

## Investment Guidelines

for the Sustainable Development Umbrella Fund - Health Compartment, a compartment of  
Sustainable Development Umbrella Fund

### *Important Disclaimer*

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

*This document is intended to provide a basis for discussions and does not constitute a recommendation, a solicitation, an offer or a binding commitment – either implicit or explicit – on the part of the European Investment Fund (the “EIF”) and/or or any other person to enter into one or more transaction(s). Any finance commitment by Sustainable Development Umbrella Fund - Health Compartment (the “SDUF Health Compartment”) can only be made, inter alia, after appropriate approval, conclusion of due diligence and finalisation of the required legal documentation. Neither EIF, the External AIFM nor SDUF (as such terms are defined in the Open Call for Expression of Interest) act as adviser to you or owe you any fiduciary duty. Neither the EIF, the External AIFM nor SDUF make any representations or warranties (whether explicitly or implicitly) with respect to the information contained in this document.*

**Annex II to the Open Call for Expression of Interest to select Financial Intermediaries under the Health Compartment of the Sustainable Development Umbrella Fund**

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**1. Definitions**

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 or as the case may be in Annex I thereto.

<b>SDUF Health Compartment Investment</b>	<p>Means a commitment in any form entered into by the SDUF under the SDUF Health Compartment to invest in a Financial Intermediary or co-invest alongside a Financial Intermediary into a Target Final Recipient (as defined below).</p> <p>For the avoidance of doubt, to benefit from a commitment from the SDUF Health Compartment, the Financial Intermediaries shall formerly adhere to the rules and obligations of the VCoE via the Annex I of this Call for Expression of Interest.</p>
<b>EFSI Regulation</b>	<p>Means regulation (EU) 2015/1017, as amended by Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017 amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub (OJ L 345, 27.12.2017, p. 34).</p>
<b>Financial Intermediary</b>	<p>Means an investment fund or other collective investment scheme, established or in formation, that undertakes risk capital investments focused on life sciences targeting investments in therapeutics, biologics, biotechnology, pharmaceuticals, medical technologies and devices, diagnostics, digital health and healthcare in the form of equity or quasi-equity, but excluding entities targeting buy-out (or replacement capital) intended for asset stripping.</p> <p>Each Financial Intermediary receiving an investment by the SDUF Health Compartment shall accept and agree to terms &amp; conditions of the Venture Centre of Excellence ("VCoE") which is an integral part of the SDUF Health Compartment. (Please refer to Venture Centre of Excellence ("VCoE") – Annex III for more details).</p>
<b>Restrictive Measures</b>	<p>Any restrictive measures adopted pursuant to the Treaty on European Union or to the Treaty on the Functioning of the European Union; and/or any economic or financial sanctions adopted from time to time by the United Nations and any agency or person which is duly appointed, empowered or authorised by the United Nations to enact, administer, implement and/or enforce such measures; and/or any economic or financial sanctions adopted from time to time by the United States Government, and any department, division, agency, or office thereof, including the Office of Foreign Asset Control (OFAC) of the United States Department of the Treasury, the United States Department of State and/or the United States Department of Commerce.</p>
<b>Sanctioned Person</b>	<p>Any person, entity, individual or group of individuals who is a designated target of or otherwise a subject of Restrictive Measures.</p>

