
EPSO-G

progress report

on social

responsibility



EPSO-G progress report on social responsibility

"The companies of EPSO-G Group consistently follow the principle that the ways by which the results are achieved play an important role. Therefore, based on good experience gained by the domestic and international companies, the companies of the Group seek to improve the business practice, implement a

modern management of human resources and apply technologies that save natural resource, materials and processes that are not harmful to human health," says Rolandas Zukas, the CEO of EPSO-G.

1. About the report

When preparing the Progress Report on Social Responsibility (the Progress Report or Report), EPSO-G follows the principles of the Global Compact initiated by the United Nations and the recommendations of the Global Reporting Initiative (GRI) that help assess the performance according to economic, environmental, personnel, human rights, market and public relations indicators.

The Progress Report on Social Responsibility of the Company for the year 2020 was prepared as an integrated part of the annual financial statements that can also be published as a separate document.

This Progress Report presents works and achievements of EPSO-G Group companies in 2020 in the social responsibility area related to behaviour in the market, environmental protection, relations with employees and society. The social responsibility directions and actions of the Company are described in the Report.

Questions and comments as well as remarks regarding improvement of the Social Responsibility Report are invited to be submitted by e-mail andrius.vilkancas@epsog.lt.

This Progress Report is available publicly on the Company's website: <https://www.epsog.lt/lt/tikslai-ir-atskaitomybe/socioline-atsakomybe-1>.

2. General provisions

In 2020, the companies of EPSO-G Group consistently followed the principle that the ways by which the results are achieved play an important role. Therefore, based on good experience gained by the domestic and international companies, the companies of the Group sought to improve the business practice, implemented a modern management of human resources and applied technologies that save natural resources, materials and processes that were not harmful to human health.

When planning its activities, EPSO-G Group companies considered the economic and social expectations of stakeholders, ensured transparent management, developed ethical relations in the market, introduced measures to prevent corruption and contributed to creating a good business climate in the country.

The Social Responsibility Policy is based on the vision, mission, values

of EPSO-G Group companies and the activity directions and goals approved in the operational strategy, specifically, the development of regional activities and ensuring the success of the strategic projects, efficient activities, creating and modern organisation.

In order to achieve the objectives established in the sole Shareholder's Letter of Expectations, the specific objectives have been formed for each direction of the EPSO-G strategy that are being achieved during the period of the implementation of the strategy. The measurement indicators have been formed for the strategic objectives. The operational efficiency is assessed in the short and long term based on these indicators.

The vision, mission, values, strategy and the activity directions of EPSO-G as well as information about the implementation of objectives are presented in detail in clauses 1-4 of this Annual Report.

3. Balanced and sustainable development

The companies of EPSO-G Group understand social responsibility as an integral and inseparable part of the sustainable business.

The companies of EPSO-G Group perceive the balanced development of sustainable business as a whole of targeted economic, social and environmental actions by increasing the general welfare of the society in the professional activities and by reducing the permissible environmental exposure limits.

In 2020, the principles of social responsibility were implemented on the basis of the related policies of EPSO-G Group companies and other valid internal documents.

EPSO-G Group applies the following policies:

- Corporate Governance Policy. The policy is intended to ensure a good governance practice in EPSO-G Group companies by establishing in the Group companies the uniform principles of corporate governance and reciprocity of the parent company and the other companies of the Group.
- Social Responsibility Policy. The policy is intended to improve the business practice based on good experience gained by the domestic and international companies, implement a modern management of human resources, apply natural resource-saving technologies, materials and processes that are not harmful to human health.
- Transparency and Communication Policy. The policy is intended to help communicate more effectively with each other and with the external stakeholders, i.e. society, shareholder, market regulators, etc.
- Corruption Prevention Policy. The policy is intended to establish in EPSO-G Group companies the basic principles and requirements of prevention of corruption and guidelines for ensuring compliance with them, the implementation of which creates preconditions and conditions for the implementation of the highest standards of a transparent business conduct.
- Remuneration Policy. The policy is intended to properly manage remuneration costs and create motivational incentives in order the remuneration amount would directly depend on the implementation of the objectives that are set for the company and for each employee.
- Accounting Policy. The policy is intended to ensure that the stakeholders are able to assess the activity and perspective of the companies of the Group and to make respective economic decisions.
- Dividend Policy. The policy is intended to establish clear guidelines for expected equity and return on investments for the existing and potential shareholders while at the same time ensuring a sustainable long-term corporate value growth, timely implementation of strategic projects of national importance thereby gradually strengthening confidence in the entire energy transmission and exchange Group companies.
- Interest Management Policy. The policy is intended to create in EPSO-G Group companies a uniform interest management system consistent with good practice that would allow ensuring that decisions in the companies of the Group are made in an objective and impartial manner and would also form an environment that is unfavourable to corruption and would increase confidence in the activities of the companies of the Group.
- Policy for the Protection of Sensitive Information. The policy is intended to create a uniform system for the identification, use and protection of confidential information and information constituting commercial (production) secret, and to help members of the management bodies and employees of the companies of EPSO-G Group protect the confidential information they were entrusted with against inappropriate and harmful disclosure.
- Policy for the Development and Exploitation of Technology Assets. The policy is intended to consistently implement the principles of management and development of electricity and natural gas infrastructure based on the cost and benefit analysis, introduce advanced technologies, manage and develop the energy transmission infrastructure in a socially responsible manner taking into account the occupational safety and environmental requirements.
- Support Policy. The policy is intended to ensure that the support is provided publicly and does not cast doubt in the society regarding its expediency and transparency of the process of support granting.
- Code of Conduct. Its purpose is to set uniform general behaviour guidelines for communication and cooperation with internal and external stakeholders: customers, contractors, business partners, shareholders, state and municipal authorities, society, etc. The Code's provisions are based not only on the employer's duty, but also on the personal understanding of each employee that their proper behaviour improves business reputation and value of the Company and the entire Group and reduces probability of risk to reputation. The Code's provisions are derived directly from the corporate values, leadership principles of EPSO-G Group and they supplement the associated operating policies.

Internal policies and procedures of the companies include as follows:

- collective agreement;
- procedure or policy of ethical employment and working conditions;
- policy and procedure of environmental protection and occupational safety and health;
- equal opportunities policy.

3.1. Implementation and objectives of the policies

During the reporting period, a further particular attention was given on ensuring the implementation of the policies in the Group companies. A uniform system for the assessment of the implementation of the policies at the Group level has been put in place, policy implementation coordinators were appointed.

At the end of the reporting period, EPSO-G had in fact all good governance policies in place along with the Compliance Management Policy and the compliance management methodology implementing it approved in 2020.

In conformity with the provisions of these documents, in 2021, a uniform compliance management system in the Group will be further established and ensured that would:

- enable to protect the Group companies from financial or reputational damage that may result from behaviour that does not meet internal and external requirements;
- enable to manage the risks of non-compliance and mitigate their impact and / or likelihood of occurrence;
- encourage the Group's employees to work in accordance with the set requirements and to justify their application on the Group's values.

As the Compliance Management Process is based on the application of the risk-based approach, the major focus and additional resources will be on the priority areas selected by the Group's Boards where the highest likelihood of non-compliance and / or non-compliance risks arises or may arise, and as a

result, exclusively these areas will be subject to the Compliance Management Process.

In 2021, it is planned to perform a current situation gap analysis of the selected priority areas, to correct the essential shortcomings (if any), and in the future to ensure continuous monitoring and improvement of priority areas, organization of training for employees and dissemination of good practices among the Group companies.

As a result, in 2020, in all companies of the Group, the progress of the implementation of the provisions provided for in the policies was assessed.

In 2021, it is planned to integrate Remuneration, Performance Assessment, Competence and Training policies in order to create clear-cut links between these processes.

The aim of EPSO-G Group is to raise the approach of sustainable development to the strategic level of choices and measurable objectives.

Therefore, in 2021, it is planned to improve the applied sustainability practices, in particular, to clearly identify the observable objectives and measurable indicators of the achievement of the set objectives. It is planned to incorporate the sustainable development goals into the EPSO-G operational strategy before 2030.

Information on the implementation of the EPSO-G operating policies is presented in clause 7.12 of the Corporate Governance Report of this Annual Report.

4. Stakeholders

When implementing the objectives provided for in the operational strategy the boards of the companies of EPSO-G Group assess and seek to take into account the social and economic interests and expectations of the stakeholders.

Each direction of strategic activities is related to one or several

stakeholders. Official, partnership or consultative relationship is maintained with the groups or individuals who express their interest in the activities carried out by EPSO-G. The stakeholders are provided with a comprehensive information related to the activities carried out by the company, except for the cases regulated in the EPSO-G Policy of Sensitive Information.

