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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party of Financial Counsellors
Subject:	InvestEU - Commission non-paper on draft Investment Guidelines

Delegations will find attached a Commission non-paper on the draft Investment Guidelines to be discussed at the Financial Counsellors Working Party on 30 September 2020.

WORKING DOCUMENT OF THE COMMISSION SERVICES n° 28

Draft Investment Guidelines

- 29 September 2020-

DISCLAIMER

This non-paper has not been adopted or endorsed by the European Commission. Any views expressed are the preliminary views of the Commission services and may not in any circumstances be regarded as stating an official position of the Commission. The information transmitted is intended only for the entity to which it is addressed for discussions and may contain confidential and/or privileged material.

Without prejudice to a formal position of the Commission, the non-paper includes as regards the proposed fifth window two alternatives: (i) sections integrating technically the objectives of the fifth window into the other four windows for illustrative purposes and (ii) a separate section on the fifth window.

NON-PAPER ON DRAFT INVESTMENT GUIDELINES

Content

1 SCOPE

These investment guidelines lay down the requirements for eligible financial products and financing and investment operations under the policy windows of the InvestEU Fund in accordance with Article 7(7) of the [Regulation [*insert code*] of the European Parliament and of the Council of [*insert date*] establishing the InvestEU Programme] (hereinafter referred to as "the InvestEU Regulation"):

- The financial products referred to in point (10) of Article 2 of the InvestEU Regulation and financing and investment operations referred to in point (11) of Article 2 of the InvestEU Regulation shall comply with the requirements laid down in the InvestEU Regulation and in these investment guidelines;
- The Investment Committee when deciding in accordance with Article 23 of the InvestEU Regulation shall verify compliance with these investment guidelines.

These investment guidelines apply to both the EU and Member State compartments[1], unless otherwise specified in these guidelines. The defined terms used in these investment guidelines bear the same meaning as in the InvestEU Regulation.

2 HORIZONTAL PROVISIONS

2.1 Contribution to Union policy objectives and EU added value

Financing and investment operations supported under the InvestEU Fund shall focus on investments that provide EU added value. The nature of the EU added value can vary for financing and investment operations under specific financial products as defined under each policy window in section 6 of these investment guidelines. The EU added value of financing and investment operations under financial products can also result from risk diversification at financial product level across various sectors or geographies. Furthermore, EU added value can also be derived from the contribution to the resilience of the Union in areas of strategic importance as further set out in section 2.9.

Financing and investment operations may complement grant financing and other support in particular through blending operations and combinations, to achieve Union policy objectives in the policy areas supported by InvestEU as set out in Article 3 of the InvestEU Regulation and in Annex II of the InvestEU Regulation in relation to the sectors therein. InvestEU may in particular complement relevant policy objectives of Horizon Europe, the Connecting Europe Facility, the Digital Europe Programme, the Single Market Programme, the European Space Programme, the European Regional Development Fund (ERDF), the Cohesion Fund, the European Social Fund+ (ESF+), the Recovery and Resilience Facility, the European Agriculture Fund for Rural Development (EAFRD), the Creative Europe Programme, the Asylum and Migration Fund, the European Maritime and Fisheries Fund (EMFF), the Programme for Environment & Climate Action, the ETS Innovation Fund, EU4Health and the European Defence Fund.

2.2 Market failures, sub-optimal investment situations and additionality

In accordance with Article 209 (2)(a) and (b) of the Financial Regulation the EU guarantee shall address market failures or sub-optimal investment situations and achieve additionality, as laid down in point A of Annex V to the InvestEU Regulation[2].

[1] The scope of the compartments is defined in Article 8 of the InvestEU Regulation.

[2] In accordance with the last paragraph of section A of Annex V of the InvestEU Regulation refinancing operations shall not be supported by the EU guarantee except in specific exceptional and well justified circumstances. Financing and investment operations covering existing portfolios falling under such exception may only be established initially within a pilot scheme with a limited budget under a respective policy window and shall conform to all the conditions set in Annex V and further defined in the guarantee agreement.

2.3 Certain common requirements for the financing and investment operations

2.3.1 Implementing partners, financial intermediaries and final recipients

Implementing partners are eligible counterparts, such as financial institutions, with whom the Commission has concluded a guarantee agreement in accordance with Article 2(14) of the InvestEU Regulation.

Implementing partners can provide financing directly to final recipients or indirectly through private or public financial intermediaries.

Financial intermediaries may also provide, directly or indirectly, technical assistance and capacity-building support to final recipients, including under the InvestEU Advisory Hub, or may benefit from it.

Direct operations concern direct financing by implementing partners to final recipients[3].

For indirect operations, the implementing partners may conclude agreements with financial intermediaries in accordance with Article 208(4) of the Financial Regulation. In the case of intermediated financing, pursuant to Article 208(4) of the Financial Regulation these financial intermediaries must be selected by the implementing partners following procedures equivalent to those applied by the Commission. Such procedures shall respect the principles of open, transparent, proportionate and non-discriminatory procedures, and shall avoid conflict of interests; they could for example take the form of a call for expression of interest. Indirect operations may also consist of providing financing through investment platforms as defined in point (22) of Article 2 of the InvestEU Regulation.

In accordance with Articles 209(2)(a) and 219(3) of the Financial Regulation, financing and investment operations shall provide support only to final recipients that are deemed economically viable according to internationally accepted standards at the time of the Union financial support.

The eligible final recipients shall be natural or legal persons including:

- private entities such as special-purpose vehicles (SPV) or project companies, large corporates, midcap companies, including small midcap companies[4], and SMEs;
- public sector entities (territorial or not, but excluding financing and investment operations with entities[5] giving rise to direct Member State risk) and public-sector type entities;
- mixed entities, such as public–private partnership (PPPs) and private companies with a public purpose; or
- non-for-profit organisations.

Implementing partners must not be in any of the situations referred to in Article 136(1) or Article 136(4)(a) or (b) of the Financial Regulation and with regard to financial intermediaries and final recipients, the application of Article 136 shall be specified in the guarantee

[3] A financing or investment operation taking the form of, or including, a guarantee from the implementing partner to a third party financier in relation to specific projects assessed and selected by the implementing partner, is assimilated to a direct operation.

[4] Mid-caps companies means entities employing up to 3000 employees that are not SMEs. Small mid-caps are entities as defined in Article 2(26) of the InvestEU Regulation.

[5] i.e. government bodies or bodies fully guaranteed by the Member State.

agreements. For financing and investment operations benefiting final recipients that are large corporates, public sector and public-sector type entities which generally benefit from easier access to capital markets or bank financing or display lower levels of risk, the implementing partner shall demonstrate high policy value added. Based on the information received from the implementing partner, the Investment Committee shall verify that an InvestEU supported financing or investment operation submitted by an implementing partner or a combination of such operations submitted by more than one implementing partner:

- For direct operations, shall not exceed 50% of the total project cost,
- For indirect equity operations, shall not exceed 50% of the fund size[6][7],
- For indirect debt operations, at least 20% of the exposure shall be retained by the financial intermediary.

unless otherwise specified in these investment guidelines under section 5.

For indirect operations, the implementing partner shall contractually require that a financial intermediary cannot include the same transaction with final recipients or other intermediaries in more than one portfolio supported by InvestEU.

For indirect equity operations, in respect of the requirement of the second bullet above, the implementing partner shall request potential financial intermediaries to inform it about their intention to seek investment from another implementing partner and/or financial intermediary benefitting from the EU guarantee, subject to confidentiality requirements binding on the potential financial intermediaries.

Final recipients shall be contractually required to confirm that the combination of support from the InvestEU Fund and from other Union programmes does not exceed the total project cost, where applicable, and that InvestEU supported financing is not used to pre-finance a grant from Union programmes or that a grant from Union programme will not be used to reimburse InvestEU support.

Implementing partners shall ensure the visibility of the InvestEU support in accordance with Article 31 of the InvestEU Regulation as further specified in the guarantee agreements taking into account the nature of the financial product and of final recipients.

2.3.2 Types of financial products and requirements for ensuring common interest with implementing partners and financial intermediaries

2.3.2.1 Prioritisation of policy objectives

The prioritisation on the policy objectives under each financial product shall be measured by key performance indicators that demonstrate the achievement of policy priorities. In addition, one or more of the following means shall be used:

- target amounts for financing granted to certain policy priorities,
- specific dedicated criteria to target relevant final recipients,
- different coverage by the EU guarantee of risks for specific policy priorities,

[6] Exceptions may apply regarding the 50% limit relating to the fund size in case the Member State compartment is used.

[7] In the case of fund of funds, this limit applies at the level of the investee funds.

- concentration limits per sector/geography,
- duly justified performance-based mechanism to reflect the delivery of specific policy priorities,
- definition of milestones and targets linked to the allocation of additional EU guarantee tranches to new or existing financial products of an implementing partner, or
- any other appropriate means.

The prioritisation and applicable means shall be specified in the guarantee agreement.

Furthermore, a close dialogue shall be established between the Commission and each implementing partner to provide policy steer and review the pipeline of operations foreseen under the InvestEU Fund.

To ensure flexibility and responsiveness to potentially changing market and policy needs as required under each policy window, the Commission and the relevant InvestEU governance bodies may prioritise the eligible areas for financing set out in Annex II based on the means described in this section. The Commission may in particular but not exclusively:

- periodically review the project pipeline provided by implementing partners together with them, which consists of aggregate information (or detailed information if so agreed in the guarantee agreement) regarding the projected amount of financing under the relevant policy areas, at sub-sector level, and geographical coverage of operations; more granular information will need to be provided for thematic products defined under section 2.3.2.2 and for financing and investment operations benefitting from blending defined under section 2.8.
- give guidance on the interpretation of eligibility criteria and prioritisation means referred to in these guidelines;
- regularly review the performance and scope of the relevant financial products in order to optimise the achievement of the policy priorities referred to in these guidelines.

Within the above framework, indicative targets focusing on specific policy objectives may be defined under general financial products.

2.3.2.2 Financial products

Financial products may take the form of general financial products, thematic financial products, and joint general or thematic financial products.

General financial products shall support one or more policy areas covered under each policy window as further defined in section 4 of these investment guidelines.

In duly justified cases, depending on the risk profile of the financing and investment operations targeting specific policy objectives, **thematic financial products** can be created under policy windows.

A thematic financial product shall focus on a clearly defined, higher EU added value policy area where the market failure or sub-optimal investment situation cannot be addressed by general financial products because it significantly departs from the terms and conditions of these available general financial products. This may in particular be due to the high risk profile of the financing and investment operations which require higher EU guarantee coverage through asymmetric, limited or no risk sharing with the implementing partner. In any case, the financial contribution of the implementing partner shall respect Article 12(4) and (5) of the InvestEU Regulation on a portfolio basis.

A thematic financial product shall be based on a market failure or sub-optimal investment situation assessment, which shall be proportionate to the features of the proposed thematic financial product, to the extent that such product was not already covered by existing assessments and studies.

In addition to the pipeline review, the implementing partner shall provide specific information regarding eligibility to the Commission on each financing or investment operation under a thematic product, as defined in the guarantee agreement.

A **joint general or thematic financial product** may be developed to address policy objectives falling under more than one policy window in a more efficient manner. Such products shall combine resources from two or more windows.

2.3.3 Excluded activities

The InvestEU Fund shall not support activities referred to in point B of Annex V to the InvestEU Regulation.

2.3.4 State aid considerations

Member State resources involved in financing and investment operations supported under the InvestEU Fund under EU and Member State compartments may in certain instances qualify as State aid in the meaning of Article 107(1) TFEU. They are exempted from the notification requirement for State aid measures laid down in Article 108(3) TFEU if they meet the requirements, which are laid down in the InvestEU specific section of the General Block Exemption Regulations[8] or in another block exemption regulation.

2.4 Risk assessment

For all direct debt-type operations, the implementing partners shall carry out their standard risk assessment, involving the computation of the probability of default and the expected recovery rate and the classification according to the grading system of the implementing partner, and report accordingly to the Commission. Such computation shall be performed without taking into account the EU guarantee and the financial contribution from the implementing partner to reflect the overall risk of the operation, while taking into account that some operations may fall outside the scope of regular risk metrics. In such cases, adequate risk assessment shall be developed by the implementing partner in cooperation with the Commission so as to ensure an adequate risk reporting. Information on the expected risk profile of debt-type operations shall also be submitted to the Investment Committee as part of the application for InvestEU Fund support. A debt-type operation is an operation that has the risk characteristics of debt, which may include instruments in the legal form of debt (such as loans, financial leases, mortgages,

[8] Regulation (EU) No 651/2014 of June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187 26.6.2014, p. 1); Regulation (EU) 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 as regards aid for port and airport infrastructure, notification thresholds for aid for culture and heritage conservation and for aid for sport and multifunctional recreational infrastructures, and regional operating aid schemes for outermost regions and amending Regulation (EU) No 702/2014 as regards the calculation of eligible costs (Text with EEA relevance) (OJ L 156, 20.6.2017, p. 1).

letters of credit, guarantees, standby credit facilities, and securities issued on the capital markets such as bonds; which may be senior, mezzanine or subordinated and secured or unsecured).

For equity-type operations, the EU guarantee may be used to support investments in individual entities or projects (equity-type investments) by the implementing partners or through investments into funds (including funds of funds, co-investment vehicles or other types of intermediaries) or other types of financing vehicles presenting equity-type portfolio risks (equity-type portfolio). An equity-type operation is an operation that has the risk characteristics of equity, which may include instruments in the legal form of equity (such as investments in common or preferred shares) and of quasi-equity or hybrid instruments (such as deeply subordinated loans with profit participations, mezzanine finance, venture loans, convertibles, warrants or other forms of equity kickers when exposing the holder to equity-type risk). For direct equity-type operations, the implementing partner shall carry out their standard assessment and report accordingly to the Commission. For operations that fall outside the scope of regular equity metrics, adequate assessment shall be developed by the implementing partner in cooperation with the Commission so as to ensure an adequate reporting.

The determination whether an operation is classified as equity-type or debt-type, irrespective of its legal form and nomenclature, shall be based on the standard risk assessment of the implementing partner and reported accordingly to the Commission.

For intermediated operations, the implementing partners may rely on the standard procedures of financial intermediaries with respect to the assessment of the risk of the final recipients or the valuation of the operation, as applicable. The outcome of analysis performed by the implementing partners, based on the input received from financial intermediaries at portfolio level, shall be reported to the Commission to allow assessing the impact of such operations on the risk borne by the EU guarantee and the adequacy of the provisioning needs.

The EU guarantee shall be provided to implementing partners in EUR. However, financing to final recipients under investment and financing operations may be provided in any currency that has the status of legal tender in a Member State. Such financing may also contribute to the development of local capital markets. [In countries outside the Union, in addition to EUR and legal tender of Member States, financing may be provided in the legal tender of the country or any other tradable currency.]

Implementing partners and financial intermediaries shall strive to avoid exposing final recipients to foreign exchange risk. As a rule, financing may be provided to final recipients in other currencies than the legal tender of the state where the final recipient is established only when there is strong economic rationale for such a choice of currency or in EUR.

Relevant information on the risk assessment of a financing or investment operation shall be made available to the Investment Committee in line with Article 23(4) of the InvestEU Regulation and to the Commission for reporting purposes. The detailed requirements shall be laid down in the guarantee agreements, taking into account the interests of the EU as the guarantor and appropriate protection of the confidentiality of private and/or commercially sensitive information.

2.5 Allocation principles per policy window

A financial product shall be established under the appropriate policy window in accordance with the following principles:

1) Financial products for support of financing and investment operations, which have as main objective the achievement of a positive social impact or skills development shall fall under the Social Investment and Skills window.

2) Financial products for support of portfolios consisting exclusively of SMEs and small midcaps on an intermediated basis in the form of debt or equity shall fall under the SME window, except for those falling under the scope of point 1. For direct operations, financial products for support of portfolios consisting exclusively of SMEs and small midcaps as a general policy area as referred to in Article 7(1)(c) of the InvestEU Regulation shall be allocated to the SME window, while financial products targeting other specific policy areas shall be allocated to the window under which such area falls.

3) Financial products for support of research, innovation or digitisation activities shall fall under the Research, Innovation and Digitisation window, except for those referred to in points 1 and 2.

