

InvestEU Risk Methodological Framework

September 2021

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1 Introduction

The EU guarantee under the InvestEU Fund (hereafter the EU guarantee) will be provisioned at the rate of 40%¹ for the EU compartment.² The sustainability of the InvestEU provisioning will be reviewed annually, as required by the Financial Regulation³, based on the risk profile of the financing and investment operations included in the portfolio covered by the EU guarantee.

The Commission will set up a risk management system under the InvestEU Fund to ensure a sound financial management through:

- the compatibility of the allocation of the EU guarantee with its provisioning rate and the overall risk appetite of the Commission;
- the annual assessment of the sustainability of the provisioning over the lifetime of EU guarantee;
- the regular reporting and monitoring of the underlying financing and investment operations during the lifetime of InvestEU; and
- consistent risk terms for the set of financial products and portfolios to be deployed by the implementing partners (IPs) under the InvestEU Fund (e.g. guiding principles on the remuneration of the EU guarantee⁴, explanatory note on the calculation of the InvestEU financial contribution⁵).

The Technical Assessment Unit (TAU)⁶ of the EIB Group will support the Commission, in particular by carrying out simulations and projections on the financial risk and remuneration of the aggregate InvestEU portfolio and carrying out financial risk measurement and financial reporting of the aggregate portfolio.

¹ Article 4(1) of the InvestEU Regulation.

² Art. 10(2) of the InvestEU Regulation sets the provisioning rate of the EU guarantee under the Member State compartment at 40 %. This rate may be adjusted downwards or upwards in each contribution agreement to take account of the risks attached to the financial products intended to be used.

³ Article 41(5)(j) of the Financial Regulation.

⁴ InvestEU Wiki page: <https://webgate.ec.europa.eu/fpfis/wikis/display/InvestEUProg/InvestEU+Remuneration>

⁵ InvestEU Wiki page: <https://webgate.ec.europa.eu/fpfis/wikis/display/InvestEUProg/Follow+up+of+5th+Risk+Working+Group+Meeting+--+Final+Versions>

⁶ Article 11(1)(b) of the InvestEU Regulation.

This document describes the InvestEU Risk Methodological Framework (RMF) developed by the Commission in cooperation with the EIB Group and the other implementing partners including:

- the **risk mapping system** relating to the financing and investment operations of the implementing partners in order to allow the supported operations to be assessed on a common rating scale (Chapter 2);
- the **characteristics of the EU Guarantee**, types of financing and risk sharing models (Chapter 3);
- the overall **risk methodology** applied in assessing the risk profile of the financial products and the guarantee agreements. The methodology would consider the impact of specific financial products / portfolios to be deployed under the InvestEU taking into account risk sharing structures and risk levels of underlying operations (Chapter 4);
- the **role** of the Commission, the partnership with the EIB group and the role of the implementing partners (Chapter 5).

The contractual requirements setting out the obligations of the Commission and the implementing partners under the InvestEU Fund will be set out in the relevant guarantee agreements.

2 Risk mapping system

Financial institutions' internal credit risk measures, rating methodologies and systems are not directly comparable and suitable for aggregation. Thus, and pursuant to Article 11(1)(b)(ii) of the InvestEU Regulation, the Commission together with the EIB Group and other potential implementing partners must define a risk mapping system for the financing and investment operations of the implementing partners to allow such operations to be assessed on a common rating scale. The primary objective of the mapping system is to allow the Commission to quantify and monitor the aggregate risk-profile of the InvestEU guarantee in a consistent manner.

Such mapping is required in accordance with the delegation model under InvestEU for the purposes of risk assessment and the provision of the financial profile of the financing or investment operations to the Investment Committee as per Article 22(3) of the InvestEU Regulation and per section 2.4 of the InvestEU Investment Guidelines. Each guarantee agreement signed with an IP will include risk reporting requirements including credit risk ratings of InvestEU exposures. For the time being, as mentioned below, credit risk ratings and the risk mapping system cover debt-type operations.

In 2020, the Commission carried out a survey of risk rating processes, rating scales and Loss Given Default (LGD) assessment among 15 potential IPs. These included four International Financial Institutions (IFIs) and nine National Promotional Banks (NBPs) of which 13 responded to the questions in the survey. Of all the respondents: (i) 31% were rated Aaa/AAA; (ii) 23% rated Aa1/AA+ to Aa3/AA-; (iii) 23% were in the single A category and (iv) 23% had ratings between Baa1/BBB+ and Baa3/BBB-. The survey confirmed that IPs' rating approaches differ depending on the type of transaction, borrower and sector. In addition, qualitative data and expert judgements play a significant role in the institutions' risk assessments.

In general, IPs review the internal risk ratings of their counterparts and transactions at least once a year and map their internal ratings to external credit rating equivalents, most commonly to Moody's and/or S&P.

Typically, respondents derive the probably of default (PD) associated with each rating from external statistics as opposed to own default/insolvency experience and historical data due to the low-default portfolios of most potential IPs. The internal rating systems of the majority of IPs are based on Through-the-cycle (TTC) PDs.

2.1 Guidelines for mapping ratings to the Common Rating Scale

The common credit risk quantification approach will follow a two-step approach, which allows to aggregate credit risk information from all IPs and to monitor the collected data subsequently, i.e.:

- Step 1: Define a Common Rating Scale for the InvestEU with corresponding probabilities of default (PD) Term Structure;
- Step 2: Define a Mapping Setup to map IPs' internal credit risk measures to the Common Rating Scale.

The risk mapping to a corresponding Common Rating Scale is mandatory for all potential IPs applying for an InvestEU guarantee cover. For consistency, all InvestEU IPs are required to map their internally used credit ratings to provide for each exposure a rating based on the credit rating scale of Moody's for long-term debt, which shall serve as the Common Rating Scale. It consists of 21 notches, of which 20 correspond to non-default grades and one to the default grade, with "Aaa" being the lowest risk level and "C" denoting exposures in default, as shown in Table 1 below.

The Moody's rating scale for long-term debt has been chosen based on IPs' survey responses and in recognition of Moody's global reach, large volumes of rated debt and the number of rated entities and transactions maintained by the agency⁷.

Table 1 - Common Rating Scale, based on Moody's

Credit Rating	Aaa	Aa1, Aa2, Aa3	A1, A2, A3	Baa1, Baa2, Baa3	Ba1, Ba2, Ba3	B1, B2, B3	Caa1, Caa2, Caa3	Ca	C
Risk Level	Lowest	Very low	Low	Moderate	Substantial	High	Very high	Imminent default	Default (low or no recovery possibility)

Source: Moody's

The PD Term Structure for 1-30 years follows Moody's observed default rates, with standard data regularisation⁸ and extrapolation methods applied to derive a well-behaved term structure⁹.

The Commission will provide the PD matching method for a one-year time horizon as the basis for mapping to the Common Rating Scale. The mapped internal ratings shall be delivered as a one-off exercise by the IPs and consist of a description of the process steps and any adjustments involved, including adjustments due to the differences in the default definitions if any, as well as information on validation.

IPs may have a single PD value for each rating grade (i.e. internal and common rating scale, respectively) or, where applicable, multiple PD values corresponding to upper/lower bounds of the TTC PDs on their rating scale for the one-year time horizon. The provision of these data items will ensure a correct interpretation of IPs' internal ratings for the purposes of the InvestEU guarantee and the Commission may issue further guidelines as required.

The proposed mapping of IPs' internal ratings to the InvestEU Common Rating Scale follows the PD Matching Method, as described in Figure 1 below. The Matching Method is objective as it relies on quantitative measures (i.e. 1-year PDs).

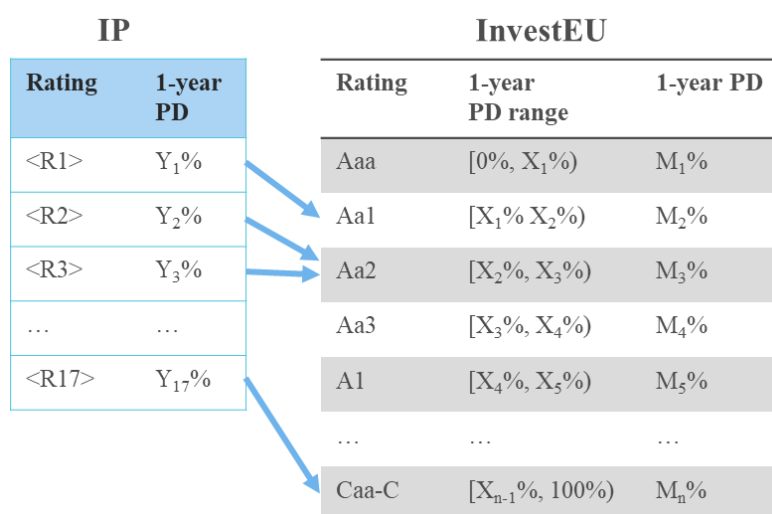
⁷ [The Commission will provide more information in the autumn on the Common Rating Scale and/or PD Term Structure. This is currently still under discussion with Moody's.]

