



ANNEX 3 – Underlying Fund Term Sheet

Capitalised expressions utilised herein shall have the meaning attributed to them in the Call for Expression of Interest, unless otherwise defined below or the context requires otherwise. Unless the contrary intention appears, words in the singular include the plural and words in the plural include the singular.

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 subject to change and non-exhaustive.

1. Rationale

The purpose of the Financial Instrument is to support SMEs by providing funding in the form of either equity or quasi-equity primarily in Cyprus. The investment strategy of the selected Underlying Fund(s) is expected to have the following distinct compartments:

- An acceleration compartment to provide initial financing to emerging entrepreneurs to research, assess and develop an initial concept;
- A venture capital (VC) compartment to provide follow-on financing to successful graduates from the acceleration compartment, as well as direct investments to innovative companies, which have not been part of the acceleration compartment.

It is expected that, in principle, the substantially largest commitment will be channeled towards the VC compartment. In any case, a thorough due diligence process will be carried out by EIF, in accordance to its internal rules and procedures, for the selection of the best-fitted Financial Intermediary (-ies) to execute the intended strategies under the two compartments.

2. Terms of reference

The terms of reference described below comprise of three parts: parts I and III refer to horizontal terms of reference that are applicable at all times; part II includes sets of additional terms of references that apply depending on the State Aid regime(s) selected by the Financial Intermediary and should be read in conjunction with Part I.

Cyprus Equity Fund, Call for EoI No. RRF-CY/2022/01

As regards Part II, the applicable State Aid regime(s) will ultimately depend on the investment strategy proposed by the selected Financial Intermediary (-ies) and its (their) ability to source private financing (which is part of the Quality Assessment Criteria of applicants).

NOTE: *Any reference to legal and regulatory framework, including State Aid regime (e.g., to the De Minimis Regulation, Commission Guidelines on State Aid to promote risk finance investments, etc.) shall be to the applicable version as amended, supplemented or replaced from time to time.*

To this respect, Financial Intermediaries will be invited to highlight their preference in their proposal from the options listed below, bearing in mind that each option has different implications on fund parameters, as further detailed in the following paragraphs:

1. **Pari-passu structure** for the whole Underlying Fund (i.e., both compartments)
2. **De Minimis Regulation** for the Acceleration compartment and **Pari-passu structure** for the VC compartment

Part I. Horizontal terms of reference

Financial Instrument	Cyprus Equity Fund (the “CEF”)
Type of financing	Equity and / or quasi-equity
Underlying Fund duration	Typically 10 + 1 + 1 years (with extensions being subject to Fund’s investors or advisory committee approval).
Investment Period	In line with market practice, i.e., typically no longer than 5 + 1 years
Investment Focus	<p>The Underlying Fund’s investment strategy is expected to primarily target eligible SMEs at Seed, including, for the avoidance of doubt, pre-seed, and Start-up stages (as defined by Invest Europe). Investments in eligible SMEs in Later-stage venture and growth stage, which have been operating but may or may not yet be profitable, as well as replacement capital (excluding strategies intended for asset stripping) may also be permitted subject to the provisions of the applicable State Aid regime (see Part II).</p> <p>The investment strategy shall be flexible in terms of sector focus of investments.</p>