4) Financial products for support for infrastructure operations, related mobile assets, deployment of innovative technologies for which the risk is mainly on demand and sector specific market development shall fall under the Sustainable Infrastructure window, subject to points (a) and (b) below.

   a) Financial products related to social infrastructure[9] shall be allocated to the Social Investment and Skills window.

   b) Financial products related to infrastructure for which the main risk lies in technology development and innovation activities shall be allocated to the Research, Innovation and Digitisation window. However, financial products related to projects pursuing relevant sustainable infrastructure policy objectives may also be implemented and developed by SMEs and small mid-caps under the Sustainable Infrastructure window as long as the portfolios do not fall under point 2.

Joint financial products may be established between two or more windows according to the relevant guarantee allocation mechanism as set out in the guarantee agreements. Such guarantee allocation mechanism may consist of a pro-rata sharing of each financing or investment operation defined *ex-ante* among the relevant policy windows or other mechanism.

Each individual financing or investment operation proposed by the implementing partner shall be allocated to the respective financial product to which they conform. In case of a financing or investment operation meeting the criteria of more than one established financial product, such operation shall be allocated to the financial product under which its main objective falls in accordance with Article 7(2) of the InvestEU Regulation.

The implementing partner in its submission of a specific financing or investment operation shall propose the relevant financial product under the policy window under which the financing or investment operation shall be allocated.

[9] Social infrastructure in the context of the Social Investment and Skills Window refers to the infrastructure supporting the provision of social services and selected services of general interest (education and health) as defined by the Commission communication on Social Services of General Interest and Services of General Interest (COM(2007) 725 final and COM(2006) 177). More specifically, social infrastructure in the field of social services supports the provision of enabling services assisting people, through personalised support, to overcome their adverse social situations, to ensure inclusion into society and to enhance their employability. This type of infrastructure is typically delivered on a local level and implies integrated delivery and community based provision.

2.6 Geographical and sectorial diversification

The volume of financing and investment operations covered by the EU guarantee in any [three] Member States shall not account for more than [45] % of the amount of the financing supported by the InvestEU Fund across all implementing partners, in aggregate at the end of the investment period (excluding financing and investment operations or the relevant parts of them covered under the Member State compartments).

In addition, best efforts shall be made to ensure that at the end of the investment period a wide range of eligible areas listed in Annex II will be covered. This will include in particular nascent or under-developed markets, and will take into account financial products provided by the implementing partner. Any of the eligible areas for financing and investment operations set out in Annex II may be covered by a financial product.

Investment platforms may be established to promote geographical diversification combining efforts and expertise of implementing partners with National Promotional Banks and Institutions with limited experience in the use of financial instruments.

Under the Member State compartments, the geographical scope and specific ring-fencing will be included in the respective contribution agreements.

2.7 Member State compartments in policy windows

Member State compartments shall be included under one or more applicable policy window(s), and shall constitute ring-fenced allocations from contributing Member States to ensure delivery of the policy objectives of the funds under shared management [or of the Recovery and Resilience Facility].

The financing and investment operations under the Member State compartments shall be delivered in accordance with the rules of InvestEU Fund and comply with these investment guidelines and a contribution agreement pursuant to Article 9 InvestEU Regulation.

Each Member State compartment[10] may provide support in the following scenarios in relation to financial products:

a) An existing financial product designed for the EU compartment may be implemented also under the Member State compartment. The contribution shall be ring-fenced for the originating Member State(s) or region(s).

b) Tailor made financial products may be developed to address specific needs and specific final recipients of the originating Member State or region. Such financial product may be a new type of financial product or may significantly differ from an existing financial product developed for the EU compartment.

c) A financial product may combine support from the EU and Member State compartments in a complementary manner.

Two or more Member States may conclude a joint contribution agreement with the Commission in accordance with Article 9(2) of the InvestEU Regulation.

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[10] The Member State compartment could be financed by any of the following shared management funds: ERDF, Cohesion Fund, ESF+, EAFRD, EMFF.

2.8 Blending operations receiving support from the InvestEU Fund

Blending operations[11] referred to in Article 6(2) of the InvestEU Regulation involve support from the InvestEU Fund. A proposal for a financing or investment operation which constitutes part of such blending operation shall be submitted by the implementing partner for the approval of the Investment Committee.

The implementation of the blending operation shall take place under InvestEU rules. The blended element provided by the sectorial programme[12] can take the form of a grant or a financial instrument and shall comply with the eligibility rules of the sectorial programme. The blended element taking the form of a financial instrument can be combined and share the risk with the InvestEU guarantee as further specified in the guarantee agreement. The relevant work programme[13] shall constitute the financing decision on the blended element of the sectorial programme and shall define its characteristics, the budgetary amount of the sectorial programme to be allocated to blending operations and list of entities involved in the blending operation. A decision on the blended element from a sectorial programme does not condition the decision of the Investment Committee on the EU guarantee under the InvestEU Regulation.

In the design and implementation of a blending operation special attention shall be paid to the efficiency and proportionality of the combined Union support. The guarantee agreement will define the financial product(s) under which blending operations can be submitted and the specific provisions applicable to blending operations. These may include indicative or mandatory ceilings of the respective tranches of Union support. Moreover, aggregate information (or if so agreed in the guarantee agreement, detailed information) on blending operations may be reviewed during the project pipeline discussions with the Commission. The scoreboard shall reflect whether a blending operation benefits from a grant component or financial instrument from other Union programmes.

In addition to the pipeline review, the implementing partner shall provide specific information regarding eligibility to the Commission on each financing or investment operation benefitting from blending under a financial product, as defined in the guarantee agreement.

2.9 [Strategic Investments]

A financing or investment operation under InvestEU may contribute to the strategic resilience of the Union economy. Such operations will be considered as strategic investments if they:

i. concern projects or final recipients associated with risks to security or public order, including investments in space, defence and cybersecurity, with actual and direct security implications to the Union and its Member States; or

ii. contribute to the resilience of the Union in areas of strategic importance to the Union, as defined in sections 6.1.1.8, 6.2.1.1 and 6.4.1.1, by upholding and strengthening its strategic value chains and maintaining and reinforcing activities of strategic importance

[11] A blending operation shall not be assimilated to the financing or investment operation as defined in Article 2(1)(5) of the InvestEU Regulation, which constitute part of such blending operation.

[12] For the purposes of these investment guidelines, sectorial programmes means Union programmes as defined in Article 2(1) of the InvestEU Regulation. For the purposes of this section 2.8, only sectorial programmes for which a corresponding enabling clause is included in the legal basis are relevant.

[13] In case of blending with ETS Innovation Fund: relevant decision adopted in accordance with delegated acts adopted on the basis of Article 10a(8) of Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (Text with EEA relevance) (OJ L 275, 25.10.2003, p. 32).

to the Union in the area of, *inter alia*, critical infrastructure, transformative technologies, game-changing innovations and inputs to businesses and consumers.

Final recipients involved in strategic investments referred to in points (i) and (ii) shall be established in a Member State and operate in the Union.

For financing and investment operations referred to in point (i), the final recipient shall not be controlled by a third country or third country entities and shall have its executive management in the Union with a view to protect the security of the Union and its Member States.

Where necessary, the Steering Board may decide to extend these safeguards to final recipients in other areas, and to the control of financial intermediaries, in the light of any applicable public order or security considerations. These safeguards have to be in conformity with the Union's and Member States' international commitments, notably Article XIV and XIV *bis* of the General Agreement on Trade in Services (GATS).

Final recipients involved in financing and investment operations referred to in point (i) shall be subject to the following limitations with respect to transfer and licensing of intellectual property rights to critical technologies and technologies instrumental to safeguarding the essential security interest of the Union and its Member States:

- [prohibition to exclusive, and where appropriate non-exclusive, license or transfer to third countries or third country entities of intellectual property rights resulting from financing and investment operations supported by InvestEU[14]]

[14] The imposition of any such condition shall be in full compliance with international obligations such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and similar provisions in Free Trade Agreements.

3 PROMOTING SUSTAINABLE INVESTMENTS

InvestEU, as an important part of the Green Deal Investment Plan, will help deliver on the European Green Deal and on the Just Transition Mechanism. It will also contribute to building up the social dimension of the Union.

The InvestEU contains specific legal requirements concerning the contribution to climate and environmental objectives, as well as to the sustainability of the financing and investment operations receiving the support of the EU guarantee. In the InvestEU context, sustainability refers to the impact on the three dimensions mentioned in the InvestEU Regulation: climate, environment and social.

Moreover, Article 7(3) of the InvestEU Regulation foresees that projects inconsistent with the climate objectives, according to the principles set out in the guidance on sustainability proofing, shall not be eligible for support.

The design of financial products under InvestEU shall take into consideration the contribution to the objectives of sustainability including through the scaling up of the green bond and sustainable bond market; the deployment of innovative solutions in the areas of circular economy, bioeconomy, blue economy, food and climate change; protection of environment and bio-diversity; the transition and decarbonisation of energy intensive industries, including through investments in digital technologies; the need to address related negative impacts that may adversely affect in particular vulnerable citizens, including those in need of upskilling or re-skilling and adaptation to new forms of work and regions lagging behind in terms of creation of sustainable industries and services; as well as the promotion of gender equality and equality on other grounds.

Dedicated advisory services may be provided to project promoters, financial intermediaries or implementing partners, especially for building the capacity of dealing with sustainability proofing requirements and building up a pipeline of projects addressing the above objectives.

3.1 Climate and environment tracking and reporting

In line with Recital 10 of the InvestEU Regulation, the aggregate volume of financing and investment operations is expected to contribute at least [30%] of the overall financial envelope of the InvestEU Programme to climate objectives. In addition, a specific target of at least [60]% of the aggregate volume of financing and investment operations on climate and environment related objectives under the Sustainable Infrastructure window is laid down in Article 7(6) of the InvestEU Regulation for the EU compartment.

Climate and environmental targets shall apply both to the EU and the MS compartment of the InvestEU Fund. However, calculations and monitoring of the achievement of the targets[15] shall be done separately for the EU and the MS compartment. Implementing partners are encouraged to support economic activities that are aligned with the criteria of the EU taxonomy Regulation[16].

Implementing partners shall measure the contribution to climate and environment objectives of the financing and investment operations they submit to the Investment Committee in accordance with a methodology provided in the Commission guidance on the EU climate and

[15] [30]% for climate, and [60]% for climate and environment under SIW.

[16] Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13), and relevant delegated acts.

environment tracking system[17]. Climate and environmental tracking under the InvestEU will build on a coherent system for collecting, marking and aggregating relevant information from all implementing partners, while ensuring compatibility with a broader climate tracking methodology applicable to all relevant programmes financed through the EU budget. This system will have to use in an appropriate way the criteria for determining whether an economic activity is environmentally sustainable in accordance with the Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088[18].

In order to monitor the achievement of the [30%] climate target and the [60]% cumulative climate and/or environment target for the Sustainable Infrastructure policy window, at the time of submission of a proposal to the Commission, the implementing partners shall provide necessary information which shall allow the tracking of the contribution to these targets in accordance with the guidance issued by the Commission. The same information will also be submitted to the Investment Committee as part of the application for InvestEU Fund support.

The implementing partners shall annually report to the Commission, on aggregate level, on the operations contributing to the climate and environment targets and, if applicable, separately per contributing Fund under shared management in the Member State compartment. Such reporting shall include relevant indicators, where applicable.

3.2 Sustainability proofing

In accordance with Article 7(3) of the InvestEU Regulation, financing and investment operations shall be screened by the implementing partner to determine if they support projects above a certain size[19] and, in such case, whether they have any significant environmental, climate or social impact. If so, they shall be subject to sustainability proofing in accordance with guidance developed by the Commission in cooperation with potential implementing partners. Where the implementing partner concludes that no sustainability proofing is to be carried out, it shall provide a justification both to the Investment Committee and to the Commission.

The implementing partner will be responsible for performing the sustainability proofing based on information provided by the project promoters and in line with the Commission guidance. When applying for InvestEU support, the implementing partners should provide a sustainability proofing summary, as applicable.

The Commission guidance will be built coherently with the guidance developed for other programmes of the Union, and on the basis of current regulations, such as the EIA and the SEA Directives[20], existing guidelines, tools and best practices to ensure climate resilience and assess

[17] Add reference when finalised.

[18] OJ L 198, 22.6.2020, p. 13.

[19] The specific thresholds to be applied will be defined in the Commission "guidance on the EU climate, environmental and social sustainability proofing".

[20] Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment (OJ L 197, 21.7.2001, p. 30) (SEA Directive); Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment (text with EEA relevance) (OJ L 26, 28.1.2012, p. 1) (EIA Directive); Directive 2014/52/EU amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment (text with EEA relevance) (OJ L 124, 25.4.2014, p. 1) (amended EIA Directive).

environmental externalities[21], and by taking into account, in an appropriate way, the criteria for determining whether an economic activity is environmentally sustainable as defined by the Regulation on the establishment of a framework to facilitate sustainable investment[22]. The proofing shall also contribute to verifying that InvestEU investment operations should aim at eliminating inequalities, or at least not contribute to maintaining or increasing existing inequalities.

3.3 Just Transition Scheme under InvestEU

As part of the Sustainable Europe Investment Plan/European Green Deal Investment Plan[23], InvestEU will contribute to the Just Transition Mechanism by aiming to generate between EUR 10 and 15 billion in investments benefitting territories covered by an approved Territorial just transition plan defined in accordance with the [Just Transition Fund (JTF) Regulation][24] or projects that benefit those territories, but only when investment outside the just transition territories is key to the transition in territories covered by an approved Territorial just transition plan.

A dedicated **InvestEU Just Transition Scheme** (InvestEU JTS), implemented through InvestEU financial products, shall support **economically viable investments by private and public sector entities aligned to just transition objectives**. Projects or final recipients in territories covered by an approved Territorial just transition plan under the JTF Regulation are eligible for the InvestEU JTS[25]. Moreover, projects or final recipients not located in these territories but contributing to meet their development needs are also eligible, provided that funding for such projects is key to the transition of the territories with a Territorial just transition plan. For instance, infrastructure projects that improve the connectivity of the just transition regions may be covered if duly justified in the approved territorial just transition plans.

The InvestEU JTS shall support investments in line with the objectives (Article [3] of the InvestEU Regulation) and the investment priorities (Article [7(1)] and Annex [II] of the InvestEU Regulation) set out in InvestEU Regulation and in these guidelines.

The InvestEU JTS can be implemented through any InvestEU financial product under the [five] policy windows. Due to the specificities of the just transition territories (e.g. economic disparities, labour market structure, absorption capacity etc.) and the impact on the economic outlook due to the COVID-19 pandemic, higher demand for financing can be expected under some financial products and limited or no demand under others. Considering these factors, dedicated incentives may be offered to implementing partners and financial intermediaries. They may take, where justified, the form of more advantageous risk sharing arrangements for the investment portfolios between the EU and the implementing partner, a lower remuneration

[21] https://ec.europa.eu/clima/sites/clima/files/docs/major_projects_en.pdf as well as guidance published by European Union Financial Institutions Working Group (EUFIWACC) on Adaptation to Climate Change: https://ec.europa.eu/clima/sites/clima/files/docs/integrating_climate_change_en.pdf

[22] Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

[23] Commission Communication on the Sustainable Europe Investment Plan/European Green Deal investment Plan (COM(2020)21 final).

[24] Proposal for a Regulation establishing the Just Transition Fund (COM(2020)22 final).

[25] Territorial just transition plans may cover one or more affected territories corresponding to level 3 of the common classification of territorial units for statistics (‘NUTS level 3 regions’) as per Article [7] of the JTF Regulation.

of the EU guarantee or partial coverage of the administrative costs under the financing and investment operations contributing to the InvestEU JTS as defined in Article 12(2) of the InvestEU Regulation or another form agreed in a guarantee agreement in the context of one or more financial products. Dedicated advisory support may be offered, where appropriate, to relevant project promoters or financial intermediaries to support the development of a viable project pipeline.

Any reduction of the remuneration of the EU guarantee shall fully benefit final recipients.

The contribution from implementing partners to the achievement of the investment objectives for the InvestEU JTS may vary depending on the nature of the financial product concerned.

Implementing partners shall track and report on the financing and investment operations or their relevant components supporting projects or final recipients located in or benefitting just transition territories. After the adoption of a relevant Territorial just transition plan, such operations or their relevant components shall count towards the InvestEU JTS investment mobilisation target even if they were approved before the adoption of the plan.

Financing under the InvestEU JTS shall not be combined with public sector loan blending facility (pillar 3), except for advisory support.

