of enterprises) in a Member State,an OCT or in the territory of Other Participating Countries, and

b) are projects, SMEs or Small Mid-Caps or Large Mid-Caps, and

c) are active in any of the areas listed in *section 5* below.

Large Mid-Caps are not considered Eligible Final Recipients for the Capital Markets Union Thematic Strategy described in *section 5* below.

An Eligible Final Recipient, which is an enterprise, shall be considered to be *established and operating* in a Member State, in an OCT or in the territory of Other Participating Countries, if at the time of the first investment by the Financial Intermediary, it is:

a) incorporated in a Member State,in an OCT or in the territory of Other Participating Countries or has legal presence in a Member State, an OCT or in the territory of Other Participating Countries through a subsidiary or other form of legal entity, and

b) exercising its main activities in one or more Member States, OCTs or Other Participating Countries.

For Final Recipients in early stage with insignificant operations, the assessment of their main activities shall be based on the Final Recipient's business plan at the time of the first investment.

Additional requirements may apply to Eligible Final Recipients under the Target Areas of Defence, Security and Space as defined below in *section 5.2*.

Excluded Final Recipients

Financial Intermediaries shall not be entitled to invest or issue any drawdown notice relating to an investment :

a) in Final Recipients which have business activity that consists of an illegal economic activity or substantially focuses on restricted sectors as per the Guidelines on the EIF Restricted Sectors[4] as amended from time to time, and/or

b) in Final Recipients which are in one of the Exclusion Situations (or do not provide the Financial Intermediary with analogous representations as per *Annex I*),

c) in Final Recipients which have business activity that does not adhere to the Paris alignment restrictions.

[4] Additional criteria apply to blockchain and distributed ledger technology investments

Scale-up means an enterprise that has already established a product or service, and has already generated revenue, but may or may not be making a profit and needs financing to grow and expand, including in order to finance increased production capacity, to finance market or product development, to provide additional working capital or to be used for a (total or partial) acquisition, with a view to further grow the business

4 ESCALAR structure

Whenever used in these guidelines, the following terms shall have the meanings alongside them. Any capitalised items not defined in this Annex have the meaning given to them in the Call for Expression of Interest.

Distributable Investment Proceeds	Means any investment proceeds available for distribution to investors pursuant to the contractual documentation of the relevant Fund or Side Fund.
ESCALAR Financial Intermediary	Means the Fund in the case of ESCALAR Option 1 or Side Fund in the case of ESCALAR Option 2.
ESCALAR Option 1	Means the case in which the EIF ESCALAR Investment is made to a Fund via a subscription to a different class of share or unit to the other investors in the same Fund (see Appendix 1).
ESCALAR Option 2	Means the case in which the EIF ESCALAR Investment is made to a Side Fund via a subscription to a different class of share or unit to the fund investing in the Side Fund (see Appendix 2).
ESCALAR Shares	The class of shares or units subscribed in a Fund or Side Fund under the EIF ESCALAR Investment.
ESCALAR Shares Net Paid-in	means at any time, the aggregate investment drawn down by the ESCALAR Financial Intermediary in respect of the ESCALAR Shares less any distributions received.
Initial Return	Means a target IRR of at least 3% to be calculated pro rata temporis on: - The ESCALAR Shares Net Paid-In, both for Option 1 or 2, - The LP Net Paid-In in case of ESCALAR Option 1, or on the MF Side Fund Shares Net Paid-in in case of ESCALAR Option 2.
LP	means the Limited Partners, other than those holding ESCALAR Shares.
LP Investment	The total amount committed by LPs under the LP Shares.
LP Net Paid-in	At any time, the aggregate commitment drawn down from the LP Shares (excluding the ESCALAR Shares) less any distributions received.
LP Shares	The interests subscribed to by the LPs, in their capacity as LPs.
Main Fund (MF) Investment	The total amount committed by the Fund to a Side Fund.
MF Side Fund Shares	The class, or classes as the case may be, of shares in a Side Fund subscribed to by a Fund.
MF Side Fund Shares Net Paid-in	At any time, and in respect of the Side Fund, the aggregate commitment drawn down from the Fund (excluding from the EIF ESCALAR Investment) less any distributions received.
NAV	The net asset value of the Fund or of the Side Fund.
Trigger Event	means the event that has occurred from the moment that the ratio of NAV to ESCALAR Shares Net paid-in drops below 1.5x.

4.1 Allocation of Distributable Investment Proceeds[5]

ESCALAR Option 1

Prior to a Trigger Event, Distributable Investment Proceeds shall be distributed in accordance with the waterfall of the relevant Fund provided that the allocations between the LP Shares and the ESCALAR Shares shall be made in the following order of priority:

1. To ESCALAR Shares and LP Shares pro-rata to the respective drawn down amounts, until ESCALAR Net Paid-in and LP Net Paid-in are reduced to zero,
2. To LP and ESCALAR Shares pro rata until the Initial Return is paid,
3. To ESCALAR Shares and LP Shares, all remaining Distributable Investment Proceeds in a pre-agreed proportion (in favour of the LP Shares).

Following a Trigger Event, and until cured, Distributable Investment Proceeds shall be distributed in accordance with the waterfall of the relevant Fund provided that the allocations between the LP Shares and the ESCALAR Shares shall be made in the following order of priority:

1. To ESCALAR Shares until the ESCALAR Net Paid-in is reduced to zero,
2. To LP Shares until the LP Net Paid-in is reduced to zero,
3. To LP and ESCALAR Shares pro rata until the Initial Return is paid,
4. To ESCALAR Shares and LP Shares, all remaining Distributable Investment Proceeds in a pre-agreed proportion (in favour of the LP Shares).