Cyprus Equity Fund, Call for EoI No. RRF-CY/2022/01

Eligible Investees	<p>The Underlying Fund shall invest primarily in Final Recipients that qualify as small and medium-sized enterprises or "SMEs". SME means a micro (including individual entrepreneurs and self-employed persons), small or medium-sized enterprise as defined in the Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises, as amended from time to time¹.</p> <p>The investments shall be expected to be financially viable. The Underlying Fund shall typically acquire minority stakes in Final Recipients.</p>
Place of business of Eligible Investees	<p>The Underlying Fund shall invest an amount equivalent to the CEF public resources in Final Recipients that, at the time of the first investment therein by the Underlying Fund, (i) have an establishment, and (ii) have their main activities (i.e., the main portion of their activities based on headcount, assets or primary focus of the Final Recipient's business activities) in Cyprus or are planning to expand the operations into Cyprus (whilst allowing the possibility to the Underlying Fund(s) to have a geographical target broader than Cyprus). For Final Recipients with expansion plans and early stage portfolio companies 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 by the Fund (in compliance with limb (ii) above).</p>
Fund Manager	<p>Financial Intermediary selected by EIF to manage the Underlying Fund(s). The Financial Intermediary must be independent and must be in a position to take the management and investment decisions independently, in particular without the influence of investors, sponsors or any other third party which is not integrated in the structure.</p> <p>The Financial Intermediary will typically be comprised of a team of experienced professionals, acting with the diligence of a professional manager and in good faith, operating according to best industry practices, complying with professional standards issued by the Invest Europe, ILPA or other equivalent organisation.</p> <p>The selected Financial Intermediary will be expected to draw on their networks of relevant industry and market contacts to aid the development of their Final Recipients. For example, while not a pre-requisite, they may establish a formal or informal structure from which relevant industry experts could be engaged on an ad hoc basis by the Final Recipients (the form, size, industry concentration, commitment and incentivisation scheme of the structure would remain at the full discretion of the Financial Intermediary).</p> <p>EIF, in its sole discretion, may select one or more Financial Intermediaries (and, as a result, one or more Underlying Funds) as a result of the Call and subsequent selection process.</p> <p>For the avoidance of doubt, international team members or partnerships with international funds, as well as newly set up teams are not excluded. There is no requirement to domicile either the Underlying Fund or Financial Intermediary in Cyprus; however,</p>

¹ [SME definition \(europa.eu\)](https://ec.europa.eu/economy_finance/definition-sme_en)

Cyprus Equity Fund, Call for EoI No. RRF-CY/2022/01

	it is envisaged that in order to successfully manage a Cyprus focused fund, it is essential to have some kind of local presence, to be agreed with EIF on a case by case basis.
Fund Manager's commitment	The Financial Intermediary shall contribute an adequate minimum percentage of the total size of the Underlying Fund (i.e., its total commitments) as a limited partner of the Underlying Fund. The required commitment size will be assessed against and aligned with the Underlying Fund economics and the broader financial position of the manager's team to provide a relevant alignment of financial interest with investors. A typical commitment may often be at least 2% of the total commitments.
Underlying Fund's due diligence before investments	The Financial Intermediary will make investment decisions based on each investment's business plan, which should contain product description, turnover and profitability calculations and forecasts, previous assessment of project viability, as well as each investment's clear and real exit strategy.
Management fee	Typically paid on the total commitments of the Underlying Fund during the investment period and on the invested capital (acquisition cost of the active portfolio of the Underlying Fund reduced by the acquisition costs of the Underlying Fund's investments that have been sold, written-off or written-down) thereafter. Alternatively, fixed-fee for the post investment period could be considered.
Management fee and establishment costs cap	The management fee and establishment costs cap shall be deemed to include any fees, expenses and costs necessary to set up, manage and wind-up the Underlying Fund including transaction costs, as applicable. The management fees to be paid will be negotiated with the EIF and should be proportional to the operational requirements of the Underlying Fund and the investment strategy, but may in no event exceed 20% of the total commitments for the entire lifetime of the Underlying Fund; establishment costs shall not exceed 1% of the total commitments for the lifetime of the Underlying Fund.
Additional features of the Fund Manager	The Financial Intermediary will manage the Underlying Fund based on commercial principles. Investors' representatives shall be appointed on appropriate advisory committee structures to review inter alia conflicts of interest. In the management of the Underlying Fund, the Financial Intermediary shall apply best practices, inter alia considering guidelines developed by Invest Europe and ILPA, and shall perform controls as required by the public nature of the Underlying Fund's investment.
Data Protection Statement	Means EIF's Data Protection Statement on the processing of personal data of Applicants and Financial Intermediaries, as published on the EIF website: eif_data_protection_statement_financial_intermediaries_due_diligence_en.pdf