In the case of Member State contribution under Article [10] of [the CPR Regulation[26]] to the Member State compartment from their funds under the [JTF Regulation], the InvestEU JTS rules as regards the geographic scope apply, i.e. projects or final recipients located in or clearly and demonstrably benefitting just transition territories are eligible. The Contribution Agreement signed between the Commission and the Member State shall define how the Member State contribution benefits the just transition territories.

[26] Proposal for a Regulation laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument (COM(2018)375 final), as amended by COM(2020) 450 final.

4 USE OF THE EU GUARANTEE

The **EU guarantee** may be used to cover different tranches of risk of financing or investment operations under different financial products or portfolios of financing and investment operations under financial products. The details of the use of the EU guarantee shall be defined in the guarantee agreement.

The EU guarantee may be *pari passu* with the risk position taken by the implementing partner or can cover a junior tranche (e.g. a First Loss Piece - FLP) or a mezzanine tranche. For guarantee agreements covering more than one policy window, the losses occurring under financial products can be mutualised within one or among more policy windows, taking into account the available EU guarantee as defined in the guarantee agreements.

The implementing partner's share in the FLP counts towards the financial contribution of the implementing partner as defined in Article 2(8) of the InvestEU Regulation. Risk sharing in other forms, such as the implementing partner's share in a mezzanine tranche, may count towards the financial contribution of the implementing partner, subject to conditions and calculation methodology defined in the guarantee agreements.

The lifetime and modalities for terminating a financial product shall be defined in the guarantee agreement. Where appropriate, a possibility may be foreseen under a financial product to exit investments or dispose of exposures before the end of the lifetime of the underlying investments if the achievement of policy objectives can be ensured, while observing the Union's and the implementing partner's financial interests.

Without prejudice to the principles of this section 4 that shall apply *mutatis mutandis*, the thickness of the junior or mezzanine tranche may also be set via a transfer rate mechanism, which will be specified in the guarantee agreement. This consists of applying an individual transfer rate to each financing or investment operation to determine the level of contribution for that operation to such junior or mezzanine tranche by the implementing partner and the EU guarantee.

The following principles apply, unless otherwise specified in these investment guidelines under the relevant policy window section. For the Member State compartment, the thickness of the FLP or mezzanine tranche may differ from the principles set out below, as specified in the relevant contribution agreement signed between the Commission and the Member State.

4.1 General financial products

4.1.1 Use of the EU guarantee for debt-type operations

As a principle, subject to the provisions in 4.1.1.1. until 4.1.1.3 below, for portfolios supporting debt-type operations under financial products, when the EU guarantee covers an FLP, the implementing partner shall take a share of at least 5% to the FLP.

4.1.1.1 Coverage of individual operations

In this section, an individual operation refers to a direct operation.

The EU guarantee may be used to partly cover an individual operation on a *pari passu* basis. In this case, the maximum exposure of the EU guarantee on an individual operation is 50% of the financing provided by the implementing partner. The implementing partner shall be obliged to retain a minimum of 20% of the exposure on an individual operation for the purpose of alignment of interest.

The EU guarantee may also take a subordinated position in respect of an individual operation. In this case, the maximum exposure of the EU guarantee on an individual operation is limited to 25% of the overall amount of financing provided by the implementing partner[27]. The implementing partner must take a share of at least 5% to the subordinated position.

4.1.1.2 Coverage of portfolios of operations other than those referred to in section 4.1.1.3

The EU guarantee may also cover an FLP or a mezzanine tranche in respect of the relevant portfolio of financing and investment operations financed by the implementing partner. Where the EU guarantee covers the FLP, the implementing partner must take a share of at least 5% to the FLP.

The thickness of the FLP will be based on the expected risk profile of the operations under the guaranteed portfolio. It shall be limited to up to 30% of the overall amount of financing provided by the implementing partner under a financial product. Under the Social Investment and Skills window, the thickness of the FLP may be increased with reference to an appropriate portion of the overall amount of financing.

4.1.1.3 Coverage of capped and uncapped guarantees

For intermediated debt financing, where remuneration from financial intermediaries is not sufficient to adequately remunerate the risk of the financing provided by the implementing partner, the EU guarantee may take a share of up to 100% in the FLP. For such intermediated debt financing in the form of capped guarantees, the thickness of the FLP covered by the EU guarantee may be set at up to 100% of the financing provided by the implementing partner.

For uncapped guarantees offered by the implementing partner, the thickness of the FLP covered by the EU guarantee may be set at a higher level than expected losses. In such case, the portion of unexpected losses covered by the EU guarantee shall be priced, as specified in guarantee agreement.

4.1.2 Use of the EU guarantee for equity-type operations

As a principle, for portfolios supporting equity-type operations, implementing partners have to invest on a *pari passu* basis into each financing or investment operation at their own risk for a share that ensures sufficient alignment of interests, as defined *ex ante* under each financial product. The part of financing covered by the EU guarantee shall represent in aggregate up to 70% of the overall equity-type financing provided by the implementing partner under the different financial products and own risk financing shall represent at least 5% of the overall equity-type financing provided by the implementing partner under any financing or investment operation.

[27] In case of a financing or investment operation taking the form of a guarantee from the implementing partner to the third party financier, the limit of 25% applies to the financing provided by the third party financier.

In duly justified cases, risk sharing arrangements between implementing partners and the Commission may be on a non *pari passu* basis. For example, a subordinated use of the EU guarantee may be allowed for public goods with systemic market failures or for the failure to price appropriately externalities, such as first-of-a-kind operations or new market creation.

Only in exceptional cases, including those where there is a high concentration of risk, the EU guarantee may cover up to 100% of the FLP (which will not be higher than 50% of the overall financing provided by the implementing partner under such portfolio). In all cases, the revenue sharing between the implementing partner and the Commission shall be commensurate to their risk exposure.

4.2 Thematic financial products

4.2.1 Use of the EU guarantee for debt-type operations

The EU guarantee may cover an FLP in respect of the relevant portfolio of operations financed by the implementing partner. Given the characteristics of such financial products, the thickness of the FLP may be higher than 50% of the target financing provided by the implementing partners. The implementing partner shall take a share of at least 5% in the FLP in order to ensure alignment of interest.

In duly justified cases, the implementing partners' contribution to the loss-coverage ensured by the FLP can be provided progressively, as the portfolio matures and is de-risked, through the revenues originating from the guaranteed or other portfolio(s), or through other appropriate and innovative mechanisms.

4.2.2 Use of the EU guarantee for equity-type operations

The EU guarantee may cover an FLP in respect of the relevant portfolio of operations financed by the implementing partner, the thickness of the FLP may be higher than 50% in respect of the relevant portfolio of operations financed by the implementing partner. The implementing partner shall take a share of at least 5% in the FLP in order to ensure alignment of interest.

In duly justified cases, the implementing partners' contribution to the loss-coverage ensured by the FLP can be provided progressively, as the portfolio matures and is de-risked, through the revenues originating from the guaranteed or other portfolio(s), or through other appropriate and innovative mechanisms.

5 FINANCING PROVIDED BY THE IMPLEMENTING PARTNER

The following principles apply, unless otherwise specified in these investment guidelines under the relevant policy window section.

5.1 General financial products

5.1.1 Debt financing provided by the implementing partner

5.1.1.1 General debt financing

The implementing partner may provide financing directly to final recipients (i.e. in the form of direct loans or other forms of direct debt financing) or through financial intermediaries.

5.1.1.2 Capped and uncapped guarantees

The following conditions shall apply to the financing and investment operations made under the EU compartment:

- The EU guarantee may be offered to the implementing partners in order for them to provide a capped or an uncapped guarantee for a portfolio of newly established financing transactions originated by a financial intermediary. Transactions with SMEs, which are subject to collective insolvency proceedings or fulfil the criteria under their domestic law for being placed in collective insolvency proceedings at the request of its creditors shall not be eligible for inclusion into these portfolios.
- In the case of a capped portfolio guarantee, the cap rate shall be established at the level of the expected losses of the new portfolio and shall be determined individually for each portfolio guarantee agreement signed with the financial intermediary[28]. The expected losses shall be determined and documented on the basis of historical data and forward-looking estimations. In the absence of relevant data, the cap rate shall be set at a pre-agreed level and defined in the guarantee agreement between the Commission and the implementing partner. The maximum permissible cap rate shall be 25%. For the Social Investment and Skills window, the maximum permissible cap rate may be higher.
- In duly justified cases, the guarantee coverage up to the level of expected losses may be provided for free (for both capped and uncapped guarantees) while the risk taking above expected losses has to be priced by the implementing partner as may be defined in the guarantee agreement between the Commission and the implementing partner. In both cases, the reduction of the remuneration of the EU guarantee shall fully benefit final recipients.
- The guarantee rate for the individual financing transactions included in the new portfolio shall typically be set at 50% but this percentage may be increased for transactions of specific policy value.
- The financial intermediary shall be obliged to retain a minimum of 20% of the exposure in relation to each financing transaction ranking *pari passu* with the guarantee provided by the implementing partner. In duly justified cases, a lower percentage may be

[28] The cap rate may exceptionally be set at higher than expected losses level in duly justified cases.

specified in the guarantee agreement between the Commission and the implementing partner if consistent or compliant, as applicable, with State aid rules. Under the Social Investment and Skills window, the minimum exposure may be reduced to 5% in duly justified cases.

- With regard to loss recoveries, in the case of capped guarantees, if the amount of the losses exceeds the guarantee cap amount a corresponding amount of loss recoveries may firstly be allocated to the more senior exposures.
- In case the implementing partner provides uncapped portfolio guarantees and uncapped portfolio counter-guarantees to financial intermediaries on new portfolios, the EU guarantee may be offered as credit enhancement for the implementing partner.
- The minimum tenor of financing transactions that can be included in the portfolios shall be set at 12 months, except under the Social Investment and Skills window where it may be less.

5.1.2 Equity financing provided by the implementing partner

Equity and quasi-equity financing may be provided by implementing partners to final recipients directly[29] or through financial intermediaries (such as dedicated funds and investment vehicles). Intermediary funds or investment vehicles shall typically target minority participations in final recipients.

All of the following conditions shall apply to investments made under the EU compartment to financial intermediaries, as further set out in the guarantee agreements with implementing partners:

For the avoidance of doubt, these conditions shall apply to the financing provided by the implementing partner under InvestEU (financing or investment operation), including the parts covered by the EU guarantee and by the financial contribution of the implementing partner.

- A financial intermediary receiving an investment under InvestEU (financing or investment operation) shall commit as part of its investment strategy to invest in final recipients that are eligible in accordance with the InvestEU Regulation an amount equal to at least the higher of:
    - o 50% of the intermediary's aggregate invested amounts; and
    - o two times the amount drawn down under the EU backed investment for investment purposes, capped at 80% of the intermediary's aggregate invested amounts.

  Investments by implementing partners in funds shall typically not represent more than 25% of the fund size. In the cases of high policy value added, investments representing up to 50% of the fund size may be allowed, except under the Social Investment and Skills window where it may be up to 75% of the fund size.

  For co-investment funds and schemes, specific set of rules will be defined in the guarantee agreements with the implementing partners.
- Investments by implementing partners under InvestEU shall be made on a market conform basis. Such requirement means that investments into a fund will be made on a

[29] Direct equity and quasi-equity financing shall not be allowed under the EU compartment of the SME window.

pari passu basis with other public and private investors. In addition, a minimum of 30% of all investments into a fund or into the fund's underlying projects shall be made by private investors[30]. The requirements in this paragraph may not apply for the purpose of investment in areas of specific policy relevance for the EU, as further specified in the relevant guarantee agreement with an implementing partner.

- Investment in funds by implementing partners under InvestEU shall normally be made at the first closing of the fund; investments at subsequent closings are only possible where duly justified.
- Financing and investment operations shall be long term and have durations typically ranging from 5 – 20 years.
- Investments in final recipients that are eligible in accordance with the relevant financial product shall take the form of primary investments[31].

5.2 Thematic financial products

5.2.1 Debt financing provided by the implementing partner

The implementing partner may provide financing to final recipients in the form of direct loans or other forms of direct debt financing or via financing intermediaries to target the relevant higher EU added value policy area.

5.2.2 Equity financing provided by the implementing partner

Equity and quasi-equity financing may be provided by implementing partners to final recipients directly or through dedicated funds and investment vehicles. Investment in funds or other investment vehicles, and platforms supported by the EU guarantee can, in duly justified cases, also rank in a subordinated manner compared to other investors.

[30] For the SME window, the minimum 30% financing from private investors is required at fund level. In the case of co-investment vehicles, the private participation may also occur at the level of the investment into each final recipient.
[31] Primary investment means a direct or indirect investment (including in the form of debt) in a final recipient resulting in financing flowing directly or indirectly into the final recipient.

6 POLICY WINDOWS

6.1 Sustainable Infrastructure window

6.1.1 Policy areas of intervention

The sustainable infrastructure window shall aim to support financing and investment operations in sustainable infrastructure in the areas referred to in point (a) of Article 7(1) of the InvestEU Regulation. Without prejudice to provisions on excluded activities (section 2.3.3) and InvestEU Fund allocation principles (section 2.5), any relevant area linked to sustainable infrastructure listed in Annex II of the InvestEU Regulation is eligible for support under this policy window. This mainly relates to points 1, 2, 3, 4, 9, 10, 11 13(d), 14 and 15 of Annex II. Some of these are further described below in a non-exhaustive and indicative way. The eligible areas may be prioritised as described in section 2.3.2.1 of these investment guidelines.

While respecting the general target of [60]% of investment contributing to the Union objectives on climate and environment, financing provided by the implementing partners shall seek to ensure a sufficient degree of diversification between sectors taking into account the financial products implemented by the implementing partner.

The window may also channel support from sectorial programmes (see section 2.8 on blending). Moreover, support to investments under this window may be combined with support from funds under shared management [or from the Recovery and Resilience Facility].

Support under this window is set to add value by providing access to finance in any of the following instances:

- Achieve policy targets and objectives related to sustainable development defined on a European scale. For example, this relates to the simultaneous promotion of economic, environmental, and social objectives, such as adherence to Environmental, Social, and Governance principles (ESG)[32];
- Support the development of infrastructure as an asset class by promoting the consistent application of high sustainability standards (including accessibility[33]), transparency and comparability in the areas of project preparation, financing technique and products, monitoring and data;
- Promote projects of macro-regional and/or cross-border impact whose costs and benefits are distributed among multiple Member States or where costs occur at national or local level, while benefits are realised transboundary or at EU scale;
- Support projects that internalise environmental and socio-economic costs and benefits stemming from EU policy priorities. This would for instance relate to the contribution to modal shift and the use of sustainable fuels in transport, the contribution to energy efficiency and renewable energy, air or water quality improvements, environmental protection, promoting long term biodiversity benefits, support to bioeconomy,

[32] See, for example, the Commission communication on Financing Sustainable Growth (COM(2018) 97 final) and the input provided by the High Level Expert Group on Sustainable Financing by means of its final report published on 31 January 2018, online at <https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf>.

[33] In accordance with the accessibility requirements of the European Accessibility Act (Directive (EU) 2019/882 of the European Parliament and of the Council of 17 April 2019 on the accessibility requirements for products and services (Text with EEA relevance)

greenhouse gas emissions reductions, cultural heritage management, tourism, energy performance of buildings etc.. This would also include support to the renewal and retrofitting of transport mobile assets solutions.

- Promote Trans-European network infrastructure, equipment and innovative technologies that serve for example as a public good for the energy and transport system, etc. Such projects may also be key enablers for higher levels of investment in renewables, energy efficiency and demand response, healthcare (e.g. e-health and care solution), public administration such as e-public services, as well as alternative fuelled and cooperative connected and automated mobility;
- Promote sustainable digital connectivity and data platforms and infrastructures across the EU and projects supporting a broad range of communications and information technology-related products and services;
- Promote the development and operation of sustainable (in orbit and ground) space infrastructure that enables space services and space-based applications;
- Promote projects whose benefits depend on other investments in the value or supply chain or network and/or entail a high first mover risk;
- Promote interoperability in cross-border infrastructure and services, including digital platforms and services;
- Promote deployment of and synergies with research infrastructure, including e-infrastructures, across the Union. This shall focus on the market development of facilities, resources and services that are used by communities to foster innovation;
- Address efficient functioning of the internal market by promoting market-based investment under various regulatory regimes[34];
- Achieve critical mass as well as groups and aggregate projects in order to attract private investors.

