

Equity and Quasi-Equity Funding Instruments Investment Programme – NRRP

Funds for the implementation of this Programme are provided by the National Recovery and Resilience Plan 2021-2026 (hereinafter: NRRP) and are financed by the European Union through the Recovery and Resilience Facility under the NextGenerationEU (hereinafter: NRRP funds). NRRP funds are invested by HBOR in its own name and for the account of the Republic of Croatia.

The objective of launching the Equity and Quasi-Equity Funding Instruments Investment Programme – NRRP (hereinafter: The Programme) is to improve the availability and diversification of funding sources for Croatian companies. HBOR will implement the Programme by investing the NRRP funds in eligible alternative investment funds (hereinafter: AIFs or in singular: AIF) or eligible co-investments with AIFs (hereinafter: Co-investments or in singular: Co-investment), which will invest in Final Beneficiaries (as defined below).

The total amount of available NRRP funds for this Programme is EUR 29,862,632.

For the implementation of the Programme, HBOR will commit up to EUR 26,000,000 to the AIFs selected through the call for expressions of interest for the selection of potential financial intermediaries (hereinafter: Closed call) published by the European Investment Fund (hereinafter: EIF) (https://www.eif.org/what_we_do/resources/croatian-growth/index).

HBOR will additionally commit up to EUR 1,562,632 to eligible AIFs and/or Co-investments for the purpose of investing in companies in Start-up development phase. For such investments, HBOR will publish a separate call for expressions of interest for the selection of potential financial intermediaries.

1. AIFs and Co-Investments

Eligible AIFs:

- (i) AIFs in the process of being established, selected by the EIF through the call for expressions of interest whose strategy includes investments according to EIF's Climate Action and Environmental Sustainability Guidelines ("CA&ES") (https://www.eif.org/news_centre/publications/climate-action-sustainability-criteria.htm), in a minimum of 25% of amounts drawn for investments throughout the entire portfolio of AIFs that will be invested in accordance with the EIFs Closed call; or
 - (ii) AIFs yet to be established or existing AIFs in which the EIF is an investor;
 - (iii) have a defined investment period in line with market practice (usually 5 years, with the possibility of extension according to the AIFs' contractual documentation);
 - (iv) have a limited duration (usually not exceeding 10 years, with the possibility of extension according to the AIFs' contractual documentation);
 - (v) are established or will be established in the EU.
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Eligible Co-investments by HBOR and AIFs and/or other eligible investors in eligible final beneficiaries, through a special purpose vehicle, are:

- (i) Co-investments alongside AIFs in which the EIF is an investor;
- (ii) those whose intended duration does not exceed 10 years, with the possibility of extension according to the contractual documentation of the Co-investment;
- (iii) are established or will be established in the EU.

2. Financial Intermediaries

Financial Intermediaries are companies managing the AIF or other legal persons advising the AIF and/or the special purpose vehicle established with the purpose of equity and quasi-equity financing of the final beneficiaries.

HBOR will assess Financial Intermediaries that meet the following eligibility criteria:

- (i) obtain at least 30% of total commitments from private investors (a list of eligible private investors is set in point 3 below);
- (ii) Financial Intermediary's management team has appropriate participation of their funds in the AIF or the Co-investment;
- (iii) conduct their operations in line with best practices and commercial goals, while investing in financially sound projects based on their own evaluation, provisions of this Programme, and terms of the call for expressions of interest (if selected through one);
- (iv) according to the AIFs investment strategy intend to invest at least 70%¹ of the total amount drawn down for investments in eligible final beneficiaries, which, at the time of the first investment of the AIF, are established in the Republic of Croatia and:
 - have Croatia as a country of its main operations; and/or
 - plan an investment aimed at establishing or developing long-term operations in the Republic of Croatia (indicated by an employed significant workforce in the Republic of Croatia or by other relevant indicator);
- (v) offer equal conditions for all investors (*pari-passu* principle);
- (vi) The Financial Intermediary and the AIF must be established in the EU (or will be established in the EU);
- (vii) The Financial Intermediary is required to ensure a market presence in the Republic of Croatia by setting up branches or offices with a suitable team. This team should include investment professionals located in the Republic of Croatia capable of operating within the Croatian business environment (including proficiency in the Croatian language) for the entire duration of the AIF and/or Co-investment.

