

Summary Key Terms and Conditions for Direct Investments under the Co-investment Fund (FOCO)

Fund Objective	The Co-Investment Fund (FOCO), managed by Compañía Española de Financiación del Desarrollo (COFIDES), is a financial instrument whose purpose is to mobilize resources from foreign investors, both public and private, to boost productive investments made by private firms on Spanish territory.
Fund Description	FOCO will promote foreign investments into Spain's economy and improve access to finance strategic sectors, particularly (but not exclusively) those tied to the green and digital transitions and the <i>Proyectos Estratégicos para la Recuperación y Transformación Económica</i> (PERTEs) ¹ , as well as to make a relevant contribution to the development of capital markets in these areas.
Target Sectors	Spain's strategic economic sectors, including those tied to the green and digital transitions and those included in the PERTEs, as well as other strategic economic activities such as sustainable mobility, sustainable infrastructure, sustainable agriculture, biotechnology and life sciences, deep technologies or cleantech, among others. FOCO shall exclude activities related to (i) fossil fuels, (ii) energy-intensive and/or high CO ₂ -emitting industries (iii) waste collection, waste treatment and disposal, (iv) production, rental, or sale of polluting vehicles, (v) processing of nuclear fuel, production of nuclear energy. Further details on the exclusion list are provided in Annex I.
Fund Size	€2 Billion
Fund Currency	EUR
Investment Period	The initial endowment of the Fund (€2 Billion) must be fully committed by the 30 th June 2026. All the investment returns will be retained by the Fund and will be used to finance new investments beyond 2026.
Term of the Fund	Open ended Fund
Direct Financing	a) FOCO shall be able to invest using a wide range of financial instruments (equity, quasi-equity, loans). Nevertheless, it will prioritize equity investments. The Fund will only invest in asset classes comparable in nature and terms to those of the co-investors. b) When FOCO takes an equity stake, it expects an appropriate return on its investment. c) FOCO will only take a minority position in the project.
Maximum and minimum eligible allocations	The maximum aggregate amount to be invested in different eligible projects by the same sponsor shall be limited to €150 million. The minimum aggregate amount to be invested in a specific deal shall be limited to €10 million.
Eligible Investments	a) <i>Eligible beneficiaries.</i>

¹ PERTE: Strategic Projects for Economic Recovery and Transformation are a public-private collaboration instrument in which the different public administrations, companies and research centers collaborate. Its objective is to promote large projects with the capability to boost economic growth, employment and the competitiveness of the Spanish economy.

- Private companies aligned with the target sectors which perform activities and investments in Spain.
- Existing entities or newly created companies incorporated in the European Union and with work centers in Spain, irrespective of its shareholding structure. Company holdings of final beneficiaries could be incorporated in any jurisdiction not excluded in **Annex II**.
- Private companies that comply with the eligibility criteria detailed in **Annex II**.

b) Eligible Projects:

- New projects or projects that are already on going in execution for no more than 2 years since inception could be eligible.

c) Eligible Co-Investors:

FOCO shall directly co-invest with third-party foreign investors in companies that have committed to carry out new projects to invest in Spain's strategic economic sectors.

Third-party co-investors may include, among others:

- Foreign public institutions, such as public pension funds, sovereign and sub-sovereign funds, multilateral institutions investing in private capital markets (such as the European Investment Fund).
- Foreign private long-term institutional investors such as investment funds, pension funds or insurance companies.
- Domestic private investment vehicles and entities, provides that they mobilize financial resources from foreign private investors.
- Foreign equity companies participating in company figures in Spain to carry out investment projects and productive activities that could be supported by FOCO.

d) Co-investment conditions:

The amount contributed by foreign co-investors shall be at least equivalent to the FOCO contribution.

The contribution by foreign co-investors shall be on Pari-passu terms.

e) Other criteria:

The projects shall:

- Require equity contributions from Sponsors. Sponsors should have a majority shareholding or adequate operational control. Shareholding power held by public entities shall be limited to a maximum of 49%.
- Comply with the 'Do No Significant Harm' (DNSH) principle as set out in the DNSH Technical Guidance (2021/C58/01).
- Comply with the list of excluded activities, as further described in **Annex I**.
- Comply with the Spanish Law 19/2003 and Royal Decree 571/2023 regarding foreign investments.
- Comply with relevant national and EU standards and legislation, as applicable, on the prevention of money laundering, the fight against terrorism, tax fraud, tax evasion and artificial arrangements aiming at tax avoidance and shall not perform any illegal activities.