⁸ Regularisation is a technique to reduce noise in observed data through aggregation and smoothing.

⁹ Such observed default rate data and similar regularisation and extrapolation methods are also used for other EU guarantees like the European Fund for Sustainable Development (EFSD).

This standard method¹⁰ uses 1-year PDs for determining mapping of IPs' internal ratings to the InvestEU Common Rating Scale. The mapping to a 1-year PD is quite common in the market and it is simple to implement, in particular, considering the diversity of IPs and their internal risk management systems.

Figure 1 - Example of PD Matching Method



Source: Commission services and TAU

A technical description with guidance about the mapping to the InvestEU PD curves will be provided at a later stage as an *Annex 1 – Mapping guidance*.

The risk-mapping described above applies only to InvestEU debt-type products. Equity-type products will be assessed through a combination of IP's internal scoring and/or evaluations, as carried out in IPs standard risk taking processes and a set of general equity valuation indicators. The latter will be specified in the reporting requirements and in the guarantee agreements and reported to the Commission together with other risk metrics part of the risk reporting.

2.2 Reporting of the InvestEU mapping

IPs shall submit to the Commission information on the mapping of their respective internal rating scale(s) to the InvestEU Common Rating Scale; this submission will be formally agreed and specified in the guarantee agreements.

¹⁰ This method is also applied for mapping within the Global Emerging Markets Risk Database Consortium (GEMs).

As part of the annual reporting requirements, the IPs are required either i) to confirm to the Commission a no-change to their internal rating scales or ii) to provide an up-to-date version of the internal rating scale. This notification shall be made together with the submission of the annual (unaudited) InvestEU risk reporting by 15 February each year.

The IP, for example through the head of Risk Control / Assessment, Risk Model Validation or any other unit with functional responsibilities related to the monitoring and determination of internal ratings, shall certify in writing to the Commission that the internal mapping and any subsequent changes in the mapping methodology are in line with the guidelines detailed in Section 2.1, before its submission to the Commission.

For all debt-type operations covered by the EU guarantee, the IPs shall duly assign internal ratings and map them to the InvestEU Common Rating Scale. Such obligation will be formally included in the guarantee agreements signed between EU and the IPs. The IPs shall provide regular risk reporting that shall include a reporting obligation on most recent ratings (which should normally not be older than 12 months) for all signed investment and financial operations covered by the EU guarantee.

Commercially sensitive data provided by the IPs will be accessible only to authorised users in the Commission and the InvestEU Guarantee Technical Assessment Unit.¹¹ While reviewing and storing the internal rating scales and other data received from the IPs, the Commission and the TAU will abide by strict confidentiality rules of protecting commercially sensitive and proprietary information. The guarantee agreements signed between the Commission and IPs will contain relevant confidentiality and non-disclosure clauses to that effect.

3 Characteristics of the EU guarantee

Under the InvestEU Fund, the Union budget provides an overall irrevocable, unconditional and on demand budgetary guarantee (referred to as the “EU guarantee” below)¹².

In case of market failures and sub-optimal investment conditions related to the achievement of the Union policy priorities, the EU guarantee will provide higher risk-bearing capacity to implementing partners thus allowing for an increase in the volume of higher risk projects supported by IP financing and investment operations.

¹¹ Subject to appropriate management of confidential information and no conflict of interest being achieved via strict operational separation of the TAU from the rest of the EIB Group and its services as described in Section 5.2.1.

¹² Article 2 of the InvestEU Regulation.

3.1 Types of financing and investment operations

The eligible types of financing provided directly or indirectly to final recipients through financial products are defined in Article 16 of the InvestEU Regulation and include:

- a) Loans (senior, mezzanine and subordinated);
- b) Guarantees or counter-guarantees (such as capped or uncapped) or any other form of credit enhancement to portfolios or individual operations;
- c) Capital market instruments; and
- d) Equity, equity-type and quasi-equity participations (e.g. *pari-passu*, layered funds).

3.2 InvestEU risk sharing structures

The InvestEU Fund supports two types of financing and investment operations – debt and equity, covering either individual or portfolio investments. As set out in section 4 of the Investment Guidelines (“IG”), the EU guarantee may cover different tranches of risk, under various financial products and financing and investment (or portfolios of) operations.

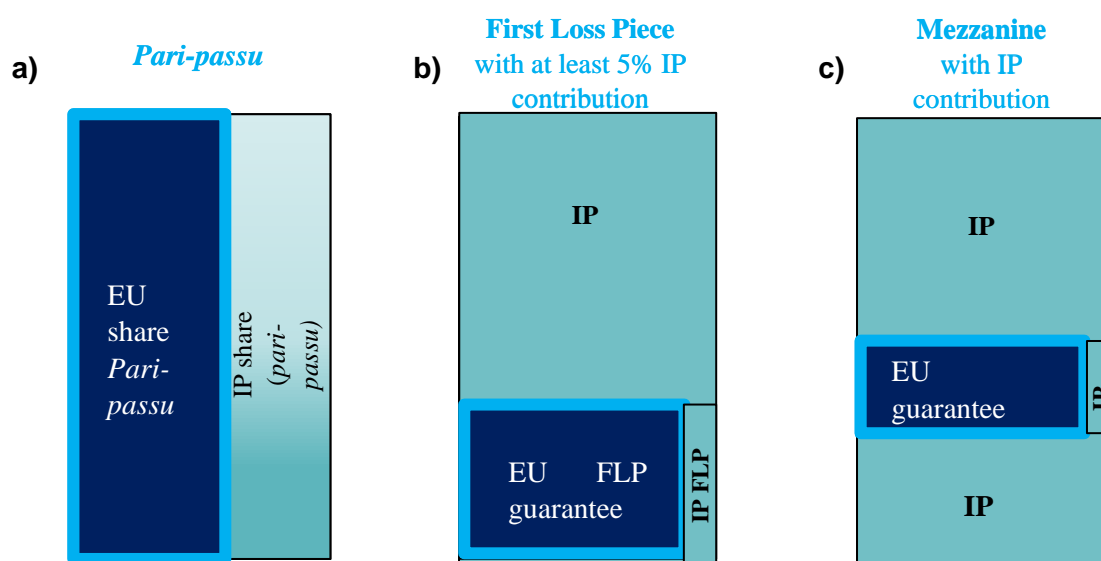
The EU guarantee granted under the possible risk-sharing structures, covers either individual operations or portfolios of operations. Each risk sharing structure corresponds to a different type of InvestEU exposure. As illustrated in Figure 2 below, the main types of risk-sharing structures include:

- a) ***Pari-passu*** – the Commission and the Implementing Partner(s) rank equally in the financing structure and share risks and revenues associated pro-rata to their respective participations (these do not necessarily need to be 50/50).
- b) **First Loss Piece (FLP) with at least 5% IP contribution¹³** – the Commission and the Implementing Partner(s) assume first losses in proportion to their respective shares in the FLP. The thickness of the FLP determines the maximum amount of losses to be covered by the EU guarantee.
- c) **Mezzanine with or without IP contribution** – a tranche that ranks above the FLP and below the senior tranche with or without a pro-rata contribution by the IP. The mezzanine

¹³ Only in specific and limited cases and with the necessary justification, notably for intermediated debt financing or thematic products, the EU guarantee may take a share of up to 100% in the FLP. However, the overall product portfolio proposed by an implementing partner cannot consist exclusively of operations of such type.

tranche starts absorbing losses after the depletion of the FLP and before the senior tranche is affected.

Figure 2 - Risk-Sharing Structures under InvestEU



Source: Commission services

Depending on the policy window or financial products to be deployed by the IPs, different risk-sharing structures may apply. The specifics of risk-sharing structures may also vary according to the products or operations. Precise risk-sharing arrangements will be determined in the guarantee agreements signed with each IP.¹⁴

The IG specify a number of minimum requirements and maximum ceilings (often reserved for exceptional and duly justified cases), concerning risk sharing between the EU and IPs. The risk sharing structures may change under various policy windows and according to the features of the financial products¹⁵. Only financing and investment operations meeting IG requirements qualify for EU guarantee support. See *Annex 2 - Risk-sharing structures for debt and equity operations* for more details of the different types of risk-sharing arrangements.

The IPs, in accordance with their Pillar-assessed methodologies, will have to provide all relevant risk metrics for the risk-sharing structures covered by the EU guarantee, including the level of

¹⁴ Section 4, paragraph 2 of the InvestEU Investment Guidelines – “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 risk sharing structure defined in the guarantee agreement.”

¹⁵ For example, minimal exposure which FIs must retain under capped and uncapped guarantees is 20%, however, in duly justified cases under the SISW, this minimum can be decreased to 5%.

risk of the portfolio of underlying operations, the level of residual risk¹⁶. IPs shall submit the calculation of their Financial Contribution at the financial product / portfolio level based on these elements by using an excel tool distributed by the Commission to this aim.