Cyprus Equity Fund, Call for EoI No. RRF-CY/2022/01

Addressing Climate Action and Environmental Sustainability	The contribution of Financial Intermediary transactions to Climate Action and Environmental Sustainability (“CA&ES” or “green”) objectives shall be determined, if applicable/relevant/indicated by the EIF, in accordance with the latest EIF Climate Action and Environmental Sustainability Guidelines ² published in EIF’s website and applicable at the time of commitment. The contribution percentage will be reflected in the contractual documentation between the EIF and the Financial Intermediary as relevant.
Compliance	<p>Clear procedures for KYC/AML and integrity checks on the sourced private investors and management of conflicts of interest shall be implemented by the Financial Intermediary in line with requirements of national legislation.</p> <p>The Applicant shall acknowledge the EIB Group Anti-Fraud Policy³ 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.</p>
Private Investors	Private investors are deemed to be any private investors which are economically and structurally independent from the portfolio companies where an investment is made, to the extent that they bear the full risk in respect of their investment, in accordance with Article 2.3, para. 35 (19) of the Notification under Commission guidelines on State Aid to promote risk finance investments ⁴ and Article 2 (72) of GBER ⁵ . Upon the creation of a new company, private investors, including the founders, are considered to be independent from that company.
Reporting	<p>The Financial Intermediary shall provide EIF with periodical information in a standardised form and scope as per Invest Europe guidelines for reporting to be specified in the Commitment Agreement.</p> <p>The Financial Intermediary will be also requested to regularly send information on the companies or persons that receive equity financing (Ultimate Beneficial Owners information) directly to the responsible authority within the RoC; details will be defined in the Fund documentation.</p> <p>Finally, it is important to note that RRF and State Aid reporting rules will require Financial Intermediaries to provide new data points which typically are not being tracked and a higher granularity of data. Furthermore, the Fund Manager should report any</p>

² [Guideline on the EIF’s criteria for Climate Action and Environmental Sustainability \(CA&ES\)](#)

³ <https://www.eib.org/en/publications/anti-fraud-policy>

⁴ Communication from the Commission – Guidelines on State Aid to promote risk finance investments, OJ C 508, 16.12.2021, p. 1 [EUR-Lex - 52021XC1216\(04\) - EN - EUR-Lex \(europa.eu\)](#)

⁵ [EUR-Lex - 02014R0651-20210801 - EN - EUR-Lex \(europa.eu\)](#)

Cyprus Equity Fund, Call for EoI No. RRF-CY/2022/01

	additional data that may derive from future changes to the RRF or State Aid regulations. More detailed reporting requirements will be set out in the Fund documentation.
Monitoring and Audit	The Financial Intermediaries and the Final Recipients shall agree to keep records and to allow and provide access to documents related to the Financial Instrument for the representatives of the European Commission (including the European Anti-Fraud Office (OLAF), the Court of Auditors of the European Communities, the EIF, the EIB, the Republic of Cyprus and any other authorised bodies duly empowered by applicable law to carry out audit and/or control activities. The Financial Intermediary and the Final Recipient shall enable these bodies to discharge their duties with respect to monitoring, control and auditing of the correct use of the Investments. These controls may include on-the-spot controls of the Financial Intermediaries and the Final Recipients. To that effect, appropriate provisions shall be included in each Commitment Agreement.
Visibility	<p>The Financial Intermediary, in line with applicable law and RRF rules, shall carry out adequate marketing and publicity campaigns aimed at making the public contribution known, as to be specified through the Commitment Agreement. To this respect, the Financial Intermediary shall:</p> <ol style="list-style-type: none"> i. explicitly inform the portfolio companies that financing is made possible through the support of the Fund with the financial backing of the Republic of Cyprus. Such information needs to be prominently included either in the contractual documentation and/or in an accompanying cover letter; ii. ensure the visibility of European Union funding, by informing Final Recipients and the public of the support received from the RRF and by displaying in Commitment Agreements and relevant publicity materials, if applicable, (brochures, website, banners, social media, billboards, posters etc.) the European Union flag and the statement ‘funded by the European Union – NextGenerationEU’, and other publicity obligations as described in the revised guide to preliminary obligations for publicity of the Cyprus Recovery and Resilience Plan (RRP), in accordance with a text to be agreed between the Parties in the terms of the Call; iii. include in any press release or other marketing action that the Financial Intermediary may choose to make with regard to the operation that the Financial Intermediary has benefited from the support of the CEF. <p>More detailed visibility requirements may be set out in the Fund documentation.</p>
Transfer	Under the Funding Agreement, EIF may be substituted in its role as CEF manager. In the event of such substitution, the Republic of Cyprus, or the entity appointed by the Republic of Cyprus as new CEF manager, will assume the full discretion and responsibility to perform the tasks of the CEF and to implement the CEF operations in Cyprus, and may take over the Financial Instrument(s). The Commitment Agreement will provide for the possible substitution of EIF, in order to allow the transfer of the Commitment Agreements to the successor entity.

