



European Scale-up Action for Risk capital (“ESCALAR”)  
supporting the  
European Union’s high growth SMEs and Small Mid-Caps

CALL FOR EXPRESSION OF INTEREST  
TO SELECT FINANCIAL INTERMEDIARIES

Published on 8<sup>th</sup> April 2020 and closing on 30<sup>th</sup> June 2020

The objective of this Call for Expression of Interest (the “**Call**”), launched by the European Investment Fund (the “**EIF**”) in cooperation with the European Commission (the “**EC**”), is to select eligible financial intermediaries to become ESCALAR Financial Intermediaries under the framework of the **European Scale-up Action for Risk capital Programme (“ESCALAR Programme”)** supported by the European Union through the European Fund For Strategic Investments (“**EFSI**”).

All applications under the ESCALAR Programme submitted by the applicant to the EIF should conform to the terms of this Call.

In this Call, capitalised terms and expressions shall have the meaning attributed to them in this document and as defined in Annex II to this Call (the “**Investment Guidelines**”), as appropriate.

## 1. ESCALAR Programme

Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 – the European Fund for Strategic Investments (OJ L 169, 1.7.2015, p.1) (the “**EFSI Regulation**”) established EFSI.

Pursuant to the agreement between the European Union (the “**EU**”) and European Investment Bank (the “**EIB**”) on the management of EFSI, the EIF has been entrusted to support the EU’s ecosystem providing risk capital to high growth SMEs and Small Mid-caps established or operating in EU Member States.

Under the ESCALAR Programme, the EIF will make **equity investments** in ESCALAR Financial Intermediaries, through a different share class or fund unit to other investors. EIF’s investment will differ from the investment made by other investors by (1) Benefiting from a preference on fund distributions in certain predefined downside scenarios, and (2) Accepting a subordination, and reduced claim, on

investment returns.

The aggregate capital committed by EIF under the ESCALAR Programme will not exceed EUR 300 million with the maximum EIF commitment under the ESCALAR Programme to any single ESCALAR Financial Intermediary limited to EUR 100 million.

The principal requirements for ESCALAR Financial Intermediaries and an EIF Investment are set out in the Investment Guidelines.

## 2. Financial Intermediaries

This Call is addressed to interested parties who may qualify as ESCALAR Financial Intermediaries as defined and further specified in the relevant Investment Guidelines.

Financial Intermediaries, including the managers of the Financial Intermediaries, shall represent that they are not in any of the situations of exclusion, as further described in the Annex I of the Call.

The EIF Anti-Fraud Policy, the EIB Group Policy towards Weakly Regulated, Non-transparent and Non-cooperative Jurisdictions and Tax Good Governance, the EIF Transparency Policy and the Guidelines on EIF Restricted Sectors, shall apply to the investments made in the context of ESCALAR Programme. For further information please refer to:

[https://www.eif.org/attachments/publications/about/Anti\\_Fraud\\_Policy.pdf](https://www.eif.org/attachments/publications/about/Anti_Fraud_Policy.pdf)

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

[https://www.eif.org/news\\_centre/publications/eif-transparency\\_policy\\_01022016.pdf](https://www.eif.org/news_centre/publications/eif-transparency_policy_01022016.pdf)

[https://www.eif.org/attachments/publications/about/2010\\_Guidelines\\_on\\_restricted\\_sectors.pdf](https://www.eif.org/attachments/publications/about/2010_Guidelines_on_restricted_sectors.pdf)

## 3. Application procedure

The Call shall remain open until the 30<sup>th</sup> June 2020 or such other date as announced officially in the ESCALAR Programme section of the EIF's website (the "**Deadline**").

The interested applicants shall submit a formal Expression of Interest to the EIF before the Deadline by email to the address [ESCALAR@eif.org](mailto:ESCALAR@eif.org). The Deadline applies to the receipt of the email by the EIF.

An acknowledgement of receipt will be sent to the applicants by the EIF via e-mail, which shall confirm whether or not that the Expression of Interest was received before the Deadline.