Further details regarding different types of financing are provided below.

3.2.1 Debt-type operations

A **debt-type operation** is an operation with the risk characteristics of debt, which may include instruments in the legal form of both debt (senior, mezzanine or subordinated loans, unsecured and secured loans, financial leases, mortgages, letters of credit) or guarantees, as well as debt securities issued in the capital markets (bonds). Debt-type operations typically have a fixed repayment schedule, which is set upfront between the borrower and the lender. In addition, the remuneration (calculation of interest payments and fees) is agreed upfront.

Different EU guarantee rules apply for: a) a direct individual operation or a portfolio of debt operations and b) indirect operations, including capped or uncapped guarantees.

3.2.1.1 Direct individual operations

The EU guarantee may be used to partly cover InvestEU-eligible individual operations financed directly by the IP¹⁷ on a *pari-passu* basis with the EU. In this case, the maximum exposure of the EU guarantee is capped at 50%¹⁸ of the total financing provided by the IP, while the share of the IP in the *pari-passu* position cannot be less than 20% (ref: *structure a*) in Figure 2).

In the Investment Guidelines, references to direct debt-type *pari-passu* structures are available in sections 2.3.1 and 4.1.1.1. These structures are illustrated in *Table 2* below:

¹⁶ See section 4 on Risk methodology.

¹⁷ This is possible under all policy windows, except the SME Window, see Table 2.

¹⁸ In exceptional cases, up to 70% of project costs for high added-value policy projects (ref: section 2.3.1 *Implementing partners, financial intermediaries and final recipients* of the IG).

Table 2 - Direct Debt-type Individual Operations – *Pari-passu*, Senior Tranche

Window	SIW	RIDW	SMEW	SISW
	general	general	general	general
EU share <i>pari-passu</i>	max 50%		n.a.*	max 50%
IP share <i>pari-passu</i>	≥20%			≥20%

* Under the SME window, financing only occurs indirectly through private or public financial intermediaries

Source: Commission services

The EU guarantee may also take a subordinated position in case of an individual debt financing. In this case, the cover is capped at 25% of the total IP financing¹⁹ (a horizontal tranche), while the IP must contribute at least a 5% share in this subordinated tranche.

3.2.1.2 Direct portfolio operations²⁰

As a general principle for portfolio debt operations, in every FLP (Portfolio First Loss Piece, PFLP) covered by an EU guarantee, the IP must take a minimum 5% share²¹.

The EU guarantee for portfolios of operations can cover either an FLP or a mezzanine tranche (ref: structures b) and c) in Figure 2).

The thickness of the EU FLP cannot exceed 30% of the overall financing, provided by the IP, with the exception of the Social Investment and Skills Window (SISW), where the FLP thickness could be higher, as well as in thematic operations²².

¹⁹ Which might include a participation by third-party financiers.

²⁰ This section covers financial products related to financing and investment operations that can be aggregated and covered by a FLP guarantee. This concerns typically operations directly targeting final recipients but may also include operations involving third party financiers or financial intermediaries (e.g. guarantees or risk sharing loans).

²¹ See IG section 4.1.1. This principle applies to general financial products, while specific provisions may apply to thematic products.

²² In case of thematic debt products, the EU guarantee may cover an FLP exceeding 50% of the portfolio operations financed by the IP. In duly justified cases, the IP's contribution to the loss-coverage of the FLP could be built progressively. Moreover, alignment of interest may be ensured through other financial means specified in the guarantee agreement. See IG, section 4.2.1.

Sections 2.3.1, 4.1.1.2 and 4.2.1 from the Investment Guidelines describe direct portfolio debt-type operations (general and thematic), as shown in **Error! Reference source not found.** below.

Table 3 - Debt-type Portfolio of Operations

Window	SIW		RIDW		SMEW	SISW	
	general	thematic	general	thematic	general	general	thematic
PFLP thickness	≤30%	>30%	≤30%	>30%	≤30%*	not defined <i>ex-ante</i>	>30%
EU share in PFLP tranche	max 95%						
IP share in PFLP tranche	≥5%	≥5%**	≥5%	≥5%**	≥5%	≥5%	≥5%**

*Pilot projects may deviate from the conditions set out in sections 4 and 5 of the IG applied to general financial products.

** In the case of thematic products, the contribution to the FLP can be provided progressively.

Source: Commission services

3.2.1.3 Indirect portfolio operations: capped and uncapped guarantees

In case of indirect debt operations, the financing to final recipients is provided through financial intermediaries (FIs) where the IP provides a guarantee for eligible portfolios of newly originated financing transactions by FIs. This set-up involves two guarantee contracts: the first one between the EU and the IP, the second one between the IP and various FIs deploying the EU guarantee in the market.

Guarantees for indirect portfolio operations can be further extended by the IP to FIs as capped or uncapped guarantees, depending on the terms agreed with intermediaries and recipients, as

well as portfolio risk characteristics. In all cases, at least 20% of the exposure in indirect debt transactions shall be retained by originating FIs.²³

A **capped guarantee** provides partial credit risk coverage to FIs on a transaction-by-transaction basis, at a given guarantee rate. Losses (net of recoveries) are covered until the total amount paid under the EU guarantee reaches the amount corresponding to the Guarantee Cap Rate²⁴, at which point the guarantee cover stops.

As a principle, an IP is expected to take at least a 5% share of the exposure (or FLP) to ensure a sufficient alignment of interest. Where remuneration from FIs 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 set at expected losses level. This is applicable across all policy windows.

As regards the terms of the guarantee at the level of the FIs, the guarantee rate of each transaction in the FI's portfolio is generally set at 50% unless in case of high policy value products²⁵. The cap rate is determined individually for each FI portfolio generally at the level of the expected loss²⁶. In the absence of relevant data for calculating such individual portfolio's expected loss, the cap rate is set up-front at a pre-agreed level in the guarantee agreement between the EU and the IP²⁷.

In any case, for the InvestEU cover under capped guarantees, the Guarantee Cap Rate cannot exceed 25% of the portfolio except in the case of the SISW.

Capped guarantees are discussed in Investment Guidelines' sections 4.1.1.3 and 5.1.1.2 and illustrated below as a two-step process: i) the EU guarantee is provided to the IP (*Table 4*) and ii) a guarantee from an IP is provided to FIs (*Table 5*):

²³ IG, section 2.3.1.

²⁴ IG, section 5.1.1.2 (f).

²⁵ IG, section 5.1.1.2 (d).

²⁶ The guarantee cap rate is set at the level of the expected loss of the single FI's portfolio. The only exception is the Member State compartment of the SMEW.

²⁷ The IP will then cascade down such terms and conditions to the FIs.

Table 4 - PFLP with Capped guarantee to Financial Intermediaries (EU guarantee → IP)

Window	SIW	RIDW	SMEW	SISW
PFLP Thickness	up to 100%			
EU share of PFLP	up to 95%*			
IP share of PFLP	≥ 5%			

* In duly justified cases, it can go up to 100% and the IP share is correspondingly reduced.

Source: Commission services

Table 5 - PFLP with Capped guarantee to Financial Intermediaries (IP → FI)

Window	SIW	RIDW	SMEW	SISW
Guarantee cap rate/ FLP thickness	= EL (max 25%)			possible EL >25%
IP share of FLP	max 50%*			
FI share of FLP (on a loan by loan basis)	≥20%**			

* May be increased for transactions of specific policy value.

** FIs can seek additional cover from other sources, however a minimum of 20% exposure shall be retained by the FI (a vertical tranche, which includes 20% risk sharing in the FLP). Once the FLP cover is exhausted, the FI retains all residual exposure on each loan.

Source: Commission services

An **uncapped guarantee** provided by the IP to FIs differs from a portfolio capped guarantee in respect of the way the guarantee cover works – there is no overall portfolio cap but each and every loan is guaranteed by the IP only up to a set guarantee rate of total financing provided by the FI.

In case of uncapped guarantees, the EU guarantee may be used as a portfolio FLP to cover the loans guaranteed by the IP. In duly justified cases where the expected loss remuneration may be provided for free and where the FLP also covers a share of the unexpected loss, such

unexpected loss cover shall be remunerated as elaborated in the InvestEU guarantee agreement²⁸. The IP is in principle expected to take a share of at least 5% in the FLP to ensure sufficient alignment of interest. However, where remuneration from financial intermediaries is not sufficient to adequately remunerate the risk of the financing provided by the IP, the EU share in the FLP can go up to 100%²⁹.

As indicated above, a FI is required to retain a minimum of 20% of the exposure in relation to each financing transaction ranking *pari-passu* with the guarantee provided by the IP. This may however not apply to the SISW, where the FI exposure can be reduced to 5%. The guarantee rate for the individual financing transactions included in the new portfolio shall be set typically at 50%.