	<ul style="list-style-type: none"> • Comply with Art 22 of the Regulation 2021/241 of the EU establishing the Recovery and Resilience Facility, in particular with those provisions regarding the collection of data related to beneficial owners and keeping the transaction records in accordance with Article 132 of the Financial Regulation
Shareholder Rights	FOCO shall appoint, if applicable, a board member in line with its participation rights in the project; however, it shall not be actively involved in the management of the company.
Duration of Investment	Up to 10 years.
Application process/Information request	<p>Interested companies shall make available to COFIDES an investment proposal describing the project economic and ESG considerations. The preliminary due diligence minimum information required shall cover the points listed below:</p> <ul style="list-style-type: none"> • Proposed capital structure /funding/Partners/Strategic Agreements. • Business plan/financial model/market research. • Legal/governance structure. • Proposed terms/expected returns/timing/exit strategy. • Basic information about other financial support requested to other public entities. <p>Pre-selected investments will progress to the due diligence process, which will be carried out in accordance with COFIDES internal rules and procedures.</p>

ANNEX I

List of excluded activities and assets

The following list of activities and assets shall be excluded from eligibility by the Fund:

In case of loans, project bonds or equivalent instruments:

- Activities and assets related to fossil fuels, including downstream use, except for projects under this measure in power and/or heat generation, as well as related transmission and distribution infrastructure, using natural gas, that are compliant with the conditions set out in Annex III of the 'Do no significant harm' Technical Guidance (2021/C58/01).
- Activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks. Where the activity supported achieves projected greenhouse gas emissions that are not significantly lower than the relevant benchmarks an explanation of the reasons why this is not possible shall be provided. Benchmarks established for free allocation for activities falling within the scope of the Emissions Trading System, as set out in the Commission Implementing Regulation (EU) 2021/447.
- Activities and assets related to waste landfills, incinerators and mechanical biological treatment plants.

This exclusion does not apply to actions under this measure in plants exclusively dedicated to treating non-recyclable hazardous waste, and to existing plants, where the actions under this measure are for the purpose of increasing energy efficiency, capturing exhaust gases for storage or use or recovering materials from incineration ashes, provided such actions under this measure do not result in an increase of the plants' waste processing capacity or in an extension of the lifetime of the plants; for which evidence is provided at plant level.

The following activities shall be excluded:

- Waste collection (NACE 38.1x)
- Waste treatment and disposal (NACE 38.2x)
- Processing of nuclear fuel (NACE 24.46)
- Production of nuclear energy (sub-activity of NACE 35.11)

This exclusion does not apply to actions under this measure in existing mechanical biological treatment plants, where the actions under this measure are for the purpose of increasing energy efficiency or retrofitting to recycling operations of separated waste to compost bio-waste and anaerobic digestion of bio-waste, provided such actions under this measure do not result in an increase of the plants' waste processing capacity or in an extension of the lifetime of the plants; for which evidence is provided at plant level.

- Activities and assets where the long-term disposal of waste may cause harm to the environment.
- A specific exclusion approach based on the NACE codes will be applied for the following activities:



- (i) Fossil fuel-based energy production and related activities, as follows:
- a) Coal mining, processing, transport and storage;
 - b) Oil exploration & production, refining, transport, distribution and storage;
 - c) Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage;
 - d) Electric power generation, exceeding the Emissions Performance Standard of 250 grams of CO₂e per kWh of electricity, applicable to fossil fuel-fired power and cogeneration plants, geothermal and hydropower plants with large reservoirs.
- (ii) Energy-intensive and/or high CO₂-emitting industries, as follows:
- a) Manufacture of other inorganic basic chemicals (NACE 20.13)
 - b) Manufacture of other organic basic chemicals (NACE 20.14)
 - c) Manufacture of fertilizers and nitrogen compounds (NACE 20.15)
 - d) Manufacture of plastics in primary forms (NACE 20.16)
 - e) Manufacture of cement (NACE 23.51)
 - f) Manufacture of basic iron and steel and of ferro-alloys (NACE 24.10)
 - g) Manufacture of tubes, pipes, hollow profiles and related fittings, of steel (NACE 24.20)
 - h) Manufacture of other products of first processing of steel (NACE 24.30, incl. 24.31-24.34)
 - i) Aluminum production (NACE 24.42)
 - j) Manufacture of conventionally-fuelled aircraft and related machinery (sub-activity of NACE 30.30)
 - k) Conventionally-fuelled air transport and airports and service activities incidental to conventionally-fuelled air transportation (sub-activities of NACE 51.10, 51.21 and 52.23).

