

Schedule 1 – Ineligible activities and borrowers

Ineligible activities include the activities, purposes, borrowers and types of investments that are not eligible for financing under the framework of the Production Modernisation Loan Programme and the accompanying exemptions, if any:

- (1) Entities in difficulties
Entities belonging to the category of companies in difficulties in accordance with provisions of Article 2 item 18 of the 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);
- (2) Ineligible clients pursuant to the Excerpt from the HBOR's Ordinance on Management of Reputational Risk Arising from Business Relationship with Client;
- (3) Ineligible borrowers in accordance with exclusion lists depending on the source of finance;
- (4) Financially unsustainable investment. Investment must be financially sustainable (by applying customary financial and/or economic indicators, and pursuant to internal documents and business decision of HBOR) and in accordance with applicable aid rules;
- (5) Investments that have been physically completed or entirely carried out before the submission of loan application, including investments started before the submission of application for loan/aid¹;
- (6) Loan within the framework of this Loan Programme can neither be used for the co-financing or preliminary financing of grants nor can the grants be used for the compensation of aid received from financial instruments;
- (7) Purchase of land exceeding 10% of the loan amount, i.e., 15% for deserted and former industrial locations that include buildings;
- (8) Value Added Tax (VAT) except for Borrowers delivering goods or performing services exempt from VAT calculation or for Borrowers that do not operate within the VAT system;
- (9) Construction, reconstruction, commissioning or decommissioning of nuclear power plants;
- (10) Investments for the purpose of reducing greenhouse gas emissions from the activities stated in Annex I to Directive 2003/87/EC, or in Croatian legislation, transposed into the Greenhouse Gas Emission Quota Allocation Plan, the Air Protection Act, The Regulation on the Method of Trading in Greenhouse Gas Emission Units and other applicable legislation/secondary legislation;
- (11) Production, processing and marketing of tobacco and tobacco products;
- (12) Investments in airport infrastructure, except for the outermost regions or in existing regional airports as defined in Article 2 item 153 of the Regulation (EU) No. 651/2014, in any of the following cases:
 - i. measures for mitigating environmental impact; or
 - ii. systems for the protection and safety of air traffic and its management that arise from research and development of air traffic management on the single European sky;
- (13) Investments in landfill waste disposal, except for:
 - i. outermost regions, only in duly justified cases; or
 - ii. for investments in decommissioning, conversion or providing of existing landfills, provided that such investments do not increase their capacities;
- (14) Investments in increasing the capacities of residual waste processing, except:
 - i. in outermost regions, only in duly justified cases;
 - ii. for investments in technologies for the use of materials from residual waste for the needs of circular economy;
- (15) Investments relating to the production, processing, transport, distribution, warehousing or fossil fuels combustion, except in the case of:

¹ Start of works means the start of construction works related to an investment or the first legally binding obligation for ordering of equipment or any other obligation that makes such investment irrevocable, whichever occurs first. The purchase of land and preparation works, for example, obtaining of licences and carrying out the feasibility study, is not considered the start of works.

- i. replacement of heating systems using crude fossil fuels, i.e., coal, peat, lignite or oil shale, gas heating systems for the purpose of:
 - upgrading of district heating or cooling system to the status of „efficient district heating and cooling” as defined by special regulations or in Article 4 item 68 of the Energy Efficiency Act and in Article 2 item 41 of the Directive 2012/27/EU, respectively;
 - upgrading of cogeneration plants to the status of „high-efficiency cogeneration” as defined by special regulations or in Article 4 item 77 of the Energy Efficiency Act and in Article 2 item 34 of the Directive 2012/27/EU, respectively;
 - investments in gas boilers and heating systems in residential facilities and buildings replacing the facilities using crude fossil fuels, i.e., coal, peat, lignite or oil shale;
 - ii. investments in extension and conversion, transformation or retrofitting of transformation network and gas distribution, provided that by such investments, networks are equipped for adding into the system gases from renewable energy sources and low CO₂ emission gases, such as hydrogen, biomethane and derived gas, and that the replacement of plants using crude fossil fuels is enabled;
 - iii. investments in:
 - clean vehicles, as defined in special regulations, i.e. in the Act on the Promotion of Clean Vehicles in Road Transport and in the Directive 2009/33/EC of the European Parliament and the Council (22), for public purposes; and
 - vehicles, aircrafts and vessels designed and constructed or adjusted for the use by civil protection and fire services;
- (16) Investments involving activities that were part of an operation that was the subject of a relocation in accordance with Article 66 or that would constitute a relocation of manufacturing activity in accordance with Article 65 paragraph 1 item (a) of the Regulation (EU) 2021/1060;
 - (17) Investments directly affected by a reasoned opinion of the Commission regarding an infringement in accordance with Article 258 of the Treaty on the Functioning of the European Union (TFEU) that jeopardises the legality and regularity of the expenditure or the effectiveness of operations;
 - (18) Costs related to investments that do not meet specific conditions related to compliance with the Do No Significant Harm principle (DNSH);
 - (19) Investments in infrastructure with an expected lifetime of at least five years, and for which the infrastructure is not ensured to be climate-resilient;
 - (20) Investments covered by the scope of the Environmental Protection Act and other regulations/secondary legislation, i.e. Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment, and which are subject to an environmental impact assessment or verification procedure for which the assessment of alternative solutions based on the requirements of that Directive it is not properly taken into account;
 - (21) Ineligible activities under Regulation (EU) 2021/1060 of the European Parliament and the Council of 24 June 2021 on laying down common provisions on the European Regional Development Fund, European Social Fund plus, Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for them and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for financial support for border management and visa policy;
 - (22) All other ineligible activities in accordance with the Regulation (EU) 2021/1058 of the European Parliament and the Council of 24 June 2021 on the European Regional Development Fund and the Cohesion Fund;
 - (23) Refinancing of existing loans (financing of exclusively new loans is permitted);
 - (24) Investments outside the territory of the Republic of Croatia;
 - (25) All other applicable bans and restrictions in accordance with HBOR's General Eligibility Criteria.