

Alternative Investment Funds Investment Programme

HBOR has provided its own funds (hereinafter referred to as: HBOR funds) for the implementation of the Alternative Investment Funds Investment Programme (hereinafter referred to as: the Programme). HBOR invests the abovementioned funds **exclusively through financial intermediaries**, i.e. **alternative investment funds** (hereinafter referred to as: AIF), in its own name and for its own account.

The goal of the Programme is to enhance the availability and diversify the sources of finance for Croatian companies, enabling entrepreneurs to access capital through investments of alternative investment funds. The Programme is aimed at financing innovative projects of start-up companies, SMEs and mid-cap companies with high growth potential. **The emphasis is on investments that contribute to economic and social development, in line with sustainability goals and promotion of balanced and sustainable regional development in the Republic of Croatia.**

For the implementation of the Programme and the selection of Financial Intermediaries, HBOR will publish a Call for Expression of Interest for the selection of Financial Intermediaries on its website www.hbor.hr. HBOR reserves the right to change the terms and conditions of the Programme, and all possible changes will be published in a timely manner on the website.

TERMS AND CONDITIONS OF INVESTMENT

1. AIFs	<p>Eligible AIFs:</p> <ul style="list-style-type: none"> i. AIFs in the process of establishment or existing AIFs; ii. Established in the EU or to be established in the EU; iii. Have a defined investment period in line with market practice (usually 5 years, with the possibility of extension in accordance with the AIF's contractual documentation); iv. Have a limited duration (usually not exceeding 10 years, with the possibility of extension in accordance with the AIF's contractual documentation).
2. Financial Intermediaries	<p>Financial Intermediaries are companies that manage AIF or other legal entities that advise AIF and/or special purpose vehicle with the aim of making investments in equity and quasi-equity financing of Final Beneficiaries.</p> <p>Financial Intermediary must meet the following key conditions:</p> <ul style="list-style-type: none"> i. Members of the management team of the Financial Intermediary must invest own funds in AIF; ii. All investors in AIF must have equal investment conditions (<i>pari-passu</i> principle); iii. The Financial Intermediary must ensure investment of Private Investors in an amount corresponding to at least 30% of the total size of the AIF; iv. The commitment of any investor shall not exceed 50% of the total size of the AIF, except in the case of a technology transfer fund where the share of an individual investor may be higher; v. As part of the AIF's investment strategy, they intend to invest at least the amount of HBOR's commitment in the areas listed in Annex II of the InvestEU Regulation¹; vi. As part of the AIF's investment strategy, they intend to invest in Final Beneficiaries which, at the time of the AIF's first investment in them, are established in the Republic of Croatia and carry out the majority of their business in the Republic of Croatia or are planning an

¹ REGULATION (EU) 2021/523 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 March 2021 on establishing the InvestEU programme and amending Regulation (EU) 2015/1017 (SL L 107, 26.3.2021) <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32021R0523>

investment that will start long-term business in the Republic of Croatia (indicated, for example, by a significant workforce in the Republic of Croatia or other relevant indicator). The amount of investment in such Final Beneficiaries must meet one of the following criteria:

- 70% of the total size of the AIF, or
 - Double amount of HBOR's commitment (for every euro of HBOR's commitment, AIF must invest one additional euro, at least).
- vii. Must be familiar with the Croatian business environment, and preferably it should ensure presence on the Croatian market by establishing subsidiaries or offices in the Republic of Croatia with an appropriate team which includes investment professionals who are able to operate in the Croatian business environment (including adequate language skills) for the entire duration of the AIF;
- viii. Must be established in the EU or will be established in the EU;
- ix. Has developed or is developing or are willing to develop an ESMS (Environmental and Social Management System) or ESG (Environmental, Social and Governance) framework to be used throughout the entire duration of the AIF;
- x. When investing in Final Beneficiaries, where applicable, Financial Intermediaries should implement all necessary assessments so that such investment "does no significant harm" (abbreviation: DNSH) to the EU's environmental objectives in terms of the DNSH principle in accordance with Article 17 of the Regulation (EU) 2020/852².

HBOR's commitment will generally be at least 7.5% of the total size of the AIF, and not more than 25% of the total size of the AIF.

If the AIF, in addition to the key conditions, meets any of the additional conditions listed below, HBOR may consider a higher commitment. Additional conditions are as follows:

- i. For commitment up to 50% of the total AIF size:
- the AIF's investment strategy has to be focused on regional development (projects and companies from economically less developed areas, e.g. supported areas, the islands and hill or mountain areas of the Republic of Croatia³); or
 - the AIF has to be managed by a team without prior joint experience in the management of AIF; or
 - the AIF has to be managed by a gender balanced team.
- ii. For commitment up to 70% of the total AIF size:
- the AIF's investment strategy has to be focused on technology transfer.

HBOR's commitment in a particular AIF may amount to a maximum of EUR 25 million.