„The companies of EPSO-G Group understand social responsibility as an integral and inseparable part of the sustainable business.“

Stakeholders having influence on the sustainable development of the activities of the EPSO-G Group include as follows:

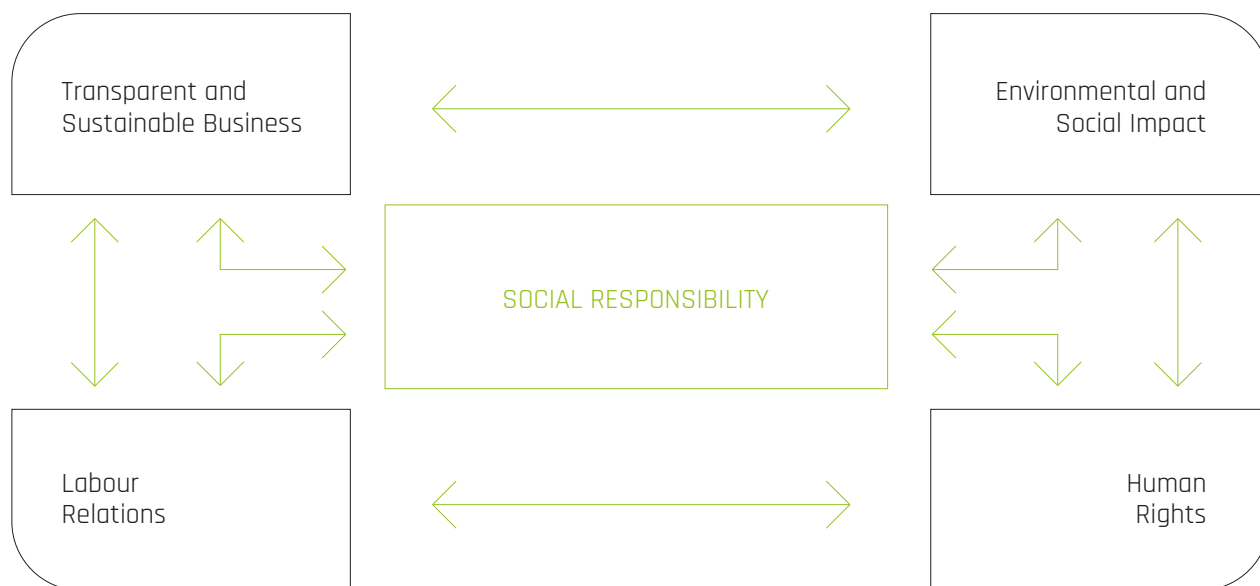
STAKE-HOLDERS	WE UNDERTAKE	WHY THIS GROUP IS IMPORTANT	HOW WE COOPERATE
Customers	To create professional and reliable partnerships for mutual benefit.	The companies of the Group operate in B2B (business-to-business) field.	<ul style="list-style-type: none"> Given the complexity of the services provided and economic expectations, the companies of the Group initiate and organise timely information events for the customers. Develops services and / or solutions meeting customer needs.
Employees	<ul style="list-style-type: none"> To act purposefully in order a uniform business culture of the companies of the Group and the remuneration policy would encourage the employee engagement and motivation when implementing the objectives set in the strategy; To ensure that the employees of the Group have sufficient and timely information about the values, objectives, activity and changes of the Group. 	Experienced, competent and value-driven professional employees represent an essential prerequisite for implementing objectives and vision.	<ul style="list-style-type: none"> We conduct the employee engagement surveys and adjust our action plans accordingly; We follow the uniform provisions of remuneration and social responsibility in respect of the employees; We organise at least once a year the executives and staff meetings. We improve the content and forms of the internal communication.
Shareholders	<ul style="list-style-type: none"> To ensure a sustainable management of the Group, its growth and a long-term benefit; To provide relevant, accurate and timely information that allows the shareholders to assess the Group's activities, their perspectives and to take appropriate decisions; To ensure efficient feedback. 	The success of the strategic projects implemented directly depends on the trust of the shareholders and on fast and timely decisions.	<ul style="list-style-type: none"> We organize regular meetings to discuss relevant issues; We submit at least once in a quarter the reports of financial and non-financial activities regarding the implementation objectives stipulated in the Shareholder's Letter of Expectations. We ensure the communication of the most important news of the companies of the Group at the Group level in the Daily News section published every working day.
Companies of the Group	<ul style="list-style-type: none"> To create value through meaningful management solutions; By responding to a rapidly changing environment to consolidate the strengths of the companies of the Group in order to achieve the efficiency of the objectives implementation. 	The results of the Group's activities depend on the targeted and synchronized work of the companies of the Group in pursuit of strategic objectives.	<ul style="list-style-type: none"> We are the members of the management bodies of the companies of the Group; We apply a functional leadership business model; We organise and implement at the Group level the uniform operating policies enabling coordination of actions when introducing a good governance practice.
Foreign partners – the operators of energy transmission and biomass exchange	The ensure in the implementation of strategic objectives the harmonisation of the mutually beneficial agreements and actions.	Synchronisation of the electricity transmission systems of the Baltic states with the European energy system, the creation of a regional gas market and the development of biomass trading market directly depend on the involvement of foreign partners.	<ul style="list-style-type: none"> We strive to establish and maintain on a regular basis a constructive business relationship based on mutual trust; We initiate and participate in professional meetings and/ or conferences to achieve the objectives provided for in the strategy.
Government representatives	To provide in an understandable and accessible form a relevant information that would form a reliable basis for assessing in accordance with competence the activities of the companies of the Group, the results achieved and the benefits to the public.	Cooperation with the government representatives is necessary in order to ensure the formation of a coherent and long-term vision of the energy sector and smooth implementation of the projects of national and regional significance.	<ul style="list-style-type: none"> We initiate meetings according to the need to discuss relevant issues; We comment in the area of our competence the relevant issues in the committees of the Seimas of the Republic of Lithuania, in the meetings of the Government of the Republic of Lithuania; We participate in the activities of the inter-institutional working groups.

STAKE-HOLDERS	WE UNDERTAKE	WHY THIS GROUP IS IMPORTANT	HOW WE COOPERATE
National Regulatory Authority	<ul style="list-style-type: none"> To ensure consistent compliance with the requirements of the legal acts in the Group; To implement a culture of an open and transparent dialogue with the regulator. 	The main activities of the Group are regulated. Therefore, it is necessary to ensure effective business relationships based on transparency, openness and responsibility.	<ul style="list-style-type: none"> We provide in a timely manner the information necessary to ensure the functions of the regulatory authority; We cooperate during the process of introducing new market mechanisms; We initiate the meetings to discuss the relevant issues.
Contractors	To work with professional contractors who adhere to the standards of professional ethics.	The companies of the Group implement extremely complex and complicated projects. Therefore, it is important to raise a high standard of quality, transparency and occupational safety for the contractors.	<ul style="list-style-type: none"> We organize annual information events for potential contractors; We publicly announce in advance the procurement plans and consultations in order to ensure an increased competition among the market players.
Service and product suppliers	To acquire under competitive conditions high-quality services from reputable suppliers.	The suppliers supplying high-quality value-generating goods and rendering high-quality value-generating services in a timely manner contribute to the continuity and effectiveness of the Group's activities.	<ul style="list-style-type: none"> We consult with the market players and carry out market research; We publish plans of the planned procurements.
Non-governmental organisations (NGOs)	Communication and collaboration with environmental organisations and those promoting operational transparency help identify the needs of society and the ways of addressing them.	<ul style="list-style-type: none"> The companies of the Group carry out a continuous environmental impact monitoring. The companies of the Group introduce a good governance practice in the fields of accountability and prevention of corruption. 	<ul style="list-style-type: none"> Together with Lithuanian Ornithological Society we implement the measures to reduce the environmental impact. We cooperate with Lithuanian Fund for Nature in the construction of the GIPL gas pipeline seeking to minimize the impact on the environment in the construction zones. We actively cooperate with the archaeological community in the archaeological research in the GIPL gas pipeline route.
Trade unions	To ensure a constructive and positive social dialogue between the employer and the representatives of the employees.	The employees determine the success of the Group companies. It is important that the employment relationships and the solutions that govern them would ensure a fair and uniform treatment of all employees and would ensure their legitimate interests.	<ul style="list-style-type: none"> By creating conditions for the activities of trade unions and/or work councils. By entering into a collective contract with trade unions and/or work councils. By discussing the implementation of collective contract during periodic meetings with the employees and/or their representatives. By informing and consulting with the representatives of trade unions and/or work councils when making decisions on employment relationships.
General public and media	<ul style="list-style-type: none"> To create added value for the society, business and the competitiveness of the country's economy; To act in a socially responsible manner; To provide information that is relevant and provided in an understandable form in accordance with the principles of importance, reliability, comparability and accessibility of information. 	The mission of EPSO-G Group: to ensure the implementation of the strategic energy objectives of Lithuania assigned to the Group, safe operation of energy transmission systems, to enable benefiting from the possibilities of the effectively operating infrastructure and energy exchanges, and to contribute to the welfare of the society.	<ul style="list-style-type: none"> We operate in accordance with the Transparency and Communication Policy of the Group's activity; We observe the provisions of the Social Responsibility Policy; We maintain an impersonal relationship with the media representatives who work in the field of energy when providing sufficient information to evaluate the Group's financial and non-financial performance and the ongoing projects.
Local communities	<ul style="list-style-type: none"> To increase through coordination of interests the trust of the local communities in the ongoing projects and approval thereof; To contribute to the growth and the creation of the possibilities of a full-fledged life. 	Support from the local communities created by fostering mutual trust, understanding, cooperation, responsibility, is a very important element of the success of the projects.	<ul style="list-style-type: none"> The companies of the Group share experience on spatial planning; The information events for the local communities are organized. In response to the reasonable remarks received during the meetings, the project implementation works are adjusted.

