



# KN SOCIAL RESPONSIBILITY REPORT OF 2021

REPORT FOR JANUARY 1ST-DECEMBER 31ST, 2021  
FOLLOWING GRI GUIDELINES

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KN – Klaipėdos nafta  
LNG – liquefied natural gas  
LNGT – Klaipėda LNG terminal  
KOT – Klaipėda oil terminal  
SOT – Subačius oil terminal  
FSRU - Floating Storage Regasification Unit  
VOC – volatile organic compounds  
Consolidated annual report – AB KLAIPĖDOS  
NAFTA consolidated annual report for the financial year ending on 31 December 2021



Dears,

At the beginning of this year, I would have approached you with very different topics and issues. But in February 2022, everything was overshadowed by Russia's decision to attack Ukraine, which shocked Europe and the world. It is now difficult to assess the impact that the war will have on the world, on Europe

and on Lithuania, including impact on supply chains, the development of clean energy technologies, the importance of energy security, and the extent to which the European Union will have to deal with fundamental human rights issues, as it faces the biggest flow of refugees since the Second World War. The war and the humanitarian crisis as its consequence will undoubtedly encourage decision-makers, business leaders, investors and shareholders to look at the issues of sustainability and corporate social responsibility from a different perspective, and to reassess their business philosophies and organisational values in a new light.

KN is facing this new crisis after having overcome two others - like the rest of the world, we have been dealing with the challenges brought by the Coronavirus pandemic, as well as facing the need for a fundamental business transformation due to the geopolitical circumstances. The pandemic has focused our efforts on ensuring business continuity, while at the same time taking care of the health and safety of our employees in the face of the Coronavirus. The second challenge we faced was the significant reduction in the handling of petroleum products at the company's terminals, as Belarusian products stopped loading at the beginning of 2021. We had to focus on improving efficiency, reducing costs, finding new markets and customers.

These moments really test the resilience of the business and the adaptability, commitment and loyalty of the company's employees to meet the challenges of circumstances, and social responsibility and its principles act as a guide to navigate through the challenges and difficult decisions.

Despite the difficult circumstances, we have kept our commitments - we have continued to invest in environmental protection measures to ensure a clean and comfortable environment for our neighbourhood communities. We have maintained dialogue and cooperation with them, initiating meetings to discuss environmental, civil protection and other issues. We have maintained a core benefits package for our employees, notably supplementary health insurance, and invested in the competences and development of our staff.

The war taking place close to Lithuania will undoubtedly have an impact on KN. First of all, we are a company of strategic importance, which will make our activities - the reliable and safe operation of our infrastructure in order to ensure that our customers are able to import the energy resources they need - even more important. In this context, operational safety, operational reliability and proper risk management will be critical and important aspects of our operations. We always hear from commu-

nities a need to learn more about civil safety, and this year we will be focusing more on these issues.

As we intend to update our corporate strategy to include a stronger focus on sustainability, the materiality analysis of key materiality aspects was carried out at the beginning of this year, involving KN stakeholders. The key impacts and sustainability aspects highlighted will provide us with a basis for developing our activities in a sustainable way in the future, by focusing on a corporate social responsibility path.

However, what is closest to each of us now is of course unity with Ukraine, engagement and encouraging employees to get involved in the management of the humanitarian crisis.

Turbulent times best illustrate the difference between real and declared values and priorities. I sincerely believe that a year from now, we and the business community as a whole will be stronger - social responsibility and sustainability will not only be a beautiful declaration, but also measurable real actions and results. Best regards,

Darius Šilenskis  
KN CEO



# GENERAL INFORMATION

## SOCIAL RESPONSIBILITY AND SUSTAINABILITY OF KN

From KN perspective, if a business is to be a successful and responsible part of society in the long term, it must adhere to the principles of business sustainability and take responsibility for its role in shaping the future. KN understands that all of its activities can create both positive and negative impacts on future generations and, accordingly, strives for environmental, social and governance sustainability in its operations.

In this context, KN considers social responsibility and sustainability as important aspects of its activities and develops its business in accordance with these guidelines:

- Economic responsibility;
- Transparent and ethical business practices;
- Attractive employer;
- Sustainable partnership with customers;
- Reducing and preventing the company's potential environmental impact.