Cyprus Equity Fund, Call for EoI No. RRF-CY/2022/01

<p>Other requirements</p>	<p>The Financial Intermediary shall ensure compliance with applicable law, including but without limitation rules covering the RRF and all relevant national law and regulations, State Aid and money laundering, the fight against terrorism and tax fraud, as applicable. The Financial Intermediary, may, in line with its internal rules and procedures and particularly in the cases where fraudulent behaviour is suspected, be required to perform monitoring checks at the level of the Final Recipients.</p> <p>The Fund documentation may also include provisions in terms of the Underlying Fund's cash flow management, as deemed necessary.</p> <p>The Underlying Fund 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 Policy⁶.</p> <p>The Commitment Agreements will include provisions, the objective of which will be to provide appropriate remedies for protecting EIF's and CEF's interest in Underlying Funds in case an investment does not comply or no longer complies with the agreed eligibility criteria. The Underlying Fund may be required to return amounts invested in Final Recipients which do not meet the eligibility criteria and/or which are found to be in an exclusion situation not duly disclosed or supervened (in the event that cannot be cured). In these cases, the Fund may be required to apply all applicable contractual and legal measures with due diligence for the purpose of recovering the relevant amounts.</p> <p>Financial Intermediaries and Final Recipients:</p> <ul style="list-style-type: none"> • 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 Policy⁶, • 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 Policy³ 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
----------------------------------	---

⁶ Targeted Activities under the EIB Group NCJ Policy, which 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)

Cyprus Equity Fund, Call for EoI No. RRF-CY/2022/01

	<p>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,</p> <ul style="list-style-type: none">• 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 Measures⁷.
--	---

⁷ 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.

Part II. State Aid regime option(s) and applicable terms of reference

a. Pari-passu structure

Investing as ‘market economy operators’ (State Aid free) in line with relevant provisions of the Commission Notice on the notion of State Aid⁸, in which case the following provisions apply.

Investment Range	Typically up to 15% of the total commitments of the Underlying Fund in any single Final Recipient at any point in time (possible Fund advisory committee approval in case that limit needs to be exceeded, however subject to a maximum of 20% of the Fund’s total commitments per Final Recipient).
Eligible Investees	In addition to SMEs, non-SMEs may also be targeted in suitably justified cases, subject to the conditions set out in Part I above.
Distribution Cascade	<p>Pari-passu distribution cascade for all investors.</p> <ol style="list-style-type: none"> 1. First, 100% to all investors (pro-rata to their underlying economic interest) until they have received distributions in aggregate equal to the total capital committed to the Underlying Fund in case Option 1 is selected (or VC compartment of the Underlying Fund in case Option 2 is selected); 2. Second, 100% to the Private Investors and the EIF (acting on behalf of CEF) (pro-rata to their underlying economic interest) until each investor has received sums equal to a Hurdle Rate of 6% on their capital drawn to the Underlying Fund (or VC compartment of the Underlying Fund, as applicable); 3. Third, 100% to the Fund Manager until the Fund Manager has received an additional amount equal to 25% of the total preferred returns distributed to the investors under paragraphs above; 4. Thereafter, 80% to the EIF (acting on behalf of CEF) and Private Investors (pro-rata to their underlying economic interest) and 20% to the Fund Manager (Carried Interest).
Prohibited types of investees and activities	<p>See Part III on Restricted Sectors. Additionally, investments in following types of investees and activities shall not be supported:</p> <ol style="list-style-type: none"> 1. investments in undertakings that have received illegal State Aid which has not been fully recovered shall not be permitted.

