

Schedule 3 – Short instructions to applicants for the preparation of project/technical documentation for the criteria of DNSH and infrastructure resilience to climate change

Based on the criteria of the **Production Modernisation Loans financial instrument** (hereinafter: FI), a final beneficiary's project/investment is **not eligible** if:

- **It does not comply with the “Do No Significant Harm” (DNSH) principle**
- **It does not comply with the „Technical Guidelines on the Preparation of Infrastructure for Climate Changes in the 2021–2027 Period” (2021/C 373/01)**

Project/investment of final recipient under the FI implies all investments in tangible and intangible assets (fixed assets), related to:

- establishment of a new business unit
- expansion of capacities of an existing business unit
- diversification of a business unit's production into products that the respective business unit did not produce previously
- fundamental change in the overall production process of an existing business unit.

GENERAL INFORMATION ABOUT THE DNSH PRINCIPLE

More information about the DNSH principle can be found at the link: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021XC0218%2801%29>, and each project/investment in the context of the Financial Instrument must not significantly harm any of the six environmental goals.

A project/investment is considered to do significant harm to:

1. **Climate change mitigation** environmental goal if it leads to significant greenhouse gas (GHG) emissions;
2. **Climate change adaptation** environmental goal if it leads to an increased adverse impact of the current climate and the expected future climate, on the investment itself or on people, nature or assets;
3. **Sustainable use and protection of water and marine resources** environmental goal if it is detrimental to the good status or the good ecological potential of bodies of water, including surface water and groundwater, or to the good environmental status of marine waters;
4. **Circular economy** environmental goal, including waste prevention and recycling, if it leads to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources, or if it significantly increases the generation, incineration or disposal of waste, or if the long-term disposal of waste may cause significant and long-term environmental harm;
5. **Pollution prevention and control** environmental goal if it leads to a significant increase in emissions of pollutants into air, water or land;
6. **Protection and restoration of biodiversity and ecosystems** environmental goal if it is significantly detrimental to the good condition and resilience of ecosystems, or detrimental to the conservation status of habitats and species.

For each project/investment of this FI, the DNSH principle has to be embedded into the project/investment or the Main Design¹ with a possibility of clear and unambiguous verification of all six

¹ The Main Design of the FI implies the definition and context of the Main Design contained in the Construction Act in effect (Official Gazette of the Republic of Croatia, Nos.: 153/13, 20/17, 39/19, 125/19, 145/24 together with all subsequent amendments) as well as the definition and context of the Main Design contained in the Ordinance on Simple and other Buildings and Works in effect (Official Gazette of the Republic of Croatia, Nos.: 112/17, 34/18, 36/19, 98/19, 31/20, 74/22, 155/23 together with all subsequent amendments)

environmental goals of DNSH. The fact that the DNSH principle is embedded into the project/investment or the Main Design planned under the FI should be clearly proven with a link to:

a) The folder name and the page number of the Main Design where it is proven that no significant harm is done to any of the six environmental goals

b) The number and name of the item in the bill of expenses proving that no significant harm is done to a particular environmental goal, if the absence of significant harm is proven by an item from the bill of expenses

c) separate study/folder/document prepared by authorised persons in the engineering/technical profession or permanent authorised expert witnesses in the appropriate profession (including legal entities with authorisations), for all those specific types of investments in the field of production modernisation that are not subject to the legal drafting of the Main Design or when the DNSH proof has not been previously embedded in the Main Design (a combination of various investments in the production modernisation and the construction/building, etc.), which separately elaborates the assessment of compliance with the DNSH principle for all six environmental objectives.

If separate subsequent calculations proving the DNSH principle or subsequently created project folders or amended existing project folders are prepared for the project/investment, every calculation should have a clear and unambiguous connection with the Main Design and form an integral part of it (example: connection with the Main Design submitted for obtaining necessary construction documents).

In specific cases of investment in the field of production modernisation and proving the DNSH principle stated under c), the material assessment of compliance with the DNSH principle should focus on those environmental objectives on which the impact of the investment could be significant. More details and interactive useful information regarding the evidence of compliance with the DNSH principle can also be found in the Technical Screening Criteria (quantitative and/or qualitative criteria) established in accordance with the Taxonomy Regulation (<https://ec.europa.eu/sustainable-finance-taxonomy/activities/activity/367/view>)

GENERAL INFORMATION ABOUT TECHNICAL GUIDELINES ON THE PREPARATION OF INFRASTRUCTURE FOR CLIMATE CHANGES

More information about the Technical Guidelines on the Preparation of Infrastructure for Climate Changes in the 2021–2027 Period can be found at the link: <https://eur-lex.europa.eu/legal-content/HR/TXT/HTML/?uri=OJ%3AC%3A2021%3A373%3AFULL>, and each project/investment in the context of the Financial Instrument must be aligned with the Technical Guidelines.

In accordance with the Technical Guidelines, infrastructure also includes projects/investments under this financial instrument, i.e. all investments related to the construction of new establishments where production will be carried out, as well as extension/upgrade/reconstruction of such existing production and business facilities related to production processes.

For all those specific investments where the subject of the investment is the modernisation of production itself, or the smart factory management – Industry 4.0-14.0 (automation and robotisation of processes, management and supervision, Internet of things or IoT, sensors, machines controlled by artificial intelligence, IT information exchange during and after the production process, autonomous management systems, etc.), the resilience of infrastructure is to be proven for all locations/buildings/business units where the production itself takes place.

In accordance with the Technical Guidelines, climate resilience analysis of project/investment is made for two environmental goals:

- **Neutrality of project/investment in terms of climate change mitigation environmental goal, and**
- **Resilience of project/investment in terms of climate change adaptation environmental goal.**

For all projects/investments for which Environmental Impact Assessment Necessity Screening and/or Environmental Impact Assessment (EIA) are/is required in accordance with the Environmental Protection Act (Official Gazette of the Republic of Croatia, Nos.: 80/13, 153/13, 78/15, 12/18 and 118/18) and the Environmental Impact Assessment Regulation (Official Gazette of the Republic of Croatia, Nos.: 61/ 14 and 3/17), it is necessary to prepare:

- **Environmental Protection Study (Study) and/or**
- **Environmental Impact Assessment and Non-Technical Summary (EIA)**

The fact that proving the sustainability of project/investment in terms of mitigation and adaptation to climate change is embedded in planned investment under this FI should be clearly proven with a link to the name of the Study/Assessment and to the page of the Study/Assessment proving the sustainability of project/investment in terms of both environmental goals (climate change mitigation and adaptation).

For all projects/investments, for which sustainability in terms of climate change mitigation and adaptation has previously been proven through the Study/Assessment, it is not necessary to separately prove the DNSH principle in the Main Design for those two environmental goals of climate change mitigation and adaptation.

For all projects/investments for which Environmental Impact Assessment Necessity Screening and/or Environmental Impact Assessment (EIA) are/is **not** required in accordance with the Environmental Protection Act and the Environmental Impact Assessment Regulation, it is necessary to state the folder name and the page number of the Main Design proving the introduction of relevant and appropriate measures of adaptation for all identified significant climate risks.