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<b>Person</b>	Includes any person, firm, company, corporation, government, state or agency of a state or any association, group, organisation (including, without limitation, terrorist organisation) trust or partnership (whether or not having separate legal personality) or two or more of the foregoing, or any other entity or body of any description.
<b>Target Final Recipients</b>	Means SMEs and Small Mid-Caps established or operating in the European Union that are active in life sciences sector including, inter alia, in therapeutics, biologics, biotechnology, pharmaceuticals, medical technologies and devices, diagnostics, digital health and healthcare.
<b>Fund Agreement</b>	Means the agreement whereby the SDUF Health Compartment commits to invest in a Financial Intermediary and/or alongside a Financial Intermediary.
<b>Market Oriented Investors</b>	Means investors operating in circumstances corresponding to the market economy investor principle, irrespective of the legal nature and ownership structure of these investors of Target Funds, being so-called normal economic operators in market economies.
<b>Non-Compliant Jurisdiction ("NCJ")</b>	<p>"Non-Compliant Jurisdiction" means a jurisdiction:</p> <ul style="list-style-type: none"> <li>(i) listed in the Annex I of the European Council conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes;</li> <li>(ii) included in the OECD/G20 list of jurisdictions that have not satisfactorily implemented the tax transparency standards;</li> <li>(iii) 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;</li> <li>(iv) 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 Purposes against the international standard on exchange of information on request;</li> <li>(v) included in the Financial Action Task Force statement "High risk Jurisdictions subject to a Call for Action"; or</li> <li>(vi) included in the Financial Action Task Force statement "Jurisdictions under Increased Monitoring",</li> </ul> <p>in each case as such statement, list, directive or annex may be amended and/or supplemented from time to time.</p>
<b>Small Mid-Cap</b>	Means an entity with fewer than 500 full-time equivalent employees that is not an SME.
<b>SME</b>	Means a micro, small or medium-sized enterprise as defined in Commission Recommendation 2003/361/EC (OJ L 124, 20.5.2003), as amended from time to time.

## **2. The terms of a SDUF Health Compartment Investment**

### *General terms*

<b>Investor</b>	SDUF Health Compartment.
<b>Investor ranking</b>	The investment by the SDUF Health Compartment shall rank pari-passu (i.e. following the principle of like-risk like-reward) with those made by other investors in the Financial Intermediary. The relevant constitutional documents of the Financial Intermediary (including, where relevant, any side letter entered into by SDUF Health Compartment), shall reflect such requirement. For the avoidance of doubt, the fact that the SDUF Health Compartment may benefit from terms more favourable than those applicable to other investors in a Financial Intermediary shall not constitute a breach of the pari-passu investment criteria.
<b>SDUF Health Investment Limits</b>	Each investment or commitment made by the SDUF Health Compartment Investment to any single Financial Intermediary: <ul style="list-style-type: none"><li>a) shall not exceed 10% of the SDUF Health Compartment's aggregated commitments, unless in duly justified cases where the said threshold may be exceeded and reach 15% of the SDUF Health Compartment's aggregated commitments;</li><li>b) shall not at any time represent more than 50% of the aggregate commitments of any single Financial Intermediary.</li></ul>
<b>Investor Control</b>	No single investor in a Financial Intermediary shall (directly or indirectly, individually or jointly with affiliates): <ul style="list-style-type: none"><li>(a) hold or otherwise control fifty per cent (50%) or more of the aggregate commitment in such Financial Intermediary;</li><li>(b) be able to control, by reference to the ownership of the majority of voting rights, the advisory board of such Financial Intermediary or any other body or committee of such Financial Intermediary;</li></ul>
<b>Participation of Market Oriented Investors</b>	The commitments of Market Oriented Investors in any single Financial Intermediary shall represent more than fifty per cent (50%) of aggregate commitments of such a Financial Intermediary. For the avoidance of doubt, no account shall be taken of the commitment made by the SDUF Health Compartment in such a Financial Intermediary (if any) when determining the percentage of commitments made by Market Oriented Investors for the purposes of this item.
<b>Investment period of SDUF Health Compartment</b>	The SDUF Health Compartment will undertake investments in Financial Intermediaries until 29.12.2023, provided that such period may be extended by an additional one (1) year.
<b>Term of SDUF Health Compartment</b>	The term of the SDUF Health Compartment shall not exceed 15 years as of 29 December 2020 subject to up to two (2) consecutive one (1) year extensions. Any underlying investments in Financial Intermediaries will be aligned with the above-mentioned term.
<b>Investor Base of a Financial Intermediary</b>	At least 30% of total commitments to a Financial Intermediary, at the time of the closing at which the SDUF Health Compartment participates (including commitments made in earlier closings, if any) are made by independent private investment sources (as set forth below):

