

Annex 4
Fund Description to the Contribution Agreement:
EU FOR UKRAINE FUND

This Annex shall be applicable to and form an integral part of the Contribution Agreement for the EU for Ukraine Fund (the “**EU4U Fund**”, the “**Fund**”) between EIB and the Contributors to the Fund. It is made pursuant to the rules of establishment and administration of the PPF (“**Platform Rules**”), as amended from time to time.

Capitalised terms used in this Fund Description and not otherwise defined herein shall be interpreted in accordance with the meaning given to such terms in the Platform Rules, in the Contribution Agreement, and in the Guarantee Agreement.

1. Objectives

1.1 The EU for Ukraine Initiative

The EU4U initiative has been developed by the European Investment Bank (“**EIB**”, the “**Bank**”) in response to the request by the European Council of 15 December 2022 to the Bank to step up its financial support to critical and urgent investments in Ukraine in coordination with the Government of Ukraine (“**EU4U Initiative**”). It comprises the following main founding elements:

- (i) An allocation, from the Bank’s own resources within the capital envelope of EIB Global for EIB own risk operations, mainly targeting critical public sector infrastructure and economic recovery investments in Ukraine;
- (ii) The setup of the EU4U Fund to enable the roll-out of own balance sheet operations and otherwise to support the public and private sector in Ukraine;
- (iii) An allocation, from the Bank’s own resources of an amount of up to EUR 100 million in total for technical assistance and advisory services for immediate needs as well as reconstruction efforts and accession support to Ukraine¹; and
- (iv) A revision of the existing NDICI Investment Window 1 Guarantee Agreement between the European Union and the EIB to enable EIB to provide additional EUR 100 million of financing in Ukraine.

1.2 EU4U Fund

The objective of the Fund is to strengthen the project-related part of EU support to Ukraine’s reconstruction and recovery, complementing macro-financial support. It seeks to foster economic and social resilience, as well as sustainable infrastructure, with a view to revitalizing the economy and supporting Ukraine’s efforts to progress on the path to EU accession.

The Fund will support both public and private sector projects through the following Operations:

- (i) grant contributions, entered into for the account of the Fund, such as investment grants or interest rate subsidies (the “**Grant Operations**”);

¹ For the sake of clarity the technical assistance and advisory services envelope will also target operations and initiatives aimed at building resilience of and supporting Moldova’s EU accession process. The resources to be made available under this envelope will not be channelled via the EU4U Fund but disbursed directly by the Bank from its own budget on a needs-be basis.

- (ii) impact finance operations, entered into for the account of the Fund, for which the use of the Fund has been approved by the Contributors' Committee (the "**Impact Finance Operations**"), in relation to which all credit, market and other risks are assumed by and will be borne by the Fund and by the Contributors and not by the Bank, including by means of a professional payment guarantee provided under the Guarantee Agreement; and
- (iii) a portfolio of own balance sheet operations for which the use of the Fund has been approved by the Contributors' Committee, in relation to which part of the credit, market and other risks (representing the first loss tranche of the portfolio (FLP), with EIB assuming the senior risk), are assumed by and will be ultimately borne by the Fund and by the Contributors, including by means of a professional payment guarantee provided under the Guarantee Agreement, as further set out in this Fund Description and notably paragraph 10 below (the "**Own Balance Sheet Operations**")

The Own Balance Sheet Operations together with the Impact Finance Operations being the "**Financing Operations**" and the term "**Operations**" is used to refer to the "Financing Operations" together with the "Grant Operations").

1.3 The Fund is established at inception based on two compartments:

- (i) The compartment that will collect funded contributions from contributors (the "**Funded Contributions Compartment**"), and
- (ii) The compartment that will collect unfunded contributions, notably through guarantees, from contributors (the "**Unfunded Contributions Compartment**", together with the Funded Contributions Compartment, the "**Compartments**" and each a "**Compartment**").

The number of compartments, as well as their scope, may be modified through an amendment of this Fund Description.

The Fund is designed to be a high-risk, high-impact intervention of a temporary nature.

2. **Eligible Contributors and Types of Contributions**

Any Member State of the European Union and the European Commission can make contributions to the Fund.

Contributors can provide both funded and unfunded contributions in EUR into the Fund, both to the Funded Contributions Compartment and to the Unfunded Contributions Compartment. In case of unfunded contributions, EIB expects to provide a suitable level of liquidity into the Fund ("**Liquidity Facility**") to allow for timely payments of amounts due by the Contributors. Both Financing Operations and Grant Operations can be supported under the Funded Contributions Compartment whereas solely Financing Operations can be supported under the Unfunded Contributions Compartment. In case of deployment of funded Impact Finance Operations by EIB (and through the EIB/EIF Arrangement, by EIF) under the Unfunded Contributions Compartment, EIB expects to provide funding lines to the Unfunded Contributions Compartment which will be drawn on by EIB acting for the account of the Fund for an amount equal to the amount disbursed under the relevant Impact Finance Operation (the "**Funding Line(s)**"). Interest accruing on Liquidity Facility advances and funding costs accruing on the Funding Lines will be paid by the Contributors to the Unfunded Contributions Compartment, in accordance with paragraph 8 below.

Additional potential contributors, including like-minded countries such as EFTA Countries and/or potential private donors ("**Ancillary Contributors**"), can also make funded contributions to the Fund. Acceptance of contributions from the European Commission and Ancillary Contributors will be subject

to approval by EIB governing bodies and by the Contributors' Committee and is expected to involve the creation of a new compartment.

3. **Eligible operations**

Operations shall be eligible for support under the Fund if they are in line with the eligibility criteria, as set out below and updated from time to time ("**Eligible Operations**").

3.1 **General**

The Fund shall operate in accordance with EIB's and EIF's respective rules, policies, and procedures², save where otherwise provided in paragraph 12 below. Without prejudice to paragraph 12 below, all operations shall undergo an ex-ante due diligence or equivalent processes performed in accordance with EIB's and EIF's rules, policies and procedures, as applicable.

