

2022



**Luka Ploče Group
Sustainability Report**



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Introductory notes

This is the first annual Sustainability Report of Luka Ploče Group. The report contains information pertaining to the financial year beginning on 1 January 2022 and ending on 31 December 2022 and, if necessary for better understanding of the context, it may pertain to events that occurred in the preceding years as well.

The report was drawn up in accordance with the Global Reporting Initiative standards, in view of the new European Sustainability Reporting Standards (ESRSs), adopted by the European Commission on 31 July 2023 in the form of a delegated regulation. The Taxonomy Regulation was also used for a part of the report, for preparing information.

Luka Ploče Group will only become obligated to prepare a Sustainability Report, as defined under Corporate Sustainability Reporting Directive (CSRD) as of 1 January 2026, for the financial year 2025. The process of preparing the Sustainability Report began at the initiative of the Management Board of Luka Ploče d.d., which also approved the report.

Scope of the report: The 2022 Report covers Luka Ploče Group, which comprises the company Luka Ploče d.d. (hereinafter: Luka Ploče or the Company) together with its 100%-owned subsidiaries (hereinafter: Luka Ploče Group). The scope of the report is aligned with the consolidated financial statements prepared for Luka Ploče d.d. as the parent company and subsidiaries Luka Šped d.o.o., Pločanska plovdba d.o.o. and Pomorski servis – Luka Ploče d.o.o. The report also refers to the Port of Ploče, in terms of the broader area of activity of Luka Ploče Group. The broader area includes the area of the Port of Ploče which is open for public transport and operated by Ploče Port Authority.

Climate-related information: Scope 1, 2 and 3 greenhouse gas emissions are part of the *Carbon Footprint Analysis and Proposal for Reducing Greenhouse Gas Emissions*, a study prepared for 2022 at the request of Luka Ploče d.d. by Energy Institute Hrvoje Požar. Other data based on GRI standards were collected independently by the companies members of Luka Ploče Group.

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Letter from the President of the Management Board

Dear readers,

you are about to read the first Sustainability Report of Luka Ploče d.d. and companies owned by it: Luka Šped d.o.o., Pločanska plovdba d.o.o. and Pomorski servis d.o.o., which is intended to present our approach to managing the impact our company has on the society, the environment, natural resources, the community in which operate and our employees.

The year 2022 was an exceptional and very special year for Luka Ploče, in many segments. Records were broken in terms of total cargo handled and profit generated, a new collective agreement was signed, and two major digitalization projects were completed. Activities were also initiated to install photovoltaic power plants in order to increase the share of renewable energy sources in port activities.

We are aware that long-term business sustainability requires more than just focusing on financial results; it is important to manage the impacts our business has on the world around us. This is precisely the reason why we have decided to prepare a Sustainability Report for this year already, despite the fact that the obligation to prepare it will only begin to apply to Luka Ploče as of 1 January 2026 for FY 2025.

The preparing of this report involved determining the main processes connected with managing the sustainability of operations and identifying the potentials for their further development and improvement. With that in mind, we have also prepared a *Carbon Footprint Analysis Study*, adopted a series of measures for reducing greenhouse gas emissions and set the absolute target of 15-25% reduction in GHG emissions by 2030 and 65-95% by 2050.

Over the course of 77 years of continuous work, Luka Ploče has invested and will continue to invest in its operations, but also in the enhancement of positive impacts it has across our entire value chain. It was precisely strategic planning of investments that made the excellent operational reaction to the current global crisis possible.

In 2022, the company generated record-breaking turnover of 5,567,686 tonnes of all types of cargo, which was 42% more compared to 2021; this has reaffirmed our readiness for even greater challenges, with the support of our employees.

We are extremely proud that the investments made in the past few years, especially those related to environmental protection, have resulted in a better synergy with the town of Ploče, and we are committed to continue working on this relationship in the future. In this aspect of our operations, there is certainly room for improvement based on the results of the materiality analysis of our impacts, which have shown that there is potential for further improvement in implementing measures to prevent soil, water and air pollution.

On the way to a sustainable Port of Ploče

Luka Ploče and the companies wholly owned by it have decided to provide transparent sustainability reporting, which will make it easier to prepare a comprehensive sustainability strategy, covering all ESG impacts. The final objective is transformation of the Port of Ploče into a sustainable port, one that develops proactively while at the same time protects the natural resources and keeps on board its human resources, with implementation of the highest principles of responsible management of the impact our activities have on the society, the economy and the environment.

Investments in new state-of-the-art mobile cranes, new machines and ecological features, including the preparation of a study and measures for reducing CO₂ are our first steps towards a sustainable Port of Ploče. We will continue our development by installing photovoltaic power plants at the port, by modernising the terminals and making additional investments in machinery and environmental protection.

More on this topic, and on many others, can be found in the following pages. I would like to thank everyone who is contributing daily to the growth and development of our business in line with the sustainability principles, because only if we stand together will we be able to achieve change for a better tomorrow.



*Hrvoje Livaja,
President of the Management Board of Luka Ploče d.d.*

**Photo of the President of the Management Board is property of business weekly magazine Lider Media.*

2022 Summary

■ **732.4**
million HRK
operating income



22.1
million HRK capital
investments



401
inbound ships

■ **118.9**
million HRK EBITDA



5.6
million tonnes total
turnover of all
types of cargo

■ **606.8**
million HRK economic
value distributed

■ **52.6**
HRK million net profit



471
employees

21%

women employees

50%

women
members of the
Management Board

38%

women in senior
management



New collective agreement

→ greater benefits

→ applicable to all employees



11,360

HRK average
gross salary



20,559
hours of training

43 hours

average per employee



3,548.6 t CO2e

total emissions from all three Scopes



724,184 litres

fuel spent



4,280,036 kWh

electricity spent



14.6 litres

fuel consumption of light and heavy
machinery, per working hour



2.3 kW

electricity consumption per
tonne of cargo transhipped



111.2 tonnes

waste collected from ships



LUKA PLOČE



1

Port of Ploče up close

Identity card

Port of Ploče is a universal-purpose port that serves for the transshipment of almost all types of cargo handled in international maritime transport. It is located in the southern part of the Croatian coast of the Adriatic Sea, between Split and Dubrovnik. Owing to its strategic position and recent investments, it has become one of the main strategic ports in Croatia and has been included in the global map of ports capable of accommodating capesize ships (of up to 180.000 DWT). Moreover, it is currently in the process of being included as one of the core ports in the Trans-European Transport Network.

The excellent transportation connection and good geostrategic position make it an essential link between the Adriatic Sea, the Mediterranean, and Central Europe. The fact that the port is located at the intersection of all important transportation routes was confirmed in 1997 in Helsinki, when it was declared the starting/ending point of Corridor Vc.

Although it is a port situated in the Republic of Croatia, it is of great importance for the economy of neighbouring Bosnia and Herzegovina as well, and with the completion of Corridor Vc, Port of Ploče will further expand its operations to other countries in Western and Central Europe.

The position of port of Ploče enables high-quality maritime connections with cities on the Croatian Adriatic coast and in Italy, as well as with ports worldwide.

Luka Ploče d.d. is the primary concessionaire in the port area for loading, unloading, transshipment and storage of goods. It was established in 1945 as a state-owned company and it became a public limited company in 2003.

It is the 100% owner of three subsidiaries: Luka Šped d.o.o., Pomorski servis – Luka Ploče d.o.o. (hereinafter: Pomorski Servis) and Pločanska plovidba d.o.o., and together with those companies it comprises the Luka Ploče Group.

The structure of the economy in the gravitational area of the Port of Ploče influences the structure of the cargo being transhipped through the port, where dry and bulk cargoes dominate, with the majority of the transshipment activities involving coal, iron ore, raw and scrap iron, coke, bauxite, and quartz. Since the Company primarily generates revenue from services such as loading, unloading, transshipment and storage of fossil fuels, in order to understand the impact of the Luka Ploče on sustainability issues, a statement is provided within this report regarding the exposure of the Luka Ploče to activities related to coal (*the statement can be read on page 58*).

Luka Ploče is a member of the Port of Ploče Council and the Association of Croatian Ports.

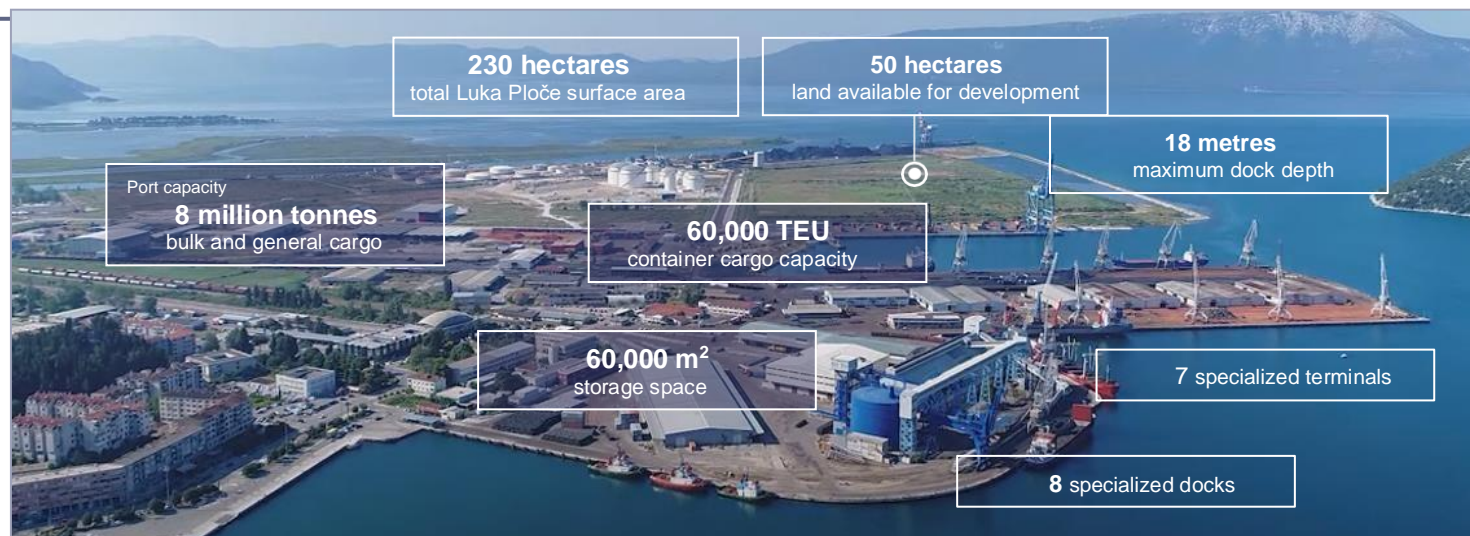
77 years of continuous operations

Luka Ploče Group:

- Luka Ploče d.d. – parent
- Luka Šped d.o.o.
- Pločanska plovidba d.o.o.
- Pomorski servis – Luka Ploče d.o.o.

476 employees

- 395 Luka Ploče d.d.
- 34 Pločanska plovidba d.o.o.
- 34 Pomorski servis d.o.o.
- 13 Luka Šped d.o.o.



Activities in the port area

The land and water surfaces of the port basin of Ploče and Metković cover an area of 255.97 hectares. The area is managed by the Ploče Port Authority, which is responsible for the construction and maintenance of the basic port infrastructure, including dredging of the seabed and shared facilities used for port operations.

According to the concession agreement, the maintenance of operational infrastructure (hinterland areas, access roads and railway connections to the basic infrastructure, work areas, water, electrical and IT networks in concessionated areas), port superstructure (warehouses, silos, workshops, energy facilities) and handling equipment (devices, machinery, installations, cranes, etc.) fall under the responsibility of Luka Ploče.

-  The area managed by Luka Ploče includes a container terminal, bulk cargo terminal and terminals for general and bulk cargo, as well as services of unloading, transshipment and storage of goods.
-  Liquid cargo terminals, primarily for petroleum derivatives, are under the concession of two companies.
-  The designated areas comprise multi-purpose warehouses, a concrete mixing facility and concrete elements factory, servicing areas and a road maintenance and construction facility managed by other concessionaires.
-  Ferry Port

Within the port area, there are also concessionaires providing tug and push services, railway manoeuvring, mooring and unmooring, water and fuel supply to vessels, waste reception (both municipal and liquid waste), sanitation services, laundry services for ships, as well as quantity and quality control of goods.

Luka Ploče d.d.

Within the port area, Luka Ploče provides services of loading, unloading, and transshipment of cargo to and from ships, as well as storage of goods. It also maintains operational infrastructure, port superstructure and handling equipment. The primary activities take place on 230 hectares of port area, which includes seven terminals specialized for different types of cargo, eight specialized docks, and nearly 60,000 square meters of enclosed and open-air warehouses. The total annual transshipment capacity of Port of Ploče is estimated to be over 8 million tons of bulk and general cargo, and 60,000 TEUs of containers. Seven out of eight operating docks have a depth of up to 14 meters.

Terminal for all types of coal

- transshipment and storage of various kinds of bulk cargo, of various granulations,
- total length of two piers: 920 meters
- capacity of external storage area: over 200,000 tons
- possible daily norm: over 15,000 tons
- ship-to-ship transfer, transshipment onto trucks and wagons
- enclosed warehouse storage of almost all types of bulk cargo, as well as separating of cargo in sections in external storage areas.



which enables the accommodating of ships up to the Panamax size. One dock is 18 metres deep, which is sufficient to accommodate capesize ships (up to 180,000 DTW). There are railways running alongside the operating docks. All docks have temporary storage facilities.

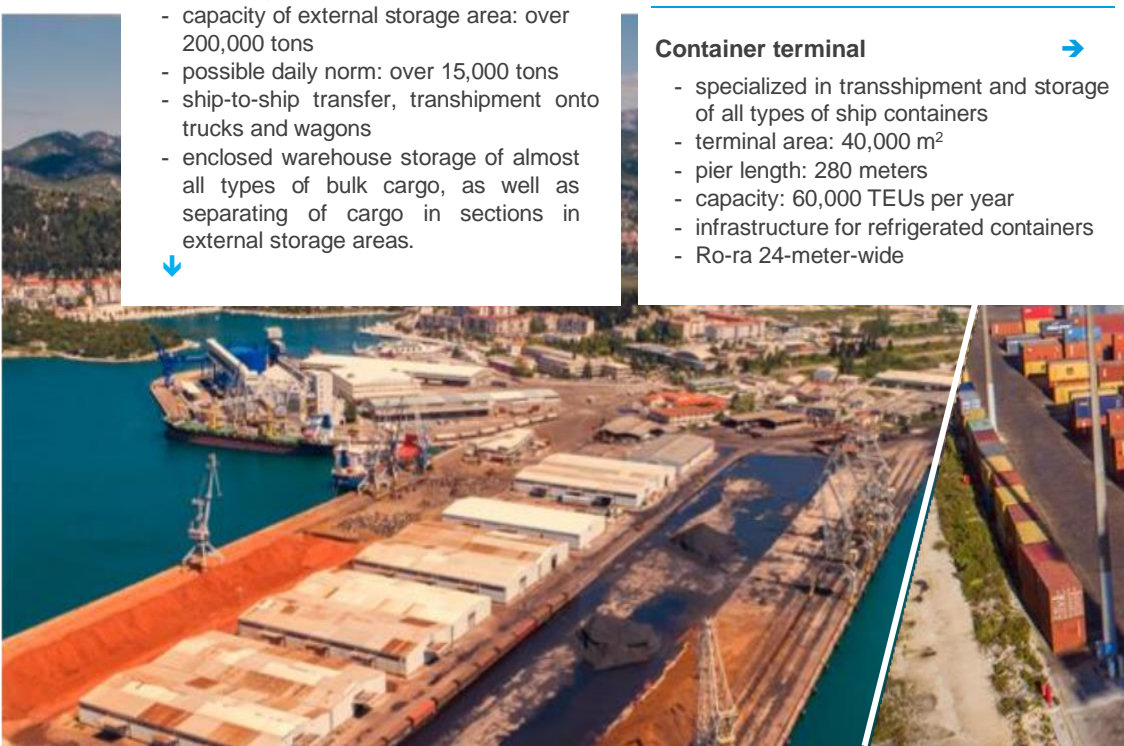
Luka Ploče also maintains and repairs port machinery and infrastructure, in its own specialized workshops.

Bulk cargo terminal (BCT) →

- specialized for all types of coal
- terminal area: 240,000 m²
- draft up to 18 metres
- pier length: 365 metres
- annual capacity: 3.6 million tonnes
- unloading operations using specialized bridge and mobile cranes
- high environmental standards
- ability to accommodate capesize vessels

Container terminal →

- specialized in transshipment and storage of all types of ship containers
- terminal area: 40,000 m²
- pier length: 280 meters
- capacity: 60,000 TEUs per year
- infrastructure for refrigerated containers
- Ro-ra 24-meter-wide





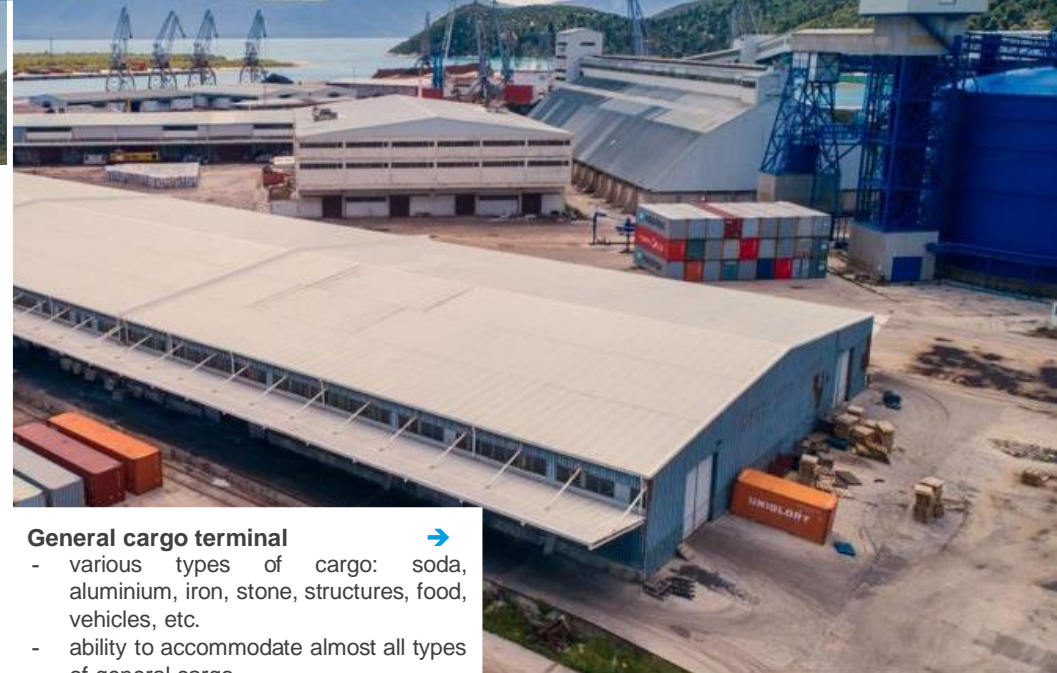
← Grain cargo terminal

- specialised for transshipment of cement, oilseed grains, cereals, sugar, petroleum coke
- pier length: 23 metres, 2 berths
- draft: 9.70 metres
- possibility of loading into ships, wagons and trucks with direct weighing
- unloading bridge
- 3 enclosed warehouses
- one-time storage capacity: 35,000 t cereals/sugar



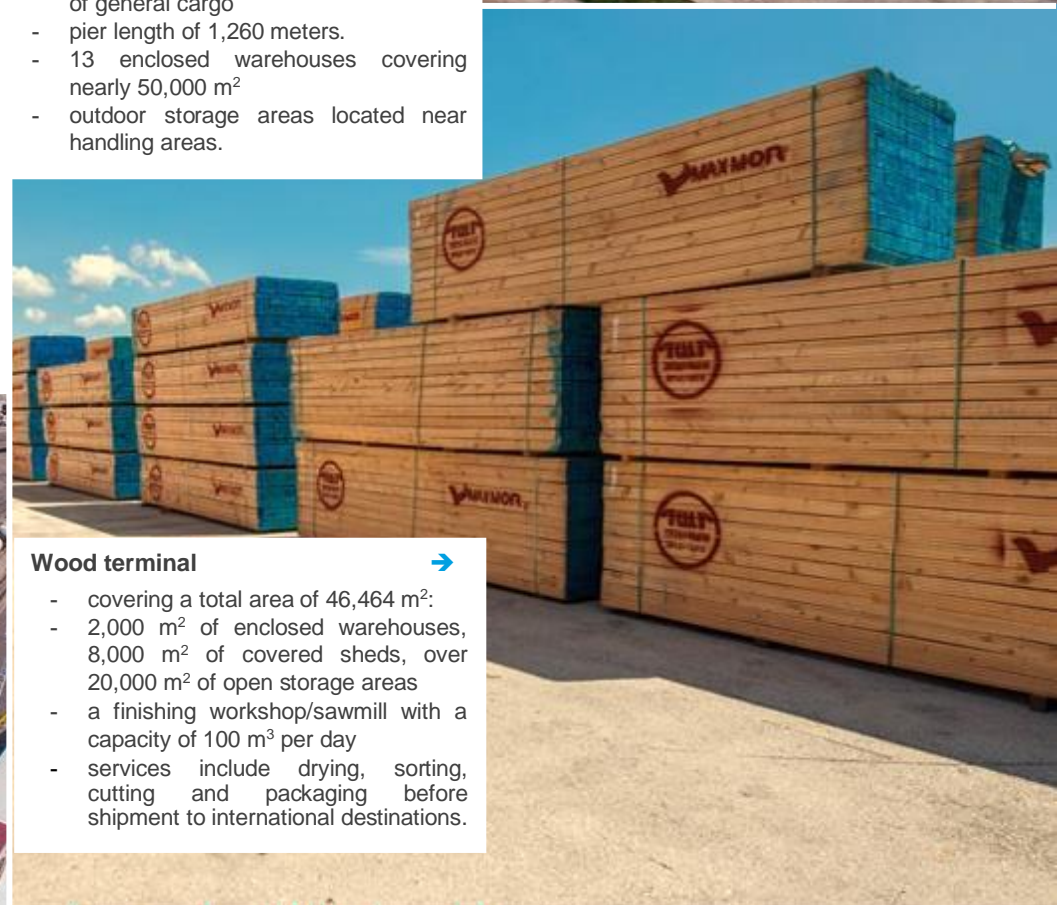
← Alumina and petroleum coke terminal

- alumina and petroleum coke terminal consists of two separate facilities
- the alumina silo is a steel tank with an accompanying transport system that enables the handling of alumina unloading from rail tank cars, filling the silo and emptying the silo into ships. It has a one-time storage capacity of 20,000 tons
- the petroleum coke storage area is equipped with a conveyor belt transport system and tipping carts for continuous loading of railway cars
- enclosed warehouse area: 2,700 m², with a capacity for storing up to 10,000 tons at a time.



