



INDUSTRIAL HOLDING **BULGARIA**



# **A SUCCESSFUL STORY OF SUSTAINABLE DEVELOPMENT**

**CONSOLIDATED  
SUSTAINABILITY  
REPORT 2024**

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# A WORD FROM THE CHIEF EXECUTIVE OFFICER



Dear readers,

This is Industrial Holding Bulgaria's first consolidated ESG report. In this report, we have systematized not only the data for 2024, but also our commitment to sustainable development, responsible corporate governance, and the long-term value we have been building for 28 years. Industrial Holding Bulgaria's subsidiaries are structurally important for the regions where they operate, while the industries they cover are a priority for the development of the global economy.

We are a company listed on the Bulgarian Stock Exchange, with an established name in the sectors of maritime transport, port operations, machine building, ship repairing and each of these businesses is successful. Alongside the responsibility to our shareholders and employees, we also understand our impact on the environment and society. That is why years ago we started the process of gradually integrating ESG management into every aspect of our business.

For the reporting year 2024, we took the first steps towards comprehensive reporting. We summarized our consolidated group-level carbon footprint, including emissions from lathe production, ship operations and investments in fleet expansion, port operations and ship repair. We analysed the implemented energy efficiency and waste reduction projects as part of our strategy to protect the industrial environment in which we operate.

In terms of social aspects, our focus has always been on workplace safety, the professional development of our workers and employees, non-discrimination, and opportunities for continuous qualification and requalification, especially in the areas of ship repair, machine building and port operations, where the human factor is key.

Our management efforts during the year were focused, in addition to digitalization, on increasing transparency, ethics and compliance with best practices for corporate governance. We established an internal ESG working group to coordinate our efforts and prepare the groundwork for achieving our goals and reporting according to the best practices.

We believe that by integrating sustainable practices into each of our activities, we will not only reduce risks but also unlock new opportunities for growth of the companies in the Industrial Holding Bulgaria group, for innovation, competitiveness, attraction and retention of talent.

To this end, we need like-minded people, and we believe that a good example will find its followers.

Thank you for your trust and support.

Respectfully,

**Daneta Zheleva**  
Chief Executive Officer (CEO)  
August 2025

# GENERAL INFORMATION ABOUT THE REPORT

This is the first Consolidated Sustainability Report of Industrial Holding Bulgaria (IHB, the Company, the Holding, the Group). It covers the period from January 1 to December 31, 2024, and has not been verified by a third party. The information in it is structured according to the individual segments of the Group, where management approaches and topics differ, and is presented in summary form for the Group, where the approach is uniform for all segments. The report includes information about the parent company and its subsidiaries, as follows:

- Industrial holding Bulgaria AD
- Privat Engineering EAD
- IHB Shipping Co. EAD
- Karvuna Ltd.
- Tirista Ltd.
- Karia Ltd.
- KLVK AD
- Odria Ltd.
- Serdika Ltd.
- Ticha Ltd.
- Vaya Ltd.
- Bulyard Shipbuilding Industry EAD
- IHB Shipdesign AD
- KRZ Port – Burgas AD
- Odessos PBM EAD
- Bulport Logistics AD
- ZMM – Bulgaria Holding EAD
- ZMM Nova Zagora AD
- ZMM Sliven AD
- IHB Metal Castings EAD
- Maritime Holding AD
- Bulgarian Register of Shipping EAD
- International Industrial Holding Bulgaria PLC

This report does not include information about the Group's associated companies.

Contact person for feedback and questions:

Vladislava Zgureva

E-mail: [ir@bulgariaholding.com](mailto:ir@bulgariaholding.com)

# GENERAL PRESENTATION

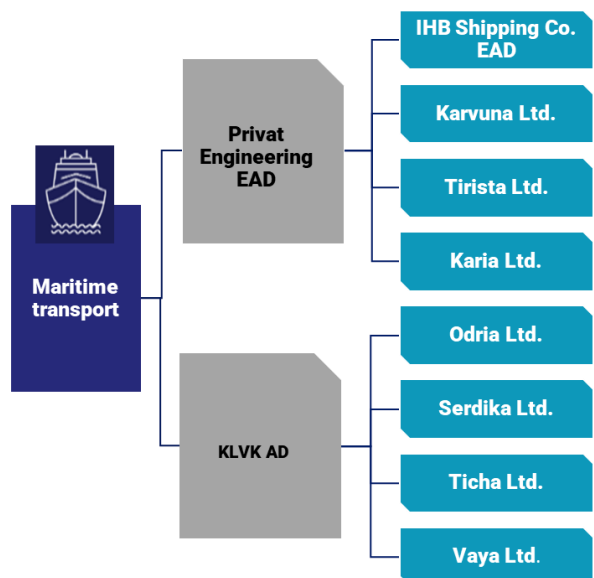
## OVERVIEW OF THE HOLDING

Industrial Holding Bulgaria is among the largest industrial groups in Bulgaria. Our shares are traded on the Bulgarian Stock Exchange, and our investment portfolio includes companies from strategic sectors such as maritime transport, shipbuilding and ship repair, port operations, and machine building.

Our strategy focuses on long-term investments in companies that we manage and develop, emphasizing sustainable economic development, technological innovation, reducing environmental impact, and the efficient and responsible use of resources. We strive to expand our production capacity and enhance the expertise of our teams. Most of the companies in the group are a structural pillar for the regions in which they are located and play an important social role.

We actively cooperate with our employees and local communities in the cities where we operate, striving to contribute to a more favourable environment and improve the quality of life. We rely on established competitive products and a long-term presence in traditional markets, while seeking new market opportunities and areas for expansion. In this way, we ensure the sustainable development of our key activities and create conditions for growth through investment and the creation of new jobs.

Our main investments are concentrated in the following operating segments (business sectors):

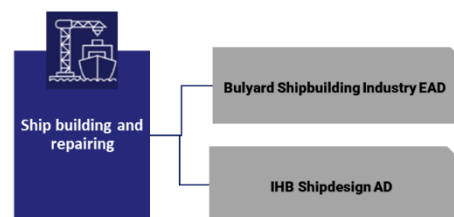


### MARITIME TRANSPORT

Maritime transport is a key segment in our portfolio. We manage and operate four own bulk carriers with unlimited sailing area. We ensure efficient fleet management and provide logistics solutions tailored to specific market requirements. In 2024, we signed contracts for the construction of three new 64,100 DWT bulk carriers (Ultramax type), which will be delivered in 2027–2028. We strive not only to provide a competitive transport service, but also to meet modern requirements for sustainable and safe shipping.

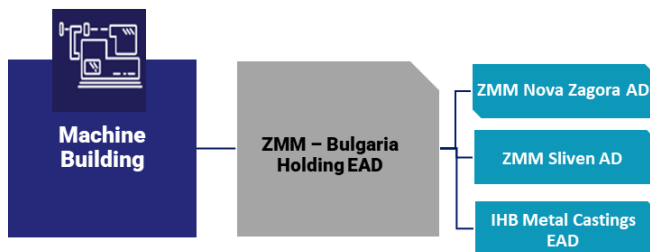
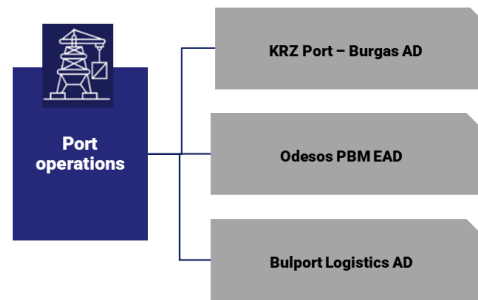
### SHIP BUILDING AND REPAIRING

We repair, reconstruct and modernize vessels with a displacement up to 100,000 DWT, build metal structures and provide complete design solutions - from conceptual design to technical supervision. In response to increasing regulations to reduce carbon emissions and protect the marine environment, we develop engineering optimizations for our clients and install scrubbers, ballast systems and other sustainable solutions for them.



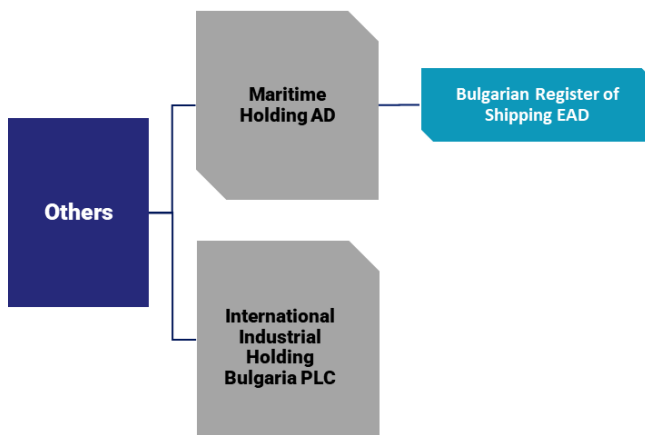
## PORT OPERATIONS

We provide services in loading and unloading operations, warehousing, logistics, wrapping and packing, while at the same time investing in the modernization of the port infrastructure. We strive to increase operational efficiency and reduce our carbon footprint by expanding our port infrastructure with the ability to service larger ships and implement sustainable energy solutions.



## MACHINE BUILDING

We manufacture metal cutting machines, spare parts for them, and cast-iron castings for a wide range of industrial applications. Our high degree of vertical integration enables us to be fast, to control quality effectively, and manage production and logistics activities in a coordinated manner. Our products are distinguished by their long service life and almost complete recyclability. The use of scrap metal in foundry production contributes to efficient resource management and promotes the circular economy.



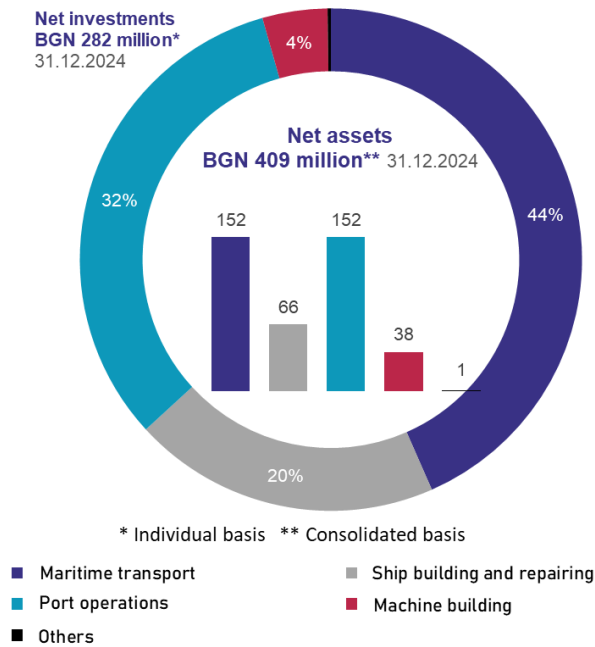
## OTHER ACTIVITIES

We provide vessel supervision and inspection, maritime business consulting services, and other activities.

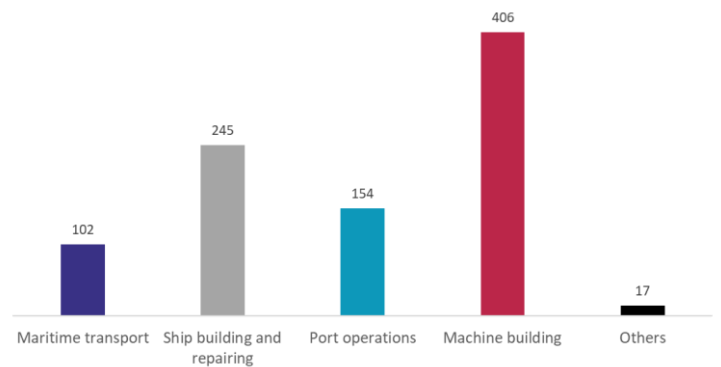
All companies are located and operate on the territory of Bulgaria, except for shipowner companies registered in the Marshall Islands (from the Maritime Transport segment).

## NET INVESTMENTS AND NET ASSETS BY SEGMENTS

The general profile of our activity by business segments is illustrated by the graphs below, which provide data as of December 31, 2024.



**NUMBER OF EMPLOYEES BY BUSINESS SEGMENT**  
31.12.2024



## MISSION, VISION, VALUES

We strive to achieve high results in all areas in which we operate, supporting our subsidiaries in their development. We encourage our employees to improve their skills, share knowledge, and build a strong team and corporate culture.

The development of the companies in our Group allows us to create long-term value for shareholders, while taking into account the interests of local communities and promoting the responsible use of resources with care for the environment.

The values we share and strive to cultivate in all aspects of our work are Integrity, Honesty, and Belief.

*Integrity Honesty Belief*



## MEMBERSHIPS

Directly or through our subsidiaries, we are members of the following organizations:

- [Bulgarian Industrial Capital Association](#)
- [German Bulgarian Chamber of Industry and Commerce](#)
- [American Chamber of Commerce in Bulgaria](#)
- Trustee of [Atanas Burov Foundation](#)
- [Bulgarian Chamber of Shipping](#)
- [Bulgarian Industrial Association](#) (BIA)
- [Bulgarian Shipowners' Association](#) (BSA)
- [Bulgarian Private Ports and Port Terminals Association](#) (BPPPTA)
- [Association of Bulgarian Investor Relations Directors](#)
- [Bulgarian Branch Chamber – Machine Building](#)

## ORGANIZATIONAL STRUCTURE

The governing bodies are the General Meeting of Shareholders, the Supervisory Board, and the Management Board of IHB. The Holding company is managed and represented by the Chief Executive Officer and the Procurator, jointly and separately.

### General Assembly

Includes all shareholders holding voting shares.

*More information:*

<https://www.bulgariaholding.com/management/general-meeting>

### Supervisory Board

The Supervisory Board represents the Company only in its relations with the Management Board. The Supervisory Board does not participate in the management of the Company.

*More information:*

<https://www.bulgariaholding.com/management/supervisory-board>

### Management Board

The Management Board manages and represents the Company, performing its activities under the supervision of the Supervisory Board.