In its business strategy until 2030, KN foresees that, in order to achieve long-term business success, the company will focus on embedding a sustainabil-

ity-oriented mindset in its operations and will strive to integrate corporate social responsibility and sustainability standards into KN's business practices. KN will develop a plan for embedding sustainable practices as well as focus on sustainability training for the organisation's employees.

For more information on corporate social responsibility principles of KN, please visit KN's website › [Social Responsibility](#).

## MATERIALITY MATRIX

KN has conducted the analysis of key sustainability topics to better respond to stakeholder expectations, manage risks and act more sustainably. The initial list of topics was drawn up by the company's representatives together with social responsibility and sustainability experts, assessing the company's impacts and the key aspects affecting sustainability.

At the beginning of 2022, several remote meetings were held with key stakeholders - representatives of Klaipėda City Municipality Administration, Klaipėda University, Klaipėda Department of the National Centre for Public Health under the Ministry of Health, representatives

STAKEHOLDERS ( ● environmental ● social ● governance)



- |  |  |  |   |
|--|--|--|---|
| 1 Development of environmental management        | 11 Water usage, water pollution & sewage             | 19 Green procurement   | 28 Protection of soil & groundwater                   |
| 2 Unused infrastructure                          | 12 Employee engagement, empowerment & satisfaction   | 20 Energy usage  | 29 Spills & other environmental incidents             |
| 3 Freedom of association & collective bargaining | 13 Employee turnover                                 | 21 Civil safety and communication to citizens                  | 30 Impact towards climate change and its minimization |
| 4 Application of circular economy principles     | 14 Employee competence development                   | 22 Work conditions & employee welfare (including supply chain) | 31 Air pollution                                      |
| 5 Responsibility in the supply chain             | 15 Community engagement & dialogue                   | 23 Customer satisfaction                                       | 32 Employee health & safety                           |
| 6 Gender diversity and equality                  | 16 Data privacy & protection                         | 24 Non-discrimination & protection of human rights             | 33 Compliance   |
| 7 Shareholder engagement & democracy             | 17 Climate change adaptation & resilience            | 25 Fair remuneration policy                                    | 34 Ethics & anticorruption                            |
| 8 Board diversity                                | 18 Managing of sustainability topics & communication | 26 Board independence  | 35 Cyber security                                     |
| 9 Waste & waste management                       |  | 27 Business transformation & sustainable innovation            | 36 Sustainability risk management system              |
| 10 Environmental impact of services              |  |  |   |

of Klaipėda communities (Vītė, Melnragė, Dangė) and their associations in the company's neighbourhood as well as representatives of the Office of the President of the Republic of Lithuania, the Ministry of the Environment, the Ministry of Economy and Innovations, the Ministry of Transport and Communications, the State Energy Regulatory Council. They discussed the company's impacts and sustainability aspects, ranked materiality topics, and listened to suggestions on additional aspects.

Materiality topics were also rated by the company's employees, customers and

partners by means of a remote survey. Finally, the company's management expressed its position in the ranking process and the materiality matrix was developed. The matrix ranks the themes on the vertical axis according to their importance to stakeholders and on the horizontal axis according to their importance to the company.

The materiality matrix of KN contains 36 topics: 11 environmental, 13 social and 12 governance topics. 8 topics have been identified as the most important in the stakeholders' and company's assessment, and a further 9 topics are also prioritised in the assessment of