- EIF/European Investment Bank own resources, invested at own risk and excluding public parts of mandates
  - financial institutions (investing at own risk and from own resources)
  - private endowments & foundations
  - family offices & business angels (including joint investment vehicles set-up by/with Business Angels)
  - corporate investors
  - insurance companies
  - pension funds
  - private individuals
  - academic institutions (including universities and public and private research institutions)
  - other categories of investors (e.g. sovereign wealth funds) to the extent the money invested is generated by commercial activities and is invested on commercial team
  - national promotional bank investing own resources, for their own risk, and on commercial terms
- fund-of-funds provided that they invest exclusively on commercial terms and are managed or advised by a privately held asset manager. For the purposes of this bullet point, (a) any fund-of-funds fully funded by state budget resources shall not be considered an independent private investment source, and (b) any fund-of-funds partially funded by state budget resources shall be considered as an independent private investment source only to the extent of the pro rata of its investment in the Target Fund that is not funded by state budget resources.

For the purpose of the above provisions, state budget resources shall include European Structural and Investment Funds.

In assessing compliance with the above requirements, the EIF may rely on a declaration, representation or undertaking from the Financial Intermediary.

### 3. Financial Intermediaries

#### General Requirements

SDUF Health Compartment Financial Intermediaries shall:

- provide the EIF with a representation as attached in Annex I, including their consent to participate to the VCoE;
- not include in their business activity any illegal activities according to applicable legislation;
- not include in their business activity any activity, which would make the SDUF Health Compartment Investment not compatible with the Guidelines on the EIF Restricted Sectors<sup>1</sup> as amended from time to time;
- comply with the terms as set out in the "Miscellaneous" section of this Annex II.

#### Specific requirements

- The Financial Intermediary shall not invest in any Excluded Final Recipients (as defined below);

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<sup>1</sup> [http://www.eif.org/news\\_centre/publications/2010\\_Guidelines\\_for\\_Restricted\\_Sectors.htm](http://www.eif.org/news_centre/publications/2010_Guidelines_for_Restricted_Sectors.htm)

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- ii. The Financial Intermediary shall be managed by an independent management team<sup>2</sup> combining the appropriate mix of skills and experience to demonstrate the necessary capability and credibility to manage a risk capital fund and which, during the due diligence process, demonstrated to the EIF that they (i) have a clear strategy to make a sufficient number of investments into Target Final Recipients, create adequate deal flow and establish appropriate exit strategies and (ii) will apply good market practice in areas such as legal structure, investment principles, reporting and evaluation;
- iii. The Financial Intermediary shall be managed by entities which are controlled<sup>3</sup> by individuals or privately held entities;
- iv. The Financial Intermediary shall not be established in a Non-Compliant Jurisdiction unless the operation is physically implemented in the relevant Non-Compliant Jurisdiction and does not present any indication that it supports actions that contribute to targeted activities as set out in EIB Group's Policy towards weakly regulated, non-transparent and non-cooperative jurisdictions and tax good governance<sup>4</sup>;
- v. The Financial Intermediary shall undertake to comply with applicable European Union law and agreed international and European Union standards and, therefore, not support actions that contribute to tax evasion or finance artificial arrangements aimed at tax avoidance;
- vi. The Financial Intermediary shall accept that it may be subject to an extended due diligence, *inter alia*, in case it is incorporated in a jurisdiction listed in Annex II of the Council Conclusions as at the date of the application;
- vii. The Financial Intermediary shall acknowledge the EIF Anti-Fraud Policy which sets out the policy of EIF for preventing and deterring corruption, fraud, collusion, coercion, obstruction, money laundering and terrorist financing<sup>5</sup> 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 General Partner of SDUF, or the External AIFM, or the EIF, or the European Investment Bank, or the EPPO, or the European Anti-Fraud (OLAF), or Court of Auditors (ECA) in connection with actual or suspected prohibited conduct;
- viii. The EIF will provide relevant arrangements in order for the Financial Intermediary to transpose the above general and specific requirements at the level of the Target Final Recipients.