Uncapped guarantees are discussed in Investment Guidelines' sections 4.1.1.3 and 5.1.1.2 and illustrated below: i) the EU guarantee to the IP and ii) a guarantee from an IP to FIs in *Table 6* and *Table 7*.

Table 6 - Debt-type Indirect Operation - PFLP with uncapped guarantee (EU guarantee → IP)

Window	SIW	RIDW	SMEW	SISW
PFLP Thickness	= EL *			
EU share of PFLP	up to 95% **			
IP share of PFLP	≥ 5% **			

* In duly justified cases, the EU guarantee may cover losses above expected losses.

** In duly justified cases, EU share of PFLP can go up to 100% and the IP share is correspondingly reduced.

Source: Commission services

²⁸ IG, section 5.1.1.2.

²⁹ IG, section 4.1.1.3.

Table 7 - Debt-type Indirect Operation - PFLP with uncapped guarantee (IP → FI)

Window	SIW	RIDW	SMEW	SISW
IP share <i>pari-passu</i>	max 50%*			
FI share <i>pari-passu</i>	>20%			≥5%

* May be increased for transactions of specific policy value.

Source: Commission services

3.2.2 Equity-type operations

An equity-type operation is an operation that has the risk characteristics of equity³⁰, which may include instruments in the legal form of equity (investments in common or preferred shares), quasi-equity or hybrid instruments (deeply subordinated loans with profit participations, mezzanine, venture loans, convertibles, warrants or other forms of equity kickers when a finance provider is exposed to equity-type risk).

The EU guarantees provided under the InvestEU may support equity-type investments by the IPs in: i) individual entities, including corporate and special purpose vehicles and ii) investments in funds (incl. funds of funds, co-investment vehicles or other types of intermediaries).

To ensure a sufficient alignment of interest, the *pari-passu* cover by the EU cannot exceed 70% of the overall equity investments made by the IP (at a group level) under different financial products. This ceiling has to be understood as an average cover rate across all equity products³¹ of the IP. As a result, a higher EU guarantee cover for one equity operation (e.g. 80%) needs to be compensated by other equity products of the same IP with a lower *pari-passu* cover by the EU guarantee.

Moreover, the IP is requested to retain own- risk financing of at least 5% of the overall financing in each operation.

³⁰ An equity operation typically does not have a fixed repayment schedule that is agreed upfront between the investor and the investee. Dividends are paid based on the performance of the company and decisions of the company's owners or their representatives and are not fixed upfront.

³¹ Section 4.1.2 of the IG.

3.2.2.1 Direct equity operations – *pari-passu*

Direct equity operations by IPs are possible under three out of the four InvestEU policy windows (i.e. SIW, RIDW and SISW).

As a principle, in case of direct equity operations, IPs are expected to invest on a *pari-passu* basis alongside investments covered by the EU guarantee. Co-investment from other sources, including co-investment of third party funds managed by an IP do not count towards the 5% own exposure.

Direct equity-type individual *pari-passu* operations are further discussed in sections 2.3.1 and 4.1.2 of the Investment Guidelines and illustrated *Table 8* below:

Table 8 - Direct Equity-type Individual Operations (pari-passu)

Window	SIW	RIDW	SMEW	SISW
EU guarantee's share of total <i>pari-passu</i> IP equity investment*	max 70%		n.a.***	max 70%
IP's own equity risk financing at operation level**	min 5%			min 5%

* The max IP investment in an investee company cannot exceed 50% of total project cost (i.e. total investment cost).

**IP own risk excludes third party funds managed by an IP. IPs can seek for complementary coverage from other sources.

*** Cannot be activated under the EU compartment but only under the Member State compartment.

Source: Commission services

3.2.2.2 Indirect equity operations – *pari-passu*

In the case of intermediated equity, an IP can invest equity in a fund (a financial intermediary) providing either equity or debt financing to final recipients or in a fund of funds (FoF). This set-up foresees two contracts/agreements: the first one between the EU and the IP and a second one between the IP and a fund or a FoF.

The EU guarantee terms for indirect equity operations with regards to the limits of the *pari-passu* cover granted to the IP by the EU guarantee (first step/agreement) are the same as for direct equity (see section 0 above).

With respect to the agreement between the IP and the Fund or the FoF (second step/agreement), as a general rule, IPs can invest *pari-passu* up to 25% of the total fund size. In case of high policy value added, the limit can be higher but cannot exceed 50% (with a 75% limit for the SISW, or exceptionally for other windows in case of technology transfers or for green and digital investments at European level by three or more implementing partners).³²

Private investors' share in the fund or FoF cannot be lower than 30%, which is a general condition also applicable to non *pari-passu* equity operations as discussed in the next section.³³ In the SMEW in particular, the share of private investors in the fund level cannot be below 30%. In case of co-investments, the minimum threshold for private investors can be achieved as an aggregate of individual investments in underlying companies/ final recipients. However, for investments with special policy relevance for the EU, the Commission may decide not to apply the 30% minimum private investors' share, while fully respecting consistency with State aid.

Table 9 and Table 10 below describe the specifics of indirect equity-type *pari-passu* operations at both levels: i) the EU guarantee to the IP and ii) between the IP and a fund or a fund of funds (second step/agreement), as further detailed in sections 4.1.2 and 5.1.2 of the Investment Guidelines.

Table 9 - Indirect equity-type (*Pari-passu*) (EU guarantee → IP)

Window	SIW	RIDW	SMEW	SISW
EU guarantee's share of total <i>pari-passu</i> IP equity investment	max 70%			
IP's own risk financing at operation level*	min 5%			

* Excluding third party funds managed by an IP. IPs can seek for complementary coverage from other sources.

Source: Commission services

³² Section 5.1.2, (b) and (c).

³³ To be market-conform, any public national resources invested by the IP or the financial intermediary would need to be invested *pari-passu* with other private resources (minimum 30% of private investment in the same investment tranche). Furthermore, intermediaries would need to be commercially oriented and selected in an open and transparent manner according to applicable procurement rules (see IG, section 5.1.2).

Table 10 - Indirect Equity-type (Pari-passu) (IP → Fund/FoF)

Window	SIW	RIDW	SMEW	SISW
IP's share of Fund/FoF	Max 25%*			max 75%
Private investors' share in Fund / FoF investment	min 30% investing on a <i>pari-passu</i> basis**			

Note: The risk-sharing structures and conditions on private investors share may be tailored for specific EU policy areas.

* In cases of high policy value added, a share of up to 50% is allowed. In addition, investments in funds dedicated to green and digital investments at European level by three or more IPs may reach in total up to 75% of the fund size.

**This requirement may not apply for the purpose of investment in areas of specific policy relevance for the EU.

Source: Commission services

3.2.2.3 Non *pari-passu* equity investments

In exceptional cases, to be duly justified, equity risk sharing can also be done on a non *pari-passu* basis (layered structures) between IPs and the EU, notably in cases of higher risk operations, where a subordination of the EU guarantee may be necessary. Such cases would typically be associated with systemic market failures, pricing asymmetries, start-up businesses or creation of new markets and must be duly justified.³⁴

Non *pari-passu* direct equity-type portfolio PFLP operations are covered in Sections 2.3.1, 4.1.2 and 4.2.2 of the Investment Guidelines and summary details are presented in Table 11 below.

Table 11 - Direct Portfolio Equity-type Operations (PFLP)

Window	SIW	RIDW	SMEW	SISW
PFLP thickness	up to 50% of the IP's portfolio investment*, **		n.a.	up to 50% of the IP's portfolio investment*, **

³⁴ Section 4.1.2 of the IG.

EU share in PFLP	up to 95%		up to 95%
IP share in PFLP	≥ 5%		≥ 5%

* The maximum IP investment in an investee company cannot exceed 50% of total project cost (i.e. total investment).

**PFLP is allowed only in exceptional cases for general products or for thematic products where the PFLP thickness can be higher than 50%.³⁵

Source: Commission services

Non *pari-passu* indirect equity-type portfolio PFLP operations are discussed in Sections 4.1.2 and 4.2.2 of the Investment Guidelines while Table 12 and Table 13 present details of the i) the EU guarantee – IP structure and ii) the IP – Fund /FoF structure, respectively:

Table 12 - Intermediated equity (via Funds/FoF) (PFLP) (EU guarantee → IP)

Window	SIW	RIDW	SMEW	SISW
PFLP thickness	up to 50% of the IP's portfolio investment*			
EU share in PFLP	up to 95%**			
IP share in PFLP	≥ 5%**			

* PFLP is allowed only in exceptional cases for general products or for thematic products where the PFLP thickness can be higher than 50%.

** In exceptional cases, EU share of PFLP can go up to 100% and the IP share is correspondingly reduced.

Source: Commission services

³⁵ Section 4.2.2 of the IG.