*More information:*

<https://www.bulgariaholding.com/management/managing-board>

# MATERIALITY ASSESSMENT

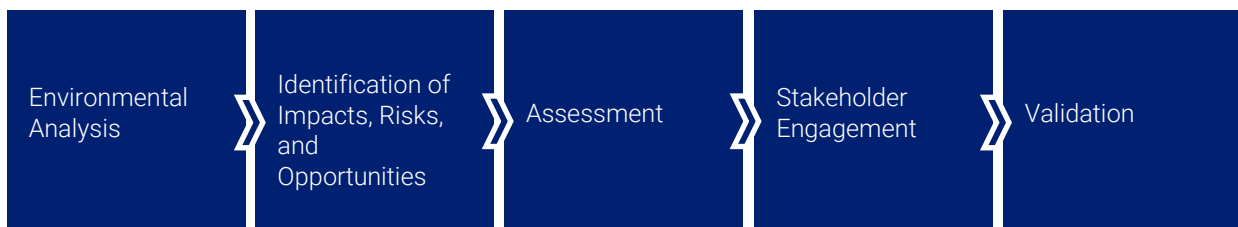
To determine which environmental, social, and governance (ESG) topics are material to us, we followed the double materiality principle set out in the current European legislation on sustainable reporting. We followed the guidelines of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS).

We held discussions to determine materiality at the core business segment level, covering the four key areas of our business:

- Maritime transport
- Ship building and repairing
- Port operations
- Machine building

We included representatives of our key companies in the process in order to reflect the specifics, risks, and prospects in each of the sectors.

We performed the materiality analysis in several stages:



## ANALYSIS OF THE ENVIRONMENT AND IDENTIFICATION OF ESG TOPICS

We began the process by analysing the operating environment, focusing on creating a comprehensive list of potentially relevant governance, social, and environmental topics. In compiling this list, we based it on the requirements of ESRS standards and other specifics of the industries in which we operate.

## IDENTIFICATION OF IMPACTS, RISKS AND OPPORTUNITIES

For each of the Group's main business segments, we reviewed the applicability of the previously identified topics. Topics that were not relevant to the respective activity were excluded, and the remaining ones were assessed. For each relevant topic for the specific segment, we applied the principle of dual materiality, identifying:

- the impacts of subsidiaries in this segment on sustainability issues, including positive and negative effects, as well as the opportunities for their effective management.
- the risks and opportunities arising from external ESG factors – regulations, market trends, stakeholder expectations, etc. We considered their financial implications and their overall effect on the Group's sustainability.

## ASSESSMENT OF RELEVANT TOPICS

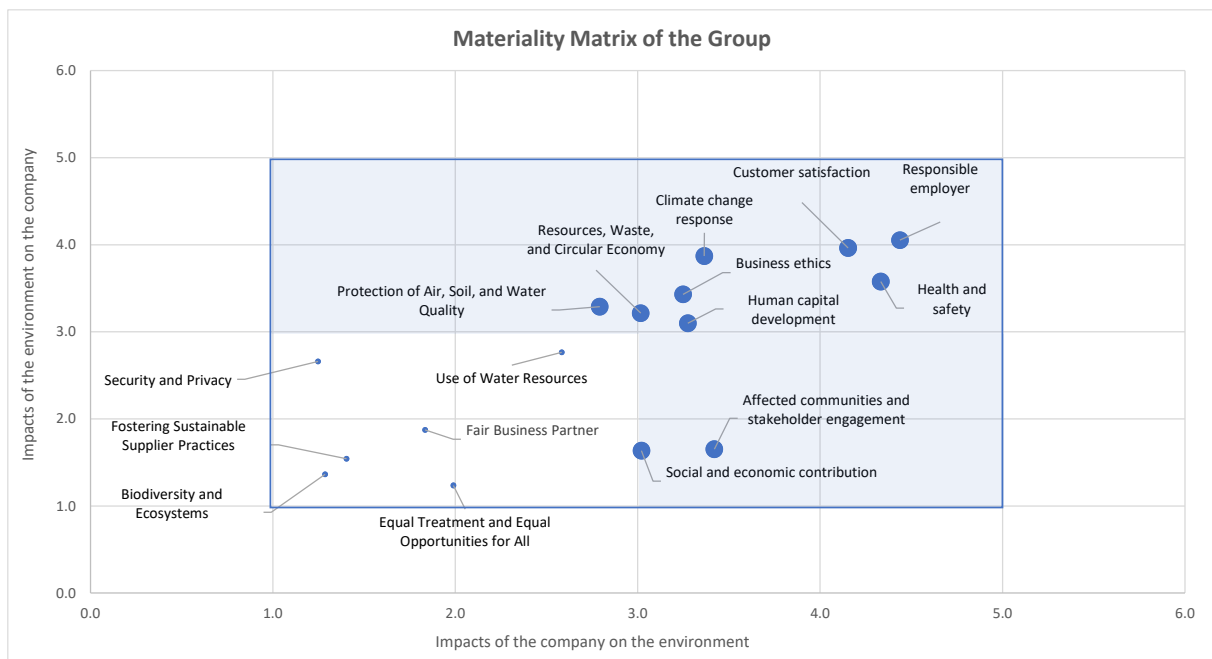
For each of our segments, we rated each applicable ESG topic on a scale of 1 to 5 in terms of the two aspects of double materiality: the impact of companies in the segment on the environment and the impact of the environment on their operations. We were guided by the assessment criteria set out in the CSRD and ESRS.

To determine the overall themes at the Group level, we weighed the individual assessments of each segment using its revenue as a weighting factor. This resulted in consolidated ratings on both aspects of materiality: the Group's impacts on the environment and the impacts of the environment on the Group. Topics with a score of 3 or higher on at least one of the two axes were identified as material.

As a result of the analysis and materiality assessment, we identified **10 material topics for the Group**:

- Climate change response
- Clean air and water
- Resources, waste and circular economy
- Responsible employer
- Human capital development
- Health and safety
- Affected communities and stakeholder engagement
- Customer satisfaction
- Business ethics
- Social and economic contribution

In the chart below, the material topics are positioned according to the consolidated assessment received in the two aspects of double materiality. The quadrant in which the topics are highly material on at least one of the two axes (score above 3) is highlighted in colour:



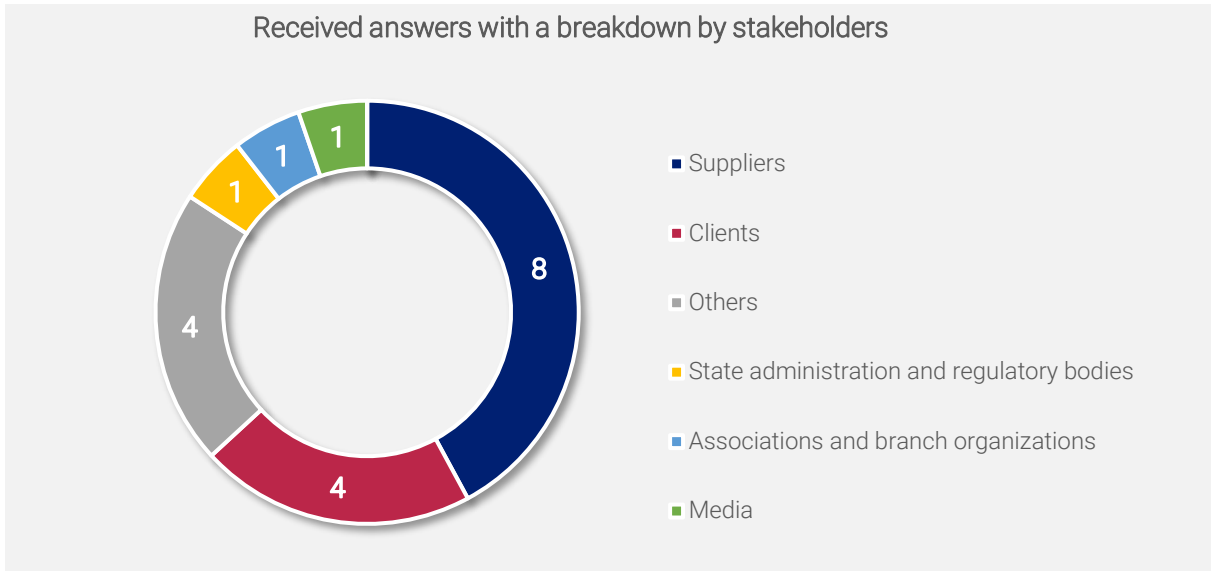
The table below shows the significance of each material topic for each of the main business segments. Some of the topics are identified as material for all four segments, while others are identified for two or three. Nevertheless, all are recognized as material in the context of our overall operations.

		IHB GROUP	Maritime transport	Ship building and repairing	Port operations	Machine building
1	Climate change response	✓	✓	✓	✓	✓
2	Clean air and water	✓	✓	✓		
3	Resources, waste and circular economy	✓	✓	✓		✓
4	Responsible employer	✓	✓	✓	✓	✓
5	Human capital development	✓		✓	✓	✓
6	Health and safety	✓	✓	✓	✓	✓
7	Affected communities and stakeholder engagement	✓	✓	✓		✓
8	Customer satisfaction	✓	✓	✓	✓	✓
9	Business ethics	✓	✓	✓	✓	✓
10	Social and economic contribution	✓		✓	✓	✓

### STAKEHOLDER ENGAGEMENT

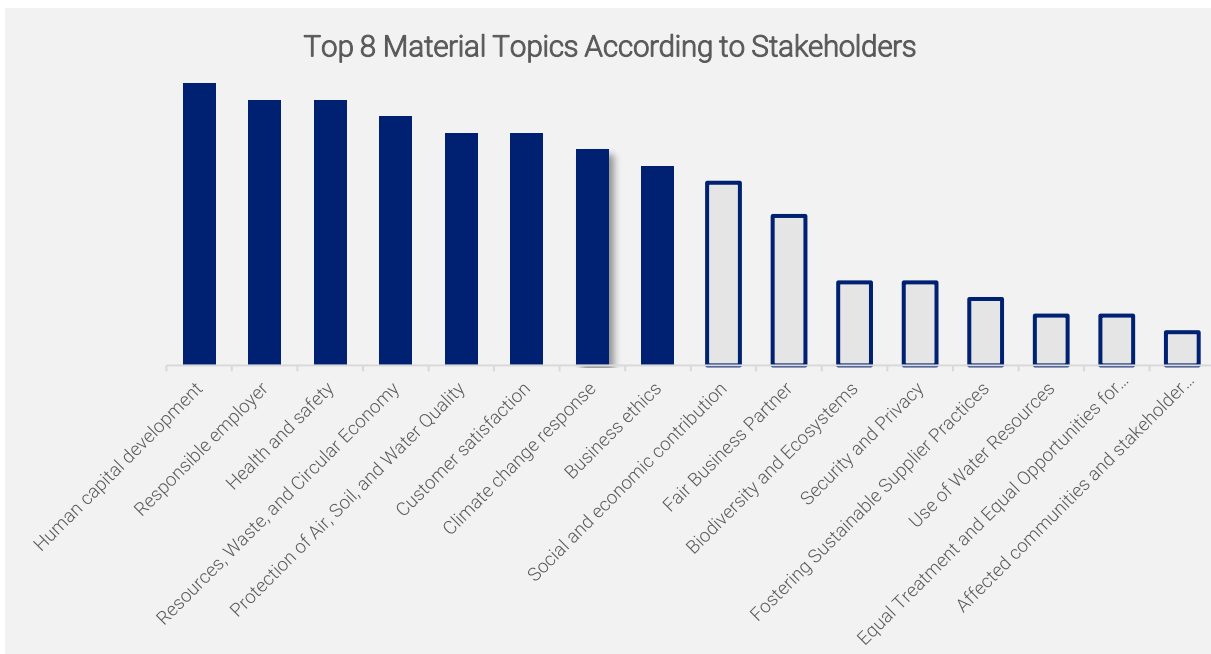
We identified the Group's most important stakeholders – suppliers, customers, non-governmental organizations, government and regulatory authorities, media, etc. We contacted them and asked them to complete an online survey regarding the already defined ESG topics.

We received feedback from some of them, and the graph below shows the number of responses by stakeholders:



We asked the stakeholders we surveyed to identify the three topics they considered most important for the Group's sustainable development. As a result, the following eight topics were identified, as shown in the chart below:

### VALIDATION



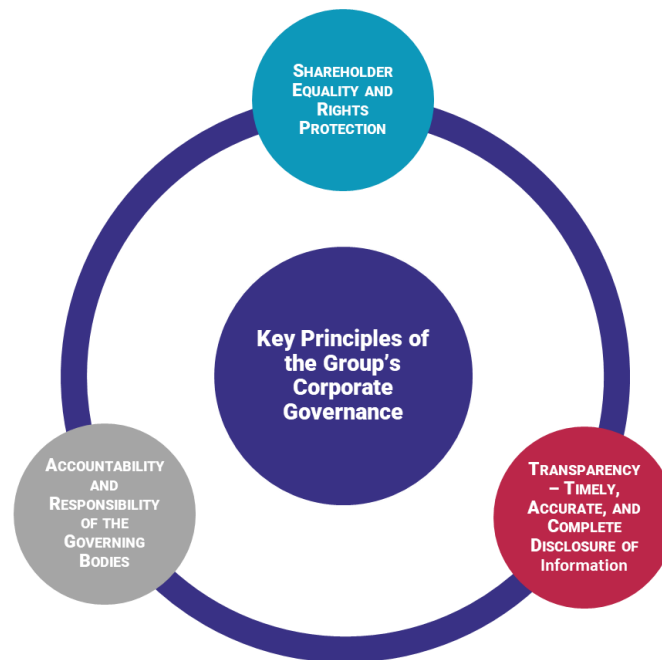
The Holding's top management conducted a final review of the summarized results from all previous steps of the process to validate the materiality analysis.

# GOVERNANCE

## BUSINESS ETHICS

### 1. BASIC PRINCIPLES OF GOVERNANCE

As a public company, Industrial Holding Bulgaria applies established principles of good corporate governance, which ensure effective, transparent, and responsible management of the Holding and its subsidiaries. We strive for management based on a long-term vision, clear accountability, protection of shareholder interests, and sustainability of business models in all sectors in which we operate.



Our governing bodies follow the guidelines and best practices set out in the [National Code of Corporate Governance](#). The 'comply or explain' principle is an integral part of this commitment – any deviations from the Code are reported in the Holding's individual annual financial report with a well-reasoned explanation. In this way, we ensure transparency and accountability to all shareholders, investors, and other stakeholders.

Governing bodies must ensure effective and ethical governance and are responsible for:

- protecting the rights of shareholders and ensuring their participation in decision-making processes.
- adopting and implementing good management practices, compliance with legislation and clear internal rules and policies.
- maintaining a high level of transparency through timely, accurate and complete disclosure of financial and non-financial information.
- ensuring adequate control and monitoring of risk management and the activities of subsidiaries.

