Q&A 2020 European Fund for Energy, Climate Change and Infrastructure (Marguerite Fund)

<u>Frequently Asked Questions</u>

1. **What's particular and new about the Marguerite Fund?**

The Marguerite Fund is the first fund of its kind set up by long-term institutional investors from both the public and the private sector with a particular view to financing greenfield projects. The Fund will target that at least 65% of the Fund are invested in greenfield projects.

The Fund stands as an innovative example in several respects:

- the approach taken to combining market principles while still supporting public policy objectives
- its governance and financial management will comply with the philosophy of long term investors
- the advisory team's incentive and remuneration system will be consistent with the general principles of long term performance endorsed by the G20.

2. **Who is part of the project and who is currently aiming to join it?**

The six Core Sponsors (CS) have contributed EUR 600 million in equal portions at the beginning of an initial closing period which started on December 3, 2009 and ended March 3, 2010. During this inital closing a number of additional investors have joined the Fund, including the European Commission with a EUR 80 million commitment. This brings total initial close commitments to over EUR 700 million. In subsequent fund-raising rounds, other institutional investors, both private and public may join the fund

3. **Are there any other banks or institutions currently committed to investing money in the fund and if so, what will be the extent of their involvement?**

Initial talks held both with several other state institutions and private investors indicate that the fund concept is meeting with very positive feedback. The minimum investment commitment for these investors is EUR 20 million.

Further investors will be targeted in mid-2010 when the Advisory Team is fully operational.

4. **Within what timeframe do you intend to make the Fund operational? What formal steps have been taken,?**

Recruitment of Fund advisory team: Following a professional independent selection process, Nicolás Merigó, a former Santander executive (head of infrastructure principle and fund investment activities), joined the Fund as CEO of the Advisory company (Marguerite Adviser SA) as of February 1, 2010.
Recruiting continues and the assessment of first investment opportunities of the Fund are to be made as soon as the Advisory Team is fully operational, which is expected by mid 2010.

5. **What executive bodies will the Fund have?**

The Marguerite Fund has been established as a Luxembourg SICAV-FIS[1] structure in the legal form of a corporation (Société Anonyme). The management and administration of the Fund will be the responsibility of the **Management Board** which will be composed of one representative of each CS, two representatives of the Advisory Team and three independent experts (yet to be appointed).

The representatives of the advisory team and the independent representatives will form the five-member **Investment Committee** which will take all investment and disinvestment decisions on its own. The CS are not represented in the IC to ensure that investment decisions are made in a fully independent manner on the basis of the specific merits of each investment opportunity respecting the target returns of the Fund.

A **Supervisory Board** (with one representative of each of the CS, up to three representatives of the additional investors, one representative from the European Commission and two independent representatives) will oversee the Management Board.

The **Investment Adviser** "Marguerite Adviser S.A." will employ the Advisory Team and provide investment advisory services to the Fund under an Advisory agreement. As such, it will be responsible for the day-to-day management and on-going activity of the Fund. The **Advisory Team** will be in charge of origination, due diligence (appraisal), structuring and execution of the investments as well as of monitoring and asset management.

6. **Where will the Advisory Team be based ?:**

The Fund is registered and has its regulatory and administrative base in Luxembourg. A branch office will be established in Paris.

7. **"The remuneration of the Management will be according the G20-orientations" – what does this mean?**

The management team's incentives and remuneration scheme is fully consistent with the general principles of long term performance endorsed by the G20 meeting of Heads of States regarding remuneration incentives in the financial sector. It will provide performance-based incentives and a full alignment of the interests of the Advisory team and the long-term interests of investors in the Fund.

8. **How will the decisions relating to Fund investments be made?**

The Investment Adviser will be responsible for identifying and evaluating potential Investments and will recommend investment – and subsequently disinvestment – opportunities to the

[1] SICAV-FIS (Société d'Investissement à Capital Variable - Fonds d'Investissement Spécialisé); under Luxembourg law, this is an investment fund with variable capital. It is comparable to a German investment stock corporation with variable capital that operates in accordance with the German Investment Act.

Investment Committee which will be the sole competent body to take all investments and disinvestment decisions.

9. How do you intend to achieve the target volume of EUR 1.5 billion?

Over EUR 700 million has already been committed during the initial close period. Additional commitments will be sought from other public and private investors, including major pension funds.

10. The target volume has been specified as EUR 1.5 billion. Will this be at all sufficient to cover the range of tasks that has been defined?

With a fund-raising target of EUR 1.5 billion by end 2011, the Marguerite Fund will be one of the prime European equity financing vehicles for new infrastructures.

It will act as an equity provider for major infrastructure investment projects. The Core Sponsors and other institutions will put in place a Debt co-financing initiative of up to EUR 5 billion, providing a source of long-term debt for the projects Marguerite invests in.

Because of its focus on medium and large size Greenfield infrastructure, and the considerable ability of several of its investors to provide debt, the Fund is expected to become a significant player in its target sectors transport (Ten-T), energy (TEN-E) and renewables.. It is also hoped that it will be a catalyst for other initiatives to support investment in European greenfield infrastructure.

The Advisory Team will be sized in such a manner as to be able to deploy the expertise required to invest in the three target sectors across the whole of the European Union.

11. What types of investors can participate in Marguerite?

Private, institutional or other public investors focused on the long-term.