General cargo terminal →

- various types of cargo: soda, aluminium, iron, stone, structures, food, vehicles, etc.
- ability to accommodate almost all types of general cargo
- pier length of 1,260 meters.
- 13 enclosed warehouses covering nearly 50,000 m²
- outdoor storage areas located near handling areas.



Wood terminal →

- covering a total area of 46,464 m²:
- 2,000 m² of enclosed warehouses, 8,000 m² of covered sheds, over 20,000 m² of open storage areas
- a finishing workshop/sawmill with a capacity of 100 m³ per day
- services include drying, sorting, cutting and packaging before shipment to international destinations.

Luka Šped d.o.o.

The core business of the company, established in 1998, is international freight forwarding, which includes a wide range of logistics services for the delivery and shipment of goods through the Port of Ploče. It also provides services as a shipping agency, which involves handling incoming and outgoing goods passing through the Port of Ploče, as well as agency services for vessels calling at the Port of Ploče.

This entails controlling and/or preparing transport documentation, ensuring compliance with commercial documents, monitoring cargo movements, reporting to partners, coordinating

with the Luka Ploče, supervisory companies and inspection services, organizing transportation and providing customs brokerage services. It also offers services for repair and overhaul mediation, mediation in cargo unloading, loading and transshipment operations, fuel and supplies provisioning, crew replacement, general average matters, issuing transportation and other necessary documents, assisting with issuance of visas and permits for movement in the border area, and similar tasks.

Logistics solutions:*



Pomorski servis – Luka Ploče d.o.o.

The company, established in 1998, provides services for mooring and unmooring ships, transportation of pilots, crew and passengers, supply of water to ships, and reception of waste from ships. It also performs activities of pest control, disinfection and disinfection.

The company's work is based on continuous monitoring of work processes, meeting clients' requirements and expectations, continuous improvement of business services, and employee motivation. It is a member of HUDDDD, the Croatian Association for Disinfection and Pest Control.

Pločanska plovdba d.o.o.

The company holds the sub-concession for the passenger quay in the Port of Ploče. It operates in two sectors: the Nautical Sector and the Hospitality Sector. The Nautical Sector includes a charter base, a tourist agency and a waterfront services department. It provides accommodation services on watercraft, agency services, mooring and unmooring of boats, vehicle guidance on the passenger quay, vessel servicing and sailing school. It also organizes emergency assistance at sea.

services in a hospitality facility and provides supplies for cargo ships in the Port of Ploče. The Charter Base includes a fleet of six vessels, consisting of five sailboats ranging from 10 to 16 meters in length and one 14-meter catamaran.

The **Sailing School** is a special project initiated by the Luka Ploče in 2019 with the aim of popularizing sailing in the town of Ploče among all age groups and improving the quality of sports and recreational offer, thus enhancing the quality of life in the town. *(More about this project can be found on page 55).*

The Hospitality Sector offers food and beverage

Stakeholders of Luka Ploče

The business activities of Luka Ploče and its subsidiaries impact numerous stakeholders, just as the stakeholders influence Luka Ploče – from maritime carriers, Port Authority, local and regional self-government units, to employees, cargo owners, suppliers and the local community.

Gaining and maintaining the trust of business partners, service users and other stakeholders is the main priority of Luka Ploče.

More information about the stakeholders and forms of cooperation can be found in the table below.

Stakeholders	Description	Type of collaboration
Owners	<ul style="list-style-type: none"> Shareholders - large and small shareholders, mandatory and voluntary pension funds, financial institutions 	<ul style="list-style-type: none"> Right to information, right to decision-making at the General Shareholders' Meeting proportionate to the number of shares they own
Port Authority	<ul style="list-style-type: none"> A state institution that is the concession grantor and responsible for maintaining order in the Port of Ploče. 	<ul style="list-style-type: none"> Resolving issues related to the maintenance of port infrastructure and superstructure.
Local and regional self-government units	<ul style="list-style-type: none"> The Mayor and Deputy Mayor of the Town of Ploče, as well as the County Prefect and Deputy Prefect of the Dubrovnik-Neretva County. 	<ul style="list-style-type: none"> Resolving problems and disputes through cooperation, open communication and exchange of ideas.
Workers	<ul style="list-style-type: none"> They maintain the port and keep the supply chain operational. 	<ul style="list-style-type: none"> We collaborate with trade unions and the Workers' Council, which represent the workers on matters of common interest.
Representatives of state services	<ul style="list-style-type: none"> Customs, border police, port authorities and other services involved in business processes. 	<ul style="list-style-type: none"> Resolving legal requirements and procedures.
Liquid cargo terminal operators	<ul style="list-style-type: none"> They manage the day-to-day operations at the two liquid cargo terminals in the port (ATT and NTF). 	<ul style="list-style-type: none"> Developing trade opportunities, continuously improving environmental protection and reducing the impact on communities through regular contacts, working groups and consultation activities.
Other concessionaires	<ul style="list-style-type: none"> Concessionaires for various commercial interests in the port area. 	<ul style="list-style-type: none"> Resolving issues related to power and water supply.
Maritime carriers (shipping companies and maritime agencies)	<ul style="list-style-type: none"> They manage vessels that transport cargo to and from the Port of Ploče. 	<ul style="list-style-type: none"> Optimizing vessel arrivals and anchorage utilization, and implementing regulations to ensure a safe, reliable and efficient port. Offering ship supply services to shipping companies and direct ship-to-shore services in the Port of Ploče.
Cargo owners	<ul style="list-style-type: none"> Importers and exporters who ship goods through the port. 	<ul style="list-style-type: none"> Collaborating with importers and exporters as parts of the supply chain.
Service providers	<ul style="list-style-type: none"> They provide a wide range of services that facilitate cargo handling, including transshipment, railway and truck transportation, storage, distribution and maritime services. 	<ul style="list-style-type: none"> Developing short-term and long-term strategies to enable smooth cargo flow, promote efficient and reliable services and address supply chain challenges.
Local community	<ul style="list-style-type: none"> Includes the broader public and social organizations in the town of Ploče and surrounding towns. 	<ul style="list-style-type: none"> Collaborating with the local community to better understand their perspectives and interests. Contributing to local events and activities of local significance. Through collaborative efforts, enriching the overall offer of tourism and sports services.
Educational institutions and academic community	<ul style="list-style-type: none"> Schools, universities, members of the academic community. 	<ul style="list-style-type: none"> Knowledge exchange and collaboration on issues of common interest.

Collaboration with educational institutions

As part of educational programs, pupils and students visit the Port of Ploče throughout the year, where employees willingly share their time and knowledge with them.

In March 2022, Metković High School hosted the third learning, teaching and training activity within the Erasmus+ project "People Organizing Redevelopment Technology and Sustainability – PORTS".

As part of the project activities, a lecture on port activities with a focus on sustainability and green transition was organized at Luka Ploče, followed by a professional tour of the port. On the first day of the mobility event, 35 students and teachers from Estonia, Portugal, Italy, Cyprus and Croatia participated in workshops and brainstormed ideas for the final project result, "Smart Green Port".

Frequent guests at the port are students from neighbouring Bosnia and Herzegovina. In May, students from the Mostar Transport Secondary School visited the port as part of a professional visit. In June, students from the Faculty of Traffic and Communications at the University of Sarajevo visited the port. In October, students from the 3rd and 4th grades of the Traffic Vocational School and Traffic Technical School of the Mixed Secondary School Vitez visited the port, as a complement to their theoretical lessons. The host for all visitors is usually the Director of the Development and Investments Sector, who, together with colleagues, presents the operations of the Luka Ploče, which is followed by a tour of the port area.

Presentation of the PCM system for service providers in the port area

In September, a presentation of the first phase of the operational part of the new PCM (Port Community Management) system was held for representatives of agencies, freight forwarders, customs and the Port Authority. The PCM system is an application solution for container, bulk and general cargo handling, developed entirely by Luka Ploče.

The system is designed to automate the business processes of Luka Ploče, with a priority of connecting all sectors of the company, external applications and users involved in operations.

Port of Ploče value chain

As one of the strategic seaports for the Republic of Croatia and the most important import-export port for Bosnia and Herzegovina, Port of Ploče represents a crucial logistical hub in European value chains. The functionality of the port impacts the economic activities of numerous participants in the chain. Therefore, investment activities of the Luka Ploče in the port are of strategic importance as they increase capacities, efficiency and quality of port services, directly affecting the speed of throughput and cargo handling.

In the provision of some of the logistics services, Luka Ploče collaborates with ENNA Logic, which provides a wide range of multimodal customer solutions, from conventional railways to intermodal freight transport.

The main users of Port of Ploče services are companies from Bosnia and Herzegovina and Italy. According to current trade flows, companies from the energy sector (coal-fired power plants), waste collection and recycling, aluminium, steel, cement, coke production and agribusiness prevail. These are predominantly large companies with an extensive global network of users and customers.

The most significant users of Port of Ploče services from neighbouring Bosnia and Herzegovina in 2022 were Carmeuse Doboje lime factory and Modernizacija d.o.o. from Gradačac for metal waste disposal, Soda Ash Factory Sisecam from Tuzla, Cement

Factory Kakanj, C.I.B.O.S d.o.o. - the largest company in metal waste recycling in Bosnia and Herzegovina. Next, there is Gikil Lukavac, the leading producer of metallurgical coke in the region, ArcelorMittal Zenica and Aluminij Industries d.o.o. Agrana-Studen Group & Studen Holding, based in Austria but with an international portfolio in the agribusiness sector and encompassing processing, sale and distribution of agricultural products such as sugar, edible oils, oilseeds and cereals and operating in more than 10 countries across Southeastern Europe, including Bosnia and Herzegovina, and the Middle East.

ENEL is a multinational energy company with registered office in Italy. It is one of the largest energy operators in America and has a significant presence in the European market. It also generates electricity in Morocco and South Africa. It plans to further expand its operations in other African countries and in Asia, where it is already present in India and Indonesia. According to current legislation, Italy plans to phase out coal-fired power plants by 2025 and invest in hydrogen technology, but the implementation depends on the current geopolitical situation.

The largest user of Port of Ploče from Croatia is C.I.O.S Group, a regional market leader in collecting and processing various waste materials.

Case study: From mine to factory

In order to provide a more detailed description of the value chain, ArcelorMittal steelworks in Zenica was chosen as an example to illustrate one of the most common operations in the port: unloading the ship onto a stockpile and reloading the cargo into rail cars.

ArcelorMittal Zenica is the largest producer of long steel products in the Balkans, with an annual production capacity of nearly one million tons. It is a key driver of the economy in Bosnia and Herzegovina, employing approximately 2,350 directly employed workers, while another 12,000 indirectly depend on the company's operations. The core product range includes steel rebars, rolled wires and wire products such as reinforcement wires, lattice girders, and classic RC steel materials.

ArcelorMittal Zenica imports metallurgical coke, iron ore, scrap metal and coal via the Port of Ploče with logistical support from ENNA Logic, and exports iron bars.

Sometimes, handling can take place directly from ships to rail cars, reducing costs and shortening the time required for coal transportation to the destination.

This does not depend solely on the port but also on the coal owner and their decision on when they want the coal to be delivered.

All ship and stockpile handling is carried out by Port of Ploče workers according to applicable technical instructions or regulations that define the handling process and job responsibilities of each worker involved in the process. The technical instructions are developed by technologists and then reviewed by the Occupational Health and Safety Department, after which an external certification body prepares safe work instructions based on these data. Transshipment supervisors oversee the work to make sure that the handling is performed according to the technical instructions.

In the case of direct ship-to-rail car handling, the unloading process is slower compared to unloading onto a stockpile, but it nevertheless results in overall time savings in terms of shorter total time of transport of the cargo to the owner.

A graphical representation of the value chain is provided in the infographic image on the following page.

MINE IN NORTH AMERICA

- Coal for ArcelorMittal Zenica comes from mines in North America.
- Coal is mined and transported in accordance with the regulations of the countries in which the mines are situated.



TRANSPORTATION TO THE PORT OF LOADING

- Transportation of coal from mines in the USA takes place by rail cars travelling directly to the port or terminal where the coal is loaded into ships.
- Most commonly used point of departure, where the coal is loaded into ships, is Norfolk.



PORT OF TRANSHIPMENT

- The most commonly used terminal for coal loading is Lamberts Point, which is on the eastern bank of the Elizabeth River near Norfolk, an independent city in the region of South Hampton Roads in eastern Virginia, USA.



PORT OF PLOČE

- Before the arrival of the ship, preparatory work is carried out in the port, such as crane and machinery servicing, storage area checks and adjustments and workforce planning.
- After the ship's arrival, the legal and administrative tasks are performed and the unloading takes place in accordance with the unloading plan.



TRANSPORTATION BY SHIP TO THE PORT OF PLOČE

- The ship travels for 18 days on average, depending on the size and power of the ship and on the weather conditions.
- In 2022, there was a total of 10 ships for ArcelorMittal.
- The ships' capacities ranged from 20,000 to 90,000 tonnes, six of which were below 50,000 tonnes and four were above 50,000 tonnes capacity.



UNLOADING

- Unloading takes place based on the unloading plan and in accordance with the applicable technological instructions and legal regulations.
- Handling can be performed either on the new or on the old bulk cargo terminal, using a combination of crane and other machines.



STOCKPILING AND ECOLOGICAL TREATMENT

- Coal is stored in open-air storage areas at the Port of Ploče, in accordance with the technological instructions.
- At the Bulk Cargo Terminal, a specialized crane (ship unloader) is used for this purpose, while in the old port, mobile cranes are used.
- On average, coal intended for the mentioned economic operator remains in the port for about 45 days.
- During handling, water is sprayed on the coal stockpile to prevent dust from rising. After unloading, the coal is sprayed with a special solution that forms a crust on the coal. The roads and docks are cleaned using a special brush attached to the loader..



LOADING

- Coal is loaded into wagons using specialized equipment and system of belts, cranes or loaders at the storage area
- Any cargo that remains in the handling area is treated with a special dust-suppressant solution that forms a crust on top of the stockpile.



TRANSPORTATION TOWARDS THE DESTINATION

- After being loaded, the rail cars are connected to the locomotive.
- Once the necessary agency, freight forwarding and legal procedures are completed, the train departs towards its destination.



STEELWORKS IN ZENICA, BOSNIA AND HERZEGOVINA

- The unloading of coal by ArcelorMittal Zenica steelworks is performed in accordance with the laws of Bosnia and Herzegovina and the company's internal policies. Coal is used in production processes.
- The basic product range of the steelworks includes steel rebars, rolled wires and wire products.



Graphical representation of the value chain for the owner of the cargo - ArcelorMittal Steelworks, from North America via Port of Ploče to Bosnia and Herzegovina.



LUKA PLOČE

2

Sustainability issues and strategy



Our values

We base our business on investments in digitalization and sustainable development through the procurement of machinery and equipment with better energy efficiency and **greater** efficiency. We make special efforts to improve occupational health and safety standards as well as environmental protection.

We foster two-way communication with the community in which we operate and ensure continuous progress in all areas of our operations through transparent corporate governance.

Our mission

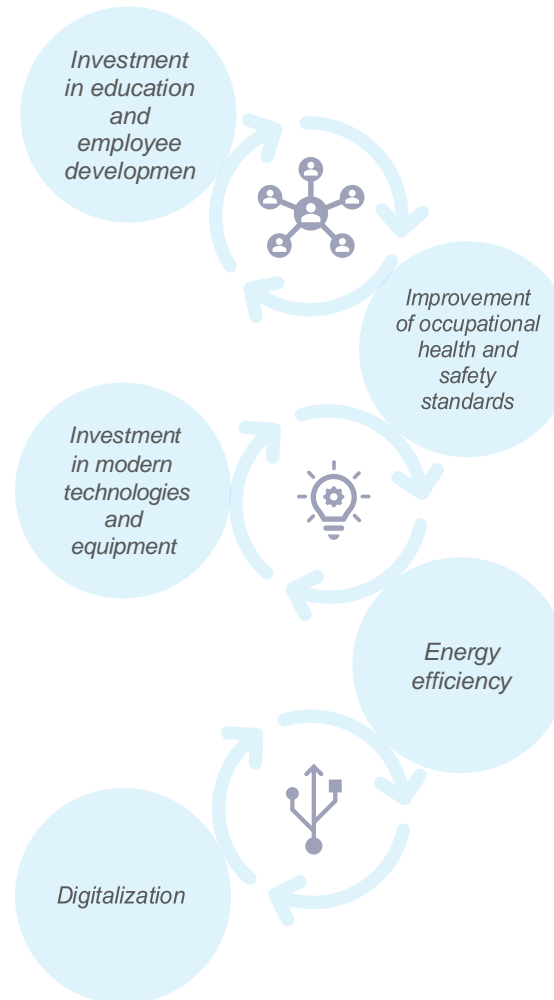
The **mission** of Luka Ploče is based on educating employees, developing and investing in modern technologies and equipment to achieve high quality work and sustain growth in the market.

Through continuous company reorganization, investment in equipment and human resources, strong foundations have been set for future growth and development.

Our vision

Luka Ploče, with its tradition of more than 70 years, bases its vision on a policy of strengthening and securing its **position** in the market.

Vision of Luka Ploče includes principles of providing **good-quality** services by entering new markets and concluding new business.



Core organizational values

Winning spirit - We are ambitious, motivated and believe in success. In our daily work, we strive to achieve above-average results, excellence and a commendable level of performance to ensure high competitiveness and long-term stable development of Port of Ploče.

Knowledge and innovation - Knowledge, skills, and abilities of our employees are the greatest asset of Port of Ploče. We base our success on hard work, expertise and motivation of our employees. We particularly value, recognize and reward creativity and openness to new knowledge, suggestions and experiences. Through learning and innovation, we create new value.

Respect, appreciation and collaboration - We respect the integrity and individuality of each person. We appreciate and promote diversity as a source of talent, creativity and experience. We do not tolerate discrimination. We provide a positive work environment that enables teamwork and encourages an organizational climate of mutual support, collaboration and open flow of information.

Trust, professionalism and responsibility - We build our success on the trust and satisfaction of our employees and business partners. Professionalism, ethics and excellent service are the responsibility of all employees of Luka Ploče. As a responsible member of the community, our goal is to operate in line with sustainable development policies.

Employee loyalty - Loyalty to our work, organization and goals of Luka Ploče is the foundation of our success and a prerequisite for our future. We foster loyalty through a systematic approach to human resource development, creating a work environment and conditions where every employee has the opportunity for personal and professional growth.

Our approach to sustainability

Luka Ploče d.d. strives to develop a business strategy characterized by sustainability criteria across all business segments, including social and environmental responsibility. The governance system takes into consideration all legal provisions that pertain to the scope of activities of the organization, contractual obligations vis-a-vis clients and internal rules of procedure for those activities. The Company's management ensures the ongoing and successful operation within a highly complex system of relationships established between the pursuit of the company's interests, on one hand, and the social environment, on the other hand.

Fundamental principles

- User satisfaction
- Investment in employees
- Development of and investment in state-of-the-art technologies
- Observance of regulations and industry practices
- Environmental responsibility

Agile and sustainable business

The professional and responsible execution of numerous port operations is based on working conditions that enable **employee** satisfaction and efficiency in achieving set goals. Investment in digitalization and technology enables greater efficiency and satisfaction for business entities using the services of the Port of Ploče. Open collaboration with the Town of Ploče and the Port Authority enables joint action.

Approach to management

The framework for sustainability management is defined by internal policies and through procedures for management and mitigation of individual risks. Management standards are aligned with the requirements of **ISO 9001:2015** and integrated into all management processes. This ensures an effective and efficient management system based on clear objectives, appropriate resources, measurable results and continuous process improvement. In addition to increased customer satisfaction, the management system helps us ensure compliance with legal and regulatory requirements, minimizing associated risks.

Energy efficiency is an important business determinant and, in April 2017, we implemented an energy management system according to ISO 50001. In 2020, we conducted an alignment with the new version of the standard, **ISO 50001:2018**, including training and certifications for internal audits. In line with the energy efficiency policy, the procurement of new handling machines and facilities involves taking into consideration their energy performance, with preference given to those with higher energy efficiency.

Luka Ploče plans to complement these two systems by implementing an environmental management system according to ISO 14001:2015.

During the preparation of this first sustainability report, Luka Ploče commissioned a carbon footprint analysis for Scope 1, 2, and 3 emissions to determine the baseline and define measures for emission reduction by 2050. An absolute emissions reduction target of 15 to 25% by 2030 and 65 to 95% by 2050 has been set.



Sustainable blue economy and achievement of European Green Deal targets

Seaports are crucial logistical hubs in global supply chains. By connecting various industries, they facilitate the exchange of resources essential for production, as well as the transportation of finished goods and semi-finished products. In addition to cargo handling, ports provide value-added services such as storage, warehousing, packaging and organizing land transport. Developed transportation infrastructure, primarily roads and railways, is key to ensuring good connectivity between ports and major industrial and consumer centres, enabling seamless multimodal transport.

Port activities significantly contribute to the development of maritime transport, regional economic growth and direct and indirect employment. According to the United Nations Conference on Trade and Development (UNCTAD), over 80% of global trade volume is carried out by seas and oceans, from port to port. However, due to their locations along open coastlines or in low-lying estuaries and deltas, ports are particularly exposed to various impacts such as sea-level rise, storm surges, waves and winds, river and rainfall floods, as well as geological events (e.g., tsunamis)¹, which can temporarily disrupt port operations and cause subsequent economic losses.

At the European level, a sustainable blue economy² is crucial for achieving the goals of the European Green Deal, which means that all activities and sectors, including ports, will need to reduce their environmental and climate impact. According to the European Commission,³ traditional sectors of the blue economy directly provide 4.5 million jobs and generate over 650 billion euros in turnover, with maritime trade accounting for 74% of the traded goods in and out of the EU in 2021.