In accordance with the principles of transparency and accountability, we apply the [Remuneration Policy for the Members of the Supervisory and Management Boards](#) of Industrial Holding Bulgaria. It defines the mechanisms for forming remuneration and linking it to responsibilities and the market environment. The document is publicly available on our corporate website and is subject to regular review for the purpose of updating in line with the development of the regulatory framework and good practices in corporate governance.

The internal control and risk management system is a key component of our governance framework. We identify, analyse and assess both systematic and unsystematic risks – including regulatory, market, environmental, technological and operational – considering the specifics of each business segment. We carry out this process in close cooperation with the management of the subsidiaries and adapt it to their scale,

activity and degree of impact. Additional information on risk management can be found in [our annual report for 2024](#).

The Internal Control Department plays a central role in monitoring the implementation of policies, identifying weaknesses and reporting corrective actions. Regular internal audits are conducted, with the results presented to senior management and used for continuous improvement of management practices.

We disclose timely and comprehensive information about key aspects of our operations to the public and all stakeholders in a transparent and non-discriminatory manner, in accordance with our Dissemination. This policy is consistent with the current national and European regulatory framework.

By integrating sustainability into management, we enable long-term development, consistent with both recognized international standards and specific stakeholder expectations. Our corporate structure provides opportunities for sharing good practices, uniform reporting and clear accountability at every management level. In the context of increased digital security requirements, we will begin preparatory actions to assess and improve our resilience to cyber risks, especially in sensitive activities such as port and manufacturing operations.

## 2. ETHICAL BUSINESS CONDUCT AND COMMITMENTS

An ethical approach to management is fundamental to the Group's long-term success and sustainability. We conduct our business in accordance with the following principles of business conduct:



We implement [The Code of Conduct](#), approved at the Group level, which reflects our corporate culture and formulates the principles of integrity, integrity, responsibility and fair treatment. We expect these standards to be observed by all employees, regardless of their position or level of responsibility. The Code is publicly available on the Holding's website and is an expression of our commitment to open and responsible management. It covers nine areas of application that specify our understanding of ethical behaviour in accordance with the Group's values:

<b>1. REGULATORY</b> 	We comply with the regulatory framework by working with integrity, impartiality, and professionalism.
<b>2. EMPLOYEES</b> 	We adhere to labor standards, ensure equality, and provide safe and healthy working conditions, along with support for professional development.
<b>3. IHB CONTRACTORS</b> 	We maintain fair and transparent relationships with suppliers and clients.
<b>4. PRODUCT SAFETY</b> 	We uphold high standards of safety, security, quality, and timely delivery of products and services.
<b>5. ENVIRONMENT</b> 	We strive to meet environmental norms, standards, and requirements for environmental protection.
<b>6. CORPORATE GOVERNANCE</b> 	We follow the principles of the National Corporate Governance Code.
<b>7. SOCIAL</b> 	We maintain good relations with state and municipal authorities, as well as with local communities.
<b>8. ANTI-CORRUPTION</b> 	We avoid corruption and conflicts between personal and professional interests.
<b>9. COMPLIANCE WITH THE CODE OF CONDUCT</b> 	We adhere to the principles of the Code of Ethics at all hierarchical levels.

We strive to integrate ethical principles during the onboarding process of new employees, focusing on building an inclusive work environment and preventing discrimination. Each executive director of the Group is responsible for ensuring that employees are informed about the content and implementation of the Code of Conduct.

If any questions, doubts or cases arise related to ethical rules and standards of conduct, any employee can contact the Internal Control Department.

As part of our commitments to ethical management, we also implement a [Data protection policy](#), through which we ensure secure, lawful and fair processing of the personal data of employees, contractors and other interested parties. We adhere to the principles of fairness, appropriateness and data minimization in accordance with applicable legislation.

We aim to create a corporate culture based on mutual respect and trust – both within the Group and in our relations with the external environment.

### 3. ANTI-CORRUPTION MEASURES AND SUPERVISION

We maintain a zero-tolerance policy toward corruption, bribery, and unlawful conduct. We do not accept gifts, benefits, or other forms of influence that could compromise our impartiality and objectivity. Any proposal for additional employment or professional consultancy activities is agreed in advance to avoid a conflict of interest.

We strictly adhere to the rules set out in our Code of Conduct and implement internal control and reporting mechanisms. We encourage our employees to report any potential violations, including confidential communication with the Internal Control Department.

### 4. BUSINESS CONDUCT AND TRANSPARENCY

We build and maintain sustainable and fair business relationships with our stakeholders – shareholders, customers, suppliers, institutions, employees and local communities. We work to create predictability and stability in our commercial and professional relationships.

We strictly comply with our contractual commitments. In 2024, we had no legal proceedings related to non-fulfilment of obligations to our partners. We maintain open communication, apply good commercial practices and guarantee timely fulfilment of commitments.

In accordance with our Information Disclosure Policy, we ensured timely, complete and reliable disclosure of periodic and internal information to the public and regulatory authorities in 2024. All reports of the Holding and the Group were submitted on time, and no sanctions were imposed for violations related to the disclosure of information during the period.

## CUSTOMER SATISFACTION

Customer satisfaction is a key pillar of our management model. Most of our clients are legal entities - companies from the industrial, logistics and maritime sectors, which require high quality, reliability and professionalism.

### 1. ENSURING QUALITY AND REGULATORY COMPLIANCE

The products and services we offer through our subsidiaries comply with the regulatory and industry standards applicable in the respective sectors. We ensure fair treatment, safe and quality products and services, as well as enable informed decision-making. We implement certified quality management systems - where applicable, our companies are ISO 9001 certified and maintain active processes for control and traceability throughout the entire supply and service chain.

As a European manufacturer of metal-cutting machines, we deliver products with a long-life cycle, high reliability and configuration options tailored to the production profile and specific needs of each client. We introduce extended maintenance and spare parts delivery periods for them, exceeding standard industry requirements.

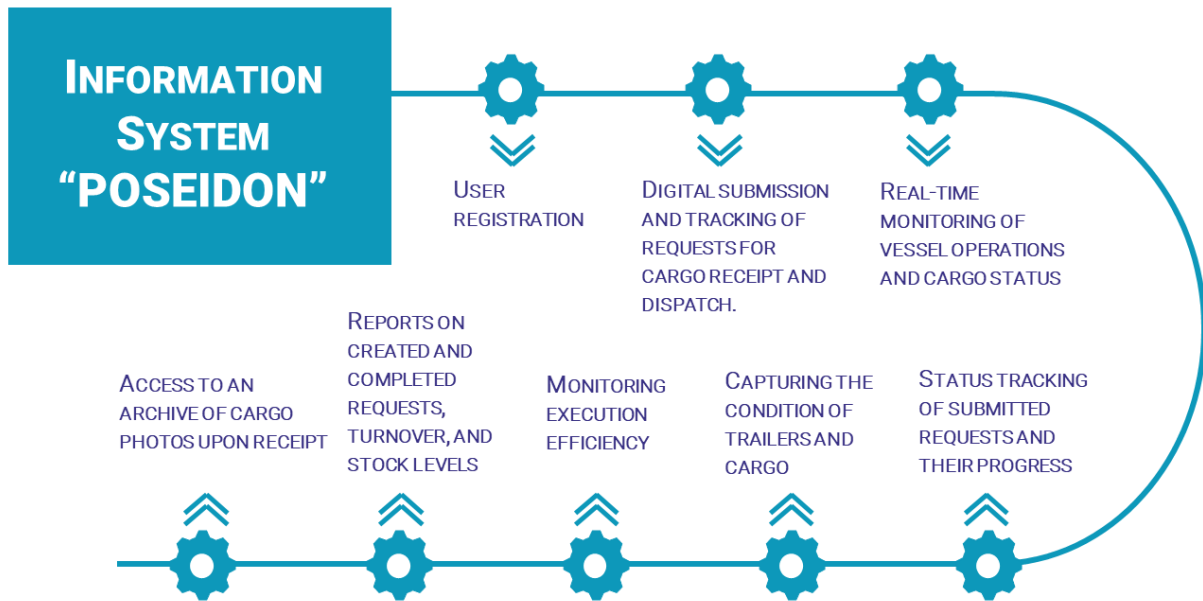
In our maritime-related companies, we guarantee safety, timeliness and reliability - both in the operation of commercial ships and in the design, repair and supervision of vessels. In port operations, we apply technical and organizational solutions that ensure fast service and transparency of processes.

We emphasize on operational efficiency and speed of work, which are crucial for achieving a high level of customer satisfaction.

### 2. CUSTOMER SATISFACTION AND FEEDBACK

We systematically monitor customer satisfaction through the processes defined in the ISO 9001 quality management system, including customer surveys and satisfaction indicators. In 2024, over 63% of our customers placed more than one order or returned to use our services again, reflecting a high level of trust and customer loyalty.

In our port operations, we have automated service processes through our own [terminal management system "POSEIDON"](#), which allows online submission and tracking of service requests, as well as tracking the progress of ship processing. The system records cargo status in real time, including possible deviations, through visual data and photos.



In our machine-building companies, we monitor customer complaints on a quarterly basis and use customer feedback to improve the product portfolio.

As an integrated industrial group, we offer our customers comprehensive services – from ship design, through repair and technical inspection, to logistical support through our ports. This allows us to meet a wide range of needs and deliver effective solutions within a unified corporate structure.

### 3. MODERNIZATION AND INNOVATION

We consistently invest in the modernization and digitalization of production and logistics processes, with a focus on enhancing quality, efficiency, and predictability across all business areas.



In the port segment, we continued active development in 2024 on the expansion of the Odesos PBM terminal, where we built a new quay wall, expanded the storage areas, renovated the infrastructure and acquired specialized cargo handling equipment. These improvements increase productivity and competitiveness, while providing greater security for customers. We also use a high-tech fertilizer packaging system, where physical bulking operations are separated

from the packaging process, enabling work in a significantly cleaner and healthier environment and minimizing material loss. The system provides electronic tracking for each unit, including quantity, seal number, and packaging time, ensuring traceability and high service quality.



In the machine-building sector, we are upgrading production lines with energy-efficient, high-performance machinery that improves product quality and creates a safer working environment. The ERP systems implemented across our enterprises support order management, ensure traceability throughout the production cycle, and allow rapid adaptation to specific customer requirements.

In shipbuilding and repairing, we apply technical solutions to improve energy efficiency in the design of new ships. At IHB Shipdesign, we develop projects aligned with international environmental standards, with an emphasis on reducing emissions and increasing operational efficiency. In ship repair, we focus on maintaining technical readiness and regulatory compliance, and in certain cases, we carry out modernizations upon client request.

In 2024, we signed contracts for the construction of three new Ultramax bulk carriers with a displacement of 64,100 DWT each. The new vessels will comply with current environmental regulations and offer improved fuel consumption and emissions performance.

The Ship Manager fleet management system has been operational in the Group since the beginning of 2024. The system is integrated both within the management company and onboard the vessels.

It includes modules for:

- planned and unplanned technical maintenance.
- supply management.
- crew management.
- quality, health, safety and environmental management.

Where applicable, the system is certified by the classification society of our vessels. The implementation of Ship Manager standardizes key operational processes, improves efficiency, and ensures compliance with international standards.

## SOCIO-ECONOMIC CONTRIBUTION

Our activities have a tangible social and economic impact on the regions we operate in. By maintaining industrial capacity, creating jobs, investing and collaborating with local partners, we support economic activity, professional development and the sustainability of the local economy.

### 1. WORKFORCE AND SOCIAL IMPACT

We maintain sustainable employment in five economic regions of the country, where Group companies have a structural significance for the local economy. Our activities create direct and indirect jobs, including through long-term cooperation with local subcontractors and suppliers. In 2024, we paid out BGN 12,446 thousand for services from external subcontractors, thereby supporting additional employment and income in the communities in which we operate.

We provide opportunities for qualified and long-term employment. Average salaries in our companies significantly exceed regional levels. Competitive salaries help retain qualified staff and contribute to a higher standard of living for the local population.

Improving working conditions, enhancing qualifications and promoting employee satisfaction are part of our systematic efforts in all Group companies. We provide opportunities for lifelong professional learning, support adaptation to technological changes and work to build an inclusive work environment. In this context, we also provide accommodation and additional support for foreign employees, including measures aimed at professional and social integration.

#### Average excess of salaries in the Group over the average salary by region for 2024<sup>1</sup>

Burgas	121%
Varna	141%
Nova Zagora	100%
Sliven	121%
Sofia	164%

### 2. INVESTMENTS IN MODERNIZATION

The investments in production capacities and logistics infrastructure made by the companies in the Group contribute not only to technological innovation, but also to the long-term economic development of the respective companies and regions. Through the renewal of equipment and the digitalization of processes, we promote professional qualifications, preserve and develop local expertise in engineering fields and provide new employment opportunities in an environment with high added value.

In Sliven and Nova Zagora, where our engineering companies operate, modernization supports the capacity of local economies to retain and attract skilled workers. This encourages the acquisition of new skills, professional development, retention of young people in places, and the industrial transformation of the regions.

Through investments in the Maritime Transport and Shipbuilding and Ship Repair segments in Varna, we support the demand for highly qualified technical personnel and related services in the field of marine technologies. In this way, we support the development of professional communities and the preservation of the city as a location with traditions and potential in specialized maritime activities.

The development of port infrastructure has a direct impact on access to markets, improving transport connectivity and stimulating related businesses. Expansions increase cargo handling capacity, create jobs in construction and logistics, and facilitate access for other businesses to international markets. Improved

infrastructure accelerates trade flows and supports the investment attractiveness of Varna, Burgas and neighbouring industrial zones, such as in Shumen and Dobrich.

### 3. REGIONAL AND NATIONAL ECONOMIC IMPACT

The Group contributes to regional integration, industrial activity and public finances by maintaining important production and logistics assets in five economic regions of the country (Varna, Burgas, Sliven, Nova Zagora and Sofia). Our activities provide an opportunity for the continuous movement of goods, raw materials and finished products, which facilitates the work of clients and partners from different sectors and regions.

Our ports in Burgas and Varna play a key role in the country's logistics network, providing access to international markets, supporting exports and facilitating the import of raw materials. As part of the wider infrastructure, these facilities serve not only the coastal regions, but also a significant part of the trade traffic from the interior of the country, including also through Bulgaria's railway network.

By modernizing our infrastructure, we provide predictability, capacity and speed in logistics processes, which facilitates the commercial activity of clients from various sectors, such as agriculture, construction and manufacturing. We strive to ensure the sustainability of these assets through investments in their technical readiness, adaptation to regulatory requirements and compliance with the needs of users of logistics and processing industry services.