Table 13 - Intermediated equity (via Funds/FoF) (PFLP) (IP → Funds/FoF)

Window	SIW	RIDW	SMEW	SISW
IP's share of Fund/FOF	max 25%*			max 75%
Private investors' share of Fund/FoF investment	min 30%			

Note: The risk-sharing structures and the size of private investors' share may be tailored for areas of specific EU policy relevance.³⁶

* In cases of high policy value added, a share below 50% is allowed (IG s. 2.3.1).

Source: Commission services

4 Risk methodology

The RMF defines the risk methodology applied in assessing and monitoring the risk profile of the financial products/portfolios supported by the EU guarantee proposed by and agreed with the InvestEU implementing partners as well as the InvestEU portfolio as a whole. The InvestEU RMF combines different quantitative and qualitative elements and foresees the delegation of certain tasks to the IPs, which are pillar-assessed institutions and operate based on their internal rules and procedures. At the same time, a high level of harmonisation is required in order to obtain consistent risk estimates across the whole InvestEU programme.

As established in Article 4 of the InvestEU Regulation, the total obligations guaranteed by the European Union through the EU Guarantee cannot exceed EUR 26 152 310 073 in current prices. The EU Guarantee will be backed by the InvestEU Fund, provisioned at 40% for the EU compartment.

The Commission, with support from the TAU (see section 0), seeks to strike a balance between the risks inherent to the proposed financial products and managing the portfolio's credit risk to avoid losses in excess of the assets³⁷ held in the InvestEU Fund compartment of the Common Provisioning Fund (CPF) at a certain confidence level.

³⁶ This can be achieved in several ways: i) with the maturing and de-risking of the overall portfolio; ii) through revenues from the guaranteed or other portfolio(s) or iii) through other appropriate and innovative mechanisms. See IG, section 4.2.1.

³⁷ The assessment will take into account other expenditures which will be covered from the assets (e.g. funding costs and losses arising from fluctuations of currencies other than the euro).

4.1 The InvestEU risk methodology

The Commission defines its risk appetite (also known as risk-taking capacity or tolerance) in such a way that there should be less than [x%] probability of exhausting the assets held in the InvestEU compartment of the CPF over the lifetime of the instrument.

The principles of remuneration of the EU guarantee are set out in a Commission services' paper on the EU remuneration³⁸.

The Financial Regulation requires periodic assessments of the probability of fully depleting the InvestEU compartment of the CPF³⁹.

The InvestEU Risk Methodology relies on the following components:

- 1) Provisions in the guarantee agreements which define the target risk profile or other mechanisms that limit the risk of financial products/ portfolios to be deployed with the support of the EU guarantee;
- 2) Quantitative analysis of implementing partners' proposals before signature (*ex-ante* risk assessment);
- 3) Quantitative and qualitative assessment of the risk covered under the EU guarantee (*ex-post* risk assessment).
- 4) Periodic monitoring of exposures and key risk indicators over the whole lifetime of the InvestEU programme based on the reporting provided by the implementing partners.

4.2 Risk profile of the financial product

Each guarantee agreement will include the maximum guaranteed amount and may specify target ratings, expected loss or other portfolio risk metrics with a view to align the risk profile of the financing and investment operations covered under the EU guarantee with the expectations.

Furthermore, as foreseen in the InvestEU Investment Guidelines, some IPs will implement the EU guarantee through a transfer rate mechanism where the guarantee coverage builds up progressively as the portfolio is ramped up.

³⁸ InvestEU Wiki page:

<https://webgate.ec.europa.eu/fpfis/wikis/display/InvestEUProg/InvestEU+Remuneration>

³⁹ Articles 211-213 of the Financial Regulation.

All of these measures aim at limiting the contingent liabilities arising from the EU guarantee in line with the Commission's risk appetite, while at the same time providing the guarantee coverage to IPs, which is required for the implementation of policy objectives.

4.3 *Ex-ante* risk assessment

In order for the Commission to develop an overview of the risk profile covered under the InvestEU programme, every IP is required to provide a description of risk-related and other relevant parameters of the financing and investment operations and portfolios covered by the EU guarantee.

For IPs participating in the call of expression of interest, this is based on the “risk template”⁴⁰ to be submitted by the IP as part of their response to the call for expression of interest.

The *ex-ante* risk assessment for InvestEU is therefore based on:

- 1) Risk inputs concerning the financial products/ portfolios to be supported under the InvestEU, which are supplied by the implementing partners (risk description of financial products);
- 2) Parameters affecting the portfolio as a whole (e.g. correlation, discount rates, etc.); and
- 3) Remuneration of the EU guarantee (see footnote [4]).

4.4 Quantitative and qualitative risk assessment

The underlying risk and financial impact of financial products is estimated regularly by the Commission based on the periodic risk reporting received from the IPs and taking into account the respective risk-sharing arrangements, the risk of the underlying financing and investment operations as well as revenues and potential recoveries.

4.4.1 *Credit risk model for debt operations*

The risk of InvestEU debt-type portfolios is estimated with the help of a generally accepted quantitative credit risk model, developed with the support of the TAU.

⁴⁰ InvestEU Wiki page:

<https://webgate.ec.europa.eu/fpfis/wikis/display/InvestEUProg/InvestEU+Risk+Template>

Going forward, however, a Commission-wide credit risk model will be developed and will be used for the relevant risk assessments under the InvestEU programme. The Commission and the TAU will ensure a smooth transition to this new model and the comparability of results from both models by using the same InvestEU bespoke curves and by calibrating the new model parameters in line with the original model.

4.4.2 Risk model for equity operations

The risk of equity operations is currently estimated on the basis of expert judgement. In the assessment, a number of prudent, simplifying assumptions are integrated.

In the future, an equity model might be developed based on the experience of past equity financial instruments deployed by implementing partners.

4.4.3 General modelling assumptions

The general assumptions underlying the InvestEU modelling approach are:

- Stated **risk appetite**: probability of losses (net of guarantee revenues and proceeds from recoveries) resulting in full depletion of the CPF compartment of the InvestEU Fund over the lifetime of the instrument.
- The key credit **risk parameters and assumptions** for each debt-type operation, which need to be provided by the implementing partner following their own risk processes and criteria: 1-year Probability of Default (PD)⁴¹, Loss-Given-Default (LGD, which is assumed to be constant throughout the lifetime), tenor, grace, ramp-up period, etc... For equity and quasi-equity operations⁴², implementing partners shall provide a relevant description of the risk features, based on the indicators used internally – such as the instrument's financial performance expectation and/or track record or reference to an external benchmark and the IP's forecast, and/or the IPs internal grading model or any other relevant risk measures. All these parameters are taken at face value, based on the principle of full delegation to pillar-assessed implementing partners. The Commission reserves, however, the right to adjust the parameters accordingly when there is no strong evidence substantiating the IP's assumptions or request additional clarifications.

⁴¹ The 1-year PD assigned by each IP will be mapped to the InvestEU common rating scale to ensure consistency and comparability.

⁴² Debt obligations *de jure* but displaying equity-like characteristics, like deferability of principal and interest payments.

- The **InvestEU curves** provide the PD term-structure over the lifetime of the instrument. The risk reporting particular care has been taken that the term-structure is smooth for each rating and monotonic across ratings for each tenor.

4.5 Periodic reporting and monitoring

On the basis of regular risk reporting of the IPs, the Commission assesses the implications on the provisioning needs of the EU guarantee.

Pursuant to Article 28 of the InvestEU Regulation, the Commission will monitor continuously the implementation of the guarantees extended under the InvestEU Programme and the development of key risk indicators. The monitoring and reporting obligations of the Commission ensue also from Articles 41(5), 241 and 250 of the Financial Regulation as well as from other ad-hoc analytical and reporting requirements.

During the preparatory stages of the InvestEU Programme, risk experts of the potential IPs were consulted about the targeted scope of the data items, which were envisaged to be included in the InvestEU risk reporting. This has been compiled on the basis of past experience from other guarantee programmes of the EU.

The risk reporting obligations will be the same for the IPs for comparable financial products. Together with other operational and financial reporting requirements, they become an essential part of the guarantee agreements.

The risk reporting has six-monthly periodicity and includes a detailed annual report and a semi-annual condensed report. The risk reporting template(s) will be made available to the IPs by the time negotiations for the guarantee agreements start. The annual risk report shall be referenced to 31 December of each year and submitted to the Commission by 15 February of the following year⁴³. The semi-annual report shall be with a reference to 30 June and submitted by [15 September] of the same year.

The risk reports shall be submitted through the InvestEU Management Information System, using a format and template agreed with the Commission.⁴⁴

⁴³ If the final data is not available by 15 February, the IPs will need to provide by 15 February preliminary data and, by 28 February, the final submission.

⁴⁴ It is understood that for so long as the InvestEU MIS is not operational, risk reporting by the IPs to the Commission must be submitted by email.