3.2 **Expected types of products, promoters/borrowers and beneficiaries**

The below table presents the expected types of products, promoters/borrowers and beneficiaries to be supported under the EU4U Fund. The Contributors' Committee, upon proposal by the EIB, may approve the use of the Fund for Operations involving other products, promoters or beneficiaries not included in the table. Therefore, the table below is indicative only.

In relation to Own Balance Sheet Operations and Grant Operations, the expected type of products, promoters/borrowers, and beneficiaries, are as follows:

Type of Products	Eligible Promoters	Eligible Beneficiaries
• Senior loans to sovereigns • Senior loans to sub-sovereigns • Senior loans to state-owned financial institutions • Sovereign-guaranteed loans to privately owned financial institutions • Senior loans to municipalities • Senior loans to sub-sovereigns with sovereign guarantee • Senior loans to sub-sovereigns without sovereign guarantee • Senior loans to state owned enterprises with sovereign guarantee • Senior loans to state owned enterprises	• Sovereigns • Sub-sovereigns • State-owned financial institutions • Municipalities • SPVs • State owned enterprises • Companies owned by sub-sovereigns	• Sovereigns • Sub-sovereigns • Municipalities • SMEs • Mid-Caps • State owned enterprises • Companies owned by sub-sovereigns • Housing associations (formal or de facto)

² As amended, modified or waived at any point in time.

without sovereign guarantee • Senior loans to companies owned by sub-sovereigns with sub-sovereign guarantee		
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In relation to the Impact Finance Operations the expected type of products, promoters/borrowers, and beneficiaries, are as follows:

Type of Products	Eligible Promoters	Eligible Beneficiaries
• Capped Portfolio Guarantees • Equity operations targeting professionally managed closed-ended VC and private equity investment funds investing in equity and/or quasi-equity • Senior loans to corporates • Senior loans to Financial Institutions	• Financial Institutions • Commercial banks • Venture capital funds • Private equity funds • Micro-finance institutions • State-owned Financial Institutions • State-owned Enterprises • Corporates (mid caps to large caps) and Joint Ventures • SPVs • Leasing companies • Private credit funds • Alternative lenders • Crowd-lenders • Guarantee societies	• SMEs • Mid-Caps • Corporates • Joint ventures • SPVs

3.3 Currency of Operations

Only Operations in EUR will be supported under the Fund.

3.4 Geographical Eligibility

Operations will be carried out in Ukraine in the territories remaining under the control of the Government of Ukraine at the time of approval and signature of each relevant Operation. Counterparts for certain Operations may be domiciled outside Ukraine.³

3.5 Approval Period

Operations may be approved by the Contributors Committee by (i) 31 December 2025 or (ii) a later date as may be approved unanimously, at EIB proposal, by the Contributors Committee (the “**Approval Period**”).

³ The geographical eligibility would be further described in proposals to be submitted to the Contributors Committee for approval.

For the sake of clarity, the signature, allocation or disbursement periods will be defined on a project/operation basis depending on the evolving operational needs and constraints in Ukraine, given the high uncertainty of the situation on the ground.

4. Permitted Instruments

4.1 Permitted Instruments – Financing Operations

Within the Financing Operations of the EU4U Fund, the following instruments are eligible for support from the Fund:

- (i) Credit enhancement for Own Balance Sheet Operations, through the Fund FLP Amount coverage on a portfolio of Own Balance Sheet Operations, as further set out below;
- (ii) Impact Finance Operations, characterised by the risk of full loss and the lack of risk commensurate return, in relation to which all credit, market and other risks are assumed by and will be ultimately borne by the Fund and by the Contributors and not by the Bank.

As set out above, the list of the products and instruments is non-exhaustive considering the need to keep a certain level of flexibility of the EU4U Fund to react to market needs in Ukraine.

The Fund may deploy Financing Operations in both funded (e.g. loans, equity) and unfunded (e.g. guarantees) form.

4.2 Permitted Instruments – Grant Operations

Within the Grant Operations of the EU4U Fund, the following instruments are eligible for support from the Fund:

- (i) Investment Grants - non-reimbursable contribution to finance tangible or intangible components of an infrastructure project or venture, in joint or parallel co-financing with other investors. In particular, the investment grants may decrease the investment costs for the beneficiary through financing part of the investment or through an increase of the concessionality of the financing package of a given project. They may also target specific project components which have substantial demonstrable social or environmental benefits or which can mitigate negative environmental or social impacts; and
- (ii) Interest Rate Subsidies - the provision of a grant amount to make long-term finance available in flexible ways that reduce the total amount of debt service to be paid by the borrower. Such subsidies can be applied upfront or over time.

4.3 Attribution of Contributions

No earmarking of contributions is foreseen. No ex-ante limits will apply to amounts allocated to Financing Operations and Grant Operations. Contributions will not be traced through to specific Operations. To the extent possible, taking into account the size of each Compartment and the indicative pipeline of Operations, each Impact Finance Operation will be financed under one Compartment only. Own Balance Sheet Operations shall be covered by the Fund FLP Amount which may be composed of Funded Contributions and Unfunded Contributions in accordance with the allocation principles in 10.3 below.

5. Indicative Results Framework

A results framework for the activities financed by the Fund shall be prepared by EIB (“**Results Framework**”) in accordance with the EIB’s respective rules, policies and procedures, as applicable and to the extent possible.

6. Evaluation

EIB may perform an evaluation of the Fund and/or the Operations carried out under it. Such evaluation will aim at making the Fund and the operations funded thereunder accountable to the Contributors and at promoting lessons learnt. The evaluation should be shared with the Contributors' Committee. EIB may also participate in external evaluations of the Fund.

7. Decision-making arrangements

A Contributors' Committee shall be set up for the Fund in accordance with Article 5.4 of the Platform Rules.

