

INFORMATION NOTE "RDL 8/2023"

The Spanish Council of Ministers has approved the Royal Decree Law that provides for the creation of the Co-investment Fund (Foco). The management of the Fund is entrusted to COFIDES, given its experience both in the structuring of private sector investment operations and in the management of state funds to support the internationalization of the country's economy.

COFIDES plans to start evaluating the fund's first investments in the first quarter of 2024, which aims to mobilize resources from foreign investors in Spain in activities mainly related to the green and digital transitions of the national economy.

FOCO is a fund created by the Government through the addendum to the Recovery, Transformation and Resilience Plan and is funded by the *NextGenerationEU instrument*. The FOCO is to promote foreign investment in the Spanish economy, favouring access to finance for companies linked to the ecological and digital transition, as well as other strategic activities for Spain, such as sustainable mobility, infrastructure, sustainable agriculture and biotechnology.

It consists of an initial allocation of up to 2,000 million euros, which can be increased annually in the State General Financial Statements and through the repayment of dividends and other remuneration resulting from operations carried out by the FOCO and from the results of disposals and repayments of dividends and other related income. The fund will provide financing through co-investment with foreign public institutions, foreign long-term private institutional investors and foreign-owned companies.

The main characteristics of the Co-investment Fund are the following:

- The Fund will mainly make equity investments in private companies that carry out investment projects on the national territory.
- FOCO investments will always be made jointly with a foreign co-investor.

Co-investors can be:

A. private companies that participate in or control corporate entities in Spain.

B. private (investment funds, pension funds, insurance companies, etc.) and public (public pension funds, sovereign wealth funds) foreign institutional investors.

C. domestic private investment vehicles and entities attracting foreign investors.

- The contribution of foreign co-investors must be at least equivalent to the contribution of the fund.
- The Fund will always assume minority shares and the sum of the total public capital of the companies and funds may never exceed 49% of the total capital for each transaction.
- The Fund will have indefinite validity, therefore the returns obtained from the financed investments will be reinvested in new operations in line with the Fund's strategy and objectives, in order to continue supporting the challenges related to the sustainable transformation of the Spanish production model.

The financing can be direct to companies or indirect (fund of funds).

It should be noted that through COFIDIS it is possible to obtain, in addition to the support of FOCO, a public contribution, always deriving from RDL 8/2023 published on 28.12.2023, a public contribution of up to 30% of the value of the investment where the following requirements are met:

- a) Spanish company that invests in the purchase and development of foreign companies, also extending their trade to Spain.
- b) Foreign company (EU) that is a subsidiary in Spain in order to take over a Spanish company operating in the same production sector.

Important:

- The FOCO intervenes up to a maximum of 49%, NOT of the investment, but of the share capital of the Spanish company controlled by the foreign company.
- The public contribution is calculated on the overall amount of the investment.
- In case of investment in a production and commercial company, it is possible to finance (in addition to the purchase of the Spanish company) up to 30% of the company's relaunch project. This also applies to the development project of the related new markets brought by the foreign investor.

The aspect of the share capital with which any Spanish branch of the foreign investor company will be endowed is therefore particularly important.

The state requires that all the financial and contribution aspects be accompanied by suitable surety guarantees regarding the fulfilment of the contract.

All the surety aspect will be managed by LSC Fund Inc.

Regulatory Recall:

Reference is made to the recent publication, on 28 December 2023, of Royal Decree-Law 8/2023, of 27 December, which adopts measures to address the economic and social consequences arising from the conflicts in Ukraine and the Middle East, as well as to alleviate the effects of drought (the "RDL 8/2023").

This standard includes a wide range of measures covering various subjects. Consequently, the creation of the Co-Investment Fund, F.C.P.J., also known by its acronym of "FOCO."

The new fund **aims to attract foreign investment**, modernize the national productive fabric and accelerate sustainable growth and in particular, but not only, the ecological and digital transition of the economy.

Articles 5 to 12 of RDL 8/2023 regulate the basic terms and conditions of the FOCO, which has no legal personality and is connected to the Ministry of Economy, Trade and Enterprises, through the Ministry of Commerce. The fund is also subject to state aid legislation. The fund has an indefinite duration, and its management is entrusted to the state company Compañía Española de Financiación del Desarrollo, COFIDES, SA, S.M.E. (COFIDES).

The main areas of intervention, but not exclusive, are the following:

- a) Agriculture and Food
- b) Energetic

- c) Any sector whose purpose is to modernize the national productive fabric and accelerate sustainable growth and in particular, but not only, the ecological and digital transition of the economy.

Direct investment

- Priority will be given to capital investments.
- The fund will align its profitability objective with that of the co-investors and will exclusively maintain a minority position in the projects.
- Investment lines for the same company involving multiple projects may be financed as long as the maximum amount per company is not exceeded.
- Minimum amount per transaction: 10 million (meaning the value as a total investment in which the fund will participate up to a maximum of 49%)
- Maximum amount per promoter: 150 million.

Non-Direct Investments

- FOCO will invest mainly in Spanish equity funds or in funds from other countries that include Spain as a destination for their investments.
- The fund's global portfolio strategy must have a solid track record in the strategic sectors defined by the FOCO and investment teams with the experience and ability to attract foreign investors to Spain.
- Minimum amount per transaction: 10 million.
- Maximum amount applicable to vehicles of the same management company: 150 million.

ABOUT COFIDES

COFIDES is a state enterprise specializing in the management of state funds that provide medium and long-term financing for private investments related to different public policy purposes. COFIDES directly manages funds aimed at supporting the internationalization of Spanish companies, strengthening the solvency of companies seriously affected by the COVID-19 pandemic, attracting foreign direct investment in Spain through co-investment agreements and contributing to the growth of the impact investment ecosystem in Spain. In addition, COFIDES supports the management of the financial cooperation portfolio of the Spanish Agency for International Development Cooperation, promoting sustainable development in emerging economies and developing countries. In the shareholding of the Company, the Spanish State holds 53% of the capital. The remaining 47% is held by Banco Santander, Banco Bilbao Vizcaya Argentaria (BBVA), Banco Sabadell and the Bank for the Development of Latin America (CAF).