The acknowledgement of receipt shall not be construed as a declaration of completeness of the Expression of Interest and the documents submitted therewith, nor any kind of assessment or acceptance of the same.

Each Expression of Interest shall:

- state in the subject of the email: "ESCALAR Programme - Expression of Interest: [*name of the applicant*]";
- be prepared in English;
- contain all relevant documentation (including scanned copy of Annex I duly completed and signed).

The EIF reserves the right at any time to request clarifications or the submission of additional or supplementary information in respect of an application, verify with any applicant or with a third party any information set out in any submission.

The applicants may withdraw, in the same manner in which they applied, their Expression of Interest at any stage of the selection process.

The applicants may send questions regarding the Call by email to [ESCALAR@eif.org](mailto:ESCALAR@eif.org). The EIF shall

analyse and where relevant publish the answers in the form of Frequently Asked Questions (“FAQ”) in the dedicated section of the EIF’s website. The EIF reserves the right to update the FAQ document from time to time as and when it regards it appropriate.

The EIF reserves the right, at any time to:

- make changes to the Call, the selection process or associated terms, dates and deadlines;
- replace the Call with another call for expression of interest;
- cancel the Call in its entirety.

#### 4. Selection process

The applicants will be selected in due consideration of the general principles of transparency, equal treatment and non-discrimination, in compliance with EIF’s policies, rules, procedures and statute and in conformity with best business and market practices.

The EIF shall assess applications on a continuous basis, using professional analysis and judgment, taking into account the terms set out in the relevant Investment Guidelines, including the assessment criteria in relation to the policy fit and the expected performance and following these general steps:

- (i) Screening
- (ii) Due Diligence
- (iii) Assessment and approval in accordance with EIF’s internal assessment and decision making rules
- (iv) Negotiation and signature

The selection process includes an EIF’s assessment of the expected performance, as set out in section 4.1, and of the policy fit of the applicant, as set out in section 4.2 below.

On the basis of the assessment of the performance and of the policy fit, the EIF will decide whether an investment proposal qualifies for an investment under the ESCALAR Programme. Depending, inter alia, on the stage of the Financial Intermediary, its investment strategy, targeted sectors and geographical focus, the EIF shall determine, at its discretion, whether the application shall be considered for potential investment under ESCALAR Programme.

The decision to perform a due diligence visit shall be at the discretion of the EIF.

Prior to entering into a transaction with the selected applicant, the selected investment proposal to be funded under the ESCALAR Programme shall be submitted by the EIF to its relevant decision making bodies for approval and shall be subject to such prior approval before finalising the contractual negotiation process with the Financial Intermediary.

Following selection of the applications, the appropriate Fund Agreement shall be signed with the Financial Intermediary. The ultimate decision on the form of the agreement shall be made at the discretion of the EIF. The terms of the Fund Agreement shall be in English.

In any phase of the selection process until and prior to entering into a legally binding agreement with an applicant, the EIF reserves full discretion to consider or not applicants, and no applicant has any claim or other right or may expect to be ultimately selected as the Financial Intermediary in the context of the ESCALAR Programme. Any negotiation of terms and conditions of Fund Agreement by no means entails any obligation for the EIF to enter into such agreement with the relevant Financial Intermediaries.

Those applicants, whose Expression of Interest is rejected at any stage of the selection process, shall have the right to submit a written complaint by e-mail and registered mail or professional courier service, to the same address used for the submission of the Expressions of Interest above, within thirty (30) days of receipt of the rejection notice. Any complaints will be dealt within the framework of and in accordance

with the EIB Group complaints policy<sup>1</sup>.

Any personal data provided by the applicant shall be processed by EIF in compliance with its Data Protection Statement (EIF statement on the processing operations of applicants and Financial Intermediaries' personal data, as published on the EIF's website<sup>2</sup>) and the Regulation (EU) 2018/1725 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies offices and agencies and on the free movement of such data, as amended from time to time. The EIF also processes personal data of final recipients, i.e. of individuals benefitting from EIF equity investments in financial intermediaries. More information here: Processing of Final Recipients Personal Data<sup>3</sup>.