Notwithstanding the provisions of Articles 6.3 and 6.4 of the PPF Rules, the Contributors' Committee shall be responsible for approving the use of funds for each Operation and for taking other decisions that may be necessary to contribute to the achievement of the objectives of the Fund, in accordance with Article 5.8 of the Platform Rules,⁴ based on proposals from the Bank.

Unless otherwise exceptionally agreed by the Contributors' Committee upon proposal by the EIB in relation to operations approved by EIB Board of Directors before the execution of the first contribution agreement(s) under the Fund, the decision from the Contributors' Committee shall be sought before the relevant, if applicable, EIB Board of Directors' approval in relation to the Operation. For the avoidance of doubt, EIB Board of Directors' approval may be obtained under rules of delegation established by the EIB governing bodies.

In Contributors' Committee meetings, each Contributor shall be represented by its member in the Contributors' Committee, in accordance with the Platform Rules, while its alternate member may participate as an observer with no voting rights. Each Contributor to the Fund, irrespective of the number of Contribution Agreements signed with the Bank whether it has contributed to one or more Compartments, will have only a single vote (weighted in accordance with its contribution) for all decisions of the Contributors' Committee.

For the avoidance of doubt, the majorities and weighting of the votes, as reflected in Article 5.8 of the Platform Rules, are calculated by reference to the contributions of each Contributor to the whole Fund, i.e., the aggregate of all (initially both) Compartments (even if there is a Contribution to one Compartment only), including with respect to any decisions of the Contributors Committee which concern only one of the Compartments, i.e. no separate voting arrangements, majorities or weighting shall be established per compartment. Any decision complying with the applicable majority requirements shall be binding for all Compartments and all Contributors.

In relation to the decision-making process in accordance to the tacit procedure, as reflected in Article 5.8 of the Platform Rules, only one representative of each Contributor, either the member or the alternate,⁵ as the case may be, is authorized to communicate to the Bank the potential rejection of such Contributor in relation to operations and other issues on which the approval may be sought.

In relation to a decision sought from the Contributors' Committee for an Impact Finance Operation under the Unfunded Contributions Compartment that triggers the use of Funding Line(s), the Contributors' Committee shall be informed, before it adopts its decision, about the proposed use of a Funding Line

⁴ For the avoidance of doubt, references to Contributions Paid within Article 5.8 of the Platform Rules should be understood to include contributions committed by contributors to the Fund, including unfunded contributions committed through a guarantee agreement, or funded contributions to be paid in tranches.

⁵ In case of the alternate, acting under a specific delegation from the member.

in relation to the Operation and the reasons that would justify the implementation of such Operation under the Unfunded Contributions Compartment.

Notwithstanding Article 5.8 of the Platform Rules, in relation to a decision sought from the Contributors' Committee for an Impact Finance Operation under the Unfunded Contributions Compartment that triggers the use of Funding Line(s), the decision of the Contributors' Committee should be adopted on an unanimous basis.

One representative of the European Commission may be invited to participate in meetings of the Contributors Committee as observer with no voting rights.

8. Fees, costs, gains, negative interest losses, and buffer

Contributions made by the Contributors to the Fund are expected to be allocated by the Bank to Operations save for, without limitation, applicable fees, costs, charges, negative interest losses and a buffer, if relevant.

For the sake of clarity, references in this Fund Description to:

- (i) Fees refers to the Administrative Fee, as defined below;
- (ii) Costs include (a) recovery and restructuring costs, and (b) in the case of the Unfunded Contributions Compartment, the costs of the Liquidity Facility and funding costs of the Funding Line(s), and (c) audit costs;
- (iii) Negative interest losses comprise the losses resulting from negative interest rates, without any floor.

The Bank shall charge the following fees to the Fund:

8.1 Administrative Fees

The Contributors agree to pay an administrative fee of 2.94 per cent on the total Contributions to the Fund (the "**Administrative Fee**").

In the case of the Funded Contributions Compartment, the Administrative Fee shall be deducted by the Bank from the relevant Contribution, following receipt thereof (either on a lump basis or, where envisaged under the relevant Contribution Agreement, in instalments).

In the case of the Unfunded Contribution Compartment, the Administrative Fee shall be debited to the Dedicated Register of each Contributor to the Unfunded Contributions Compartment (either on a lump basis or, where envisaged under the relevant Contribution Agreement, in instalments). For the avoidance of doubt, the Administrative Fee is not subject to equalisation and hence shall not be included in the calculation of the Adjustment Payment.

8.2 Costs

Costs of the Liquidity Facility:

The Contributors to the Unfunded Contributions Compartment agree that the advances made available to them under their Liquidity Facility together with the Interest Rate accrued on the Liquidity Facility (as defined therein) will be debited immediately to their Dedicated Register and repayable on the relevant Advance Repayment Date.

Costs of the Funding Line(s):

The Contributors to the Unfunded Contributions Compartment agree that the following Funding Costs on the Funding Line(s) made available by the Bank to the Fund along with the Bank's standard commitment fee to compensate for the costs constituting a buffer of liquidity will be debited to their Dedicated Register on a quarterly basis, based on the outstanding amounts disbursed under the Funding Lines at such time, pro rata to their Contributions in the Unfunded Contributions Compartment.

Where "Funding Cost" means the sum of (a) interest determined at the rate of: (i) EURIBOR 3 month for operations in EUR (as defined under Schedule 2 (*EURIBOR*) to the Fund Description) plus (ii) a spread (which can be a positive or negative number of basis points) calculated following EIB's standard pricing methodology in order to recover e.g. EIB's cost of funding on the capital markets; (b) the Bank's standard costs associated with the Funding Lines such as associated indemnities, expenses, prepayment option spread, internal derivative pricing and other incidental charges; and (c) administrative costs of 12 (*twelve*) bps, with no floor applicable to this type of operations; with the amount in (a) floored at zero.

