

**Tankerska Next Generation d.d.**

Report on remuneration of members of the Management and Supervisory Board  
for the year ended 31 December 2020  
together with Auditor's Independent Assurance Report

Independent Assurance Report on the Remuneration report

Introduction

1

Remuneration for the member of the Management Board

1

Remuneration for the members of the Supervisory Board

2

## INDEPENDENT ASSURANCE REPORT

To the Management and Supervisory Board of Tankerska Next Generation d.d.

### **Scope**

Pursuant to the engagement letter concluded with Tankerska Next Generation ('the Company') on 10 November 2020, we have examined the accompanying Report on remuneration paid to the Management board and the Supervisory board members for the year ended 31 December 2020 ('the Report'), and have performed procedures in order to express our independent assurance in accordance with the requirements of the Article 272.r of the Companies' Act ('the Act').

### **Management's and Supervisory Board's responsibility for the Report**

The Management and Supervisory Board of the Company are responsible for the preparation of the Report in accordance with the requirements of the Article 272.r of the Act and for those internal controls that the Management determines are necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the subject matter based on our procedures and on evidence obtained. We conducted our limited assurance engagement in accordance with International Standard for Assurance Engagements ('ISAE') 3000 (revised) - *Assurance Engagements other than Audits or Reviews of Historical Financial Information* ('ISAE 3000 (Revised)'), issued by the International Auditing and Assurance Standards Board and in accordance with the requirements of the Article 272.r of the Act. ISAE 3000 (Revised) requires that we comply with ethical requirements and plan and perform our procedures to obtain limited assurance and to express our conclusion on subject matter against the applicable criteria.

### **Subject Matter and the Applicable Criteria**

As part of our engagement, we have planned and performed procedures on the Report to the extent necessary to obtain limited assurance as to whether the Report contains information from the paragraphs 1 and 2 of Article 272.r of the Act.

*This version of the auditor's report is translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation*

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: Kn 44,900.00; Company Directors: Marina Tonžetić, Dražen Nimčević and Domagoj Vuković; Bank: Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294.

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## INDEPENDENT ASSURANCE REPORT (CONTINUED)

### *Our Independence and Quality Control*

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (the 'IESBA Code') and have fulfilled our ethical responsibilities in accordance with the IESBA Code.

The firm applies International Standard on Quality Control ('ISQC') 1 - *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### *Summary of the work performed*

As part of our engagement, we have planned and performed, among other, the following procedures:

- Identification of responsible personnel in charge of preparing the Report;
- Inquiry of the responsible personnel in order for us to obtain understanding of the process and preparation of the Report;
- Inquiry of Management Board and the Supervisory Board members regarding the accuracy and completeness of statements in the Report
- Recalculation and comparison of data published in the Report with the documentation received by the Company, based on the sample
- Comparison of the data presented in the Report with the requirements of paragraphs 1 and 2 of Article 272.r of the Act

The nature and scope of our actions were determined on the basis of risk assessment and our professional judgment with the purpose to obtain limited assurance. The procedures applied in a limited assurance engagement differ in type, duration and coverage from those applied in a reasonable assurance engagement. This means that the degree of assurance gained by applying a limited assurance engagement is significantly lower than that which would be acquired by performing a reasonable assurance engagement. We believe that the evidence we have gathered is sufficient and appropriate to provide a basis for our conclusion.

### *Conclusion*

Based on the conducted procedures and the collected evidence, nothing drew our attention which would cause us to believe that the Report, in all significant determinants, does not contain all the data from the paragraphs 1 and 2 of Article 272.r of the Act.

## INDEPENDENT ASSURANCE REPORT (CONTINUED)

### *Limitations*

- The purpose of our independent assurance report is not, nor is it intended to be, a legal opinion on compliance with the Article 272.r of the Act or other legal regulations.
- Our report is intended for the Management Board and the Supervisory Board.
- The performance of our procedures was limited to the information provided by the Company.
- When planning and performing our procedures we relied on the representations of the Company's responsible parties.
- In the event of additional information or data that were not made available to us or were not accessible to us, or erroneous or misleading oral or written representations and explanations, our findings, interpretations or opinions in this report might be incomplete, or we might end up with different results in connection to which additional or different procedures might have to be performed that do not belong in the scope of this engagement.

