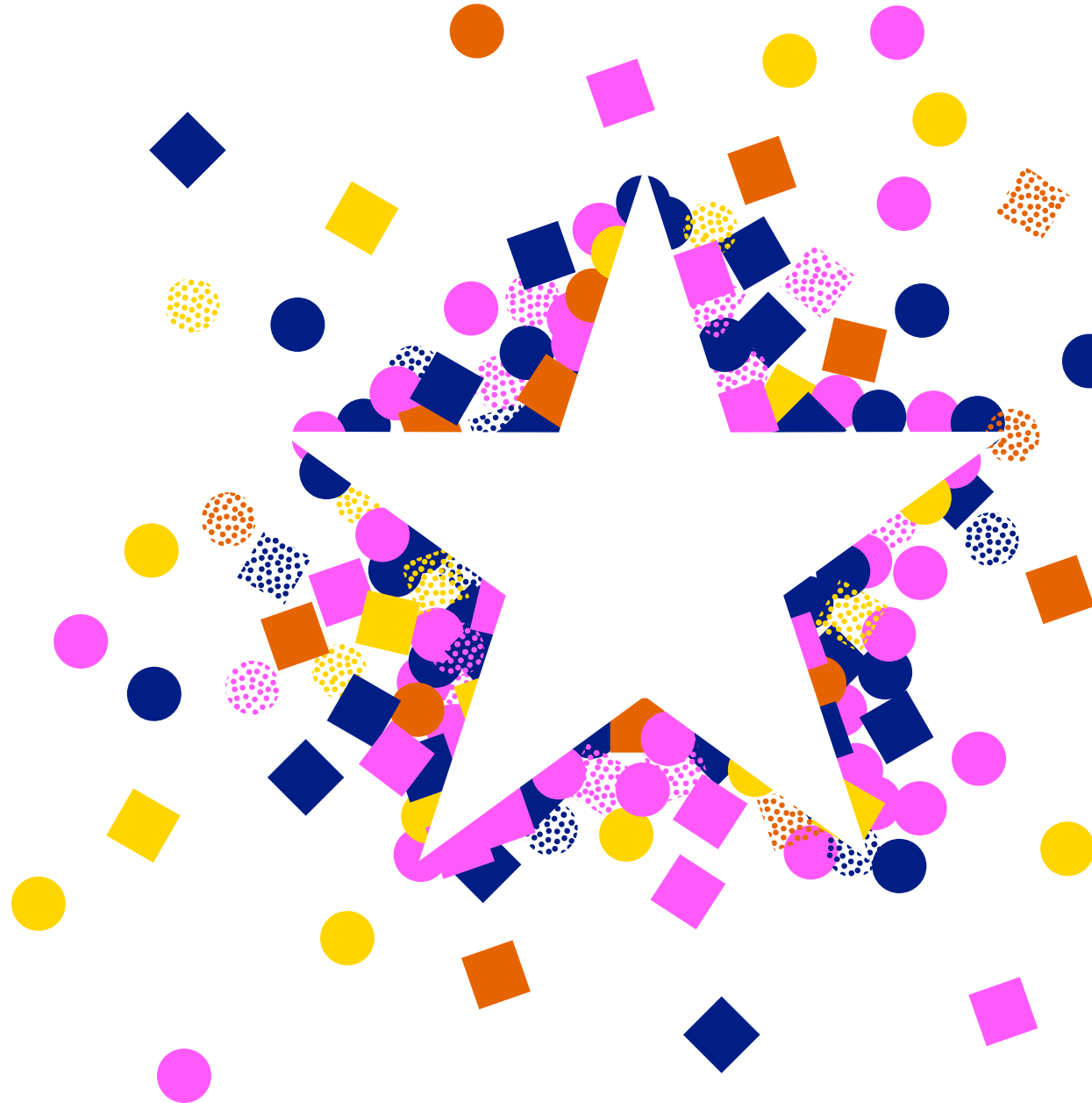


Investing in climate & environment

Adelaide Cracco

May 2023



A fundamental shift and urgency to prioritize

Risk capital is critical for new technological innovation and the scaling and deployment of existing solutions

Key global challenges

Climate & Environmental

- Industrialization and extended use of fossil fuels have led to the **global warming and biodiversity crisis**
- Negative externalities of human activities pose an **existential threat**