Recovery and Restructuring Costs:

By way of cost contribution for the EIB's services to the Contributors performed in the recovery of the Contributions used in relation to the Financing Operations, or in relation to restructuring of Financing Operations, the Contributors shall pay to EIB flat-fee for internal recovery costs per Financing Operation at the rate of 1 per cent (1%) of the outstanding commitments of the affected Financing Operation (the "**Recovery Fees**"). The Recovery Fees shall be payable upon the EIB's governing bodies approval on undertaking a recovery or restructuring action for a Financing Operation, as applicable.

In respect of Recovery Fees attributable to a Financing Operation:

- (i) under the Funded Contributions Compartment, EIB will deduct the Recovery Fee from the Cash Balance of the Funded Contributions Compartment; and
- (ii) under the Unfunded Contributions Compartment, EIB is authorised to debit the relevant Dedicated Register of each Contributor in respect of the Recovery Fees pro-rata to each Contributor's share in the Fund.

Audit costs:

The Contributors agree that the costs of the external auditors incurred in the context of the preparation of the financial statement of the Fund (the "**Audit Costs**") shall be covered by each of the Contributors of the Fund. The Audit Costs will be split across the Compartments pro rata to their size at such time.

In respect of the Audit Costs attributable to the Funded Contributions Compartment, EIB will deduct the Audit Cost from the Cash Balance of the Funded Contributions Compartment.

In respect of Audit Costs attributable to the Unfunded Contributions Compartment, EIB is authorised to debit the relevant Dedicated Register of each Contributor in respect of the Audit Costs, pro-rata to each Contributor's share in the Unfunded Contributions Compartment.

8.3 Gains and Losses

Any gains resulting from treasury management of the Cash Balance of the Funded Contributions Compartment should be credited to the Funded Contributions Compartment and increase the Cash Balance available for Operations under the Funded Contributions Compartment. Potential losses

resulting from negative interest rates should be debited to the Cash Balance of the Funded Contributions Compartment without any floor.

Any gains resulting from treasury management of the Cash Balance of the Unfunded Contributions Compartment should be credited pro-rata to each Contributor in the Dedicated Register. Losses due to negative interest, including on cash disbursed and losses in respect of the Cash Balance of the Unfunded Contributions Compartment will be covered by the Contributors to the Unfunded Contributions Compartment, pro rata to their Contributions and debited in their Dedicated Register.

8.4 Buffer

A portion of the total Contributions may be reserved by the Bank as a buffer to cover fees, costs and losses.

9. Allocation Principles

The following allocation principles apply in the context of the Fund (the “**Allocation Principles**”):

9.1 Grant Operations

Grant Operations will be supported only under the Funded Contributions Compartment to the extent that amounts are available under the Funded Contributions Compartment for such Grant Operations.

9.2 Impact Finance Operations

To the extent possible, each Impact Finance Operation will be supported under one Compartment only⁶, taking into account the amount of Contributions made to each Compartment and the pipeline of Operations.

Subject to the sufficient size of each Compartment, the following allocation principles will apply to the Impact Finance Operations:

- (i) funded Impact Finance Operations will be supported under the Funded Contributions Compartment;
- (ii) unfunded Impact Finance Operations will be supported under the Unfunded Contributions Compartment.

In case of insufficient size of any or both Compartments, a given Impact Finance Operation may be supported under a different Compartment than the one specified in these Allocation Principles.

Losses arising under or in connection with the Impact Finance Operations (including, Covered Amounts under the Unfunded Contributions Compartment) together with repayments of principal, Proceeds and Recoveries will be allocated by EIB, acting for the account of the Fund to the Compartments under which such Financing Operations were supported.

⁶ In some cases, an Impact Finance Operation may be split such that one Impact Finance Operation will be proposed under the Funded Contributions Compartment and a second Impact Finance Operation will be proposed under the Unfunded Contributions Compartment.

9.3 Own Balance Sheet Operations.

The credit enhancement for the Own Balance Sheet Operations shall be allocated between the Unfunded Contributions Compartment and the Funded Contributions Compartment in accordance with the following principles:

The Compartments shall cover the risk on the portfolio of Own Balance Sheet Operations up to the Fund FLP Amount, as follows:

- (i) on a first loss basis, by the Unfunded Contributions Compartment up to an amount (the **“Unfunded Compartment FLP Amount”**) determined by the Bank (based on amounts available under the Unfunded Contributions Compartment for the portfolio of Own Balance Sheet Operations and the size of the portfolio of Own Balance Sheet Operations, in each case at any time); and thereafter
- (ii) on a second loss basis, if necessary by the Funded Contributions Compartment up to an amount (the **“Funded Compartment FLP Amount”**) determined by the Bank as being available (if any) under the Funded Contributions Compartment for the portfolio of Own Balance Sheet Operations, at any time.

Losses arising under or in connection with Own Balance Sheet Operations (including, for the avoidance of doubt, Covered Amounts under the Unfunded Contributions Compartment) together with repayments of principal, Proceeds and Recoveries will be allocated by EIB in accordance with paragraph 10 below.

10. Distribution Principles

Any cancellations, repayments or other amounts received which are attributable to Grant Operations shall be allocated to the balance of the Funded Contributions Compartment.

10.1 Principal, Proceeds and Recoveries

For the purposes of this Fund Description:

“Proceeds” mean any interest, fees, profits, and Recoveries received under the underlying Financing Operations, for equity transactions any reflows (including restitution of commitment and distributions, save that such reflows shall be classified first as repayment of principal up to the value of the original investment and thereafter as proceeds for the purposes of this definition), and for Grant Operations any reflows.