The actions described in sections 4.1.1.1 to 4.1.1.8 may be complemented by accompanying measures which aim to help public authorities and project promoters develop capacity for defining investment strategies, blending financing, planning and grouping projects.

6.1.1.1 Development of the energy sector

Support to the generation, supply or use of clean and **sustainable renewable energy** shall focus on projects with high perceived risk and capital intensity enabling the further integration of renewables in all sectors (power generation, heating and cooling, transport) as well as other zero and low-emission energy sources and solutions. It may indicatively include renewables projects of cross-border or offshore nature (see also section 4.1.1.8), projects targeting the decarbonisation of buildings, the use of renewables in industrial processes, clean hydrogen or other low-carbon gas production and supply (at commercial scale), advanced bio-fuels, biomass and other sustainable alternative fuels projects and on-site storage. Locally led renewables

[34] Relevant for the Member State compartment: Member States have a wide variety of regulatory frameworks supporting sustainable energy infrastructure, carrying a multitude of policy- and market design risks and regulatory risks, which impact the cost of capital of investments. These risks are perceived high in a number of jurisdictions and function as a major barrier to the flow of capital to, very typically, renewable energy projects - otherwise crucial for the achievement of climate and energy policy objectives.

projects, such as those by energy communities, often integrated with energy efficiency improvements, shall also be supported. Support to the energy sector may contribute where appropriate, to the objectives of Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources ('RED II'[35]) and Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action ('Governance Regulation'[36]), as well as promote energy efficiency in investment decisions, including through the Union renewable energy financing mechanism[37].

Support under **energy efficiency and energy savings** shall include projects in line with the commitments taken under the Agenda 2030 and the Paris Agreement and in line with the objectives set by Directive 2012/27/EU[38] that reduce energy demand through energy saving measures and demand-side management, applying circular economy principles, supporting district heating and energy generation in co-generation projects reducing energy consumption that prevent emissions of greenhouse gases and other pollutants. It shall include **energy efficiency renovations of existing buildings** that target or achieve an increase of their energy performance as determined through one or more of the criteria laid down in Article 10(6) of Directive 2010/31/EU on the Energy Performance of Buildings[39] – e.g. through the improvement achieved due to such renovation by comparing energy performance certificates issued before and after renovation, and construction of **highly energy efficient new buildings only when exceeding national nearly zero-energy buildings standards** (given the legal deadline for all new buildings in the EU to be nearly zero-energy buildings after 31 December 2020), including the modernisation of buildings thanks to smart ready technologies and their integration into a connected energy, storage, digital and transport system including through the deployment of infrastructure for e-mobility in line with Directive 2010/31/EU on the Energy Performance of Buildings. It shall also target a reduction of energy intensity of enterprises through improved efficiency of processes or production of products with lower carbon footprint as well as the development of innovative zero and low emission heat supply systems and combined production of electricity and heat.

Development, smartening and **modernising of sustainable energy infrastructure** shall target the transmission and distribution level. It shall also include supporting Projects of Common Interest (PCIs), as established in the Regulation on Guidelines for trans-European Energy Infrastructure[40], digitalising and modernizing energy grids to facilitate a greater uptake of renewables, as well as projects relating to demand-side flexibility and the storage of electricity.

Support from the InvestEU shall also promote the deployment of low-emission technologies: projects that include **carbon-capture storage and use** ('CCS' / 'CCU') technologies and infrastructure related to the production of electricity, low-carbon gases (such as hydrogen) or industrial processes as well as bio-energy plants and manufacturing facilities towards the energy transition.

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[35] OJ L 328, 21.12.2018, p. 82.

[36] OJ L 328, 21.12.2018, p. 1.

[37] The Union renewable energy financing mechanism is established by Article 33 of the Governance Regulation.

[38] Directive 2012/27/EU on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (text with EEA relevance) (OJ L 315, 14.11.2012, p. 1).

[39] OJ L 153, 18.6.2010, p. 13.

[40] Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009 Text with EEA relevance (OJ L 115, 25.4.2013 p. 39).

6.1.1.2 Development of sustainable transport infrastructures, equipment and innovative technologies

Support under development of sustainable transport infrastructures, equipment and innovative technologies shall be directed at the development of sustainable and safe transport infrastructures and mobility solutions and equipment and innovative technologies in accordance with Union transport priorities and the commitments taken under the Paris Agreement. This shall include projects supporting development of the **Trans-European transport network** ('TEN-T') infrastructure, the general improvement of infrastructure maintenance and interconnection levels components across all modes and including its urban nodes, maritime and inland ports, airports, multimodal terminals and their connection to the main networks and the telematic applications laid down the TEN-T Regulation;

Support shall, in priority, target projects in the TEN-T core network, identified in the core network corridor Work Plans that address missing links, bottlenecks or cross-border connections. It shall include, whenever relevant, maintenance of rail, road, waterborne and aviation infrastructure, safety upgrades, using appropriate safety management procedures, and environmental performance upgrades. This shall include the deployment of digital transport management systems like ITS, RIS, ERTMS, SESAR, including on-board equipment, as well as digital transport infrastructure for interoperable data sharing and reporting across modes and sectors. It shall also include the development and deployment of new transport technologies and services such as in relation to connected and autonomous modes of transport, integrated ticketing, as well as less polluting inland and maritime means of transport (including i.e. the prevention of oil-spills from ships). It shall also include support to adapt the TEN-T network to cater for military mobility needs, to the extent that such infrastructure meets the need of both civilian and military purposes (dual-use).

Support shall also target **TEN-T infrastructure projects that make provision for the use of at least two different modes of transport,** in particular multi-modal freight terminals and logistics platforms, as well as passenger transport hubs. Support shall also target multimodal connections and last mile sections allowing shifting freight or passenger traffic to more sustainable transport modes such as rail transport, public/collective transport, inland navigation or short sea shipping.

Smart and sustainable urban mobility projects in particular multi-modal hubs for passenger transport, active modes, inland waterways and innovative mobility solutions, digital transport infrastructure for seamless and effective connection of travel modes, infrastructure for active and zero-emission mobility may be supported. Projects aiming at promoting the shift to sustainable modes of transport shall focus on improving the safety of users and non-discriminatory accessibility including with regard to passengers with reduced mobility. Projects shall also aim to increase road safety levels in line with the EU objective of eliminating fatalities and serious injuries on European roads by 2050, paying particular attention to vulnerable road users such as cyclists and pedestrians.

The **renewal and retrofitting of transport mobile assets** shall target non-discriminatory projects for the purchase of rolling stock for use in rail transport. For rail, it shall also include investments in current rolling stock, for example noise reduction, equipping with ERTMS[41], and equipping with Digital Automatic Couplers. It shall also include projects in the aviation and shipping, maritime and inland waterways, sectors aiming at transition towards sustainable alternative fuels, reduction of pollution of any kind and helping the industry to comply with upcoming commitments related to greenhouse gas emissions including back up to zero emission

[41] European Rail Traffic Management System.

ships and replacement of old aircrafts and vessels with new generation ones achieving significant emissions reductions. In addition, vessels and zero- and low-emission road vehicles are eligible as set out in the paragraph regarding alternative fuels infrastructure below.

Railway infrastructure, other rail projects, inland waterway infrastructure, mass transit projects and maritime ports and motorways of the sea may include investments that prevent or reduce emissions of greenhouse gases, toxic pollutants or noise levels. This may also target port reception facilities and other means enabling environmental protection measures, as well as investments in combined green infrastructure, including the deployment of small-scale infrastructure for alternative fuels and other solution reducing ports' overall carbon footprint. Investments in greening of airport infrastructure and related services (such as ground handling, ground traffic operations, aircraft on the ground) that prevent or reduce emissions or noise levels may be supported.

Deployment for all modes of transport of **recharging and refuelling infrastructure** for electricity, hydrogen and liquefied or compressed natural gas blended highly with bio-methane (>50 %), and deployment of fleets of low- and zero-emission road transport vehicles, as well as platforms for smart connectivity and interoperable services may be supported. When renewing road vehicle fleets, they should also fulfil the applicable high safety standards. When deployment of vehicles is performed through retrofitting, those vehicles shall be retrofitted to the standard of zero emission at tailpipe. Deployment of zero- and low- emission vessels and fleets using sustainable alternative fuels including LNG and aircraft using sustainable energy sources should be supported. Retrofitting of vessels shall enable short sea and inland shipping to use sustainable alternative fuels or electricity. Priority for related investments shall be given to (i) deployment of publicly accessible refuelling and recharging infrastructure; (ii) refuelling and recharging infrastructure for use by fleets of public authorities or of operators for the discharge of public service obligations under a public service contract; (iii) deployment of light- and heavy-duty zero- and low-emission vehicles and vessels running on sustainable alternative fuels, or low-emission aircraft running on sustainable energy sources, in public service and private fleets. Road infrastructure shall be accessible to the public without any limitation and shall provide for possibility of easy to use ad-hoc payments (e.g. bank card payment) so that vehicle users can charge without the need of entering into a service contract with the operator concerned. Moreover, available static and dynamic data shall be made available through common or national access points. These public accessibility requirements shall not apply in the case of charging or filling infrastructure in privately managed or operated depots that serve a captive fleet. The development, production and supply infrastructure for sustainable alternative fuels for aviation, land and waterborne transport may be supported, implementing EU transport decarbonisation policies (such as ReFuelEU Aviation, FuelEU Maritime).

Other smart and sustainable mobility projects in urban and rural areas, targeting road safety; accessibility; emission and noise reduction; and the development and deployment of new transport technologies and services such as in relation to connected and autonomous modes of transport or integrated ticketing.

InvestEU Fund support shall also be explicitly possible for measures designed to upgrade, achieve or maintain compliance with standards, including environmental and safety standards, and projects **to maintain or upgrade existing transport infrastructure**, rehabilitation of existing transport infrastructure or safe parking areas and facilities.

6.1.1.3 Environment and resources

Besides the greening of investments in traditional infrastructure areas listed in this section including for example mobility projects targeting air pollution and noise, nature, energy consumption and accidents, investments shall include:

Support for **water, including drinking water supply and sanitation, flood protection,** networks efficiency, leakages reduction, infrastructure for the collection and treatment of waste water, **coastal infrastructure and other water-related green infrastructure**, which shall comprise of investment projects and accompanying services supporting the implementation of EU environmental policies concerning land-based and marine water resources and related ecosystem services (e.g. Water and Marine Strategy Framework Directives, Drinking Water Directive, Urban Wastewater Treatment Directive, Floods Directive, Nitrates Directive and Fertiliser Regulation, Plant Protection Products Regulation[42] etc.). Particular importance shall be given to (i) ensuring access to water supply and sanitation for all EU citizens by completing and maintaining infrastructure for drinking water and wastewater treatment that complies with energy efficiency and leakage prevention criteria, and (ii) ensuring compliance with the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) including measures foreseen in the River Basin Management Plans and Flood Risk Management Plans, notably investments ensuring good ecological status of rivers, renovating or upgrading of existing hydropower to increase efficiency and reduce ecological impacts, and reducing diffuse pollution from agriculture, aquaculture, and industrial sources, water efficiency solutions, water reuse in any sector and in nature-based solutions to reduce flood risks.

Support for **waste management infrastructure**, which shall comprise infrastructure necessary to support the transition towards a more circular economy in Member States notably shifting upwards in the implementation of the EU waste hierarchy. Without prejudice to the exclusion criteria, investment projects should cover the implementation of waste management plans and waste prevention programmes (based on the amended Waste Framework Directive 2008/98/EC[43]) the establishment and support of reuse and repair networks, the setting up of functional waste separation and collection schemes, and recycling facilities.

Investment in the field of **enhancement and restoration of eco-systems and their services**, which shall focus on projects that promote the conservation, restoration, management and enhancement of natural capital for biodiversity and adaptation benefits including by means of green and blue infrastructure projects. It shall include ecosystem-based solutions to challenges,

[42] Respectively Directive 2008/56/EC establishing a framework for community action in the field of marine environmental policy (Marine Strategy Framework Directive) (Text with EEA relevance) (OJ L 164, 25.6.2008, p. 19); Directive 2000/60/EC establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1) ('Water Framework Directive'); Council Directive 98/83/EC of 3 November 1998 on the quality of water intended for human consumption (OJ L 330, 5.12.1998, p. 32) ('Drinking Water Directive'); Council Directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment (OJ L 135, 30.5.1991, p. 40) ('Urban Waste Water Directive'); Directive 2007/60/EC on the assessment and management of flood risks (Text with EEA relevance) (OJ L 288, 6.11.2007, p. 27) ('Floods Directive'); Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (OJ L 375, 31.12.1991, p. 1) ('Nitrates Directive'); Regulation (EU) 2019/1009 laying down rules on the making available on the market of EU fertilising products and amending Regulations (EC) No 1069/2009 and (EC) No 1107/2009 and repealing Regulation (EC) No 2003/2003 (OJ L 170, 25.06.2019, p. 1) ('Fertiliser Regulation'); Regulation (EC) No 1107/2009 concerning the placing of plant protection products on the market and repealing Council Directives 79/117/EEC and 91/414/EEC (OJ L 309, 24.11.2009, p. 1) (' Plant Protection Products Regulation').

[43] Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste (OJ L 312, 22.11.2008, p. 3)), as amended by Directive 2018/851/EU (OJ L 150, 14.6.2018, p. 109).

such as those related to air and climate systems, sea, land, soil, forestry, agriculture, water and waste, and transport and energy. Support shall also include measures aimed at pursuing the goals of the Biodiversity and Farm to Fork[44] Strategies through the improvement of food-production value chains (where not falling under the scope of the SME window). Cross-border projects shall be in particular encouraged as well as projects that promote **sustainable cultural heritage**. Support may also include the **rehabilitation of industrial sites** (including contaminated sites) and restoration for sustainable use**.**

Support for **sustainable development in urban, rural, coastal, offshore areas development and wider bioeconomy**, which shall comprise infrastructure projects not covered in other areas focused on a geographical area, including investments in nature and nature-based solutions, whose purpose is the prevention or control of emissions of greenhouse gases, toxic pollutants, noise and other impacts or natural capital dependencies whilst promoting the transformation towards a circular economy. It shall include infrastructure projects aimed at promoting inclusive and accessible smart cities and their networks, regions and sectors. This shall also encompass projects aimed at fostering bioeconomy through investment in bio-based industries, marine and terrestrial solutions that substitute for energy intensive or fossil materials, aquaculture and blue and green biotechnology. Support may also concern seas and oceans, through the area of the Blue Economy, and its Finance Principles in particular through renewable marine energy and circular economy.

Support under **climate change actions, climate adaptation and mitigation, including natural hazard disaster risk reduction,** shall include infrastructure projects aiming at climate change adaptation and increasing the resilience to current and future climate. This shall include, among others, the protection of low-lying areas, coastal areas and other measures related to sea-level rise, flood prevention, improved and sustainable use of water supply and drought prevention, and adaptation of infrastructure to extreme temperature. This can also include innovative technologies that contribute to the environmental climate resilience or social sustainability objectives of the Union, or to both, and meet the environmental or social sustainability standards of the Union.

Support to **projects and enterprises that implement circular economy, including the sustainable supply of raw materials**. This shall include, among others, projects integrating resource efficiency aspects in the production and product life cycle and all strategies aimed at ensuring that the value and lifespan of material resources is maximised, as well as infrastructure fostering industrial symbiosis between industrial plants across sectors and urban and rural communities. Investment projects should also encompass actions covering the entire value chain of primary and secondary raw materials, from sustainable exploration, extraction, processing to recycling.

Support to operations that support the **decarbonisation** of and substantial reduction of emissions of energy-intensive industries, including deployment of innovative low-emission technologies including CCS and CCU as well as operations that promote the decarbonisation of the energy production and distribution chain by phasing out the use of coal and oil.

6.1.1.4 Development of sustainable and secure digital connectivity infrastructure

Support to development of sustainable and secure **digital connectivity infrastructure** shall focus on projects supporting broad range of communications and information technology-related products and services. This can include, for example, projects supporting a universal

[44] See: https://ec.europa.eu/food/farm2fork_en

(i.e. including rural/peripheral areas) roll-out of infrastructure, deployment of very high capacity digital networks, including through the deployment of wired and wireless connection systems including fibre and 5G connection systems, and investments needed to reach the Union's strategic digital connectivity objectives as defined in the Communication "Connectivity for a Competitive Digital Single Market – Towards a European Gigabit Society"[45].