5 Role of the Commission, Partnership with the EIB group and the role of the IPs

According to Article 11 of the InvestEU Regulation, the risk methodology and risk mapping system that relate to the financing and investment operations of the implementing partners shall be defined by the Commission together with the EIB Group and potential implementing partners. In order to facilitate the discussion related to the risk methodology and risk mapping – together forming the InvestEU Risk Methodological Framework – with the EIB Group and the other IPs, a Risk Experts' Working Group was set up. Risk experts are consulted on Commission's draft papers and notes.

Article 21 of the InvestEU Regulation further specifies that the InvestEU Risk Methodological Framework is adopted by the InvestEU Steering Board.

5.1 Role of the Commission

Concerning the RMF, and notably the risk methodology, the Commission has defined a number of critical steps to ensure that the allocation of the overall EU guarantee is compatible with the overall provisioning rate of 40% established by the InvestEU Regulation given its risk appetite, as detailed in section 0. Regular reporting and monitoring of the adequacy of the provisioning rate is an obligation under Article 28 of the InvestEU Regulation and Articles 41(5), 210 and 250 of the Financial Regulation.

Regarding the risk mapping, the Commission will define with the support of the TAU the 'master' probability of default (PD) curve built from a reputable source of default data [(Moody's)] and prepare a mapping methodology and guidelines to be distributed to all InvestEU IPs for mapping their internal systems to the master scale as described in section **Error! Reference source not found..**

Risk related documents, models and other elements not mentioned in Article 11 of the InvestEU Regulation will be defined by the Commission. These include, *inter alia*, the calculation of the financial contribution, the remuneration of the EU guarantee, the coverage of the exchange-rate risk, IPs' reporting requirements⁴⁵, and the management of the Member State compartment. Input from the IPs' Risk Experts Working Group may be sought in order to ensure the workability of the overall risk system requirements. These risk related items are not to be approved by the Steering Board and remain the sole responsibility of the Commission.

⁴⁵ To be agreed in the guarantee agreements signed with each IP.

5.2 Partnership with the EIB Group and the Technical Assessment Unit

The InvestEU Regulation identifies the EIB Group as partner of the Commission, supporting the delivery of the InvestEU Fund (further defined in Article 11(1)(b) and (c) of the InvestEU Regulation). Article 11(1)(b) describes the terms of the partnership with the EIB Group pertaining to the implementation of the EU guarantee under the EU compartment and, where applicable, the MS compartment.

In this partnership framework, the EIB Group supports the Commission for certain tasks in connection with:

- defining, together with the Commission and potential implementing partners, the risk methodology and risk mapping system (Article 11(1)(b)(ii));
- providing a non-binding opinion on the banking-related aspects, in particular on the financial risk and financial terms related to the portion of the EU guarantee to be allocated to the implementing partner, other than to the EIB Group, as defined in the guarantee agreement to be concluded with that implementing partner (Article 11(1)(b)(iv));
- carrying out simulations and projections of the financial risk and remuneration of the aggregate portfolio on the basis of assumptions agreed with the Commission (Article 11(1)(b)(v));
- measuring the financial risk of the aggregate portfolio and providing financial reports on the aggregate portfolio (Article 11(1)(b)(vi)).

This set-up will foster the compatibility of the proposed financial products by various IPs with the InvestEU provisioning rate and risk appetite of the Commission.

5.2.1 Role of the Technical Assessment Unit

The TAU is a separate ring-fenced unit at the EIB Group responsible for producing independent non-binding opinions of the EIB Group (Article 11(1)(b)(iv)), portfolio level simulations and projections (Article 11(1)(b)(v)) and financial risk measurement (Article 11(1)(b)(vi)). Other services to be provided by the EIB Group under Article 11(2)(b)(vii) will not be provided by the TAU.

The TAU is composed of an operationally independent team of EIB Group risk management professionals selected by the EIB Group based on their experience in risk management. In order to carry out its functions, the TAU will have access to certain confidential information regarding proposals of other IPs, including elements defined through the process described in Article 11(2) of the InvestEU Regulation. An appropriate management of confidentiality and no

conflict of interest is achieved via strict operational separation of the TAU from the rest of the EIB Group and its services. This has been foreseen under Article 11 of the InvestEU Regulation and among other safeguards includes strict confidentiality and non-disclosure clauses. Such setting will, *inter alia*, ensure that the non-binding opinions on risk-related aspects of other IPs proposals prepared by the TAU on behalf of the EIB Group will not be shared internally within the EIB Group and that different teams will support EIB Group in their capacity as an IP. All these conditions and requirements for the TAU will be detailed in the Partnership Agreement to be signed by the Commission with the EIB Group.

To ensure efficiency of the InvestEU programme implementation, the Commission may involve and seek advice of the TAU in the designing phase of the RMF to evaluate the risk impact of possible alternative strategies. Papers on risk-related items as foreseen in the InvestEU Regulation and presented to the Risk Experts' Working Group, notably with respect to risk mapping, the financial contribution and the risk-sharing structures, have been drafted by the Commission with input from the TAU.

5.3 Role of the Implementing Partners

All IPs should implement the EU guarantee in an efficient manner in line with their existing internal rules and procedures as audited during their Pillar Assessment. With respect to the risk work stream and related activities, each IP contributes by:

- Participating actively in the Risk Experts' Working Group meetings and providing comments to various risk-related documents presented in accordance with the InvestEU Regulation;
- Communicating requested risk metrics to assess the initial risk profile of each financial product through the risk template annexed to the response to the call for expression of interest and being available to address any follow-up information requests;
- Calculating the *ex-ante* financial contribution of submitted proposals at the portfolio level (i.e. as the sum of the financial contribution of the different financial products composing the portfolio) by means of the tool made available by the Commission for this purpose;
- Submitting the risk-related information to the Investment Committee in the relevant documents (scoreboard and guarantee form request) as part of the InvestEU approval process;
- Providing the periodic reporting on the risk exposures as agreed in the guarantee agreements in the format provided by the Commission.

6 Abbreviations

CPF	Common Provisioning Fund
EC	European Commission
EFSD	European Fund for Sustainable Development
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
EL	Expected Loss
FI	Financial Intermediary
FLP	First Loss Piece
FoF	Fund of Funds
GA	Guarantee Agreement between the Commission and the respective Implementing Partners
IFI	International Financial Institution
IG	InvestEU Investment Guidelines
IP	Implementing Partners
LGD	Loss Given Default
NPB	National Promotional Bank
PFLP	Portfolio First Loss Piece
PD	Probability of Default
RIDW	Research, Innovation and Digitisation Window
RMF	Risk Methodological Framework
RRT	Residual Risk Tranche
SISW	Social Investment and Skills window
SIW	Sustainable Infrastructure Window
SMEW	Small and Medium-size Enterprises Window
TAU	Technical Assessment Unit provided by the EIB Group
TTC	Through-the-Cycle

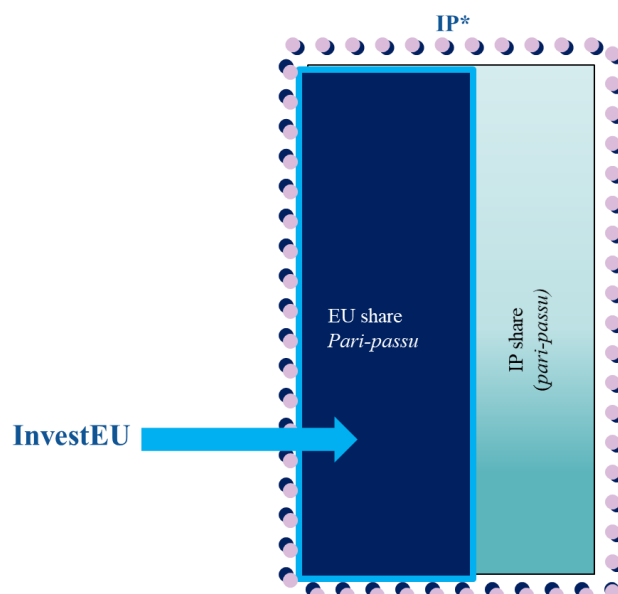
Annex 1 – Mapping guidance

[To be provided to the selected IPs during the negotiations of the Guarantee Agreements.]