At the same time, maritime transport is responsible for 13% of the total greenhouse gas emissions in the EU. Comparatively, maritime transport is the most efficient mode of transportation in terms of emissions per tonne-kilometre, emitting the lowest CO₂

emissions per distance and weight transported. For each tonne-kilometre, it produces fewer exhaust gas emissions, including nitrogen oxides, hydrocarbons, carbon monoxide, and sulphur dioxide, compared to air or road transport.⁴

Due to its efficiency, the share of maritime transportation compared to other forms of transportation continues to grow, as well as the overall volume of goods transported. However, despite the increasing demand for transportation in global trade, the maritime sector is not reducing its emissions at the desired rate, and further increase is predicted. Therefore, the EU emphasizes that, considering the importance and prospects for increasing maritime transportation, it is necessary for the industry to invest additional efforts to reduce its impact on the environment.

Reducing emissions from the maritime sector

To address the climate crisis and biodiversity loss, healthy seas and the sustainable use of their resources are needed, along with the creation of alternatives to fossil fuels and traditional food production.

In line with the objectives of the European Green Deal, all sectors of the blue economy, including fisheries, aquaculture, coastal tourism, maritime transportation, port activities and shipbuilding, will have to reduce their environmental and climate impact.

By 2050, maritime transportation will need to reduce greenhouse gas emissions by 90%.

In the EU Communication of May 17, 2021,⁵ digitalization and investment in innovative technologies are mentioned as key prerequisites for transitioning to a sustainable blue economy and successfully reducing emissions from the maritime transport sector.

Objectives of the European Union for a sustainable blue economy

The EU program for a sustainable blue economy defines the following objectives related to ports:

- Achieving climate neutrality and zero pollution objectives – primarily through the development of renewable energy sources at sea, decarbonization of maritime transport and greening of ports. A well-balanced (sustainable) combination of ocean energy sources, including energy from floating wind farms, thermal energy, wave energy and tidal energy, could generate a quarter of the EU's electricity by 2050. Ports are crucial for connectivity and the economy of EU regions and countries and could be used as energy hubs.
- Transitioning to a circular economy and preventing waste generation.
- Preserving biodiversity and investing in nature.
- Supporting climate change adaptation and coastal resilience – adaptation activities such as the development of green infrastructure in coastal areas and protection of coasts from erosion and floods will contribute to the preservation of biodiversity and landscapes while benefiting tourism and coastal economies.
- Improved marine spatial planning – establishment of a “Blue Forum” for sea users to coordinate dialogue among all stakeholders, operators in offshore activities and scientists in the fields of fisheries, aquaculture, maritime transport, tourism, renewable energy and other areas, to promote their collaboration in the sustainable use of the marine environment.

¹Climate change impacts on seaports: A growing threat to sustainable trade and development | UNCTAD

²EU's blue economy includes all activities and sectors connected with oceans, seas and coastlines, regardless of whether they are directly conditional upon the marine environment (such as maritime transport, seafood products, energy generation)

or connected with the mainland (ports, shipyards, coastal infrastructure)

³2020 Blue Economy Report. Blue sectors contribute to recovery and pave the way to the European Green Deal (europa.eu)

⁴https://blue-economy-observatory.ec.europa.eu/energy-transition_en

⁵https://croatia.representation.ec.europa.eu/news/europski-zeleni-plan-razvoj-odrzivoga-plavoga-gospodarstva-u-europskoj-uniji-2021-05-17_hr

Environmental priorities of European ports

According to the annual report of the European Sea Ports Organisation (ESPO) for 2022,⁶ which involved the participation of 92 European ports from 20 countries within the EcoPorts network, **climate change has been recognized as the main environmental priority for ports, followed by air quality and energy efficiency.** The growing importance placed on climate change is reflected in the increasing number of ports monitoring their carbon footprint and energy efficiency, as well as investments in climate-resilient port infrastructure.

There is also a growing number of ports providing additional services to the shipping industry. The number of ports offering at least one berth with an onshore power supply (OPS) connection or planning to implement OPS within the next two years is increasing. Approximately one-third of ports offer LNG bunkering and an additional 24% plan to develop LNG bunkering facilities in the next two years. Around 60% of ports have implemented differentiated fees for ships exceeding regulatory standards.

According to the ESPO report on trends in environmental management in EU ports, the Environmental Management Index⁷ in 2022 reached 7.98, which is close to achieving the objective defined in ESPO's Green Guide 2021 of an index of 8 by 2025. According to survey results, 90% of surveyed ports have established environmental monitoring programs, with water quality (82%), port waste (79%), and energy efficiency (76%) being the most closely monitored indicators.

ESPO's environmental report shows that European ports, in their efforts to reduce negative environmental impacts, mainly emphasize internal environmental protection policies and management, including third-party certification, investment in proactive environmental solutions and increased stakeholder engagement. This indicates that there is a significant gap and room for improvement between the assessment of importance of environmental priorities and the implementation of measures to reduce impacts. As part of the environmental report, a list of environmental priorities is also published each

year, and they represent the key issues of the port sector.

Top 10 environmental priorities of European ports in 2022

1. Climate change
2. Air quality
3. Energy efficiency
4. Noise
5. Water quality
6. Relationship with the local community
7. Ship waste
8. Garbage/ Port waste
9. Port development (land related)
10. Dredging operations

This order of priorities reflects a general trend, as the issue of accelerating climate change is becoming an increasing cause for concern and for consideration of the necessity to adapt business models and strategies of European ports. This is also evidenced by the latest European State of the Climate report for 2022,⁸ which states that in the past decades, Europe has been warming up faster than any continent, with double the temperatures of the global average. Additionally, according to the United Nations Environment Programme / Mediterranean Action Plan, the Mediterranean region is warming up 20% faster than the global average.⁹

The increasingly visible effects of climate change, as well as the inclusion of maritime transport in the EU's climate policy under the "Fit for 55" package, give importance to this issue, also in the context of the pressures of new regulations. These pressures also arise from the expansion of the scope of reporting obligations regarding corporate sustainability based on the new Corporate Sustainability Reporting Directive (CSRD) and expanded reporting requirements related to climate.

⁶ with the aim of transparency and responsibility of the European port sector and it additionally improves the relationship between ports and local communities.

⁷ The Environmental Management Index provides a score ranging from 0 to 10, with 10 being excellent.

Environmental priorities of Luka Ploče d.d.

The strategic commitment to sustainable growth and development is defined by the fundamental organizational values of Luka Ploče and implemented in its organizational structure. Although the Port of Ploče is not a member of the ESPO network, its efforts to reduce negative environmental impacts align with the activities of other European ports.

Luka Ploče continuously implements the following measures in the field of environmental protection:

1. Air quality protection
2. Energy efficiency
3. Water and marine protection
4. Waste management

One of the areas of utmost importance is the development of dialogue with the Town of Ploče.

When comparing the environmental priorities of Luka Ploče with the ten environmental priorities of European ports, it is important to consider the context of the port's previous development. As one of the major strategic Croatian ports for handling almost all types of goods in international maritime transport and as the gateway to Corridor Vc, the development of the Port of Ploče is encompassed in the strategic development plans of the Republic of Croatia.

Under the Integration, Trade and Transport Project (2006-2016) financed by the Government of the Republic of Croatia, the World Bank, and the European Bank for Reconstruction and Development, EUR 108.8 million was invested in the Port of Ploče to increase capacity, efficiency and service quality along the southern part of Corridor Vc, with a focus on the Port of Ploče. The project included multiple components: the container terminal, the bulk cargo terminal, entrance terminal, port community system (PCS) and numerous infrastructure works. Investments in the infrastructure of the new port, particularly the construction of the bulk cargo terminal (BCT), have moved activities that cause the most disturbances (especially coal transportation and noise) away from the town. This is the direction in which further development of the Port of Ploče is planned, with 50 hectares of land available for these purposes.

⁸ <https://climate.copernicus.eu/>

⁹ <https://www.unep.org/unepmap/resources/factsheets/climate-change>

Identification and management of climate risks

In addition to financial and market risks, Luka Ploče actively manages technological risks associated with the replacement of existing port technology and machinery with more energy-efficient and environmentally-friendly options, as well as the human resources risk, with a focus on ensuring appropriate working conditions, health and safety at work, professional education and observance of other rights arising from the collective agreement.

As bulk cargo constitutes the primary part of port operations, Luka Ploče recognizes environmental risk as a significant factor in long-term business sustainability. This risk is managed through investments in infrastructure improvement to reduce potential negative impacts on the environment resulting from the handling of bulk cargo.

The construction of a new pier for bulk cargo, which was put into operation in 2020, and investments in sprinkler systems have reduced the negative impacts of dust and noise on the town of Ploče. Development plans include further investments in equipment and green spaces to improve energy efficiency using existing and new infrastructure, with a focus on renewable energy. Luka Ploče implements appropriate policies and procedures for managing individual risks and the approach to risk management is specifically prescribed and documented.

Climate-related risks

Within the context of preparing this report, Luka Ploče conducted its first assessment of the most significant climate-related risks affecting its operations. That involved taking into account the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standard, the Taxonomy Regulation, as well as the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the Guidelines for Infrastructure Preparation for Climate Change. Climate-related risks pertain to the potential negative impacts of climate change on the infrastructure of the Port of Ploče and its related port operations, as well as transition risks (transition risks related to policy and legal measures, technological

changes, market responses, reputation, etc.) that arise from the process of transitioning towards a low-carbon and more environmentally sustainable economy and that may impact financial sustainability. The probability of risks occurring in the medium and long term was also considered.

The process of identifying climate-related risks and assessing the severity of Port of Ploče's impact on climate, environment, social and governance issues began with a series of workshops involving managers of key processes within Luka Ploče and its subsidiary companies. After the workshops, a survey, risk mapping and prioritization were conducted.

Physical risks

Physical risks arise from the acute and chronic physical impacts of climate change on infrastructure, worker safety and productivity. In assessing the likelihood of such risks, current knowledge of climate change projections, as indicated in the Climate Change Adaptation Strategy in the Republic of Croatia for the period up to 2040 with a view to 2070, was taken into account.

According to the assessment of the working group, physical risks have no significant impact on infrastructure and range from low to moderate severity for almost all risks, except for fires and sea-level rise. These risks are assessed as highly important impacts with high infrastructure sensitivity. However, according to the assessment of the Task Force, the occurrence of these risks is considered unlikely in the short, medium and long term. In terms of likelihood, the impact of heavy rainfall on infrastructure increases in the long term, specifically within a time frame of five years or more. However, the infrastructure has been assessed as moderately sensitive, and therefore, this impact is considered to be moderately significant.

The occurrence of heatwaves in the medium and long term is also recognized as highly likely, but without a significant impact on infrastructure and operations.

Management of physical risks

In addition to the previously described risk management measures, Luka Ploče actively manages the impact of heatwaves on its operations by investing in technologically advanced machinery that ensures high levels of working conditions and safety. Additionally, during periods of extremely high air temperatures, employees are provided with bottled drinking water at the workplace.

Luka Ploče also complies with all legal obligations regarding fire protection measures. The company is a participant in the civil protection system in the territory of the Town of Ploče, as a legal entity of interest for protection and rescue, possessing the capacities (material and technical resources and personnel) required in the event of disasters and major accidents.

Transition risks

In assessing the severity of transition risks affecting Luka Ploče, market risks have been identified as moderately serious. These risks primarily relate to increased costs due to fluctuating input prices (e.g., energy, water) and output requirements (e.g., waste processing). The increase in the share of renewable energy sources as a result of transitioning to a low-carbon economy has been assessed as a highly significant positive impact with a probability of increasing in the long term. The severity of other impacts has been assessed as ranging from insignificant to moderate, with a low probability of occurrence in the medium and long term.

Climate-related opportunities

When assessing climate-related opportunities for Luka Ploče, three main "green services" in shipping, chosen by the EcoPorts network, have been taken into account. These services encourage ships to adopt sustainable practices in waste and energy management:

- provision of on-shore power supply,
- liquefied natural gas (LNG) storage facilities
- provision of differentiated port fees for "green" ships that exceed regulatory standards (sustainable waste management, reduced greenhouse gas emissions, noise reduction, discounts for ships reducing air pollution, etc.).

The working group members assessed the introduction of on-shore power supply for ships as highly likely.

Other opportunities and risks will be further considered in the development of the sustainability strategy.

Material impacts and sustainable development goals

Luka Ploče Group conducted the first assessment of its environmental impacts, with a particular focus on climate, society and governance, along with an assessment of their significance. The assessment of material impacts took into account the European Sustainability Reporting Standards (ESRSs), based on which companies will have to report in future periods.

The requirements for the application of the Standards include a list of sustainability issues covered by the thematic ESRSs, categorized by topics, sub-topics and sub-sub-topics, to support the assessment of materiality. For this purpose, a sustainability issue is considered “material” for the company when it meets the criteria defined for the significance of the impact or financial materiality, or both.

This assessment identifies the most important environmental, social and governance (ESG) issues and stakeholders. Through the analysis of the material impacts of Luka Ploče, relevant aspects of a sustainable business model and their connection with 14 out of the 17 Sustainable Development Goals of the UN's 2030 Agenda have been identified.

Description of the process of identifying material topics

The process of analysing material impacts also began with an internal workshop involving Luka Ploče reporting team.

During the workshop, all sustainability issues covered by the ESRSs were analysed, as well as issues that were identified during the analysis of the EU-level management framework as specific to the port industry but not covered by the ESRSs. It was also agreed to involve external stakeholders in the analysis to get an external dimension of understanding the material impacts of Luka Ploče.

The materiality analysis included:

→ Internal stakeholders - senior, middle and lower management, as well as employees involved in the operations and administration of Luka Ploče.

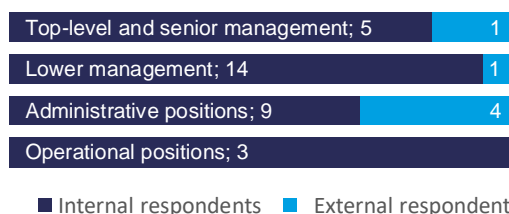
→ External stakeholders - Port Authority and the Town of Ploče with related companies and institutions owned by them.

Respondents filled out an online questionnaire through which

they assessed the severity of the impacts, impact management, and the financial effect thereof. The questionnaire included 57 sustainability-related issues covered by the thematic ESRSs, which are mandatory for all companies, as well as 8 more impact-related issues specific to the port industry.

The internal questionnaire was completed by 7% of the Group's employees, while the external questionnaire was completed by 6 respondents (2 from the Port Authority, 1 from the Town of Ploče, 2 from a company owned by the Town of Ploče, and 1 from an institution owned by the Town of Ploče)."

Respondent structure based on job type



In terms of the management structure of the Group, the questionnaire was completed mostly by top-level and senior management members (by 5 employees or 38% of the total number of employees in those managerial positions), followed by lower-level management, with 14 respondents, accounting for 32% of the total number of employees in the Luka Ploče Group at this management level.

In terms of the number of employees, the response rate was the lowest among operational workers (3 in total) and administrative staff (9 in total).

In terms of the management level of external stakeholders who completed the questionnaire, 17% were top-level and senior management members, there was the same percentage of respondents from lower-level management, while 67% of respondents worked in administrative positions.

Despite the relatively small number of external respondents, the obtained results can serve as a guide for

Luka Ploče in developing a method of clearer communication of its impacts on the local community,

especially the activities undertaken in building a more sustainable port.

It also provides a basis for an in-depth analysis of the entire value chain of Luka Ploče, in line with the requirements of the Corporate Sustainability Reporting Directive, and the identification of impacts in the value chain associated with port operations.

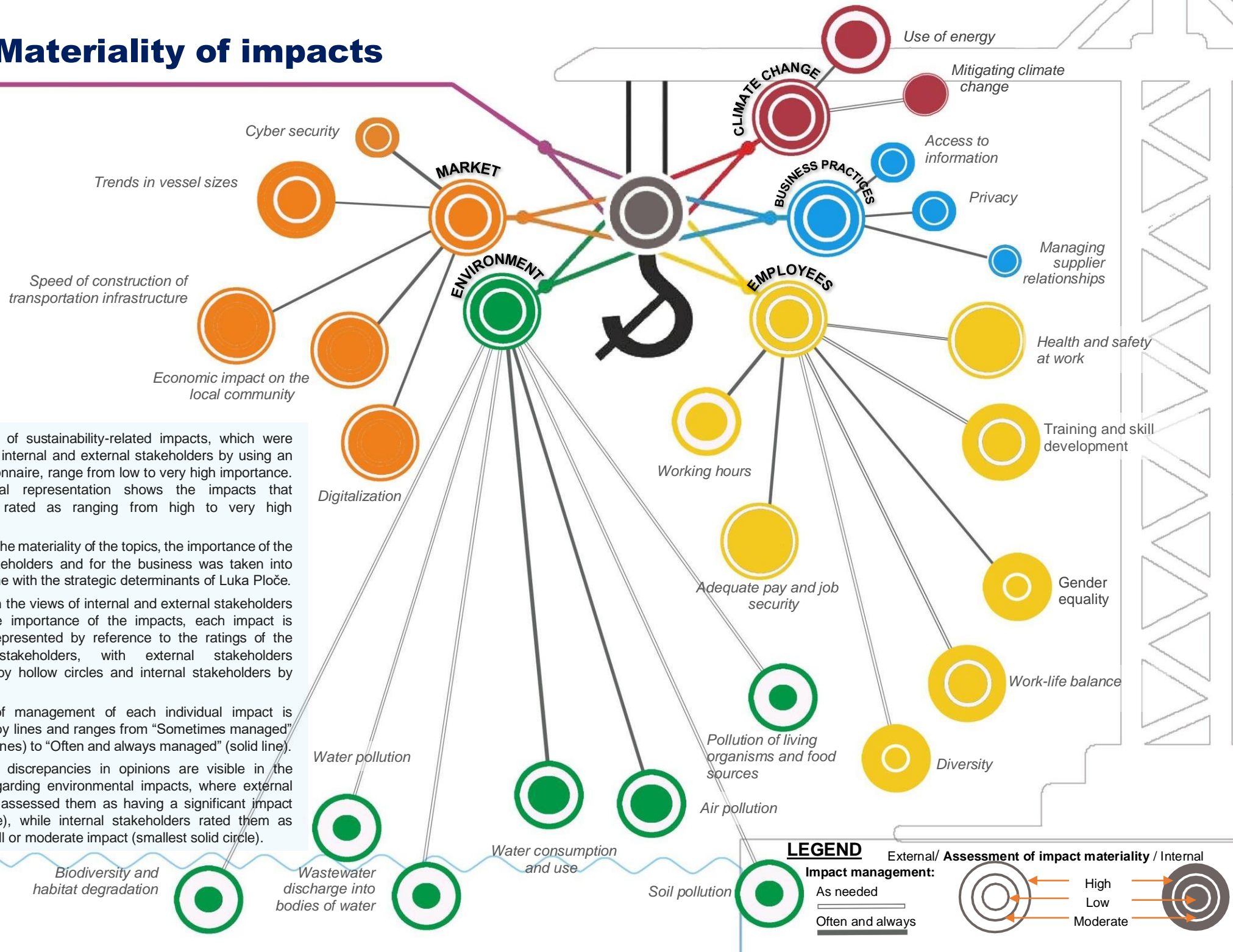
An in-depth analysis of impacts, risks and opportunities throughout the value chain will be conducted in the next reporting period.

Policies and regulations

During the process of mapping risks and opportunities and identifying impacts that have or could have an effect on the operations of Luka Ploče in the short, medium and long term, the following documents were taken into account:

- Corporate Sustainability Reporting Directive – CSRD
- European Sustainability Reporting Standards, ESRS
- Sustainable Development Goals
- European Green Deal
- Taxonomy Regulation
- “Fit for 55” Package
- Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)
- ESPO Environmental Report 2022
- World Ports Sustainability Program, WPSP
- Climate Change Adaptation Strategy in the Republic of Croatia for the period up to 2040 with a view to 2070

Materiality of impacts



Assessments of sustainability-related impacts, which were evaluated by internal and external stakeholders by using an online questionnaire, range from low to very high importance. The graphical representation shows the impacts that respondents rated as ranging from high to very high importance.

In assessing the materiality of the topics, the importance of the topic for stakeholders and for the business was taken into account, in line with the strategic determinants of Luka Ploče.

To distinguish the views of internal and external stakeholders regarding the importance of the impacts, each impact is graphically represented by reference to the ratings of the respective stakeholders, with external stakeholders represented by hollow circles and internal stakeholders by solid circles.

The rating of management of each individual impact is represented by lines and ranges from "Sometimes managed" (two parallel lines) to "Often and always managed" (solid line).

The greatest discrepancies in opinions are visible in the questions regarding environmental impacts, where external stakeholders assessed them as having a significant impact (largest circle), while internal stakeholders rated them as having a small or moderate impact (smallest solid circle).

Environmental impacts, biodiversity and climate change

The greatest concern of external stakeholders is pollution of soil, water and air. In the questionnaire they highlighted that excessive coal dust significantly reduces the quality of life in the town of Ploče and that they believe that the investments in environmental and air protection, as well as coal storage methods, are not sufficient for a normal life of Ploče citizens.

External stakeholders also consider the attitude toward water and marine resources, pollution of living organisms and food sources, as well as the impact of the port on biodiversity and the presence of invasive alien species, to be extremely important. Internal stakeholders rated these issues as having a moderate level of importance.

Both groups of stakeholders recognized energy consumption as an impact of great importance, and it is one which Luka Ploče actively manages. Climate change was identified as having a moderate level of importance. However, Luka Ploče has strategically committed to developing as a sustainable port, making the issue of climate change material from that aspect.

Participants also assessed the financial impact of these influences on long-term business. The ratings range from insignificant to extensive. Since this is an initial assessment, the financial impact will need to be analysed in-depth in future reporting periods, considering time horizons and specific elements such as development, financial position and results, cash flows, access to capital and capital costs.

Social impacts

Both groups of surveyed stakeholders agree that working conditions related to health and safety, adequate pay and job security are issues of great importance, and Luka Ploče actively manages them. Training and skill development, as well as work-life balance, are high priorities for internal stakeholders, while external stakeholders consider these impacts to be of moderate importance.