3. Private Investors

Private Investors are considered to be:

- i. majority privately owned financial institutions (investing at their own risk and from their own resources);

² REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending the Regulation (EU) 2019/2088 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN>

³ Special areas of the Republic of Croatia:

- Supported area – Units of local and regional government classified in group I, II, III or IV in accordance with the Act on Regional Government of the Republic of Croatia (the Official Gazette of the Republic of Croatia No. 147/2014, 123/2017, 118/2018) and the Decision on Classification of Units of Local and Regional Government According to the Level of Development (Official Gazette of the Republic of Croatia No. 3/2024) and all its changes and amendments.
- Hill or mountain areas – Areas in accordance with the Act on Hill or Mountain Areas (Official Gazette of the Republic of Croatia No. 118/2018) and the Decision on the Scope and Classification of Units of Local and Regional Government that Acquire the Status of Hill or Mountain Areas (Official Gazette of the Republic of Croatia No. 24/2019) and all its changes and amendments.
- The islands – In accordance with the Islands Act (Official Gazette of the Republic of Croatia Nos. 116/2018, 73/2020, 70/2021) and all its changes and amendments.

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- ii. Funds of funds:
 - a. those classified as an AIF under the Directive on Alternative Investment Fund Managers⁴,
 - b. those that are managed or advised by an independent management team,
 - c. those whose majority sponsors are not Member States or national promotional banks or institutions or the EIF or the European Investment Bank;
 - iii. private endowments or foundations;
 - iv. family offices and business angels;
 - v. majority privately owned corporate investors;
 - vi. insurance companies;
 - vii. pension funds;
 - viii. private persons;
 - ix. academic institutions (including private research institutions and universities) investing their own resources arising from their commercial activities;
- if they do not receive any public incentive for the purpose of investing in the AIF.
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- 4. Final Beneficiaries** Eligible Final Beneficiaries are micro, small and medium-sized companies⁵ and mid-cap companies⁶ (up to 3,000 employees) in the following investment development stages as defined by the Invest Europe⁷ methodology:
- Seed,
 - Start-up,
 - Later stage venture,
 - Growth capital,
 - Replacement capital,
 - Buyout.

Ineligible Final Beneficiaries are those:

- i. That carry out an activity on the List of ineligible activities⁸, and/or
 - ii. That are „undertakings in difficulty“ pursuant to the provisions of Article 2(18) of the Commission Regulation (EU) No. 651/2014⁹ of 17 June 2014, and/or
 - iii. The activity of which, at the moment of the AIF's investment, constitutes a violation of restrictive measures (*Restricted Person*).
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⁴ DIRECTIVE 2011/61/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 8 June 2011 on Alternative Investment Fund Managers and amending regulations 2003/41/EC and 2009/65/EC and the regulations (EC) No. 1060/2009 and (EU) No. 1095/2010

⁵ Pursuant to the 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):

- Medium-sized enterprise employs fewer than 250 persons, has an annual turnover not exceeding EUR 50 million or annual balance sheet total not exceeding EUR 43 million;
- Small enterprise employs fewer than 50 persons and has annual turnover and/or annual balance sheet total not exceeding EUR 10 million;
- Micro enterprise employs fewer than 10 persons and has annual turnover and/or annual balance sheet total not exceeding EUR 2 million.

⁶ Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No. 1291/2013 and (EU) No. 1316/2013 (OJ L 169, 1.7.2015):

- „small mid-cap companies“ means entities having up to 499 employees that are not SMEs;
- „mid-cap companies“ means entities having up to 3,000 employees that are not SMEs or small mid-cap companies.

⁷ Invest Europe, Research methodology and definitions, available [here](#).

⁸ The list of ineligible activities is published in the General Eligibility Criteria for Equity and Quasi-Equity Funding Instruments, available [here](#).

⁹ Commission Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187 of 26 June 2014), or in accordance with the provisions of the regulation governing this issue, which will be in force at the time of contracting of HBOR's commitment of payment.

5. Visibility	<p>In communication about the investment, Financial Intermediaries and Final Beneficiaries will be required to prominently display the visibility sign of the source of financing. During negotiations with Financial Intermediaries, the form and manner of displaying the source of financing will be determined.</p> <p>The Financial Intermediary will be obliged to embed in the contractual documentation with Final Beneficiaries the provisions relating to visibility.</p>
6. Purpose and Manner of Investment	Equity and quasi-equity investments in Final Beneficiaries through AIFs managed by the Financial Intermediary (including structures that include holding companies managed by the Financial Intermediary).
7. Fees and Expenses	Investor's commitment to the AIF should include the amount for the investments in Final Beneficiaries, as well as the amount covering management costs and other costs associated with AIF.
8. Implementation Period	The Programme Implementation Period is until the funds have been exhausted.
9. Miscellaneous	<p>The contractual documentation on the basis of which HBOR will commit to the AIF will include provisions on:</p> <ul style="list-style-type: none"> • HBOR's rights to inspect AIF documentation necessary for monitoring and reviewing the use of HBOR funds; • the obligation to keep the records related to the use of HBOR funds; • requirements related to Visibility; • the possibility of transferring HBOR's share in AIF to other persons upon HBOR's request.
10. Related documentation / Enclosures	<p>General Eligibility Criteria for Equity and Quasi-Equity Funding Instruments, available here.</p> <p>Policy for Investments in Equity and Quasi-Equity, available here.</p>

The Investment Programme shall apply as of 20 March 2025.