¹ In the case of a Co-investment, the AIF with which the Co-investment is made does not have to comply with this criterion.

When selecting Financial Intermediaries, priority will be given to those which:

- (i) have developed, are developing, or are willing to develop, the ESMS (Environmental and Society Management System) or ESG (Environment, Society and Governance) framework to be used during the lifecycle of the AIF or at least during the phase in which the contribution from NRRP funds is used;
- (ii) operate in accordance with the principles of gender equality.

Prospective Financial Intermediaries must adhere to good market practices and regulatory standards related to anti-money laundering and counter-terrorist financing. Additionally, they should implement well-structured tax policies and transparently manage equity finance products.

When evaluating Financial Intermediaries, HBOR will conduct due diligence in alignment with its internal regulations and procedures with special regard to the implementation of measures, actions, and procedures for preventing money laundering and terrorist financing (hereinafter referred to as AML/CFT).

For Co-investments, the relevant criteria outlined in this Programme pertain to the AIF with which the Co-investment is carried out. Co-investments may be undertaken in final beneficiaries established in the Republic of Croatia under the following conditions:

- have Croatia as a country of its main operations; and/or
- plan an investment aimed at establishing or developing long-term operations in the Republic of Croatia (indicated by an employed significant workforce in the Republic of Croatia or by other relevant indicator).

3. Investors

Investors are HBOR, EIF and eligible private investors.

Eligible private investors are:

- (i) majority privately-owned financial institutions (investments in its own name and on its own behalf);
- (ii) funds of funds:
 - a. classified as AIFs under the Alternative Investment Fund Managers Directive²,
 - b. managed or advised by an independent management team,
 - c. the majority sponsors of which are not Member States or National Promotional Banks, EIF or the European Investment Bank;
- (iii) private endowments or foundations;

² Directive 2011/61/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010

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- (iv) family offices and business angels;
 - (v) majority privately-owned corporate investors;
 - (vi) insurance companies;
 - (vii) pension funds;
 - (viii) private individuals;
 - (ix) academic institutions (including private research institutions and universities) investing their own resources from commercial activity.

Private Investors must not receive any public incentive for the purpose of investing in an AIF or Co-investment.

4. Final Beneficiaries

Targeted Final Beneficiaries are micro, small, or medium-sized³ enterprises and mid-caps (up to 3,000 employees).

Eligible Final Beneficiaries are those with which it is possible to invest in appropriate investment development stages of companies. For strategies of AIFs and Co-investments eligible Final Beneficiaries are those in the following investment development stages of companies as defined by Invest Europe⁴ (<https://www.investeurope.eu/>):

- for HBOR's investment of up to EUR 1,562,632 a separate call for expression of interest will be published for investments in:
 - Start-up
- for HBOR's investment of up to EUR 26,000,000 for which EIF published a Closed call for investments in companies in:
 - Later stage venture;
 - Growth capital;
 - Replacement Capital;
 - Buyout.

For more detailed definition of eligible and non-eligible Final Beneficiaries, please consult the General Eligibility Criteria for Equity and Quasi-Equity Funding Instruments available [here](#).

5. Purpose and terms and conditions of investment

AIFs and/or Co-investments will carry out equity or quasi-equity investments in Final Beneficiaries.

When investing in Final Beneficiaries, Financial Intermediaries will make all necessary assessments so that such investment does not cause significant harm (*Do No Significant Harm principle*, abbreviation: DNSH) to environmental objectives of the EU in accordance with Article 17 of the Charter of Fundamental Rights of the European Union. Regulation (EU) 2020/852⁵. In order to comply with the DNSH principle, the Financial Intermediaries will apply the following provisions:

³ In accordance with Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003).

⁴ Invest Europe research methodology and definitions <https://www.investeurope.eu/media/2784/invest-europe-research-methodology-and-definitions.xlsx>

⁵ Regulation (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 <https://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:32020R0852&from=EN>

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- (i) Technical guidelines for the DNSH under the RRF Regulation⁶;
 - (ii) Technical guidance on sustainability proofing under InvestEU, where appropriate and applicable⁷;
 - (iii) any other DNSH implementation framework, guidelines and/or practices/standards developed by relevant EU institutions, such as the EIF.