ESCALAR Option 2

Prior to a Trigger Event, Distributable Investment Proceeds shall be distributed in the following order of priority:

1. To ESCALAR Shares and MF Side Fund Shares pro-rata to the respective drawn amounts, until ESCALAR Net Paid-in and MF Side Fund Shares Net Paid-in are reduced to zero,
2. To MF Side Fund Shares and ESCALAR Shares until the Initial Return is paid,
3. To ESCALAR Shares and MF Side Fund Shares, all remaining proceeds in a pre-agreed proportion (in favour of the MF Side Fund Shares).

Following a Trigger Event, and until cured, Distributable Investment Proceeds shall be distributed in the following order of priority:

1. To ESCALAR Shares until the ESCALAR Net Paid-in is reduced to zero,
2. To MF Side Fund Shares until the MF Side-Fund Shares Net Paid-In is reduced to zero,

[5] *The indicative allocation mechanism described is based on the return of investors' net paid-in amounts. However, in certain cases, where commercially agreed between EIF and the ESCALAR Financial Intermediary, the mechanism may be based on the return of investors' total commitments.*

3. To MF Side Fund Shares and ESCALAR Shares until the Initial Return is paid,
4. To ESCALAR Shares and MF Side Fund Shares, all remaining proceeds in a pre-agreed proportion (in favour of the MF Side Fund Shares).

5 InvestEU Equity Thematic Strategies and Target Areas

InvestEU investments are organised into four Thematic Strategies, each addressing a number of Target Areas. Investments by Financial Intermediaries under one or more of the following Target Areas contribute to the Minimum Eligible Allocation requirements for the Thematic Strategy under which that Target Area is listed.

5.1 Capital Markets Union

Investments supporting capital markets and improving access to finance-based equity and debt investments that support the growth of European enterprises, diversification of sources of financing, and strengthening the solvency of enterprises by sharing risk with private investors. For investments that fall into the following categories:

Growth and expansion funds	Investments in growth or lower mid-market funds that provide equity and quasi equity financing, and support the continued growth of companies, including in order to finance increased production capacity, to finance market or product development, to provide additional working capital or to be used for a (total or partial) acquisition, in any case with a view to further grow the business.
Debt and hybrid debt-equity funds	Investments in senior debt and hybrid debt-equity funds that provide private credit support tailored to the needs of enterprises in the form of bespoke senior financing, subordinated, unitranche and mezzanine in hybrid debt-equity financing solution, thereby widening the availability of non-bank financing to SMEs, and Small Mid-Caps.

5.2 Enabling Sectors

Investments in sectors and industries that support the advancement of the European economy in enabling sectors by facilitating and accelerating the access to finance of enterprises, projects, initiatives and innovators operating in critical industries/sectors for sustaining the technological sovereignty of the EU, tackling unmet medical needs and securing semiconductor and hardware production and supply. This support is expected to contribute to increasing the competitiveness of the EU by supporting enterprises or projects active in the sectors driven by strategic technologies to develop (notably through research & development), commercialisation and scale-up innovation, as well as securing semiconductor and hardware production and supply. For investments falling in the following Target Areas:

Life science and health	Solutions and developments that contribute to improving the health systems, disease prevention, diagnostic and treatment, promoting a healthy lifestyle and making the EU capable of responding effectively to health crises. Such activities include, but are not limited to, the subsectors below at every stage of development: a) therapeutics and vaccines (drug discovery and development); notably through biotech or pharmaceutical solutions, b) medtech (e.g. medical devices, implants, prosthetics), c) diagnostics (e.g. imaging, biomarkers), d) digital health (e.g. wearables, telehealthcare), e) health services, including new business models and social, innovations, f) manufacturing products for the life sciences sector, g) AI applied to life sciences (i.e. to any of a)-e) above).

Space	Upstream and downstream space activities that contribute to the development and competitiveness of the European space industry and other industries using space data for digital applications. Activities shall include, but not be limited to, research, development, manufacturing, distribution or operation of components, products, systems or technologies for: a) space, ground or launch systems segments, b) data processing, analytical tools and artificial intelligence for use with space data and other data sources, c) digital applications and services based on or using space data in combination with other data sources, d) integration of space data and services into innovative products in other sectors, e) adaptation of space technologies, products, applications and services to non-space economic sectors, f) space exploration and autonomous exploration vehicles.
Defence	Solutions and technologies for the defence sector that accelerate the evolution of the European defence technological and industrial base. Such activities include, but are not limited to, research and development, manufacturing and/or maintenance of defence products and critical future and emerging defence technologies with a dual-use potential, such as: a) cyber, space, air, ground (including force protection and mobility), naval and underwater systems, b) defence medical response, chemical biological radiological nuclear (CBRN), biotech and human factors, c) information superiority (C4ISR), d) advanced passive and active sensors, e) digital transformation, f) energy resilience and environmental transition, g) materials and components, h) simulation and training, i) strategic technology foresight.
Industrial technologies	Activities that enable process, goods and service innovation and that cut across industries, promote inclusive and sustainable industrialisation, raise industry's share of employment, increase the access of small-scale industrial and other enterprises to financial services and their integration into value chains and markets. Such activities include but are not limited to: a) robotics and automation, b) nanotechnology, c) industrial biotechnology, d) photonics technologies, e) advanced materials, f) advanced manufacturing technologies (both B2B software and hardware are included).
Semiconductor technologies	Semiconductor technologies and solutions for development and production of microelectronics and photonics components and systems. Activities will contribute to the development of a semiconductor ecosystem across the EU, so as to boost the EU's technological

