

**LUKA RIJEKA d.d.**

**ATTACHMENT ITEM 8 OF THE AGENDA**

**Remuneration Policy for members of the Management Board**

**LUKA RIJEKA d.d.**  
**Supervisory Board**

Pursuant to Article 247a of the Companies Act (OG 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 111/12, 68/13, 110/15, 40/19, 34/22., 114/22. 18/23. and 130/23.) and Article 39, paragraph 2, indent 18 of the Statute of company Luka Rijeka d.d., the Supervisory Board of Luka Rijeka d.d. on XXXVIII session held on July, 11, 2024, has determined and submit for approval to the General Assembly, which will be held in 2024 the

**REMUNERATION POLICY FOR MEMBERS OF THE MANAGEMENT BOARD**

- I. The way individuals are motivated** has a significant effect on their actions and behaviour. The remuneration package plan can have a major impact in this regard and therefore special attention must be paid to the design of the package and the assessment of whether the results or other conditions are met.

Remuneration of board members should motivate them to act in the best long-term interest of company, in accordance with their duties. The best way to achieve this is to receive performance-related benefits in addition to stimulating fixed incomes. The goals for getting performance-related bonuses must be challenging in order to reward only exceptional results. Goals must be designed so that board members are not tempted to take excessive risks that are not in line with the strategy or to behave unethically.

In accordance with these principles, this Policy of Remuneration of Management Board Members has been defined.

In determining remuneration, this Policy takes into account all relevant remuneration business practices for management personnel in appropriate positions. The company provides attractive employment conditions whose essential elements include earnings, personal development, training, work environment and intellectually stimulating environment.

Accordingly, the Policy contributes to the achievement of the Company's strategic goals.

- II. The remuneration structure of the members of the Management Board** ensures a good balance between variable and fixed remuneration, where the fixed part - in terms of basic salary is determined by the Contract in gross amount, while the variable part of receipts is related to the effect.

The amount of the basic salary is determined in accordance with point I on the basis of an analysis of companies in the labour market comparable in terms of size and / or complexity in the region in which the Company operates, taking into account the employment of employees in the Company.

Consequently, the total receipts of the members of the Management Board consist of:

- a) Fixed part which may consist of one or more of the elements listed below:**
- Monthly pay
  - Fee for separate living / renting an apartment

- Reimbursement for car costs / use of an upper middle class official car for 24 hours a day
- Use of office phone and laptop
- Life insurance policy
- Liability Insurance

**b) Variable part**

- Annual bonus to be decided by the Supervisory Board.

**III.** One of the criteria for the possibility of **paying the annual bonus is the realized EBITDA**. EBITDA or profit before interest, taxes and depreciation is one of the most significant indicators of a company's business performance, which takes into account the fictitious nature of depreciation as an accounting category. Namely, depreciation is exclusively an accounting transaction (posting) and has no effect on the company's cash flows. Therefore, depreciation is added back to operating profit (profit before interest and taxes, EBIT) when calculating EBITDA. In addition to depreciation, EBITDA also excludes the effects of financing, extraordinary business events and other possible non-monetary accounting entries.

In this way, EBITDA shows us the net performance of the business and serves as the approximate equivalent of cash flow from operating activities. In addition, EBITDA is an extremely good indicator of profitability, especially compared to relative comparisons with other companies in the same industry.

Although EBITDA is a good indicator, it can by no means be the only indicator on the basis of which a decision is made on the possible payment of an annual bonus, but it should be **viewed together with other indicators** such as:

- realization of the business plan,
- achieving certain significant goals,
- increase in traffic,
- bringing in new significant clients,
- insuring company with significant savings,
- financial condition of the company.

The possible payment of the variable part (bonus) follows the annual audit of the report for the previous year, **the analysis of business plans** and the consent of the Supervisory Board.

Model for calculating the basis for the application of the variable part:

1. Operating income from ordinary activities - Operating expenses of ordinary activities + Depreciation
2. Operating income excludes one-off income in the form of sales of any assets, income generated by reversal of provisions or similar accounting applications. Financial income of any kind is not included in operating income
3. Operating costs exclude one-off costs incurred in the sale of any assets or accounting applications, provisioning costs, etc. Financial costs of any kind are not included in operating costs.
4. Depreciation excludes costs actually paid that are recorded as depreciation due to accounting standards

5. Realization of business plans, achieving certain significant goals, increasing turnover, bringing in new significant clients, providing company with significant savings and the financial condition of the company.

The base is reported as normalized EBITDA in the audit report.

#### **IV. Managerial contracts**

The managerial contract transfers part of his / her own power and authority to the manager, who makes his / her knowledge and abilities in running the business of the Port of Rijeka available to him. A balance needs to be struck in the transfer of these powers in order to build the trust on which successful cooperation between employer and manager will be based.

The management contract includes:

- labour law status of the manager
- obligations, powers and responsibilities of the management
- method of communication and monitoring the implementation of business policy objectives
- basic salary and reward for achieved results
- ethical rules
- insurance against business risks and the issue of damages
- compensation for the manager

The contract has the same duration as the mandate of the Management Board member/president, of 5 years (with the entry into force of the new Company Statute on April 21, 2022, 3 years), and it can be renewed upon expiry.

The specifics of managerial contracts are obligatory-legal in nature, so it is important that its signatories in good faith and unequivocally clearly predict undesirable scenarios of termination or termination of contracts such as resignation, revocation of appointments, important reasons for possible changes in ownership or organization, unusual circumstances, etc. .

The Supervisory Board may revoke its decision to appoint a member of the Management Board or its President when there is an important reason for doing so. An important reason is considered to be a gross breach of duty, inability to perform the company's duties properly or a vote of no confidence in the general assembly of the company, unless it was done for obviously unfounded reasons. The revocation is valid until its invalidity is determined by a court decision. The recall of a member or the President of the Management Board initiates the process of terminating the contract.

With the resignation of a member or president of the management board, the management contract is valid maximum for the next 180 days, according to managerial contract.

- V. This remuneration policy is determined for the period from 2024 till 2027.

- VI. This remuneration policy enters into force on day of its approval by the General Assembly of the Company, and is also applied to the business year in which it was adopted.

**President of the Supervisory Board**  
**dr. sc. Alen Jugović**