**Marina Tonžetić**  
Director and Certified Auditor

For signatures, please refer to the original Croatian auditor's report, which prevails.

April 27 2021

Deloitte d.o.o.  
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10 000 Zagreb  
Republic of Croatia

**REPORT ON REMUNERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARD  
for the year ended 31 December 2020**

*(all amounts are expressed in HRK)*

Pursuant to Article 272.r. of the *Companies Act* and the Code of Corporate Governance of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency, the Management Board and the Supervisory Board of Tankerska Next Generation d.d. submits the following:

**REPORT  
ON THE REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARD  
FOR THE YEAR 2020**

**Introduction**

Tankerska Next Generation d.d. (hereinafter: "TNG" or "Company") is a public limited company established and registered in the Republic of Croatia on 22<sup>nd</sup> of August 2014. The Company's registered seat is in Zadar, Božidara Petranovića 4.

The Company's management structure is based on a two-tier system which consists of the Supervisory Board and the Management Board, which together with the General Assembly represent the Company's bodies in accordance with the Company's Articles of Association and the *Companies Act* (NN 40/19) (hereinafter: The "Law").

This Remuneration Report (hereinafter: The "Report") provides information on all receipts paid or committed by the Company to current and former members of the Management Board and the Supervisory Board during 2020.

This Report has been prepared in accordance with the valid internal documents of the Company and is in accordance with the Remuneration Policy of the Company adopted by the General Assembly of the Company on August 21, 2020 (hereinafter: The "Remuneration Policy").

**Remuneration for the member of the Management Board**

The Management Board consists of one member - Mr. John Karavanić.

During 2020, there were no changes in the composition of the Management Board.

Pursuant to the Articles of Association, the Supervisory Board commissions a member of the Management Board regulating mutual rights and obligations (duties of a member of the Management Board, salary, salary supplements, salary compensation, compensation of expenses, insurance premiums, other material rights, possible participation in the Company's profit, non-compete agreement and other benefits).

**REPORT ON REMUNERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARD  
for the year ended 31 December 2020**

*(all amounts are expressed in HRK)*

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A member of the Management Board of the Company is entitled to remuneration for his work, which consists of a fixed and variable component, and to additional benefits in kind or receipts based on internal acts and Company resolutions.

In 2020, the sole member of the Management Board of the Company used a company vehicle for private purposes on which basis benefits in kind were calculated.

For 2020, the total "(gross I) remuneration amount paid for the work of the sole member of the Management Board amounts to HRK 956,727.24, i.e. as follows:

*Remuneration for the member of the Management Board for 2020 in HRK*

<b>Member of the Board</b>	<b>Fixed part</b>	<b>%</b>	<b>Variable part</b>	<b>%</b>	<b>Receipts in kind</b>	<b>%</b>	<b>Total</b>	<b>%</b>
John Karavanić	797,018.32	83.3%	114,759.25	12.0%	44,949.67	4,7%	956,727.24	100.0%

**Remuneration for the members of the Supervisory Board**

In the period from 1 January 2020 until 31 January 2020, the members of the Supervisory Board were as follows:

Ivica Pijaca	Chairman of the Supervisory Board
Mario Pavić	Deputy Chairman of the Supervisory Board
Nikola Koščica	Member of the Supervisory Board
Joško Miliša	Member of the Supervisory Board
Dalibor Fell	Member of the Supervisory Board

During 2020, there were no changes in the composition of the Supervisory Board.

In accordance with the Company's Articles of Association, the Company's Supervisory Board supervises the management of the Company's affairs, and consists of a total of 5 members who are entitled to compensation for participation in the Supervisory Board in accordance with the decision of the Company's General Assembly.

Pursuant to the Company's General Meeting decision of 1 August 2018, the amount of remuneration was determined in the monthly amount of HRK 7,600.00 gross for members, and in the monthly amount of HRK 9,500.00 gross for the President of the Supervisory Board.

**REPORT ON REMUNERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARD**  
for the year ended 31 December 2020

*(all amounts are expressed in HRK)*

In accordance with the Remuneration Policy, the remunerations received by the members of the Supervisory Board will not include variable elements or other elements related to business performance, as performance-related remuneration could jeopardize their independence and objectivity.

