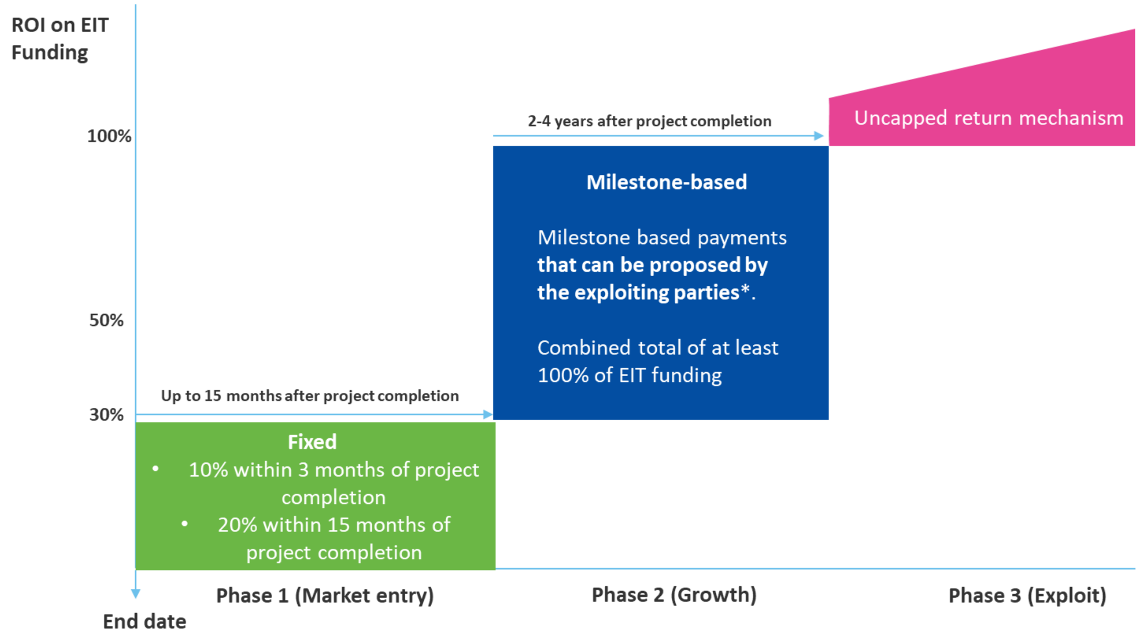
Financial Return Mechanism 2023 - FAQ



Related to Phase 1:

Q1: When is the FRM "triggered"?

The FRM is triggered directly at the project completion date as specified in the proposal.

Q2: Does 30% need to be paid back regardless of project success?

We expect that you return the 30% if you are confident that your innovation will be a success. This return doesn't necessarily have to come from revenues generated by the innovation. If your project was unsuccessful and as a result you do not expect to take your outcomes forward, there is no obligation to return the 30% linked to phase 1. This will then trigger the IP recovery process.

Q3: What happens if we do have the intent to commercialise but do not have the cashflow to pay back the FRM? Can we request an extension if necessary?

Returning phase 1 is decoupled from commercial success of the innovation. You will have to go in on a basis of success and start accruing the 30% throughout the project and as a consortium to secure the exclusivity of the IP generated in the project. It is expected that you develop a plan for this.

Q4: What does "IP Recovery" entail and what will EIT do with the IP?

If the FRM obligations for phase 1 are not met, the project partners shall grant EIT Food Additional rights to the IP generated within the project. Additionally, partners will negotiate in good faith

Access Rights to Background IP if such Access Rights are needed. This would be the case if the use of the results would be technically or legally impossible without such rights.

EIT may use additional access rights for publishing in scientific papers, benchmarking or looking for alternative ways to exploit the IP. The latter may include reorientation of the exploitation by onboarding EIT Food partners or companies in EIT Food ecosystem to contribute or replace the exploiting party.

Q5: If the FRM obligations in phase 1 are not fulfilled, does that conclude the FRM obligation?

No, if the FRM obligations in phase 1 are not met, but the innovation proves to be a success after all. The milestones for Phase 2, and linked FRM obligations, still apply. By this time, EIT will have been granted additional access rights to the related IP. Revoking the additional access rights may be negotiated against payment.

Related to Phase 2:

Q6: What will happen if the milestones in phase 2 are not met?

If milestones are not met, we assume that either the innovation is commercially unsuccessful, or the exploiting organisation does not have the means/capacity to successfully market the solution. We will evaluate this on a case-by-case basis. EIT Food shall be entitled to request the EIT participant to collaboratively look for alternative commercialisation opportunities. In this, we will always look for win-win opportunities.

Q7: What are the options for milestones?

We give full flexibility in which milestones you choose, but make sure they are specific, measurable, attainable and relevant to the success of the innovation. Proposal evaluators will assess the quality of the FRM proposal based on these elements. Milestones may relate to:

- Sales/revenues/profits
- Market penetration (E.g. Product launch (in new markets (geographies/segments)
- Securing and valorising IP(E.g. IP protection, IP transfer, licensing agreements etc.)
- Operational capacity (e.g. production capacity, production volumes, sales teams etc.)
- Financing events (e.g. investment round, IPO, loan etc.)

Including milestones on the revenues generated is encouraged as these usually fulfil the milestone requirements listed above.

Linked to each milestone is a return to EIT Food, defined as a percentage over the total KAVA funding. The milestone trajectory, combining milestone and return, must be clearly described in the proposal.

<u>Related to Phase 3:</u>

Q8: Phase 3 starts 4 years after project completion when the milestones in phase 2 are expected to be achieved. If the milestones are not yet achieved, what will happen?

If the milestones in phase 2 are not yet met 4 years after project completion the process explained in Q4 is followed. At this stage, expectations for phase 3 will be re-adjusted. This may be an amendment of the terms and conditions agreed upon (including adjusted timing).

Q9: How long does phase 3 last?

The return mechanisms in phase 3 are fully flexible. They can be anything based on predefined milestones, equity, revenue sharing, or royalties. Depending on the mechanism proposed, the timelines are also different. Generally, we see a return on investment rather sooner than later.

Q10: What is the (minimum) return that EIT Food is looking for in phase 3? Can there be a cap in terms of timing/amount?

Phase 3 is important for the financial sustainability of the KIC. It ensures that successful innovations cover (to a certain degree) the losses EIT Food incurs in unsuccessful projects. This is the essence of having a portfolio of innovations that we support. We consider phase 3 as a risk-related, project-specific mark-up. Meaning, the higher the perceived risk (and the higher potential returns), the higher the mark-up.