capabilities, ensure security of supply, production and reduce strategic dependencies.
Such activities include, but are not limited to:

a) analog, digital and mixed-signal modules (e.g. chiplets), intellectual property, components and systems for applications such as sensing, data processing, communication, actuation and power management,
b) semiconductor solutions contributing to increasing energy efficiency and/or reducing greenhouse gas emissions,
c) semiconductor materials, wafers, intellectual property, process design kits, design tools, handling and processing tools and equipment, for front-end or back-end manufacturing.

Semiconductor chips

Development, production and commercialisation of new semiconductor chips for digital applications.
These activities comprise, but are not limited to, design and deployment of electronic and photonic integrated circuits (chips) and integrated systems for applications such as AI, edge computing, Blockchain/DLT, Cybersecurity, IoT, 5G/6G, HPC, Quantum Computing and Other Digital Technologies.

5.3 Climate and Environmental Solutions

Research, development, demonstration, upscaling and commercialisation of technologies or solutions that contribute to the EU Green Deal and, in particular, the energy and ecological transitions pursued in the areas of climate mitigation and resilience (adaptation), mobility and transport, urban and built environment, water and marine resources, pollution, circular economy, agri-food system and biodiversity and environmental ecosystems. These investments will also support the EU's competitiveness and leadership in climate and environmental technologies and solutions. These investments aim to support a transition to an EU climate-neutral economy based on sustainable development, a reduction in dependence on fossil fuels, sustainable management of natural resources, food security and enhanced climate resilience, among other goals. For investments fall under the following Target Areas:

Mobility and transport solutions

Activities accelerating the shift to sustainable, resilient and smart mobility and all modes of transport, both for people and goods, with an emphasis on zero or low carbon emissions together with seamless, safe and efficient connectivity, including but not limited to:
a) improved vehicle or vessel performance technologies,
b) battery technologies and associated charging solutions and infrastructure,
c) electric vehicles, vessels, planes and micro mobility vehicles and infrastructure to propagate these technologies,
d) use of sensor technologies and transport systems.

Energy and built-environment solutions

Activities leading to decarbonisation of the energy generation, storage, transmission, distribution and consumption as well as decarbonising the built environment, including but not limited to:
a) clean energy generation, supply, storage, distribution, systems and/or energy efficiency,
b) high efficiency heating and cooling, heat capture / conversion / storage,
c) alternative fuels, fuel cells,

d) sustainable ICT: technologies that either demonstrate the potential to achieve a significant reduction or avoidance of GHG emissions as compared to currently used ICT technologies, especially in data centres / electronics / monitoring and management systems,
e) solutions for grid management, including new business models and social innovations,
f) low GHG construction methods, materials and technologies,
g) improvements in energy efficiency solutions, fixtures, fittings, and lighting,
h) smart sensor building management systems, including data, app control,
i) resource-efficient equipment, circular and nature-based solutions in the renovation of buildings.

Industrial decarbonisation & environmental sustainability

Comprise low carbon technologies and processes, and low carbon products substituting existing carbon-intensive alternatives, as well as enabling technologies and services in fuel combustion, activities minimising impacts and risks to natural capital or pollution and making the most efficient and optimal use of natural capital resources. Such activities include but are not limited to:

a) transformative circularity: technological, business or social innovations, processes, products, technologies and services accelerating the transition to circular use of materials and efficiency solutions, both in industrial processes as well as value chains,
b) new business, sharing or service models that trigger changes in consumer distribution, and/or production behaviour, water prevention, recovery, re-use, treatment and recycling,
c) low GHG or bio-based material design, increased material efficiency (e.g., steel, cement, plastic and plastic alternatives, packaging materials, textiles),
d) low GHG or resources efficient production/ manufacturing processes and technologies,
e) optimised after-use treatment and management systems,
f) industrial solutions contributing to the protection and restoration of nature and biodiversity while reducing overall impacts and dependencies on natural capital.

Agriculture, food, natural capital preservation and use of land resources

Activities leading to a transition to a sustainable, healthy, climate-neutral and inclusive food system as well as in the development of bio-based sectors across the economy, including but not limited to:

a) agri-tech, food tech and sustainable agricultural practices and production, low GHG farming solutions, precision agriculture and robotics (including drone surveillance and monitoring systems),
b) alternative crops and food products including replacing high carbon intensive animal based products (such as synthetic proteins or insect proteins), as well as alternative systems comprising new business models and social innovations,
c) agricultural biotech/genomics, green chemistry and industrial biotech including bio-based chemicals (including low GHG fertilisers, bio-based plastics and biomaterials),

d) food tech and sustainable food production as well as social innovations and business models supporting sustainable food distribution and consumption,
e) preserving, protecting and restoring ecosystems and biodiversity, including through nature-based solutions, supporting innovative approaches to conservation, restoration, enhancement and sustainable management of natural capital and ecosystems, either terrestrial, freshwater or marine.