#### **4.1 Assessment criteria for expected performance**

As part of the expected performance assessment, the EIF will analyse all the pre-selected applications based on but not limited to the following criteria:

##### ***Management Team***

- a) Relevant experience
- b) Composition of the team, track record and balance of skills
- c) Ability to provide relevant added value
- d) Ability to provide adequate commitment for the life of the fund
- e) Screening of management team members in accordance with standard market practice and with specific attention to issues related to corrupt, fraudulent, coercive or collusive practices or criminal convictions concerning their professional conduct
- f) Quality of investment process

##### ***Market***

- a) Identification of the target market
- b) Size of the market and potential development of the market
- c) Growth potential in the target market

##### ***Deal Flow***

- a) Track record of access to deals
- b) Quality of deals
- c) Credibility of plans to develop deal flows
- d) Access to Scale-ups

##### ***Investment Strategy***

- a) Stage, sector and geographical focus
- b) Number of targeted investments
- c) Relevance of the investment strategy to the market
- d) Coherence with the purpose of the ESCALAR Programme
- e) Identification of suitable and achievable exit routes for targeted investments

##### ***Fund size***

- a) Balance between fund size and investment strategy
- b) Financial sustainability of the fund manager

##### ***Proposed terms (in line with market standards, with explanations for deviations)***

- a) Fund structure, governance, alignment of interest
- b) Legal and tax structure

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<sup>1</sup> For further information visit <http://www.eib.org/infocentre/publications/all/complaints-mechanism-policy.htm>

<sup>2</sup> [https://www.eif.org/attachments/eif\\_data\\_protection\\_statement\\_financial\\_intermediaries\\_due\\_diligence\\_en.pdf](https://www.eif.org/attachments/eif_data_protection_statement_financial_intermediaries_due_diligence_en.pdf)

<sup>3</sup> <https://www.eif.org/attachments/processing-of-final-recipients-personal-data.pdf>

- c) Fees and costs
- d) Any performance related remuneration such as carried interest to be designed to reward overall fund performance

#### **Expected financial returns**

- a) Evidence that the fund is to be run on a commercial basis and that it can be expected to be financially viable
- b) The investment performance track record of the manager

#### **Investor base**

- a) General overview of the existing and/or foreseen investor base.
- b) Co-investment strategy and rationale.
- c) Screening and monitoring of co-investors to the extent the information is made available to the EIF and in accordance with standard market practice.

#### **Monitoring and reporting**

- a) Ability to effectively manage risk and monitor investments according to the industry standards,
- b) Ability to provide regular reporting and valuation information at each level of the investments in line with the industry standards.

#### **4.2 Assessment criteria for policy fit**

The proposed investment shall have a clear and demonstrated value added in terms of fit with the EU policies and objectives under the ESCALAR Programme. In terms of policy fit, the EIF will evaluate each investment proposal on the basis of the below indicators awarding individual scores for each indicator<sup>4</sup>.

- a) **The applicant Financial Intermediary targets to predominantly invest in high growth European SMEs and Small Mid-caps.**

“Medium” or higher score for this indicator will be awarded if the Financial Intermediary in its investment strategy targets to invest at least 50% of the aggregate amounts drawn down from investors for the purpose of investment in SMEs or Small Mid-caps that have already established a product or service, and have already generated revenue, but may or may not be making a profit and need financing to grow and expand, including in order to finance increased production capacity, to finance market or product development, to provide additional working capital or to be used for a (total or partial) acquisition, with a view to further grow the business (“Scale-up”).

In addition to the above requirement, a score of higher than medium will be awarded where the Financial Intermediary in its investment strategy targets to invest:

- (i) More than 60% of the aggregate amounts drawn down from investors for the purpose of investment in a Scale-up, which is an SME or Small Mid-cap, or
- (ii) In particularly high growth Scale-ups, which are SMEs or Small Mid-caps, where such Scale-ups have average annual growth in employees or turnover greater than 10 per cent per annum over the three year period ending 31<sup>st</sup> December 2019. For the most recent year, the analysis may be undertaken using pro-forma data i.e. year to date data plus forecast.