Annex 2 - Risk-sharing structures for debt and equity operations

1. Debt operations

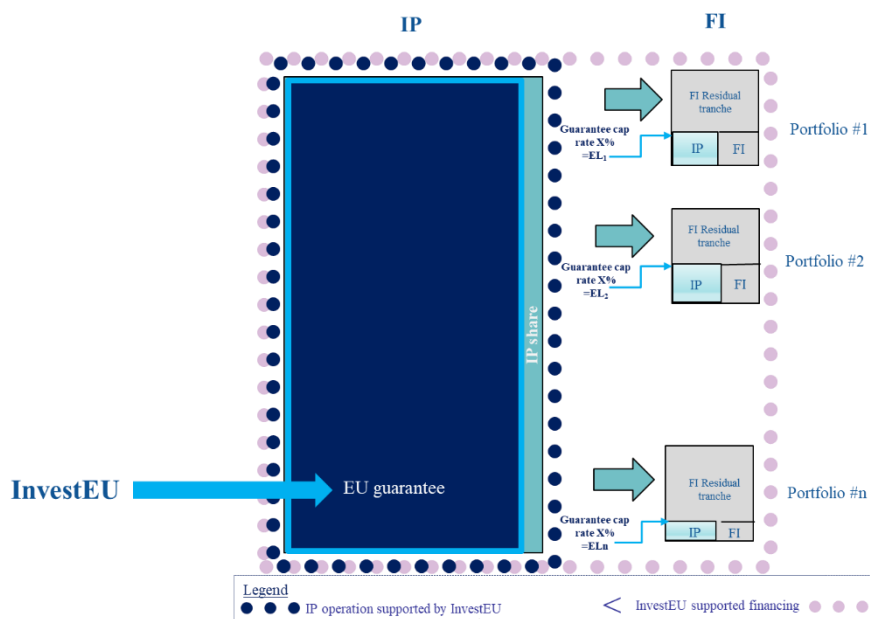
1.1 Direct individual operations (*pari-passu*): Investment Guidelines - sections 2.3.1 & 4.1.1.1



Legend * IP operation cannot exceed 50% of total project cost (in the cases of projects of high policy added value and when it is essential to attract additional private investors through financing structures (such as syndicated loans), the figure may go up to 70% of the total project cost, as further laid down in the guarantee agreement).

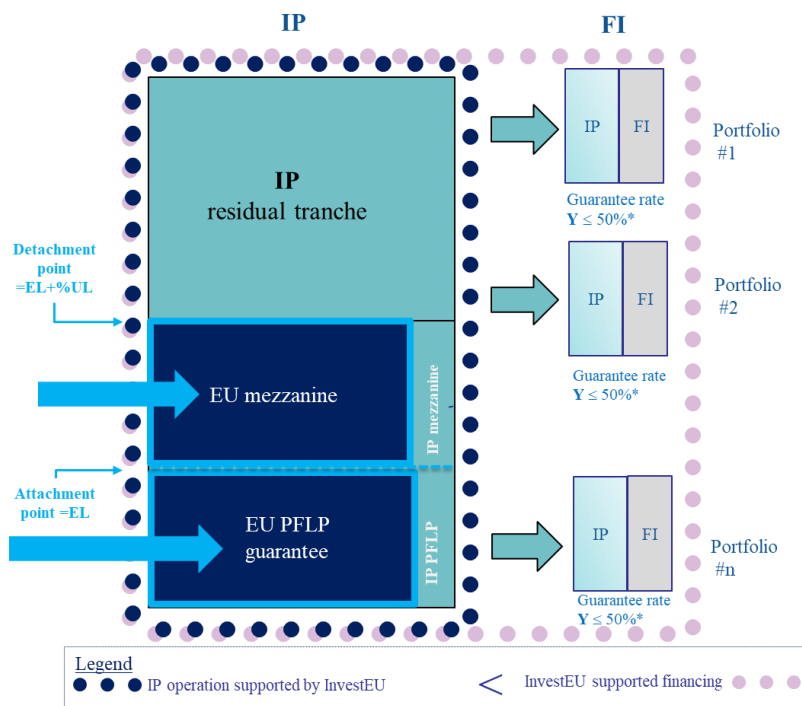
● ● ● ● IP operation supported by InvestEU = InvestEU supported financing ● ● ● ● ●

1.2 Indirect - Capped guarantee to Financial Intermediaries (FI) (*pari-passu*): Investment Guidelines, sections 4.1.1.3 and 5.1.1.2



Legend ● ● ● ● IP operation supported by InvestEU < InvestEU supported financing ● ● ● ● ●

1.3 Indirect - Uncapped guarantee to FI (PFLP): Investment Guidelines, sections 4.1.1.3 and 5.1.1.2

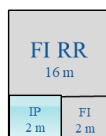
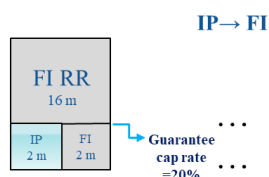


Capped guarantee to FI

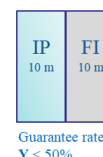
Max FI portfolio volume	EUR 20 m
Type of instrument	Guarantee to FI
Guarantee Rate	50%
Guarantee Cap Rate	20%
Max. FI Guarantee Cap Amount	EUR 2 m

Uncapped guarantee to FI

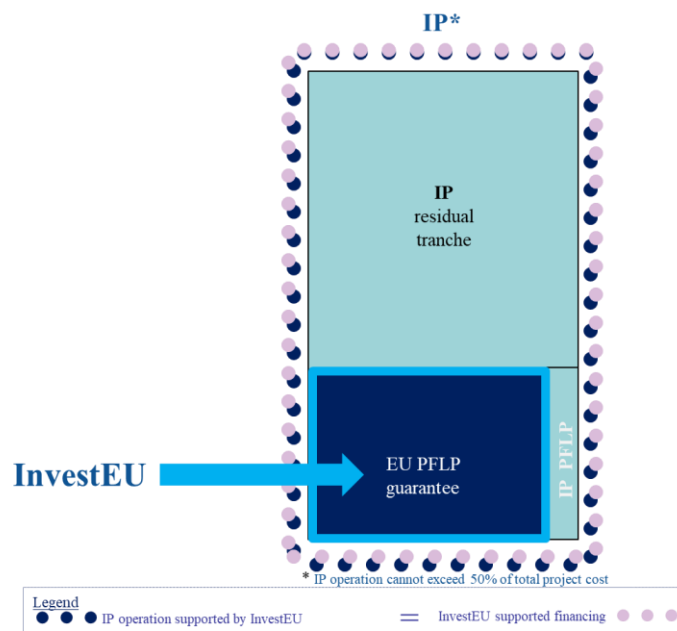
Max portfolio volume	EUR 20 m
Type of instrument	Guarantee to FI
Guarantee Rate	50%
Max. FI Guarantee Amount	EUR 10 m