5. Directions and priorities of social responsibility

Directions of the EPSO-G social accountability include business ethics of companies in the market and prevention of corruption, environmental sustainability, awareness-raising of employees,

human rights, equality and diversity, occupational safety and health and mutual trust building relationships with stakeholders.



Social responsibility in the market: it is an efficient and transparent business, open and fair cooperation with stakeholders helping to implement socially responsible business regulations, safe and reliable transmission of electricity and natural gas to system users, fight against corruption and bribery, ensuring competitiveness, fair tax paying;

Social responsibility in the field environmental protection: it is an efficient use of natural resources in the activities, participation in ecological preventive programs preserving landscape and biodiversity, promotion of environmentally friendly attitude among employees, contractors, suppliers and society;

Social responsibility in relations with employees: it is responsibility towards employees, caring for employees' health, safety and equal rights, applying advanced performance management and remuneration systems, creating conditions for the personal and professional development of employees, developing general competences;

Social responsibility in relations with the society: development of various social initiatives, volunteering and other projects for local communities and nationally, cooperation with scientific institutions.

„In terms of the transparency dimension, EPSO-G received the highest rating A+.“

6. Social responsibility in the market: effective and transparent business

The strategic objective of EPSO-G Group is to ensure uninterrupted power supply through effective operation and to enable the market players to freely exchange it. In order to achieve

the objectives, the companies of the Group promote open and honest cooperation with stakeholders who help implement the provisions of a socially responsible business.

6.1. Accountability

In 2020, the companies of the Group kept accounts in a correct way, regularly prepared and announced the reports on financial and non-financial activities that were sufficient for the stakeholders to assess the behaviour of the companies of the Group in the market, relationship with employees and the society. The companies of the Group aim to achieve the standards of ethics, honesty and transparency that are higher than the minimum standards established by the legal acts.

In an effort to extremely focus on operational transparency and accountability, in 2020, the governance quality of EPSO-G has been rated A+. For the first time, each of EPSO-G's subsidiaries was awarded an A grade on the basis of uniform criteria. This was evidenced by the Good Governance Index of State-Owned Enterprises (SOE) 2019/2020 estimated by the Public Enterprise Governance Coordination Centre (GCC).

GCC's Good Governance Index is the most comprehensive tool for evaluating the quality of management of all SOEs. The index consists of three main assessment dimensions: transparency, collegial bodies and strategic planning and implementation. Each of the three key dimensions is assessed according to separate 240 criteria.

In terms of the transparency dimension, EPSO-G received the highest rating A+. The highest possible rating A+ was also awarded for the work of collegial bodies, the process of selection of their members, competence, and engagement. Strategic planning and implementation received the highest rating A+.

In order to ensure that the stakeholders are able to assess the performance and perspective of the companies of the Group and make appropriate economic decisions, the financial statements were drawn up in accordance with the Accounting Policy of EPSO-G that establishes the uniform principles, methods

and requirements for record-keeping by the companies of the Group and for drawing up of financial statements and submission thereof to the stakeholders.

In the preparation of the Annual Report for 2020, EPSO-G complied with the following accounting policies:

- Information must be objective, comparable and useful for the internal and external stakeholders;
- Information is reliable, meaningful, timely and understandable;
- Records are kept in accordance with the Law of the Republic of Lithuania on Accounting, the Law of the Republic of Lithuania on Financial Reporting by Undertakings and the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, other regulatory acts regulating the accounting procedure;
- Records are kept and financial statements are prepared and submitted according to the effective International Financial Reporting Standards and interpretations approved by the International Financial Reporting Interpretations Committee approved by the European Union.

In accordance with the provisions of the Accounting Policy and the Transparency and Communication Policy of EPSO-G, in 2020 the companies of the Group prepared and according to the approved and publicly announced schedule regularly publicly published interim and annual activity reports and financial statements as well as information about the shareholder's expectations, operational objectives, declarations of interests and remuneration.

Detailed information on the accounting policies of EPSO-G Group companies is presented in the published financial statements.

6.2. Compliance management

Compliance with internal and external requirements is a precondition for the implementation of the EPSO-G Group's strategy, objectives and ensuring the impeccable business reputation of the Group companies.

For that purpose, in 2020, the Compliance Management Policy, the methodology of its implementation was prepared in EPSO-G Group, and priority areas were identified.

The objective we are setting is to establish and ensure a uniform compliance management system in the Group that would enable to protect the Group companies from financial or reputational damage that may result from behaviour that does not meet internal and external requirements; enable to manage the risks of non-compliance and mitigate their impact and / or likelihood of occurrence.

EPSO-G's compliance management principles:

- **Principle of Three Lines** - the compliance management process is based on Three Lines Model, in which 1st Line participants (area curators) perform compliance ensuring functions, including non-compliance risk management, 2nd Line participants (compliance coordinators) perform performance coordination functions, including non-compliance risk assessment, and 3rd Line participants (Internal Audit Unit) ensure independent audit of the activities of the first two lines.
- **Principle of compliance with requirements** - the performed activities must comply with the requirements not only in the form, but also in the content corresponding to the values of the Group.
- **Principle of integrity** - the compliance management process must become an inseparable and integral part of daily operations of all the Group companies, operating systematically together with the policies, processes and other internal documents applicable in the Group companies.
- **Principle of information relevance and reliability** - compliance management is based on relevant data, monitoring, experience and expert assessment.
- **Principle of applying risk-based approach** - the compliance management process is organized in such a way that resources are allocated primarily to the areas posing the greatest risk of non-compliance.
- **Principle of transparency** - the participants of the compliance management process according to their functions have a barrier-free access to information related to the compliance management process and information on the risks of non-compliance, and the reasons for their occurrence.
- **Principle of applying good practice** - the compliance management process is based on examples of good practice identified and formed during the Group's compliance management process.
- **Principle of operational documentation and traceability** - the compliance management process ensures that all significant decisions and actions are properly recorded, creating the preconditions for traceability and control of the completed actions, and the improvement of the compliance management process.

6.3. Information on compliance with the transparency guidelines

EPSO-G Group companies complies with Resolution No 1052 On the Approval of the Description of the Guidelines for Ensuring the Transparency of State-owned Enterprises of the Government of the Republic of Lithuania of 14 July 2010 (the "Transparency Guidelines").

The application of the Transparency Guidelines is mandatory to the holding company EPSO-G because it is a state-owned enterprise classified as a large enterprise in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

In order to ensure implementation of compliance with the Transparency Guidelines in EPSO-G Group companies, the Group applies the Policy of Operational Transparency and Communication that addresses in detail the requirements of the Transparency Guidelines and determines the scope of their application in the companies of the Group.

The implementation of the Transparency Guidelines is largely ensured through information disclosed in the annual report and disclosure of information on the websites in order to provide information to stakeholders in an accessible and understandable form.

Structured information on the compliance with the Transparency Guidelines is provided in Annex I to this Annual Report.

The holding company EPSO-G also complies with the provisions of the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius AB. The Code is applied to the extent not provided otherwise by the Company's Articles of Association. The Company discloses its compliance with the requirements of the provisions of the Governance Code in Annex II to this Annual Report.

„The compliance management process is based on Three Lines Model.“

7. Respect for social and economic interests

In respect of the right of stakeholders to assess in advance the impact of projects being developed in their surrounding environment on their economic and social interest, the companies

of EPSO-G Group that are the transmission system operators regularly update and announce ten-year network development plans.

7.1. Electricity transmission network development plan

According to the Law on Electricity of the Republic of Lithuania, the electricity transmission system operator (TSO) is responsible for a stable and reliable operation of the electricity system, performance of the national balancing function and provision of system services in the territory of the Republic of Lithuania, operation, maintenance, management and development of the transmission network of the electricity system and the interconnectors with the electricity systems of other countries by reducing capacity restrictions in the transmission networks and taking into consideration the needs of the electricity system and users of the electricity networks.

The Plan for the Development of 400-110 kV Networks of the

Lithuanian Electricity System for 2020-2029 was updated by Litgrid in 2020. It presents forecasts of electric power and energy consumption needs, capacities of power plants (generation facilities), assessment of the electricity system adequacy, forecast of electric power and energy balances of the electricity market and system, as well as information on the electricity transmission network, its development and restoration, innovations and planned investments.

Detailed information on Litgrid's Ten-Year Electricity Transmission Network Development Plan is available in clause 3.5.1 of this Annual Report.

7.2. Gas Transmission Network Development Plan

On 1 October 2020, the National Energy Regulatory Council approved the Ten-Year Gas Transmission Network Development Plan for 2020-2029 presented by Amber Grid. Following the amendments in the Law on Natural Gas in 2019, the Ten-Year Amber Grid Gas Transmission Network Development Plan is updated every two years.

The Ten-Year Amber Grid Gas Transmission Network Development Plan has been prepared taking into account the provisions of the state strategic documents, the needs of gas market participants, ensuring security of supply and efficient operation of the transmission system, the Company's strategy, the Company's environmental policy and legal requirements.