Blue economy	Sustainable economic activities that take place in the marine environment or that use sea resources (other than oil and gas) as an input, as well as economic activities outside the marine environment that are involved in the production of goods or the provision of services that will contribute to those activities, including but not limited to: a) water and seabed pollution prevention and remediation, b) management, conservation, restoration and monitoring of marine biodiversity and nature-based solutions, including social innovations, c) clean technologies, renewable marine energy, reducing the climate change impact of marine activities, d) sustainable aquaculture or less invasive fishing techniques and gears, e) land-based activities such as, micro-algae production and processing, land-based aquaculture, or similar, f) ocean observation, g) eco-friendly tourism.
Other adaptation solutions	Other areas enhancing directly or indirectly the adaptive capacity, strengthening resilience and reducing vulnerability of key systems affected by climate change (health, food security, natural environment, water, infrastructure and others) and developing innovative solutions for environmental and climate monitoring services.

5.4 Digital and Cultural and Creative Sector (CCS) Investments

Investments that contribute to the strengthening of the EU’s competitiveness, digital independence and strategic autonomy, with a focus on data, communications technologies, services and products that facilitate the digital transition and address societal challenges. For investments falling under the following Target Areas:

Artificial Intelligence (AI)	Digital systems, based on software and/or hardware devices, that perceive their environment through data acquisition, interpret the collected data, reason on the knowledge, or process the information derived from this data and can adapt their behaviour over time on the basis of previous actions or newly collected data, and decide the best action(s) in the physical or digital dimension to achieve a given goal. Particular applications of AI include but are not limited to speech recognition, natural language processing, data analytics, robotics, augmented virtual reality or machine vision.
Blockchain and Distributed Ledger Technologies (BT/DLT)	Technologies and practices that will or are expected to revolutionise the way we share information and carry out transactions online that promote trust, by creating and recording through a distributed network, consensus on states of data and transactions, by enabling and guaranteeing the

execution of tasks, and by facilitating data sharing and transfer of value, all this being done in a secure, autonomous and decentralised way.

Cybersecurity

Activities and services that cover the security of services and the security of connected objects in homes, offices and factories, building collective capabilities to respond to major cyberattacks notably against critical infrastructure. Such activities include, amongst others, anti-malware, application security, business continuity, cyber consultancy, encryption, cyber insurance, identity & access, infrastructure, mobile security, outsourced / managed services, pro-active and reactive defence, situational awareness and system recovery & data cleansing training & education.

Quantum Computing

Technologies and solutions that make use of the properties of the underlying quantum mechanics across industrial and societal fields, including but not limited to:

a) quantum communication systems (systems that use quantum principles to transmit and store data in a highly secure way),
b) quantum computers (with applications such as development of medicines, logistics and cryptography), and
c) quantum sensing devices (with applications inter alia in medicine, autonomous driving and earth observation).

Cultural and Creative Sectors (CCS)

Activities in the cultural and creative sectors, including the development and use of new technologies and tools for the management of intellectual property rights. These activities comprise but are not limited to:

a) MediaInvest: audiovisual content production and distribution:
    i. audiovisual content production: Films, series and other productions of audiovisual entertainment,
    ii. audiovisual content distribution: Cinemas / TVs / radios / online streaming services,
    iii. videogames industry: Including immersive formats, such as augments / virtual reality experiences.
b) news media sector: Including all types of media connected with news production and distribution: printed and online press, radio and audiovisual broadcasting and hybrid forms of media.
c) other sectors including music production, publishing, distribution, live performance, architecture, archives, libraries & museums, artistic crafts, tangible/intangible cultural heritage, design, festivals, literature, performing arts and visual arts.

Education technology

Activities related to education and training, which facilitate the development of new skills and the strengthening of established skills, including but not limited to projects promoting digital tools and technological solutions based on software and/or hardware devices and encompassing, inter alia, virtual reality / artificial intelligence / cloud platforms / 3D simulations, that are designed or applied to:

a) facilitate, enhance and/or increase effectiveness of learning/training systems,
b) assist in the exchange of knowledge and its development,
c) encourage digital proficiency and skills, particularly for the green transition,
d) contribute to the universal deployment of, and access to Information Communication Technologies (ICTs).

Other Digital

Other emerging digital technologies including, but not limited to, technologies for the connection and exchange of data with other devices and systems. Such technologies include, but are not limited to:

a) cloud computing and data platforms including computing capacities that allow access to a scalable and elastic pool of shareable computing resources (networks, servers, platforms or other infrastructure, storage, applications or services,
b) internet of things (IoT),
c) 5G-based services and high performance/edge computing,
d) microelectronics.

6 Miscellaneous

Monitoring and Audit

The Financial Intermediaries and the relevant Final Recipients must agree to allow and to provide access to documents and premises related to the relevant EIF ESCALAR Investment for the representatives of the European Commission (including the European Anti-Fraud Office (OLAF), the European Public Prosecutor's Office (EPPO), the European Court of Auditors, EIF, agents of EIF, EIB and any other European Union institution or European Union body which is entitled to verify the use of the InvestEU Investment and any other duly authorised body under applicable law to carry out audit or control activities). To that effect, the Financial Intermediaries shall also include appropriate provisions in each agreement with the Final Recipients.