It shall also target projects aimed at increasing the capacity and resilience of EU networks (e.g. quantum-secured communication networks, inter-regional and international connectivity, including through land-based, submarine cables, satellite systems, data centres and public protection and disaster relief networks), and at supporting the digital transformation of key public services.

It shall target the rollout of sustainable and high capacity interconnected cloud infrastructures within the EU (such as the deployment of software defined infrastructures for workload balancing optimization among clouds and; green connectivity networks for interconnecting cloud infrastructures) as well as foster best-in class energy efficient European data centres supported by the retrofitting of data centres for both large and small companies (such as new cooling systems and power management solutions).

Digital connectivity infrastructures, e.g. aiming at optimising transport and energy infrastructures, energy consumption in buildings, at reducing waste and pollution and optimising the use of natural resources via digital solutions, shall also constitute suitable investment targets.

In doing so it shall target projects aiming at reduction or avoidance of greenhouse gas emissions in accordance with the European Green Deal.

6.1.1.5 Development of sustainable space infrastructure

Support to sustainable development and modernisation of new and existing in-orbit and ground infrastructure. This will enable the greening of the space industry for launchers and spacecraft (e.g. satellites) and associated ground segments. This includes the manufacturing, assembly, testing, operation, maintenance and launch facilities towards the development of greener spacecraft, launch systems and associated facilities. A cleaner use of space through spacecraft de-orbiting and de-commissioning is also included.

Support to the Union Space Programme components and related services, as well as support to the Space Strategy for Europe objectives to maximise the benefits for the Union society and economy. This will enable the development of dedicated services and applications meeting existing and emerging users' needs including in priority areas of climate change, sustainable development, connectivity and security.

6.1.1.6 Development of sustainable tourism infrastructure

Support to development of sustainable tourism infrastructure and services shall contribute to strengthening the sector's long-term competitiveness by supporting projects aimed at a shift towards sustainable, innovative and digital tourism.

[45] Commission communication on Connectivity for a Competitive Digital Single Market - Towards a European Gigabit Society (COM(2016)587 final).

6.1.1.7 Offshore development for decarbonisation

The support shall contribute to the generation of offshore electricity to meet the future energy demand. It shall also alleviate the multiple demands on the EU's land resources by improving the productivity of aquatic and marine resources like for instance, the production and use of algae, and other new sources of protein which have the potential to relieve the pressure on agricultural land.

Support shall focus on deployment of:

- floating wind farms;
- port developments to shift them from transport nodes to hubs for servicing offshore industry;
- cabling for an offshore grid with a particular focus on AC connections from the turbines to hubs which then use DC interconnectors to shore;
- devices for wave and tide energy;
- offshore aquaculture.

6.1.1.8 [Strategic investment in critical infrastructure]

[Strategic investment under the Sustainable Infrastructure window may target projects contributing to the stability, operational security and resilience of the critical infrastructure parts, whether physical or virtual, or supply chains to the critical infrastructure, or directly to the critical elements of infrastructure, in particular in view of the EU green and digital transition.

Supported operations may also target companies, including SMEs, producing goods and services instrumental to the operation and maintenance of any of the critical infrastructure priorities as listed under this section 6.1.1.8.

Investment operations concerning **critical infrastructure** may target operations defined as European Critical Infrastructures in line with Directive 2008/114/EC as selected by Member States stipulated in Article 3. Support may target supply chains for clean energy, namely manufacturing capacity of equipment for renewable energy technologies (such as solar PV, wind energy, hydropower, etc.).

Operations supported may also target **supply chains for the European aviation, rail, inland waterways transport and maritime shipping**, including supporting investment into integration of modes, production capacities and supply chains.

For **digital infrastructure**, strategic investments are those closely linked to the objectives of resilient and secure provision of digital communication services, including critical elements of very-high capacity connectivity and 5G networks, quantum communication, internet of things, online service platforms, secure cloud computing, data processing and storage, as well as to the underlying value chains behind these infrastructures and services. Given the various architectures and constantly evolving technological solutions, including those relevant for cybersecurity[46], it is necessary to screen the evolving needs of the digital transition and relevant

[46] Cybersecurity risks are to be assessed following the relevant EU and national law and guidance, including the 5G Security Toolbox.

security and technological autonomy and resilience dimensions of such transition related to the data transfers, use and storage.

Investments in **communication and media infrastructure** are also considered strategic to the extent that they contribute to independent European content production in line with the objective to protect the EU democratic values and sovereignty of Member States in the digital age, as well as production, intellectual property protection and monetisation of European content globally.

Support to projects related to **electoral infrastructure and sensitive facilities** shall have as the main objective their reinforced security, resilience and protection against malicious and disruptive action, including in particular disinformation, data theft, and cyberattacks.

Projects related to **critical infrastructure for space** shall support the update of existing Union Space Programme components and development of new EU space infrastructure and services. In particular, it shall target: (i) autonomous, reliable and cost-effective access to and use of space enabled by European launchers, including innovative concepts such as re-usability, advanced manufacturing, new space transportation systems; (ii) space surveillance and protection of assets, (iii) satellite communication and connectivity, (iv) other evolving needs.

Operations supported shall also target the resilience and competitiveness of space systems and technologies, addressing the vulnerability of the value chains.

Support to **defence industry infrastructure** may include the upgrade of existing or the installation of new infrastructures needed to support from a technological and industrial perspective the life cycle of defence technologies and products or training facilities. These infrastructures refer not only to the traditional air, land and sea domains, but also to emerging ones such as information, space and cyber. They can be used also for the R&D, demonstration, testing and certification of defence systems or technologies, including developed in the context of the European Defence Fund, as well as dual-use systems and technologies. Such infrastructures shall be provided at fair costs for relevant users across the Union. Multinational projects open to users from other EU Member States should be supported. Support shall also target projects oriented to implement pan-European digital and cyber capacities and infrastructure related, for instance, to virtual engineering development environments, digital test beds and labs, new collaborative combat environment, supercomputing, artificial intelligence and related advance digital skills for defence (e.g. digital shipyard; digital model, or twin, of military systems).

Investment in **manufacturing facilities for mass production of ICT components and devices** which contribute to the innovation, resilience and autonomy of European ICT industry and its sub-sectors and value chains may be supported. Such projects may relate to any of the following ICT manufacturing domains: electronic components (semiconductors and microprocessors), computers and peripheral equipment, communication equipment, consumer electronics, magnetic and optical media, electronic and telecommunications equipment and parts, software, programming, data processing, hosting and related activities and others.

Investments in operations with high perceived risk or capital intensity requirements targeting **rapid response to urgent EU healthcare needs and solutions** of high public interest such as manufacturing, provision and stockpiling of critical vaccines, medicines, devices, personal protective equipment.

In the area of **Critical Raw Materials** (CRMs) supported investments may include projects and beneficiaries contributing to increased EU autonomy and resilience in industrial ecosystems for e-mobility, batteries, renewable energies, pharmaceuticals, digital applications and defence. CRM linked priority investment areas may include: magnet development, recovery of rare earths from used magnets, rare earth refining, primary ores and recycled mining waste (bauxite, iron ore, coal waste). Other CRM needs may emerge in future.

In order to ensure a **safe and sustainable food supply**, relevant investments for example into transport, logistics, decentralized food chain infrastructure and the setting up of clusters in the area of food supply may be supported.]

6.1.2 Features of potential financial products

The support under the Sustainable Infrastructure window shall offer senior and subordinated financing in the form of debt, guarantees, any other forms of funding or credit enhancement, quasi-equity and equity financing. It shall aim at facilitating access to eligible project and corporate finance. The financial products shall be available horizontally to the different areas covered by this policy window or can be dedicated to specific policy priorities including under thematic financial products.

Financial products shall be developed according to policy prioritization and market needs.

6.1.2.1 Financial intermediaries to be involved

a) For debt financing:

Any type of financial intermediary, including National Promotional Banks or Institutions and other publicly owned intermediaries, commercial banks, guarantee societies, diversified debt funds providing senior and subordinated financing, and leasing companies, which is able to provide financing in the areas covered by the Sustainable Infrastructure window in full compliance with applicable national and EU-legislation and with the relevant requirements of the Financial Regulation, may apply.

b) For equity financing:

Public or private financial intermediaries, or entities to be incorporated, funds-of-funds, private equity funds, venture capital funds, co-investment vehicles, venture debt funds, which are able to provide equity financing in the areas covered by the Sustainable Infrastructure window in full compliance with applicable national and EU-legislation and with the relevant requirement of the Financial Regulation, may apply.

The managers, advisors or other similar persons of such intermediaries (including first time managers or advisors) shall demonstrate the capacity and skills to undertake such investments in the areas in which they intend to invest under the Sustainable Infrastructure window, the ability to fundraise and attract private capital, and the capability to produce returns, which would attract more private investments into this asset class.

6.1.2.2 Final recipients targeted

The focus of the Sustainable Infrastructure window is to support investment in infrastructure and related equipment promoted, *inter alia,* by:

- stand-alone promoters;

- private, public and semi-public enterprises;
- Special-Purpose Vehicles.

6.1.2.3 General financial products

General financial products shall aim at improving access to finance for medium to large size projects or grouped smaller projects, through finance provided directly or indirectly (via medium and large investment vehicles) by the implementing partners.

These general financial products may support a diversified range of final recipients presenting different risk profiles, e.g.:

- projects from regulated entities, including PPPs (e.g. energy, transport, waste, water and wastewater utilities and large infrastructure managers) or from public or semi-public enterprises, which typically present a low risk.
- projects from non-regulated entities on a corporate or non-recourse basis, including PPPs (e.g. energy generation, energy storage, energy efficiency for energy intensive industries, motorways concessionaries, airports/ports terminal and railways operators, green shipping, broadband and space infrastructure) which typically present a medium to high risk.
- deployment of projects supporting public goods, including projects deployed by SMEs in the fields of e-mobility, energy efficiency, natural capital or nature based solutions by local authorities or philanthropic investors, and space, which typically present a high risk.
- high risk granular portfolios such as energy efficiency and renewable energy for households or SMEs, greening of mobile assets.

For debt financing provided by the implementing partner:

The EU guarantee may be provided for financing and investment operations including in the form of:

- senior loans, leasing contracts and credit lines, including senior debt to limited recourse projects;
- subordinated loans including in a form of a mezzanine financing;
- guarantees (funded or unfunded) to and other risk sharing arrangements to financial intermediaries operating in the eligible areas;
- credit enhancement for new investments (to project bonds, bank loans or a combination of the two), including in the form of subordinated products.

Subordinated financing can also be used in order to leverage private finance and diversification from banking to capital market finance.

The EU guarantee may be used for the development of financial products supporting the use of green bonds.

6.1.2.4 *Thematic financial products*

Support from thematic financial products shall, *inter alia*, target:

- In the transport area, high-risk projects in the field of sustainable mobility, smart and safer transport.
- In the renewables area, specific high risk activities such as:
  - Customised innovative guarantees under the Member State compartment aiming to reduce the cost of capital of renewables investment in such Member State;
  - High-risk guarantee products to foster the Renewables Corporate Power Purchase Agreement market, helping ensure increased levels of long-term private financing for renewable energy investments.
- In the energy efficiency area, specific high risk activities such as:
  - Residential Buildings: guarantee instrument that can be combined with grants to unlock private financing and stimulate households to address the significant financing gap of renovation and refurbishment of residential buildings;
  - Energy performance contracting and Energy Services Companies (ESCOs): guarantee instrument and revolving fund for ESCOs to address the barriers and unlock financing for the development of energy performance contracts for energy efficiency projects;
  - Irrespective of the final recipient, credit enhancement in relation to green bonds to crowd in institutional investors into new energy efficiency financing, at the same time benefitting the expansion of the currently limited size of the green bond market.
- In the smartening and modernisation of electricity infrastructure, projects promoting:
  - new business models for the deployment of flexibility sources such as demand response and battery storage,
  - decentralised and small-scale energy sources developed by new entrants and energy communities in new markets;
- Projects promoting the market deployment of low-emission technologies: projects that include carbon-capture storage and use (('CCS' / 'CCU') related to the production of electricity, low-carbon gases (such as hydrogen) or industrial processes as well as bio-energy plants and manufacturing facilities towards the energy transition.
- High-risk sustainable green investment projects or programme promoting a comprehensive natural capital-based approach relating to the protection and restoration of the environment and the management of the transition towards a circular, resource efficient and low-emission bio-economy.
- In the digital sector, projects with a high financial risk, notably connectivity deployments in white and grey areas (therefore with no immediate commercial viability) or which present a significant technological advancement (e.g. no incremental upgrades but rather deployment of latest generation technologies, including deployment of sustainable networks and data infrastructures).

- In the space sector, high-risk or capital intensive projects linked to space infrastructure and related services, as well as new concepts for space infrastructure and solutions in space and on ground.

6.2 Research, Innovation and Digitisation window

6.2.1 Policy areas of intervention

Support under the Research, Innovation and Digitisation (RID) window shall facilitate and accelerate access to finance for Research and Innovation (R&I) projects, promoters, businesses and other innovative entities and stimulate the digital transformation of businesses, markets and Member States in accordance with Articles 3(2)(b) and 7(1)(b) of the InvestEU Regulation. In line with the InvestEU objective of promoting EU's competitiveness, the RID window will deliver scientific, technological, economic and societal impact by strengthening the EU's scientific and technological base with the ultimate aim of delivering on the EU's strategic priorities and provide support to the upscaling of innovative companies and the rolling out of technologies to the market. Investments under the RID window will provide the means for Europe to develop resilience in key industrial sectors.

The eligible areas for financing and investment operations under the RID window are listed in Annex II, and in particular in points 5 and 6 thereof. Any other relevant areas for financing and investment operations listed in Annex II, such as 13 and 14, and falling under research, innovation and digitisation activities shall be eligible for financing under the RID window. This may include research, product development, demonstration, innovation and digitisation activities in the sectors covering energy, energy intensive industry, environment, maritime, transport, health, life sciences, bio-technology, agro-food, defence, space and cultural and creative sectors, as well as others. The eligible areas may be prioritised as described in section 2.3.2.1 of these investment guidelines.

The investment scope of the window is research, innovation, demonstration and digitisation activities, including investments related to launching new products and technologies in the market, which have passed the R&D stage, as well as organisational and process innovation, including new and innovative business models. The scope also includes financing and investment operations in the field of fundamental and applied research to actual system, proven in operational environment[47].

Research and Development is defined as a systematic work undertaken to increase the stock of knowledge and to devise new applications of available knowledge. The activity shall be novel, creative, uncertain in its outcome, and the method systematic, transferable, and reproducible[48].

Innovation refers to product, process and organisational innovation, encompassing the development, demonstration, implementation, commercialisation, and adoption of a new or significantly improved product or process (including business model) or service, which creates consumer and/or societal value.

Digitisation refers to R&I, demonstration, testing, deployment and adoption of digital technologies and services and to investments, which contribute to the digital transformation of the Union's enterprises, industries and areas of public interest.

Moreover, support under this window will aim to contribute substantially to the European Green Deal, targeting projects with climate and environmental benefits. Among others, this window may target projects aiming at the avoidance or reduction of greenhouse gas emissions of energy-

[47] Technology Readiness Levels

[48] OECD, Frascati Manual 2015 - Guidelines for Collecting and Reporting Data on Research and Experimental Development, p. 44-45, online at <https://read.oecd-ilibrary.org/science-and-technology/frascati-manual-2015_9789264239012-en>.

intensive industries, and of the digital economy. It will target projects using digital technologies, services and solutions to achieve the avoidance or reduction of greenhouse gas emissions in other sectors of economy, including but not limited to industry, transport, energy and agriculture.

Investments in the space eco-system shall support the Space Strategy for Europe objectives to maximise the benefits for the Union society and economy by targeting project that: (i) accelerate the deployment of digital applications and services based on space data, (ii) integrate space data and services into innovative products in other market segments, e.g. autonomous vehicles or connectivity networks, (iii) scale up the commercial deployment and manufacturing of space technology, including access to space.

The window shall also contribute to the development of the defence industry, in particular through support for companies participating in innovation projects in the defence sector and closely related dual-use technologies and through support to the defence sector supply chain.

The Research, Innovation and Digitisation window will also support the Union's policy priorities as set out in other programmes such as Horizon Europe, Digital Europe Programme, Creative Europe Programme, European Space Programme, European Defence Fund, European Maritime and Fisheries Fund, etc.