Notwithstanding the above, investments in sectors mentioned in section (ii) items a) – k) included, shall be allowed if the fund manager confirms that the specific final recipient transaction qualifies as environmentally sustainable investments as defined in the “EU taxonomy for sustainable activities” (Regulation (EU) 2020/852, as amended from time to time) as supplemented by the technical screening criteria established under the “EU Taxonomy Delegated Acts” (Commission delegated Regulations (EU) supplementing Regulation (EU) 2020/852 or upcoming Taxonomy Delegated Acts, as amended from time to time, respectively).

Restrictions related to polluting vehicles: the fund manager shall request the financial intermediaries to ensure that the Final Recipients with a ‘substantial focus’ on the production, rental or sale of ‘polluting vehicles’ are excluded by the eligibility under this instrument, or - alternatively - are required to adopt and publish green transition plans.

It is considered that a Final Recipient has a “substantial focus” on a sector or business activity if the Final Recipient derives more than 50% of their revenues during the preceding financial year from activities and/or assets related to production, rental or sale of polluting vehicles.

Production, rental or sale of polluting vehicles is considered any activity that concerns the:

- Manufacture of combustion engine vehicles (sub-activity of NACE 29.10 Manufacture of motor vehicles).

- Wholesale and retail trade of polluting vehicles (sub-activities of NACE codes 45.11 Sale of cars and light motor vehicles, 45.19 Sale of other motor vehicles).
- Rental and leasing of polluting vehicles (sub-activities of NACE 77.11 Renting and leasing of cars and light motor vehicles, 77.12 Renting and leasing of trucks).

Polluting vehicles: “Polluting vehicles” are defined as:

- Vehicles exceeding the threshold of 50g CO₂/km (M1 passenger cars and N1 light-duty vehicles).
- Trucks and other heavy-duty vehicles e.g., tractors (i.e., categories N2 and N3) - only zero-emission, low-emission (as defined in Article 3(12) of Regulation (EU) 2019/1242: with CO₂ emissions of less than half of the reference CO₂ emissions of all vehicles in the vehicle sub-group; reference values differ depending on the type of truck).
- Buses:
 - ‘Low-floor’ buses (M2 and M3 categories, typically urban and suburban buses running on short distances within an agglomeration). Only electric and plug-in hybrid buses would be DNSH-compliant.
 - ‘High-floor’ buses (M2 and M3 categories, typically inter-urban coaches): all coaches that comply with the latest step with respect to pollutant emissions from heavy-duty vehicles under EURO VI (EURO VI-E) would be DNSH compliant.

In the case of equity, quasi-equity, corporate bonds or equivalent instruments:

Companies with a substantial focus² in the following sectors shall be excluded:

- i. Fossil fuel-based energy production and related activities. Except for (a) assets and activities under this measure in the generation of electricity and/or heat, as well as the related transmission and distribution infrastructure, that use natural gas and that comply with the conditions established in Annex III of the Technical Guide “Do not cause significant damage” (2021/C58/01) and (b) activities and assets in energy-intensive and/or high CO₂-emitting industries for which the use of fossil fuels is temporary and technically unavoidable for timely transition towards a fossil fuel-free operation.
- ii. Energy-intensive and/or high CO₂-emitting industries. Including activities and assets under the Community Emissions Trading Scheme (ETS) that achieve projected greenhouse gas emissions that are not lower than the relevant reference values. Where the supported activity achieves projected greenhouse gas emissions that are not significantly lower than the relevant benchmarks, and explanation of the reasons why this is not possible will be provided. The reference values established for the free allocation of activities included in the scope of the emissions trading scheme, as set out in Commission Implementing Regulation (EU) 2021/447.

² It is considered that a Final Recipient has a “substantial focus” on a sector or business activity if such sector or activity is identified as an essential part of the business of the Final Recipient respectively in relation to the gross receipts, profits or customer base of the Final Recipient. The gross income generated by the restricted sector or activity will not exceed, in any case, 50% of the gross income.