The greatest differences in importance ratings relate to gender equality and equal pay for work of equal value. Internal stakeholders rate this issue as significant, while external stakeholders consider this impact to be of little importance. Both groups of stakeholders rated social dialogue and collective bargaining as impacts of moderate importance, which are always managed. Due to active management in this aspect, this issue is less relevant compared to other issues that are sometimes managed or managed as needed.

Business practices

When considering the impacts of Luka Ploče business on the economic, social and cultural rights of the community, no question was rated as significant.

Internal stakeholders rated privacy, availability and quality of information, as well as supplier relationship management, as highly significant, while external stakeholders perceived these impacts as less important.

	Impact materiality		Assessment of management	
	Material	Financial	Internal	External
ENVIRONMENTAL IMPACTS AND CLIMATE CHANGE				
Climate change	Yes	No	Moderate impact	Moderate impact
Energy	Yes	Yes	Significant impact	Significant impact
Air pollution	Yes	No	Moderate impact	Significant impact
Water pollution	Yes	No	Moderate impact	Significant impact
Soil pollution	Yes	No	Small impact	Significant impact
Pollution of living organisms and food sources	Yes	No	Small impact	Significant impact
Water consumption and use	Yes	No	Moderate impact	Significant impact
Wastewater discharge into bodies of water	Yes	No	Small impact	Significant impact
Habitat degradation and intensity of pressure on marine resources	Yes	No	Small impact	Significant impact
Drivers of impact on loss of biodiversity: invasive alien species	Yes	No	Moderate impact	Significant impact
SOCIAL IMPACTS				
Job security and adequate pay	Yes	No	Significant impact	Significant impact
Working hours	Yes	No	Significant impact	Moderate impact
Adequate pay	Yes	Yes	Significant impact	Significant impact
Social dialogue and collective bargaining	Yes	No	Moderate impact	Moderate impact
Work-life balance	Yes	No	Moderate impact	Moderate impact
Health and safety at work	Yes	No	Significant impact	Moderate impact
Gender equality and equal pay for same-value work	Yes	No	Significant impact	Small impact
Training and skill development	Yes	No	Significant impact	Small impact
Diversity	Yes	No	Moderate impact	Small impact
BUSINESS PRACTICES				
Privacy	Yes	No	Significant impact	Small impact
Information availability and quality	Yes	No	Significant impact	Small impact
Supplier relationship management, including payment practices	Yes	No	Significant impact	Small impact

IMPACT LEVEL ■ Significant impact ■ Moderate impact ■ Small impact

Market impacts

Both groups of stakeholders rate the other market impacts of Luka Ploče almost identically, with no major differences in opinions. The impact on the local community's economy is considered highly significant, and this impact, according to the assessment of internal stakeholders, is always managed, while external stakeholders believe that the impact is managed as needed. The long-term financial effect of this impact has been assessed as significant.

Digitalization is the second most important impact, followed by the speed of road infrastructure development, which is essential for connecting the port with other market participants. Internal stakeholders rated cybersecurity and trends in vessel size as significant issues that are often managed, while external stakeholders perceive this impact as moderately important and managed as needed. The long-term financial effect of these impacts has been assessed as moderately significant.

As part of the survey, external respondents suggested taking into account the impact of the speed of goods movement within the port to enable faster and more efficient shipment and timely exchange of information as a prerequisite for more efficient cargo handling in port operations. The need for developing action plans and long-term strategies and increased coordination and collaboration between the port and port stakeholders were emphasized as important elements in improving sustainability and competitiveness.

WHAT IS REALLY IMPORTANT?

Market impacts

- Investing in digitalization and business automation
- Cybersecurity
- Adapting infrastructure to vessel size trends
- Impact on the local community's economy

Environmental impact

- Prevention of soil, water and air pollution
- Water use and discharge into bodies of water
- Managing the impacts of port activities on living organisms and food sources
- Preservation of biodiversity and population size
- Waste management



Climate change

- Reducing energy consumption from all sources
- Taking measures to mitigate climate change

Business practices

- Privacy
- Information availability and quality
- Anti-corruption policies
- Impact management along the entire value chain

Social impacts

- Working conditions, health and safety in the workplace
- Adequate pay and job security
- Training and skill development
- Work-life balance
- Gender equality and equal pay for same-value work
- Social dialogue and collective bargaining
- Cooperation with the local community

	Impact materiality		Assessment of management	
	Material	Financial	Internal	External
MARKET IMPACTS				
Speed of construction of transportation infrastructure – railway infrastructure	Yes	No	■	■
Speed of construction of transportation infrastructure - road infrastructure	Yes	Yes	■	■
Cyber security	Yes	No	■	■
Digitalization	Yes	No	■	■
Trends in vessel sizes	Yes	Yes	■	■
Lack of qualified workers	Yes	No	■	■
Impact of Luka Ploče on the local community's economy	Yes	Yes	■	■

Sustainable development goals

World Port Sustainability Program is an initiative of the International Association of Ports and Harbors, launched in 2017. The program empowers and coordinates the efforts of ports worldwide in achieving sustainability, guided by the United Nations' 17 Sustainable Development Goals and promotes international collaboration with partners in the supply chain. The Sustainable Development Goals are applied within six thematic areas that are relevant to the activities of Luka Ploče:

1. Digitalization
2. Infrastructure
3. Health and safety protection
4. Environmental responsibility
5. Community building
6. Climate and energy

According to the World Port Sustainability Report 2020, adapted implementation of the 17 Sustainable Development Goals in ports encompasses 96 port activities. In the context of operations of Luka Ploče, 14 Sustainable Development Goals relevant to Luka Ploče have been identified. Below are the UN goals and the activities through which Luka Ploče contributes most to their achievement.

Goal 1: No poverty

- Defining a good minimum wage for port workers.

Goal 3: Good health and well-being

- Improving employee and local community awareness of health and safety through training and transparent communication about health and safety risks
- Minimizing the external impacts of port operations on the environment (air pollution, water pollution, noise) and "greening" the port
- Enhancing port security and protection, and minimizing risks.

Goal 5: Gender equality

- Gender-neutral employment and incentive policies

Goal 6: Clean water and sanitation

- Providing drinking water and clean sanitary facilities for port employees and visitors
- Collecting rainwater for use in the port
- Optimizing water consumption in the port area.

Goal 7: Affordable and clean energy

- Investing in energy-efficient port equipment (stationary and mobile cargo handling equipment, lighting and technology)
- Optimizing port operations and processes.

Goal 8: Decent work and economic growth

- Achieving economic growth through diversification, innovation and technological modernization
- Generating economic growth in an environmentally sustainable manner
- Ensuring that economic growth positively impacts the local community economically and socially
- Striving for a healthy and safe working environment for all.

Goal 9: Industry, innovation and infrastructure

- Digitally optimizing infrastructure and port operations/processes/services
- Adapting port infrastructure and processes to meet market demands (such as increasing vessel size)
- Sustainable port development projects.

Goal 11: Sustainable cities and communities

- Minimizing externalities of port operations on the environment (air pollution, water pollution, noise).

Goal 12: Responsible consumption and production

- Implementation of responsible procurement and sustainable investments in port area management and development
- Optimizing port operations/processes/services.

Goal 13: Climate action

- Improving energy efficiency of port operations, processes, and services
- Adapting port infrastructure and port-related operations to climate change.

Contribution of Luka Ploče to sustainable development goals



Goal 14: Life below water

- Taking measures to prevent waste from ending up in the oceans (port reception facilities)
- Reducing emissions of CO₂, SO₂, NO_x, NH₃ from port-related activities to avoid ocean acidification
- Minimizing water pollution through appropriate wastewater treatment facilities.

Goal 15: Life on land

- Development of the port area in balance with ecosystems
- Minimizing the external impacts of port operations on the environment.

Goal 16: Peace, justice and strong institutions

- Constructive dialogue between employers and employees
- Addressing safety: cybersecurity measures, commercial and operational data protection, improving careful use and protection of personal data
- Open dialogue and collaboration with all stakeholders
- Transparent internal and external communication.

Goal 17: Partnerships to achieve the goal

- Partnerships with local communities for port and town-related initiatives.



LUKA PLOČE



CMAU 084023 22G1

MAX. GROSS 30.480 KG
TARE 4.320 LB
NET 28.520 KG
CU. CAP. 1.172 CU.FT

CMAU 097611 22G1

MAX. GROSS 30.480 KG
TARE 4.630 LB
NET 28.380 KG
CU. CAP. 1.170 CU.FT

LU 279509 22G1

30.480 KG
67.200 LB
2.100 KG
4.630 LB

28.380 KG
62.570 LB
33.2 CU.M
170 CU.FT

CMAU 312735 22G1

MAX. GROSS 30.480 KG
TARE 2.100 KG
NET 28.380 KG
CU. CAP. 33.2 CU.M
1.170 CU.FT

tex

TGBU 239994 22G1

MAX. WT. 30.480 KGS
TARE WT. 4.630 LBS
PAYLOAD 28.380 KGS
CU. CAP. 1.170 CU.FT

3

Market issues

Business overview

Luka Ploče Group primarily generates revenue from port cargo handling services, which are influenced by global trends in maritime transportation, particularly the fluctuation of commodity prices that Luka Ploče tranships for its customers. The company is also affected by trends in the economy of Bosnia and Herzegovina, especially in the bulk and general cargo segment. After the COVID-19 pandemic, which significantly impacted the demand for raw materials and physical cargo in maritime transportation in 2020, and the subsequent economic recovery starting from mid-2021, the global economy faced a new crisis in early 2022 due to the war in Ukraine.

With the increase in energy, fuel and raw material prices, the Russian invasion of Ukraine and the imposition of sanctions on Russia have triggered a new wave of inflation and disruptions in global logistics flows, which ultimately had a positive impact on the company's business. Northern ports became congested, while the proximity of the Black Sea to the war zone caused an increase in insurance costs for ships, leading to higher logistics costs on that transport route. Consequently, the share of traffic from Central Europe and Italy increased. All of these factors directed additional cargo towards the Port of Ploče, which has also been reflected in the financial performance of the Group.

Alongside revenue growth, operating costs also increased, with the highest increases seen in the costs of electricity (115%), fuel (108%) and raw materials (48%) due to the impact of the Russo-Ukrainian conflict on the volatility of the global market. As a result of rising prices and logistical challenges, suppliers have demanded advance payments and delivery of goods has been delayed. The effect of this has been proactive and detailed financial planning for current needs and unforeseen circumstances, as advance payments create the need for additional financing due to potential liquidity impact.

Financial year result

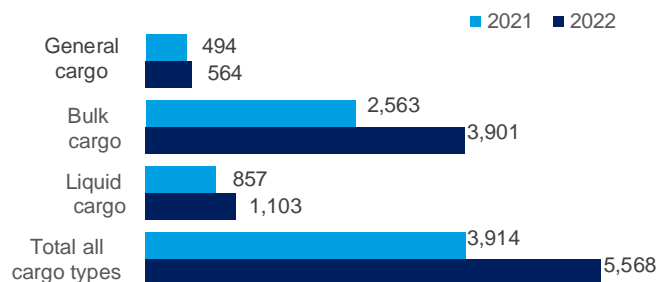
FY 2022 was the most successful year in the history of Luka Ploče. After deduction of the income tax and additional income tax, record-breaking net profit was generated in the amount of HRK 52.6 million, which exceeded even the previous financial year, 2021, when net profit reached HRK 30.6 million. Sales revenue amounted to HRK 728.2 million and it was HRK 349 million or 91.7% greater than 2021.

This was a continuation of a trend of good business performance, which was the result of responsible management policy in the context of economic sustainability, but also a reflection of increased turnover caused by the previously mentioned impact of the Russian-Ukrainian crisis.

In 2022, the company generated record-breaking turnover of 5.6 million tonnes of all kinds of cargo, which was 42% more compared to 2021 and the second largest turnover generated in Croatian seaports. This record result was also contributed to by the unloading of the ship Gisela Oledorff in December 2022, which was also a new record of Port of Ploče, exceeding by 426 thousand tonnes the previous record achieved in 2008.

At national level, total turnover of goods in seaports in 2022 increased by 9.1% compared to 2021, amounting to 23.6 million tonnes. Owing to these record-breaking figures, the share of Port of Ploče in total turnover of goods in Croatian seaports increased from 18.1% in 2021 to 23.6% in 2022.

Luka Ploče d.d. turnover by types of cargo in 2022 (in thousands of tonnes)



Luka Ploče d.d. continuously improves its capacities, efficiency and quality of port services in order to meet the demands of existing and potential customers.

What is important?

- Investment in digitalization and business automation
- Cybersecurity
- Adaptation of infrastructure to trends in ship sizes
- Impact on the local community economy



Goals:

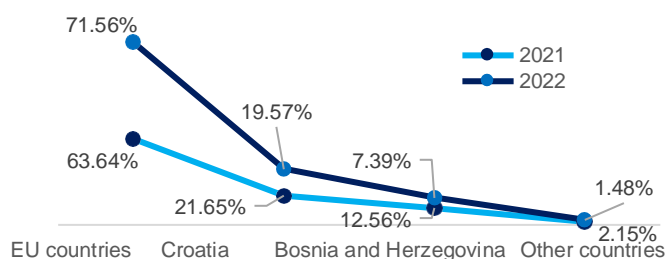
- Achieving economic growth through diversification, innovation and technological modernization
- Ensuring that economic growth positively impacts the local community economically and socially
- Digitally optimizing infrastructure and port operations/processes/services
- The most important of the launched strategic projects is the increasing and improving of capacity at the container terminal as part of the development of Port of Ploče as a Smart Green Port and in the context of the ability to accommodate the largest container vessels that come to the Adriatic.
- Partnerships with local communities for initiatives related to the port and the city.

Key customer locations

Considering the locations of registered offices of major customers, sales revenue can be distributed to three main geographical areas: Croatia, EU countries and Bosnia and Herzegovina, and other countries.

The Group generated 19.57% (2021: 21.65%) revenue from sales to Croatian customers and 80.43% (2021: 78.3%) from foreign customers. From that, EU customers generated 71.56% of revenue (2021: 63.64%), customers from Bosnia and Herzegovina generated 7.39% (2021: 12.56%) and customers from other countries generated 1.48% revenue.

Revenue share based on locations of customers' registered offices



Economic impact

Direct economic value generated and distributed is an indicator of the economic impact that evaluates the positive effects of Luka Ploče business on the community it operates in. Direct economic value generated consists of total operating revenues. Economic value distributed consists of operating costs (cost of goods sold, raw materials and supplies, electricity, spare parts and office supplies), salaries of all employees including contributions on gross salaries payable by the employer and by the employee, increased by total employee benefits calculated in accordance with the applicable Collective Agreement. It also includes payment to providers of capital (interest on outstanding principal amounts of realized loans), payment to the government (corporate income tax payments for FY 2021 made in 2022 and investments in the community (donations). In 2022, the Group exercised the right to health insurance subsidy for employees younger than 30 years of age, in the amount of HRK 735,630. In accordance with the Regulation of the Government of the Republic of Croatia on the Elimination of Disruptions in the Domestic Energy Market, the Group generated HRK 1,177,879 based on a subsidized price of energy products.

Results by business segments

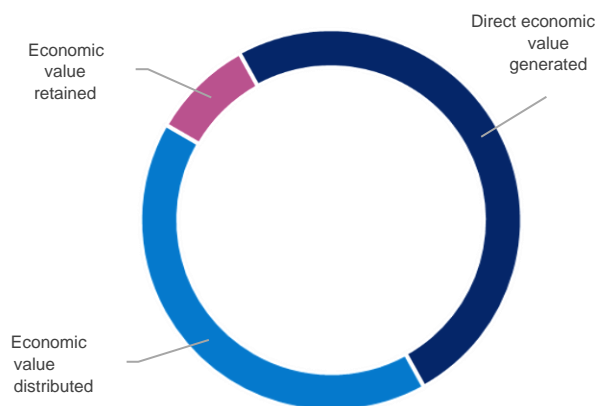
Business revenues, operating profit, capital investments, total assets and total liabilities are separately recorded and reported for the following business segments: port services (cargo handling, representing the parent company), maritime services (freight forwarding and maritime services to port service users) and commodity trading (trading of materials and goods from the free zone of Port of Ploče). Other business segments include ancillary activities of the Group (maintenance, hospitality and similar activities) and investments in financial assets (deposits).

Financial performance indicators show growth in all business segments. Revenue from sale of port services, freight forwarding and shipping services amounted to HRK 283 million, which was a 63% year-on-year increase, while revenue from sale of goods amounted to HRK 445.3 million, having increased by 116% compared to 2021, when it amounted to HRK 206 million.

Results by business segments in 2022

Business segments	Port services	Maritime services	Commodity trading	Other segments	Group total
<i>(in thousands of tonnes)</i>					
Sales revenue	255,210	17,102	445,246	10,685	728,243
Operating profit before depreciation	108,197	3,511	5,965	995	118,668
Depreciation and write-off of fixed assets	- 16,064	- 239	-	- 945	- 17,248
Profit from regular operations	92,133	3,272	5,965	50	101,420
Capital investments	17,320	74		4,730	22,124

Economic impact of Luka Ploče in 2022



Direct economic value generated	732,409,915
■ Sales revenue	728,551,791
■ Other operating income	3,858,124
Economic value distributed	606,810,625
■ Operating costs	520,641,905
■ Employee wages and benefits	74,326,272
■ Payments to providers of capital	4,598,541
■ Payments to government	6,988,407
■ Community investments	255,500
Economic value retained	125,599,290

Market presence

Employee salaries, salary compensations and benefits are determined by a collective agreement, in accordance with which the legal regulations of the Republic of Croatia apply to the lowest agreed-upon gross salary. The employee salary policy is based solely on the type and complexity of the work and excludes any form of discrimination. In 2022, the minimum starting gross salary for workers payable in cash was equal to the minimum gross salary in Croatia. The average gross salary paid per employee in the Group in 2022 was HRK 11,360, which is 9.2% higher than the average gross salary paid in Croatia, which was HRK 10,400 in 2022.

The share of top-level and senior management from the local community in the total senior management at the end of the reporting period was 77%. Top-level and senior management includes the Company's Management Board and directors of sectors in Luka Ploče d.d. and subsidiary companies. The Company's significant place of operations is its registered office, located in Ploče, while the local area includes the town of Ploče and its surroundings.

In 2022, there were no legal proceedings initiated due to any conduct contrary to the principles of freedom of market competition, antitrust practices and monopolistic practices.

Approach to tax

The Group generates revenue in the domestic market, and all tax and contribution obligations are fulfilled in accordance with the regulations of the Republic of Croatia. The Group does not have a specific tax strategy. Luka Ploče, as the parent company, oversees the operations of its affiliated companies and ensures the timely fulfilment of tax and contribution obligations through the Finance, Accounting and Controlling Department. When determining the amount of current and deferred taxes, the Group takes into account the impact of uncertain tax items and the possibility of additional taxes and interest.

The Group is legally required to charge value-added tax (VAT) at a rate of 25% and has charged a total of HRK 1,592 thousand of VAT on service deliveries in 2022. In accordance with the applicable Act, the majority of the Group's large deliveries are exempt from VAT (exemptions related to international transportation, Article 47, paragraph 3, as well as those related to free zones and bonded warehouses, Article 51, paragraphs 1 and 3).

Protection of customer/user privacy

Questions related to privacy protection are regulated in accordance with the General Data Protection Regulation and the Act on the Implementation of the General Data Protection Regulation.

Additionally, the Code of Conduct of Luka Ploče prescribes the obligation for all employees to keep confidential all personal data they possess about other employees, business partners and other individuals they come into contact with while performing their duties.

In 2022, there were no justified complaints regarding privacy breaches.

Impact on the economy of the local community

Responsible governance policy regarding economic sustainability and productivity growth of Luka Ploče has a positive impact on the local community's economy as well. Economically, the company creates new job opportunities, pays salaries and fulfils all local community-related obligations. Socially, it supports projects and events that are important for both the citizens and the economy. In 2022, a total of HRK 172,807 was paid in income tax, and HRK 2,591,531 was paid in municipal fees, which are used for the maintenance and construction of local infrastructure within the local self-government unit. Out of that, HRK 42,581 was paid to the Town of Metković, and HRK 2,548,950 was paid to the Town of Ploče, representing a 28.7% share of the total municipal fees of the Town of Ploče.

Luka Ploče supports the broader social environment through sponsorships, donations and concession fees paid to the Ploče Port Authority. Additionally, it promotes tourism development through the Nautical Sector of Pločanska plovidba and the Sailing School, which enriches the offer of sports and recreational activities in the town. *(More about this project can be found on page 55).*

The activities of Pločanska plovidba and the Sailing School also contribute to the development of nautical tourism, which is reflected in the number of overnight stays. According to the data from the Tourist Board of the town of Ploče, the number of overnight stays achieved through nautical tourism has been continuously increasing. In 2022, there were 4,048 overnight stays achieved through nautical tourism, which is a year-on-year increase of 2,008 or 48.1%, and almost double compared to the pre-pandemic year of 2019, when there were 2,040 overnight stays achieved through nautical tourism.

The Group places great importance on communication with representative bodies of the local community, especially regarding environmental protection issues, which are also important to the Town of Ploče. Thanks to the quality of communication and openness to collaboration from representatives of both sides, all matters of common interest are resolved as quickly as possible.

Indirect economic impacts

Port activities have a significant impact on the competitiveness of the broader economic area, contributing to the creation of jobs, services and goods in the regional and national economy.

The direct effects of Luka Ploče on the Croatian economy are reflected in the added value generated through port activities and related port operations.

Indirect effects are mainly manifested in the added value of freight forwarding, transportation and construction companies, the banking sector, insurance companies and public administration.

Overview of the number of overnight stays achieved through nautical tourism from 2019 to 2022



Investments in development

The Group continuously improves its capacities, efficiency and quality of port services in order to meet the demands of existing and potential customers.

In 2022, a total of HRK 22.1 million was invested in the modernization of the port, improving competitiveness, increasing current cargo volumes, improving efficiency in terms of handling rates, savings on maintenance and use of old assets, reducing injuries and upgrading environmental standards.

Among other things, new waterfront electrification was carried out at the new Bulk Cargo Terminal and on piers 1, 2, 3 and 5, which facilitated handling operations and raised the level of safety. The truck and train weighbridges were digitalized, resulting in faster weighing processes and reduced consumption. Additionally, certain strategic projects were initiated.