Our presence in several regions also has an impact on public finances. The Group's companies are among the major taxpayers of local and corporate taxes and social security contributions, thus supporting local and national budgets. The amount of taxes, fees and social security contributions collected and paid by our companies for 2024 is BGN 6,955 thousand. In areas with limited economic activity and few employment alternatives, this contribution is important for maintaining local budgets and providing public services.

# SOCIAL ENVIRONMENT

## RESPONSIBLE EMPLOYER

At the heart of our social responsibility is the aspiration to be a stable and predictable employer that provides decent working conditions, equal opportunities for development and a work environment based on respect, trust and cooperation. As a leading industrial group operating in different regions of the country, we create long-term employment opportunities, support the career development of our employees, promote an inclusive work culture and provide the opportunity for a reasonable work-life balance.

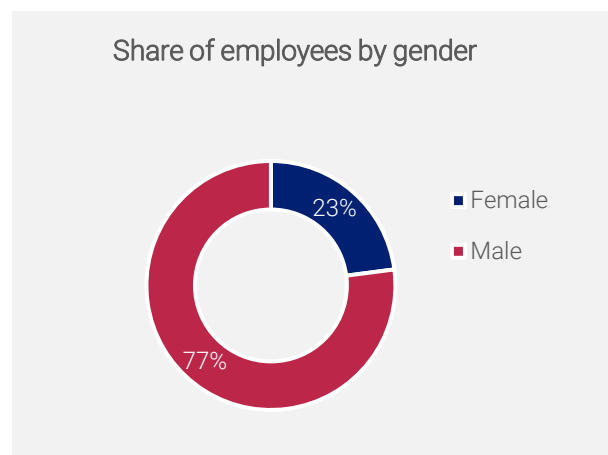
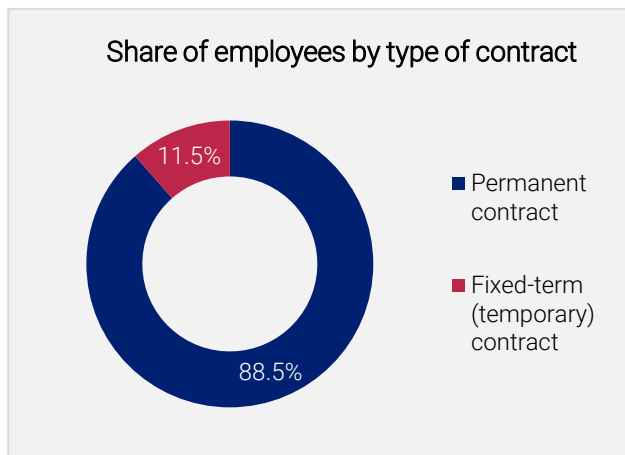
We encourage open communication and the active exchange of opinions, ideas, and signals for improvement, and we strive to maintain a working atmosphere that encourages teamwork, mutual respect, and initiative.

### 1. EMPLOYMENT AND STABILITY

As of December 31, 2024, the Group's companies employed a total of 924 employees, and the average number of employees for the year amounted to 944 people. The employment structure clearly reflects our commitment to long-term employment relationships - 88.5% of the staff are on permanent employment contracts, while 11.5% are on fixed-term contracts. The latter are mainly concentrated in the Maritime Transport segment, where, due to the specifics of the work and conventional requirements, contracts are fixed-term and usually cover a specific sailing period. The Group does not apply forms of employment with non-guaranteed working hours.

In 2024, staff turnover was 23%, down 3 percentage points from the previous year. This is the result of our efforts to create a stable and engaging work environment, including competitive salaries, benefits, and development opportunities.

In line with our commitment to fair remuneration, reflecting market dynamics and the efforts of our employees, in 2024, total expenses for salaries and health insurance amounted to BGN 38,087 thousand, which represents an increase of 4.9% compared to 2023.



### 2. WORKING RELATIONS AND COLLECTIVE AGREEMENTS

The holding structure maintains open and constructive relations with trade unions. As of December 31, 2024, 34% of the Group's employees are members of trade unions. Collective labour agreements are in force for 9% of the personnel - entirely in the Maritime Transport segment, where such agreements are widespread and established as a practice in the sector.

The current collective labour agreements are concluded with Bulgarian Seafarers' Professional Union (STU) and the Kiribati Islands Overseas Seamen's Union (KIOSU). Both agreements are aligned with the requirements of International Transport Workers' Federation (ITF), which ensures compliance with globally recognized standards for working conditions in the maritime industry.



The agreement with KIOSU was signed in 2024, which allowed the inclusion of Kiribati seafarers in the international crews of ship-owning companies. Until now, the composition of the crews traditionally included mainly Bulgarian and Ukrainian maritime specialists. Kiribati seafarers are distinguished by their professional discipline, responsibility and commitment. The expansion of the national composition of the crews contributes to increasing operational sustainability and greater predictability in the recruitment of qualified maritime personnel.

All employees have the right to be members of professional, political or social organizations, if this does not contradict the Group's ethical standards and does not impede the performance of official duties.

### 3. EQUAL OPPORTUNITIES AND NON-DISCRIMINATION

We are committed to creating a work environment free from prejudice, where every employee has equal access to career development opportunities, regardless of gender, age, ethnicity, nationality or other personal characteristics. We foster a culture of diversity, inclusion and respect that strengthens trust between colleagues and contributes to the resilience of our teams.

Diversity policy and the IHB Code of Ethics formulate the basic principles that we apply in all companies of the Group - respect for personal dignity, lack of prejudice, equal access to opportunities and non-discrimination.

We support the professional development of Ukrainian and Uzbek workers by providing employment and integration opportunities both in our companies and through subcontractors. In enterprises, where necessary, we provide accommodation and administrative support for foreign employees, facilitating their adaptation. In cooperation with the Kiribati government authorities, we are building a long-term and predictable partnership that ensures both professional development for their citizens and reliable and motivated personnel for our ships. In 2024, 30 people from Kiribati worked as part of our crews.

We respect the human rights of all our employees, regardless of their origin, status or position. We strictly comply with national and European labour legislation, not allowing discrimination, not using child or forced labour and guaranteeing adequate payment for overtime work.

We support our employees in maintaining a sustainable work-life balance. We encourage the use of accrued leave and monitor the implementation of regulated breaks and working hours in all companies in the Group.

### 4. INTERNAL COMMUNICATION AND DIALOGUE

We develop an organizational culture based on open dialogue, mutual respect and active participation. We encourage two-way communication between management and employees - both at the operational and managerial levels.

We regularly hold quarterly meetings between the Holding's management and the directors of the subsidiaries, where key business results, human resources management issues and current operational topics are discussed. Informal meetings and operational briefings are organized within the companies, where employees can express opinions, ideas and suggestions.

## 5. EMPLOYEE BENEFITS AND INITIATIVES

We strive to offer social benefits tailored to the needs of employees and the capabilities of individual companies within the Group. Common forms of support include:

- Monthly food vouchers.
- Additional rewards at Easter and Christmas.
- Additional days of paid leave for employees with extended working hours or engaged in outdoor activities.

In some companies, specific measures are also applied - for example, in ZMM Sliven we provide transportation to the workplace, as well as canteen meals, for which a significant part of the costs are covered by the employer. On ships, food and water are free for the crews.

Social benefits policies are adapted at the company level depending on the number of employees, location, specifics of the production activity and other factors. The total amount of the Group's social benefits expenses for 2024 is BGN 1,754 thousand. This decentralized approach allows for more precise addressing of the real needs of the staff and supports our efforts to retain qualified personnel.

We also invest in building corporate culture and team spirit through events that encourage informal communication and shared experiences. For over 20 years, we have been organizing the traditional sports event "Sports Autumn", which has established itself as an important part of the Group's internal corporate life.

Employees from all IHB companies participate in competitions in football, volleyball, basketball shooting competition, tennis and table tennis, chess, backgammon and others. They join teams in the disciplines of their choice, competing in a spirit of sportsmanship and cooperation. The winners receive gold, silver and bronze medals, and the company with the most points – the team champion's cup.

The event brings together teams from different cities, who often do not know each other personally, and creates an opportunity for informal exchange of experience, ideas and building trust between colleagues from different companies.

To encourage achievements and build a culture of recognition, in 2002 we established two annual awards – "Employee of the Year" and "Director of the Year". They play an important role in increasing motivation, commitment and a sense of belonging to the Group.

The "Employee of the Year" award is determined individually by each company in the Group and honours employees with contribution to the activity, high commitment and collegial attitude. "Director of the Year" is determined by the Board of Directors of the Holding, based on the performance of the respective companies during the reporting period - including financial results achieved, growth and implementation of strategic goals.

## HUMAN CAPITAL DEVELOPMENT

Our success is built on the knowledge, experience and motivation of our employees. Human capital development is a priority through which we ensure both the sustainability of our business model and the ability to respond to technological and market changes. We aim to attract, train and retain talented and qualified personnel by creating career opportunities, a favourable working environment and investments in improving skills and employee engagement. We also encourage lifelong learning – through opportunities for internal growth, acquisition of new competencies and support for enrolment in higher-level educational programs.



## 1. TRAINING AND QUALIFICATION

We invest in improving the qualifications of our employees through internal and external training, in line with their professional duties and legal requirements. Introductory, periodic and refresher courses, as well as courses for acquiring or maintaining a legal license when working with specialized machinery and equipment, are conducted in all companies of the Group.

For administrative staff, the focus is on training related to current regulatory requirements and digital skills, while those employed in production activities undergo training on safe and effective work with machinery, equipment and transport equipment. For management staff, we conduct regular training aimed at developing management skills and strategic thinking. In 2024, the Group's direct expenditure on external training, outside of health and safety topics, amounted to BGN 33 thousand, with 326 employees having undergone training.

## 2. CAREER GUIDANCE, INTERNSHIP PROGRAMS AND COOPERATION WITH EDUCATIONAL INSTITUTIONS

We support educational initiatives that build a connection between education and the real industrial environment and prepare qualified specialists according to the needs of business. In most of the Group companies, we maintain internship programs that provide opportunities for practical training of pupils and students and their subsequent realization. Internships are usually paid, and we offer permanent employment to successfully presented interns.

In 2024, a total of 33 interns had the opportunity to practice in our companies (including under EU-funded programs):

Operating segment	Number of interns
Industrial Holding Bulgaria	1
Maritime transport	18
Machine building	14

The total direct costs incurred for internship programs in 2024 amounted to over 56 thousand BGN.

In 2016, with the support of the management of the Vocational High School of Mechanical Engineering in Sliven, we launched dual training for students majoring in "Machines and Systems with Computer Numerical Control (CNC)". The initiative aims to create a qualified workforce that meets the needs of the industry, through a partnership between business and vocational schools. With the assistance of ZMM Sliven, a specialized training room was equipped in the high school with the necessary equipment and computers for the purposes of specialized training. Dual training continues in the 2024-2025 school year, providing the opportunity for professional internships for students in the 11th and 12th grades and subsequently, for starting work with us after graduation.

We also support the training of young specialists through the cooperation between ZMM Nova Zagora and the Atanas Dimitrov Vocational High School of Engineering and Technology in the city, providing the opportunity to conduct production practices on the territory of the enterprise, using the production base and the expertise of our employees.

For the second consecutive year, Bulyard Shipbuilding Industry is a partner of the Vocational High School for Computer Modelling and Computer Systems "Acad. Blagovest Sendov" in the conference Varna Smart Challenge. This event provides an opportunity for students from Varna Municipality to present their projects and ideas in the field of technology, entrepreneurship and the Erasmus+ Program. The aim of the initiative is to inspire young talents to develop their skills by exchanging innovative solutions and learning from the achievements of their peers.



In previous years, we have also assisted in the implementation of other educational and career-oriented initiatives, such as the international "Adopt-a-Ship" program, which connects students with ship crews.

We maintain active cooperation with leading higher education institutions in the country - Varna and Technical University of Sofia, including the college in Sliven, as well as the "Nikola Vaptsarov" Naval Academy in Varna. This partnership includes participation in academic councils, exchange of experience and good practices, provision of a real production environment for practical training, etc. Relations with universities allow us to maintain contact with future engineers, technologists and maritime specialists and to contribute to the adaptation of the educational curriculum to the current needs of industry.

### 3. SUPPORT FOR EMPLOYEE DEVELOPMENT AND ENGAGEMENT

In support of lifelong learning, we provide opportunities to enhance professional knowledge and skills without leaving the production process. Workers who have proven their motivation and dedication can receive funding to complete higher education in their specialty, to acquire additional digital competencies, or to move from a bachelor's to a master's degree.

In 2024, ZMM Nova Zagora supports one student by covering 50% of his semester fee, and ZMM Sliven fully finances the education of two students, covering their full semester expenses.

We believe that the opportunity for professional growth within the companies and within the entire Group, as well as direct communication with top management, are important factors for retaining staff and building sustainable commitment. We strive not only to broaden the professional horizons of employees, but also to encourage their long-term commitment to the organization.

## OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety are essential to ensuring a safe and stable environment for our employees, subcontractors and partners. We comply with applicable legislation and implement internal rules and practices tailored to the specifics of each activity – from manufacturing operations and port services to maritime transport and administrative work.

### 1. HEALTH AND SAFETY MANAGEMENT

In the Group's companies, a regular assessment of occupational risks is carried out, and we strive to limit them through preventive measures, training, monitoring and provision of the necessary equipment and protection for employees. When potential hazards are identified, timely preventive and corrective measures are taken. We pay special attention to activities with increased risk, for which specific requirements and protocols have been introduced.

All employees of the Group are covered by occupational health activities, in accordance with Bulgarian health and safety legislation, and in maritime companies - comply with the requirements of the Maritime Labor Convention (MLC) of the International Labor Organization.

We provide accident insurance coverage for work-related incidents for all Group personnel - either through the coverage of the "Workplace Accident" insurance for companies registered in Bulgaria, or through the coverage of the Protection and Indemnity Insurance (P&I) for seafarers. This provides compensation in the event of temporary incapacity for work, permanent disability or death related to accidents at work. We cover all employees under insurance, regardless of their position, thus exceeding legal requirements and guaranteeing a high level of protection and security for each member of the team.

For internationally seconded employees, additional "Travel Insurance" insurance is taken out, which covers health and other risks related to their stay abroad.