⁸ Commission Notice on the notion of State Aid as referred to in Article 107(1) of the Treaty on the Functioning of the European Union C/2016/2946, [EUR-Lex - 52016XC0719\(05\) - EN - EUR-Lex \(europa.eu\)](#)

Cyprus Equity Fund, Call for EoI No. RRF-CY/2022/01

	2. Companies listed on the official list of a stock exchange or a regulated market.
Private Investor contribution	30% Private Investor contribution at the Underlying Fund level in case Option 1 is selected (or at the VC compartment level of the Underlying Fund in case Option 2 is selected) on a ‘ <i>pari passu</i> ’ basis (investments made on the same terms and conditions between public and Private Investors) ⁹ . It is reminded that the ability to source private financing is part of the Quality Assessment Criteria of applicants.

b. De Minimis Regulation¹⁰

Investment Range	Up to EUR 200,000 per Final Recipient over 3 consecutive years, in accordance with the De Minimis Regulation.
Distribution Cascade	The distributions of proceeds from the Acceleration compartment will follow the schedule below: <ol style="list-style-type: none"> 1. First, up to 100% to the EIF (acting on behalf of CEF) and Fund Manager (pro-rata to their underlying economic interest) until they have received distributions in aggregate equal to the total capital committed in the Acceleration compartment of the Fund; 2. 50/50 Split: Thereafter, 50% to the EIF (acting on behalf of CEF) and 50% to the Fund Manager (Carried Interest).
Prohibited types of investees and activities	See Part III on Restricted Sectors. Additionally, investments in following types of investees and activities shall not be supported: <ol style="list-style-type: none"> a. undertakings that have received illegal State Aid which has not been fully recovered. b. undertakings operating in sectors of the economy excluded as per Article 1 of the De Minimis Regulation.
Private Investor contribution	No Private Investors, apart from the Fund Manager’s contribution, shall be required as long as the total invested amount in an eligible Final Recipient, together with other de minimis aid that may be received by the enterprise, remains within the de minimis ceiling of EUR 200,000 over any period of three fiscal years, in accordance with the De Minimis Regulation.

⁹ [Commission Notice on the notion of State Aid as referred to in Article 107\(1\) of the Treaty on the Functioning of the European Union C/2016/2946](#), as well as [UPDATED Guidance on State Aid in European Structural and Investment \(ESI\) Funds Financial instruments in the 2014-2020 programming period](#) as of March 2021, considering a 30% private investors participation as economically significant.

¹⁰ Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid Text with EEA relevance, [EUR-Lex - 32013R1407 - EN - EUR-Lex \(europa.eu\)](#)

Cyprus Equity Fund, Call for EoI No. RRF-CY/2022/01

	<p>The rules for cumulation of the aid shall apply in accordance with art. 3 and 5 of the De Minimis Regulation. In accordance with art. 5, par. 2 of the De Minimis Regulation, de minimis aid shall not be cumulated with State Aid in respect of the same eligible costs if such cumulation would result in an aid intensity exceeding that aid amount fixed in the specific circumstances of each case by a block exemption Regulation or Decision adopted by the Commission.</p>
--	---

Part III. Restricted sectors of activity

The **EIF Restricted Sectors** (“Restricted Sectors”) are published on the EIF’s website and/or may be amended from time to time by the EIF. The list of Restricted Sectors in force as at the date of this Call are the following:

Financial Intermediaries and Underlying Funds shall not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities:

- a) whose business activity consists of an illegal economic activity (i.e., any production, trade or other activity which is illegal under the laws or regulations applicable to the Underlying Funds or the relevant company or entity, including, without limitation, human cloning for reproduction purposes);
- b) which substantially focus on:
 - i. the production of and trade in tobacco and distilled alcoholic beverages and related products;
 - ii. the financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;
 - iii. casinos and equivalent enterprises;
 - iv. the research, development or technical applications relating to electronic data programmes or solutions, which:
 1. aim specifically at:
 - a. supporting any activity included in the EIF Restricted Sectors referred to above;
 - b. internet gambling and online casinos; or
 - c. pornography,
 - or which:
 2. are intended to enable anyone to illegally:
 - a. enter into electronic data networks; or
 - b. download electronic data;
 - v. fossil fuel-based energy production and related activities, as follows:
 - a. Coal mining, processing, transport and storage;
 - b. Oil exploration & production, refining, transport, distribution and storage;
 - c. Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage;
 - d. Electric power generation exceeding the Emissions Performance Standard (i.e., 250 grams of CO₂e per kWh of electricity) applicable to fossil fuel-fired power and cogeneration plants, and geothermal and hydropower plants with large reservoirs;
 - vi. energy-intensive and/or high CO₂-emitting industries, as follows:
 - a. the manufacture of other inorganic basic chemicals (NACE 20.13)
 - b. the manufacture of other organic basic chemicals (NACE 20.14)