The List of ineligible activities of Final Beneficiaries (exclusion list):

- 1) Activities that limit individual rights and freedoms or that violate human rights;
 - 2) In the area of defence activities: the use, development, or production of products and technologies that are prohibited by applicable international law;
 - 3) Tobacco-related products and activities (cultivation and production, distribution, processing and trade);
 - 4) Activities excluded from financing pursuant to the relevant provisions of the Horizon Europe Regulation⁸: research on human cloning for reproductive purposes; activities intended to modify the genetic heritage of human beings which could make such changes heritable; and activities to create human embryos solely for the purpose of research or for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer (SCNT);
 - 5) Gambling (production, construction, distribution, processing, trade, or software-related activities);
 - 6) Sex trade and related infrastructure, services, and media;
 - 7) Activities involving live animals for experimental and scientific purposes insofar as compliance with the European Convention for the Protection of Vertebrate Animals for Experimental and other Scientific Purposes cannot be guaranteed;
 - 8) Real estate development activity, such as an activity with a sole purpose of renovating and re-leasing or re-selling existing buildings, as well as constructing new buildings intended for sale (investments in energy efficiency projects or social housing are not excluded);
 - 9) Financial activities (i.e., purchasing or trading in financial instruments). In particular, interventions targeting buy-out intended for asset stripping or replacement capital intended for asset stripping shall be excluded;
 - 10) Activities forbidden by applicable national legislation;
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⁶ Commission Notice Technical guidance on the application of the DNSH principle under the Recovery and Resilience Facility Regulation (2021/C 58/01) [https://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:52021XC0218\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:52021XC0218(01)&from=EN)

⁷ Communication FROM THE COMMISSION Technical guidance on sustainability proofing under InvestEU (2021/C 280/01) [https://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:52021XC0713\(02\)&from=EN](https://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:52021XC0713(02)&from=EN)

⁸ Regulation (EU) 2021/695 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2023 <https://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=CELEX:32021R0695>

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- 11) Decommissioning, operation, adaptation or construction of nuclear power stations;
 - 12) Activities and facilities related to fossil fuels, including further use⁹;
 - 13) Activities and facilities under the EU Emission Trading System (ETS);
 - 14) Activities and facilities related to disposal of waste to landfill facilities, incinerators¹⁰ and mechanical biological treatment plants¹¹;
 - 15) Activities and facilities where the long-term disposal of waste may cause harm to the environment;
 - 16) All activities that are not allowed to be financed by aid from the relevant state aid regulations such as GBER, ABER, de minimis and other regulations applicable to a particular financial instrument;
 - 17) All prohibitions and restrictions in accordance with the General Eligibility Criteria for Equity and Quasi-Equity Financing Instruments of HBOR.

Final Beneficiaries, who in the previous financial year generated more than 10% of their revenues from activities or assets referred to in points 12, 13, 14 and 15 of the ineligible activities referred to above, will be obliged to disclose a Green Transition Plan.

Final Beneficiaries engaged in the activities set out in the List of ineligible activities are not eligible for investments from NRRP funds.

HBOR reserves the right to amend the List of ineligible activities. The List of ineligible activities, with subsequent amendments thereto, will be published on HBOR's website.

6. Investment objectives	The objective of this Programme is to enhance the accessibility of equity and quasi-equity investments for entrepreneurs in the Republic of Croatia, particularly focusing on SMEs and mid-caps. Additionally, the programme aims to make investments in environmentally sustainable projects and those addressing climate change impacts, aligning with the EIF Closed call.
7. Terms of investment in AIFs and Co-investments	HBOR's investment is usually made when an AIF or Co-investment is established. The investment shall be carried out under the same conditions as private investors' investment (<i>pari-passu</i> principle).

⁹ Except for projects in the field of electricity and/or heat production and related transmission and distribution infrastructure, in which natural gas is used, which comply with the conditions set out in Annex III to the Technical Guidelines on the Application of "Do No Significant Harm" Principle (2021/C58/01)

¹⁰ This exclusion does not apply to investments in plants exclusively dedicated to treating non-recyclable hazardous waste and existing plants, where the investment is for the purpose of increasing energy efficiency, capturing exhaust gases for storage or use or recovering materials from incineration ashes, provided that such activities do not result in an increase in the capacity of waste treatment plant or prolongation of the lifetime of the plant; for which there is evidence at the plant level.