### 2. ACCIDENT INDICATORS AND ANALYSIS

Work-related fatalities, serious injuries or occupational illnesses were recorded in the Group's companies in 2024. Despite our constant efforts to ensure safe working conditions, three workplace incidents occurred, none resulting in loss of life – one work-related accident each at Port of Burgas Shipyard, Nova Zagora Shipyard and Bulyard Shipbuilding Industry.

We strive to consistently minimize the risk of accidents and create stable conditions for a safe working environment, with the aim of achieving incident-free periods in the workplace.

Key indicators at Group level for 2024:

Indicator	2024
Employees covered by a health and safety management system	100%
Number of employees with occupational accident insurance	100%
Number of deaths resulting from work-related injuries and ill health	0
Number of deaths among other workers as a result of work-related injuries and ill health	0
Number of work accidents	3
Occupational accidents frequency index*	1.57

\* The index shows how many work accidents occur every 1,000,000 hours worked and reflects the number of accidents for the equivalent of 500 full-time employees in one year

### 3. RISK PREVENTION AND CONTROL MEASURES

Depending on the nature of the activity, some companies carry out high-risk activities for which additional control measures have been introduced - for example, welding activities for the repair of ship tanks in Bulyard Shipbuilding Industry, work with dangerous or flammable cargo, as well as activities at height in ports. In such cases, specialized protocols are strictly applied, and employees have the appropriate qualifications and permits for carrying out the risky activities. In ship repair, we maintain a fire department, ensuring a rapid response in the event of an incident.

Certified safety and security management systems are implemented on the ships, which are audited by independent external organizations. Regular drills are held for emergency situations - fire, spill, ship grounding, man overboard. Every seafarer undergoes first aid training, with at least three crew members having additional qualifications to perform emergency medical actions (e.g. applying for a tourniquet or splint).

In mechanical engineering companies, specific safety instructions are applied when working with cranes, forklifts and other heavy machinery.

We work to ensure safe conditions through regular monitoring of the working environment and consistent improvements. We measure key factors such as noise, lighting and ventilation and carry out a systematic assessment of occupational risks.

We aim not only to comply with regulations, but also to build responsible behaviour towards risks. Therefore, we encourage the active participation of employees in the process of identifying hazards and proposing measures, thus building a work culture oriented towards safety and prevention.

### 4. SAFETY TRAINING AND INSTRUCTIONS

Health and safety training is a mandatory element of our efforts to build responsible safety behaviour and reduce workplace accidents. Mandatory initial, periodic and daily briefings are conducted in all Group companies, tailored to the specific work environment and the requirements of the applicable legislation. In some companies, for example in ship repair, they also apply to employees of external subcontractors operating on the premises of the plant.

In addition, we provide specialized training for working with specific equipment when performing activities with increased risk. or for activities requiring a certain qualification. Such training covers topics such as working with cranes, forklifts, welding in confined spaces or manoeuvring with heavy loads. In maritime transport, the inclusion of a new crew member is preceded by mandatory training and practical exercises, in accordance with international maritime standards. All seafarers undergo preparatory courses for maritime safety, including survival techniques, personal safety and social responsibility, fire training and first aid. Management-level officers receive additional qualifications for providing medical care, fighting fires, operating collective rescue equipment, managing resources on the bridge and in the engine room, etc.

In 2024, 317 of our employees received training on health and safety topics.

Through these systematic efforts, we strive to build a safety culture that not only guarantees compliance with requirements but also creates a work environment in which every employee is prepared to recognize and avoid the risks associated with their work.



## 5. PERSONAL PROTECTIVE EQUIPMENT AND OCCUPATIONAL HEALTH



All our workers and employees are provided with the necessary personal protective equipment, tailored to the nature of the work they perform and the safety requirements. Safety instructions are visibly displayed at the workplaces, and the condition and use of personal protective equipment are regularly monitored. In companies with increased risk, such as Bulyard Shipbuilding Industry, for example, wearing helmets and protective shoes is mandatory for both staff and external visitors. In ports, specific safety measures are applied when working with cargo vehicles, and the procedures in place play an essential role in preventing incidents.

All companies in the Group maintain contractual relations with occupational health services, which perform periodic preventive examinations, risk assessment and monitoring of the working environment. At ZMM Sliven we have a medical officer on staff, which ensures the ability to respond promptly when necessary.

In maritime transport, in addition to mandatory medical examinations, additional health requirements apply - psychiatric screening, vaccinations (including against yellow fever), and medications and first aid equipment are provided on board, including for treatment in emergency conditions. Seafarers undergo specialized medical examinations in accordance with international standards.

Through these measures, we aim to ensure a high level of protection of the health and working capacity of all our employees.

## LOCAL COMMUNITIES AND STAKEHOLDER INTERACTIONS

We approach the environment in which we operate responsibly. We consider social engagement and partnerships with local stakeholders as an essential element of our sustainability. We are convinced that through long-term cooperation with local and state authorities, educational institutions and non-governmental organizations we can contribute to better prospects and social prosperity in the regions in which we operate. We invest in social, cultural and educational initiatives to create value for local communities and respond to their specific social and economic needs. As a public company with a long-standing presence on a regulated market, we consider the development of the capital market in Bulgaria as part of our social engagement.



## 1. SOCIAL ENGAGEMENT PROGRAMS

The Group companies participate in various forms of cooperation aimed at improving the well-being and integration of local communities.

We continued to support scientific research and educational initiatives related to the Bulgarian presence in Antarctica. In 2024, Bulyard Shipbuilding Industry carried out another technical maintenance and repair of the scientific research vessel "St. St. Cyril and Methodius". With the assistance of the Group, the ship successfully sailed on November 7, 2024, from Varna for its third expedition to Antarctica, reaching Livingston Island on December 28, 2024. During the voyages, IHB Shipping aided the crew with any technical issues and ship management, contributing to the successful implementation of the mission.



In 2024, ZMM Nova Zagora and ZMM Sliven were partners of the Association of Industrial Capital in Bulgaria (AIKB) in the implementation of training for permanently unemployed people. The companies provided the participants with the opportunity to acquire professional skills in a real production environment. The initiative supports the improvement of professional qualifications and facilitates access to the labour market for people outside the Group.

IHB Shipping supported the Sea Captains' Association in the third International Maritime Forum "Global Compass" organized by them, which was held in Varna in 2024 under the motto "Sailing towards a Sustainable Future".

## 2. INTEGRATION AND SOCIAL RESPONSIBILITY INITIATIVES

In support of our understanding of equal access to labour, we actively work for the social inclusion of various vulnerable groups.

Since 2023, Bulyard Shipbuilding Industry has been providing opportunities for prisoners to work while serving their sentence. The initiative is aimed at supporting the process of social reintegration and reducing the risk of re-offending. For those who demonstrate responsibility and commitment, we provide opportunities for long-term employment after release.

We also provide employment opportunities for Ukrainian, Uzbek and Kiribati citizens in various companies of the Group.

As part of our commitment to improving the urban environment, we participate in initiatives to improve public spaces, such as tree planting campaigns in Nova Zagora and Varna, implemented in collaboration with local authorities and volunteers. These activities contribute to a cleaner and more pleasant living environment for the residents of the settlements in which we operate.

## 3. SUPPORT FOR SPORTS AND ACTIVE LIFESTYLE

As part of its long-term commitment to promoting sportsmanship and an active lifestyle in urban environments, the IHB Group supports various sporting events, with a total of over BGN 27,000 provided in 2024.

We are the host and partner of one of the largest corporate sports events in the country - the relay race Business Run Varna, which encourages physical activity in an urban environment. The event has been held annually since 2018 on the territory of Bulyard Shipbuilding Industry and Bulport Logistics. In 2024, over 300 participants in 79 teams from 48 companies took part in it. The event also has a charitable nature - 30% of the participants' starting fees for 2024 were provided in support of Karin Dom, an organization for children with special needs and their families. Three mixed teams and one all-female team took part from the Group, and we also ensured the participation of the team of students from VMG "St. Nikolay Chudotvoretz". Since 2023, Kids Run has also been held - a program for children aged 4 to 12, encouraging early physical activity and the inclusion of the youngest in a sports environment.

We also support sports in Bulgaria through long-term partnerships. Since 2021, ZMM Bulgaria Holding has been financing the Lokomotiv Boxing Sports Club (Sofia) - one of the leading sports schools in the country with a number of European, republican and world champions. In addition to high sports awards, the club actively works with children and young people, promoting their physical culture and developing a love of sports. Since

2019, ZMM Bulgaria Holding has also been the general sponsor of the State Individual Tennis Championship for men and women - an event that provides young tennis players with the opportunity to perform in front of their home audience and supports the development of their sports career. It serves as a good example for young people, encouraging perseverance, discipline and the pursuit of development and high sportsmanship.

In 2024, for another year, we also supported the 84th Galata Swimming Marathon - a traditional international sporting event in Varna, open to citizens and guests of the city.

#### 4. EDUCATION, CULTURE AND CAPITAL MARKET

For us, one of the essential elements of the sustainable development of local communities is access to quality education and opportunities for professional development.

The dual training programs and industrial practices, which we implement together with local high schools in Sliven and Nova Zagora, contribute to building a strong connection between education and the real economy in the region. They not only enrich the learning process with practical knowledge and skills, but also increase the motivation of students, making education more meaningful and applicable. Through these initiatives, young people are given the opportunity to realize themselves professionally in their hometown, which supports the economic and demographic sustainability of local communities.

Our partnerships with higher education institutions also contribute, through which we promote career guidance, facilitate access to a real work environment, and develop skills in demand on the labour market. Thus, we support young people in their decision to stay and develop in Bulgaria, close to their families and communities.



As part of these efforts, each year we honour the best interns from the Higher Naval School in Varna. In 2024, two cadets received incentive awards, solemnly presented during the graduation ceremony - a sign of recognition for their diligence and results during the internship.

Our long-standing involvement as a trustee of Atanas Burov Foundation is another manifestation of our lasting commitment to education and the development of the country. The mission of the foundation is to preserve and promote the ideas and work of Atanas Burov for a democratic Bulgaria and a prosperous economy. It discovers and encourages young talents in the fields of finance, banking and economics by offering scholarships, organizing various competitions, conducting an annual summer school on investments for students, as well as other educational programs for schoolchildren and university students. In this way, the foundation stimulates the interest of young people in finance, economics and capital markets and builds on their knowledge and skills.

We support initiatives that have a long-term impact on the development of the capital market in Bulgaria. As a public company, we support professional events and forums of the financial and investment community, organized by Investor.bg – one of the leading business and financial news platforms in the country. Through our partnership with them, we contribute to the introduction of good practices and the establishment of effective regulations that promote transparency and maturity of the capital environment in Bulgaria.

We also actively work with the Association of Industrial Capital in Bulgaria (AIKB) to improve the regulatory framework, promote good corporate governance and better access to information. The Holding's CEO is the Deputy Chairman of AIKB with the "Capital Market" portfolio, and through this position he directly contributes to the development of the regulatory environment and the introduction of effective market mechanisms. As part of our efforts in this area, we are also an active member of the Association of Investor Relations Directors in Bulgaria – an organization that works to improve information, transparency and trust in the capital market.

## 5. PARTICIPATION IN INDUSTRY AND EMPLOYER ORGANIZATIONS

The Group maintains an active position in various industry, employer and professional organizations, contributing to the development of responsible economic policies, improving the regulatory framework and promoting sustainable industrial development in Bulgaria. Our representatives participate in working groups, expert councils and public consultations on legislative and strategic documents related to the maritime business, machine building, capital market and industry in general.

As members of organizations such as the Association of Industrial Capital in Bulgaria, the Bulgarian Maritime Chamber, the Bulgarian Branch Chamber of Machine Building, the Association of Bulgarian Private Ports, we share experience, formulate common positions on topics important to the sectors, and work to promote good business practices.

Our participation in these structures allows us to maintain a constructive dialogue with institutions, partners and other stakeholders, as well as to assist in adapting public policies to the real challenges and opportunities facing the industry.

# ENVIRONMENT

## RESPONSE TO CLIMATE CHANGE

We perceive climate change as a significant environmental and economic risk that requires targeted actions to limit the carbon footprint of our activities and achieve sustainable development. Our efforts are focused on accurate assessment and management greenhouse gas emissions, improving energy efficiency, using renewable sources and introducing technologies with a lower carbon footprint. We pay particular attention to shipping, where we strive for environmentally friendly fleet operations, in line with the international regulatory framework and industry standards.

### 1. ASSESSMENT AND TRACKING OF GREENHOUSE GAS EMISSIONS

As a first step in our climate mitigation strategy, in year 2024, we began calculating and tracking Scope 1, 2 and 3 greenhouse gas emissions, according to established international methodologies. This allows us to identify key emission sources, prioritize them and gradually develop mitigation measures tailored to the specifics of different business segments and environmental factors.

#### Scope 1 – Direct emissions from own processes

Scope 1 includes **direct emissions** resulting from the combustion of fuels, as well as the use of technical gases and refrigerants within our own operations. Regarding fuel used by ships, only emissions under voyage charters, where we have operational control over exploitation of the vessel, fall within this scope. In the case of time charters, where ships are leased out, fuel emissions are reported in Scope 3, as the responsibility for the operation lies with the charter. This approach is in line with recognized international methodologies and accounting principles and reflects the allocation of control and responsibility for the carbon footprint.

#### Scope 2 – Indirect emissions from the production of electricity and heat purchased by the Group

Scope 2 includes **indirect greenhouse gas emissions** associated with the production of electricity and heat energy that our companies purchase and use to operate their businesses. While these emissions do not arise directly from our operations, they are a consequence of our energy consumption and include the quantities consumed in production and administrative sites over which we have operational control.

Emissions from the production of electricity purchased by us and re-invoiced to tenants using buildings or facilities owned by the Group are not included in Scope 2 but are reported in Scope 3, as we do not exercise control over the operation of the relevant assets. In cases where electricity is provided to third parties through temporary infrastructure (e.g. powering foreign ships during their stay in our ports), these quantities are not included in the emissions inventory as they do not represent either own consumption or part of a leased asset.

This type of approach is in line with internationally accepted methodologies and ensures correct accounting of carbon emissions responsibility relative to the actual control and consumption.