The updated Ten-Year Amber Grid Plan for 2020-2029 forecasts investments in the development of the gas transmission system aimed at achieving the strategic goals of the European Union and Lithuania in the gas sector: ensuring security and reliability of gas supply, promoting competitiveness, and integrating the Baltic gas markets into the common European gas market and to develop the common Baltic regional gas market. In addition, the Network Development Plan sets out the main directions for the development of the transmission system, including a focus on innovation, network digitization and the development of green energy

Detailed information on The Ten-Year Amber Grid Gas Transmission Network Development Plan is available in clause 3.5.2 of this Annual Report.

7.3. REGIA map supplemented with information about the gas transmission network

In 2020, the regional geoinformation environment map REGIA created and developed by the Center of Registers was supplemented with information relevant to stakeholders on the main gas pipeline network operated by the natural gas transmission system operator Amber Grid.

The publication of this data is an important information tool for potential Amber Grid customers considering the possibility of connecting to the gas transmission network, investors planning new activities or business development, and private owners considering the acquisition of land plots or construction of real estate objects. The REGIA map is also used as a working tool by representatives of state and municipal institutions.

Amber Grid has become the third engineering network company to publish its information on REGIA map, thus adding value to it with information relevant to users. Prior to that, users could see the electricity transmission network operated by Litgrid and the gas and energy distribution networks operated by the company Energijos Skirstymo Operatorius (ESO) on REGIA map. REGIA is an easy-to-use tool designed specifically for municipalities: their residents, staff and the businesses operating in them. The aim of REGIA is to create convenient conditions for decision-making based on geographical location and to facilitate the exchange of information.

7.4. Publicly announced Study RAIDA 2050

The goal of the National Energy Independence Strategy is for Lithuania to become an energy-sustainable and independent state by 2050. In order to implement and enable this scenario, it is important for the holding company EPSO-G and the companies of the Group to understand possible scenarios for the development of the energy sector and what measures should be taken to reduce the energy sector's dependence on fossil fuels, to promote market integration, digitalisation, to take account of urbanization and rapid development of renewable energy production.

In response, EPSO-G Group carried out the study Scenarios for the Development of the Lithuanian Electricity System for

2020-2050 (hereinafter - the Study RAIDA 2050), in which, taking into account the strategic goals set by NEIS, planned tasks and results, the development scenarios of the Lithuanian electricity sector (hereinafter - LES) were formed until 2050, the assessment of the adequacy of the electricity system (generating capacities, electricity market, electricity transmission network) was performed and technical, economic and legal measures for the efficient operation of the electricity system were presented.

In compliance with the provisions of socially responsible activity, data and conclusions of the Study worth EUR 120 thousand were made public in December 2020 to enable stakeholders to assess them in advance of changes in the energy sector.

8. Public procurements and relations with contractors

The companies of EPSO-G Group implement projects of regional and national significance. These are major investment projects. Their success depends on the awareness, trust and support of the shareholders, partners, controlling and regulating instituti-

ons and the people of Lithuania. Accordingly, much attention is paid by the companies of EPSO-G in their activities to the supervision of public procurement procedures and prevention of corruption.

8.1. Uniform procurement policy

EPSO-G Group companies apply effective measures to ensure that procurement is conducted transparently, in accordance with the principles of equality, non-discrimination, mutual recognition and proportionality, and does not recognise fraud, bribery or other unlawful anti-competitive practices.

This is regulated by the approved Procurement Policy which aims to follow good procurement practices of international organisations, the institutions of the European Union and other contracting authorities and contracting entities and ensure an efficient, dynamic and transparent procurement process, creating added value for the achievement of goals of EPSO-G Group companies.

The execution of procurements by EPSO-G is primarily based on transparency, ethical conduct, equality, promotion and proportionality of competition, enhancement of transparency in procurement processes and strengthening of anti-corruption measures within the Group.

In 2020, EPSO-G's Procurement Policy was implemented in all companies of the Group. In 2021, it is planned to supplement the Policy with green and socially responsible procurement. Market consultations are also conducted with suppliers having international experience to help EPSO-G develop a long-term procurement strategy and functional plan.

The Group develops a uniform format for the report on procurement function indicators (KPIs) aiming to manage the procurement process as efficiently as possible and to continuously improve it.

In 2020, the large companies in EPSO-G Group (EPSO-G, Amber

Grid, Litgrid) carried out more than 500 procurements with a total value of more than EUR 46 million.

The Group companies consolidated their needs and in 2020 completed 10 centralized procurements. Such procurements allow the Group companies to achieve greater economic benefits both by obtaining better prices from suppliers and ensuring uniform quality standards for goods / services, as well as to save administrative resources for the organization and execution of procurements.

In 2020, EPSO-G Group companies paid special attention to the preparation for procurement: were active in conducting market consultations, prepared presentations to suppliers on the applicable procurement procedures, paid attention to foreign suppliers to explain the principles of participation in Lithuanian public procurement.

In 2020, an action plan for the procurement function for 2021 was prepared, which provides for actions to help the Group companies share experience in procurement, standardize procurement processes and documents, and develop and implement a training plan for procurement specialists.

The action plan pays special attention to measures aimed at facilitating the participation of suppliers in the Group's procurements - a joint "Suppliers' Day" of the Group companies is planned, procurement documents are improved to make them clearer and more understandable to suppliers, forms are prepared to inform suppliers about ongoing procurements, etc.

In 2021, the Group companies plan to pay close attention to standardizing and streamlining the contract execution process.

8.2. Relations with contractors

In order to ensure fair competition, in 2020 Litgrid presented to the contractors projects and works planned for 2021 and subsequent years for which tenders are planned to be announced.

The Group's companies organise "Contractors' Day" in order to promote the interest and participation of partners in open and transparent tenders by increasing the awareness of projects, while market participants get aware of the forecasted works from a direct source. In addition, it is one of the ways of promoting fair and non-discriminatory market behaviour and effective dialogue with its participants. Such meetings will also be held in 2021 as well.

Information on the annual procurement plans, their implementation and responsible persons are made public on the websites of the companies of EPSO-G Group.

In order to ensure transparency, all employees of the holding company EPSO-G and its subsidiaries involved in public procurement declared their private interests publicly during the reporting period.

9. Transparency (corruption) risk management

In 2020, in accordance with the provisions of the Law on Prevention of Corruption of the Republic of Lithuania, the likelihood of corruption was determined and assessed. EPSO-G's areas of activity identified in 2017 were analysed to determine the likelihood of corruption. Following an evaluation of the activities' compliance with the established criteria, EPSO-G's procurement area was selected in 2020, considering the findings of previous years' determinations of the likelihood of corruption.

In 2020, EPSO-G Group companies identified risks of corruption in procurement.

The holding company EPSO-G identified the risk of preparation of incorrect technical specifications for public procurement (R1), the risk of irregular performance of procurement contracts (R2), and the risk of corruption in public procurement (R3). In accordance with EPSO-G's risk management methodology, the likelihood and impact of these risks were assessed and the level of corruption in public procurement was determined. To manage these risks, in 2020, management measures such as market research, consultation with experts in the Group companies or the market were planned and applied by the Board, the riskiest procurements were controlled according to the "four-eye" principle; communication with the Public Procurement Office is held after receiving information about possible violation of public procurement rules. In order to manage the risk of corruption in procurement, the declarations of private interests of the members of the Procurement Commission, the procuring entities and the experts and EPSO-G procuring personnel are analysed, and recommendations are made on withdrawals and proper management of conflicts of interest. Indicators for risk monitoring include the number of withdrawals during procurement, the number of substantiated claims received, the number of requests from the Public Procurement Office for information on ongoing procurements, the number of restricted competition (when less than three suppliers participate in the procurement). Tolerance limits have been set for key risk indicators, beyond which additional corruption risk management measures must be taken.

LITGRID has identified and managed the risks of errors in public procurement (R6) and unsecured competition among suppliers in public procurement (R5). To manage these risks, in 2020, measures such as training of procurement specialists, procurement planning, improvement of the procurement process according to the identified needs were applied. In addition, the Company has a prepared list of experts to ensure impartiality and objectivity so that different people are involved in the different stages of procurement procedures and claims are examined by experts other than those who set the terms and conditions. Additional measures to increase procurement control were applied: all cases where one supplier is contacted directly or where only one tenderer submits a tender were analysed. A review of the procurement process was also carried out to ensure that project managers were not involved in all stages of procurement initiation, execution and tender evaluation. In addition, in 2020, procurement conditions and draft contracts were standardized. Litgrid, like all EPSO-G companies, also applies measures to prevent conflicts of interest for those involved in procurement.

AMBER GRID has identified and managed the risk of lack of competition among suppliers (R7), the risk of non-compliance with procurement procedures (R8), the risk of detecting a breach of the procurement procedure (R9), the risk of improper performance of contracts (R10). To manage these risks, in 2020, measures such as not only the information on the Central Public Procurement Information System but also the information on planned procurement published on Amber Grid website and additional information on ongoing procurement were sent to potential suppliers. In addition, control over the value of contracts is applied. An asset management information system has been implemented, with the help of which the control of contract quantities and terms is performed. Moreover, in 2020, standard procurement conditions were prepared and put into use, while standard procurement contracts were updated.