The window may also channel funds from sectorial programmes, such as the Innovation Fund established under the Emission Trading System (ETS) and other EU and national programmes and funds. Such investments may be combined with financing provided under EU programmes or those established under cohesion policy (shared management) or under national programmes.

Support under this window is set to add policy value by providing access to finance to research, innovation and digitisation in any of the following instances:

- investment in research and innovation with the objective of strengthening the scientific and technological base of the EU, accelerating industrial transformation, including investments in key technologies, and delivering on Horizon Europe objectives, as well as missions;
- support the digital transformation of SMEs and mid-caps;
- digitisation projects that increase interoperability and address disparities in the level of digitisation across the Member States, companies and sectors;
- The development and deployment of strategic digital capacities and technologies, including of cyber-secure digital solutions that result in innovative and unproven business models that tackle societal challenges such as digital solutions for sustainability and that contribute to resilience and autonomy;
- supported-risk investments, including cross-border, linked to the technology, market, demonstration, implementation and business, that entail higher risk due to the uncertainty of the success of their outcome, or the final financial benefit for the entity concerned;
- promote early demonstration operations for which private investors are risk-averse, face unpredictable returns or market volatility;
- promote operations that leverage private investment in research, innovation and digitisation to achieve EU policy objectives;

- transfer and scale up research and innovation results as well as technologies to the market and support their industrial deployment, supporting market enablers and cooperation between enterprises;
- support R&I investments by research institutes, universities and research organisations, contributing to Horizon Europe objectives and enhancing connections between R&D service providers (academic institutions, research centres, etc.) and enterprises;
- fast-growing innovative companies seeking finance to commercialise innovations past technical and economic feasibility;
- provide economies of scale and complement national, interregional and regional-level investments in RID, including the uptake of novel products, technologies or business models within Member States into regions;
- support thematic investment platforms and other innovative financial products (with due consideration of economies of scale); or
- promote alternative finance and innovative financing solutions such as crowdfunding, business angels, and venture philanthropy, fostering the transfer of best practices between financial intermediaries with a view to encourage the emergence of a broad product offering for RID activities.

The above actions may be complemented by:

- gathering EU-wide data on the RID market failures or sub-optimal investment situations, tracking technological and industrial changes, identifying future emerging strategic value chains, and making such intelligence publicly available; and
- providing technical assistance to and improving bankability of RID projects across different sectors.

6.2.1.1 [Strategic investments under Research, Innovation and Digitisation window]

[Strategic investments under the RID window may support **industrial deployment of demonstrated EU made technologies, foster their markets and promote the EU industry as a global frontrunner** in line with the objectives of the New Industrial Strategy for Europe[49] and underlying sector specific strategies, including the digital strategy Shaping Europe's Digital Future[50], the White Paper on Artificial Intelligence[51], the European Data strategy[52] and the European Vaccines Strategy[53]. They shall target the industrial upscaling and manufacturing of these enabling, transformative, green and digital technologies and innovations in the sectors covered by the RID window past the stage of research, innovation and demonstration.

Supported operations shall also target **unmet long-term EU healthcare investment needs** such as financing testing and production of vaccines and treatments and increased resilience and competitiveness of the EU pharmaceutical industry as a whole, including production of chemicals and active pharmaceutical ingredients.

[49] COM(2020) 102 final

[50] COM(2020) 64 final, Shaping Europe's digital future

[51] COM(2020) 65 final, White Paper On Artificial Intelligence - A European approach to excellence and trust

[52] COM(2020) 66 final, A European strategy for data

[53] COM(2020) 245 final

For defence, technology related and/or productive investment (e.g. modernisation, digitisation and extension of existing or the establishment of new production capacities) projects may be related to strategic areas, where investments will contribute to the technological and industrial autonomy of the Union's defence industry thereby contributing to the Union's strategic autonomy and resilience. The development of critical and disruptive defence technologies by innovative companies can be supported. Investments can also help successfully bringing key projects for which the R&D phase has already been supported for instance under the EDF and its pre-cursor programmes in the post-R&D phases or support the supply chains involved in such projects.

Projects can also relate to safeguarding and developing of critical capabilities in the EU defence supply chains in relation to strategic areas and to the reduction of dependence on third countries.]

6.2.2 Features of potential financial products

6.2.2.1 Financial intermediaries to be involved

a) For debt financing:

Any type of financial intermediary, including National Promotional Banks or Institutions and other publicly owned intermediaries, commercial banks, guarantee societies, diversified debt funds providing senior and subordinated financing, and leasing companies, which is able to provide financing in the areas covered by the Research, Innovation and Digitisation window in full compliance with applicable national and EU-legislation and with the relevant requirements of the Financial Regulation, may apply.

b) For equity financing:

Public or private financial intermediaries, or entities to be incorporated, funds-of-funds, private equity funds, venture capital funds, co-investment vehicles, venture debt funds, business angel funds, technology transfer funds, that are able to provide equity financing in the areas covered by the Research, Innovation and Digitisation window in full compliance with applicable national and EU-legislation and with the relevant requirements of the Financial Regulation, may apply.

The managers, advisors or other similar persons of such intermediaries (including first time managers or advisors) shall demonstrate the capacity and skills to undertake such investments in the areas in which they intend to invest under the Research, Innovation and Digitisation window, the ability to fundraise and attract private capital, and the capability to produce returns, which would attract more private investments into this asset class.

6.2.2.2 Final recipients targeted

The focus of the Research, Innovation and Digitisation window is to support research, innovation and digitisation activities promoted by:

- stand-alone promoters;
- private, public and semi-public enterprises, including SMEs and mid-caps;

- special-purpose vehicles;
- universities, technology transfer offices and higher education centres;
- research centres;
- research and technology infrastructures;
- innovation and digitisation agencies, accelerators, incubators, hubs, clusters;
- other RID driven promoters (e.g. natural persons, research-funding foundations).

Market segmentation and identifications of target groups will be done on a sectoral basis (linked to the fields in which the policy priorities will be implemented) and on project or company life-cycle basis (based on market assessment).

For operations under InvestEU Fund, supported through the contribution of the ETS Innovation Fund, eligibility rules and selection criteria shall be in accordance with Article 10a(8) of Directive 2003/87/EC and delegated acts adopted on its basis.

6.2.2.3 General financial products

The support under this window shall offer senior and subordinated financing in the form of debt or guarantees, any other forms of funding including venture debt and leasing or credit enhancement, quasi-equity and equity financing, to facilitate access to finance for RID projects and companies. The financial products may be made available horizontally to the different areas covered by the policy window or can be dedicated to specific priorities under thematic financial products.

Support from general financial products may, *inter alia*, be directed at:

- Research and technology infrastructure: promoted by public or private research organisations (such as research institutes and universities), including the financing of facilities directly related to R&I and digital activity, such as laboratories or High Performance Computing centres.
- Large RID projects: improving access to risk finance for large size RID projects emanating from larger firms; public-private partnerships; and special-purpose vehicles or stand-alone projects.
- Innovative SMEs, small midcaps and mid-caps in order to support RID activities feeding into growth.
- Fast-growing or RID-driven enterprises, research and technology infrastructures, research and innovation investments by public or private research organisations (such as research institutes and universities) located in Member States, which are labelled as Moderate Innovators and Modest Innovators in the European Innovation Scoreboard.

a) For debt financing provided by the implementing partner

The EU guarantee may be provided for the financing and investment operations including in the form of:

- direct debt-subordinated loans, unsecured lending, uncollateralised loans, mezzanine financing, senior loans and credit lines;
- (counter)-guarantees, on-lending guarantees, funded guarantees and other risk sharing arrangements for guarantee schemes implemented by financial intermediaries or implementing partners;
- direct guarantees to and other risk sharing arrangements for financial intermediaries or implementing partners;
- credit enhancement for new investments (to project bonds, bank loans or a combination of the two);
- a direct investment in or alongside a financial intermediary, being it an investment fund, a (co-)investment scheme or a special purpose vehicle which invests directly or indirectly in senior and subordinated debt or hybrid debt-equity.

Through such arrangements, the EU guarantee shall aim to reduce the particular difficulties that viable entities face in accessing finance mainly because of their perceived higher risk or lack of sufficient collateral.

b) For equity financing provided by the implementing partner

Equity and quasi-equity investments shall notably be made as:

- direct equity in final recipients;
- co-investments and co-investment schemes (including investment platforms);
- equity and guarantees to financial intermediaries which invest directly into entities at any stage of their development or guarantees to investors in such financial intermediaries;
- investment and/or risk sharing arrangement in debt fund structures;
- investment in fund-of-funds structures.

6.2.2.4 Thematic financial products

Support from thematic financial products may be targeted at:

- Thematic finance facilities providing debt and/or equity financing to areas such as:
  - Innovative early demonstration projects and digitisation projects of high-risk thematic areas such as low-carbon industry, transport, energy and space;
  - Clinical development, validation and market in the area of infectious diseases, rare and complex diseases, neurodegenerative diseases and others;
  - Sustainable blue economy and the sustainable use of marine resources such as aquaculture and blue biotechnology;
  - Food systems, bio-based systems, and wider bioeconomy; circular economy, nature-based solutions and natural capital;
  - Climate technologies, services and adaptation.

Thematic areas shall be selected based on policy priorities and the assessment referred to under section 2.3.2.2 of these investment guidelines.

- Other risk sharing arrangements such as investment platforms to catalyse third-party financing into specific fields of strategic importance of RID policy in complementarity to and in synergy with investment from the existing national, local and public financing systems.
  - The platforms shall provide access to finance via debt and/or equity products to projects in specific thematic areas and shall be managed by financial intermediaries or fund managers selected through procedures as described in section 2.3.1.
  - The platforms may provide support to the overall digitisation of EU industry and technologies defined in Annex II, point 6, and other eligible areas.
  - The investments shall support technologies, products or business models that face enhanced risk due to their technological innovativeness or because they pursue new markets or significant market disruption.
  - The investments shall target setting-up of early demonstration and industrial production facilities that aim at the implementation of breakthrough, market-creating and highly innovative processes or the production of new products with high market-creating innovation content in the specific area.

6.3 SME window

6.3.1 Policy areas of intervention

Support under the SME window shall facilitate access and availability of finance primarily for SMEs as well as small midcaps and enhance their global competitiveness, at any stage of their development, in particular to those that are perceived high risk and lack sufficient collateral, especially in their early development stages.

The support under this window shall also aim to provide more diversified sources of funding, including subordinated debt, equity and quasi-equity financing, in order to increase the ability of SMEs and small mid-caps to finance their creation, growth, development, and transfer, withstand economic downturns, and for making the economy and the financial system more resilient during economic downturn or shocks. It shall provide support for investment and working capital as well as for risk financing from seed to expansion stages to ensure technological leadership in innovative and sustainable sectors, in particular by targeting SMEs whose activities focus on intangible assets because of research, innovation and digitalisation activities or because of sector specificities such as cultural and creative sector[54]. When necessary it may provide financing for the acquisition of a business or a participation in a business by employees. The eligible areas may be prioritised as described in section 2.3.2.1 of these investment guidelines. Products under the SME window will be developed in accordance with the priorities and areas outlined in ***An SME Strategy for a sustainable and digital Europe***[55].

The support under SME window shall be complementary to the Union initiatives undertaken in the context of the Capital Markets Union.

Support under this window is set to add value by supporting debt financing primarily of SMEs (as well as small midcaps) in any of the following instances:

- In case market failures or sub-optimal investments situations are not adequately addressed (in terms of volumes, coverage or risk appetite or timeframe) through financial instruments set up at regional or national level; this may include setting up schemes providing enhanced effectiveness, efficiency or economies of scale as Member States may be reluctant to create support schemes on their own because of cost efficiency considerations.
- In case of enterprises operating in clearly defined underserved economic sectors (for example in some cases the cultural and creative sectors, including the media sector), thus contributing to the achievement of EU policy priorities.
- In case of need to speed up adjustment of enterprises to clearly identified structural changes thus contributing to the achievement of EU policy priorities.
- In case of financing solutions which help achieve the objectives of the Capital Markets Union, including those which are provided on a cross-border basis.
- Transfer of best practices throughout the Union (which may also include the provision of technical assistance) taking place between financial intermediaries with a view to encourage the emergence of a broad product offering for higher risk SME financing transactions suitable for their specific financing needs.

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[54] As described in Annex II point 8.

[55] COM(2020) 103 of 10 March 2020 ; section 4. Improving access to financing.

In addition, support under this window is set to add policy value by supporting funds providing tailor-made debt financing solutions and equity or quasi-equity financing for SMEs and for small midcaps in any of the following instances:

- Financial intermediaries raise funds or invest or provide finance on a cross-border basis, which supports risk diversification and attracts and crowds-in private capital.
- The investment supports creation of larger funds that have the capacity to realize sufficient returns in order to attract private investors.
- Market failures or sub-optimal investments situations are not adequately addressed (in terms of volumes, coverage of the development stage or timeframe) through financial instruments set up at regional or national level. This may include setting up schemes providing enhanced effectiveness, efficiency or economies of scale, i.e. Member States may be reluctant to create support schemes on their own because of cost efficiency considerations.
- The intervention has demonstration and/or catalytic effects and contributes to EU policy objectives, including those of the Capital Markets Union.
- The intervention increases the availability of market-based and tailor-made funding solutions for SMEs and small mid-caps.
- Transfer of best practices throughout the Union takes place with a view to encouraging the emergence of new fund managers/management teams to broaden and deepen the venture capital market in the EU. This may include support to alternative finance and innovative financing solutions such as crowdfunding, business angels and venture philanthropy.

6.3.2 Features of potential financial products

6.3.2.1 Financial intermediaries to be involved

a) For debt financing:

Any type of financial intermediary, including National Promotional Banks or Institutions and other publicly owned intermediaries, commercial banks, guarantee societies, diversified debt funds providing senior and subordinated financing, and leasing companies, which is targeting to generate new portfolios of higher risk SMEs and/or small mid-caps financing transactions, including tailor-made debt financing transactions targeting underserved economic sectors, in full compliance with applicable national and EU-legislation and with the relevant requirements of the Financial Regulation, may apply.

b) For equity financing:

Established financial intermediaries, or entities to be set-up, including private equity and mezzanine funds, co-investment vehicles, venture debt funds, venture capital funds, business angel funds, crossover funds, that are able to provide equity and quasi-equity financing in areas covered by the SME window in full compliance with applicable national and EU-legislation and with the relevant requirements of the Financial Regulation, may apply.

The managers, advisors or other similar entities of such intermediaries (which shall also include first time managers or advisors) shall demonstrate the capacity and skills to undertake such investments, the ability to fundraise and attract private capital, and the perspective capability to produce returns (including via a sound investment strategy) that would attract more private investments into this asset class.

6.3.2.2 Final recipients targeted

a) For debt financing:

Debt financing support shall be made available through intermediaries or directly by the implementing partner to finance predominantly SMEs as well as small midcaps as defined in the InvestEU Regulation, those which would not receive financing from the market or not receive support to the same extent due to, amongst others, the perceived higher risk, the lack of (sufficient) collateral or because the business is active in a clearly defined underserved economic area or engages in activities of EU policy priorities.

Where justified, more dedicated support may be provided to businesses in a specific sector or engaging in an area of specific policy orientation, including the just transition. In such cases, and for innovative SMEs and small midcaps, clear and unambiguous eligibility criteria will be formulated in the respective financial products. Furthermore, the operational reporting requirements will allow identifying the support provided for such sector or policy orientation.

b) For equity financing:

Under the EU compartment, equity finance support shall be made available through intermediaries (including through co-investment vehicles) to SMEs and small midcaps according to the definitions contained in the InvestEU Regulation, and more specifically to those activities, which would help achieve the EU policy objectives referred to in Article 3 of the InvestEU Regulation.

Targeting may be done on the basis of the fund manager's investment strategy focusing on sectors or activities of EU policy priorities and a company life-cycle basis (on the basis of market assessments).

6.3.2.3 Features to be respected when designing financial products

Financial products shall be complementary to the Member States' use of financial instruments for SMEs at national and regional level in line with the additionality requirements in accordance with Annex V of the InvestEU Regulation.

a) For debt financing provided by the implementing partner

The EU guarantee may be provided for financing and investment operations taking the form of:

- Direct loans by the implementing partner, or
- counter-guarantees, on-lending guarantees and other risk sharing arrangements for guarantee schemes implemented by financial intermediaries or implementing partner, or
- direct guarantees and other risk sharing arrangements for financial intermediaries or implementing partners, or

- a direct investment in or alongside a financial intermediary, being an investment fund, a (co-)investment scheme or a special purpose vehicle which invests directly or indirectly in senior and subordinated debt.