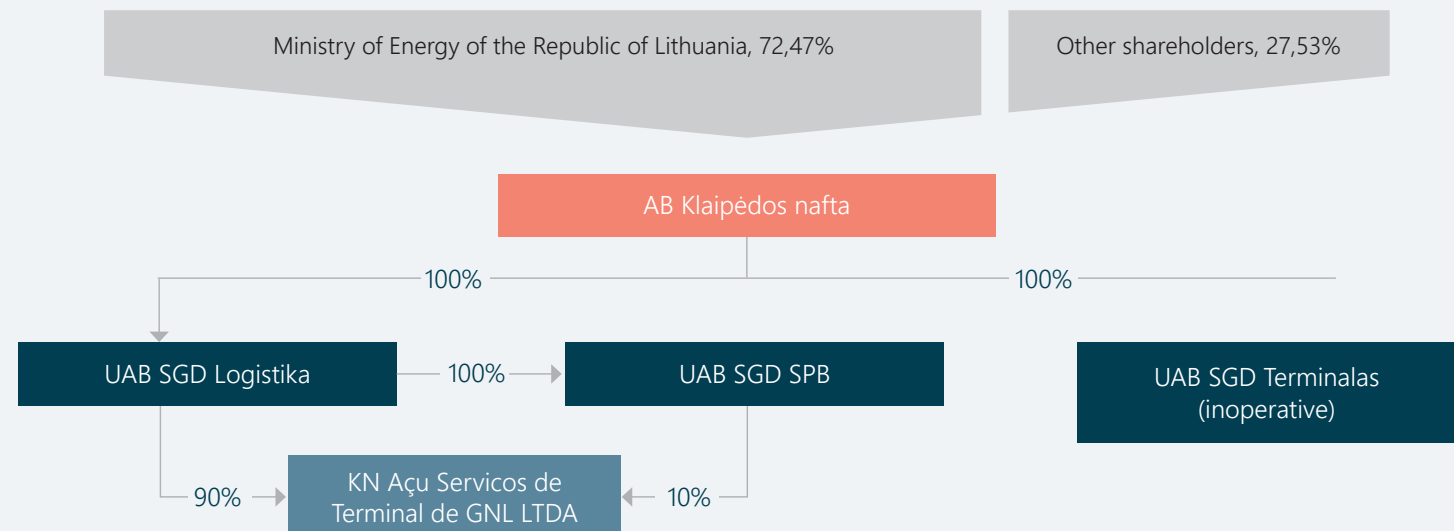
stakeholders and the company. These topics will be further developed (e.g., these topics will be further developed within the company by setting targets where they do not yet exist, providing concrete measures, tracking progress), and will be taken into account in the update of the corporate strategy.

## BOUNDARIES OF THE REPORT

In 2020, KN became the operator of the liquefied natural gas (LNG) terminal in the port of Açu, Brazil. Under the contract with Gas Natural Açu (GNA), a joint venture between Prumo Logística, BP and Siemens, KN, as operator of the LNG terminal, is responsible for the smooth operation of the LNG terminal, including the technical and commercial installation of the berth and its facilities, the

### ABOUT THE COMPANY

Joint Stock Company „Klaipėdos Nafta“ (hereinafter – KN or the company) is a joint-stock company registered in the Republic of Lithuania. KN Group is comprised of the following companies (hereinafter referred to as the KN Group):