Cyprus Equity Fund, Call for EoI No. RRF-CY/2022/01

- c. the manufacture of fertilisers and nitrogen compounds (NACE 20.15)
- d. the manufacture of plastics in primary forms (NACE 20.16)
- e. the manufacture of cement (NACE 23.51)
- f. the manufacture of basic iron and steel and of ferro-alloys (NACE 24.10)
- g. the manufacture of tubes, pipes, hollow profiles and related fittings, with steel (NACE 24.20)
- h. the manufacture of other products of first processing of steel (NACE 24.30, incl. 24.31-24.34)
- i. the production of aluminium (NACE 24.42)
- j. the manufacture of conventionally-fuelled aircraft and related machinery (sub-activity of NACE 30.30)
- k. conventionally-fuelled air transport and airports and service activities incidental to conventionally-fuelled air transportation (sub-activities of NACE 51.10, 51.21 and 52.23).

Substantial focus definition:

The EIF considers that an EIF Counterparty or Final Recipient has a “substantial focus” on a sector or business activity if such sector or activity is identified as being an essential part of business activity of the EIF Counterparty or Final Recipient respectively. This assessment is based, in particular, on the proportionate importance of such restricted sector or activity in relation to the gross revenue, profit or client base of the respective EIF counterpart or Final Recipient, in such a way that could affect the financial sustainability/going-concern of the EIF Counterparty or Final Recipient should such restricted activity cease. The proportionate importance of the restricted sector or activity shall, in any case, not exceed 50% of the gross revenue.

Notwithstanding the above, investments in sectors mentioned under limb vi. items a) – k) above shall be allowed if the Financial Intermediary confirms that the specific Final Recipient transaction either (i) qualifies as environmentally sustainable investment as defined in the “EU taxonomy for sustainable activities” (Regulation (EU) 2020/852, as amended from time to time, and as supplemented by the technical criteria established under the “EU Taxonomy Delegated Acts” (Commission delegated Regulations (EU) supplementing Regulation (EU) 2020/852 or upcoming Taxonomy Delegated Acts, as amended from time to time, respectively), or (ii) is eligible under the EIF’s Climate Action & Environmental Sustainability (CA&ES) criteria for green financing, as applicable.

As per its internal policy, the EIF applies additional restrictions to Underlying Funds with debt/loan strategies which envisage the issuing of loans to finance specifically identified assets.

In addition, when providing support to the financing of the research, development or technical applications relating to:

- (a) human cloning for research or therapeutic purposes; and
- (b) Genetically Modified Organisms (“GMOs”),

the EIF will require from Financial Intermediaries appropriate, specific assurance on the control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.

Furthermore, in accordance with Article 19(3), point (d), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the RRP is expected to ensure that no measure for the implementation of reforms and investments projects included in the RRP does significant harm to environmental objectives within the

Cyprus Equity Fund, Call for EoI No. RRF-CY/2022/01

meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council (“the Taxonomy Regulation”) (the principle of ‘do no significant harm’).

The application of the “Do no significant harm” principle shall be fulfilled in accordance with the CID by applying indicatively the following eligibility criteria:

1. The instrument shall be implemented in accordance with “Commission Notice on Technical guidance on sustainability proofing for the InvestEU Fund Technical guidance on sustainability proofing for the InvestEU Fund” of 13/07/2021¹¹, in particular Chapter 3 on Sustainability proofing approach for indirect financing.