The most important of the launched strategic projects is the increasing and improving of capacity at the container terminal as part of the development of Port of Ploče as a Smart Green Port and in the context of the ability to accommodate the largest container vessels that come to the Adriatic. Currently, the Company is capable of receiving feeder vessels, or smaller ships. For this reason, cargo from larger vessels en route to the Port of Ploče must first be transferred to a feeder vessel in Malta. This is why Port of Ploče incurs an additional transshipment cost compared to other larger cargo ports in the Adriatic.

In 2022, the Company contracted the procurement of a new mobile port crane worth HRK 30.1 million. Delivery is scheduled for the third quarter of 2023. In addition, during 2022, the procurement of other port handling equipment with a total value of HRK 20.3 million was contracted at Group level.

All equipment items have more modern engines compared to the previous ones, thereby raising the environmental standards of the port. Furthermore, the technological solutions of some equipment items are significantly more advanced, making it almost impossible to compare them in terms of performance with the old equipment (video assistance, machine performance analysis computers, profile creation for individual machine users, state-of-the-art hydraulics, security measures according to the latest

standards, and more). Additionally, a project has been initiated for the construction of a solar power plant at the bulk cargo terminal and an 803 kW photovoltaic power plant on the roof of the commercial building used by Luka Ploče.

Implementation of application systems

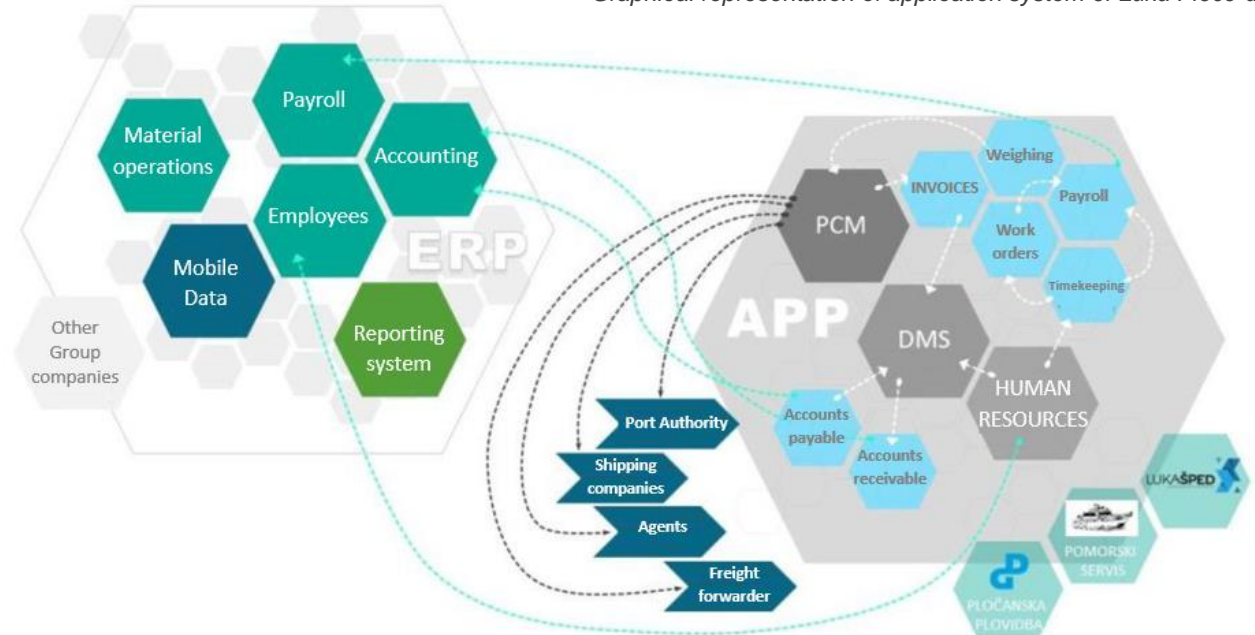
The Company invests in the development of IT equipment in an environment focused on tailored solutions and modern technology. Over the past two years, a large part of the application system has been internally developed, consisting of a set of applications (modules) for specific business processes within the Group (e.g., processing of accounts payable/accounts receivable, timekeeping, work order management, human resources module, maintenance module, etc.).

During 2022, intensive preparations were made for the implementation of two major systems - PCM (Port Community Management) and ERP (Enterprise Resource Planning), which were launched on January 1, 2023.

PCM is an internally developed solution for handling containers, bulk and general cargo. The system is designed to automate business processes in the Port of Ploče, with priorities of connecting all sectors of the Company, external applications and users involved in operations. The development of PCM took six months, including the development of the following subsystems: 1. Document processing for container terminal and bulk/general cargo; 2. Development of integrations with shipping companies; 3. Development of integrations with the Port Authority; 4. Implementation of rights and permissions for different user groups; 5. Development of invoicing module for all services; and 6. Integration of PCM system and invoicing module.

The ERP system includes modules for finance, accounting, payroll and fixed asset management. The integration of ERP with the internal system is planned to be completed by mid-2023, while the human resources module, partner records, accounts payable, cost centres and payroll activities are already integrated.

Graphical representation of application system of Luka Ploče d.d.





LUKA PLOČE d.d.

TEREX

NMF



4

Environmental impact

Management approach

Port of Ploče is located on the southern part of the Adriatic coast, in Ploče and Metković. It covers over 230 hectares of land located near the boundary of the Natura 2000 ecological network - area of importance for the preservation of endangered species and habitat types in the European Union. The nearby habitats include the Neretva Delta ecological network area. Due to its proximity to the town of Ploče, port activities have the potential to have a significant impact on the quality of life in the town, especially in terms of air quality.

In terms of environmental impact management, Luka Ploče d.d. focuses on the following areas: air quality, energy efficiency, water and sea protection, and waste management.

The materiality analysis of environmental sustainability issues has confirmed the validity of this focus, as water and air pollution have been identified as material issues of great importance to the operations of Luka Ploče.

The Environmental Protection Department, which is part of the Operational & Technical Sector, is responsible for implementing measures and activities in these areas and reports directly to the sector director, who in turn is accountable to the Company's Management Board. Luka Ploče intends to enhance environmental impact management by implementing an environmental management system according to ISO 14001 standard.

The Company actively manages the impacts associated with consumption of energy, which is one of the key resources for conducting port activities. In April 2017, ISO 50001 energy management system was implemented. Project of achieving compliance with the new version of ISO 50001:2018 was carried out in 2020.

Port of Ploče has an integrated quality management system according to the requirements of ISO 9001:2015. The energy and quality management systems are managed within the Legal and General Affairs Sector, in the Quality and Energy Management unit. Similar to the Environmental Protection Department, the Quality and Energy Management

organizational unit is responsible for implementing measures and activities in these areas and reports directly to the sector director, and ultimately to the Company's Management Board.

The long-term goal of Luka Ploče d.d. and companies owned by it is to achieve carbon neutrality by 2050. To achieve this, an absolute emissions reduction target of 15 to 25% by 2030 and 65 to 95% by 2050 has been set.

Certain measures to achieve this long-term goal are already being implemented. Among others, priority is given to energy efficiency in the procurement of new handling machinery and equipment, resulting in reduced energy consumption and environmental impact.

In 2023, measures will be implemented to reduce CO₂ emissions in accordance with the recommendations from the *Carbon Footprint Analysis and Proposal for Reducing Greenhouse Gas Emissions*.

Implementation of short-term measures – within one year

- Improve data collection system
- Eco-driving training
- Use of higher energy-rated tires
- Tire pressure regulation
- Lighting replacement
- Installation of photovoltaic power plant

Implementation of medium and long-term measures – within one to five or more years

- Heating system upgrades
- Heating system optimization
- Electric-powered vehicle
- Cooling systems using climate-friendly refrigerants
- Automatic lighting control system

Managing impacts on the environmental, natural resources and biodiversity is key for achieving the objective - transformation into a green and sustainable port.



What is important?

- Prevention of soil, water and air pollution
- Water use and discharge into bodies of water
- Managing the impacts of port activities on living organisms and food sources
- Preservation of biodiversity and size of the population
- Taking measures to mitigate climate change
- Reducing energy consumption from all sources
- Waste management

Monitoring:

- The environmental impact of port operations is monitored by the Port Authority, which, in collaboration with the Institute of Public Health, conducts annual tests of seawater quality, air quality, wastewater quality and the condition of seabed sediment.

Management systems: ISO 50001 and ISO 9001

Goals:

- Reduce emissions by 15 - 25% by 2030
- Reduce emissions by 65 - 95% by 2050
- Implement an environmental management system in accordance with the standard ISO 14001
- Optimize water consumption in the port area

Air quality protection

The coal dust that spreads to surrounding areas under the influence of the wind potentially has the most significant negative impact on the air quality of the port area, especially on the town of Ploče.

By putting the new Bulk Cargo Terminal (BCT) into operation in August 2020, the impact of dusting has been significantly reduced. The new terminal is located on reclaimed land along the Vlačka channel, the furthest from the populated area, which almost completely eliminates the possibility of dusting affecting the residents of Ploče during extremely strong and unfavourable winds.

The terminal is equipped with a closed conveyor system, within which an automatic spraying system is activated to prevent the release of particles from the cargo, and it also provides more suitable storage for coal, which is distributed over much larger areas.

This fulfils the highest ecological standards in handling and storing bulk cargo. The infrastructure of the new terminal fully ensures maximum efficiency of the modern currently used polymer dust suppressant, which is sprayed over the stored coal.

To prevent air pollution, Luka Ploče invests in the procurement of machines and dust suppressants. A road sweeper is used daily to clean the roads, including one attached to a loader, as well as a tractor-drawn tank for spraying the stored coal with a polymer emulsion which forms a crust on the coal and prevents dusting.

Approximately 5,000 litres of dust suppressant emulsion concentrate are used annually.



The bulk cargo terminal is equipped with a spraying system that is automatically activated to prevent the release of coal dust.

A road sweeper and a tractor-drawn tank for spraying the stored coal with a polymer emulsion are used daily.



Air quality monitoring

The Port Authority, as the concessionaire, monitors all environmental impacts associated with port activities. Nine air quality monitoring stations have been installed in the town and port area. The annual air quality testing is carried out by the Teaching Institute of Public Health of the Split-Dalmatia County.

The measurement results for the period from 1 January 2022 to 31 December 2022, available in the annual air quality testing report for the wider area of the port and the town of Ploče¹¹ showed that air quality at five monitoring stations, considering the tested parameters: total deposited matter (TDM) and metal content (Pb, Cd and Tl) in TDM, is **category 1** air, indicating insignificant air pollution. The tested parameters at these five monitoring stations were lower than the limit values (LV) prescribed by the Regulation on Levels of Air Pollutants (Official Gazette 77/20) (Table 20).

At the “Terminal near the runway” monitoring station, the air quality, based on the average annual value of total deposited matter, is **category 2**, indicating air pollution, because the average annual value (TDM 379 mg/m² d) exceeds the prescribed limit value (LV 350 mg/m² d).

This area is operated by multiple concessionaires and all solutions related to air pollution are implemented in synergy.

Further protection measures planned

In order to reduce the negative impact of coal dust, Luka Ploče plans to procure additional brushes and pumps that will be integrated into the existing machines for the purpose of cleaning road surfaces. The company also plans to acquire a municipal vehicle for street cleaning and for fine cleaning of surfaces. Luka Ploče continuously invests in the maintenance of existing green areas, including the green belt along the entire waterfront of the Bulk Cargo Terminal (BCT).

¹¹ <https://www.ppa.hr/hr/wp-content/uploads/2016/04/Godi%C5%A1nji-izvje%C5%A1taj-o-ispitivanju-kvalitete-zraka-na-%C5%A1irem-podru%C4%8Dju-Luke-i-grada-Plo%C4%8De-za-2022.godinu.pdf>

Management of impacts related to water use and discharge

Luka Ploče d.d. primarily uses water from the public water supply for its business activities, as well as a smaller amount of process water.

In 2022, Luka Ploče d.d. consumed a total of 67,478 m³ of water. Of that, 61,778 m³ or 92% came from the public water supply system, and approximately 5,700 m³ or 8% was process water. Process water and over 80% of water from the public water supply system were used for watering coal to prevent dusting. The water consumption intensity for coal watering depends on monthly coal turnover, weather conditions, wind and coal loading dynamics. In 2022, the highest water consumption intensity occurred during the summer months, from June to August.

The subsidiary company Pomorski Servis also ensures the

supply of drinking water to ships through a connection to the town's fire hydrant network.

Stormwater drainage system at the BCT

The stormwater drainage system at the Bulk Cargo Terminal (BCT) is divided into:

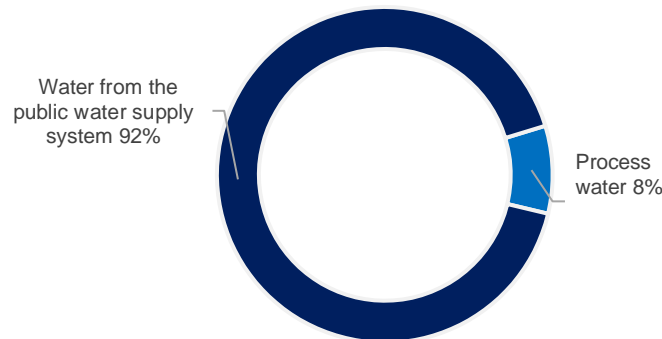
- drainage from land traffic surfaces and areas where bulk cargo is stored, and
- drainage from the pier.

In the drainage system from land traffic surfaces and areas where bulk cargo is stored, stormwater is collected through a system of road drains and channels covered with linear grates, and it is then conveyed through a sealed sewer system to a reservoir for fire-fighting and process water.

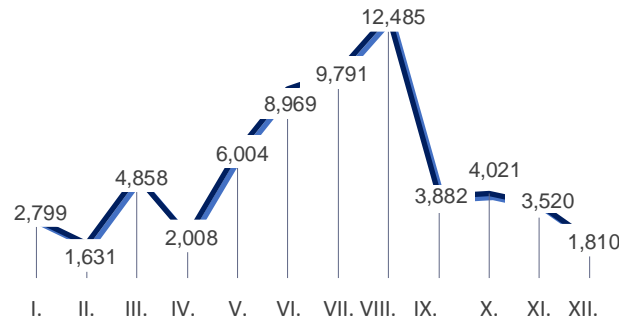
The majority of water in the stormwater drainage system comes from rainfall, but it also comes from the spraying of bulk cargo. **Water is accumulated and left to settle in a retention reservoir, which enables its use for the requirements of the technological process.**

A pumping station CS-2 has been installed for purposes of pumping water received from the stormwater drainage system to the fire-fighting and process water reservoir. CS-2 houses two vertical centrifugal pumps sized for larger

Share of water consumption at the Luka Ploče d.d. by source



Monthly consumption intensity of water from the public water supply at the Luka Ploče d.d. expressed in m³



capacities of wastewater. This pumping station is also used for transferring water from the lower level of the stormwater drainage system to the retention basin.

Pumping station CS-1 has been constructed for the purpose of using water from the retention basin for technological process purposes. CS-1 houses four four-stage pumps intended for delivering process water from the basin to the ring sprinkler system.

The three installed oil separators are intended for treatment of stormwater from surfaces where significant

contamination of water with oil derivatives or oil from vehicle traffic within the port area is expected:

→ A smaller separator (S-1) for treatment of water from vehicle parking areas next to the workshop and the administration building

→ A larger separator (S-2) for treatment of excess water flowing into the open reservoir of fire-fighting and process water through spillover into the Vlačka channel.

→ A third separator (S-3) with a capacity of 3 l/sec for treatment of water that enters the drainage system from the oil pit under the substation.

An overflow structure is used to drain excess stormwater in cases when process and fire-fighting water reservoirs reach maximum capacity.

Because the maximum water quantity this structure can receive is significant, it includes concrete cascades intended to reduce the free fall height of overflow water.

In addition to the aforementioned separators and settling tanks, the stormwater channels and the retention channel are constantly cleaned and maintained.

Drainage at the pier is achieved by a slope directed towards one side of the pier, while the stormwater collection channels are located at the end. Pipe channels at the pier are connected to the stormwater drainage system. The channels are also constantly cleaned and maintained.

Stormwater drainage system at Stara Luka

Almost the entire stormwater drainage system in the Stara Luka area is comprised of a network of collectors. Piers have their own channels and outlets, with grease and oil separators installed upstream. The "Passenger Quay" has a drainage channel that connects to an outlet located between the "Passenger Quay" and "Circular Quay" downstream of the separator.

Channels of the "Circular Quay" connect to two outlets located on that quay. Pier 3 has two channel lines and two direct outlets on Pier 4. Similarly, Pier 5 has two channel lines, one ending at an outlet on Pier 4, while the other line has two channels for drainage on Pier 5 itself.

During the rehabilitation of Port roads, new channels for drainage of water from roads and surrounding surfaces were installed, along with outlets on the “Circular Quay” and Pier 5, with the necessary grease and oil separators installed upstream.

Maintenance was performed on oil and grease separators connected to collector 13 with an outlet leading into the Vlaška channel (also with a separator upstream of the outlet). The wood terminal has two channel lines on each side with outlets at Pier 6. The container terminal has a channel line with a separator and an outlet at Pier 7, and it is also connected to the wood terminal drainage line.

Seawater quality testing results

As part of its environmental monitoring program, Ploče Port Authority organizes seawater quality testing, which was conducted in 2022¹² by the Zadar Institute of Public Health, Department of Environmental Protection and Health Ecology.

The testing included physical and chemical indicators, thermohaline properties, dissolved oxygen and oxygen saturation, pH value, nutrients, microbiological indicators, mineral oils, heavy metals and polycyclic aromatic hydrocarbons.

The analysis of seawater quality yielded the following results:

- The oxygen saturation values measured on the surface and at a depth of 10 m at the stations Port of Ploče - bulk cargo terminal corresponded to a **very good ecological status**;
- According to the criteria defined by the Regulation on Sea Bathing Water Quality, the seawater classified as seawater of **excellent quality**;
- Concentrations of mineral oils were very low in October 2022, indicating a status of the Port of Ploče area that is **unloaded** by the tested indicator;
- Metal concentrations measured at the Port of Ploče monitoring stations during sampling performed in 2022 were **below the maximum allowable concentrations**.

¹² MM-Luka Ploče (ppa.hr)

Determination of seawater quality at beaches

In addition to the aforementioned seawater quality testing performed in the port area, the Institute of Public Health of Dubrovnik-Neretva County also conducts regular seawater quality testing at beaches throughout the county, including the town of Ploče. The tests are performed in accordance with the Program for Determination of Seawater Quality at Beaches, which is drawn-up for each bathing season. The testing was carried out in accordance with the Regulation on Sea Bathing Water Quality (OG 73/08). These tests, among other things, focus on microbiological indicators, which are the most significant indicators of faecal wastewater-related sea pollution and are not included in the testing conducted at the request of the Ploče Port Authority.

According to the Report on Seawater Quality at Beaches in the Dubrovnik-Neretva County of 2022¹³, the testing in the town of Ploče was conducted at three points: Ušće Ploče, Portina, and Tehnička Radiona. Based on the annual assessment conducted at the end of the swimming and bathing season and on the data on seawater bathing quality, the sea at Ušće Ploče and Portina beaches was rated as being of good bathing quality, while the sea at the Tehnička Radiona

testing point was rated as satisfactory.

Seawater bathing quality testing is also conducted at the Ploče Town Beach, which is not part of the testing program due to its long-standing unsatisfactory quality and swimming ban. As stated in the Report, the beach profile survey revealed that there are five outlets for municipal wastewater without separators nearby. Considering that the beach is located in a closed-off bay adjacent to the Port of Ploče, no improvement in seawater quality can be expected as long as wastewater is discharged directly into the sea without being previously treated.

The implementation of the Ploče Agglomeration Water and Utility Infrastructure Project, led by the company Izvor Ploče for water supply and wastewater management, is currently in progress and it should solve the issue of wastewater discharge. For more information about the project, visit <https://izvor.ploce.hr/sustav-odvodnje/>.

Based on the reports from the Zadar Institute of Public Health and the Institute of Public Health of Dubrovnik-Neretva County, port activities do not have a negative impact on seawater quality and biodiversity in the town of Ploče area.



¹³ https://www.zzjzdnz.hr/download/izvjesce_z_a_more__2022.pdf

Waste management

The issue of waste in the Port of Ploče includes waste generated from port activities and waste from ships, which all ships in maritime traffic are required to dispose at the port of berth. Reception of ship-generated waste is regulated by the Directive on Port Reception Facilities (PRF), which requires all ships to pay a fixed fee to the ports, regardless of the waste being generated in the system.

Waste from ships

Pomorski servis d.o.o. is the company authorized to collect municipal waste from ships in the Port of Ploče. In 2021, only mixed municipal waste was collected from ships, but since 2022, waste has been separated and collected based on fractions (mixed, plastic, paper, glass and metal). The collected waste is documented on international MARPOL forms, which are submitted to the Harbourmaster's Office.

Quantities of waste collected from ships expressed in tonnes

Type of waste	2021	2022
Mixed municipal waste	86.4	102.705
Paper	-	3.060
Plastic	-	0.455
Glass	-	0.9
Total	86.4	111.215

During 2022, a total of 111,215 tons of waste were collected from ships and forwarded to authorized companies, of which, 102,705 tons of mixed municipal waste, 3,060 tons of paper waste, 0.900 tons of glass waste, and 0.455 tons of plastic waste; amounting to a total of 224 containers of 1.1 m³ and 202 containers of 3 m³.

Manufacturing waste

Management of waste generated from port operations is regulated by the Waste Management Act and corresponding regulations. Luka Ploče d.d. generates only manufacturing waste, which is temporarily stored and handed over to authorized companies for disposal. Luka Ploče d.d. also manages waste oils generated as part of regular maintenance

of Pločanska plovidba d.o.o. propulsion engines.

The Luka Ploče is obligated to enter waste generation-related data in the Environmental Pollution Register, and the data from the Register are provided in the text below.