“Recoveries” means moneys recovered from underlying Financing Operations (net of any external recovery costs) where such sums have been recovered by the Bank following a prior:

- (i) demand within the meaning of the Guarantee Agreement entered into in the context of the Unfunded Contributions Compartment (a **“Demand”**);
- (ii) FLP Loss Notice under the Funded Contributions Compartment; and/or
- (iii) Use of the Recoveries to cover losses pursuant to sub-paragraph (i) hereunder and paragraph 10.3 below,

in each case as relevant under such Financing Operation.

Application of principal, Proceeds and Recoveries:

In case a given funded Impact Finance Operation was supported under the Funded Contributions Compartment, any repayments of principal, Proceeds and Recoveries shall be allocated to the Cash Balance of the Funded Contributions Compartment.

In case a given funded Impact Finance Operation was supported under the Unfunded Contributions Compartment, repayments of the principal (that are classified as principal in accordance with EIB's accounting policies) should be allocated to the repayment of the Funding Line made available by the EIB to the Unfunded Contributions Compartment to fund such Impact Finance Operation, whereas Proceeds will be credited pro rata to the Dedicated Register of each Contributor to the Unfunded Contributions Compartment.

In case of unfunded Impact Finance Operations supported under the Funded Contributions Compartment, any Proceeds, Recoveries or Costs and losses should be credited/debited to the Cash Balance of the Funded Contributions Compartment.

In case of unfunded Impact Finance Operations supported under the Unfunded Contributions Compartment any Proceeds or Costs and negative interest losses should be credited/debited pro rata to the Dedicated Register of each Contributor to the Unfunded Contributions Compartment.

Recoveries attributable to the:

- (i) Impact Finance Operations under the Unfunded Contributions Compartment of the Fund shall be held as part of the Cash Balance of the Unfunded Contributions Compartment and used by the Bank, for the account of the Fund to pay any Covered Amounts arising following a Guarantee Event occurring in the portfolio of Impact Finance Operations. For the avoidance of doubt, in such cases the Cash Balance of the Unfunded Contributions Compartment attributable to such Recoveries will be directly debited up to the Covered Amount (and, for the avoidance of doubt, no Demand will be issued). For any Covered Amounts (or portion thereof), if any, in excess of the then available Recoveries on the Unfunded Contributions Compartment Cash Balance, the Bank will submit a Demand in accordance with the Guarantee Agreement signed in the context of the Unfunded Contributions Compartment;
- (ii) Own Balance Sheet Operations and allocated to the Fund following the full recovery of any Senior Losses pursuant to paragraph 10.2 below, shall be held as part of the Cash Balance of the Fund⁷ and used by the Bank to pay any losses arising under the Own Balance Sheet Operations portfolio in accordance with paragraph 10.3 below;

in each case, until the Final Distribution Date set out below, when they shall be distributed in accordance with the rules set out in paragraph 10.7 below.

10.2 Fund FLP Amount – Allocation between the Bank and the Fund

In respect of the portfolio of Own Balance Sheet Operations, any losses incurred in excess of the amounts covered by the Fund under paragraph 10.3 below shall be borne by the Bank (for the purpose of this clause the “**Senior Losses**”).

Where such Senior Losses have been incurred, any Recoveries received by the Bank from the portfolio of Own Balance Sheet Operations will be retained by the Bank until the full recovery of any such Senior Losses.

⁷ The Cash Balance of the Fund shall be remunerated in line with the rules applicable to the Cash Balance of each Compartment. Gains or losses from the treasury management of the Cash Balance of the Fund shall increase or decrease, as relevant, this Cash Balance of the Fund attributable to Recoveries under Own Balance Sheet Operations.

Thereafter, Recoveries received by the Bank from the portfolio of Own Balance Sheet Operations will be allocated by the Bank, acting for the account of the Fund, in accordance with the principles set out in 10.1 above.

For the avoidance of doubt, all repayments of principal and Proceeds (which are not Recoveries) under the Own Balance Sheet Operations shall be retained by the Bank.

10.3 Fund FLP Amount – Allocation within the Fund

Losses (including, for the avoidance of doubt, “Covered Amounts” for the purposes of the Unfunded Contributions Compartment) arising under the Own Balance Sheet Operations portfolio up to the Fund FLP Amount shall be allocated (in each case, based on the determination by the EIB, acting for the account of the Fund) as follows:

Firstly, up to the amount Recoveries (if any) previously allocated to the Cash Balance of the Fund pursuant to paragraph 10.2 above;

Secondly, to the Unfunded Contributions Compartment, up to the Unfunded Compartment FLP Amount;

Thirdly, to the Funded Contributions Compartment, up to the Funded Compartment FLP Amount; and

Thereafter, to the EIB for its own account as Senior Losses.

Following such allocation, the Bank, acting for the account of the Fund, shall in respect of Losses (or the portion thereof) allocated to the:

- (i) Unfunded Contributions Compartment, submit a Demand under the Guarantee Agreement for the Covered Amounts; and/or
- (ii) Funded Contributions Compartment, deduct the relevant amount from the Cash Balance of the Funded Contributions Compartment following the delivery by the Bank of a FLP Loss Notice substantially in the form attached as Annex 1 (*Form of FLP Loss Notice*) to this Fund Description (the “**FLP Loss Notice**”).

For the purpose of this Fund Description, “**Fund FLP Amount**” means, at any time and without double counting, the amount in EUR equal to:

- (i) 70% of the sum of:
 - (a) the aggregate signed Principal of such Own Balance Sheet Operations less any cancellations; and
 - (b) the aggregate Related Amounts due thereunder,

until the Fund FLP Amount calculated under (i) above reaches EUR 400 million, thereafter,

- (ii) 60% of the sum of:
 - (a) the aggregate signed Principal of such Own Balance Sheet Operations less any cancellations; and
 - (b) the aggregate Related Amounts due thereunder.