Social

- Growing global population
- Rising **social and health challenges**
- Food insecurity** and unequal distribution

Economic

- Globalization** reveals vulnerabilities of current economic model and supply chain
- Depletion of traditional energy sources and natural capital** is a global challenge to sustained growth
- Economic **sustainability and viability at risk**

Key drivers

EU and Government regulation

- Take **stronger actions and address targets** fixed by the United Nations and the EU
- 90% of world GDP has **net zero commitments**

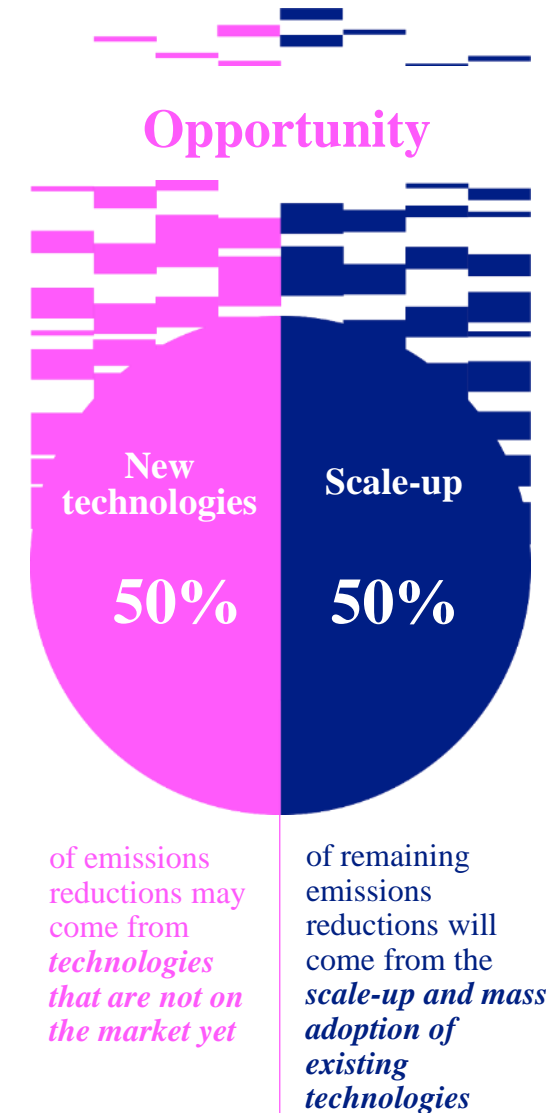
Corporate and public awareness

- Public opinion is more aware and vocal about global challenges and consumer habits are changing
- Corporations under increased pressure to commit to ambitious sustainable goals and actively invest in the green transition

Capital

- SDG **annual financing gap > EUR 5 trillion***
- 30% of EU 2021-27 Budget** to fight climate change**