Through such arrangements, the EU guarantee shall aim to reduce the particular difficulties that viable enterprises face in accessing finance because of their perceived higher risk or lack of (sufficient) collateral. This can be achieved through supporting, amongst others, the following transactions:

- start-up financing;
- financing transactions with significantly reduced collateral requirements or with no collateral requirements (unsecured lending);
- subordinated financing;
- financing transactions with repayment modalities or tenures that are not typically provided by financial intermediaries.

Eligibility of the proposal by a financial intermediary for building a portfolio of financing transactions shall be determined for each intermediary and, in case of direct financing, for each implementing partner, in relation to its existing business activities. In principle, the EU guarantee shall lead to the financial intermediary or the implementing partner broadening its business activity by financing transactions that it would not have financed in the absence of the EU guarantee due to the higher risk profile of such a portfolio. If a financial intermediary has already a dedicated higher risk SME financing product in place but its ability to serve market demand is restricted, the EU guarantee may be used to support a significant increase in the volumes of such higher risk SME financing product.

Financing transactions, which can be included in the portfolios, shall include among others investment loans, working capital facilities including revolving ones, trade finance facilities, loans (including those embedded in or linked to a current account), bank guarantees, leasing transactions, sub-ordinated loans, and senior and subordinated debt issuance loans.

b) For equity financing provided by the implementing partner

The EU guarantee shall be used to guarantee investments into intermediary risk capital funds including into fund-of-funds and co-investment vehicles that provide equity-and quasi-equity to SMEs and small midcaps at any stage of their development and into funds providing debt financing to SMEs and small midcaps.

Possible additional product developments:

The SME window shall also be available for the creation of pilot financial products to address market failures and suboptimal investment situations or to crowd-in more private investment, e.g. through providing guarantees for investors. Such pilot schemes, if successful, may subsequently be rolled-out on a fully-fledged basis. In duly justified cases, based on market assessments, these pilot projects may deviate from the conditions set out in this section 6.3.

6.4 Social Investment and Skills window

6.4.1 Policy areas of intervention

Support under the Social Investment and Skills window shall facilitate the deployment of projects strengthening the social dimension of the Union as underscored in the European Pillar of Social Rights. The emphasis under this window is to generate a positive social impact. In particular, actions under this window shall aim at upwards convergence, reducing inequalities, increasing resilience and inclusiveness through promoting employment and skills development including entrepreneurship and self-employment, social enterprises and social economy, social inclusion, improving citizens' health, well-being and overall quality of life boosting education outcomes and skill provisions and supporting a just transition to a low carbon economy. Actions shall also aim to increase access to and the availability of microfinance and of finance to social enterprises, support financing and investment operations related to social investment, competences and skills and develop and consolidate social investment markets, in the areas referred to in point (d) of Article 7(1) and in line with point (d) of Article 3(2) of the InvestEU Regulations. The window shall facilitate development of skills and key competences, matching, deployment and higher skills utilisation through education, training, including on the job training and related activities with a view to achieve the policy objectives set out in the European Skills Agenda[56] and the [Council Recommendation on Vocational Education and Training][57].

The eligible areas for financing and investment operations under the Social Investment and Skills window, are listed in Annex II of the InvestEU Regulation with particular reference to point 12 thereof. The eligible areas may be prioritised as described in section 2.3.2.1 of these investment guidelines.

The Social Investment and Skills window shall support microfinance and social enterprises. In the case of microfinance, a microloan (or microcredit) means a loan of up to EUR 50 000. The provision of investment amounts of up to EUR 500 000 for social enterprises shall in particular be encouraged, while larger amounts of up to EUR 2 000 000 shall also be targeted to foster their expansion and scaling up. Support shall also include measures to promote gender equality and equality on other grounds, social inclusion, the supply of and demand for skills, education, training and related services including for the development of sustainable social infrastructure in urban as well as rural areas. The window shall also support social infrastructure (including health and educational infrastructure as well as social and student housing), projects involving social innovation, health services, ageing and long-term care, access to prevention, innovative treatments and e-health options, inclusion and accessibility, as well as cultural and creative activities with a social goal.

The window shall also focus on the provision of sustainable and ethical finance to final recipients facing restrictions or barriers affecting their human rights and fundamental freedoms. The window shall in particular target projects that involve a reasonable degree of (prospective) financial viability but that are not delivered or not to a sufficient extent by the market due to higher risks, lack of collateral, not achieving optimal scale without public sector support or other market barriers. The supported projects shall contribute to crowd-in private investment to satisfy unmet needs.

[56] OJ reference if needed

[57] OJ reference

Financing and investment operations aim at the provision of **social infrastructure** and connected services that may pertain to:

- inclusive education and training, including early childhood education and care, and their related educational infrastructure and services, alternative and inclusive childcare, student housing and digital equipment, that are accessible for all, promotion of digital proficiency from early education years, universal deployment of and access to ICTs in all education and training institutions and remote access and distance learning tools and platforms;
- affordable social housing;
- health and long-term care, including clinics, hospitals, primary care, home services and community-based care;
- health infrastructure projects that contribute to the development of strategic and geographically balanced network of modernised, digitalised and resilient prevention and healthcare infrastructure, capable of ensuring universal access to critical healthcare infrastructure and services across the EU. Supported projects may also address specific urgent healthcare and emergency response[58] needs through development of mobile and field medical stations or medical transport;
- enabling social services delivered at community level and, where feasible, in an integrated way.

Compliance with the relevant EU, national, or regional social legislation, as applicable, is a requisite for operations' support under InvestEU. Where applicable the services provided from the supported projects shall be delivered at the community-based local level. Regarding infrastructure in the health area, the focus shall be on developing models moving from institutional care to prevention, primary care and community-based care and services supporting integrated person-centred care and independent living, fully in line with the UN Convention on the Rights of Persons with Disabilities.

Regarding investments in the affordable social housing, particular focus shall be on delivering housing solutions that pursue the objective of lifting people from social exclusion in complementarity with national or regional support schemes, as applicable. For the purpose of investments supported by InvestEU, affordable social housing[59] should be understood as aimed at disadvantaged persons or socially less advantaged groups,[60] who due to income or social constraints live in severe housing deprivation or are unable to obtain housing at market

[58] As referred (but not limited) in the *Overview of Natural and Man-Made Disasters and Risks the European Union* https://op.europa.eu/en/publication-detail/-/publication/285d038f-b543-11e7-837e-01aa75ed71a1

[59] Affordable social housing projects may consist in operations such as:

a) Provision of new, non-segregated and accessible rental social housing stock through one or several of these actions:
   - construction of new buildings;
   - refurbishment or transformation of existing buildings;
   - sourcing of individual housing units from the private housing market (through purchase or mediation);

b) Set-up of a social rental agency;

c) Provision of housing-led solutions, combining the provision of rental housing units with enabling support services of proximity (i.e. delivered on-site or made easily accessible);

d) Adapting existing social housing stock to fit the needs of persons with disabilities, including owner-occupied housing;

e) Targeted support for marginalised communities that experience severe deprivation in their current housing conditions, including owner-occupied housing.

[60] As defined at the national, regional or local level, as applicable, and/or by economic and social contexts.

conditions. When targeting people falling under the ETHOS definition of homelessness and housing exclusion, social housing provision shall follow a housing-led approach. The infrastructure and services should respect the applicable quality standards and UN conventions and shall not lead to segregation or isolation of specific groups.

In addition to financing solutions provided by traditional financial intermediaries, the provision of in-kind services may also qualify organisations, such as education and training institutions, or health and social service and care providers, to benefit indirectly from the EU guarantee through an implementing partner.

The window shall put special emphasis on the inclusiveness of **persons in vulnerable situations** and their access to quality services also for inclusion and **accessibility for persons with disabilities and for ageing population**.

Support under this window shall also support the provision of inclusive **education, training, vocational training and related services,** covering both initial and continuing education and training, including for adults, as well as organisational and process innovation, including new and innovative business models, innovative health solutions, such as e-health services and new care models. Support shall aim at promoting **gender equality** and equality on other grounds, broadening self-employment and social integration of persons in vulnerable situations including **third-country nationals**.

Special attention shall be paid to **social enterprises** and the activities they carry out such as scaling initiatives, fostering the development of digital and entrepreneurial skills for disadvantaged groups to address gender and other diversity gaps in these areas. Support under this window shall address EU-wide market failures in social enterprise and social impact financing, microfinance, health, ageing, education and housing funding gaps and innovation through bringing about stronger EU intervention and more efficient market testing aimed at enhancing the social dimension of Europe.

The window shall support the **demand for and supply of skills**, addressing skills deficiencies or improving the skills utilisation by final recipients and fostering skills-investment markets.

Advisory support may also contribute to exploring new ways for the provision of social services as well as, in general helping to develop the supply of and demand for skills in line with the provision of the InvestEU regulation.

With regard to **microfinance**, the policy objective is to promote quality, sustainable employment and social inclusion by supporting job creation and income-generating activities, in particular for persons in vulnerable situations who wish to start up or develop a micro-enterprise, including on a self-employed basis. In addition, financial intermediaries active in the microfinance space shall ensure the provision, directly or indirectly, of non-financial services such as business development services (mentoring, coaching and training) which are an integral part of microfinance. Conditions such as the cost of borrowing (including the lending rate) and collateral requirements for microfinance directly or indirectly supported in the framework of InvestEU shall reflect the benefit derived by the support and shall be justifiable with regard to underlying risks and the actual cost of funding related to a credit.

As a pre-condition for accessing InvestEU Fund support, financial intermediaries providing microfinance shall sign up to (in the case of non-banks) or endorse (in the case of banks) the **European Code of Good Conduct for Microcredit Provision** to ensure high ethical lending standards in terms of, *inter alia*, governance, management and customer protection. Financial intermediaries shall seek to prevent persons and undertakings from becoming over-indebted by, *inter alia*, taking into account their repayment capacity ensuring affordable cost of borrowing.

Support under this window shall be in line with the objectives under the ESF+, including in its proposed operational objectives to support the development of the market eco-system related to the provision of finance for social enterprises and microfinance for micro-enterprises in start-up and development phases, in particular those that employ persons in vulnerable situations. The Commission, under the ESF+, will also provide guidance for the development of social infrastructure (including housing and for health, childcare, long-term care and education and training) needed for the implementation of the European Pillar of Social Rights. However, participation in ESF+ is not a pre-condition to access InvestEU support.

Support under the window shall also be addressed at **social innovation**, which may include innovative social solutions and schemes aiming at promoting **social impacts and outcomes** in order to contribute to achieve the policy objectives of this window.

In pursuing these objectives, the **combination of InvestEU Fund support with contributions from donors, philanthropists, foundations and other private sector actors** shall be encouraged. InvestEU Fund shall seek to strengthen private sector engagement to help deliver on the European Pillar of Social Rights, supporting, *inter alia*, quality employment, inclusive education and training, health, social inclusion and active participation in society as well as accessibility and disability inclusiveness. Private sector actors will have the possibility to contribute to the objectives of the Social Investment and Skills window either through direct contributions (donations, repayable and non-repayable forms of support) to and/or co-investments into the projects or financial intermediaries supported indirectly by the InvestEU Fund.

Likewise, **grouping of smaller projects** shall be encouraged, as many projects in the social space are rather small to attract interest from private investors or to make a more efficient use of public money. For example, reforms in the social policy area can entail implementation of social infrastructure and services, such as for new healthcare models, in several locations in the jurisdiction of a national or regional authority through a number of small-sized projects. Grouping small projects in a single investment proposition may be necessary to raise interest from investors. Grouping may involve:

- Grouping small social infrastructure or technology or social service projects into a single investment proposition that involves a number of sub-projects in different locations.
- Grouping investments needs for social infrastructure, technology and social services in a single project or investment proposition. Such grouping may require blending of financing sources or instruments.
- Grouping investments needs for social infrastructure and services into a larger investment vehicle for urban or rural renewal or development, aimed at social inclusion or under “civic match-funding” schemes.

The actions described above may be complemented by **accompanying measures** which aim to help project promoters and financial intermediaries in order to develop skills for configuring investment strategies, blending or hybrid financing, planning and grouping projects; support the development of social innovators, social enterprises, social impact investors, and philanthropists, including venture philanthropists, and create a pan-European network of social impact and social innovation relay and coaching centres, innovative education and training services, such as providers of guidance, skills forecasting, skills assessments and validation services or services helping to match the demand for and supply of skills as well as education-business partnerships and centres of excellence, including centres of vocational excellence.

The above actions may be complemented by gathering EU-wide data on the market failures or sub-optimal investment situations in the policy areas linked to the social investment and skills window and making it publicly available.

6.4.1.1 [Strategic investments under Social Investment and Skills window]

[Support to the **education and training** shall in particular target projects contributing to the digitalisation of the European education and training systems, including promoting digital proficiency from early education years, universal deployment of and access to ICTs in the all education and training institutions and remote access and distance learning tools and platforms. Supported actions should also target other digitisation programmes, aimed at life-long and inclusive access and support in digital skills and solutions for all social groups and ages. Support to education and training to develop new and strengthen established skills that would ensure the effective functioning of the other strategic and critical activities.]

6.4.2 Features of potential financial products

6.4.2.1 Financial intermediaries to be involved

a) For debt financing:

Financial intermediaries, including National Promotional Banks and Institutions, commercial banks, guarantee societies and institutions, diversified debt funds providing senior and subordinated financing, microfinance institutions, leasing companies, crowd-lending and crowd-equity platforms, special-purpose vehicles, match-funding vehicles, co-investment funds or schemes, non-banking financial institutions including loan funds, patient capital providers such as cooperatives, credit unions, insurance companies, pension funds, Private Equity/Business Angel funds, funds-of-funds.

Social investment market enablers (including investment readiness and capacity-building intermediaries active in the micro-finance and social enterprise finance space, FinTech companies, higher education instiutions, universities, research centres and EIT Knowledge and Innovation Communities, foundations, crowdfunding platforms, and vocational education and training institutions, including centres of vocational excellence and education-business partnerships) may also be eligible. Other groups of investors including corporate investors, social impact investors, (social) business angels, educational entrepreneurs (e.g. MOOCs), venture philanthropists and philanthropists.

Other publicly-owned intermediaries and those operating in social infrastructure, social enterprise finance and social economy space (such as ethical or alternative banks, cooperative banks), which are able to provide financing in the eligible areas covered by the Social Investment and Skills window in full compliance with applicable national and EU-legislation and with the relevant requirements of the Financial Regulation, may apply.

The potential public financial intermediaries referred in these guidelines may also play a role in combining InvestEU Fund support with other central EU funding programmes and funds under shared management.

b) For equity financing:

Financial intermediaries may include, amongst others, National Promotional Banks and Institutions, commercial banks, guarantee societies and institutions, loan funds, debt funds, pension funds, microfinance institutions, leasing companies, crowd-lending and crowd-equity platforms, special-purpose vehicles, match-funding vehicles, co-investment funds or schemes.

Eligible financial intermediaries for equity financing may also include non-banking financial institutions including patient capital providers such as cooperatives, credit unions, insurance companies as well as entities to be incorporated, funds-of-funds, private equity funds, venture capital funds, business angel funds, technology transfer funds, co-investment funds or schemes, venture debt funds, other arrangements or schemes that provide investments in equity, quasi-equity, hybrid debt-equity and other forms of mezzanine finance.

Social investment market enablers (including investment readiness and capacity-building intermediaries active in the micro-finance and social enterprise finance space, FinTech companies, higher education instiutions, universities, research centres and EIT Knowledge and Innovation Communities, foundations, crowdfunding platforms, and vocational education and training institutions, including centres of vocational excellence and education-business partnerships) may also be eligible. Other groups of investors including corporate investors, social impact investors, (social) business angels, educational entrepreneurs (e.g. MOOCs), venture philanthropists and philanthropists can act as financial intermediaries in full compliance with applicable national and EU-legislation when they are able to generate projects or investment portfolios in the areas covered by the social investments and skills window.