Quantities of waste manufactured at the Luka Ploče d.d. expressed in tonnes

Type of waste	2021	2022	2022/2021 index
Non-hazardous waste	32.72	29.34	0.897
Hazardous waste	11.50	27.70	2.409
Total waste	44.22	57.04	1.290

Type of waste	2021	2022
<i>Waste destined for recovery operations</i>		
Non-hazardous waste	32.24	28.30
Hazardous waste	9.16	24.30
Total	41.40	52.60
<i>Waste diverted for disposal</i>		
Non-hazardous waste	0.48	1.04
Hazardous waste (t)	2.34	3.40
Total	2.82	4.44

In 2022, a total of 57.04 tons of waste was generated, which is 29% higher compared to 2021. This waste mainly consists of waste generated from the replacement of worn-out parts, filters, batteries, tires, accumulators, as well as waste oils, non-hazardous packaging waste, and waste wood. Out of this, 52.60 tons of waste were intended for recovery purposes, while 4.44 tons of waste were diverted for disposal.

Luka Šped, d.o.o. as part of its business activities in 2022, generated 1.25 tons of paper waste, which was handed over to an authorized company for further processing.

Disposal of waste from pest control, disinfection and deodorization services

Waste from pest control, disinfection and deodorization services provided by Pomorski Servis d.o.o. mainly includes contaminated plastic packaging, waste of animal origin, and food waste from ships.

Quantities of animal and hazardous waste in kilograms

Type of waste	2021	2022
Animal origin waste	1,098	1,772
Hazardous plastic packaging	48	52
Total waste	1,146	1,824

In 2022, a total of 1,772 kg of waste of animal origin was collected and handed over for incineration, which is a 61% increase compared to the previous year, when 1,098 kg of this type of waste was handed over for incineration. Additionally, 52 kilograms of hazardous plastic pesticide packaging waste was handed over for disposal, representing an 8.3% increase compared to 2021.

Sanitary inspection oversees the regular collection and disposal of hazardous waste.

Waste generated from hospitality activities

Pločanska plovidba d.o.o. carries out its business activities via the Nautical Sector and the Hospitality Sector. The Hospitality Sector includes two departments: the Hospitality Department and the Ship Supply Department, which generate significant amounts of mixed municipal waste, paper waste and waste oils as part of their service provision, and these waste types are separated at source.

Electronic waste is usually generated during the maintenance of boats and machinery or due to their decommissioning.

Quantities of handed-over waste generated by Pločanska plovidba d.o.o.

Types of waste	MU	2021	2022
Paper	tonnes	3.168	3.323
Waste cooking oil	litres	420.0	480.0
Electrical and electronic waste	tonnes	0.470	0.0
Mixed municipal waste	tonnes	23.760	24.948

In 2022, a total of 24.9 tons of mixed municipal waste, 480 litres of edible oil and 3.3 tons of paper waste were handed over for disposal.

Measures to reduce waste generated from hospitality activities

Measures for reduction of waste include packaging fruits and vegetables in recycled paper and delivering food in returnable packaging in order to minimize unnecessary waste accumulation.

Noise

According to the Noise Protection Act (OG 30/09, 55/13, 153/13, 41/16, 114/18, 14/21), environmental noise refers to unwanted or harmful outdoor sound created by human activities, including noise emitted by maritime traffic. In 2019, at the request of the Ploče Port Authority, the Institute of Public Health of Split-Dalmatia County performed environmental noise measurement at the bulk cargo terminal, which was put into operation that year.¹⁴

The assessed equivalent noise level originating from the use of the bulk cargo terminal in the Port of Ploče, measured in outdoor areas, complies with the day, evening and night-time noise requirements set by the Regulation on the Maximum Permitted Noise Levels in the Environment in Which People Work and Live (OG 145/04).

Reports for other years are not available.

Sediment testing

The Port Authority also monitors the condition of seabed sediment at the Port of Ploče container terminal. Sediment testing was performed in October 2022 by Zadar Public Health Institute, Department of Environmental Protection and Health Ecology, on samples from two stations (PLS-01 at a depth of 20 m and PLS-02 at a depth of 11.5 m).

Values for polycyclic aromatic hydrocarbons at station PLS-01 were within the limits that would, according to the standards of Norway and Sweden, classify the sediment into Class 2, while values from station PLS-02 would be classified as Class 1 according to the same standards and indicators. According to the value measured for benzo(a)pyrene, monitoring station PLS-01 corresponds to Class 2, while the values at monitoring station PLS-02 correspond to Class 1.

As stated in the conclusion, the measured quantities of metals at the monitoring stations are below the values that would classify the sediment into Class 1 according to the standards of Norway and Sweden. This confirms the findings of the Environmental Impact Assessment drawn-up for purposes of the project of modification of liquid cargo terminals in the Port of Ploče (2017), where the implemented mathematical analysis (p. 331) indicated that the amount of released copper would not have a significant impact on the environment.

¹⁴ https://www.ppa.hr/hr/wp-content/uploads/2016/04/TRT_buka_2019.pdf



Consumption of energy products

Electricity

The Luka Ploče Group uses electricity for transshipment of cargo via electric cranes, for heating and lighting in buildings, as well as for lighting in warehouses and outdoor areas.

Total electricity consumption in 2022 at the Group level amounted to 6,670,545 kWh, of which 4,280,036 kWh pertains to activities of Luka Ploče covered by the ISO 50001 energy management system (heavy machinery, bulk cargo terminal and silo).

Electricity consumption by consumer in kWh

	2021	2022	Difference in consumption %
Heavy machinery	1,907,976	1,310,330	-31.3%
BCT	1,420,260	2,696,901	89.9%
Silo	613,623	272,805	-55.5%
Total electricity	3,941,859	4,280,036	8.6%

Total electricity consumption per consumer in 2022 increased by 338,177 kWh or 8.6% compared to 2021, primarily due to the increased traffic at the bulk cargo terminal and the use of electricity during transshipping activities, which also resulted in an increase in electricity consumption by 1,276,641 kWh or 89.9%.

Energy management performance indicators (EnPI) are monitored as part of the ISO 50001 energy management system implemented in Luka Ploče. They are measured per ton of transhipped goods and per working hour of machinery groups.

Average electricity consumption of all electricity consumers per ton of transhipped goods (EnPI-7) in 2022 was 2.3 kWh (2.14 kWh/t in 2021).

Average electricity consumption of all consumers per working hour of machinery groups (EnPI-8) in 2022 was 436.09 hours (198.23 hours in 2021). The significant increase in electricity consumption per working hour of machinery groups was influenced by the increase in traffic and increased frequency of using electricity-powered machinery/cranes/facilities compared to the previous year. In addition to that, whenever possible, electricity is used for the operation of hybrid cranes due to several aspects: lower CO₂ emissions, lower fuel consumption, lower load on machinery and easier maintenance.

In contrast to the increase in electricity consumption per ton of transhipped goods, the quantity of **unloaded goods per shift has significantly increased**, thus indirectly reducing ship unloading time.

Fuels

In terms of port operations, fuels are mainly used for the operation of light and heavy machinery, as well as for internal transport (forklifts, loaders, tractors, trucks, mobile cranes, bulldozers, rail car towing, container haulers) and other maintenance machinery and equipment. These activities are also monitored as part of the ISO 50001 energy management system.

Fuel consumption by consumers in litres

	2021	2022	Difference in consumption %
Light machinery	464,096	466,291	0.5%
Heavy machinery	134,753	257,893	91.4%
Total fuel	598,849	724,184	20.9%

Compared to the previous year, fuel consumption in 2022 increased by 125,335 litres or 20.9%, primarily due to a significant increase in the quantity of goods transhipped.

Total fuel consumption in litres per ton of transhipped goods (EnPI-5) was 0.17 l/ton (0.17 l/ton in 2021).

Total fuel consumption of all consumers per working hour of machine (EnPI-6) was 14.6 l/hour (20.33 l/hour in 2021).

Activities aimed at reducing energy requirements

- All new equipment that has replaced the old one has a lower CO₂ footprint and it also includes improved safety devices and equipment intended for operators and other employees involved in port operations.
 - Active investing in hybrid cranes that are predominantly electricity-driven.
 - Equipment with a lower CO₂ footprint has been procured for internal transport purposes.
- Installation of electricity meters for major bulk cargo terminal consumers.
- New waterfront electrification was carried out at the new Bulk Cargo Terminal and on piers 1, 2, 3 and 5, which facilitated handling operations and raised the level of safety.
- The truck and train weighbridges were digitalized, resulting in faster weighing processes and reduced fuel consumption.

Ratio of energy sources and consumers in transferred tons

	Transferred tons	Share %	Consumed kWh / l
Heavy machinery / kWh	420,960	7.04	1,310,330
BCT / kWh	1,320,771	22.08	2,696,901
Silo / kWh	85,341	1.43	272,805
Electricity / kWh	1,827,072	30.55	4,280,036
Light machinery / l	3,830,080	64.03	466,291
Heavy machinery / l	324,940	5.43	257,893
Fuel / l	4,155,020	69.46	724,184

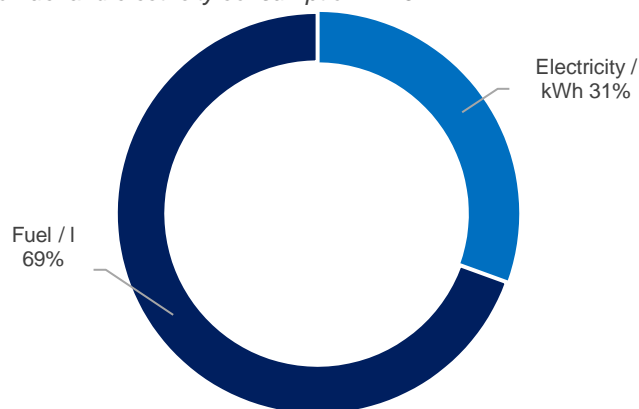
When taking into consideration the total transferred tons of goods in 2022, the share of fuel consumption was 69.45%, while the share of electricity consumption was 30.55%.

As part of energy consumption optimization measures, energy performance is taken into account when procuring handling machinery and equipment.

Installation of fuel consumption meters in machinery and cargo handling devices is also planned. Installing meters will allow for obtaining of accurate data regarding consumption of levels of each machine, making it easier to identify machines with poor energy performance that need to be replaced.

Among other investments, activities initiated in 2022 included the installation of a solar power plant at the bulk cargo terminal and of roof-mounted photovoltaic power plants with a capacity of 803 kW, as well as investments in cranes.

Share of fuel and electricity consumption in 2022



Significantly reduced share of intra-port handling in total quantities of cargo handled

In 2022, light and heavy machinery, along with silos and BCT, transferred a total of 5,982,094 tons of goods, of which 5,566,686 tons were commercial tons, and 415,408 tons are related to intra-port handling (transferring) of goods.

The share of intra-port handling in the total quantity of goods handled in 2022 was 7.5%, which is **significantly lower** compared to previous years when it was approximately 30%, for the most part due to significant intra-port handling of bulk cargo.

With the new bulk cargo terminal operating at full capacity, transferring of goods within the port has been reduced to an acceptable level. Along with a significant reduction in costs pertaining to transshipment of the most represented groups of goods in the bulk cargo port, greenhouse gas emissions have also been reduced



Greenhouse gas emissions

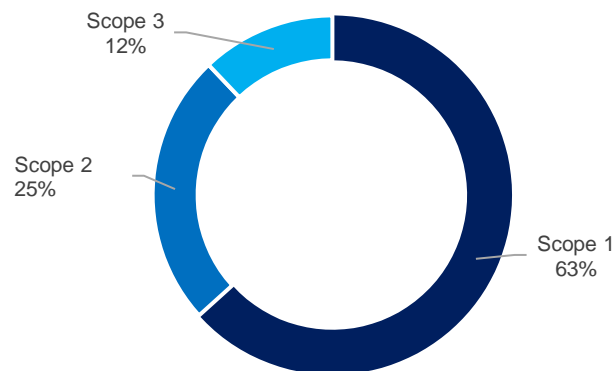
Detailed analysis of greenhouse gas emissions, i.e., of carbon footprint, is crucial for directing the efforts of Luka Ploče Group towards decarbonization. In parallel with the activities of drawing-up of this Report, Luka Ploče, in collaboration with the Energy Institute Hrvoje Požar, conducted a *Carbon Footprint Analysis and Proposal for Reducing Greenhouse Gas Emissions*. The study was conducted in May 2023 (study code STU-2023-230008-1/1) for baseline year 2022.

For the needs of Luka Ploče Group, a greenhouse gas inventory was made for the first time in accordance with the Greenhouse Gas Protocol and ISO 14064-1:2018. Greenhouse gas emissions for 2022 were calculated.

The calculation included the following emission groups:

- Direct emissions resulting from fuel combustion in stationary and mobile energy sources, as well as emissions resulting from refrigerant losses in cooling systems (Scope 1),
- Indirect emissions generated outside the company's premises and associated with electricity consumption (Scope 2); and
- Emissions resulting from ship manoeuvring and anchoring activities in terminals, as well as from transport of cargo by trucks within the administrative boundaries of Luka Ploče Group (Scope 3).

The share of Scope 1, 2 and 3 in the total emissions of Luka Ploče in 2022.



Total emissions of Luka Ploče Group in 2022 amounted to **3,548.6 t of CO₂e**, with an estimated calculation uncertainty of $\pm 8.38\%$.

Specific greenhouse gas emissions per employee in 2022 are calculated by dividing total emissions by the total number of employees, and they amount to 7.4 t CO₂e/employee.

The largest contribution to the carbon footprint was made by direct emissions from mobile energy sources (61.2%), followed by direct emissions from stationary energy sources (24.6%) and indirect emissions associated with the input of fuel and energy (12%). They are followed by emissions resulting from the input of energy (1.6%), fugitive emissions (0.4%) and other indirect emissions (0.1%).

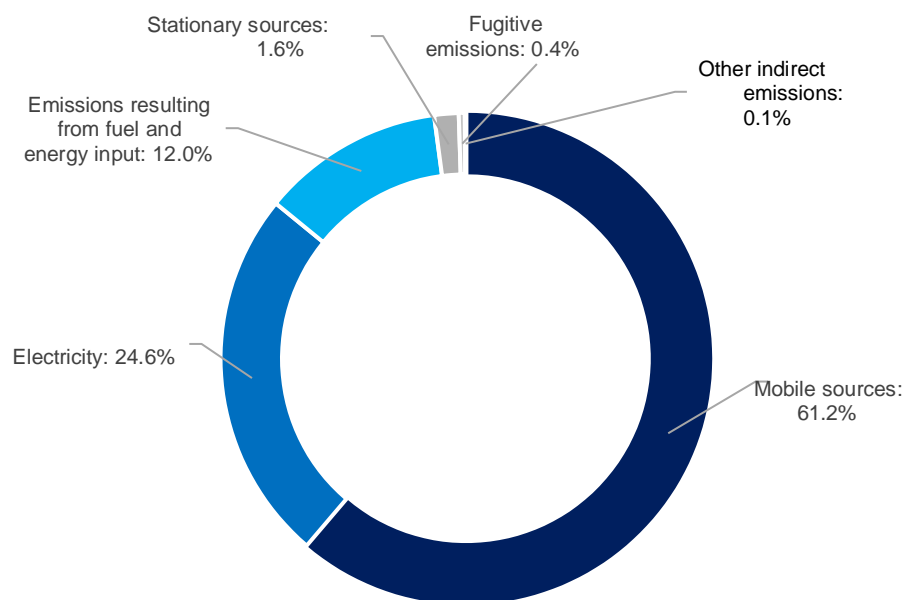
Greenhouse gas emissions were calculated for all three scopes for Luka Ploče Group as defined by the GHG Protocol. An overview of emissions in 2022 is provided in the table below.

Scopes	Sources	Emissions (t CO ₂ e)	Contribution %
Scope 1	1-1 Stationary energy sources	56.1	1.6%
	1-2 Mobile energy sources	2,173.4	61.2%
	1-4 Fugitive emissions	15.8	0.4%
	TOTAL Scope 1	2,245.4	63.3%
Scope 2	2-1 Purchased electricity	873.8	24.6%
	TOTAL Scope 2	873.8	24.6%
	TOTAL Scope 1 and 2	3,119.2	87.9%
Scope 3	3-3 Input of fuel and energy (not included in Scopes 1 and 2)	424.7	12.0%
	Other indirect emissions	4.6	0.1%
	TOTAL Scope 3	429.4	12.1%
	TOTAL Scope 1, 2 and 3	3,548.6	100.0%

Long-term goal of Luka Ploče Group is to achieve carbon neutrality by 2050. To achieve this long-term goal, it is necessary to implement measures for reducing greenhouse gas emissions at the company's locations of operation and achieve a significant carbon footprint reduction, whereas the remaining emissions can be offset by purchasing carbon offset credits.

Carbon footprint calculation is the first step necessary for defining the Carbon Footprint Management Strategy and Proposal for Reducing Greenhouse Gas Emissions.

Contribution of individual sources to the carbon footprint:



After calculating the carbon footprint and developing the Strategy, the next important step is implementation of measures. Only the implementation of measures can result in a reduction in greenhouse gas emissions and ultimately the fulfilment of obligations and achievement of climate neutrality by 2050.

Calculating and reducing the carbon footprint of businesses is part of the solution to mitigate climate change.

The GHG Protocol for businesses defines three scopes. For Luka Ploče Group, greenhouse gas emissions were calculated for all three scopes. They cover the following activities:

- Direct emissions from stationary energy sources - Scope 1
- Direct emissions from mobile energy sources - Scope 1
- Fugitive emissions - Scope 1
- Indirect emissions associated with electricity consumption - Scope 2
- Indirect emissions related to fuel and energy consumption, not included in scopes 1 and 2 - Scope 3
- Other indirect emissions - Scope 3

Mapping of economic activities of the Luka Ploče in accordance with EU Taxonomy

As part of the preparation of its first sustainability report, Luka Ploče conducted a mapping of its economic activities for 2022 based on the criterion of eligibility (being covered by Commission Delegated Regulation (EU) 2021/2139), which means that it has been determined that it qualifies as being able to contribute to the goals of climate change mitigation and adaptation. However, at this stage, the test of compliance with the technical criteria of the Delegated Regulation, which assesses whether the mapped economic activities contribute to climate change mitigation or adaptation and meet the “Do No Significant Harm” criteria for the remaining five environmental objectives and minimum safeguards, has not been conducted for these economic activities.

Only after this test is conducted, Luka Ploče will have comprehensive information on the share of revenue, capital expenditure (CapEx) and operating expenses (OpEx) incurred through the performance of the taxonomy-aligned (environmentally sustainable) economic activities (key performance indicators).

The taxonomy is a unique classification system, or “green list”, of economic activities with key criteria for assessing their contribution to achieving six environmental objectives. This system is defined within the Taxonomy Regulation (Regulation (EU) 2020/852).

The following environmental objectives are defined by the taxonomy, with a special emphasis on achieving the first two environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

In order for an economic activity to be aligned with the taxonomy, it must meet the following criteria:

- Make a substantial contribution to at least one environmental objective
- Not cause significant harm to the remaining environmental objectives based on the technical criteria of verification defined in delegated regulations
- Be implemented in accordance with minimum social and governance safeguards.

The mapping of economic activities of Luka Ploče was conducted as follows:

- All currently performed activities were analysed and then mapped according to the European Classification of Economic Activities (NACE), which serves as the basis for defining economic activities in the taxonomy.
- Key performance indicators (revenue, CapEx, OpEx) were calculated for the mapped economic activities based on their eligibility, as well as overall key performance indicators for all mapped economic activities.
- Taxonomically non-eligible economic activities were identified, and the share of these economic activities at the Group level was calculated.

Share of taxonomically eligible activities of Luka Ploče Group:

No.	ACTIVITY	NACE	REVENUE	%CAPEX	%OPEX
A	ELIGIBLE ACTIVITIES		38.09	100.00%	27.18%
	6.10. Sea and coastal freight water transport, vessels for port operations and auxiliary activities	H50.2, H52.22, N77.34	37.37%	84.34%	27.17%
1	6.11 Sea and coastal passenger water transport	H50.10, N77.21, N77.34	0.62%	15.42%	0.01%
2	5.5. Collection and transport of non-hazardous waste in source segregated fractions	E38.11	0.10%		
B	NON-ELIGIBLE ACTIVITIES		61.91%	0.00%	72.82%

Note: The term “taxonomy non-eligible activities” pertains to activities that are not covered by delegated regulations of the EU. EU Taxonomy prioritizes sectors with the largest contribution to greenhouse gas emissions, such as forestry, energy, manufacturing, transport and building sector. These include economic activities that encompass around 40 percent of companies and sectors that produce nearly 80 percent of direct greenhouse gas emissions in the EU. The transformation of economic activities in these sectors is essential for achieving the climate targets of the European Union.

Eligible activities of Luka Ploče pertain to transportation and transshipment of containers (and other cargo) and related services. For logistics and services, eligible activities include road and rail freight transportation, intermodal transportation and services, as well as land infrastructure such as warehouses and distribution centres.

At terminals and in transshipment, all operations are considered eligible, as they are seen as infrastructure supporting maritime transport.

The taxonomy non-eligible activities of Luka Ploče mainly relate to the purchase and sale of goods and the procurement of fuel for ships.

Parameters and methodology used

The following parameters were taken into account in assessing the materiality threshold of individual economic activities:

- The same materiality threshold as described in the Company's accounting policies and consolidated financial statements was used.
- The share of each item in total revenues, CapEx, and OpEx of the Group was calculated using the following methodology (based on data availability):
 - **The revenue share** was calculated as the portion of net revenues generated from services, including intangible assets, associated with the respective economic activities (numerator) divided by the total net revenues of the group (denominator). The accounting period is from 1 January 2022 to 31 December 2022.
 - **The OpEx share** was calculated as the portion of adjusted expenses incurred from service provision, associated with the respective economic activities (numerator) divided by the total adjusted operating expenses of the group (denominator). In the calculation of adjusted operating expenses, deductions for depreciation and impairment expenses were applied. The accounting period is from 1 January 2022 to 31 December 2022.
 - **The CapEx share** was calculated as the portion of investments associated with the respective economic activities (numerator) divided by the total investments of the group (denominator). Existing accounting policies for investments in fixed assets were used to calculate this data. The accounting period is from 1 January 2022 to 31 December 2022.

Key performance indicators demonstrate that Luka Ploče has significant potential to contribute to the green transition, with 38% of revenues, 27% of OpEx, and 100% of taxonomically eligible CapEx.