#### Scope 3 – Other indirect emissions along the value chain

Scope 3 covers all indirect emissions that occur outside the borders of operational control but are related to our activities – both upstream and downstream in the value chain (deliveries, sales, etc.). We have made a preliminary assessment of all Scope 3 categories and selected those that are potentially applicable to the Group, for which we have carried out a detailed assessment. We have calculated our emissions from the following categories:

- *3.1 Purchased goods and services* – emissions related to the production of the materials and services we purchase and use in our operations.
- *3.2 Capital goods* – emissions related to investments made by the Group for the acquisition and construction of fixed tangible and intangible assets. For investments that during the reporting period represent only advance payments, emissions are calculated in proportion to the amount of the advance in relation to the total value of the contract. The method follows the accounting approach for asset recognition, although at the time of payment the supplier may not have yet started actual activities. This approach is applied with the goal of providing a more complete assessment of emissions from capital expenditure, while respecting the principles of good faith and transparency. The method is indicative in nature and assumes a distribution of emissions over time, in proportion to payments, regardless of the actual stage of implementation.
- *3.3 Fuel- and energy- related activities (not included in Scope 1 or Scope 2)* – emissions related to the extraction, processing and distribution of fuels, gases, electricity and heat that we use in our operations. This complements the emissions reported in Scopes 1 and 2 and reflects the impacts

along the entire chain before the end use. In line with the principle of accounting for emissions for which the enterprise is actually responsible, we have not included associated emissions from energy used in leased assets and reported in scope 3.13 – fuel for time charters and electricity re-invoiced to tenants.

- *3.4 Upstream transportation and distribution* - emissions from transport and logistics services outsourced by the Group, where we have operational control and are responsible for the selection of the contractor. This includes both inbound deliveries of raw materials and materials and outbound transport of finished products. Where applicable, we also report emissions from external transport between individual sites within the Group.
- *3.5 Waste generated in operations* – emissions related to the treatment, disposal or incineration of industrial and municipal waste that arise as a result of our operational activities. We do not include emissions from waste generated by third parties and transferred through temporary infrastructure (for example, from ships of external owners during their stay at our sites), as we are not responsible for their generation or subsequent management.
- *3.6 Business travel* – emissions related to transport services used for business travel purposes, including airline tickets for business trips and crew changes on ships. This includes emissions arising from the use of vehicles that are not owned by the Group and are not under its control.
- *3.7 Employee commuting* – emissions related to the daily movement of employees to and from the workplace when using means of transport that are not owned by the Group and are not under its control.
- *3.9 Transportation and distribution of sold products* - emissions generated from the transportation and delivery of finished products, when the logistics service is not organized or paid for by the Group but is performed by the client or an external party. Emissions from the transport of incoming deliveries of raw materials and materials, organized by suppliers, are indirectly accounted for in category 3.1 by using market-based emission factors and are not included here in order to avoid double counting.
- *3.11 Use of sold products*– emissions resulting from the expected electricity consumption in the operation of the metal cutting machines manufactured and sold by the Group. They reflect the carbon footprint of the use of these products by end users throughout their life cycle.
- *3.12 End-of-life treatment of sold products* – emissions related to dismantling, processing of residual materials and waste, as well as the possibility of subsequent use of the raw materials used at the end of the life cycle of the products sold by the Group.
- *3.13 Downstream leased assets* – emissions related to the use of assets owned by the Group that are leased out and over whose day-to-day operation we do not exercise operational control. This includes emissions from fuel consumed by our vessels operating under time charter, as well as electricity consumed by tenants of buildings and facilities.

During the inventory, we identified scopes or their elements that are not material to the Group's operations and are therefore not included in the summarized data below. The excluded are:

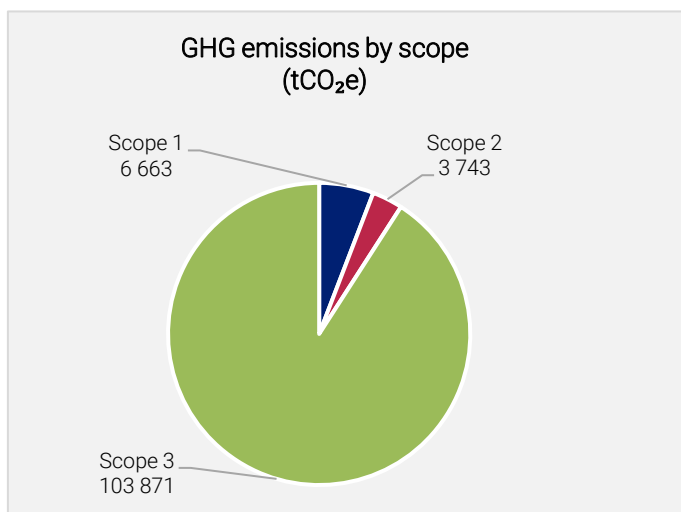
- From Scope 1: emissions from used technical gases (0.24% of the Scope 1 value);
- From Scope 2: emissions from used heat energy (0.28% of the Scope 2 value);
- From Scope 3: categories 3.4 (Upstream transportation and distribution), 3.6 (Business travel), 3.7 (Employee commuting), 3.9 (Transportation and distribution of sold products) and 3.12 (End-of-life treatment of sold products), which together represent 1.01% of the value of Scope 3,

The total value of the excluded emissions amounts to 1,088 tCO<sub>2</sub>e, which is insignificant compared to the total emissions of the Group. At the same time, tracking these emissions would require disproportionate efforts in collection, consolidation and calculation, without a significant improvement in the accuracy of the information presented. In view of this, the excluded emissions will not be included in future inventories, except in the event of significant changes in the operational activity related to the specific categories or their elements.

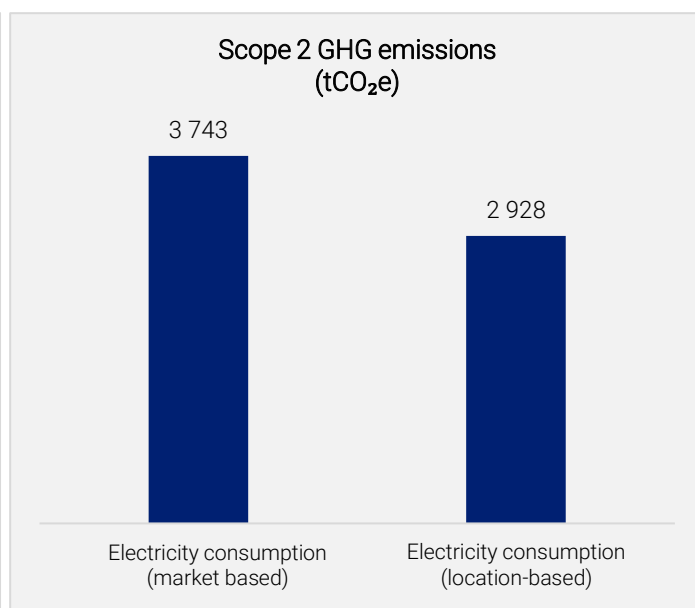
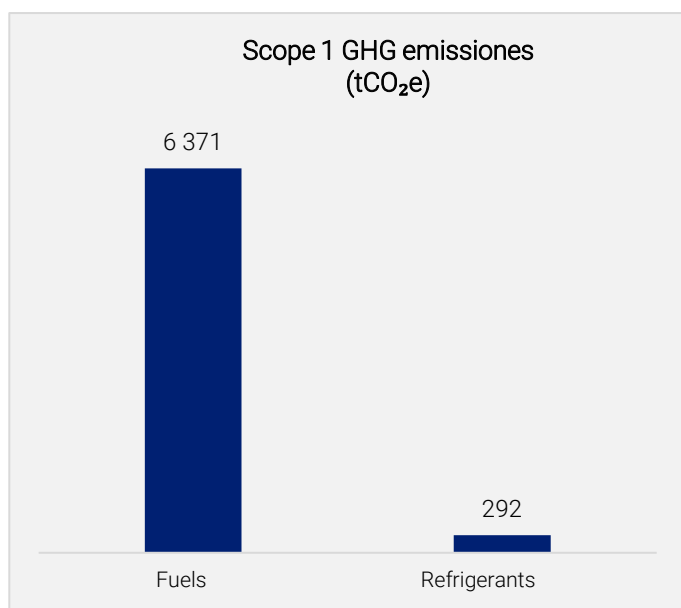
The Group's total greenhouse gas emissions for 2024, after excluding non-significant sources, amount to 114,278 tCO<sub>2</sub>e and are distributed as follows:

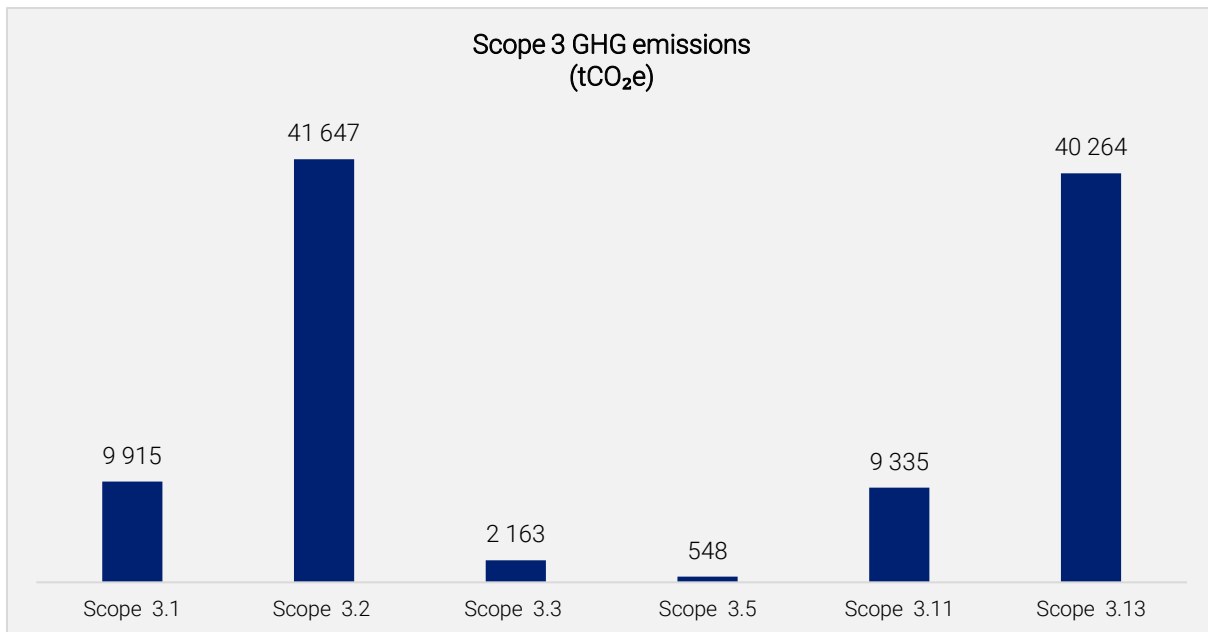


- *Scope 1: 6,663 tCO<sub>2</sub>e*, the most significant part being due to the fuels used by our ships during voyage charter.
- *Scope 2: 3,743 tCO<sub>2</sub>e*, mainly related to electricity consumption in our ship repair and machine building activities. The impact is partially offset by the use of renewable energy from our own photovoltaic plants. The assessment is made according to the market-based approach.
- *Scope 3: 103,871 tCO<sub>2</sub>e*, with the most significant contribution from categories 3.2 (Capital goods) – as a result of the significant volume of investments made during the year, including for the expansion of the port infrastructure in Varna and the advances paid for new ships, and 3.13 (Downstream leased assets) – related to the fuel used by ships under time charter, as well as the electricity used by the tenants of our facilities.



The following graphs present the distribution of emissions by main sources in each of the scopes, which provides a more complete picture of the structure of the Group's carbon footprint:





This first measurement will serve as a basis for a more in-depth analysis of the Group’s impact, as well as for the gradual formation of realistic and responsible priorities in the field of decarbonization. When considering the next steps, we will strive to take into account both our environmental impacts and the need to preserve the economic viability and competitiveness of our companies. The following subsections describe the measures we are already implementing to limit emissions and increase resource efficiency in the different business segments.

In addition to the actions for limiting carbon emissions, the Group is starting to identify and assess potential risks from climate change to its operations – including extreme weather conditions, disruption of logistics chains and changes in the regulatory framework. The aim is to develop adaptation measures over time to ensure the long-term sustainability and competitiveness of our companies.

## 2. ENERGY EFFICIENCY AND DECARBONIZATION

In our activities, we apply various technical and organizational solutions to reduce fuel consumption and carbon emissions. In maritime transport, we adapt sailing speed to operational and market conditions. The use of the so-called ecospeed is an established practice through which we optimize fuel consumption, achieve lower specific consumption and limit the carbon footprint of the fleet. In support of this practice, we gradually carry out technical modifications to ensure safer and more efficient operation of the engines at reduced speeds. We additionally use ship incinerators for on-board waste treatment, as well as heat exchange devices that capture waste heat from exhaust gases and use it to produce energy.

In our design activities at IHB Shipdesign, we develop engineering solutions that support our clients in the decarbonization process. We are working on pilot projects for the transition to alternative fuels - such as methanol and ammonia, as well as on the implementation of wind energy as an auxiliary source of ship propulsion. In both cases, the goal is to reduce fuel consumption.



At the same time, we are taking the first steps to use biofuels as an alternative to fossil fuels in our own fleet, on voyages where this is technically and economically feasible. The activities are being implemented in cooperation with engine manufacturers, in order to ensure compatibility with existing ship systems. Although the implementation of alternative fuel systems remains limited due to regulatory, infrastructural and technological barriers, we are closely monitoring the development of the regulatory framework and technological progress in order to be prepared for timely adaptation to upcoming regulations in the sector.

Outside of maritime transport, we use geothermal energy in the Bulport business building, owned by Bulport Logistics. The building is one of the few in the country where the heating of an area of nearly 4,000 sq. m. is carried out entirely with energy obtained from a geothermal source. The solution was implemented in accordance with modern requirements for the efficient use of natural resources. In Bulyard Shipbuilding

Industry, geothermal water is used directly for the sanitary and domestic needs of workers, which allows for the utilization of thermal energy and a reduction in electricity consumption.

In addition, highly efficient charging stations for electric vehicles, accessible to the public, have been built on the territory of Bulport Logistics. Stations with capacities of 50 kW and 150 kW are operational, and in March 2025, a new 200 kW station was commissioned. The initiative contributes to the creation of a sustainable urban environment through the development of green transport infrastructure in Varna and is part of our efforts to reduce emissions outside of the main production activity.

In the companies of the Group, we are implementing a number of additional measures to increase energy efficiency. We use LED lighting fixtures, which significantly reduce electricity consumption for lighting. In Bulyard Shipbuilding Industry, we plan to implement an intelligent control system for air compressors, which will regulate their operation depending on the current load and optimize energy consumption.