In 2020, **BALTPOL** identified and managed the risk of improper execution of procurement procedures (R11). To manage this risk, in 2020, it applied management tools such as “four-eye” principle applied for the control of the procurement process. The Company ensured the declaration of interests, compliance with and control of the provisions of the Policy of Management of Interest and the Procurement Policy, and the means of the document management system were used to initiate and execute low value procurements, which help to ensure the control of ongoing procurements.

In 2020, **TETAS** identified and managed the risk of non-compliance with the provided procurement procedures and / or practices (R12) and the risk of non-compliance with the essential terms of contracts (R13). In order to manage these risks, the heads of the departments are obliged to analyse the procurement reports on a quarterly basis, to find out the reasons for non-conformities, and to reduce the number of non-conformities.

In 2020, **GET BALTIC** identified and managed the risk of conducting procurement procedures (R15). To manage this risk, the

procurement process is controlled in accordance with the „four-eye“ principle, procurement rules were approved.

Other risks of corruption include the risk of abuse of office.

EPSO-G identified and managed the risk of abuse of office by the misuse of EPSO-G's assets and funds (R4). In managing this risk, it was established that EPSO-G's decisions related to the use of financial resources are based on established control mechanisms, such as approvals, internal audit, etc. Indicators such as investigations into erroneous decisions and complaints, reports of employee misconduct are constantly recorded and analysed. There were no initiated investigations or complaints about the misconduct of EPSO-G personnel.

Tetas identified and managed the risk of abuse of office by the misuse of the Company's assets and funds (R14). In managing this risk, it was established that decisions related to the use of financial resources, reserves and other assets are made using established control mechanisms, such as approvals, internal audit, etc.; the declarations of interest were submitted, and the process of disciplinary procedures was approved as well.

Transparency (corruption) risk assessment for EPSO-G Group companies in 2020

IMPACT ↓

Very high		R9			
High	R4, R5	R3	R14	R7	
Medium	R15	R13	R2	R5	R8
Low	R11		R1		
Very low				R6	
LIKELIHOOD →	Highly unlikely	Unlikely	Possible	Likely	Very likely

9.1. Anti-corruption

During the reporting period, the companies of EPSO-G Group focused on the compliance with the principle of zero tolerance of corruption, protectionism of family members, relatives, friends or any other forms of trade in influence, a consistent and systemic implementation of prevention of conflicts of corporate and private interests. Anti-corruption measures have to work in such a way that EPSO-G Group's executives and staff would recognize indicators of corruption and take effective and timely measures to ensure that companies do not commit any offenses involving corruption.

The companies of the Group encourage employees and other stakeholders to report directly or anonymously without fear for negative consequences about possible infringements, unethical or unfair behaviour via the Trust Line pranesk@epsog.lt, or directly to the address of the Special Investigation Service of the Republic of Lithuania. The Trust Lines have also been introduced by the subsidiaries.

The corruption prevention activities of the companies are based on national legislation and voluntary commitments going beyond what is legally required:

- All CEOs of the companies of the Group are directly responsible for the implementation of anti-corruption measures and they set an example for their employees.
- Proportional, risk-based anti-corruption procedures are applied.
- Regular assessment of corruption-related risks is carried out, as well as planning and adaptation of anti-corruption measures, monitoring of anti-corruption performance and, if necessary, implementation of more effective measures.
- Compliance with legal and business ethics standards is mandatory for the Group companies and their employees.

An employee who is in breach of these obligations shall be subject to disciplinary sanctions, including dismissal, under the internal procedures and grounds of the companies.

In December 2020, Survey on perceptions of corruption by the personnel of EPSO-G Group companies was carried out.

The survey involved 298 employees (2019: 348). According to the survey, 94% of respondents have a negative view of corruption (2019: 91%), 98% of respondents negatively see those who give bribes (2019: 95%); 98% of respondents have not encountered any manifestations of corruption in their activities in the last 3 years (2019: 88%); 91% of respondents are aware of where to turn when faced with corruption (2019: 85%). The results of the survey show that the perceptions of corruption by the personnel in EPSO-G companies are growing and remain very high.

9.2. Interest management

During the reporting period, EPSO-G Group companies followed the new version of EPSO-G Group's Policy of Management of Interests of Members of Collegial and Supervisory Bodies and Employees approved on 13 December 2019. Its aim is to apply a uniform system of interest management that is consistent with good practice, which would ensure that decisions in the Group companies are made objectively and impartially, as well as create an environment unfavourable to corruption and increase trust in the activities of the Group companies.

This policy sets out the following in EPSO-G Group companies:

- Principles of interest management and resolution of potential conflicts of interest;
- Requirements for the system of the declaration of interests;
- Independence criteria applied to members of collegial and supervisory bodies.

Please get acquainted with the policy of managing interests and applied independence criteria of EPSO-G at www.epsog.lt, in the column Operating Policies.

At the end of the reporting period:

- Members of collegial management bodies and administration have not acquired shares in EPSO-G Group companies except for Mr. Nemunas Biknius, the CEO of Amber Grid, who as of 30 June 2020 had 0.001055% of shares of the subsidiary Amber Grid. The number of shares held by him did not change during the reporting period.

- The declarations of interests of the members of the collegial management bodies and of the CEO are presented and published on the website www.vtek.lt of the Chief Official Ethics Commission and www.epsog.lt. All executives of EPSO-G Group have submitted declarations of interests to the holding company EPSO-G in scope and order laid down in the policy of managing interests that are published on the following website www.epsog.lt in the column Operating Policies.
- Members of collegial bodies and the executives of the companies had no conflicts of interests between their duties within EPSO-G Group and private interests and/or other responsibilities.
- Members of collegial bodies and administrative personnel had no family ties.
- Members of the collegial bodies and the executives of the companies have not been convicted of having committed a criminal offense, no regulatory body has filed charges or imposed sanctions on them during the last five years, the court has not prohibited them from holding the office of a member of the Company's administrative, management or supervisory bodies, or to act as a head or to manage any affairs of any issuer.
- EPSO-G has not entered into any transactions with the above-mentioned persons, which are not typical of the Company's core business or which are not notified to EPSO-G collegial bodies in accordance with the relevant procedures with their authorizations to enter into such transactions.

In accordance with the requirements of the Law on the Adjustment of Private and Public Interests, all EPSO-G employees of the holding company EPSO-G have declared their interests publicly.

„The results of the survey show that the perceptions of corruption by the personnel in EPSO-G companies are growing and remain very high.“

10. Social responsibility in the field of environmental protection

Considering that the activities of the Group companies may have impact on the environment in which those activities are carried out, the adopted decisions must have a minimal, miti-

gating and / or restoring impact on the environmental, focus on rational use of natural resources and promotion of energy efficiency.

10.1. Environmental impact assessment standards

The companies of the Group, the activities of which may have impact on the environment introduced advanced technologies in 2020 that help reduce the environmental impact of activities or restore a good environmental condition, have further applied measures and processes in accordance with the generally accepted environmental standards. The contractors and sub-contractors participating in the procurements were required to behave according to a similar standard.

During the development of its activities, Litgrid carries out the procedures for the assessment of the environmental impact of the electricity transmission lines that are planned to be built and selection thereof, the conclusions of which are assessed during the preparation of technical projects. When preparing the design tasks, the environmental requirements are set for all newly built or reconstructed transformer substations and switchgears. In all cases, efforts are being made to select less environmentally harmful devices. For example, during the reconstruction of electrical substations the oil equipment that was in service so far is replaced with modern gas installations. This helps reduce the risk of environmental pollution in the event of an accident. Furthermore, this helps reducing the operating costs of the equipment.

At 330 kV transformer substations, Litgrid switches to remote control without permanent on-call staff. Therefore, potentially contaminated rainwater treatment systems with automatic shut-off of the oil-contaminated flow and transmission of information to the System Control Center are installed.

Litgrid contractors are obliged and encouraged to organize works in a sustainable way, i.e., in such a way as to avoid possible environmental impact or to minimize the environmental impact, to handle the waste generated during the construction, to account for and declare the imported taxable packaging and to submit the supporting documents.

When services are procured, Litgrid requires contractors to implement the environmental management systems in accordance with LST EN ISO 14001 standard. It shall be checked at the time of acceptance of the works performed whether the contractors have fulfilled the requirements, whether they have properly managed waste, and whether they have the supporting documents.

As from 2014, Amber Grid has implemented the environmental management and occupational safety and health management systems that comply with the requirements of international standards ISO 14001 and OHSAS 18001.

In 2019, the Company's management system has been re-certified according to the ISO 14001 standard and certified according to the new occupational health and safety management system standard ISO 45001.

The environmental management and occupational safety and health management systems have been integrated into Amber Grid's operational planning, organisational and governance processes. Management of environmental protection and occupational safety and health established by the standards helps ensure continuous reduction of impact of the activities on the environment, mitigation of professional risk on safety and health of employees and implementation of the requirements applicable to the activities that are established by international and the Lithuanian legal acts, regulations and other regulatory documents.

For process management, Amber Grid has established responsibilities for coordinating the management process and its implementation parts. The implementation of management measures is ensured by integrating them into the annual objectives of the Company and responsible employees.