### Governance of Financial Intermediaries

- a) The SDUF Health Compartment and or EIF shall be represented (also in both cases, by EIF employees) on advisory boards or similar investor representation bodies of the Financial Intermediary.

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<sup>2</sup> Independent management teams include teams operating within a corporate or university structure, a foundation, or any financial institution established under any other form, provided that the operation of the fund management business has a high degree of independence in making investment decisions from the parent company / organization.

<sup>3</sup> For the purpose of this requirement, control means the power to direct the management of the entity which is controlled whether through the ownership of voting capital, by contract or otherwise, or the ability to exercise (whether directly or indirectly) more than 50% of the voting capital or similar rights of ownership in respect of such controlled entity or the contractual right to appoint or remove the management of such entity or a majority of the members of such entity's executive bodies.

<sup>4</sup> [https://www.eib.org/attachments/strategies/eib\\_group\\_ncj\\_policy\\_en.pdf](https://www.eib.org/attachments/strategies/eib_group_ncj_policy_en.pdf)

<sup>5</sup> Please refer to [http://www.eif.org/attachments/publications/about/Anti\\_Fraud\\_Policy.pdf](http://www.eif.org/attachments/publications/about/Anti_Fraud_Policy.pdf)

- b) The Financial Intermediary shall have a governance structure that allows for decisions concerning investments, divestments and risk diversification to be made in accordance with the applicable legal documentation and in line with the relevant market practice. This requirement shall also apply where a professional investment advisor provides investment-related advice to the Financial Intermediary or to the Financial Intermediary's management team.
- c) The legal documentation governing the Fund shall include, inter alia, provisions relating, in particular, to the following principles:
  - (i) the possibility for investors to remove the management team for cause and without cause,
  - (ii) changes to the fundamental nature of the Financial Intermediary, including material changes to the investment strategy that have a material impact on the eligibility criteria and requirements of the SDUF Health Compartment, shall require prior consent from SDUF.
- d) The EIF will expect the Financial Intermediary to put in place appropriate measures to avoid conflicts of interests and align the interests of the Financial Intermediary, its managers and its investors. Such measures to be in line with market practices and shall be transparent to the Financial Intermediary's investors.
- e) The remuneration of the Financial Intermediary shall be transparent to the Financial Intermediary's investors. Management fees shall be 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 allow for the execution of the Financial Intermediary's strategy.

#### **4. Target Final Recipients**

Financial Intermediaries under the SDUF Health Compartment shall select Target Final Recipients according to their internal rules and procedures taking due account of the economic viability of Target Final Recipients.

For the avoidance of doubt, decisions with respect to the end-investments through Financial Intermediaries will be made by the relevant Financial Intermediary manager and the Financial Intermediary manager will be in charge of the ongoing management of end-investments. None of the EIF, SDUF nor, the External AIFM will therefore have an active role in the day-to-day management of investments by Financial Intermediaries or the ability to approve the specific investment or management decisions made by the Financial Intermediary managers.

- Excluded Final Recipients** Financial Intermediaries shall not be entitled to invest in any entities which at the time of the first investment:
- a) include in their business any activity which would make such investment not compatible with the Guidelines on the EIF Restricted Sectors<sup>6</sup> as amended from time to time; and/or
  - b) are incorporated in Non-Compliant Jurisdictions, unless the operation is physically implemented in the relevant Non-Compliant Jurisdiction and does not present any indication that it supports actions that contribute to targeted activities.

#### **5. Miscellaneous**

- Monitoring and audit** Financial Intermediaries must agree (and must agree to cause the Target Final Recipients to agree) to allow, among others, the European

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<sup>6</sup> [http://www.eif.org/news\\_centre/publications/2010\\_Guidelines\\_for\\_Restricted\\_Sectors.htm](http://www.eif.org/news_centre/publications/2010_Guidelines_for_Restricted_Sectors.htm).