Opportunity

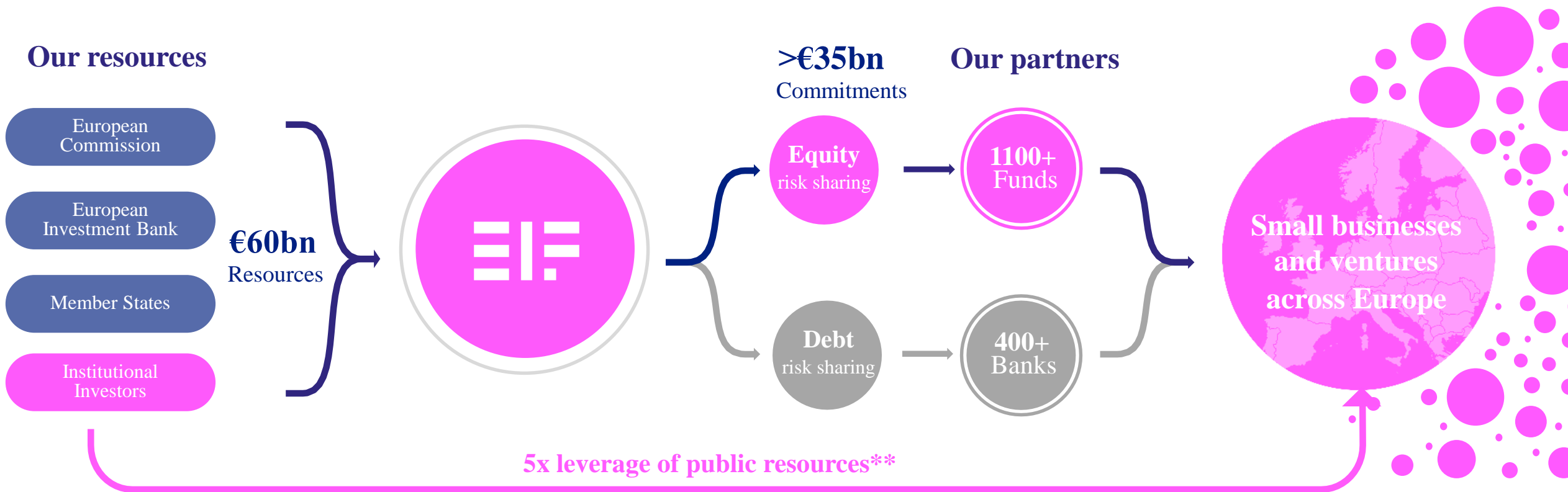


* Source: www.un.org/sustainabledevelopment/development-agenda/

** Source: [Supporting climate action through the EU budget \(europa.eu\)](https://ec.europa.eu/economy_finance/supporing-climate-action-through-the-eu-budget_en)

Through its unique approach the EIF is a large, reputable provider of SME risk financing