12. Are there any formal requirements or exclusion criteria (regional location, legal form, etc.)?

There are no restrictions to the admission of new investors (exception: no natural persons), although investors are expected to have adequate solvency and a long-term investor philosophy.

13. Is there a minimum amount that an investor in Marguerite has to invest in equity to be a member ?

Yes, EUR 20 million.

14. What is to be understood under the “Philosophy of Long-Term Investments” which the Management of Marguerite is supposed to follow?

The Marguerite fund will be consistent with the specificities of Long Term Investment on several points:

- on the governance: good balance between the interests of the investors and the autonomy of the advisory team,
- on the long term perspective of the Fund: stable for 20 years, no Core Sponsor may transfer its shares during a period of 10 years (lock-up period);
- on the advisory team’s incentives and remuneration scheme: performance based incentives with a long term perspective

- on the investment objective: the Fund is to focus on infrastructure which is consistent with the EU long-term strategic policies: enhancing transport and energy networks in Europe, mitigating climate change, enhancing energy security …
- on the target return: the Fund's investment objective is to generate a net internal rate of return of 10 to 14% over the life of the fund.

For more information please see http://www.ltic.org/en-gb/the-club/beliefs.html

15. Which role does the EU (especially the European Commission) play in Marguerite?

The European Commission has committed EUR 80 million as an investor. It will have a seat on the Supervisory Board.

16. What types of enterprises/institutions can apply to the Fund for the financing of projects? How will this work in concrete terms?

Initiators / sponsors / investors of infrastructure projects that fall within the focus of the Fund, interested institutions may contact the Advisory Team (info@margueritefund.eu).

17. "Priority will be given to projects addressing the climate-change goals defined by the European Union" – what does this mean?

The European Union has committed itself to cut overall greenhouse gas emissions to at least 20% below 1990 levels by 2020, to boost energy efficiency by 20% by 2020, and to increase the share of renewable energy in energy consumption to an average of 20% by 2020 across the EU ("20/20/20"). For more information please see http://ec.europa.eu/environment/climat/campaign/actions/whatiseudoing_en.htm

18. In what kinds of projects (the three so-called core areas TEN-E, TEN-T and RE) are the investments to be made? Can you give examples for which financing could be made available?

The Fund's priority in TENs (both Transport -TEN-T- and Energy - TEN-E-) will be as defined by the Commission. See examples on their website at:(http://tentea.ec.europa.eu/en/ten-projects/30_priority_projects/30_priority_projects.htm).

Greenfield projects will be the primary focus of the Fund.

The minimum fund investment size is EUR 10 million, and the maximum size will be 10% of total fund size.

19. Is the assumption correct that Marguerite will only consider projects for financing if they have a European dimension?

The Fund's investment policy is geared towards financing projects which contribute to achieving European key priorities in the transport and energy sectors; it will also seek to invest as broadly as possible throughout the EU, subject to the intrinsic quality and expected economic and financial returns of the projects. Each investment themselves may be located in one particular country or be trans-national. In the latter case, if the project involves a neighbouring country, the Fund will only finance the assets located on the territory of the EU.

20. What type of renewable projects will be favoured? Solar and wind, energy efficiency, biomass, biofuels, or all of them?

Projects related to all kinds of renewables will be examined including wind (onshore and offshore), solar, geothermal, biomass, biogas, hydro, and waste-to-energy. The Fund will however not invest in pilot projects deploying experimental or non-tested technologies. Biofuels are not specifically contemplated in the investment strategy at the present stage (approval of the investment strategy is the responsibility of the Supervisory Board). The fund will seek to prefer, among investment opportunities with comparable financial rates of return, those with the highest Econcomic Rate of Return (ERR)[2].

21. What is the likely amount of the investment that will go into renewable energy projects?

Approximately 40% of the project portfolio financed by the Fund will come from this sector.

22. Looking at current interest for the fund, can you already see to which core area the projects belong, from which geographic regions the projects come, and whether the applicants tend to be private or rather public entities?

Project selection will be in accordance with the established investment criteria and will be performed by the AdvisoryTeam, which is expected to commence the investment assessment activity in mid-2010.

23. Must the projects financed be promoted by European companies?

No. Promoters do not have to be European, but the investments have to be located in EU 27.

24. Are there any country or sector quotas?

The idea is to have a balanced portfolio, in terms of both geographical and sectoral distribution:

- No more than 20% of the Total Commitments should be invested in investments located in one single EU country;
- The fund should be invested in Transport Sectors for 30% to 40%, in the Energy Sector for 25%-35% and in the Renewable Energies Sectors for 35%-45% of the Total Commitments.

25. Is it true that there is a short list of possible projects for which a decision on financing from Marguerite could be made by the end of 2010?

As we have pointed out, project selection / examination has not commenced yet and therefore such a list does not exist.

26. Some media reports mix the names "Marguerite" and "LTIC". What is the connection between Marguerite and LTIC?

The LTIC was created in early 2009 by CDC, CDP, KfW and EIB in order to encourage international cooperation between the different actors in Long term investment, with a view to :

- promote the common identity of its members,
- enable to share best practices, and
- open the way to new operational partnerships between long term investors.

The Fund has in the past months admitted other institutions coming from other major regions of the world.

The Marguerite Fund can be considered as a the first example of a new type of cooperation between LTI.

[2] An ERR analysis measures the full cost to society of a project and allows to rank projects according to their contribution to social welfare and sustainability.