For the sake of clarity, as set out in paragraph 9.3 above, the Fund FLP Amount will be provided first under the Unfunded Contributions Compartment and then by the Funded Contributions Compartment, in case the amount available under the Unfunded Contributions Compartment for the Fund FLP Amount is insufficient to cover the portfolio of Own Balance Sheet Operations at such time. Any losses

under the Fund FLP Amount will be allocated first to the Unfunded Contributions Compartment up to the Unfunded Compartment FLP Amount and once the losses exceed the Unfunded Compartment FLP Amount, to the Funded Contributions Compartment up to the Funded Compartment FLP Amount.

“Principal” means a sum representing principal (which for the avoidance of doubt excludes interest, late payment interest, capitalised interest and any interest accrued thereon, fees, commissions, indemnities, charges, costs and expenses).

“Related Amount” means any amount due and payable under an Own Balance Sheet Operation which is not Principal (including but not limited to, interest, late payment penalty, commissions, fees, charges, indemnities, expenses or any other incidental charges in respect of such Own Balance Sheet Operation).

10.4 Date of Allocations

Repayments of principal, Proceeds and Recoveries received under an Operation of the Fund shall be allocated by the Bank, acting on the account of the Fund, at the end of each quarter on 31 March, 30 June, 30 September, 31 December, in accordance with the principles set out above.

10.5 Mistakes

If any mistakes or incorrect determinations (including as a result of inaccurate information provided by final beneficiaries or other third parties) have been made by the EIB in relation to the calculation or allocation of any amounts, the Contributors agree that EIB shall, as soon as it becomes aware of such mistakes or incorrect determinations, rerun any such calculations or allocations in order to correct such mistakes or errors and when necessary, claw back any amounts unduly paid or distributed.

10.6 Attribution of cash flows

Payments relating to demands made under the Guarantee Agreement, in respect of Equity Losses and any other indemnity payments under the Unfunded Contributions Compartment, in each case related to losses under a funded Impact Finance Operation shall be treated by the Bank as cash flows received under the relevant Impact Finance Operation under the Unfunded Contributions Compartment.

Whereas for payments relating to demands made under the Guarantee Agreement relating to unfunded Impact Finance Operations under the Unfunded Contributions Compartment, such amounts shall be allocated to the payment of the demands made under the relevant unfunded Impact Finance Operation (including the payment of any fees or costs linked thereto).

10.7 Final Distribution Date

Any distribution to the Contributors under each Compartment will be made *pro rata* to their Contribution to each Compartment upon termination of the Fund (the **“Final Distribution Date”**). For the avoidance of doubt:

- (i) the Final Distribution Date shall fall no later than the date falling 12 months after the occurrence of the Termination Date under the Guarantee Agreement;
- (ii) the Cash Balance of the Funded Contributions Compartment can be reallocated and used at any time before the Final Distribution Date for the same purposes as the initial Contributions;
- (iii) Recoveries attributable to an Impact Finance Operation supported by the Unfunded Contributions Compartment of the Fund can be used as set out in paragraph 10.1 above until the Final

Distribution Date, thereafter they shall be distributed to the Contributors to the Unfunded Contributions Compartment, on a pro rata basis;

- (iv) Recoveries under the portfolio of Own Balance Sheet Operations can be used as set out in paragraphs 10 above until the Final Distribution Date, thereafter they shall be distributed to the Contributors to the Funded Contributions Compartment and Unfunded Contributions Compartment, on a pro rata basis based on the size of such Compartments at that date;
- (v) netting of amounts credited to the Contributors and debited to the Contributors for the Unfunded Contributions Compartment is permitted in the Dedicated Register;
- (vi) any such netting shall not reduce the available Contribution;
- (vii) positive balances on the Dedicated Register shall be kept on the Dedicated Register until the Final Distribution Date.

11. Amendments to Fund Description

This Fund Description may be amended from time to time, subject to approval of EIB's Governing Bodies, if relevant, including under rules of delegation, and the unanimous approval of the Contributors' Committee.

EIB may, at its own discretion, amend the provisions of this Fund Description to the extent such amendments result from the change in EIB's rules and policies or from the regulations applicable to EIB's activities or from the decisions of EIB's Governing Bodies ("**Obligatory Amendments**"). If one or more Contributors object(s) to the introduction of the Obligatory Amendments, these Contributors can engage into discussions with EIB regarding the Contribution Agreement they entered into with EIB, if the Obligatory Amendments:

- (i) prevent such Contributor(s) continuing to participate in the Fund in compliance with the laws and regulations applicable to it;
- (ii) require the Contributor(s) to increase the amount of their Contributions; or
- (iii) substantially increase their costs of further participation in the Fund.

If discussions between the Contributor(s) and the EIB do not lead to an agreement of the Contributor in relation to the Obligatory Amendment, the EIB and the Contributor shall discuss in good faith with a view to agreeing a mutually acceptable solution, which may include an excuse right for that Contributor in relation to future Operations.

12. Special Provisions

The following variations from the Platform Rules or additional arrangements shall apply in relation to the Fund:

12.1 Relevant deviations from rules, policies and procedures

As part of its monitoring of the Operations, the Bank will require ex-post information from the counterparts and in line with its rules and procedures to the extent possible and taking into account the extraordinary situation in Ukraine.

The Bank shall, to the extent possible and feasible under the prevailing circumstances, ensure compliance with its AML/CFT and sanctions requirements. It is envisaged that the normal AML/CFT and sanction-related contractual obligations shall be included in the documentation.

In respect of sanctions, the requirement to take appropriate remedial measures may need to be adjusted to take into account the extraordinary circumstances in Ukraine at the time.

The Bank may not be in a position to ensure compliance by a counterpart to an Operation with the Bank's Guide to Procurement.

The Bank's usual contractual requirements may need to be adjusted or waived, as decided in accordance with EIB rules, policies and procedures, to reflect the prevailing circumstances at any time.

12.2 Due Diligence process

In light of the extraordinary situation in terms of travel disruptions due to the war as well as the need for swift channelling of the funds to the economy, simplified (namely desk-top) due diligence could be used. Such circumstances will be clearly spelled out as part of the authorisation.

