



EUROPEAN INVESTMENT BANK

European Fund for Strategic Investments

**RATIONALES FOR THE DECISIONS TAKEN BY
THE EFSI INVESTMENT COMMITTEE IN MAY AND APRIL 2020**

EFSI Investment Committee
11th May 2020

Those attending

Chairman:

Mr. Wilhelm MOLTERER, Managing Director
Ms. Iliyana TSANOVA, Deputy Managing Director

Members:

Mr. Gordon BAJNAI
Mr. Thierry Deau
Ms. Dalia DUBOVSKA
Ms. Vicky D. KEFALAS
Ms. Andreja KODRIN
Mr. Fabio PAMMOLLI
Ms. Nieves RODRIGUEZ VARELA
Mr. Manfred SCHEPERS

Experts:

Mr. Marcus SCHLUECHTER, Advisor to the Managing Director
Mr. Juan Jose FEBLES, Advisor to the Deputy Managing Director

EFSI Secretariat:

Ms. Emilie BOIS-WILLAERT, Head of EFSI Secretariat
Mr. Renko WOUTERS, Corporate Secretariat Officer

Rationales for the decisions taken by the Investment Committee in May and April 2020

This document should be read in conjunction with the document: Decisions taken by the EFSI Investment Committee in May and April 2020.

In accordance with article 7.12 of Regulation (EU) 2017/2396, the rationales for the decisions taken by the Investment Committee to approve the use of the EU guarantee for EIB operations are made publicly available, except for projects subject to a confidentiality agreement between the EIB and the promoters. The publication shall not contain commercially sensitive information.

In line with article 30 of the EFSI Agreement and the Transparency Policy of the Bank, the rationales of the Investment Committee decisions for such projects will be disclosed at a later stage by including them in a list of the rationales of Investment Committee decisions taken throughout the year, which is published, in general, twice a year. This is after the projects have been signed or if these projects are not subject to a confidentiality agreement between the EIB and the promoters anymore.

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The rationales of the Investment Committee to approve the availability of the EU guarantee for the following EIB operations in April 2020 are as follow:

CHASSIS & BIW & MECHANISMS RDI (Germany, Spain, Sweden, France)

The IC approved the use of the EFSI guarantee for a project that concerns investments in research, development and innovation (RDI) in the field of metal transformation technologies for automotive applications. The project activities aim at further reducing vehicle weight (contributing to lower fuel consumption and emissions), improve vehicle safety, while enhancing manufacturing productivity and reducing average production cost for conventional and electric vehicles. The operation is in line with the EFSI objective of supporting RDI and in line with the Horizon 2020 programme. Up to 35% of the operation is expected to contribute to the EIB Climate Action objective.

The automotive industry is currently facing the double challenge of (i) high RDI spending on connected, autonomous, shared, electric vehicles, and (ii) of stagnation in key markets globally. Automotive suppliers are required to commit, simultaneously, high and inflexible investments on multiple technologies, but with increased demands from the OEMs on a higher degree of flexibility, increased price competitiveness, broader offer of materials, processes and product solutions as well as an international manufacturing footprint. All of which require continuous heavy and increased investments that contribute to the commercial lenders' lower appetite to finance such investments. The project is classified under the EIB Special Activities category. The financing provided is expected to result in a quality stamp on the operation, thus increasing commercial banks' confidence in the promoter's long-term sustainability and its RDI strategy. The operation is awaited to receive EU and national grants financing. The project's RDI activities will be implemented in four EU countries.

SMART INNOVATION 2 (Spain, Germany, Denmark)

The IC approved the use of the EFSI guarantee for supporting the investments in research, development and innovation (RDI) of a Spanish IT engineering services and solutions provider, to be implemented in a diversified array of industries, in particular

telecommunications, retail, industrial applications and health, including end-user oriented services, such as smart homes solutions. The project is in line with the EFSI objective of supporting RDI, development and deployment of information and communication technologies, and thereby contributing to the targets of the Europe 2020 Strategy. The operation partly supports the Cohesion objectives by circa 13% of the investments.