¹¹ This exclusion does not apply to investments in existing plants for mechanical biological treatment, where the investment is for the purpose of increasing energy efficiency or subsequent incorporation of separate waste into recycling processes for the purpose of composting biowaste and anaerobic digestion of biowaste, provided that such activities do not result in an increase in the capacity of waste treatment plant or prolongation of the lifetime of the plant; for which there is evidence at the plant level.

HBOR will utilise NRRP funds for investments in AIFs and/or Co-investments, provided that the contractual documentation governing the use of NRRP funds is in accordance with HBOR's eligibility criteria. The contractual documentation must include provisions ensuring alignment between HBOR's investment, rights and obligations with those of other investors. Additionally, the documentation should empower HBOR to fulfil its rights and obligations arising from the fact that it invests NRRP funds.

8. Investment mode Investments in Final Beneficiaries are made indirectly, through an AIF or a Co-investment managed by the Financial Intermediary (including holding companies managed by the Financial Intermediate).

9. Investment amount The total amount of allocated NRRP funds for this Programme is EUR 29,862,632.

For the implementation of the Programme, HBOR will commit up to EUR 26,000,000 to the AIFs selected through the Closed call published by EIF (https://www.eif.org/what_we_do/resources/croatian-growth/index).

Additionally, HBOR will commit up to EUR 1,562,632 in eligible AIFs and/or Co-investments which will invest in companies in Start-up development phase. For such investments, HBOR will publish a separate call for expressions of interest for the selection of potential Financial Intermediaries.

10. Currency of investment EUR

11. Investment yield Through the selection of Financial Intermediaries, HBOR aims to attain a favourable outcome for the funds invested through this Programme, including a positive internal rate of return (IRR in %) and a total return exceeding the invested funds (multiplier).

- The priority return of invested funds and yield for Investors are defined by the founding documentation of AIFs, while the returns of funds above that level are shared among the Investor and the Financial Intermediary.
- The terms of Co-investment are determined on a case-by-case basis.

12. Fees and expenses The total contracted amount of the commitment from Investors includes amounts allocated for investments in Final Beneficiaries, as well as those covering management fees and other costs associated with AIFs and/or Co-investments.

13. Implementation period of the Programme The implementation period of the Programme is until the funds are fully utilised, with the latest expiration date set at 30 June 2026, by which an agreement to commit to invest in AIF or Co-investment must be concluded.

The availability period commences upon the publication of the Programme's Terms and Conditions on HBOR's website and continues until the conclusion of the implementation period.

After the conclusion of the implementation period, disbursements to AIFs and/or Co-investments will persist. This pertains to the outstanding commitment, fees, and other associated expenses and charges, all in accordance with the investment strategy of the AIF and/or Co-investment and contractual obligations.

14. Period and manner of return on invested funds	Distributions to investors will be made once the investments are disposed of (sales, divestments).
15. Other	<p>The contractual documentation, on the basis of which HBOR will carry out investments of NRRP funds in an AIF or a Co-investment, shall include, inter alia:</p> <ul style="list-style-type: none">- HBOR's rights to access the AIF and the Co-investments documentation necessary for monitoring and auditing NRRP funds expenditure;- the obligation to keep documentation on the use of the funds of the Programme;- obligations regarding the visibility of the Programme and the investment of NRRP funds;- the possibility of transferring units in AIFs and Co-investments to other persons if requested by HBOR;- ensuring access to the premises and documentation of the Financial Intermediaries and Final Beneficiaries on the investment of the resources of the Programme for staff of the European Commission, the European Anti-Fraud Office (OLAF), the European Public Prosecutor's Office (EPPO), the European Court of Auditors, the competent ministries and HBOR and other bodies of the Republic of Croatia and the EU which are competent to verify the validity of the use of the Programme's funds or have a legally defined right to verify the operation of AIFs, Co-investments or Final Beneficiaries. To this end, financial intermediaries should include appropriate provisions in investment contracts with Final Beneficiaries.
16. Related documents/Appendices	<p>General Eligibility Criteria for Equity and Quasi-Equity Funding Instruments available here. Equity and Quasi-Equity Investment Policy available here.</p>

The Investment Programme is effective starting from 14 December 2023.

HBORs commitment to invest NRRP funds in AIFs and/or Co-investments can be contracted up to utilisation of available funds, and no later than 30 June 2026.

This document is an unofficial translation of the original in Croatian for information purposes only. In case of a discrepancy, the Croatian original shall prevail.