12.3 Workouts and restructurings

The Contributors hereby appoint EIB to act as recovery agent in relation to the Contributions used for the Financing Operations. Whenever the Contributions are used (directly or indirectly) in relation to the Financing Operations, the EIB is authorised (directly and indirectly) to initiate recovery proceedings on behalf of and, where applicable, in the name of the Contributors. For the avoidance of doubt, EIB has the discretion to refrain from taking any enforcement action or initiating recovery proceedings in accordance with its professional judgement and in line with the care and diligence applied in respect of operations at its own risk, including when EIB determines that the possible recovery proceedings are unlikely to result in recovery of sums in excess of the costs of such recovery.

In relation to the Financing Operations, the Contributors agree that the EIB is authorised, including in the context of an insolvency or restructuring of an investee, and/or for the purposes of improving the collectability or recovery of any claims against any, and/or to avoid any default by a counterpart, to amend the terms and conditions of any Financing Operation, and to grant any waiver or forgiveness, even if such amendment, waiver or forgiveness does not ultimately prevent the Fund from incurring a loss. Some of these measures may need to be provided on an urgent basis in order to ensure the counterparts' going concern. As such, depending on the specifics of each Financing Operation, due to the exceptional circumstances prevailing in Ukraine, the measures to be provided by EIB may consequently deviate from sound banking practices, the Bank's own rules, policies and procedures, and control measures, which shall be subject to the Bank's internal approval process in accordance with its rules, policies and procedures, as applicable.

Intermediated Operations will envisage full delegation to the financial intermediary with respect to servicing of the underlying exposures. The financial intermediary will need to act in accordance with its rules, policies and procedures and may apply deviations specific to the context of operating in Ukraine.

12.4 Risk appetite for Impact Finance Operations

The Fund is designed to be a high-risk intervention and the Impact Finance Operations are expected to present a higher level of risk for the Fund than that generally taken by EIB in relation to operations it carries out at its own risk. As a result, Article 12.3 (the Bank acting in specific circumstances) of the Platform Rules shall apply.

Due to the specific characteristics of the operations to be financed or guaranteed by the Fund, EIB's rules, policies and procedures applied to operations it carries out at its own risk shall not be applicable to Impact Finance Operations under the Fund, including the provisions of EIB's Credit Risk Guidelines

("CRGs") and EIB's Equity Risk Guidelines ("ERGs") and the pricing and valuation methodology applicable to operations EIB carries out at its own risk.

EIB shall apply the provisions laid down in the general mandate risk principles for impact finance mandates, included in the relevant section of the CRGs and ERGs. When applying the provisions referred to in this paragraph, EIB shall:

- (a) Make a Qualitative Assessment (i) in case of intermediated Impact Finance Operations under the Fund, of the suitability of an eligible financial intermediary's risk management framework, systems, policies and procedures to implement operations and enter into the relevant transactions with final recipients and (ii) in case of direct Impact Finance Operations, of the soundness of the investment rationale and plausible business viability of such operations;
- (b) Set a pricing of the Impact Finance Operations under the Fund using its expert judgement taking into account its Qualitative Assessment and consistent with the Fund's objectives and, if applicable, after reviewing the pricing of co-financiers taking similar risk to the financial product on the operation, and State Aid rules where applicable. The pricing of the operations under the Fund may be different from the pricing applicable to operations EIB carries out at its own risk and the Contributors acknowledge that there is no established market for Impact Finance Operations;
- (c) For intermediated Impact Finance Operations under the Fund, fully delegate implementation of the transactions, including the pricing of the Impact Finance Operations to the Financial Intermediaries to apply their own rules, policies and procedures. The Financial Intermediaries may be required to adjust certain terms or their pricing in order to pass on any financial advantage to the final recipients under the transactions. For some products, the financial intermediaries shall charge a flat fee to the final recipients. The level of delegation to the financial intermediaries to apply their own rules, policies and procedures may exceed the one applicable to operations the EIB carries out at its own risk.

Whereby a "Qualitative Assessment" is defined as "the risk assessment performed by the EIB in accordance with the general mandate risk principles for impact finance mandates included in the relevant section of the CRG, and as further described in this paragraph".

An adjusted financial monitoring, restructuring and recovery management from that applicable to operations EIB carries out at its own risk shall be applicable to the Impact Finance Operations under the Fund.

In case of intermediated Impact Finance Operations under the Fund, the financial monitoring, restructuring and recovery management of the sub-operations shall be fully delegated to the Financial Intermediaries to apply their own rules, policies and procedures.

In case of intermediated Impact Finance Operations, the valuation of the financial intermediary's individual portfolio consisting of sub-operations shall be provided by the relevant financial intermediary in accordance with the valuation framework validated during the due diligence process.

The Contributors acknowledge and accept (i) the Impact Finance Operation's risk and the risk of full loss both at the level of the financial intermediary and of the final recipient, (ii) counterparty risk and (iii) a lack of a risk-commensurate return for the Impact Finance Operations under the Fund.

Agreed upon procedures for specific financial products under the Fund may be developed, further describing EIB's rules, policies and procedures applicable to the specific type of Impact Finance

Operations. Should such agreed upon procedures be developed, they will be submitted to the Contributors' Committee for approval in accordance with the decision-taking process for the Fund.

Notwithstanding the provisions set out in this paragraph, in relation to an Impact Finance Operation which consists of a loan that qualifies as senior debt under which a financial institution (including banks, micro-finance institutions, etc.) is the borrower, the Bank's rules, policies and procedures applied to operations it carries out at its own risk shall apply, including the applicable provisions of the Bank Credit Risk Guidelines.