Sustainability Proofing

In order to comply with the sustainability proofing requirements set out in the Sustainability Proofing Guidance[6] for the ESCALAR Programme, the following requirements will apply:

a) for any Final Recipient whose activities include anaerobic digestion of bio-waste, landfill gas capture and utilisation, a monitoring plan for methane leakage of these activities must be in place,
b) for any Final Recipient whose activities include transport of CO2 and underground permanent geological storage of CO2, a detailed monitoring plan in line with the provisions of the CCS Directive 2009/31/EC and EU ETS Directive 2018/410 must be in place,
c) no Final Recipient Transaction covers the financing of vessels, vehicles or rolling stock specifically dedicated to transport fossil fuels,
d) the Financial Intermediary and Final Recipient shall comply with the national environmental, climate and social laws and regulations to which they are subject;
e) for Final Recipients whose activities or projects require an environmental impact assessment - as per the national legislation - that the assessments, permits and authorisations are in place.
f) without prejudice to the excluded activities/sectors of InvestEU support, and the exclusion areas reflected in the Paris Agreement alignment commitment:
    - in the case of Financial Intermediaries under an ESCALAR Investment where the EIF's share in the Fund is below 30%, Final Recipients to whose activities the ETS Directive (Directive 2003/87/EC) applies[7] must be actively encouraged to adopt a green transition / decarbonisation plan[8],
    - in the case of Financial Intermediaries under an ESCALAR Investment where the EIF's share in the Fund is above 30%, Final Recipients covered under the

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

[7] The categories of activities to which the ETS Directive applies are presented in its Annex I: *https://eurlex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:02003L0087-20200101&qid=1604659666744&from=EN#tocId68*

[8] Documented plans to improve its carbon footprint (in the short, medium and/or long term). The green transition / decarbonisation plan needs to define targets, establish the implementation roadmap and identify the investment needs.

	ETS must be actively required to adopt a green transition / decarbonisation plan[8].
Other Information	Financial Intermediaries may be requested to provide, from time to time, further information related to the Final Recipients covered by ESCALAR in the context of programme evaluations and other reports to be prepared by the EIF. To this end, the Financial Intermediaries shall require the Final Recipients to provide certain information on the basis of a template provided by the EIF. The provision of such information by Final Recipients shall (i) be subject to applicable laws, including without limitation in relation to data protection and banking secrecy, and (ii) not be a mandatory requirement nor constitute a condition precedent to the relevant transaction or any eligibility criteria.
Visibility	ESCALAR Financial Intermediaries shall explicitly inform Final Recipients that financing is made possible through the support of InvestEU, using, unless otherwise agreed with the EIF, the form "This operation benefits from support from the European Union under the InvestEU Fund". Financial Intermediaries shall reflect, and shall contractually require Final Recipients to reflect the participation of the EU in all press releases, communications material, social media and contractual documentation related to the operation.
Publication	The EIF and the European Commission may publish on its website a list of Financial Intermediaries containing, for each Financial Intermediary, the name, address and the amount of financial support received under InvestEU, including through ESCALAR. The EIF and the European Commission may also publish on its website a list of Final Recipients, containing, for each Final Recipient, its name, address and the type of finance received under InvestEU, including through ESCALAR[9].
Record Keeping	The Financial Intermediary shall maintain or be able to produce all the documentation related to the implementation of the ESCALAR Investment for a period of five (5) years following the termination of the EIF ESCALAR Investment. The Financial Intermediary shall require each Final Recipient to maintain and be able to produce all documentation related to the investment for a period of five (5) years following the termination of the investment in such Final Recipient, where such records are not also kept by the Financial Intermediary.
Protection of Personal Data	Financial Intermediaries shall comply with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to processing of personal data and on the free movement of such data. Any personal data provided by the applicants shall be processed by EIF in compliance with its Data Protection Statement (EIF statement on the processing operations of applicants and Investment Funds' personal data, as published on the EIF's website[10]) and Regulation (EU) 2018/1725 on the protection of natural persons with regard to the processing of

[9] Financial Intermediaries and Final Recipients may request, prior to receiving support under InvestEU, and under certain conditions, for this disclosure requirement to be waived.
[10] *http://www.eif.org/attachments/eif_data_protection_statement_financial_intermediaries_due_diligence_en.pdf*

personal data by the Union institutions, bodies offices and agencies and on the free movement of such data, as amended from time to time.

Other requirements

Financial Intermediaries and Final Recipients:

- shall not use any investment under the ESCALAR Programme to support any of the excluded activities as described in Annex V, Section B of the InvestEU Regulation,
- shall not be established in a NCJ unless the operation is physically implemented in the relevant NCJ and does not present any indication that it supports actions that contribute to Targeted Activities under the EIB Group NCJ Policy[11],
- shall undertake to comply with all applicable laws and regulations and the relevant applicable international and European Union standards and legislation on the prevention of money laundering, the fight against terrorism, tax fraud, tax evasion and artificial arrangements aimed at tax avoidance; and, therefore, not support actions that contribute to tax evasion or finance artificial arrangements aimed at tax avoidance,
- shall acknowledge the EIB Group Anti-Fraud Policy[12] which sets out the policy of EIF for preventing and deterring corruption, fraud, collusion, coercion, obstruction, money laundering and terrorist financing as amended from time to time, and shall take appropriate measures (as may be further specified in the relevant agreement) to (i) facilitate implementation of such policy as well as to (ii) undertake to support investigations performed by the EIF or the European Investment Bank, the European Public Prosecutor's Office (EPPO), or the European Anti-Fraud Office (OLAF), or the European Court of Auditors (ECA) in connection with actual or suspected prohibited conduct,
- shall ensure via contractual provisions that no funds or economic resources are made available directly or indirectly to, or for the benefit of, persons or entities designated by Restrictive Measures[13].