Having regard to the changing economic, social and natural environment situation as well as the changing internal and external factors influencing the activities of the Company, the management of Amber Grid is committed to ensuring a continuous improvement of the processes of environmental and occupational safety and health management, increasing environmental efficiency and efficiency of occupational safety and health, and to lead the Company according to the standards acceptable for the management process.

In 2020, as the Company was seeking to contribute to mitigation of climate change, it took initiative to identify all potential greenhouse gas emission sources, and formed an internal work group to elaborate and start implementing the plan for measures aimed at reducing greenhouse gas emissions.

In 2020, by using the mobile compressor Amber Grid saved more than twice the emissions compared to 2019.

In 2020, 2.03 million m³ was pumped, saved ~ 1.99 million m³, compared to 2019, when 0.82 million m³ was pumped accordingly and saved 0.73 million m³ of gas.

The increased savings were due the risen number of repairs in 2020. The experience by using this tool is only growing and this will allow planning future works even more efficiently.

10.2. Environmentally friendly business solutions

In 2020, EPSO-G companies Litgrid and Amber Grid have taken steps to become consumers of energy from renewable sources.

In 2020, Amber Grid signed an agreement with Eternia Solar on the installation of solar panels in the areas of the gas transmission system operator. Until the end of 2021, it is planned to install the solar panels of 1,400 kW worth EUR 980 thousand in Vilnius, Jauniūnai natural gas compressor station and Panevėžys. Equipped with solar parks, that will amount to 40% of the power demand of the whole company.

In 2020, Litgrid also started installing solar power plants in reconstructed transformer substations. The energy they generate will be used in the transformer substations. Until 2023, it is planned to install solar power plants in 21 reconstructed transformer substations. Depending on the solar radiation, the energy produced by the installed solar power plants will be fully or partially sufficient for the needs of the transformer substations, as well as the reliability of energy supply will increase.

It is planned that the installed capacity of solar power plants in each of the transformer substations will reach up to 15 kW.

Litgrid operates over 200 transformer substations throughout Lithuania, which on average consume over 3,600 MWh of external electricity per year. It is estimated that solar power plants in 21 substations will generate about 100 MWh of electricity per year, thus reducing the external electricity demand of the transformer substations by 2%.

On 22 October 2020, the Ministry of Energy, together with the largest energy groups Ignitis grupė and EPSO-G, signed the agreements under which the companies undertake to save at least 1.6 TWh of final energy by 2030. According to the agreements concluded by the Ministry of Energy, EPSO-G's subsidiaries Amber Grid and Litgrid have committed to saving at least 4.19 GWh of final energy by 2030.

In 2020, Amber Grid joined the Lithuanian Hydrogen Platform established by the Ministry of Energy together with 19 Lithuanian organizations. Understanding its role in creating the conditions for the decarbonisation of the Lithuanian energy sector and adapting the transmission system to the transportation of green gas, Amber Grid is actively involved in hydrogen research and development activities in Lithuania and abroad.

10.3. Guarantees of origin

By promoting green gas production in Lithuania, Amber Grid started providing to businesses guarantees of origin for gas produced from renewable energy sources.

The system of guarantees of origin makes it possible to identify, register and monitor the origin of green gas produced, and consumers of this energy can be assured that the gas they consume is produced using renewable energy sources. This system is beneficial for companies willing to use fuel produced in Lithuania or another EU country that reduces environmental pollution.

Amber Grid, which administers the National Register of Guarantees of Origin for Green Gas, provides guarantees of origin for producers of gas from renewable energy sources and administers their transfer to suppliers or end-users using green gas in their operations.

By creating conditions for the development of green gas in Lithuania, in 2019 Amber Grid joined a European association developing the European system for cross-border exchange of renewable gas guarantees of origin – ERGaR (European Renewable Gas Registry). The association, together with the registers of guarantees of origin of other countries, transmission or distribution system operators and participants in the renewable gas market, foresees the creation of a single European system ensuring clear and common rules for the exchange of guarantees of origin for green gas among the EU countries.

From August 2020, Amber Grid has been participating in the activities of the regional Green Gas Coordination Group. This group is composed of the transmission system operators from Finland, Estonia, Latvia and Lithuania from 2021 aiming to create conditions for facilitating the free exchange of guarantees of origin for green gas among the countries, and to cooperate in solving the issues of green hydrogen development.

„In 2020, EPSO-G companies Litgrid and Amber Grid have taken steps to become consumers of energy from renewable sources.“

10.4. Environmentally friendly technologies used

In 2020, during the implementation of the GIPL interconnection project with Poland, the construction of the pipeline under the Neris and Nemunas rivers was completed in a streamlined way.

To reduce the environmental impact, the pipeline was laid under the riverbed, at a depth of 20 meters. A team of highly qualified specialists from the German company LMR Drilling employing HDD technology was invited to help with these works.

HDD technology is used in the construction of pipelines in difficult to access or urbanized areas. The construction of the

pipeline under the Neris and later under the Nemunas rivers using a closed technique helped to preserve forest waterside areas without losing aquatic flora and fauna, and conserving the natural environment without causing damage to it.

In addition, a pre-welded section of the GIPL pipeline was laid between Lithuania and Poland, which will later be connected to the parts of the new pipeline constructed in both countries. These works were carried out during the winter in compliance with environmental requirements to protect the spring hatching bird population from external disturbances.

10.5. Noise abatement measures in living environment

In 2020, Litgrid was active in solving the problem of reducing noise from electrical equipment. According to the previous design, in the Klaipėda transformer substation the walls suppressing the noise from the equipment (autotransformers and shunt reactors) to the environment, improving the conditions of the residents living near the substation, were mounted.

In addition, Litgrid addressed the reports of residents of Alytus district regarding the noise caused by the facilities. After signing a memorandum with Alytus district municipality on noi-

se level emitted into the environment by Alytus high voltage DC converter station and Alytus transformer substation equipment, noise level measurements were performed and the project Installation of noise abatement measures at Alytus high voltage DC converter station was initiated.

In 2020, the first stage of this complex and integrated project was performed: modelling of the noise emitted by the equipment and selection of noise abatement measures. In 2021, the design of the measures provided in the study will be performed.

10.6. Bird protection

In 2020, Litgrid continued applying bird protection measures in the infrastructure objects it manages, thus aiming to reduce the number of deaths of migrating birds, improve their breeding conditions by monitoring bird death cases in the high-voltage electricity transmission network, and to respond accordingly.

The 110 kV overhead power line supports were equipped with special bird guards - devices preventing birds from landing over isolators - fork type devices, as well as the upper garland insulators were replaced to a larger diameter. These measures reduce the chances of short-circuiting large birds (white storks) and thus reduce their perishing.

In the reconstructed and newly built 110 kV and 330 kV power transmission lines, the visibility of wires by installing special bird-diverting devices in places where bird migration is most intensive is increased. Such measures (265 units) were installed in 2020: on the 330 kV overhead line the Lithuanian power plant-Vilnius at the Elektrėnai Lagoon, Pastrėvys and Bartūvė fishery ponds.

During bird hatching, Litgrid takes measures to minimize the disturbance during the cleaning of the trails. On the recommendation of ornithologists, due to disturbance of birds during their hatching period from 1 May to 31 July, the execution of works is restricted - this is responsibly assessed even before the project execution schedules are drawn up.

In 2020, the monitoring of the environmental impact of the newly constructed power transmission line Kruonis PSHP-Alytus started in 2019 was further continued. In the spring and autumn of 2020, the recording of birds that may have perished as a result of the collision with overhead wires was performed, insect and vegetation monitoring was carried out in the areas identified in the monitoring program. The monitoring report was submitted to the state authorities concerned: the Environmental Protection Agency, the State Service for Protected Areas. The environmental impact monitoring program of the 330 kV overhead line Lithuanian power plant-Vilnius for 2021-2023 has been prepared.

10.7. Waste management and sorting, economical use of resources

In accordance with the principles of climate change, sustainable development and pollution prevention, the Group companies implement energy consumption and greenhouse gas mitigation activities, pay close attention to waste amount monitoring, sorting, hazardous waste management, promote rational management and use of water, paper, energy and other resources.

There are special containers for sorting glass, plastic and paper in the companies of the Group.

The requirements for air, surface water, groundwater, soil contamination monitoring and protective measures referred to in the Permits of Integrated Pollution Prevention and Control are also implemented by Amber Grid. Industrial wastewater is treated in its treatment facilities, oil product trace alarms are installed. Contracts are concluded with specialized companies for the safe management and utilization of waste generated in production activities. In 2020, Amber Grid transferred about 19.6 tons of hazardous waste (2019: 19.1 tons), about 45.7 tons of non-hazardous waste (2019: 1,629.6 tons), 2.5 tons of paper, plastic and glass (2019: 1 ton) to waste managers.

10.8. Paper saving

In order to reduce the amount of paper used, streamline document management processes and costs, EPSO-G companies have implemented electronic document management systems, in which activity documents are managed and archived electronically. This measure enables a significant reduction of paper consumption.

In 2020, the companies continued to transfer documents to the electronic space by maximally giving away paper documents, actively signing with an electronic signature and encouraging their customers, suppliers and partners to do the same.