Consequently, for 2020, the members of the Supervisory Board were compensated in the following (gross I) amounts:

*Remuneration for the members of the Supervisory Board for 2020 in HRK*

<b>Member of the Supervisory Board</b>	<b>Position</b>	<b>Amount in HRK</b>
Ivica Pijaca	Chairman	114,000.00
Mario Pavić	Deputy Chairman	91,200.00
Nikola Koščica	Member	91,200.00
Joško Miliša	Member	91,200.00
Dalibor Fell	Member	91,200.00
<b>UKUPNO</b>		<b>478,800.00</b>

Apart from the aforementioned payments, the Company or its affiliates did not make any other payments in favour of the members of the Supervisory Board.

During 2020, the Company did not pay any compensation to former members of the Supervisory Board and there are no outstanding receivables on that basis.

**Comparative presentation of annual changes in revenues, net income, i.e. profit of the Company and average earnings of employees**

<b>Year</b>	<b>Total revenues of the Company</b>	<b>Net income / loss of the Company</b>	<b>Average gross annual earnings per employee</b>
2016	272,589,229.00 kn	40,607,823.00 kn	287,917.12 kn
2017	280,756,789.00 kn	32,132,435.00 kn	259,667.75 kn
2018	304,356,578.00 kn	6,284,498.00 kn	259,920.44 kn
2019	269,128,633.00 kn	23,340,242.00 kn	258,752.54 kn
2020	241,380,155.00 kn	-31,682,843.00 kn	250,688.32 kn



## **REPORT ON REMUNERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARD for the year ended 31 December 2020**

*(all amounts are expressed in HRK)*

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In the employees' average gross annual income calculation, fixed parts of employee compensation (regular salaries, allowances, etc.), variable parts (various performance bonuses) were taken into account, and no receipts of a member of the Management Board were taken into account.

The number of employees for a particular year was calculated in such a way that the number was determined on the basis of full-time work at the level of the observed year. During the observed period, the Company had an average of 2 employees in the administration, while the subsidiary Tankerska Next Generation International Ltd. had on board a crew of at least 132 seafarers on a contract basis, while the Company employed an average of 192 seafarers at the level of the annual average calculated on a full-time basis during the period 2015-2020.

The ratio of the average remuneration of a member of the Management Board to the average remuneration of employees is balanced and in line with industry practices.

### **Number of shares and share options granted or undertaken by the Company to members of the Management Board and the Supervisory Board**

The Company is not obliged to give or has undertaken to give any member of the Management Board or the Supervisory Board shares or share options for the business year 2020.

### **Return of variable parts of receipts**

In 2020, the Company did not request the return of variable parts of receipts from a member of the Management Board, because it was not paid in the previous period.

Also, in 2020, the Company did not request a refund of remuneration from members of the Supervisory Board.

### **Deviation from the Remuneration Policy**

In 2020, the Company did not deviate from the Remuneration Policy in accordance with the provisions of Article 247a, paragraph 2 of the Companies Act.

### **Receipts paid or committed to a member of the Management Board in 2020 by a third party in connection with the activities he performed as a member of the Management Board**

During 2020, no third party paid nor undertook to pay receipts to a member of the Management Board in connection with the activities he performed as a member of the Management Board.

**REPORT ON REMUNERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARD**  
for the year ended 31 December 2020  
*(all amounts are expressed in HRK)*

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**Receipts that the Company is obliged to pay to a member of the Management Board in case of early termination of membership in the Management Board**

The Company has not obliged to pay remuneration to a member of the Management Board in the event of early termination of membership in the Management Board.

**Receipts that the Company is obliged to pay to a member of the Management Board in the event of regular termination of membership in the Management Board**

In 2020, there was no regular termination of membership in the Management Board of the Company, and thus no payment of receipts or reservation of amounts on that basis.

**Final provisions**

This Remuneration Report, as well as the Report of the Independent Auditor with an Independent practitioner's assurance report, will be published and made available by the Company free of charge for a period of ten years on its website, after the General Assembly approves the Report in accordance with the Law.

In Zadar, on 27<sup>th</sup> of April 2021.

  
John Karavanić

Member of the Management Board

  
Ivica Pijaca

Chairman of the Supervisory Board