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[11] https://www.eib.org/en/publications/eib-policy-towards-weakly-regulated-non-transparent-and-uncooperative-jurisdictions

[12] *https://www.eib.org/en/publications/anti-fraud-policy*

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

7 Definitions

Whenever used in this Term Sheet, 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 Closed Call for Expression of Interest.

Eligible Secondary Investment

means an investment other than Primary Investment, that:

a) with respect to IPO and post IPO investments, constitutes a purchase of the traded stock by the Financial Intermediary from other investors

b) with respect to a Fund-of-Funds, an acquisition of an investment in a Portfolio Fund that has been made by the Fund-of-Funds from other investors.

Exclusion Situations

Final Recipients and Financial Intermediaries that are in one of the situations below are deemed to be in an Exclusion Situation:

a) they are bankrupt, are subject to insolvency, are being wound up, are having their affairs administered by a liquidator or by the courts, in this context are in an arrangement with creditors, are having their business activities suspended or a standstill (or equivalent) agreement has been signed with creditors and validated by the competent court when required by the applicable law, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;

b) in the past five years, they have been the subject of a final judgment or final administrative decision for being in breach of their obligations relating to the payment of taxes or social security contributions in accordance with the applicable law and where such obligations remain unpaid unless a binding arrangement has been established for payment thereof;

c) in the past five years, they or persons having powers of representation, decision-making or control over them have been convicted by a final judgement or a final administrative decision for grave professional misconduct, where such conduct denotes wrongful intent or gross negligence, which would affect their ability to implement ESCALAR and which is for one of the following reasons:

i. negligently providing misleading information that may have a material influence or fraudulently misrepresenting information required for the verification of the absence of grounds for exclusion or the fulfilment of selection criteria or in the performance of a contract or an agreement;

ii. entering into agreements with other persons aimed at distorting competition;

iii. attempting to unduly influence the decision-making process of the contracting authority during the relevant award procedure (as this term is defined in the Financial Regulation);

iv. attempting to obtain confidential information that may confer upon it undue advantages in the relevant award procedure (as this term is defined in the Financial Regulation);

d) in the past five years, they or persons having powers of representation, decision-making or control over them have been the subject of a final judgment for:

i. fraud;
ii. corruption;
iii. participation in a criminal organisation;
iv. money laundering or terrorist financing;
v. terrorist offences or offences linked to terrorist activities, or inciting, aiding, abetting or attempting to commit such offences;
vi. child labour and other forms of trafficking in human beings;

e) they are subject to a decision on exclusion contained in the early detection and exclusion system database (the EDES database available at the official website of the EU[14]), set up and operated by the European Commission;

f) in the past five years, they have been subject to a final judgement or administrative decision by a national court or authority that they were created with the intent to illegally circumvent fiscal, social or any other legal obligations in the jurisdiction of their registered office, central administration or principal place of business;

provided that notwithstanding the above, EIF may decide not to exclude a Financial Intermediary where the Financial Intermediary can provide evidence that remedial measures have been adopted to demonstrate its reliability despite the existence of a ground for exclusion, or where it is indispensable to ensure the continuity of the service, for a limited duration and pending the adoption of remedial measures, or where an exclusion would be disproportionate taking into account the circumstances.

Final Recipient means an enterprise, a special purpose vehicle or another final recipient of the funding provided directly or indirectly by the ESCALAR Financial Intermediary, including joint ventures, spin-offs, spin-outs, technology transfer projects or technology rights.

[14] https://ec.europa.eu/info/strategy/eu-budget/how-it-works/annual-lifecycle/implementation/anti-fraud-measures/edes/database_en

Financial Intermediary means an investment fund, a Fund-of-Funds, a (co-) investment scheme in any form (including managed accounts and other types of contractual arrangements), and a special purpose vehicle, in any form, established or to be established, that undertakes long term risk capital investments in the form of equity, preferred equity, hybrid debt-equity instruments, other type of mezzanine financing, but excluding entities targeting buy-out (or replacement capital) intended for asset stripping.

Financial Regulation means Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EC, Euratom) No 966/2012 .

Fund means an investment fund or a special purpose vehicle, in any form, established as a main fund in the EU, in an OCT, or in the territory of an Other Participating Country or to be established therein, that is not a Side Fund and that undertakes long term risk capital investments in the form of equity, preferred equity, Hybrid Debt-Equity Instruments, other type of mezzanine financing, but excluding entities targeting buy-out (or replacement capital) intended for asset stripping.

Fund Agreement means, in relation to each ESCALAR Investment, the agreement whereby the EIF commits to invest in a Financial Intermediary and/or alongside a Financial Intermediary.

Fund-of-Funds means an Equity Intermediary holding or targeting to invest in Portfolio Funds.

Gender Criteria A Financial Intermediary is considered to adhere to the Gender Criteria if it satisfies at least one of the following criteria:

a) Its management team is composed of at least one third of female partners[15], or

b) Its senior investment team provides for at least 40% of female representation, or

c) At least 40% of female representation is provided in its investment committee

Hybrid Debt-Equity Instrument means non-bank alternative financing in the form of a debt financial instrument (alone or in conjunction with an equity component or link), which, in light of its bespoke or subordination nature or of other special circumstances of the issuer, is expected to yield a return in excess of standardized senior bank financing.