In order to reduce heat loss and improve the working environment, we are renovating our main production buildings by implementing energy efficiency measures - including thermal insulation with panels and replacing old joinery with energy-efficient ones. These activities are being implemented at Bulyard Shipbuilding Industry, ZMM Sliven and ZMM Nova Zagora.



In 2024, we began a phased modernization of the power supply infrastructure on the territory of Bulyard Shipbuilding Industry and Bulport Logistics. The first stage included the complete renovation of the existing substation, replacement of part of the main transformer substations and renewal of the cable network connected to them. The implementation of the second stage is pending, which includes the renovation of the remaining transformer substations and the completion of the replacement of the cable network. An essential part of the project is the transition from a radial to a ring configuration of the power supply, which increases the reliability and continuity of the power supply.

In parallel with the physical reconstruction, we are implementing an automated remote control and monitoring system. It enables real-time monitoring of loads, the condition of electrical equipment, and electricity consumption, which allows for early diagnosis, precise control, and further increase in energy efficiency.

These actions are part of our long-term approach to increasing the energy efficiency and sustainability of our operations in compliance with a changing regulatory and market environment. We continue to seek new opportunities for technological innovation and lower carbon intensity, with the aim of achieving a more sustainable and competitive industrial activity.

### 3. PRODUCTION AND USE OF RENEWABLE ENERGY

In response to the growing demands for decarbonization and energy independence, in the Group's companies, we are actively building and using our own sources of renewable energy. We place a primary emphasis on photovoltaic plants, which contribute to limiting carbon emissions, reducing dependence on external suppliers and stabilizing electricity costs.

By 2024, our own production from renewable sources covers about 25% of the companies' total electricity consumption. The initiatives are being implemented in stages of all major manufacturing companies in the mechanical engineering segment and in our port operations.



At ZMM Sliven an operating photovoltaic plant with a capacity of 1,307 kWp covers about 60% of the company's needs, and an expansion of 1,100 kWp is in the process of being put into operation. A battery with a capacity of 3.76 MWh is to be installed in 2025, which will allow for almost complete energy autonomy.

In ZMM Nova Zagora, the solar park with a capacity of 888 kWp covers about 40% of electricity consumption, and an extension of 316 kWp is due to be put into operation in 2025. A small local installation with a capacity of 20 kWp has been built at IHB Metal Castings, which is used to heat water for domestic needs.

A project for a rooftop photovoltaic power plant with a capacity of 594 kWp was completed at Odessos PBM in 2023. The plant covers the needs of the enterprise and provides shore-side power supply for ships during their stay, which contributes to the reduction of harmful emissions in the port area.

Expanding renewable energy production capacity is a priority for the Group. We plan to build new solar parks in other companies, combined with the installation of storage batteries. These initiatives will increase the share of our own electricity generation and help achieve sustainable energy independence. At the same time, they increase the adaptability of the companies to market and regulatory changes in the energy sector. This is an essential part of our efforts to reduce the carbon footprint of our businesses.

#### 4. INTERNATIONAL REGULATIONS AND SUSTAINABLE SHIPPING

The Group is actively working on the implementation of international standards related to the environmental aspects of maritime transport, with the aim of achieving better energy efficiency and compliance with the current regulatory framework. In accordance with the requirements of the International Maritime Organization (IMO) and the long-term directions of [The Shipping Strategy 2030-2050](#), we are gradually implementing technical and organizational measures to improve the operational efficiency of ships and limit carbon emissions.

In compliance with the International Convention MARPOL (Annex VI), for the first time, in 2023, we determined the Energy Efficiency Index of Existing Ships (EEXI). The calculated values for all ships in the Group's fleet are higher than the regulatory requirements, which is typical for most commercial ships designed and built before the introduction of the new technical standards. We also started calculating the operational annual Carbon Intensity Indicator (CII), which takes into account the actual distance travelled, load and fuel consumption.

In 2024, one of our ships achieved a CII rating of B, and the remaining three ships had a rating of C (on a scale from A to E, with A being the best performing ship). The results show a positive trend compared to 2023, when all ships were rated C, and reflect the effect of the implemented measures for more efficient voyage planning, speed optimization and technical improvements.

In parallel with the IMO requirements, we are also monitoring the development of the European Emissions Trading Scheme (EU ETS), applicable to maritime transport from 2024. Its implementation has posed new challenges for the Group, related to managing carbon costs and adapting our operations to new market conditions.

In view of these changes, the Group is working to upgrade existing practices through additional compliance measures and efficiency gains, as part of its long-term strategy for competitive and responsible maritime transport.

## PRESERVING CLEAN AIR AND WATER

Air and water protection is a priority in the Group's environmental policy. We implement adapted solutions and good manufacturing practices with a focus on reducing the Group's local and cumulative impact on air and water resources, according to the specifics of each industry in which we operate. We aim for long-term resource protection and responsible management in accordance with the national and international regulatory frameworks.

### 1. AIR PURIFICATION IN PRODUCTION PROCESSES

In the mechanical engineering enterprises of the Group, we apply modern technologies for air purification, with an emphasis on production areas where dust particles and gases are released. In ZMM Nova Zagora, local exhaust and dust collection systems are installed around the metal processing machines, which capture pollutants at the point of release. This improves the indoor microclimate and at the same time reduces the spread of fine dust particles in the production halls. The captured metal dust is sent for recycling, which achieves a double environmental benefit - waste reduction and resource reuse.

In 2024, ZMM Sliven began implementing a project to build a new exhaust system in the painting facility. The system is designed to ensure effective removal of fumes and dust particles, contributing to improving working conditions and limiting emissions released in the environment.

### 2. MARINE ENVIRONMENT PROTECTION PROJECTS

In the Group's marine segment, we implement a number of engineering solutions aimed at limiting the impact of shipping on the marine and coastal environment. All ships in our fleet are equipped with ballast water treatment systems, which aim to prevent the transfer of invasive aquatic organisms and preserve the marine ecosystem. The ballast water decontamination technologies we use combine pre-filtration and ultraviolet (UV) disinfection – a method that is environmentally friendly, as it does not use chemicals, leaves no residues and does not lead to the formation of secondary waste, unlike other available alternatives.

The design company IHB Shipdesign plays an important role in the Group's efforts to protect the marine environment. Over the past five years, the company has contributed to the implementation of over 700 projects, including ballast water treatment systems, exhaust gas scrubbers and other innovative technologies. Through these engineering solutions, we support our clients in implementing international requirements and reducing the environmental impact of maritime transport.

### 3. SAFE USE OF MATERIALS

The Group uses a wide range of materials in its various activities. Some of them - such as diesel fuel, lubricating oils, paints, solvents and a limited amount of auxiliary chemicals for technical maintenance and cleaning - are classified as substances with certain risk characteristics, requiring compliance with regulatory requirements for safe use and environmental protection. In addition, we use a significant volume of raw materials and materials that are not classified as hazardous - such as metals, cables, electrical components, seals and others, applicable in production, logistics and repair activities.

In enterprises in Bulgaria, hazardous materials are supplied by certified manufacturers and traders, as each product is accompanied by a Safety Data Sheet (SDS) in accordance with Regulation (EC) No. 1907/2006 (REACH). This ensures transparency regarding the composition, potential risks and recommendations for safe storage, proper use and safe treatment of residual quantities.

The paints used in the activity include alcohol- or solvent-based products that can release volatile organic compounds (VOCs) within the permissible limits set by European regulation. VOC monitoring is carried out regularly, controlled by the RIEW, and the data is publicly available through the European Pollutant Release and Transfer Register (E-PRTR).

For all categories of hazardous materials, we apply standard safety measures, including briefing and training of personnel, clear labelling, adequate ventilation of work areas, available instructions for actions in case of incidents, as well as the provision of personal protective equipment. The storage and work premises are equipped with the necessary infrastructure to prevent and respond to spills, fires and other risky situations, in accordance with the requirements of applicable legislation. The residual quantities of materials with hazardous properties are collected in an organized manner and handed over to licensed operators.

The operation and maintenance of the Group's fleet of vessels is subject to the requirements of the International Maritime Organization, including the provisions of the International Convention for the Control of Harmful Anti-Fouling Systems on Ships (AFS) and guidelines for handling chemicals and hazardous materials on board. In cases where paints and chemicals are used for partial repairs or technical needs in various ports around the world, their composition and use comply with local regulations and applicable international requirements.

All class and inter-class repairs of the Group's fleet are carried out in our own ship repair plant, where European standards, including REACH, are applied to the materials used. For vessels of external clients, the same standards and procedures for the safe handling of paints, solvents and material residues, including ventilation and waste collection systems, are applied.

Internal rules and procedures for working with materials with risky properties are subject to periodic review and updating, so as to reflect changes in the regulatory framework, technological developments and the specifics of the activities in individual companies.

#### **4. WATER RESOURCES MANAGEMENT AND PURIFICATION**

The efficient use and conservation of water resources is an essential element of the Group's commitment to sustainable development. Our efforts are aimed both at reducing the consumption of drinking water and at expanding the internal infrastructure for our own water supply, water treatment and runoff control. We aim to increase resource efficiency, limit losses and sustainably manage water resources in the long term.

In 2023, ZMM Nova Zagora registered two of its own water sources, used for irrigation of green areas and cooling of machines, and in 2024, ZMM Sliven also registered its own water source for supplying irrigation, industrial and domestic systems. These investments reduce dependence on drinking water and support the long-term sustainability of production processes.

Another key aspect is consumption management. In recent years, the Group has made targeted investments in the repair and modernization of internal water supply networks in its subsidiaries, with an emphasis on improved control and prevention of emergency leaks. Remote consumption measurement systems have been introduced, which allow for early detection of deviations and more efficient management of resources.

In parallel, we are building sewer pumping stations for the controlled discharge of surface water, thus limiting the risk of flooding and environmental pollution from uncontrolled runoff and improving the drainage infrastructure.

As part of the expansion of the port of Odessos, a new water supply system was built, as well as sewage pumping stations and an oil and sludge separator for pre-treatment of rainwater, through which pollutants are captured before the water is safely discharged. In 2024, significant renovation works were also carried out at Ship Repairs Factory Port-Burgas, including the implementation of a remote consumption monitoring system. Similar projects have already been implemented at Bulyard Shipbuilding Industry and Bulport Logistics.

On topics related to the protection of air and water purity, the Group's activities are subject to monitoring by the competent national and international authorities depending on the nature and location of the respective activity. The vessels in our fleet undergo numerous regular scheduled and unscheduled inspections by registry organizations, flag administrations and port authorities. In 2024, no irregularities were noted, nor were any technical or regulatory non-compliances identified during the inspections carried out.

At the national level, enterprises in Bulgaria are subject to control by the Regional Inspectorates for Environment and Water (RIEW). In 2024, one planned inspection was carried out in connection with the control of air quality in the subsidiary IHB Metal Castings by the RIEW Sofia. The inspection was successful, and the given prescription was fulfilled on time.

These results confirm the effectiveness of the implemented measures and procedures for compliance with the regulatory framework.

## **RESOURCES, WASTE AND CIRCULAR ECONOMY**

Resource conservation and waste reduction are among the main areas in which the Group focuses its efforts as part of its commitment to a circular economy and sustainable management. Our focus is on the efficient use of raw materials, reducing waste generation and extending the life cycle of our products and assets.

### **1. MANAGEMENT OF RAW MATERIALS AND MATERIALS**

Efficient use of resources is an essential element of the Group's production model. We strive to increase the share of secondary raw materials used, both internally and through cooperation with external partners, thereby increasing resource efficiency in the various units of our operations.

In 2024, IHB Metal Castings purchased a total of 1,349 tons of secondary materials – mainly old cast iron, steel scrap and quartz sand, which is a by-product of kaolin production. About 15% of these raw materials were supplied by the mechanical engineering companies ZMM Sliven and ZMM Nova Zagora. Part of the quartz sand used goes through several technological cycles – on average up to five times – before being replaced, which contributes to reducing the need for new resources. Almost 100% of the casting materials used in 2024 come

from recycled or reused sources, as each smelt also includes a certain amount of primary raw materials in accordance with technological requirements. The finished castings are mainly used in the production of lathes at ZMM Sliven.

The vertical integration of the mechanical engineering segment supports the coordinated use of raw materials and materials, ensuring better traceability, shorter logistics chains and lower costs associated with transportation and procurement.

We also apply similar principles in the ship repair activity. At Bulyard Shipbuilding Industry, we use significant amounts of copper slag, a by-product of metallurgical production. In 2024, the company used 9,700 tons of this material as an abrasive in blasting, thus avoiding the use of primary raw materials.

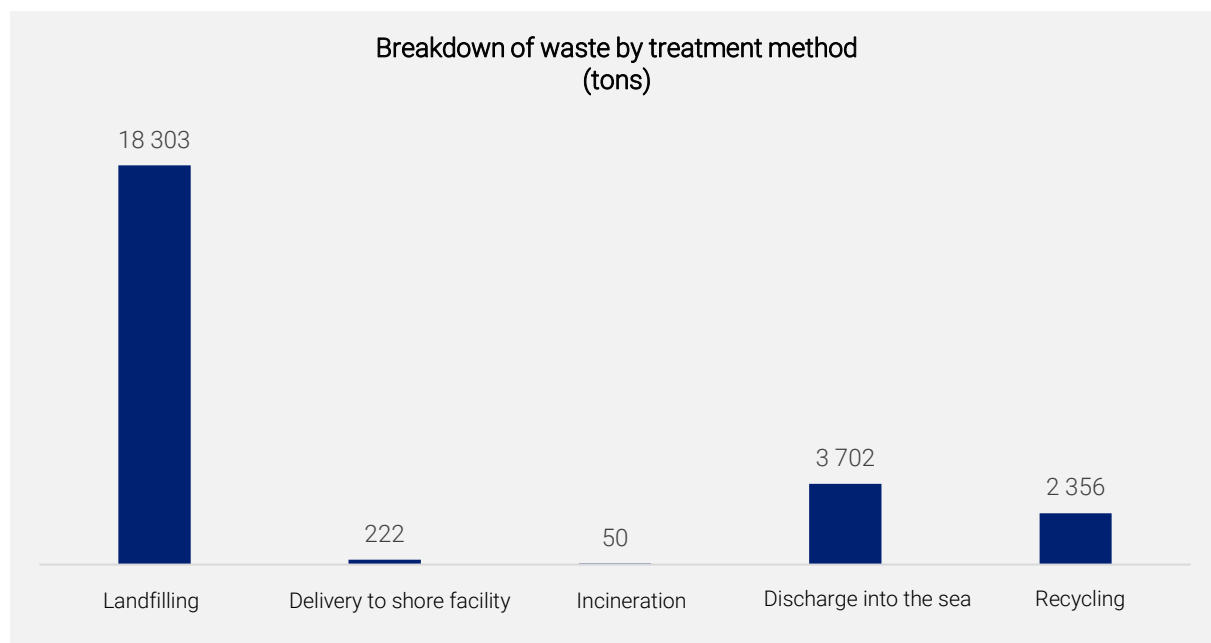
## 2. WASTE GENERATION, TREATMENT AND REUSE

The Group applies an approach aimed at reducing waste and using resources more efficiently throughout the chain, from the procurement phase to the management of residual materials. Our efforts are focused on both reducing waste generation and its proper treatment, reuse and recovery.