11. Social responsibility in relations with employees

11.1. Human rights

The companies of the Group create a value-based organisational culture and are in favour of equal rights and equal opportunities of the employees in the workplace regardless of their gender, ethnic origin, race, nationality, social status, age, disability, membership in a political party or association, religious beliefs or sexual orientation.

Any form of harassment, psychological violence, bullying or taking advantage of the position held is intolerable as well.

The employees who may have been the subject of unlawful acts can submit a complaint to the responsible person appointed by the company. If the employee is dissatisfied with the result of the examined complaint, such the employee can defend their right infringed in accordance with the legal acts.

The employee who witnessed and/or has any suspicion about and/or who is a witness of the case of discrimination, harassment or sexual harassment shall notify thereof his/her direct manager or the responsible person appointed by the Company. The Company ensures confidentiality when examining complaints. Accordingly, all employees and the Company shall treat any information obtained during the investigation of an infringement as confidential. Breach of this provision is considered to be a gross violation of work discipline.

No reports of discrimination or other incidents related to human rights violations at work were received in EPSO-G Group in 2020.

11.2. Equal rights

The companies of the Group ensure that the working conditions are in line with the legislation, international standards and recommendations applicable in the Republic of Lithuania, and seek to create working conditions that respect dignity related to working hours, weekly rest, holidays, occupational safety and health, protection of maternity and adequate work-family relations balance.

For this reason, the companies of EPSO-G systematically analyse the working environment and constantly improve it. To achieve the objectives pursued that are set for the company and improvement, the employee opinion assessments are carried out during the employee satisfaction surveys that are held at least once every two years. The results of the surveys are used for adjusting the activity plans.

Decisions related to recruitment, competence development, remuneration or other pay-outs, promotions are taken in the companies of the Group taking into account objective criteria and factors without discrimination.

No reports of breaches of equal rights at work were received in EPSO-G Group in 2020.

Workforce of the Group is composed mainly of men. This is strongly influenced by the specifics of the activity; women are less likely to choose works of technical engineering profile and those performed outdoors, and specialties directly related to them. In this regard, the Social Responsibility Policy introduces the provision that a proportional gender representation will be sought in the companies of the Group by identifying the measures and actions that help implement this provision. No reports of gender discrimination were received in EPSO-G Group companies in 2020.

The employees of the companies of the Group are paid equal salary for the same or equivalent work. The amount of salary for a potential or actual employee is determined according to the objective criteria related to the abilities, competence, qualification, experience and knowledge of the employee. According to the Employees' Remuneration Policy of the Group, the companies are encouraged to adequately reward their employees having achieved objectives and exceeding expectations.

Information about the employees, Remuneration Policy and the staff evaluation system is provided in clause 8 of this annual report in the Report on the Implementation of Remuneration Policy.

11.3. Measures to manage the effects of COVID-19

Following the declaration of a national emergency in Lithuania in 2020 due to the threat of the spread of coronavirus (COVID-19), business continuity and preventive measures were applied in EPSO-G Group: appointed employees responsible for monitoring and reporting the situation to the Company's management; identified business units and employees undertaking the critical functions and administrating the main systems; implemented additional organisational measures at the system operation centre; planned technical and substitution measures in case of spread of the virus.

The Group companies have reviewed its emergency management plan, prepared the following additional documentation and implementing measures: lists of critical functions, lists of measures necessary to ensure continuous implementation of the functions, resources and responsible individuals, as well as other documents and measures.

In order to ensure the health and safety of workers, as from February 2020, business trips and events were cancelled, excursions to the Company's offices were no longer organized and guest delegations were not accepted, while remote working was introduced. Due to the specifics of the work, employees who could not work from home were provided with protective equipment and a maximally safe working environment.

11.4. Voluntary health insurance

By encouraging employees to take care of their health, in 2020, we insured them with voluntary health insurance. At the end of 2020, around 70% of all EPSO-G Group employees were covered by this insurance. In 2021, it is planned to expand the number of employees covered by the voluntary

health insurance. Under the terms of the insurance, employees are reimbursed for health care services such as outpatient treatment and diagnostics, day surgery services, preventive health examinations and vaccinations, prescription drugs and medical aids, dental services.

11.5. Personnel field initiatives

In 2020, at EPSO-G Group companies, we focused on employee and executive training. We encourage employees not only to improve their professional qualifications, which is mandatory when working in the field of energy, but also to develop general and managerial competencies. We use the 70-20-10 principle for education and training, when 70% of education, development and learning activities take place through employee work experience and self-training, 20% from communication and cooperation with colleagues and managers possessing diverse experience and competencies, 10% from structured training sessions. As in 2019, in 2020, the proportion between the training of the professional qualification profile and the development of general, leadership and managerial competencies was similar - around 65/35%. Due to the pandemic conditions, in 2020, around 80% of the trainings took place remotely.

Following the completion of the formation of competence models of the companies in 2020, we performed an assessment of the competencies of executives and some specialists and developed training plans based on the results of the assessment. We received 100% participation from EPSO-G's team leaders who took part in the competency assessment using the 360° feedback method that took place in January 2020 and 2021.

In order to ensure the continuity of the companies' activities, we promote the internal career of employees in the same company or the Group companies. In 2019, 78 employees were promoted from specialists to senior specialists or to managerial positions, while in 2020 - 79 employees throughout EPSO-G Group.

11.6. Collective agreement and trade unions

EPSO-G recognise the right of employees to join trade unions or associations on a voluntary basis and to negotiate with the employer, and maintain a constructive social dialogue.

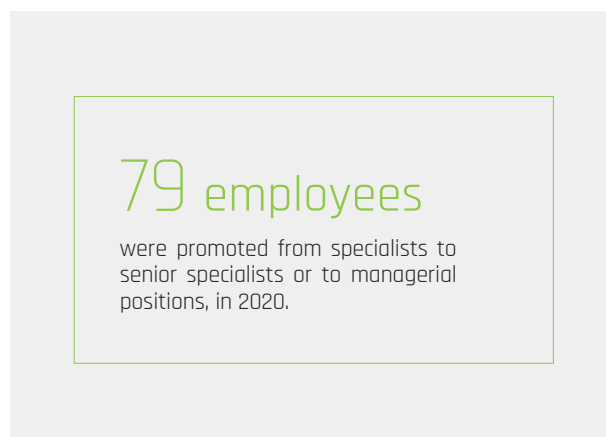
11.7. Trade union

As at 31 December 2020, the trade union formed at Amber Grid had 186 members (2019: 213) with 8 members representing the employees on the Board. The purpose of the trade union is to represent and defend professional, labour, economic and social rights and legitimate interests of its members. Meetings of the representatives of the trade union and the management of the Company are periodically organised to discuss issues relevant to the trade union.

The Trade Union of Employees of the Electricity Transmission Network incorporates employees of Litgrid and represents their interests. In order to achieve closer cooperation and partnership, in 2020, it was agreed on periodic meetings between the trade union's representatives and the Company's manage-

ment to discuss issues of mutual interest. There were 98 members in the Trade Union of Employees of Electricity Transmission Network at the end of 2019 (96 members in 2018), which is more than one third of the Company's employees.

At EPSO-G Group, we carry out an annual employee engagement survey using an internationally recognized methodology. During the survey, employees anonymously express their views on clarity of goals and direction, work organization, work processes, workload, remuneration, opportunities for improvement, trust in managers, collaboration, and other aspects. In 2019, EPSO-G Group's employee engagement rate was 58. After receiving their opinion, the companies develop and implement action plans to increase employee engagement in a targeted way. The engagement rate of 2020 rose to 66.



ment to discuss issues of mutual interest. There were 98 members in the Trade Union of Employees of Electricity Transmission Network at the end of 2019 (96 members in 2018), which is more than one third of the Company's employees.

EPSO-G, Baltpool, and Get Baltic do not have a trade union or employee representatives, neither a collective agreement. In order to ensure equal treatment of employees in the company and provision of social benefits, as in the case of the majority of the Company's employees, the basics and amounts of the main benefits established by the Labour Code were agreed with employees directly and later on with the Remuneration and Nomination Committee.

11.8. Collective agreement

The objective of the collective agreement is to represent the rights and legitimate interests of all employees. The agreement establishes work, remuneration, social, economic and professional conditions as well as guarantees that are not regulated by laws, other regulations.

Employees of the companies of the Group are provided with additional financial guarantees (benefits in respect of accidents, sickness, death of a family member, childbirth benefit, benefit

for an employee having three or more children or a disabled child), additional leave days (after childbirth, in case of death of a family member and other cases) and other guarantees.

The Company supports the cultural, sporting and tourist activities of the employees, various festive events and other social activities in which all employees of the Company are entitled to participate without discrimination and restrictions.

12. Social responsibility in the relations with the society

The companies of EPSO-G Group create and maintain open and business-like relationship with stakeholders and are accountable to the shareholders and the society for the activi-

ties carried out by them. At least once a year, the companies of the Group publicly present financial and non-financial activity reports to their shareholders and /or social partners.

12.1. Dialogue culture with the communities

The Group companies inform local communities in advance about ongoing projects in their neighbourhood. During the implementation of the projects, the working time is agreed with residents. The aim is to minimize inconveniences for residents arising from works being carried out over the course of the implementation of the entire project.