Independent Management Team means a team that exercises a significant degree of autonomy with respect to investment and divestment decisions of the transactions forming part of the Individual Portfolio which may include:

[15] i.e. one female partner when the management team is composed of up to 4 partners, otherwise two female partners.

a) privately-owned teams, whereby the investment team owns a majority of the voting shares of the entity that is entrusted in investment management or investment advisory of the Individual Portfolio of the Financial Intermediary, or

b) teams operating within (or with) a corporate or university structure, a foundation, or any financial institution established under any other form, including a crowdfunding platform, provided that the management team makes the final investment and divestment decisions independently. With respect to Financial Intermediaries managed or advised by EIF this condition is deemed to be met.

Know your Customer The Financial Intermediary shall, prior to the signature, disclose to the EIF information on its beneficial ownership and at any time thereafter, promptly inform the EIF of any change in its beneficial ownership.

Large Mid-Cap means an entity that is not an SME and that employs between 500 and 3000 employees.

MEIC(s) means Member States who are classified as Moderate and Emerging Innovator countries, according to the European Innovation Scoreboard 2021[16], such countries being: Bulgaria, Croatia, Cyprus, Czechia, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, and Spain.

Minimum Eligible Allocation means the minimum aggregate amount to be invested in Eligible Final Recipients by the Financial Intermediary, as further defined in *section 1*.

Minimum Target Allocation means with respect to one or more Target Areas[17] the minimum amount to be invested by the Financial Intermediary, as further defined in *section 1*.

Non-Compliant Jurisdiction (NCJ) means a jurisdiction:

a) listed in Annex I of the European Council conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes;

b) included in the OECD/G20 list of jurisdictions that have not satisfactorily implemented the tax transparency standards;

c) listed in the Annex of the Commission Delegated Regulation (EU) 2016/1675 of 14 July 2016 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council by identifying high-risk third countries with strategic deficiencies;

d) rated as “partially compliant” or “non-compliant”, including corresponding provisional ratings, by the Organisation for Economic Cooperation and Development and its Global Forum on Transparency and Exchange of Information for Tax

[16] https://ec.europa.eu/info/research-and-innovation/statistics/performance-indicators/european-innovation-scoreboard_en
[17] Where a Financial Intermediary’s strategy targets more than one Target Area, this requirement may apply to one Target Area, or to a group of Target Areas, as commercially agreed between EIF and the Financial Intermediary.

	Purposes against the international standard on exchange of information on request; e) included in the Financial Action Task Force statement "High risk Jurisdictions subject to a Call for Action"); and/or f) included in the Financial Action Task Force statement "Jurisdictions under Increased Monitoring", in each case as such statement, list, directive or annex may be amended and/or supplemented from time to time. Please refer to the EIB's website[18] for an FAQ containing the most updated reference lists of NCJs or enquire with the EIF for confirmation of NCJ status. The Financial Intermediary shall not be established in a NCJ, unless the operation is physically implemented in the relevant NCJ and does not present any indication that it supports actions that contribute to Targeted Activities under the EIB Group NCJ Policy.
Overseas Country or Territory ("OCT")	means a country or territory as set out in Annex II to the Treaty on the Functioning of the European Union[19]
Primary Investment	means an investment (including in the form of debt) in a Final Recipient resulting in financing flowing directly or indirectly into the Final Recipient during the duration of the investment. For avoidance of doubt, it includes: (i) secondary issuances made by Final Recipients post IPO, (ii) buy outs or replacement capital not intended for asset stripping involving, directly or indirectly, flow of financing to the Final Recipient (e.g. including inter alia from third-party providers during the duration of the investment).
Restrictive Measures	Means, without limitation, restrictive measures adopted pursuant to the Treaty on European Union (TEU) or to the Treaty on the Functioning of the European Union (TFEU).
Side Fund	means an investment fund, or a special purpose vehicle, in any form, established as a side fund in the EU, in an OCT, or in the territory of an Other Participating Country or to be established therein, for the sole purpose of undertaking one or more long term risk capital investments alongside a fund - or as a subsidiary vehicle of a Fund - in the form of equity, preferred equity, Hybrid Debt-Equity Instruments, other type of mezzanine financing, but excluding entities targeting buy-out (or replacement capital) intended for asset stripping.
SME	small and medium-sized enterprise' or 'SME' means a micro, small or medium-sized enterprise within the meaning of the Annex to Commission Recommendation 2003/361/EC[20]

[18] https://www.eib.org/en/about/compliance/tax-good-governance/faq
[19] https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12016EN02&from=EN
[20] Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36

Small Mid-Cap an entity with fewer than 500 full-time equivalent employees that is not an SME.

Targeted Activities under the EIB Group NCJ Policy means (i) criminal activities such as money laundering, financing of terrorism, tax crimes (i.e. tax fraud and tax evasion) and (ii) tax avoidance practices (i.e. wholly artificial arrangements aimed at tax avoidance).

Target Areas means specific sectors of activity addressed in the investment strategy of the Financial Intermediary as further described in *section 5* of this Term sheet.

Technology Transfer means activities carried out by universities or other higher education institutes performing research and other research organisations aiming at:

a) converting research, development, skills, knowledge, technologies or innovations into commercial applications, products, processes or services; and/or

b) fostering the application of existing technology to develop innovative products, processes or services for existing and new markets.