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<b>Reporting</b>	<p>Commission’s agents (including OLAF), the EIF, the European Court of Auditors and the European Public Prosecutor’s Office (EPPO<sup>7</sup>), to have access to adequate information to enable them to discharge their duties with respect to monitoring, control and auditing of the correct use of EIF’s investment, including the promotion, visibility and transparency requirements specified in this section of this Annex. These controls may include on-the-spot controls of the Financial Intermediaries, and the portfolio companies of Financial Intermediaries.</p> <p>Financial Intermediaries shall provide the SDUF Health Compartment and relevant service providers with quarterly and annual reports prepared in accordance with the reporting guidelines published or endorsed by Invest Europe (formerly known as European Private Equity and Venture Capital Association “<b>EVCA</b>”) from time to time. Financial Intermediaries shall also provide annual audited financial statements in accordance with applicable laws. The valuation of risk capital investments in Target Recipients shall be made in accordance with the valuation principles published or endorsed by Invest Europe which on the date of this Call endorses the International Private Equity and Venture Capital Investor (“<b>IPEV</b>”) Valuation Guidelines.</p>
<b>Other Information</b>	<p>Financial Intermediaries may be requested to provide, from time to time, further information related to the Target Final Recipients indirectly invested in by the SDUF Health Compartment in the context of instrument evaluations. To this end, the Financial Intermediaries shall require the Target Final Recipients to provide certain information on the basis of a template provided by the EIF. The provision of such information by Target Final Recipients shall (i) be subject to applicable laws, including without limitation in relation to data protection and banking secrecy, and (ii) not be mandatory requirement nor constitute a condition precedent to the relevant transaction or any eligibility criteria.</p>
<b>Visibility Publication</b>	<p>Financial Intermediaries shall explicitly inform Target Final Recipients that financing is made possible through the support of the EFSI<sup>8</sup>.</p> <p>The EIF may publish on its website a list of Financial Intermediaries containing for each Financial Intermediary the name and address of the Financial Intermediary, as well as the amount of the SDUF Health Compartment’s investment into the Financial Intermediary, an indication of the Financial Intermediary’s investment focus.</p>
	<p>The EIF may also publish on its website a list of Target Final Recipients, containing the name, the address and the type of finance received from the SDUF Health Compartment.</p>
	<p>Any Financial Intermediary, or Target Final Recipient may, prior to receiving financial support under the SDUF Health Compartment, declare in writing (including by a representation in the relevant agreement) that the publication requirements set out above risks harming its commercial interests or risks threatening the rights and freedoms of individuals concerned as protected by the Charter of Fundamental Rights of the European Union. In addition such publication shall not be required if: (i) it would be illegal under the applicable laws and regulations, or (ii) the Target Final Recipient is a natural person.</p>
<b>Record Keeping</b>	<p>The Financial Intermediary shall maintain or be able to produce all the documentation related to the implementation of the Fund Agreement for</p>

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<sup>7</sup> Means European Public Prosecutor’s Office in respect of those Member States participating in enhanced cooperation pursuant to Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor’s Office (OJ L 283, 31.10.2017, p.1)

<sup>8</sup> The Financial Intermediaries shall transpose same visibility requirements in their contractual documentation with the Final Recipient.



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a period of five (5) years following the termination of the Fund Agreement. The Financial Intermediary shall require each Target 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 Target Final Recipient.

### **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 the processing of personal data and on the free movement of such data (OJ L 119, 4.5.2016, p. 1).

### **Environmental Social and Governance (ESG) requirements**

The External AIFM will be required to comply, in relation to SDUF and upon its entry into force, with Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as in effect in any given time and as amended, in particular, by Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment. In that context, the External AIFM will be required, among others, to integrate sustainability risks in the investment decision-making processes relating to SDUF and include, in particular, ESG and sustainability related disclosures in SDUF's documentation. This new regulation entails several disclosures for which a specific reporting will be required from the Financial Intermediary.

More generally, EIF will provide Financial Intermediaries with ESG questionnaires to be filled in during due diligence (DD) and updated (or filled in, if not carried out during DD) on an annual basis to support EIF and the External AIFM in its ESG reporting requirements as regards SDUF.