The RDI activities supported by this project will generate significant positive knowledge, technology and environmental externalities, through the creation of innovative processes and products, and through skills development and upgrading. The promoter's business environment is characterised by fast moving, highly competitive cyclical markets, with high fragmentation and low entry barriers at the local level. The promoter has a short track record of operating independently, and as such is more severely affected by a lack of long-term financing for RDI than bigger and established players. The project is classified under the EIB Special Activities category. The EIB would not be able to provide such type of unsecured long-term financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI. The financing provided is expected to result in a quality stamp on the operation, increasing commercial banks' confidence in the promoter's long-term sustainability and its future research and development plans. The project's RDI activities will be implemented in three EU countries.

S6 TRI-CITY RING ROAD PPP (Poland)

The Investment Committee approved the availability of the EFSI guarantee for the proposed financing [...] for investments into road infrastructure on the comprehensive TEN-T Network. While fully implemented in the Pomorskie Cohesion region, the project has an important supra-regional and cross-border linking effect, addressing a bottleneck connecting to the Baltic-Adriatic TEN-T corridor. The investments are expected to lead to significant travel time reductions across the wider road network and associated CO2 emissions savings of 3,320t/annum.

The project is a pilot in the country for the procurement of transport infrastructure using an availability based PPP model (Design, Build, Finance, Maintain) with a lifetime of 30 years and in which the private sector is bearing underlying project risks. As such, it is a showcase for the use of private sector financing for infrastructure investments also in Cohesion regions, lessening the dependency of investment projects on public grants.

The Investment Committee highlighted the impact of improved road infrastructure for the development of tourism as an important economic factor in the Region.

It welcomed the early participation of EIB with EFSI support and the close cooperation with the public promoter, providing in principle financing to qualifying bidders and facilitate a competitive and efficient bidding process. Given the pilot nature of the project for infrastructure financing in the country, and the need for very long term financing in local currency, EIB's support in principle for all qualified bidders is expected to be catalytical to crowd-in sufficient private and public financing for a successful closing of the project.

The proposal falls under the Special Activities classification of the Bank's Statute, which is a strong indicator of Additionality as per the EFSI Regulation.

ENHANCED BELGIUM COVID19 AND CLIMATE SUPPORT (Belgium)

The Investment Committee approved the use of the EFSI guarantee for a proposal focused in supporting new lending activities, mainly in favour of small and medium-sized enterprises (SMEs) and Mid-Caps, in Belgium. The operation is a response to the persistent suboptimal investment environment of the smaller companies, which

additionally are expected to be further affected by the economic downturn triggered by the Covid19. The operation contributes to the EFSI objective of supporting SMEs and Midcaps, by enabling additional risk-bearing capacity of the promoter and increasing access to finance for this market segment. Circa 15% of the operation is expected to contribute to EIB's Climate Action objective.

The proposed participation in the mezzanine tranche of a securitisation of an existing granular portfolio of loans SMEs and MidCaps will entail a high catalytic effect, as the promoter will contractually commit to create a new portfolio of loans mainly to eligible SMEs and MidCaps totaling an amount of four times the guarantee amount. The operation is therefore expected to release significant additional private sector financing, as it enables the promoter to increase its own financing capacity to SMEs and Midcaps, which will in turn invest further own resources for necessary investments in their businesses. The risk profile of the EFSI intervention is Special Activity in line with the EIB's Statute, which is a strong indicator of Additionality in the EFSI Regulation. The EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI. It will be the first EFSI transaction of the EIB with this counterpart.

ALBA LEASING VI LOAN FOR SME AND MIDCAPS (Italy)

The Investment Committee approved the use of the EFSI guarantee for the proposed participation lower mezzanine tranche of true sale market securitisation of SME and MidCap leases.

The proposed EFSI intervention combined with parallel senior engagement on EIB's own risk is expected to directly support more than 3,000 entities with up to 315,000 employees. It results in increased access to finance to eligible beneficiaries via a contractual minimum requirement of at least 18x the amount of the EFSI intervention, and crowd-in funding from private and public investors in an amount at least matching the EIB intervention.

The Investment Committee acknowledged the importance of the proposal in the context of the EIB Group's response to the economic impact of the COVID-19 crisis, particularly for small and medium sized entities.

The risk profile of the EFSI intervention is Special Activity in line with the EIB's Statute, which is a strong indicator of Additionality in the EFSI Regulation.

Wilhelm MOLTERER
Managing Director