IP → FI

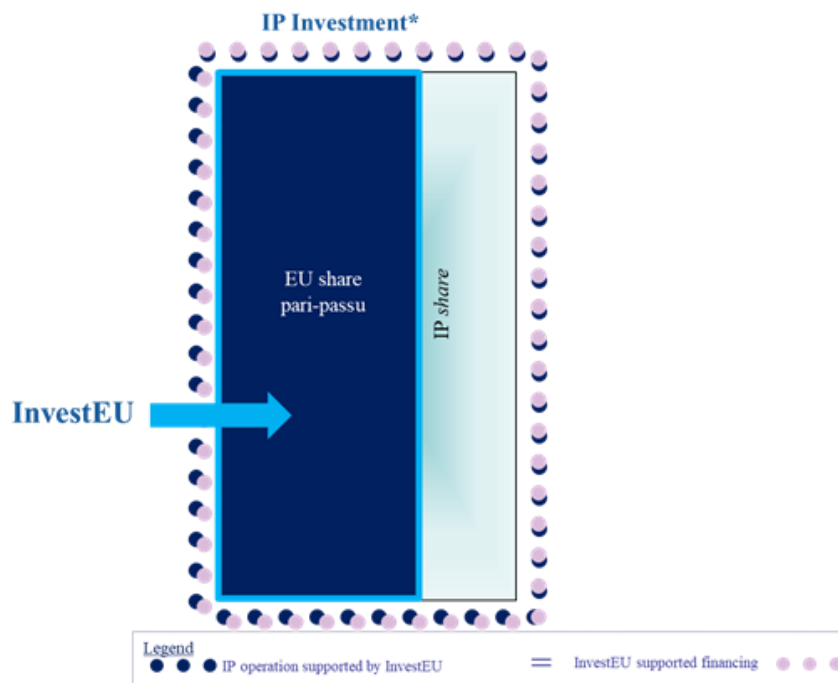


1.4 Direct portfolio of operations (PFLP): Investment Guidelines, sections 2.3.1, 4.1.1.2 & 4.2

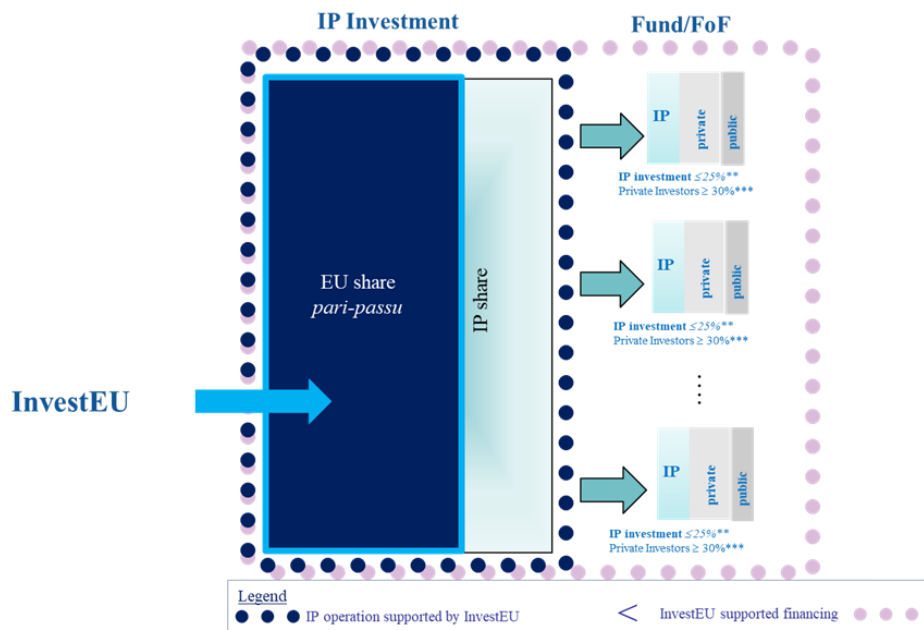


2. Equity and equity-type operations

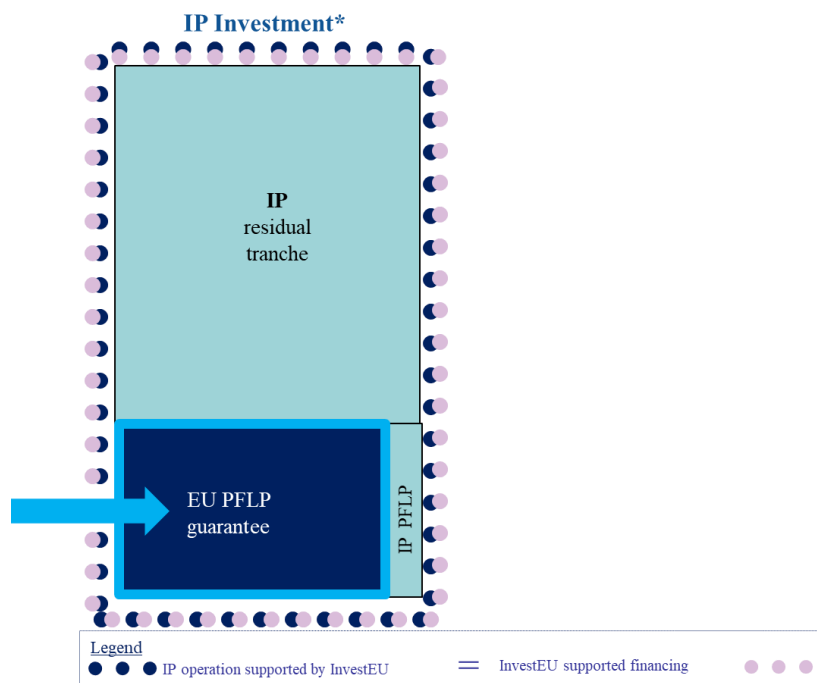
2.1 Direct individual operations (*pari-passu*): Investment Guidelines, sections 2.3.1 & 4.1.2



* The maximum IP investment in a final recipient cannot exceed 50% of total project cost

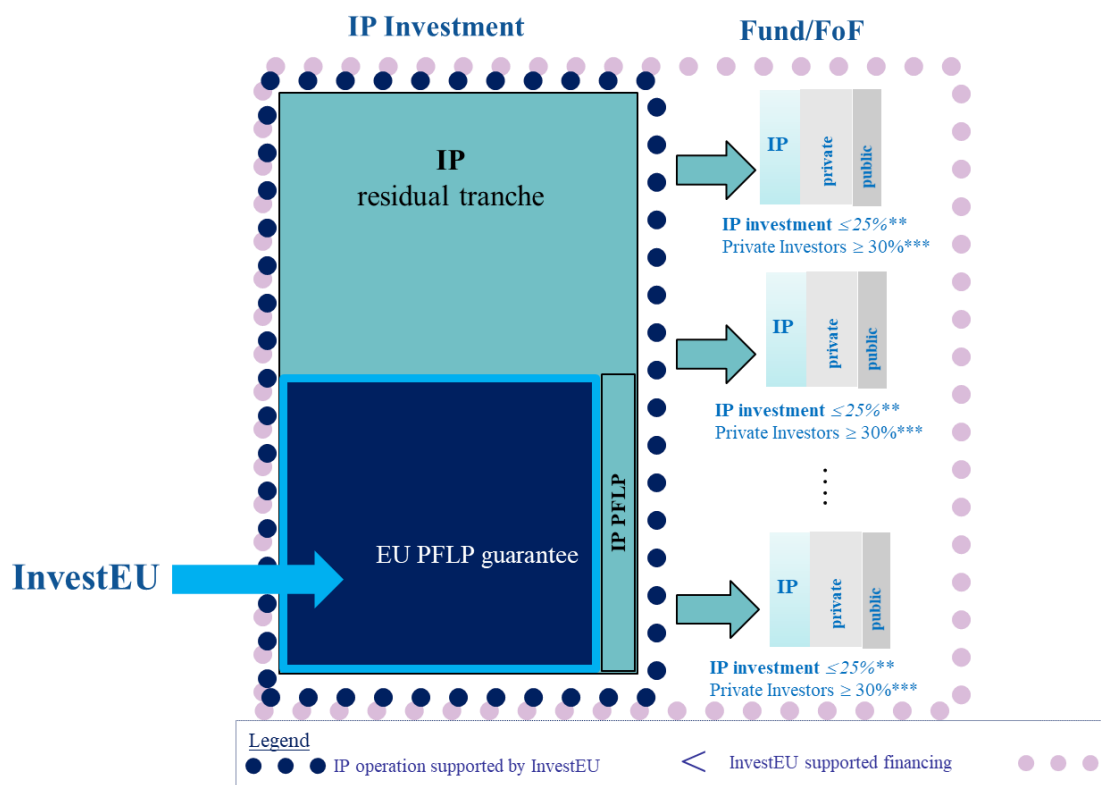
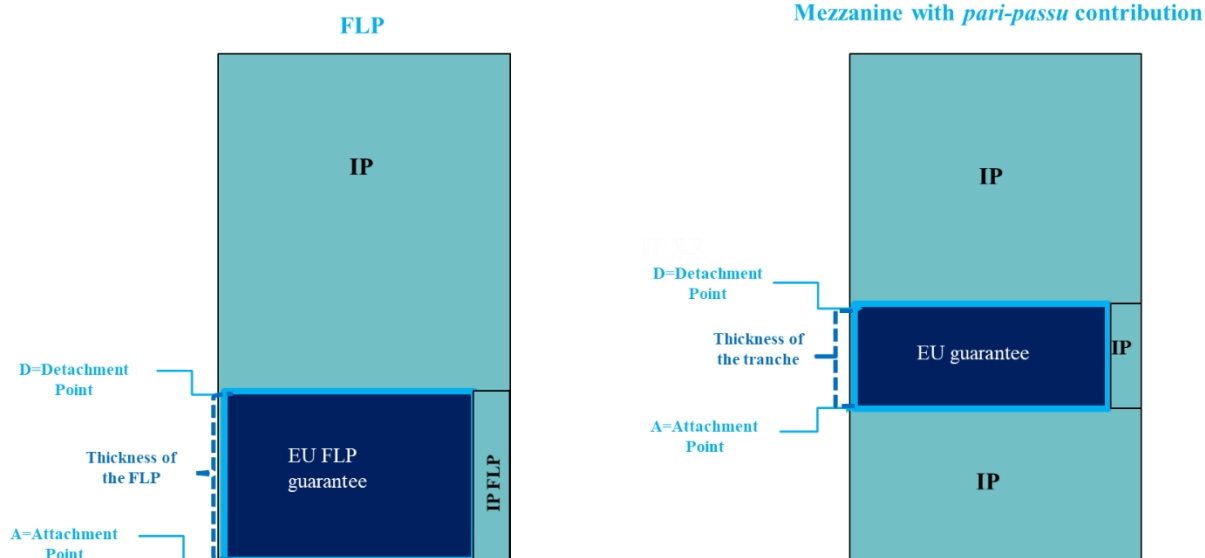
2.2 Intermediated equity (*pari-passu*): Investment Guidelines, section 4.1.2

2.3 Direct portfolio equity (PFLP): Investment Guidelines, sections 2.3.1, 4.1.2 & 4.2.2



* The maximum IP investment in an investee company/ recipient of financing cannot exceed 50% of total project cost (i.e. total investment).

2.4 Intermediated equity (PFLP): Investment Guidelines, sections 4.1.2 and 4.2.2

3. Non *pari-passu* products: attachment and detachment points

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