As Lithuania is implementing the gas interconnector project (GIPL) which has the status of an EU Project of Common Interest (PCI) and which will connect Lithuania with Western Europe through Poland, in 2020, Amber Grid continued long-term round of meetings with communities of the municipalities in the territories of which GIPL trunk gas pipeline is being constructed.

Through the Dialogue Culture and Cooperation project, Amber Grid seeks to inform residents about the importance, course and progress of the GIPL project in their neighbourhood, to form an image of a credible, transparent, socially responsible company, foster a culture of responsibility, rational creativity and dialogue, and to build long-term relationships with communities. In compliance with the safety requirements of COVID 19, Amber Grid has held 35, including remote, meetings with local communities. Such meetings are important for the company, as they allow to hear the opinion of the residents and, if necessary, adjust the project work or its progress accordingly.

In 2020, Litgrid, the company implementing important projects for synchronization with CEN, has also continued the cycle of meetings with local communities.

Seeking to inform the local communities in advance about the projects in their neighbourhood, in 2020, 6 meetings were initiated with the communities, in the environment of which the implementation or the reconstruction of new infrastructure projects will be soon launched. The Company strives to minimize the inconvenience caused to the residents during the implementation of the infrastructure projects, and new routes are planned very carefully to

minimize the impact on the living environment and nature. During the meetings, the future routes were presented, and the expectations and wishes of the residents were heard.

In addition, in 2020, Litgrid continued the cycle of meetings with the communities. Due to the quarantine requirements, the events were held remotely - a total of 20 events, during which well-known public figures - Giedrius Savickas, Haroldas Mackevičius, Rafailas Karpis, Antanas Joniškis, Jazzu, Alfredas Bumblauskas - met with the communities near the places of residence of which the synchronization projects are and will be carried out until 2025. Litgrid employees introduced the synchronization to the residents, as well as provided an opportunity to spend their free time in a purposeful way. In total, over 15,000 people from various Lithuanian cities and towns watched these events remotely.

12.2. Charity and donations

The Donation Policy is confirmed in EPSO-G Group companies, which is based on the objectives and values of the operational strategy and the attitude thereof that the support granted must be public and must not create doubts for the society regarding its expediency and transparency of the granting process.

EPSO-G is a state-owned company. Therefore, one of the most important obligations of the Company is to pay dividends to the shareholder allocating them through the country's budget to meet the essential needs of the society. For this reason, in order to implement the objectives provided for in the strategy of EPSO-G, the companies of the Group will grant the support for the predefined areas.

No financial donations were granted by the companies of EPSO-G Group in 2017-2020.

12.3. Directions of support

EPSO-G is seeking to develop cooperation with the communities in the immediate vicinity of which the companies of the Group carry out their activities or implement projects. Education is another direction of support, i.e. support for the individuals studying under the programmes of universities and other higher education institutions that are closely linked to the professional activities of the companies.

The policy which is common for all companies of the Group provides that support may be granted for education, culture, sport, social services or other community welfare areas based on four principles, i.e. compliance with the operational objectives, transparency and impartiality, equality and alignment of confidentiality and publicity.

The companies of EPSO-G Group will grant donations neither for political parties or political campaigns nor for the activities that promote or are associated with gambling or similar activities, alcoholic beverages, tobacco products or other intoxicants nor for other activities that have or may have a negative impact on the society.

A profit share allocated for donations in the companies of EPSO-G Group is determined annually at the Ordinary General Meeting of Shareholders by forming a reserve for this amount taking into account the profit achieved of the reporting year and the ongoing projects. A profit share allocated for support shall not be more than 1% of the net profit of the reporting financial year, not exceeding in any case EUR 50 thousand.

In 2020, EPSO-G Group companies budgeted no funds for donation purposes.

12.4. Volunteering

By contributing to the implementation of the objectives of public interest or those that are important for the local community, the companies of EPSO-G Group encourage a voluntary unremunerated engagement of their employees in charitable activities. Employee volunteering is promoted - under to the co-

llective agreement, 1 day per year is dedicated for this purpose. A part of the personnel dedicated this day for volunteering to organize activities for the kids at a children day care center, for assisting an animal welfare organization, and for helping Maisto bankas (Food Bank).

12.5. 100 computers for learning for children from low-income families

In 2020, following the introduction of distance learning for children due to the COVID 19 pandemic and the fact that many families still lacked technical equipment for that, Amber Grid, together with the Lithuanian Information and Communication Technology Association Infobalt, joined the support for children in need and handed over more than 100 computers for children's learning to the organization taking care of them Gelbėkit vaikus (Save the Children Lithuania).

After a planned refurbishment of the Company's computers, Amber Grid decided to donate desktop computers and laptops running efficiently and in good condition to schoolchildren, while the Association Infobalt took care of checking them and installing and updating the necessary software.

The computers went to the children from low-income families under the care of Gelbėkit vaikus living in Alytus, Širvintos, Kaišiadorys, Elektrėnai, Marijampolė, Kaunas district, Plungė, Šakiai, Šilutė, Tauragė, Anykščiai, Pasvalys, Akmenė municipalities. The computers were intended for these families primarily to ensure distance learning during the quarantine and to strengthen and develop the learning capacities of the children from these families at home even after the end of the pandemic.

The handed-over computers can be used not only by children for their schoolwork, but also by their family members. This will further increase the computer literacy of low-income families, enable them to do household tasks in digital space.

12.6. Promoting safe conduct

The current running through Litgrid's maintained power lines have a voltage approximately 500 times higher than the one at households. Electrical discharge can occur if a safe distance is breached, when one is too close - high voltage electricity can also hit at a distance as well.

For this reason, Litgrid is constantly reminding the contractors performing the works in the electricity network of the need to comply with the safety requirements of the workers; the control

is also carried out - the Company's representatives visit the locations where the contractors perform the work and inspect the compliance with the work safety requirements and in case of identification of shortcomings, the works are discontinued.

In 2020, prior to timber harvesting, in the regional and local press - over 40 newspapers and internet portals - articles on safe conduct near high-voltage overhead power lines were initiated by Litgrid.

Indicator index according to GRI

INDICATOR CODE ACCORDING TO GRI STANDARD	DESCRIPTION	PAGE
Strategy and analysis		
GRI 102-14	Speech of the Chief Executive Officer of the Company	page 3 – 6
Description of the company		
GRI 102-1	Company name	page 13
GRI 102-2	Company activity, main brands and services	pages 11 – 23.
GRI 102-3	Address of the Company's head office	page 13
GRI 102-5	Property type and legal form	page 13
GRI 102-6	Markets in which the Company operates	pages 14 – 23
GRI 102-7	Company size	pages 14 – 23
GRI 102-8	Number of employees	pages 96 – 97
G4-11	Percentage of all employees who are subject to the arrangements under the collective agreement	page 121
GRI 102-11	Observance of precautionary principle	pages 65 – 69
GRI 102-12	External economic, environmental and social initiatives	pages 109 – 119
GRI 102-13	Membership in national and international organizations	pages 63 – 64
Ethics and integrity		
GRI 102-16	The values, principles, standards and norms of the organization related to behavioural and ethical codes	pages 25 – 26; pages 108 – 110;
Company management		
GRI 102-18	Company management structure	pages 75 – 76
GRI 102-19	Delegated powers	page 100
GRI 102-20	Attribution of the leading representatives of the Company and representation in the field of finances, environmental protection and social responsibility	page 103
GRI 102-21	Responsibility in providing information/advice to the shareholders on the issues of finance, environmental protection and social responsibility	pages 103 – 105
Stakeholders		
G4-24	takeholder list	pages 106 – 107

INDICATOR CODE ACCORDING TO GRI STANDARD	DESCRIPTION	PAGE
Report parameters		
G4-28	Report period	page 13
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G4-30	Reporting frequency	page 13
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G4-33	Policy and practices of the organization regarding the external audit of report	page 70
Management		
G4-34	The management structure of the Company, including the top-level committees	pages 75 – 90

List of impacts and specific indicators of the company

IMPACT	DESCRIPTION, DISCLOSED MODE OF MANAGEMENT AND INDICATOR	EXTERNAL CHECK	PAGE/SOURCE
Economy			
Economic efficiency	Direct economic benefits received and distributed	Accomplished	Annual report pages 72 – 73
Market	Comparison of a standard salary of employees with a minimum wage	Not accomplished	-
Indirect economic impacts	Development and impact of investment in infrastructure and services	Accomplished	Annual report pages 38 – 46, The Progress Report on Social Responsibility, page 116 – 119
Environmental protection			
Products and services	Environmental impact mitigation measures for products and services of the Company (G4-EN27)	Partially	The Progress Report on Social Responsibility, pages 171-174
Social area			
Education and training	Programs for improving employee skills and lifelong learning, ensuring continuity of worker capacity and helping to manage their careers (G4-LA10)	Partially	page 121
Non-discrimination	The number of discrimination incidents and the actions taken to deal with the incidents related to human rights violations (G4-HR3)	Accomplished	The Progress Report on Social Responsibility, page 123
Local communities	Subdivisions involving the local communities by assessing the impact or development programs (G4-S01)	Accomplished	The Progress Report on Social Responsibility, page 125 – 126