- b) **The applicant Financial Intermediary targets to invest in more than one of EU Member States (where an assessment will be made based *inter alia* on its management team’s track record, strategy, pipeline, office location and composition or on the fact that it targets to invest less than 75% of its invested amounts in any single Member State of the EU).**

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<sup>4</sup> Where the application is in respect of a side vehicle, the above indicators may be assessed at the level of the side vehicle.

“Medium” or higher score for this indicator will be awarded if the Financial Intermediary in its investment strategy targets to invest at least 50% of the aggregate amounts drawn down from investors for the purpose of investment in at least 2 EU Member States. This individual score shall be positively impacted by a wider geographical coverage in the EU.

- c) **The applicant Financial Intermediary targets to invest in EU Member States where, according to Invest Europe (formerly known as European Private Equity and Venture Capital Association - EVCA) (as published in its 2015 report on European Private Equity Activity) the industry statistics for private equity investment volumes as a percentage of GDP are below the European average<sup>5</sup>.**

“Medium” or higher score for this indicator will be awarded if the Financial Intermediary in its investment strategy targets to invest at least 50% of the aggregate amounts drawn down from investors for the purpose of investment in such EU Member States. This individual score shall be positively impacted by higher country coverage in such countries.

- d) **The applicant Financial Intermediary targets to use investments to support the internationalization of portfolio companies.**

“Medium” or higher score for this indicator will be awarded if the Financial Intermediary in its investment strategy targets to invest at least 50% of the aggregate amounts drawn down from investors for the purpose of supporting the internationalization of portfolio companies. This individual score shall be positively impacted by higher country coverage in such countries.

## 5. Language and signing process

The Expression of Interest shall be prepared in English.

Financial Intermediaries acknowledge that they may be requested to use a digital signature for signing the relevant legal documentation.

## 6. Publishing of information on the Financial Intermediaries

The EIF may publish on its website the list of Financial Intermediaries with whom the EIF concluded a Fund Agreement under the ESCALAR Programme, a list of the Financial Intermediaries invested in and a list of Final Recipients thereunder as further specified in the respective Investment Guidelines.

## 7. Other information

Each applicant will be responsible for all fees, costs, and expenses incurred by it in connection with the selection process, including, without limitation, all fees, costs and expenses relating to the preparation and submission of the Expression of Interest and requested documentation under the Call, responses to any information requests made by the EIF, preparing for and attending any meetings in relation to the selection, negotiation and appointment processes under the Programme, and to the negotiation and settlement of any documentation relating to the establishment of the fund or side vehicle of a the fund.

By submitting an Expression of Interest, the applicant acknowledges that its selection for the ESCALAR Programme is not guaranteed, and is subject, among others, to all necessary approvals having been obtained. In any phase of the selection process the EIF reserves itself full discretion to consider or not consider applicants, and no applicant has any claim or other right or may expect to be ultimately selected as the financial intermediary in the context of the ESCALAR Programme.

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<sup>5</sup> Such Member States of the EU being: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, the Netherlands, Estonia, Finland, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, and Spain (reference: <http://www.investeurope.eu/media/476271/2015-European-Private-Equity-Activity.pdf>).

In addition, the applicant acknowledges that although it may have been selected in accordance with the selection process set forth in the Call, a commitment under the ESCALAR Programme remains subject to, among others, the successful completion of internal approvals processes, the successful completion of negotiations, and the execution and delivery of definitive legal agreements and other associated documents. Any negotiation of terms and conditions of fund agreement by no means entails any obligation for EIF to enter into such agreement with the relevant Financial Intermediary.

Under the ESCALAR Programme it is permitted for an applicant to request investment for a fund or a side vehicle of a fund wherein EIF has already invested, including where such investment was made by EIF using resources managed on behalf of third parties. However, in such circumstances the eligibility of the applicant may depend on EIF achieving the consent of those third party(ies).