In 2024, a total of 24,633 tons of waste and wastewater were generated from the activities of the Group's enterprises. The main part (about 74%) is landfilled. This is mainly industrial and construction waste, with the largest share being the abrasive used in blasting in Bulyard Shipbuilding Industry. The remaining part is transferred for recycling or is utilized - both through internal processes and through licensed external operators. We do not include waste generated by third parties and transferred through temporary infrastructure (for example, from ships of external owners during their stay at our sites), as we are not responsible for either their generation or their subsequent management. In 2024, a total of 4,634 tons of waste, generated from construction activities related to the Odessos PBM expansion and classified as non-recurring, were recorded.



In maritime transport, we apply the requirements of the international regulatory framework for waste management. Residues of fuels, oil-water mixtures, as well as domestic and operational waste, are collected and stored separately on board, and are later transferred to licensed shore facilities when the ships berth. Certain filtered waste mixtures are purified to the extent that they can be discharged into the sea only under strict conditions set by MARPOL. The treatment of certain other operational and domestic waste and waters is similar. Waste management activities on board are carried out in accordance with an approved Garbage Management Plan, in accordance with applicable standards for the protection of the marine environment. Special reporting is maintained, which is subject to verification by port authorities and classification organizations.



In some of the companies, product residues are reintegrated back into the production processes. At IHB Metal Castings, for example, filter dust is used for graphite mixtures, and slag and technological residues from casting are reintroduced into production. For 2024, such reintegrated waste amounts to 135 tons.

In all companies of the Group, the scrap generated from the main activities (production or repair) is sent for recycling, including partially in our own foundry, and is pre-sorted by type for easier subsequent recovery (e.g. separation of bronze, aluminium and steel shavings, as well as differentiation of cast iron from steel waste). Additional quantities of scrap may also arise incidentally, related to site clearance for large investment projects or the scrapping of assets, which are also handed over for recycling.

To transport our finished products, we mainly use wooden pallets, beams, and metal stands, which are recyclable and in some cases reusable, depending on their condition after delivery.

With these practices, we promote the closure of the material cycle, extend the life of the resources used, and limit waste.

### 3. LONG-LIFE CYCLE AND REPAIR

The continued use of manufactured products and used machinery and equipment is one of the ways in which the Group contributes to more sustainable resource management and waste reduction. These practices reflect our commitment to extending the period of effective asset exploitation through quality design, timely maintenance, repair and recycling after end-of-life.

The lathes we manufacture are distinguished by their long service life. With proper maintenance, they can be used for nearly 30 years, with a significant part of their components being subject to restoration. To maintain their functionality, we ensure the availability of spare parts for a period of about 25 years, which is above the industry average. After they are decommissioned, about 99% of the materials used in them can be recycled.



In the different business segments, we apply an approach aimed at extending the life of the machinery and equipment used. The vessels in the Group's fleet are characterized by a long-life cycle – between 20 and 25 years. The main equipment in the production, ship repair and port activities also has a long service life. The maintenance and restoration of existing assets is preferred to their early replacement, when that is justified economically and on technical grounds. The Group also acquires second-hand equipment.

After the equipment usage period ends, the materials used in it are returned to the economic cycle. Scrapped machines are dismantled, and their metal components are melted down and reused in various production processes, including intra-group. Ships are also dismantled at their end-of-life stage - steel, non-ferrous metals and equipment are separated by type and directed for reuse or recycling, in accordance with good practices in the sector.

### 4. SUSTAINABLE USE OF BUILDING STOCK

We make targeted efforts to renovate and repurpose buildings that we no longer use for our core business. Instead of building new sites, we limit the need for construction materials, reduce related emissions, and minimize demolition waste.

In recent years, we have implemented a number of such projects in Varna. A former garage for electric forklifts was renovated and transformed into a modern dining area, accessible to both employees and visitors from the area. A building, previously used as a telephone exchange, was adapted for the needs of an international company operating in the field of marine equipment. Facilities previously used for industrial oxygen and air supply were transformed for storage or administrative purposes.

In 2024, an administrative building was converted into a dormitory to accommodate foreign workers we employ in the Group. We also launched a project to convert a building originally intended as a filling station into a modern training centre, which is planned to be used by the Varna Maritime High School.

Through such initiatives, we extend the use of the existing building stock and extract additional value from the available infrastructure, supporting sustainable spatial and resource solutions as part of the circular economy.

## CLOSING NOTES

This document represents the first Consolidated Sustainability Report of Industrial Holding Bulgaria. External experts were engaged in its development to ensure maximum compliance with the current regulatory framework and good international practices.

The report reflects the current state of the internal processes, policies and results in the field of sustainable development within the Group. Substantial efforts have been made to ensure the accuracy, completeness and relevance of the information included. However, individual aspects may be further developed or refined in subsequent reporting periods.

As experience is gained, as well as the internal processes for data collection, verification and consolidation are upgraded, we expect future editions of the report to provide an even more in-depth and structured assessment of our progress on sustainable development issues.

This report has not been verified by an independent third party and should be considered as a starting point for systematic and transparent reporting in this area.



# ANNEXES

## KEY INDICATORS

ESRS	Indicator	Unit	2024	Comments	
<b>General requirements</b>					
ESRS 2 GOV-1 21 a	Number of board members (administrative/management/supervisory body) in executive position	number	2	Chief Executive Officer of IHB and Procurator, member of the Management Board. Baseline: headcount as of 31.12.2024 (head-count).	
ESRS 2 GOV-1 21 a	Number of board members (administrative/management/supervisory body) in a non-executive position	number	5	All others excluding the CEO and the Procurator (Board of Directors and Supervisory Board). Baseline: headcount as of 31.12.2024 (head-count).	
ESRS 2 GOV-1 21 d	Board's gender diversity ratio	female	%	57%	Board of Directors and Supervisory Board. Baseline: list number as of 31.12.2024.
		male	%	43%	
ESRS 2 GOV-1 21 e	The percentage of independent board members	%	33%		
ESRS 2 GOV-3 29 d	Percentage of variable remuneration dependent on sustainability-related targets and/or impacts	%	0%	There are no clauses in the Management Contracts and in the remuneration policy for the Board of Directors and the Supervisory Board.	
ESRS 2 SBM-1 40 b AR 12-13	Total revenue	BGN	126,563	Consolidated data	
<b>Climate change response</b>					
E1-5 37 AR 35	Total energy consumption related to own operations	MWh	11,541		



ESRS	Indicator	Unit	2024	Comments
E1-5 37a AR 33, AR 32	Total energy consumption from fossil sources	MWh	3,972	
E1-5 37b	Total energy consumption from nuclear sources	MWh	4,027	
E1-5 AR 34	Percentage of energy consumption from nuclear sources in total energy consumption	%	35%	
E1-5 37c	Total energy consumption from renewable sources	MWh	3,543	
E1-5 37c i	Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources	MWh	976	
E1-5 37c ii	Consumption of self-generated renewable energy without fuel	MWh	2,567	
E1-5 37c iii	Share of renewable sources in total energy consumption	%	31%	
E1-6 48 a AR 43	Scope 1 greenhouse gas emissions	tCO2eq	6,663	
E1-6 48 b AR 44	Percentage of Scope 1 GHG emissions from regulated emission trading schemes	%	27%	
E1-6 49 a, 52 a AR 45, AR 47	Gross location-based Scope 2 greenhouse gas emissions	tCO2eq	2,928	
E1-6 49 a, 52 b AR 45, AR 47	Gross market-based Scope 2 greenhouse gas emissions	tCO2eq	3,743	
E1-6 51 AR 46	Gross Scope 3 greenhouse gas emissions	tCO2eq	103,871	
E1-6 44, 52 a AR 47	Total GHG emissions location based	tCO2eq	113,462	
E1-6 44, 52 b AR 47	Total GHG emissions market based	tCO2eq	114,278	
E1-6 AR 46 g	Percentage of GHG Scope 3 calculated using primary data obtained from suppliers	%	0%	
E1-6 53 AR 53	GHG emissions intensity, location-based (total GHG emissions per net revenue)	intensity	0.90	
E1-6 53 AR 53	GHG emissions intensity, market-based (total GHG emissions per net revenue)	intensity	0.90	
<b>Protecting the purity of air, soil and water</b>				
Own indicator	Number of inspections by institutions (RIEW, maritime administrations, etc.)	number	1	
<b>Resources, waste and circular economy</b>				
E5-5 36a	Expected durability of products placed on the market, in relation to the industry average for each product group	year	≈30	
E5-5 36c AR27	The rates of recyclable content of products	%	99%	



ESRS	Indicator	Unit	2024	Comments
E5-5 36c AR27	The rates of recyclable content in products packaging	%	100%	
E5-5 37a	Total Waste generated	Deposition	tone	18,303
		Offshore facility lease	tone	222
		Burning	tone	50
		Release at sea	tone	3,702
		Recycling	tone	2,356
		TOTAL	tone	24,633
E5-5 37b AR31 E5-5 37c AR32 E5-5 39	Total amount of hazardous waste	tone	276	
E5-5 37b AR31 E5-5 37c AR32	Total amount of non-hazardous waste	tone	24,358	
E5-5 37d	Non-recycled waste	tone	22,227	
E5-5 37d	Percentage of non-recycled waste	%	90%	
<b>Responsible employer</b>				
S1-10 70	Percentage of employees (if any) who receive remuneration below the adequate remuneration for the relevant sector and region	%	0%	There are no employees working for less than the minimum wage.
S1-16 97a AR98	Gender pay gap	%	7%	The difference in the average hourly rate of pay between female and male employees, expressed as a percentage of the average hourly rate of pay for male employees.
S1-8 60a AR 66	Percentage of total employees covered by collective bargaining agreements	%	9%	Calculation based on rostered personnel as of 31.12.2024.
S1-8 63a AR69	Percentage of employees covered by workers' representatives	%	34%	In companies with a collective labour agreement - all employees. In companies without a collective labour agreement - members of trade union organizations.



ESRS	Indicator	Unit	2024	Comments	
Human capital development					
S1-6 50a AR 57 ESRS 2 SBM-1 40 a iii AR 12-13	Number of employees (head count) - at the end of the reporting period	female	number	212	
		male	number	712	
	Total number of employees (head count) - at the end of the reporting period		number	924	
S1-6 50a AR 57 S1-6 50b + 51	Average number of employees (head count) - average number for the entire reporting period	female	number	229	
		male	number	715	
	Average number of employees (head count) - average number for the entire reporting period	number	944		
	Number of employees (head count) on permanent employment contracts	female	number	207	Includes employment contracts and management and control contracts. Calculation based on staff as of 31.12.2024.
		male	number	611	
	Number of employees (head count) on fixed-term (temporary) contracts	female	number	5	Includes employment contracts and management and control contracts. Calculation based on staff as of 31.12.2024.
		male	number	101	
	Number of employees (head count) with non-guaranteed working hours	female	number	0	
		male	number	0	
S1-6 50c AR 59	The number of employees who left the Group during the reporting period	number	215	Number of people who left without fixed-term (temporary) contracts.	
S1-6 50c	Percentage of employee turnover	%	23%	Baseline: average number of employees	
Own indicator	Number of trained employees	number	326	Number of people trained outside of	



ESRS	Indicator	Unit	2024	Comments
				Health and Safety topics
Own indicator	Training costs	BGN	33,003	Training costs outside of Health and Safety topics
<b>Health and safety</b>				
S1-14 88a AR80	Percentage of employees who are covered by health and safety management system based on legal requirements and (or) recognised standards or guidelines	%	100%	For Bulgarian companies - legislation related to health and safety. For maritime companies - Maritime Labour Convention (MLC).
S1-14 88b AR 82, AR 89 - AR91	Number of fatalities in own workforce as result of work-related injuries and work-related ill health	number	0	
S1-14 88b AR 82, AR 89 - AR91	Number of fatalities as result of work-related injuries and work-related ill health of other workers (e.g. working on the premises of Group companies)	number	0	
S1-14 88c AR 89 - AR 91	Number of work accidents	number	3	
Own indicator	Number of trained employees	number	317	Number of people trained on Health and Safety topics
Own indicator	Training costs	BGN	6,651	Costs for training on Health and Safety topics
S1-14 88c AR 89 - AR 91	Occupational accident frequency index	number	1.57	
Own indicator	Percentage of employees with professional insurance	%	100%	
<b>Local communities and stakeholder interactions</b>				
Own indicator	Total number of university students participating in lifelong learning initiatives	number	3	
Own indicator	Total number of partnerships with educational institutions	number	11	



ESRS	Indicator	Unit	2024	Comments	
Own indicator	Total value of amounts provided to support causes and organizations	BGN	31,135		
Own indicator	Total number of supported initiatives	number	5		
Own indicator	Total number of interns	number	33		
<b>Business ethics</b>					
G1-4 24a	Number of convictions for violation of anti-corruption and anti-bribery laws	number	0		
G1-4 24a	Amount of fines for violation of anti-corruption and anti-bribery laws	BGN	0		
G1-5 29b AR9	Total monetary value of financial and/or in-kind contributions made to political entities	BGN	0		
G1-6 33c	Number of outstanding legal proceedings for late payments	number	0		
<b>Socio-economic contribution</b>					
Own indicator	Total amount of external subcontractors	Thousand BGN	12,446	Consolidated data	
Own indicator	Average excess of salaries in the Group over the average regional salary for 2024	Burgas	%	121%	
		Varna	%	141%	
		Nova Zagora	%	100%	
		Sliven	%	121%	
		Sofia	%	164%	
Own indicator	Total costs for salaries and insurance	Thousand BGN	38,087	Consolidated data	