In order to comply with the sustainability proofing requirements set out in the Sustainability Proofing Guidance¹² for the InvestEU Equity, the Financial Intermediary shall require that:

- 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 InvestEU Investment where the EIF’s share in the fund is below 30%, Final Recipients to whose activities the ETS Directive (Directive 2003/87/EC) applies¹³ must be actively encouraged to adopt a green transition / decarbonisation plan¹⁴,
 - in the case of Financial Intermediaries under an InvestEU Investment where the EIF’s share in the fund is above 30%, Final Recipients covered under the ETS must be actively required to adopt a green transition / decarbonisation plan¹⁵;
2. The Financial Intermediaries shall not invest in activities excluded for Invest EU support, as described under the InvestEU Regulation 2021/523¹⁶, annex V, point B.,
 3. Restrictions related to combustion-engine vehicles: The financial intermediaries shall not invest in final recipients with a ‘substantial focus’ in production, rental or sale of combustion-engine vehicles, namely:

¹¹ [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021XC0713\(02\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021XC0713(02))

¹² [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021XC0713\(02\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021XC0713(02))

¹³ The categories of activities to which the ETS Directive applies are presented in its Annex I: [Consolidated TEXT: 32003L0087 — EN — 01.01.2020 \(europa.eu\)](#)

¹⁴ 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.

¹⁵ Financial Intermediaries and Final Recipients may request, prior to receiving support under InvestEU, and under certain conditions, for this disclosure requirement to be waived

¹⁶ <https://eur-lex.europa.eu/eli/reg/2021/523/oj>

Cyprus Equity Fund, Call for EoI No. RRF-CY/2022/01

- a. Manufacture of combustion engine vehicles (sub-activity of NACE 29.10 Manufacture of motor vehicles)
- b. Wholesale and retail trade of combustion engine vehicles (sub-activities of NACE codes 45.11 Sale of cars and light motor vehicles, 45.19 Sale of other motor vehicles)
- c. Rental and leasing of combustion engine motor vehicles (sub-activities of NACE 77.11 Renting and leasing of cars and light motor vehicles, 77.12 Renting and leasing of trucks)

The term “combustion engine vehicle” used above is defined as :

- Vehicles exceeding the threshold of 50g CO₂/km (M1 passenger cars and N1 light-duty vehicles)
 - Trucks, heavy-duty vehicles and buses not compliant with Do Not Significant Harm criteria, namely trucks and other heavy duty vehicles e.g., tractors (i.e., categories N2 and N3): only zero-emission, low-emission (as defined in Article 3(12) of Regulation (EU) 2019/1242: with CO₂ emissions of less than half of the reference CO₂ emissions of all vehicles in the vehicle sub-group; reference values differ depending on the type of truck). For clarity, LNG/CNG trucks running on biogas/bio-methane would be DNSH compliant.
 - For buses:
 - For ‘low-floor’ buses (M2 and M3 categories, typically urban and suburban buses running on short distances within an agglomeration). Only electric and plug-in hybrid buses would be DNSH-compliant.
 - For ‘high-floor’ buses (M2 and M3 categories, typically inter-urban coaches): all coaches that comply with the latest step with respect to pollutant emissions from heavy-duty vehicles under EURO VI (EURO VI-E) would be DNSH compliant.
4. Financial Intermediaries shall be required to exclude support to Final Recipients, to whose activities the Directive 2003/87/EC applies (the “Emission Trading System Directive”, or “ETSD”), as per the Annex I of the ETSD.
 5. Financial Intermediaries shall be required to exclude support to Final Recipients, whose activities include:
 - Waste collection (NACE 38.1x)
 - Waste treatment and disposal (NACE 38.2x)
 - Processing of nuclear fuel (NACE 24.46)
 - Production of nuclear energy (sub-activity of NACE 35.11)
 6. As this is an intermediated Equity instrument to finance SME and mid-caps, the threshold rule will always apply since financing is provided for the purchase of the whole or significant share of the company. Thus, potential investee companies with business activities in the sectors listed above will not be financed, as per above.
 7. The “compliance with law” requirements will be implemented through the InvestEU Sustainability Proofing requirements as per item 1 above.