However, as previously emphasized, this information is not yet complete until Luka Ploče undergoes the next phase of testing the compliance of mapped economic activities against technical verification criteria and minimum social and governance safeguards. Once the analysis of taxonomic compliance of the Company's activities is conducted in the next reporting period, conditions will be created for expanding compliant activities and/or aligning eligible activities with the technical criteria of the taxonomy.





LUKA PLOČE



5

Our employees

Management approach

Employees' dedication to their work, organization and goals of Luka Ploče and its subsidiaries are the foundation of business success and a prerequisite for a sustainable future. Through the development of human potential, we aim to create a working environment and conditions in which every employee has the opportunity for personal and professional growth.

In line with the mission of Luka Ploče, special attention is given to employee training and development. The Group recognizes the invaluable capital of the collective employee experience and knowledge, and the sharing of such expertise is highly beneficial and necessary for the quality performance of tasks.

Considering the nature of its activities, Luka Ploče places great emphasis on occupational health and safety, working conditions and the tools employees use in their work. The Group fulfils all legal obligations regarding training, certification and education of workers. The Group also enables employees to improve their skills and personal development.

The fundamental organizational values, ethical principles and standards of business conduct are laid down in the Code of Business Conduct, which all employees are obligated to adhere to, regardless of their position in the organization.

In order to enhance the social and economic security of workers, as well as the development and economic prosperity of the Company, Luka Ploče signs a collective agreement with the Independent Union of Employees of Luka Ploče every four years, and that agreement applies to all employees of the Company.

Employee structure

In 2022, Luka Ploče Group employed a total of 476 workers, which is 25 or 5.5% more compared to 2021. The proportion of women in the employee structure is 21%. The low representation of women in the workforce is specific to this economic sector, as port operational positions, traditionally associated with so-called male occupations, dominate. One of the initiatives of the World Port Sustainability Program under the UN's Sustainable Development Goal- Gender Equality is to

train and employ a greater number of women in port operational positions (e.g., crane operators) and take measures to make the port working environment more attractive to women.

On the other hand, with a high representation of women (50%) in the Company's Management Board, Luka Ploče is far above the Croatian average (20.3% according to the SELECTIO index of women's representation in company management in 2022).

Employee structure by gender in 2022

	M	F	Proportion of women
Company's Management Board	1	1	50%
Directors of subsidiaries	3	1	25%
Directors of sectors/ departments	5	2	29%
Managers	37	7	16%
Other employees	332	87	25%
TOTAL	378	98	21%

The proportion of women in director positions of subsidiary companies is 25%, in positions of sector and department directors it is 29%, whereas for department managers, the proportion of women is 16%. Overall, when considering all managerial positions, the proportion of women in the Group is 19%.

Employee structure by type of employment contract in 2022.

	Fixed-term	Open-ended
Luka Ploče d.d.	1	394
Pomorski servis d.o.o.	1	33
Luka Šped d.o.o.	2	11
Pločanska plovidba d.o.o.	12	22
TOTAL	16	460

Out of the total number of employees, 16 or 3.36% have a fixed-term contract, whereas 96.64% have an open-ended contract. The Group has no workers who are not employed with the relevant company.

We respect personal integrity and personality, appreciate and promote diversity as a source of talent, creativity and experience. We do not tolerate any form of discrimination.

What is important?

- Working conditions, health and safety in the workplace
- Adequate pay and job security
- Training and skill development
- Work-life balance
- Gender equality and equal pay for same-value work
- Social dialogue and collective bargaining
- Gender-neutral employment and remuneration policies

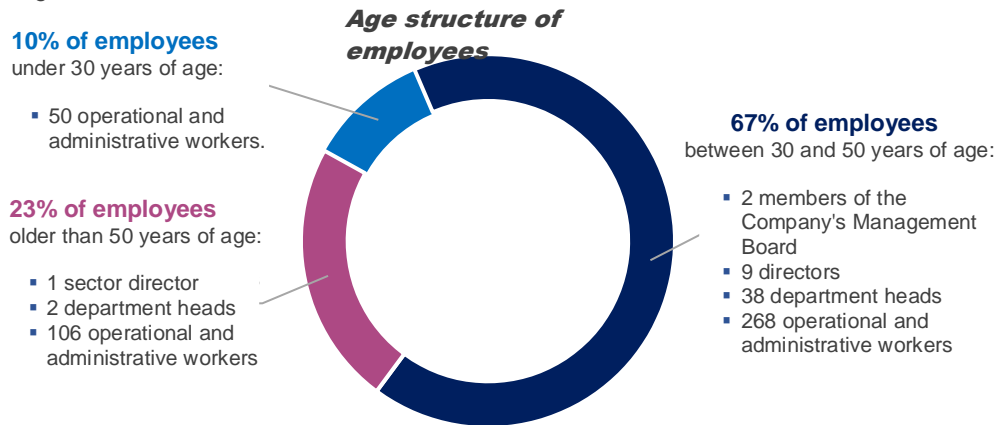


Goals:

- Defining a good minimum wage for port workers
- Striving for a healthy and safe working environment for everyone
- Constructive dialogue between employers and employees.
- Open dialogue and collaboration with all stakeholders.
- Transparent internal and external communication.

Age structure of the employees

In terms of age structure, the majority of employees, 317 or 67%, are between the ages of 30 and 50, while 109 or 23% are older than 50, and there are 50 employees, or 10%, who are younger than 30.



Salaries

The minimum contracted gross salary is determined in accordance with the legal regulations on the minimum wage and it amounted to HRK 4,687.50 in 2022. The gross salary is increased by allowances for working in the second and third shifts, overtime work, work on Saturdays, Sundays and holidays. In 2022, the average gross salary was HRK 11,360, which was 8.2% higher compared to 2021, when it amounted to HRK 10,500.

The increase in the costs of total salaries primarily reflected a significant increase in workload and turnover, which increased by 42%. Additionally, in December 2022, all employees received a performance bonus of HRK 7,500, a Christmas bonus of HRK 1,000 and a gift in kind worth HRK 600.

Social dialogue

The rights and obligations of the employees of Luka Ploče are determined by a collective agreement that is concluded for a period of four years between Luka Ploče as the employer and the Independent Union of Employees of Luka Ploče as the workers' representative body. A new collective agreement was signed in March 2022 and it increased the benefits of all Luka Ploče employees.

The collective agreement also defines the establishment of an employment relationship, where the priority is to conclude an open-ended employment contract and only in exceptional cases, as provided by the Labor Act, can an employment contract be concluded for a fixed term. It also defines the employer's obligation to submit proposals for decisions that will be considered or made by the employer and are of importance for the economic and social position of the workers. The deadline for providing this information is defined by the Labor Act (Article 150).

Subsidiary companies are not signatories to the collective agreement, but their employees are entitled to the same rights based on those companies' work policies that are aligned with the collective agreement of Luka Ploče.

Employee benefits

Based on the collective agreement, employees have the right to be exempt from work obligations with compensation (paid leave) in the following cases:

- | | |
|-----------------|--|
| 1 working day: | <ul style="list-style-type: none"> ▪ relocation within the same town or village ▪ each voluntary blood donation |
| 2 working days: | <ul style="list-style-type: none"> ▪ marriage ▪ childbirth ▪ relocation to another town or village |
| 3 working days: | <ul style="list-style-type: none"> ▪ death of the parents of the spouse, grandparent, sibling |
| 4 working days: | <ul style="list-style-type: none"> ▪ major accident in the immediate family (house fire, serious traffic accident). |
| 5 working days: | <ul style="list-style-type: none"> ▪ death of a spouse, child, or parent ▪ serious illness of a close family member (spouse, parents, children) in the place of residence. |

The collective agreement also provides for support equivalent to the maximum tax-exempt amount according to the Personal Income Tax Ordinance in the following cases:

- death of a family member living in the same household
- employee's disability over 50%,
- childbirth
- more than 90 days consecutive sick leave.

Employees are entitled to a years-of-service award for continuous work with the employer equivalent to the maximum non-taxable amount according to the Personal Income Tax Ordinance (10 years' service the first years-of-service award for and every subsequent 5 years thereafter), and they also have the right to severance pay.

The new collective agreement also provides for the following benefits:

- Employees whose actual place of residence is more than 5 km away will receive an increased transportation allowance (increased from HRK 0.75/km to HRK 0.90/km) for commuting to and from work;
- Employees whose actual place of residence is less than 5 km away will receive a net allowance of HRK 200.00;
- The right to a meal allowance in the amount of HRK 300.00 per month has been introduced;
- The employer is obligated to provide an Easter bonus and a Christmas bonus in the minimum amount of HRK 500.00 up to the maximum non-taxable amount according to the Personal Income Tax Ordinance;
- The employer is obligated to provide gifts for the children of employees (up to the age of 15) in an amount of at least HRK 400.00 up to the maximum non-taxable amount according to the Income Tax Ordinance.

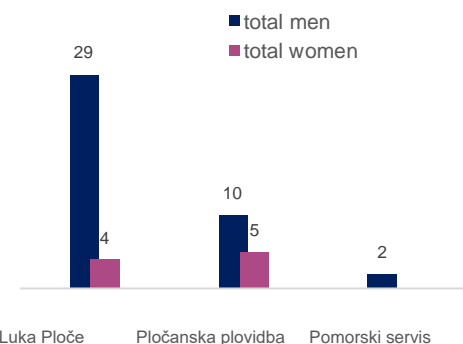
The collective agreement also provides for the right of employees to receive a reward in the form of an incentive of up to 30% of their gross salary payable for hours worked in the current month. It is paid based on the employer's decision to employees who have performed regular and extraordinary work tasks to an extent and quality that exceeds the usual results.

Employee turnover and rate of new employee hires

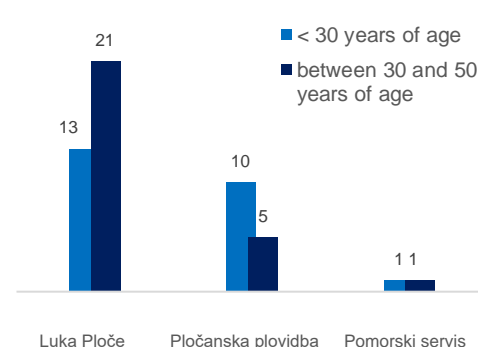
In total, 61 new employees were hired within the Group in 2022, including 50 in Luka Ploče d.d., 15 in Pločanska plovidba d.o.o., and 2 in Pomorski servis d.o.o. The percentage of women among the newly hired employees was 13.4%. The rate of new employee hires was 10.5%. Out of the total number of employees, 29 or 43.3% are younger than 30 years of age, 34 or 50.8% are between 30 and 50, and 4 or 5.9% are older than 50 years of age.

During the same period, 42 employees left the Group. Employee turnover rate was 8.8%. This was mostly voluntary employee turnover.

New hires by gender



New hires by age structure



Parental leave

In 2022, 88 employees had the right to parental leave. Out of that, 84 were women, accounting for 95.5%, and 4 were men, accounting for 4.5%. Twelve employees, eight women and four men, exercised their right to parental leave.

All employees have the right to return to their job positions after the expiration of parental leave.

During the reporting period, three women and three men returned to their job positions after completing parental leave and remained employed in their respective positions.

Pension plan

As part of its regular operations, the Group makes regular contributions on behalf of its employees who are members of mandatory pension funds, in accordance with the law. The Group does not have an additional pension plan and, apart from regular contribution payments, has no other obligations related to employee pensions. There is also no obligation to provide any other income to employees after their retirement.

Employees who retire are entitled to a one-time compensation (severance pay) of up to six average monthly salaries (gross) earned by the employee in the three months prior to retirement.

Training and education

Luka Ploče places special emphasis on the education and development of its employees. Experience and knowledge are monitored and valued, and their sharing is encouraged as a useful and necessary prerequisite for quality job performance. Employees are provided with opportunities for improvement to enhance their competencies and achieve personal development.

Considering the nature of company activities, regular training on occupational safety, safe working conditions and the use of personal protective equipment is conducted, and occasional certification programs are also implemented.

In 2022, a total of 20,559 hours of training and education were carried out in Luka Ploče, averaging 44 hours per employee, with a total expenditure of HRK 199,979.22. A total of 90 employees participated in the training, of which 14 were women and 76 men. Training programs were conducted for operators of forklifts, loaders, backhoe excavators, gantry crane and bridge crane operators, mobile crane operators and excavators, and for stevedores. The training primarily focused on areas such as labour law, occupational health and safety, and employee privacy protection. Webinars were also organized on topics including income taxation for foreigners and income of residents earned abroad, ISO 50001:2018 internal auditor course, and GDPR - Data Protection Officer.

Training in Luka Šped is related to continuous keeping up-to-date with regulations, while Pločanska plovidba has an internal program for introducing newly hired employees to their job positions, work processes and fundamental organizational documents. Paid external training services are organized for boat skippers (B and C categories) and for diving courses.

Furthermore, all employees have undergone training in safe work practices in accordance with the Occupational Health and Safety Act. *For more information, please refer to the next page.*

Employee reward policy

Luka Ploče rewards managers and workers with monthly incentives, depending on their work performance, thereby encouraging greater engagement and better results. In 2021, Luka Ploče had a total of 395 employees, out of which 219 received incentives. The percentage of incentivised employees in relation to the total number of employees was 55.44%, with 12.32% of women and 87.67% of men receiving incentives. Subsidiary companies do not have a separate employee reward policy.

All employees of the Group received rewards for their work performance.

At Luka Šped, all employees undergo a performance evaluation. It is a small team where the executive director is involved in all processes and provides direct feedback to employees. This includes praise for well-executed tasks, as well as suggestions for improvement when necessary.

Occupational health and safety

Luka Ploče has established an occupational health and safety management system in accordance with the Occupational Health and Safety Act. This includes risk assessment for all job positions, training in safe work practices, the right of workers to refuse work in any process if their health or safety is at risk, and the nomination of workers' representatives for occupational health and safety. Through risk assessment, specific job positions have been identified that are exposed to increased risks and that require special measures, protection and periodic medical examinations.

The processes used to identify workplace hazards and assess risks are described in an information booklet that outlines steps and procedures to be followed in case of emergencies (so-called Info Book). The quality of health and safety protection processes is ensured through work instructions for safe work practices for each process, as well as through training for workers and representatives in safe work practices. Instructions for safe work practices for each process are periodically updated and improved. In the event of workplace accidents, the occupational safety specialist, together with the managers, conducts investigations to determine the cause of the accident and proposes corrective actions to prevent recurrence. Confidentiality of personal information related to workers' health issues is ensured in accordance with regulations governing this area. The organization has minimal access to data related to workers' health status, which is solely linked to the assessment of fitness (fit, unfit or temporarily unfit). The occupational health clinic has complete access to health information and provides the employer with only the assessment of fitness.

Election of representative

Through workers' elections, employees elect an occupational safety representative every four years. The representative is a member of the occupational health and safety committee and is responsible for maintaining regular contact with the occupational health and safety department, addressing issues faced by the employees, suggesting system improvements and discussing them with employees. The Occupational Health and Safety Committee meets every six months. Its proposed decisions are sent for adoption to higher management bodies.

Training in safe work practices

All employees receive training related to health and safety in the workplace. At Luka Ploče, employees undergo training to obtain certifications for specific job positions, which includes basic occupational health and safety training. When hiring new employees, additional training is provided for safe work practices specific to their job positions. Occupational health and safety specialists are continuously present in the field and provide guidance to workers through formal and informal means, by highlighting correct work methods and opportunities for improvement.

In 2022, training in safe work practices was organized for 154 employees, with a total duration of 616 hours. This training included 25 women (100 hours) and 129 men (516 hours).

Additionally, training for 12 participants was organized for authorized employer's representatives for occupational health and safety, with a total duration of 98 hours.

Work-related injuries

A total of 16 work-related injuries were recorded in 2022. These mostly included contusions and crush injuries. A total of 8,416 hours were lost due to these workplace injuries.

Occupational health and safety system at Luka Šped d.o.o.

Due to its size, Luka Šped is not obligated to have an Occupational Health and Safety Committee, so all communication connected with occupational health and safety is done directly with the company's director. Luka Šped has engaged an external company to conduct risk assessment. The relevant document was prepared in May 2020. The risk assessment has shown that there are no workplace-specific hazards. All employees of this company have undergone fire safety training



6

Governance

Corporate governance

Luka Ploče, together with its subsidiary companies, develops and operates in accordance with high corporate governance standards. In its operations, Luka Ploče applies the principles laid down by its own Code of Business Conduct, which was adopted in 2008 with the aim of further strengthening and establishing high corporate governance standards. The Code of Business Conduct of Luka Ploče defines corporate governance procedures to protect shareholders, employees, the company's elected and appointed responsible persons, as well as all other stakeholders, through good and responsible management and supervision of the company's business and managerial functions.

The company is a listed issuer on the domestic capital market and adheres to the Corporate Governance Code of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA). The company implements legally prescribed corporate governance measures and provides detailed information on this in the annual questionnaire, which is published on the Zagreb Stock Exchange website at <https://zse.hr/> in accordance with regulations.

Governance structure

The corporate governance structure of Luka Ploče is defined by the Companies Act and by the Articles of Association of Luka Ploče. It is based on the dualistic principle, which involves a Supervisory Board and the Management Board, representing - together with the General Assembly - the fundamental organs of the company.

Subsidiary companies are managed by the directors of those companies, whose work is supervised by the Assembly consisting of the Management Board of Luka Ploče d.d.

Company's Management Board

The management of Luka Ploče is carried out by the Management Board, consisting of two members: the President of the Management Board, Hrvoje Livaja, and member of the Management Board for Finance, Daniela

Fundamental principles of Luka Ploče d.d.'s Code of Business Conduct

- Transparency of operations
- Clearly defined procedures for the work of the Supervisory Board, Management Board and other bodies and structures that make important decisions
- Conflict of interest avoidance
- Efficient internal control
- Efficient accountability system

Marelič. Members of the Management Board are appointed by the Supervisory Board for a term of 5 years, with the possibility of recall and reappointment.

The members of the Management Board are executive members and they are independent, representing the company individually and independently. The highest governance body is the President, who is also the highest executive director in the company. Decisions of the Management Board are made by a simple majority of the votes cast by the members of the Management Board. In case of a tie, the deciding vote is cast by the President of the Management Board.

The Management Board of Luka Ploče is authorized to manage the company's business in accordance with the Articles of Association, instructions of the Supervisory Board, and instructions and decisions of the General Assembly. It manages the operations, determines the business policy of the company, develops work plans and programs, and issues acts and decisions in the field of the company's business activities. It decides on all employment-related matters, takes measures to eliminate and limit risks arising from the company's operations, has the authorization to adopt the company's financial books and performs other tasks prescribed by the Act, Articles of Association, employment contracts and the Rules of Procedure of the Management Board.

Members of the Management Board do not hold positions in other management or supervisory bodies of other companies.

In addition to daily communication on topics of exceptional importance for the company's operations, the Management Board holds regular meetings with sector directors, directors of subsidiary companies and other key process holders in the Group. These meetings serve to communicate information of exceptional importance for the company's operations, as well as other information related to ongoing business activities.

Management Board Members' Remuneration Policy

The Supervisory Board has adopted, and the General Assembly has confirmed, the remuneration policy for members of the Management Board, which defines that the total remuneration of the Management Board members consists of a fixed and variable component, as well as other benefits.

The ratio between the fixed and variable components of total remuneration for all members must be appropriate, meaning that the net annual amount of the variable component does not exceed the sum of the average of 24 net salaries paid in the previous year. The fixed component of the Management Board members' remuneration represents a non-negotiable part defined in the contract that the Company, represented by the Supervisory Board, concludes with the members of the Management Board.

Fixed remuneration includes payments or benefits to the Management Board members, which, among other, are based on predetermined criteria reflecting the member's level of professional experience, the purpose and complexity of the job, key areas of work, level of authority and responsibility, education required for the job, position in the organizational structure and impact on the Company's operations. They are transparent when it comes to the individual amount awarded to each member of the Management Board and are not solely dependent on performance.

Variable remuneration is intended to reward the Management Board member's work performance, which is determined based on the achievement of financial and non-financial goals of the Company. The goals are defined by the Supervisory Board in advance, usually for each fiscal year.

Management Board structure



Hrvoje Livaja,
President of the Management Board

Hrvoje Livaja, President of the Management Board of Luka Ploče d.d., graduated from the Faculty of Economics at the University of Zagreb in 2007, with a specialization in Finance. He started his professional career at the audit firm Deloitte, where he obtained the position of senior manager.

In 2012, he became a project manager at the Centre for Monitoring Business Activities in the Energy Sector and Investments, where he monitored the investments of all public companies and reported to the Government of the Republic of Croatia. From November 2013, he held the position of President of the Supervisory Board of HŽ Cargo, and a few months later, he also became a member of the Management Board of Luka Ploče d.d.. Furthermore, he continued his career as an advisor to the Minister of Maritime Affairs, Transport and Infrastructure. In addition to the aforementioned position, he was a member of the following supervisory boards: President of the Supervisory Board of Hrvatske autoceste d.o.o. and a member of the Supervisory Board of HŽ Putnički Prijevoz d.o.o.

In 2016, he took on the role of Executive Director for Logistics at ENNA Group.

After February 2018, he served as an advisor to the Management Board of Luka Ploče d.d. On 27 December 2018, by unanimous decision of the Supervisory Board of Luka Ploče d.d., he was appointed as the new President of the Management Board of Luka Ploče d.d., effective as of 1 February 2019.



Daniela Marelić,
Member of the Management Board for Finance

Daniela Marelić is a certified Chartered Accountant [CA (SA)] and a “Commissioner of Oaths” in South Africa. She graduated in 2007 from the University of Witwatersrand, specializing in financial and managerial accounting, taxation, and auditing.

She began her professional career in 2008 at the audit firm PricewaterhouseCoopers South Africa, where she spent 12 years in the Banking and Capital Markets division (audit and assurance), having worked primarily in Johannesburg, as well as New York City, London and the rest of Africa region. In June 2019, she continued her career in the Eastern European market at Deloitte Croatia, as a Director of the Audit and Advisory Department, before joining the management board of Luka Ploče d.d.

Daniela has extensive experience in the financial services sector, with a particular focus on the banking industry. She has lead a range of complex and high-profile public interest clients in corporate investment banking, retail and business banking, asset management, retail and corporate loan portfolios, and securitization structures. In recent years, she has focused on analysing and assessing business practices, behavioural and compliance risks and risk management oversight and practices.