With more than €35bn in private equity and venture capital commitments



Scale & experience in European venture capital

EIF has a unique view of the market as the largest investor in European VC

25+

*Years in
the market*

€16bn

*Of aggregated
commitments**

c. €3bn

*run rate annual
commitments***

50

*Investment
professionals*

560

*Fund commitments**

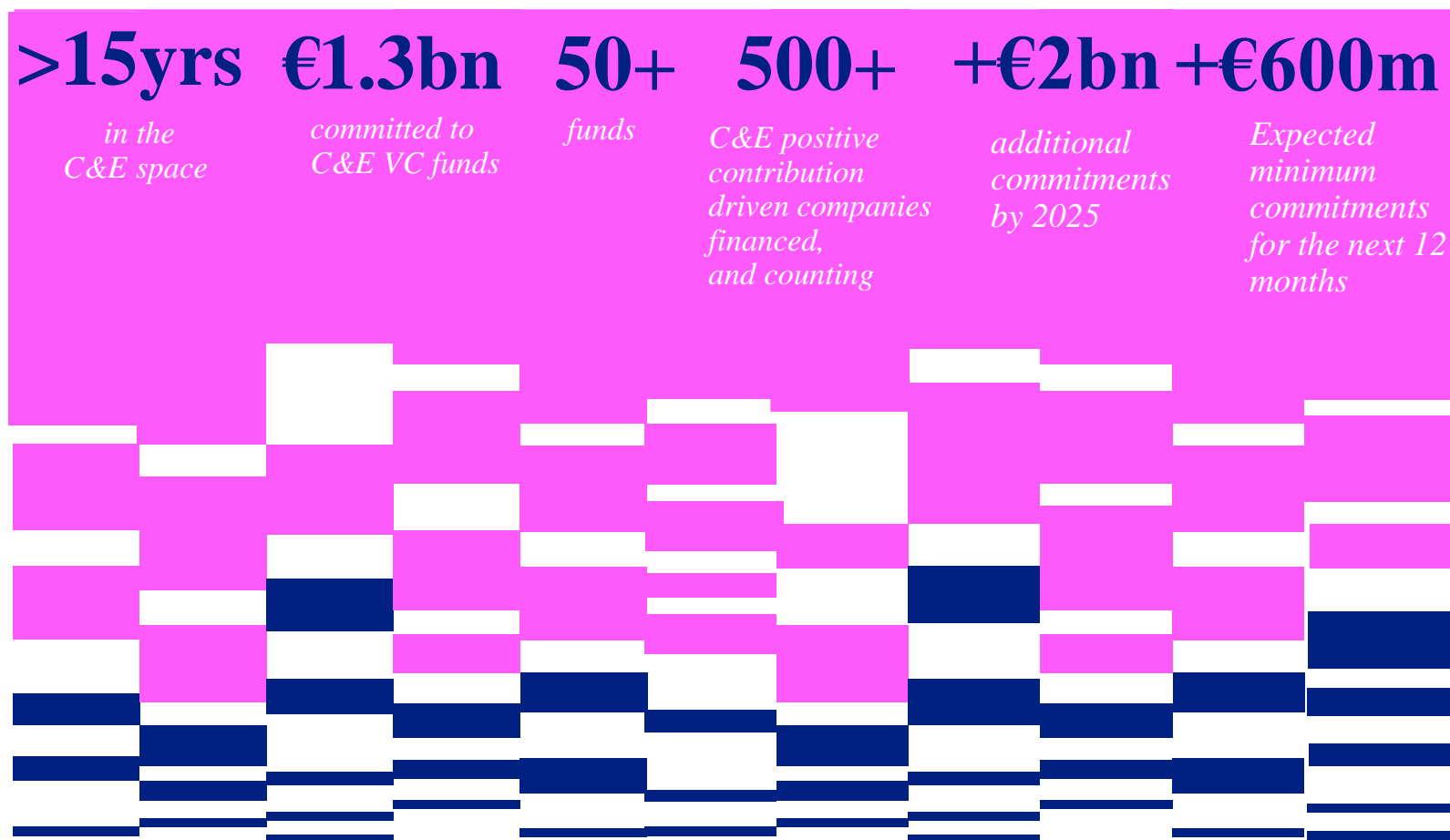
350

*Managers**

>320

*Annual
Screenings***

EIF's experience in Climate and Environmental focused VC



Pioneer investor with long experience

Early investor in European cleantech and greentech. Investing consistently since 2006.

‘Europe’s largest and most active LP of the decade in cleantech VC’ (Cleantech group)

Over 1.3 bn Euros in commitments signed in c. 50 climate and environmental focused VC funds across Europe.

EIF in Climate and Environmental focused equity funds

Broad, diversified and deep coverage

Investing across sectors, stages and geographies.

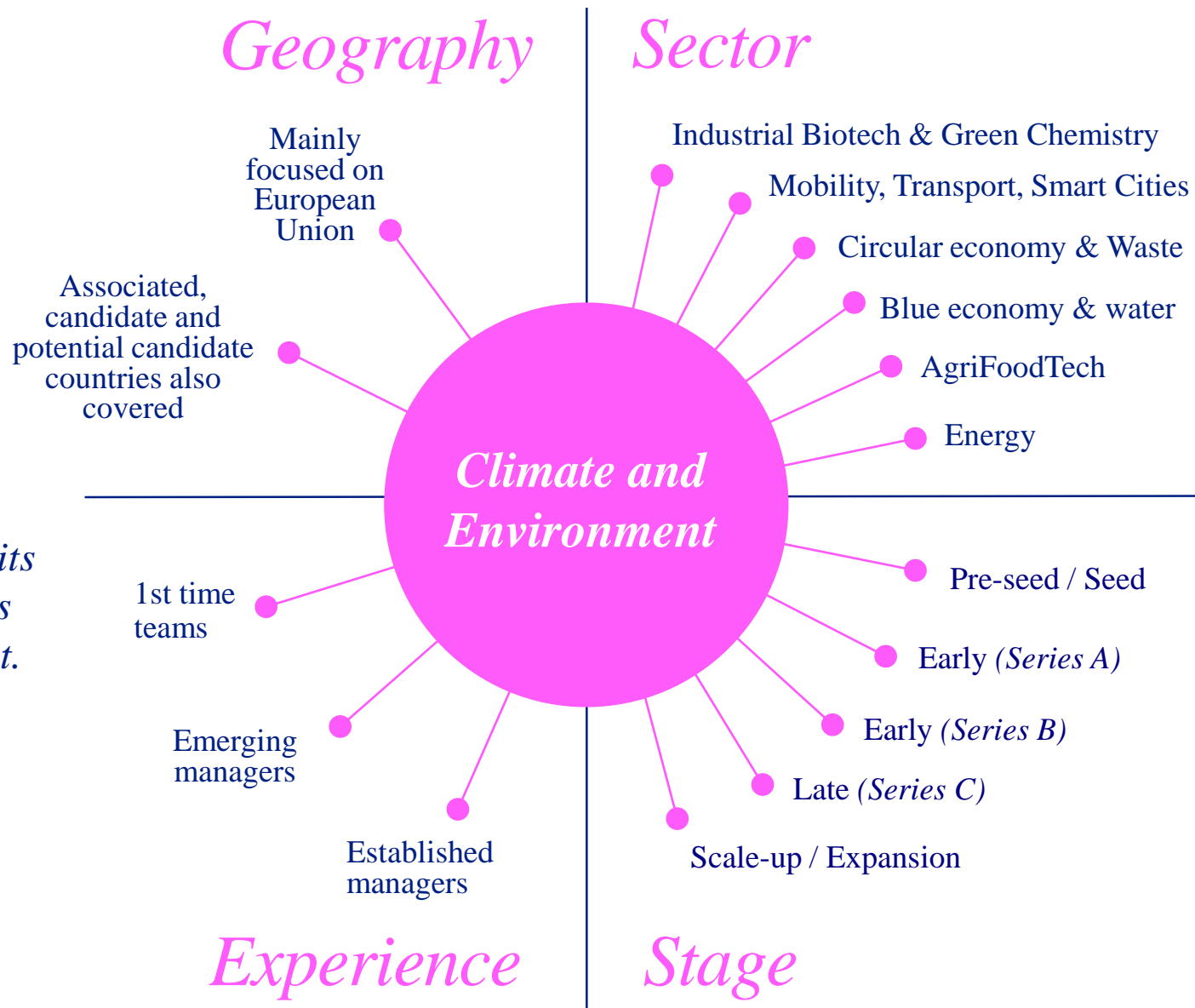
Focus on Europe > 75%, balanced across early and growth stage, diversified across sectors and investment themes.