Such activities may take any of the following forms:

a) demonstration and commercialisation (including, but not limited to, proof of concept, technology validation, technology demonstration, prototyping, market development, scaling up),

b) IP out-licensing, IP in-licensing, cross-licensing activities (including via project financing), sale of patents and/or other IP assets,

c) creation and support (i.e. seed, post-seed) of new companies, including spin-offs and joint ventures, building strategic alliances with other organisations,

d) collaboration between universities, research organisations and industry notably via research/consulting contracts.

Third-Party Benchmark Investors means the following entities:

a) majority privately owned financial institutions (investing at own risk and from own resources),

b) Funds-of-Funds that: (i) are classified as Alternative Investment Funds (AIFs) according to the AIFMD directive, and (ii) are managed or advised by the Independent Management Teams, and (iii) whose majority sponsors are not Member States, Other Participating Countries or National Promotional Banks or Institutions or EIF or EIB,

c) private endowments & foundations,

d) family offices & business angels (including joint investment vehicles set-up by/with business angels),

e) majority privately owned corporate investors,

f) insurance companies,

g) pension funds,

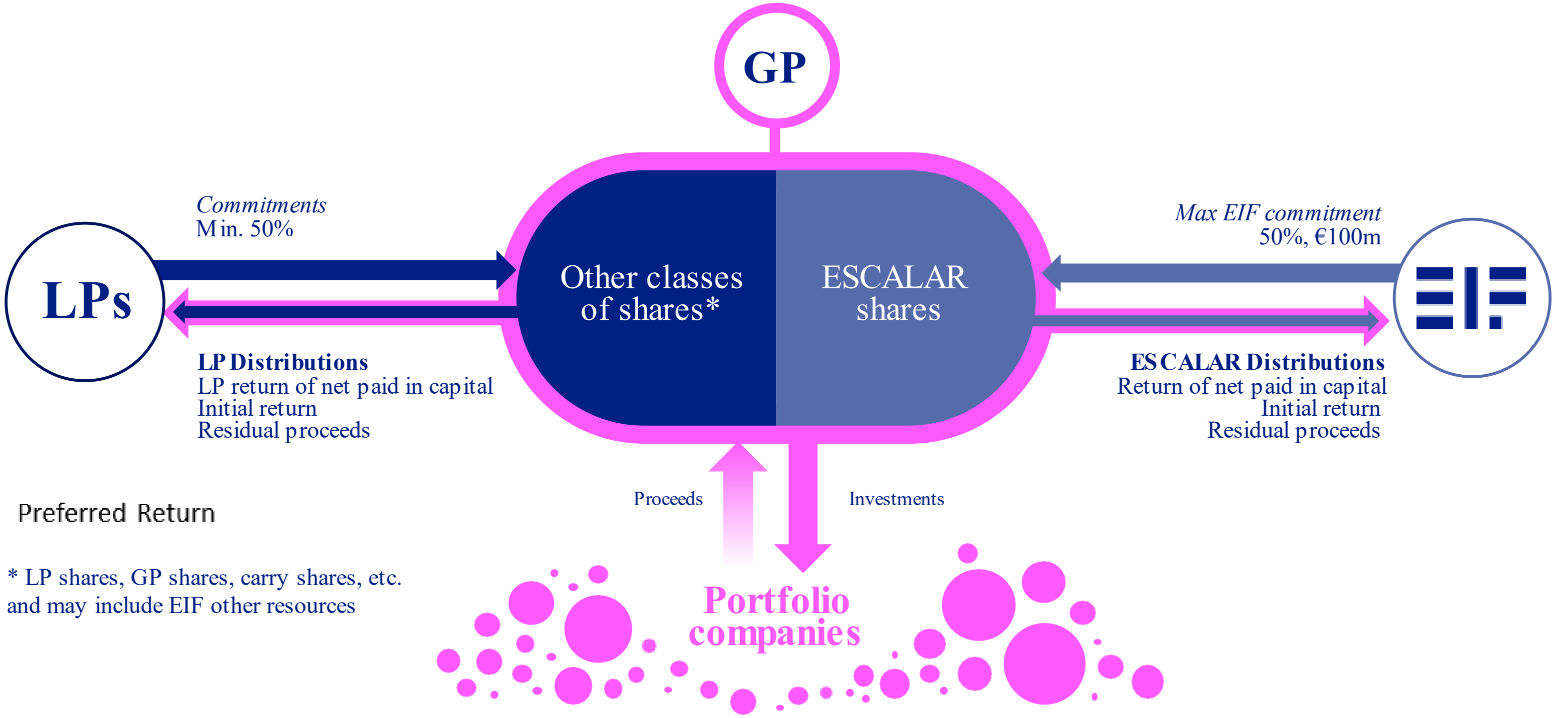
h) private individuals,

i) academic institutions /including private research institutions and universities/ investing out of their own resources stemming from their commercial activities.

in as much as they do not receive any public incentive for the purpose of this investment.

In assessing compliance with the requirements of this definition, the EIF may rely on a declaration, representation or undertaking from the relevant entity.

Appendix 1: ESCALAR Option 1 structure



Preferred Return

* LP shares, GP shares, carry shares, etc.
and may include EIF other resources

Appendix 2: ESCALAR Option 2 structure