Daniela was appointed as a Member of the Management Board for Finance by the decision of the Supervisory Board of Luka Ploče d.d., with a mandate starting from 1 July 2020.

Management of subsidiary companies

The highest governing body of subsidiary companies is the Assembly, which is composed of the President of the Management Board of Luka Ploče d.d. The Assembly appoints members of the Management Board, who are authorized to represent and oversee the operations of the subsidiary companies.

The Management Board of Pločanska plovdba d.o.o. consists of two members: Tea Marinović, Member of the Management Board for Nautical Activities, and Božo Škarić, Member of the Management Board for Hospitality.

Luka Šped d.o.o. is represented by Natalija Petrović as the Director, and Pomorski servis d.o.o. is represented by Robert Lulić, its Director.

The appointed directors, or members of the Management Boards of subsidiary companies, represent their respective companies individually and independently.

Company's Supervisory Board

The supervisory function of Luka Ploče d.d. is carried out by the Supervisory Board. It consists of five members, one of whom is a workers' representative appointed by the Workers' Council. Four members of the Supervisory Board are elected by the Assembly of the Company by a majority vote. The term of office for members of the Supervisory Board is four years, and they can be re-elected.

The members of the Supervisory Board in 2022 were:

- Pavao Vujnovac, President
- Jeni Krstičević, Deputy President
- Ivan Ostojić, Member
- Ana Marinović, Member
- Damir Spudić, Member

During the reporting period, the Supervisory Board held a total of five meetings, with all members of the Supervisory Board present. A detailed report on the work of the Supervisory Board is available in the Annual Consolidated Report as part of the Corporate Governance Code Compliance Statement, p. 31-35, at <https://www.luka-ploce.hr/investitori/financijska-izvjesca/>

In accordance with the Company's Articles of Association, the Supervisory Board has established the Audit Committee, Remuneration Committee and Nomination Committee.

Audit Committee

The Audit Committee is a body that supports the Management and the Supervisory Board in the effective execution of corporate governance, financial reporting and control obligations of the Company. The Audit Committee, appointed in accordance with the law, consisted of three members in the previous year, all of whom are also members of the Supervisory Board.

During 2022, three meetings were held, with the presence of all members of the Audit Committee. With the assistance of the Audit Committee, the Supervisory Board monitored the adequacy of the internal control system, which is achieved through three mutually independent control functions (internal audit, risk control, compliance monitoring), with a view to establishing an internal control system that enables timely detection and monitoring of all risks to which the Company is exposed in its operations.

Remuneration Committee

The Supervisory Board of the Company has established the Remuneration Committee, which supports the Management Board and the Supervisory Board in creating the remuneration policy and proposing the remuneration of the members of the Management Board and senior management. The Remuneration Committee, appointed in accordance with the law, consisted of three members in the previous year, all of whom are also members of the Supervisory Board.

During 2022, one meeting of the Remuneration Committee was held, with the presence of all committee members.

Nomination Committee

The body responsible for nominating members of the Management Board is the Nomination Committee, a sub-board of the Supervisory Board. It is tasked with:

- overseeing the process of nomination of members of the Supervisory Board and the Management Board, with a view to ensuring fairness and transparency of the process
- developing the descriptions of the roles and candidates for every vacancy, in accordance with the profile defined for the Management Board or the Supervisory Board (where required, in consultation with the President of the Management Board or the Supervisory Board) and identifying and recommending suitable candidates to the Supervisory Board
- in the context of identifying independent candidates for the Supervisory Board, determining that the candidates are in fact independent

→ agreeing on the conditions of appointment with the potential new members of the Management Board or Supervisory Board, including the expected time required for the performance of their function

→ preparing the succession plan for reappointment or substitution of members of the Supervisory Board or the Management Board, in consultation with the President of the Supervisory Board or the Management Board President

→ monitoring progress in achieving the targeted percentage of women members of the Management Board and of the Supervisory Board

→ monitoring the policy applied by the Management Board when selecting and appointing senior management.

There were no meetings of the Nomination Committee in 2022.

Conflict of Interest Management Policy

Supervisory Board has adopted a Conflict of Interest Management Policy, which ensures the prevention and mitigation of conflicts of interests in the Supervisory Board, Management Board and among the employees. This policy defines the obligation of reporting any discovered conflicts of interests between stakeholders, including even the smallest conflicts of interests pertaining to:

- cross-membership in boards or committees (cross-influences)
- cross-ownership with suppliers and other stakeholders (cross-influences)
- existence of major shareholders
- related parties, their relationships, transactions and other unsettled obligations.

No conflicts of interests were reported in 2022,

General Assembly of the Company

The General Assembly makes decisions that have a significant impact on the Company's assets, financial position, business results, ownership structure and management. These decisions are made exclusively at the meeting of the General Assembly of the Company, by the prescribed majority of votes.

The Management Board of the Company is obligated to publicly announce the decisions of the General Assembly as well as information about any legal actions challenging them, as soon as possible.

In June 2022, one regular annual General Assembly meeting was held.



Business ethics

The principles and standards of business conduct, as well as ethical principles, are established in the Code of Business Conduct of Luka Ploče d.d. The foundation of business ethics is behaving in accordance with the law, which includes providing truthful and transparent information, fair competition, treating employees and partners with integrity and focusing on social responsibility and sustainable development.

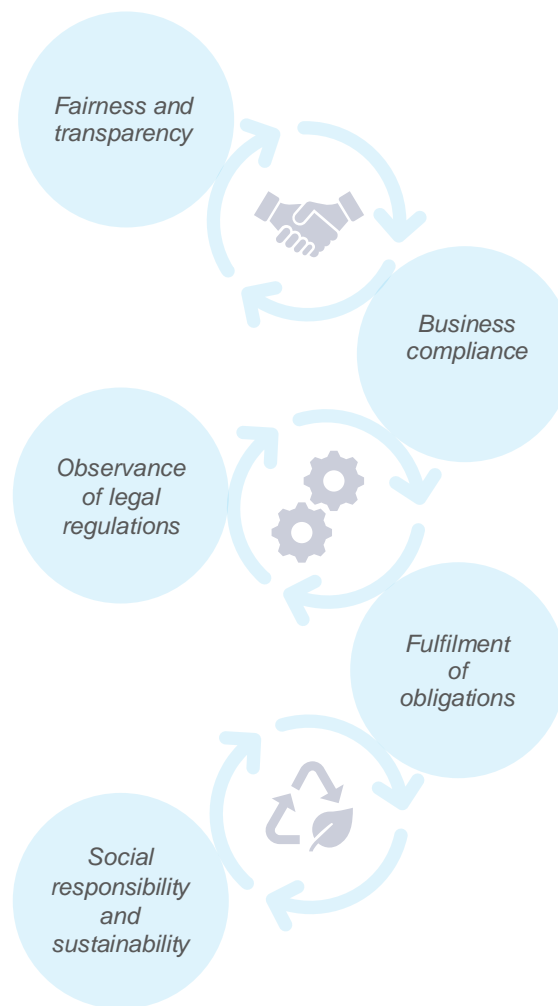
Adhering to the principles and standards of the Code is a personal and professional obligation and responsibility of all employees at Luka Ploče. Employees are required to monitor whether the principles and standards prescribed in the Code are respected in their work environment. If an employee notices events and situations that they perceive as a violation of the Code, they are obligated to inform their immediate supervisor or a higher authority.

Reports of irregularities in work and business practices, as well as complaints about unethical behaviour, can be made orally or in writing, anonymously or in confidence. Each such complaint will be reviewed, and if appropriate, appropriate measures will be taken. In the event of a breach of the principles prescribed in the Code, an appropriate disciplinary procedure will be initiated in accordance with the law, other regulations or general acts of Luka Ploče d.d. During the hiring process, the Code is available on the Company's website.

In 2022, no reports of violations of the principles outlined in the Code of Business Conduct were received.

Anti-corruption policy

Prevention of corruption and bribery is defined in the Code of Business Conduct, Conflict of Interest Management Policy and Whistleblowing Procedure, which are accessible to all employees and business partners on the Company's website. Additionally, through documented procurement procedures and digitalization of business processes, the possibility of such practices is minimized.



At Luka Šped d.o.o., the anti-corruption policy is covered in every initial interview with employees and discussions with partners. Due to the size of the company, no specific training has been conducted.

All employees of the Group are obligated to adhere to the principles and values defined in the mentioned documents. As the issue of corruption and bribery is not recognized as material for Luka Ploče or its subsidiaries, neither

internally nor among external stakeholders, it can be considered that the mentioned policies have been communicated appropriately.

There were no confirmed cases of corruption in 2022.

Protection of whistleblowers

The issue of whistleblowing is regulated in accordance with the Whistleblower Protection Act. In June 2019, the Management Board of the Company adopted the Internal Whistleblowing Procedure, which regulates the procedure for reporting irregularities, the rights of whistleblowers, the obligations of Luka Ploče regarding the reporting of irregularities and other important matters related to reporting irregularities and protecting whistleblowers.

The Management Board of the Company has also appointed a trusted person and their deputy, who are responsible for receiving reports of irregularities and ensuring compliance with the Procedure.

There were no reports of irregularities in 2022.

Diversity and equal opportunity

Equality, fairness and respect for human rights, integrity and dignity are fundamental principles of the Code of Business Conduct of Luka Ploče.

The Code promotes equality of all employees, regardless of gender, age, nationality, ethnic origin, religious affiliation, social or economic status, in the workplace and in the working conditions, including criteria for selection and conditions of employment, promotion and development.

All employees have an equal opportunity for success and their position in the organization depends solely on their work performance and individual competence and qualifications.

There is no difference in basic salary based on gender.

Public policy

Luka Ploče collaborates with municipal, county and state offices on matters related to its core activities and depending on the operational needs of its business activities.

Luka Ploče does not provide financial or non-financial political contributions.

Responsible procurement

The procurement process is covered by a quality management system in accordance with ISO 9001:2015 and the entire procedure for the procurement of goods, services and works is documented.

The procedure establishes the flow and method of procurement of goods, services and works. It also specifies responsibilities for monitoring the provision of contracted services, goods and works, as well as the supplier evaluation process. The procedure also defines the structure of procurement requirements, which may include standards prescribing product quality, quality control methods and energy efficiency criteria.

When selecting the most favourable quotation, preference is given to the one offering items with higher energy efficiency, where applicable.

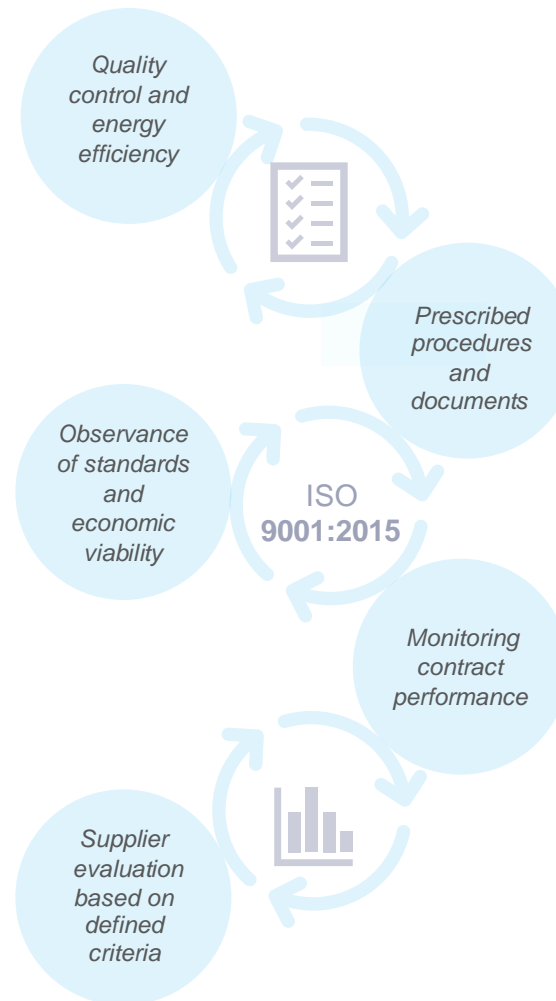
Responsibilities and authorizations for ordering and signing/approving are also defined. The ordering of goods, works and services at Luka Ploče (except for property insurance services, banking and financial services, which fall under the jurisdiction of the Economic and Financial Affairs Sector) is done through the Sales and Procurement Sector, taking into account safety, quality, environmental protection and energy efficiency guidelines, while respecting applicable standards and commercial viability.

Directors/managers (process owners) are responsible for the appropriate implementation of these procedures, while the ordering party is responsible for detailed defining of the relevant requirements.

The procurement process is fully digitized, which almost entirely prevents any form of unethical behaviour and corruption.

A procedure for the evaluation and selection of suppliers, monitoring supplier capabilities in terms of quality, quantity and delivery schedule compliance, adherence to contractual deadlines, prices and payment methods and terms, is prescribed.

Supplier evaluation is conducted at the beginning of the current year for the previous year. Based on the evaluation, lists of suppliers (who must meet minimum evaluation criteria) are compiled. For each product on the list, there must be at least 3 suppliers, unless there are not enough suppliers in the market. Conditions for excluding suppliers from the List of Suppliers are also defined.



The obligation to monitor the performance of a contract or purchase order, the receipt, inspection and certification of goods and services, as well as the receipt, certification and liquidation of incoming invoices, is prescribed.

Location of major suppliers

Luka Ploče has defined 34 major suppliers who are important in the value chain of port processes.

Out of the total number of major suppliers:

- 70.58% are located in the broader community (European countries, including Croatia),
- 20.59% are located in the regional community (Dubrovnik-Neretva County and surrounding cities)
- 8.82% are located in the local community (Town/Municipality of Ploče).

Promoting ethical principles in the value chain

The policies of Luka Ploče currently do not prescribe conditions for supplier verification based on social impact criteria or negative impact of the supply chain on society. New suppliers are not assessed based on environmental criteria, nor is the negative impact of the supply chain on the environment monitored.

As part of preparing this report, Luka Ploče has begun developing a Code of Business Conduct for Suppliers and Partners, along with an accompanying questionnaire that will be used to monitor the policies and practices of stakeholders along the value chain related to the environment, respect for human rights, worker rights and other social and governance topics.

Luka Ploče in the community

As one of the leading economic operators in Dubrovnik-Neretva County, Luka Ploče recognizes the importance of investing in the community and in the town of Ploče and actively participates in various activities that are important for both the citizens and the economy.

Among other things, through sponsorship and donation activities, it seeks to provide assistance and support to humanitarian and social events. By sponsoring the local football team, it ensures support for amateur sports, while also actively supporting various events such as Fishermen's Nights, Marathon of Boats and various town celebrations and events, and contributing to the recognition of the town of Ploče and the development of tourism and the local community's economy.

The most significant project of Luka Ploče in the community is the Sailing School. It was established as a result of a successful collaboration between Luka Ploče and water sports enthusiasts, specifically sailing aficionados.

The project was launched in 2019 with the aim of revitalizing and popularizing sailing in the area of the town of Ploče among all age groups, especially children. The sailing school is organized by Ploče Sailing Club with the support of Luka Ploče Group, specifically Pločanska plovdba, which provides all the investments in sailboats.

Since the establishment of the school, a total of **HRK 2,072,083** (excluding VAT) has been invested by the Group in boats and equipment.

The Sailing School currently has a sailing yacht measuring 11.8 meters and four training dinghies measuring 5 meters, as well as an auxiliary boat. The boats in the Sailing School are intended for training and educating children and adults about the basics of competitive sailing.

The Group also co-finances the monthly Sailing School membership fee for all elementary and high school students, covering 50% of the commercial price (HRK 250 during summer training and HRK 150 during winter training sessions), while the monthly subsidy for the second child in the family amounts to 75% of the commercial price. This way, interested children are given the opportunity to participate in sailing.

The total amount of subsidy provided by Luka Ploče from 2019 to 2022 was **167,000 HRK**. In 2022, Luka Ploče provided a subsidy for 101 participants, amounting to HRK 67,400.

The club regularly participates in competitions. In 2022, its best result was achieved at the 2nd Croatian Sailors' Regatta organized by Sailing Club Bura, where it won 2nd place, and at the Mrduja Regatta held in Split and organized by SC Labud, where it won 3rd place. The club also participated in the Vis Regatta (SC Labud), Cavtat Islands Regatta (SC Cavtat), Croatian Skippers' Regatta (SC Zenta), and Jabuka Regatta (SC Tijat).



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Final explanations and appendices

Reporting approach

The application of GRI (Global Reporting Initiative) standards in the preparation of this sustainability report has enabled the members of Luka Ploče Group's reporting team to familiarize themselves with the methodology of collecting and interpreting sustainability-related data. During this process, the requirements for establishing a comprehensive data collection system for the preparation of both the financial report and the sustainability report were examined, with the intention of eventually merging them into one integrated report.

The assessment of material impacts was conducted based on the European Sustainability Reporting Standards (ESRSs) and on the list of sustainability issues covered by the thematic ESRSs, categorized by topics, sub-topics, and sub-sub-topics. Respondents evaluated the severity of the impact of sustainability issues, how Luka Ploče approaches the management of sustainability issues and the financial effect of sustainability issues. The aim was to lay the foundation for assessing financial materiality as an integral element of the new ESRS requirement related to double materiality reporting. Additionally, besides the sustainability issues covered by the thematic ESRSs, seaport-specific sustainability issues were identified and evaluated by the respondents.

Challenges in preparing the sustainability report and recommendations

During report preparation, a lack of processes for collecting data on environmental, social and governance indicators was identified. One reason for this is that these data have not been systematically collected so far and/or there is no designated responsible person(s) for their collection.

Getting acquainted with the methodology of collecting and interpreting sustainability-related data is just the first step in establishing a comprehensive data collection system for the purpose of preparing both the financial report and the sustainability report, which will eventually be merged into one integrated report.

General Disclosures (GRI 2/2021) and European Sustainability Reporting Standards expand reporting requirements to include the impacts of the company along the value chain. In-depth analysis of impacts, risks and opportunities throughout the value chain, which is to be conducted as part of the sustainability strategy development, will enable the definition of an approach to managing goals, measures and metrics for monitoring their achievement in key areas, which are fundamental requirements of ESRSs in terms of reporting and managing material topics.

As for challenges and next steps, they primarily involve:

- Defining clear roles and responsibilities related to managing and reporting on environmental, social and governance sustainability issues (updating and/or improving existing ones).
- Describing the value chain and assessing impacts, risks and opportunities throughout the value chain.
- Designing a methodology (materiality thresholds) for (gradual) assessment of the financial implications of material sustainability issues.

- Strengthening the capacity of the highest governance bodies to manage material impacts, risks and opportunities of sustainability and defining roles and responsibilities in these processes, as well as establishing an appropriate reward system.
- Developing a transition plan to mitigate climate change and creating climate scenarios, particularly considering the state of climate change in the Mediterranean region.

Reporting team

A Working Group comprising the following members took part in the preparation of the first Sustainability Report for Luka Ploče Group:

Dražen Pandža	Director - Development and Investments Department
Danica Vlahović	Director – Finance, Accounting and Controlling Sector
Ana Marinović	Director – Human Resources Department
Mirko Žderić	Director – Legal and General Affairs Sector
Natalija Petrović	Director - Luka Šped d.o.o.
Jasminka Vrdoljak	Development and Investments Sector
Anita Galaboš	Sales and Procurement Sector
Mario Milošević	Head of Environmental Protection Department
Rajko Barbir	Head of Quality Management and Energy Efficiency Department
Ante Radaljic	Head of Logistics and Project Analysis Department, part of the Development and Investments Sector
Mate Herceg	Base Manager – Pločanska plovidba d.o.o.
Marko Bebić	Head of Economic and Financial Affairs – Pomorski servis d.o.o.



Statement on the port's coal handling operations¹⁶

Pursuant to the concession agreement concluded with the Ploče Port Authority, as the concession grantor, Luka Ploče d.d. (hereinafter: the Company), as the concession holder, is authorized to provide basic port services to port users in a designated part of the port basin of the Port of Ploče and the basin of the Port of Metković, which include: loading, unloading, transshipment and storage of goods.

Furthermore, pursuant to the concession agreement, the Company also provides other ancillary port services (specialized activities such as supply of ships, passenger services, port machinery servicing and other repair and maintenance services, customs representation activities, quality control of goods).

The Company generates significant revenue from the provision of fossil fuel loading, unloading, transshipment and storage services as defined in Article 2, item (62) of Regulation (EU) 2018/1999 of the European Parliament and of the Council. In order to understand the impact of Luka Ploče on sustainability issues, it has issued the following statement regarding its exposure to coal-related activities.

Within the area of the Port of Ploče, the Company acts as a primary concession holder for port-provided transshipment handling and cargo storage services, which involve transshipment of cargo between ships, rail cars and trucks, as well as cargo storage.

In 2022, the Company handled a total all-cargo volume of 5,566,686.11 tons within the concession area, of which 56.88% or 3,166,394.82 tons were related to coal.

Considering the structure of cargo, handling bulk cargo in an outdoor area is recognized as the most significant environmental risk, which the Company actively manages. This primarily pertains to coal dust, which rises in greater quantities during handling and represents a potential negative impact on air quality in the local community.

In 2020, the Company completed the construction of a new bulk cargo terminal located on the outskirts of the port, the area of the port farthest from the Town of Ploče, thus ensuring a fully negligible impact on the urban area in terms of ecology.

The Company continuously implements safety measures, such as watering the cargo, using a specialized solution to form an outer crust on the stockpile, cleaning roads and storage areas with a specialized brush mounted on a loader, and spraying roads by using process water (to the greatest extent possible).

The Company does not use coal as an energy source for its operations in any form, nor does it have any influence over the volume and types of cargo passing through the port.

¹⁶ ESRS - 1 (D), i. Statement on the Company's activities in the fossil fuel sector.



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LUKA PLOČE

Issuer: Luka Ploče d.d.

Consultants: PEERANA pro d.o.o.

Photographs: Lider media d.o.o., Luka Ploče d.d., Pločanska plovidba d.o.o., Ivomi produkcija d.o.o.

Some of the graphical elements on page 5 were taken from the application at www.canva.com

Graphic design support: PEERANA pro d.o.o.

Translation: Ad Hoc - Centar za poduke i prevoditeljstvo d.o.o.

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