Engaged and steady market participant

Long term anchor investor committed to the market and its development. On average 25% of total fund commitments helping to catalyse 3 - 4x additional capital to the market. Championing new and emerging teams and investment themes.

Forerunner in Impact Measurement

Design and systematic application of own impact measurement methodology.



Investing into CA&ES

State of the VC Market

Nascent market with emerging investor landscape

Generalized shortfall across sectors & verticals

Critical stage and technology gaps

Uneven geographic coverage across EU

- | | | | |
|---|---|--|---|
| <ul style="list-style-type: none"> • <i>Fallout amongst first generation of cleantech investors</i> • <i>Sparse landscape of European VC players targeting the C&E space</i> • <i>New teams spinning out of existing corporate or tech VCs, industry operators, and large asset management managers</i> • <i>Growing interest from wider VC community with C&E theme and ESG part of broader strategy</i> | <ul style="list-style-type: none"> • <i>All sectors and verticals lacking capital and investors</i> • <i>Recent shift towards specialized and thematic funds</i> • <i>Certain verticals more advanced and dynamic (agrifood, energy, mobility)</i> • <i>Others neglected or embryonic but still strategic (water, blue economy, circular economy)</i> • <i>Many topics transversal and overlapping</i> | <ul style="list-style-type: none"> • <i>Market opportunity/need encompassing whole value chain</i> • <i>Existing capital mainly concentrated at POC or commercialization stages -> “valley of death” for product/industrial scaling</i> • <i>Bias towards “light” technologies vs. “deep” capital intensive innovation</i> • <i>Suboptimal or limited VC fund sizes and investment capacity</i> | <ul style="list-style-type: none"> • <i>Active VC investors predominantly Western European with pan-European or global scope and certain regional emphases</i> • <i>Limited number of specialized/dedicated investors in outer geographic markets</i> |
|---|---|--|---|