The managers of financial intermediaries (including first time managers or advisors) shall demonstrate the capacity and experience to undertake such investments in the area under the Social Investment and Skills window as well as the ability to fundraise, attract private capital, and the prospective capability to become financially viable (including via a sound investment strategy), in order to attract more private investments into the specific asset class.

6.4.2.2 Final recipients targeted

The focus of the Social Investment and Skills window is to support interventions in various policy areas; hence a wide range of final recipients will be targeted. These may include:

- Natural persons:
    - Persons in vulnerable situations (such as persons experiencing or at risk of social exclusion, including persons who are homeless or who live in severe housing deprivation, persons who have lost or are at risk of losing their job, or have difficulties entering or re-entering labour market, persons from minority groups, third country nationals, persons in a disadvantaged position with regards to access to the conventional credit market who wish to start up or develop their own micro-enterprises);
    - children, parents, teachers and school administrators;
    - potential or current students and learners (including adult learners).
- Enterprises:
    - micro-enterprises, including self-employed, especially micro-enterprises which employ vulnerable persons;
    - social enterprises;

- public enterprises;
- SMEs;
- Other private sector companies.

- education, training and related service providers, including European Universities, schools, education and training institutions, including centres of vocational excellence and providers of early childhood education and care;
- special-purpose vehicles;
- associations, foundations, mutuals and cooperatives;
- non-governmental organisations;
- public authorities;
- health authorities, health service providers, social services providers, technology providers, healthcare professionals, patients, citizens;
- In the field of social infrastructure, the targeted final recipients may be project promoters, public enterprises, operators of buildings/facility managers, social housing providers, public-private partnerships.

Investment and financing operations shall also support projects from private and public sector organizations active in the social investment space or in need of such investment.

Such organizations include, among others, SMEs, large corporations, cooperatives, foundations, venture philanthropists, impact-driven enterprises, education and training institutions and providers, triple bottom line ventures, local and municipal authorities.

Their activities cover different sectors and sub-sectors, including *inter alia* smart and inclusive mobility, urban renewal, rural socio-economic revitalizing community building and intergenerational solidarity, inclusive communities, homelessness, integration of persons in vulnerable situations including people with disabilities, mental health difficulties and dementia, community development, integration of third country nationals addressing demographic and migratory challenges and integrating new populations, and digital inclusiveness and entrepreneurial skills.

6.4.2.3 General financial products

Support from the InvestEU Fund will be underpinned by a single EU budgetary guarantee covering financial products that address a diversified portfolio of risks. This may include, among others bank guarantees, loans, equity, mezzanine debt, dedicated funds and investment platforms (which may have a layered structure of FLP, mezzanine tranche and senior debt), investment support into social outcomes contracting schemes and partnerships, working capital, support to the acquisition of tangible and intangible assets, leasing transactions. Financing transactions shall have a minimum maturity of 12 months, however for specific segments with typical maturity shorter than average, e.g. microfinance, minimum maturity can be reduced to up to 3 months. Special emphasis shall be given to the provision of patient capital foregoing immediate returns with the expectation of long-term value creation.

This may be done, *inter alia*, through dedicated investment vehicles, which may provide loans, equity capital, hybrid capital and risk-sharing instruments for intermediaries or direct financing to final recipients.

Guarantees will enable the implementing partners and intermediaries to target final recipients identified in section 6.4.2.2 at improved financial and non-financial conditions than they would have without the guarantee, thereby passing on the benefit arising from the EU intervention. The reduction of the risk premium charged to the final recipients may be in particular considered for InvestEU Fund-supported operations under this window. In addition, in line with the risk profile of the assets (often of intangible nature) under the Social Investment and Skills window FLP coverage by the guarantee shall be possible.

Pilot social outcome contracting schemes may be supported, including investments in payment-by-result schemes and social impact bonds in specific areas, in which public procuring bodies (or also private bodies) pursue social impacts based on pre-defined social outcomes, if they result in additionality in accordance with Annex V of the InvestEU Regulation. They shall entail private sector risk taking and shall not fall within the scope of essential social services for which public authorities would have to step in in the event of failure. As long as this is respected, possible areas of intervention may include access to education, housing, health and care, migration and integration of third country nationals, childcare, employment services, and skills upgrading.

a) For debt financing provided by the implementing partner

Debt instruments supported by the EU guarantee through implementing partners and financial intermediaries shall predominantly target projects that experience difficulties obtaining debt finance on the market due to *inter alia* the lack of collateral, credit history or a high-risk profile or low expected returns.

The EU guarantee may be provided for the financing and investment operations in the form of:

- direct debt-subordinated loans, unsecured lending, uncollateralised loans, corporate loans, mezzanine investments, senior loans and credit lines;
- credit enhancement for new investments (to project bonds, bank loans or a combination of the two) and loans for social and educational infrastructure projects, corporate loans, or senior debt and subordinated loans to special-purpose vehicles and PPP structures (in project financing schemes);
- intermediate debt including framework loans disbursed through financial intermediaries and involving multiple final recipients.
- (counter)-guarantees, on-lending guarantees, funded guarantees and other risk sharing arrangements for schemes implemented by financial intermediaries or implementing partners;
- direct guarantees and other risk sharing arrangements for financial intermediaries or implementing partners;
- guarantee products covering newly originated loans which may, subject to applicable regulations and to the consent of the relevant national regulators if applicable, provide regulatory capital relief for financial intermediaries;
- targeted guarantee mechanisms that may be devised to enable and support social investments from the endowment base of foundations and philanthropic organisations, contributing to reduce the risk of such investments and to pursue a certain level of returns. The above shall typically be linked to the commitment that returns generated on the side of investors from the use of the guarantee would be spent on grants and non-repayable assistance aligned with InvestEU priority funding areas.

b) For equity financing provided by the implementing partner

Equity financing shall be used to reach critical mass and give the flexibility in funding structures typically associated with bank lending. Equity operations can attract a range of patient capital, used in the pre-bankable- stages of business start-ups in all sectors, allow social enterprises to move gradually away from a grant-based funding approach and enhance their innovation and growth potential.

Potential equity products that may be covered by the EU guarantee include:

- **(In)direct equity and quasi-equity investments,** hybrid debt-equity and other forms of mezzanine finance in private or public equity funds, private debt funds, venture capital funds, financial intermediaries such as microfinance institutions and social finance providers e.g. for capacity building purposes, funds linked to incubators, accelerators or providing incubation services to social enterprises and social innovators, including innovative education, training and related services providers, or alongside co-investments with social business angels venture philanthropist and certain innovative financial solutions may potentially be considered, including the departure from the traditional *pari passu* principle towards an asymmetric model of risk and return sharing distribution in certain special circumstances;
- **Direct equity participations**, shareholder equity, convertible shareholder loans and combinations of different types of equity participations issued to the investors. The possibility to allow for asymmetric returns and risk-sharing shall also be considered;
- Open equity participations, dormant holdings, shareholder loans and combinations of different types of equity participations issued to the investors as well as donations, including advanced repayable and non-repayable forms of support. Those products shall not involve voting or management rights for the investors (including co-investors).

The implementing partners benefitting from the EU guarantee should rank at least *pari passu* with other investors. However, under the Social Investment and Skills window, when duly justified, the *pari passu* principle may not apply i.e. the investments of implementing partners which are benefitting from the EU guarantee may be in a sub-ordinated position as well as asymmetric with regard to risk and revenues in the waterfall.

The pool of investors willing to invest in the social instruments is currently limited given the return and risk perceptions. In particular, programme implementation shall not aim at return maximization, but rather at a level of return that is sufficient to guarantee **alignment of incentives and investor participation**. Given that the emphasis shall be on generating a social return rather than a financial return, the target portfolio return for an operation may be as low as 0%.

6.4.2.4 Thematic financial products

Such products may be directed at the creation of pilot financial products and platforms to address market failures and suboptimal investment situations, or to accelerate the development of the social investments market or to crowd-in more private investment and contribute to tailored finance solutions for social impact[61].

[61] e.g. through providing guarantees for investors, establish acceleration facilities for social impact vehicle managers, or devise social impact incentive mechanisms for social enterprises).

6.5 [Strategic European Investment window]

[A financing or investment operation under InvestEU may contribute to the strategic resilience of the Union economy under this window. Such operations will be considered as strategic investments if they:

i. concern projects or final recipients associated with risks to security or public order, including investments in space, defence and cybersecurity, with actual and direct security implications to the Union and its Member States; or

ii. contribute to the resilience of the Union in areas of strategic importance to the Union, as defined in section 6.5.1, by upholding and strengthening its strategic value chains and maintaining and reinforcing activities of strategic importance to the Union in the area of, *inter alia*, critical infrastructure, transformative technologies, game-changing innovations and inputs to businesses and consumers.

Final recipients involved in strategic investments referred to in points (i) and (ii) shall be established in a Member State and operate in the Union.

For financing and investment operations referred to in point (i), the final recipient shall not be controlled by a third country or third country entities and shall have its executive management in the Union with a view to protect the security of the Union and its Member States.

Where necessary, the Steering Board may decide to extend these safeguards to final recipients in other areas, and to the control of financial intermediaries, in the light of any applicable public order or security considerations. These safeguards have to be in conformity with the Union's and Member States' international commitments, notably Article XIV and XIV*bis* of the General Agreement on Trade in Services (GATS).

Final recipients involved in financing and investment operations referred to in point (i) shall be subject to the following limitations with respect to transfer and licensing of intellectual property rights to critical technologies and technologies instrumental to safeguarding the essential security interest of the Union and its Member States:

- [prohibition to exclusive, and where appropriate non-exclusive, license or transfer to third countries or third country entities of intellectual property rights resulting from financing and investment operations supported by InvestEU[62]]

6.5.1 Policy areas of intervention

Strategic investment in **critical infrastructure** may target projects contributing to the stability, operational security and resilience of the critical infrastructure parts, whether physical or virtual, or supply chains to the critical infrastructure, or directly to the critical elements of infrastructure, in particular in view of the EU green and digital transition.

Supported operations may also target companies, including SMEs, producing goods and services instrumental to the operation and maintenance of any of the critical infrastructure priorities as listed under this section 6.1.1.8.

Investment operations concerning **critical infrastructure** may target operations defined as European Critical Infrastructures in line with Directive 2008/114/EC as selected by Member

[62] The imposition of any such condition shall be in full compliance with international obligations such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and similar provisions in Free Trade Agreements.

States stipulated in Article 3. Support may target supply chains for clean energy, namely manufacturing capacity of equipment for renewable energy technologies (such as solar PV, wind energy, hydropower, etc.).

Operations supported may also target **supply chains for the European aviation, rail, inland waterways transport and maritime shipping**, including supporting investment into integration of modes, production capacities and supply chains.

For **digital infrastructure**, strategic investments are those closely linked to the objectives of resilient and secure provision of digital communication services, including critical elements of very-high capacity connectivity and 5G networks, quantum communication, internet of things, online service platforms, secure cloud computing, data processing and storage, as well as to the underlying value chains behind these infrastructures and services. Given the various architectures and constantly evolving technological solutions, including those relevant for cybersecurity[63], it is necessary to screen the evolving needs of the digital transition and relevant security and technological autonomy and resilience dimensions of such transition related to the data transfers, use and storage.

Investments in **communication and media infrastructure** are also considered strategic to the extent that they contribute to independent European content production in line with the objective to protect the EU democratic values and sovereignty of Member States in the digital age, as well as production, intellectual property protection and monetisation of European content globally.

Support to projects related to **electoral infrastructure and sensitive facilities** shall have as the main objective their reinforced security, resilience and protection against malicious and disruptive action, including in particular disinformation, data theft, and cyberattacks.

Projects related to **critical infrastructure for space** shall support the update of existing Union Space Programme components and development of new EU space infrastructure and services. In particular, it shall target: (i) autonomous, reliable and cost-effective access to and use of space enabled by European launchers, including innovative concepts such as re-usability, advanced manufacturing, new space transportation systems; (ii) space surveillance and protection of assets, (iii) satellite communication and connectivity, (iv) other evolving needs.

Operations supported shall also target the resilience and competitiveness of space systems and technologies, addressing the vulnerability of the value chains.

Support to **defence industry infrastructure** may include the upgrade of existing or the installation of new infrastructures needed to support from a technological and industrial perspective the life cycle of defence technologies and products or training facilities. These infrastructures refer not only to the traditional air, land and sea domains, but also to emerging ones such as information, space and cyber. They can be used also for the R&D, demonstration, testing and certification of defence systems or technologies, including developed in the context of the European Defence Fund, as well as dual-use systems and technologies. Such infrastructures shall be provided at fair costs for relevant users across the Union. Multinational projects open to users from other EU Member States should be supported. Support shall also target projects oriented to implement pan-European digital and cyber capacities and infrastructure related, for instance, to virtual engineering development environments, digital test beds and labs, new collaborative combat environment, supercomputing, artificial

[63] Cybersecurity risks are to be assessed following the relevant EU and national law and guidance, including the 5G Security Toolbox.

intelligence and related advance digital skills for defence (e.g. digital shipyard; digital model, or twin, of military systems).

Investment in **manufacturing facilities for mass production of ICT components and devices** which contribute to the innovation, resilience and autonomy of European ICT industry and its sub-sectors and value chains may be supported. Such projects may relate to any of the following ICT manufacturing domains: electronic components (semiconductors and microprocessors), computers and peripheral equipment, communication equipment, consumer electronics, magnetic and optical media, electronic and telecommunications equipment and parts, software, programming, data processing, hosting and related activities and others.

Investments in operations with high perceived risk or capital intensity requirements targeting **rapid response to urgent EU healthcare needs and solutions** of high public interest such as manufacturing, provision and stockpiling of critical vaccines, medicines, devices, personal protective equipment.

In the area of **Critical Raw Materials** (CRMs) supported investments may include projects and beneficiaries contributing to increased EU autonomy and resilience in industrial ecosystems for e-mobility, batteries, renewable energies, pharmaceuticals, digital applications and defence. CRM linked priority investment areas may include: magnet development, recovery of rare earths from used magnets, rare earth refining, primary ores and recycled mining waste (bauxite, iron ore, coal waste). Other CRM needs may emerge in future.

In order to ensure a **safe and sustainable food supply**, relevant investments for example into transport, logistics, decentralized food chain infrastructure and the setting up of clusters in the area of food supply may be supported.

Strategic investments in research, innovation and digitisation may support **industrial deployment of demonstrated EU made technologies, foster their markets and promote the EU industry as a global frontrunner** in line with the objectives of the New Industrial Strategy for Europe[64] and underlying sector specific strategies, including the digital strategy Shaping Europe's Digital Future[65], the White Paper on Artificial Intelligence[66], the European Data strategy[67] and the European Vaccines Strategy[68]. They shall target the industrial upscaling and manufacturing of these enabling, transformative, green and digital technologies and innovations in the sectors covered by the RID window past the stage of research, innovation and demonstration.

Supported operations shall also target **unmet long-term EU healthcare investment needs** such as financing testing and production of vaccines and treatments and increased resilience and competitiveness of the EU pharmaceutical industry as a whole, including production of chemicals and active pharmaceutical ingredients.

For defence, technology related and/or productive investment (e.g. modernisation, digitisation and extension of existing or the establishment of new production capacities) projects may be related to strategic areas, where investments will contribute to the technological and industrial autonomy of the Union's defence industry thereby contributing to the Union's strategic autonomy and resilience. The development of critical and disruptive defence technologies by innovative companies can be supported. Investments can also help successfully bringing key

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[64] COM(2020) 102 final

[65] COM(2020) 64 final, Shaping Europe's digital future

[66] COM(2020) 65 final, White Paper On Artificial Intelligence - A European approach to excellence and trust

[67] COM(2020) 66 final, A European strategy for data

[68] COM(2020) 245 final

projects for which the R&D phase has already been supported for instance under the EDF and its pre-cursor programmes in the post-R&D phases or support the supply chains involved in such projects.

Projects can also relate to safeguarding and developing of critical capabilities in the EU defence supply chains in relation to strategic areas and to the reduction of dependence on third countries.

Support to the **education and training** shall in particular target projects contributing to the digitalisation of the European education and training systems, including promoting digital proficiency from early education years, universal deployment of and access to ICTs in the all education and training institutions and remote access and distance learning tools and platforms. Supported actions should also target other digitisation programmes, aimed at life-long and inclusive access and support in digital skills and solutions for all social groups and ages. Support to education and training to develop new and strengthen established skills that would ensure the effective functioning of the other strategic and critical activities.]