Risk appetite for EIF financial products:

Given the high risk scope of intervention of the Fund, the EIF may enter into operations under the Fund typically with a higher risk than for its own operations. EIF will apply its rules, policies and procedures for such financial products which may differ from the rules, policies and procedures applied to operations EIF carries out for its own operations. Agreed upon procedures as well as the risk factors for operations will apply to EIF Operations in the context of the Fund.

12.5 Financial and operational reporting

A cash based financial reporting will be prepared for the Fund and therefore no valuation of the Operations of the Fund is foreseen. By derogation from Article 9 of the Platform Rules the financial reporting will not be incorporated into the consolidated statement of account movements of the Funds under the Platform.

By derogation from Article 5.4(vii) of the Platform Rules, the financial statement of the Fund shall not be submitted to the Contributors' Committee for approval. In accordance with Article 9.2 of the Platform Rules, the financial statement of the Fund shall be approved in line with financial statement approval procedures generally applied by EIB to third party mandates.

The financial statement of the Fund shall be subject to external auditing. The costs of such audit shall be charged to the Fund in accordance with paragraph 8.2 above.

In accordance with Article 9.4 (i) of the Platform Rules, the Bank will deliver to the Contributors Committee a quarterly operations progress report for information. By derogation from Article 9.4 (ii) and (iii) of the Platform Rules, the Bank will not deliver to the Contributors Committee bi-annual operation progress updates and operation completion reports.

12.6 Conflicts of interest

The Contributors acknowledge and agree that EIF and EIB:

- (i) operate, or may operate, a number of mandates (the "Mandates") that have or may have objectives, strategies and policies which may overlap with the Fund objectives, strategies and policies;
- (ii) may on its own account and/or on behalf of third parties, in the context of the Mandates, implement operations or recommend to such third parties to implement operations of a similar nature to the Fund Operations in a number of jurisdictions, including jurisdictions where the Fund will operate;
- (iii) may interact in other capacities with the Fund Operations (for example, as an investor for the benefit of another Mandate or under own resource investments) as well as provide guarantees or financing to the same eligible final beneficiaries as the Fund Operations contemplated herein,

including in a manner where the Fund may be subordinated to, or serve as a credit enhancement for, such other operations;

- (iv) may take part in transactions in which EIF or EIB have, for its own account or for that of any of the Mandate, directly or indirectly, a material interest or a relationship of any description with another party, which involves or may involve a potential conflict with any duty it may owe to the relevant mandator.

The Contributors hereby waive any rights or defences which they might otherwise have which arise or may arise from the EIF or EIB acting in any capacity as manager of the Mandates or otherwise.

12.7 Cross cutting principles

To the extent possible in the context of the evolving situation and needs in Ukraine, the Fund shall operate according to the general cross-cutting principles applicable to the EIB's activities, as described in Article 2.1.2 of the Platform Rules. In this context, the principles set out in the Platform Rules, Article 2.1.2, recitals (c), (e), and (f) are expected to be impacted and, to the extent necessary, disapplied.

Schedules

Schedule 1 – FLP Loss Notice

Schedule 2 – EURIBOR

Schedule 1 – FLP Loss Notice

FORM OF FLP LOSS NOTICE

[ON THE LETTERHEAD OF THE EIB]

To :The Bank, acting for the account of the Fund

Re: Contribution Agreement in respect of the Funded Contributions Compartment of the EU for Ukraine Fund (the “**Contribution Agreement**”)

Date:

Dear Sirs, Dear Madams,

Terms not otherwise defined shall bear the same meaning as ascribed to them in the Contribution Agreement.

This letter constitutes a FLP Loss Notice under the Fund Description of the Contribution Agreement.

We hereby notify the EIB, acting for the account of the Fund, of losses of an amount of [EUR [●]] (the “**Requested FLP Amount**”) which will be paid in accordance with paragraph 10.3 of the Fund Description.

This FLP Loss Notice relates to an Own Balance Sheet Operation and the Requested FLP Amount does not exceed:

- (i) the Total Funded Contributions; and
- (ii) the Funded Compartment FLP Amount.

Yours faithfully,
EUROPEAN INVESTMENT BANK

Schedule 2 – EURIBOR

“EURIBOR” means:

- (a) in respect of a relevant period of less than one month, the Screen Rate (as defined below) for a term of one month;
- (b) in respect of a relevant period of one or more months for which a Screen Rate is available, the applicable Screen Rate for a term for the corresponding number of months; and
- (c) in respect of a relevant period of more than one month for which a Screen Rate is not available, the rate resulting from a linear interpolation by reference to two Screen Rates, one of which is applicable for a period next shorter and the other for a period next longer than the length of the relevant period,

(the period for which the rate is taken or from which the rates are interpolated being the “Representative Period”).

For the purposes of paragraphs (b) and (c) above:

- (i) “available” means the rates, for given maturities, that are calculated and published by Global Rate Set Systems Ltd (GRSS), or such other service provider selected by the European Money Markets Institute (EMMI), or any successor to that function of EMMI, as determined by the Bank; and
- (ii) “Screen Rate” means the rate of interest for deposits in EUR for the relevant period as published at 11h00, Brussels time, or at a later time acceptable to the Bank on the day (the “Reset Date”) which falls 2 (two) relevant Business Days prior to the first day of the relevant period, on Reuters page EURIBOR 01 or its successor page or, failing which, by any other means of publication chosen for this purpose by the Bank. All percentages resulting from any calculations referred to in this Clause will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with halves being rounded up. If EURIBOR is not published in respect of a day for which it is required (but its determination and publication is not permanently discontinued) the Bank shall replace it with another benchmark rate and any appropriate adjustment to the spread, day-count fraction and/or calculation period, which it will determine in good faith and in a commercially reasonable manner. If the determination and publication of EURIBOR is permanently discontinued (or its permanent discontinuation is announced), the Bank shall enter into discussions with the Contributors with a view to its replacement with another benchmark rate and any appropriate adjustment to the spread, day-count fraction and/or calculation period.