Policy Goals and Objectives

Increased
availability of
capital &
investment

Broad, dense &
well functioning
European VC
ecosystem

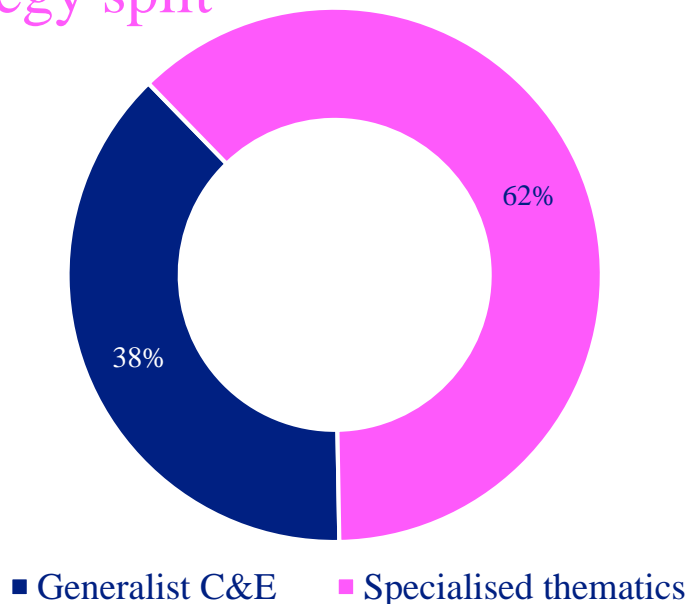
Maximization &
measurement of
impact

- *Ramp-up in climate and environmental impact investment > EUR 2 bn by 2025.*
- *New mandates and investment programs supported by EU and national stakeholders*
- *Increased availability of capital in key strategic areas of climate and environment*
- *Enhanced role of EIF as anchor investor and market builder*
- *Generalized support of qualified new and emerging VC teams and funds*
- *Development of specialized thematic investors*
- *Buildup and reinforcement of the VC ecosystem across the financing continuum*
- *Structuring input and instilling of best market practices*
- *Sector wide adoption of impact measurement frameworks and incentive mechanisms*
- *Active tracking and reporting of C&E impact and investments*

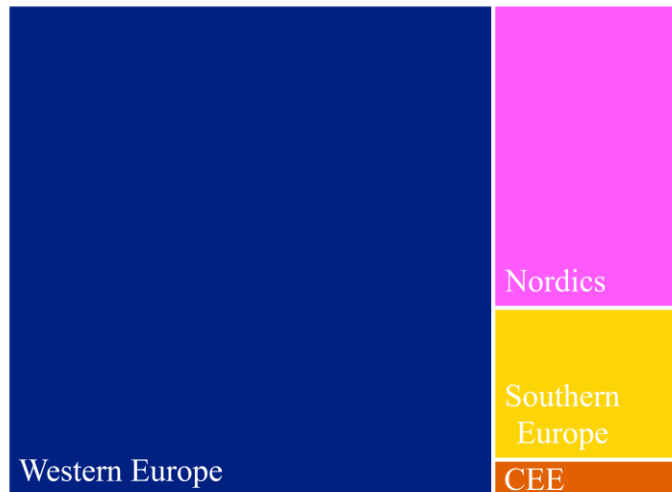
C&E VC Portfolio and Pipeline distribution