A specific exclusion approach based on NACE codes will be applied for the following activities:

- (i) Energy production from fossil fuels and related activities, such as:
 - a) Coal mining, processing, transportation and storage;
 - b) Oil exploration and production, refining, transportation, distribution and storage;
 - c) Exploration and production of natural gas, liquefaction, regasification, transportation, distribution and storage;
 - d) Generation of electrical energy, which exceeds the emissions performance standard set at 250 grams of CO₂eq per kWh of electricity, applicable to electrical power and cogeneration plants that use fossil fuels, geothermal and hydroelectric plants with large reservoirs.
- (ii) Energy-intensive industries and/or large CO₂ emitters, such as:
 - a) Manufacture of other inorganic basic chemicals (NACE 20.13)
 - b) Manufacture of other organic basic chemicals (NACE 20.14)
 - c) Manufacture of fertilizers and nitrogen compounds (NACE 20.15)
 - d) Manufacture of plastics in primary forms (NACE 20.16)
 - e) Manufacture of cement (NACE 23.51)
 - f) Manufacture of basic iron and steel and of ferro-alloys (NACE 24.10)
 - g) Manufacture of tubes, pipes, hollow profiles and related fittings, of steel (NACE 24.20)
 - h) Manufacture of other products of first processing of steel (NACE 24.30, incl. 24.31-24.34)
 - i) Aluminum production (NACE 24.42)
 - j) Manufacture of conventionally-fuelled aircraft and related machinery (sub-activity of NACE 30.30)
 - k) Conventionally-fuelled air transport and airports and service activities incidental to conventionally-fuelled air transportation (sub-activities of NACE 51.10, 51.21 and 52.23).

Notwithstanding the above, investments in sectors mentioned in section (ii) items a) – k) included, shall be allowed if the fund manager confirms that the specific final recipient transaction qualifies as environmentally sustainable investments as defined in the “EU taxonomy for sustainable activities” (Regulation (EU) 2020/852, as amended from time to time) as supplemented by the technical screening criteria established under the “EU Taxonomy Delegated Acts” (Commission delegated Regulations (EU) supplementing Regulation (EU) 2020/852 or upcoming Taxonomy Delegated Acts, as amended from time to time, respectively).

iii. Production, rental or sale of polluting vehicles. Polluting vehicles are defined as vehicles without zero emissions.

iv. Collection, treatment and disposal of waste. This exclusion does not apply to actions under this measure in plants exclusively dedicated to treating non-recyclable hazardous waste, and to existing plants, where the actions under this measure are for the purpose of increasing energy efficiency, capturing exhaust gases for storage or use or recovering materials from incineration ashes, provided such actions under this measure do not result in an increase of the plants’ waste processing capacity or in an extension of the lifetime of the plants; for which evidence is provided at plant level.

v. Processing of nuclear fuel and production of nuclear energy.

Annex II

Eligible Investments

- i. To be eligible as a beneficiary of any of the Fund's financial instruments or investment or financing provided by the Fund, a company must meet the following requirements:
 - a) Be a private and non-financial company.
 - b) Be incorporated in the EU and with work centers in Spain, irrespective of its shareholding structure, their size and ownership of capital. Although, company holdings of final beneficiaries could be incorporated in any jurisdiction not legally classified as a tax haven.
 - c) Not have tax residence in a country or territory legally classified as a tax haven.
 - d) Not have been sentenced by a final sentence for specific crimes, including prevarication, bribery, embezzlement of public funds, influence peddling, fraud, illegal exactions, or urban planning or environmental crimes.
 - e) Not have caused the final termination of any contract with the Administration due to guilt.
 - f) Be up to date with payment of obligations for the reimbursement of subsidies or public aid.
 - g) Be up to date with compliance with tax and Social Security obligations.
 - h) Not have requested voluntary bankruptcy; not have been declared insolvent in any procedure; not be declared bankrupt unless an agreement has become effective in this case; not be subject to judicial intervention or disqualification in accordance with Law 22/2003, of July 9, Bankruptcy, without the period of disqualification established in the bankruptcy qualification ruling having concluded.
- ii. Instrumental companies created in Spain by a promoter, whether they are of national or foreign origin, will also be eligible to execute projects aligned with the objectives of the Fund, provided that they meet the requirements mentioned in the previous points.
- iii. The Fund will finance productive investment projects in Spain carried out by private companies that comply with the criteria mentioned in this Annex, and the Fund's resources will not be used to invest in projects abroad.
- iv. Investments shall be made in any sector that contributes to the achievement of the Fund's objectives as indicated in the corresponding measure of the CID approved by the European Council on October 17, 2023. The activities and assets indicated in **Annex I** will be excluded. Likewise, investment operations that arise in the real estate sector will not be eligible for support from the Fund, unless they are directly affected by a different business activity.