Diversification across sectors, stages and geographies, Data 2020-2023P

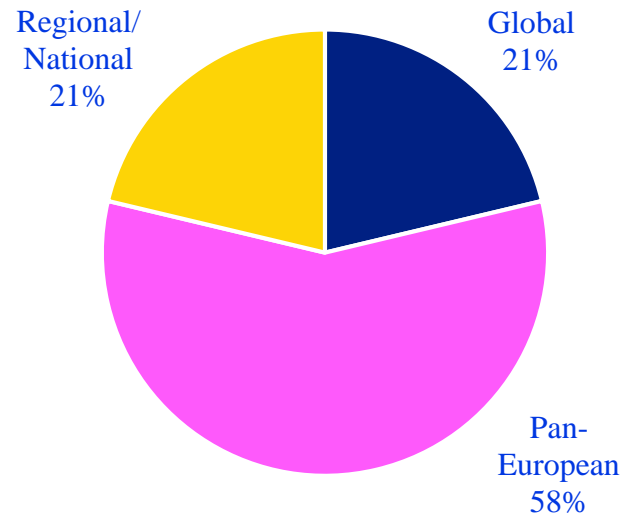
Strategy split*



Fund manager location*



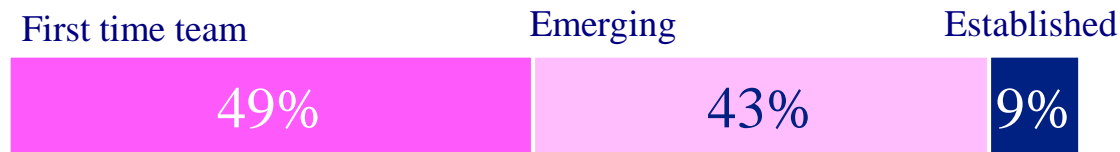
Geographic scope*



Expected investment stage*



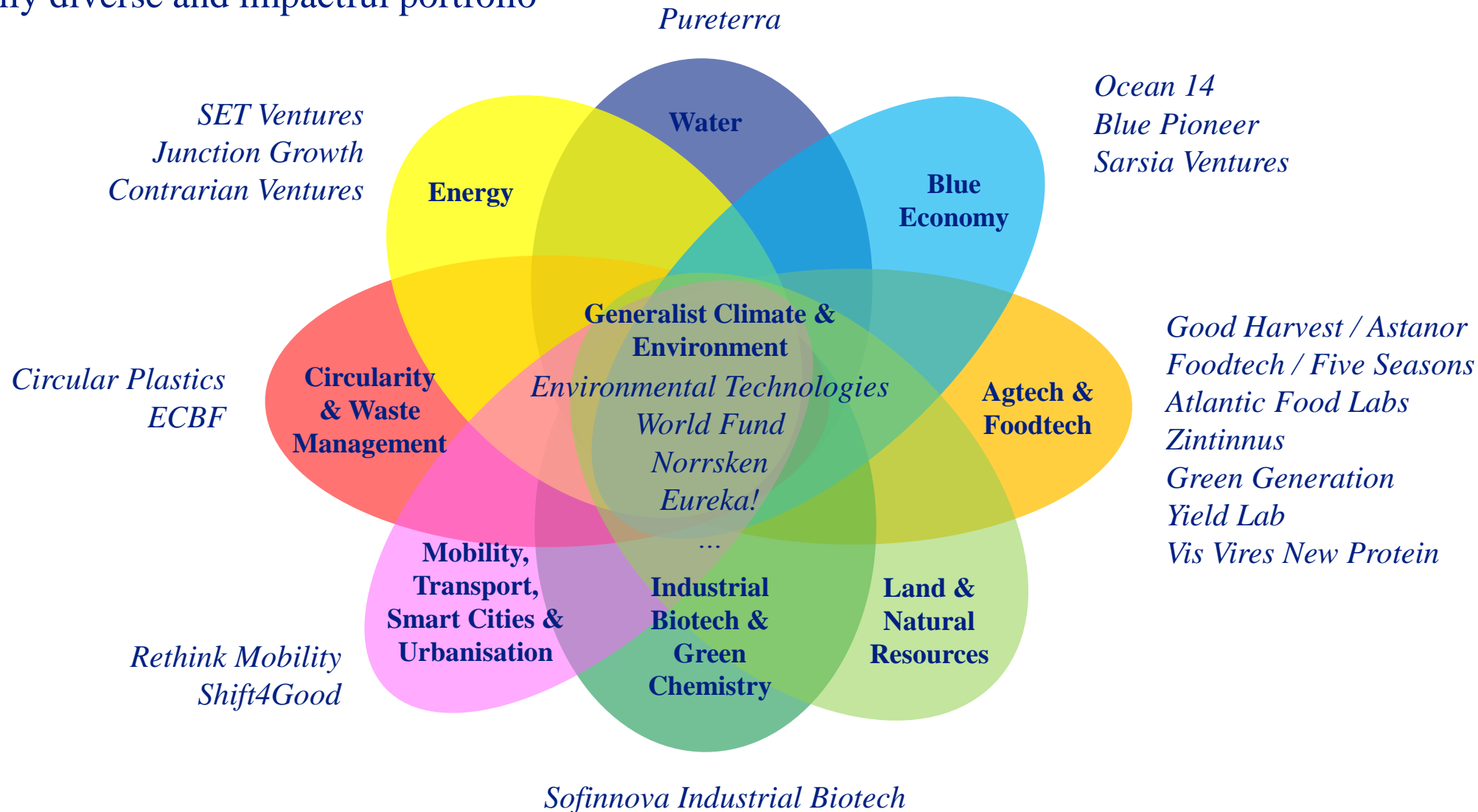
Fund manager type*



*Based on number of funds. Data may be subject to change depending on the pipeline.

Selected VC Fund Commitments

A thematically diverse and impactful portfolio



Types of VC Funds investing into CA&ES

Dedicated C&E Funds	Generalist C&E or specialized thematic strategy (energy, agrifood, blue economy,...)	SFDR Article 8 or 9 Majority Article 9	CAES % >60% On average 80%
Generalist Impact Funds	Social. Climate and Environmental Impact investment strategy	Article 8 or 9 Majority Article 9	20%-50%
Generalist Tech Funds	C&E theme(s) considered as part of broader tech investment strategy	Article 8	5%-40%