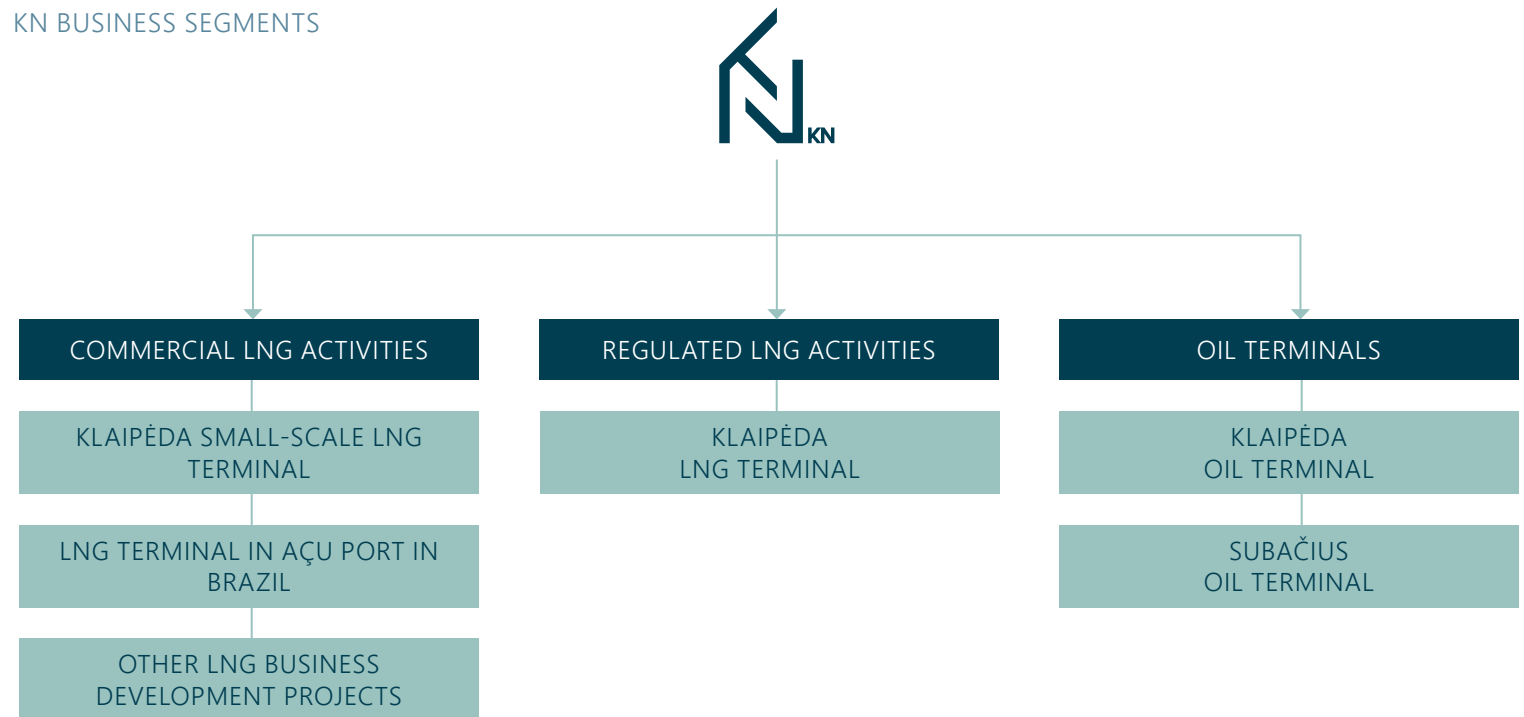
pipeline and the gas metering stations. The report contains data available at the time of the report and data which is directly related to the activities and obligations of KN Açu Serviços de Terminal de GNL LTDA (KN Açu).

Given the structure of KN group, this report provides data for all companies in the group, unless otherwise stated.

## ACTIVITY AND CHAIN OF VALUE

KN is the company of strategic importance for the energy security of Lithuania and the surrounding region, which ensures the possibility to import oil and liquefied natural gas into Lithuania and neighbouring countries, as well as the storage of the mandatory oil product reserve of the Republic of Lithuania and the reliable and efficient transshipment of oil products in the Port of Klaipėda. Also, in 2020, KN became the operator of the liquefied natural gas (LNG) terminal at Açu Port, Brazil. Currently, the company's activities can be divided into three main segments: commercial LNG activities, regulated LNG activities, and oil terminals.

## KN BUSINESS SEGMENTS



## SUPPLY CHAIN

The purpose of KN Oil Terminal is to provide the services of handling of oil products supplied from/to oil refineries (from railway tank cars to tankers and vice versa) and storage of such products in the storage tank park of the terminal. Oil products are also imported through KN Oil Terminal, by providing the services of transshipment of oil products from

oil tankers to the customers' vehicles (tank trucks and/or tank cars).

Since transshipment of Belarusian petroleum products stopped at KN terminals at the beginning of 2021, the portfolio of products handled at the company's terminals changed. From 8 grades of petroleum products at the beginning of 2021, as many as 13 different grades of petroleum products, including 3 biofuel grades (RRME, ethanol, biodiesel), are loaded at the beginning of 2022 via KN infrastructure. In 2021, the terminal's

handling of the latter products increased significantly, with as much as 40% more biofuels handled in 2021 compared to 2020. In 2021, the total tanker loading at KN also increased by almost 9%, i.e. slightly more than 569 thousand tonnes of petroleum products were handled. However, there were no other changes in supply chains. For more details on activities related to the Russian/Belarusian/Ukrainian economies, dependence on them or other related risks, see KN Consolidated Annual Report, page 75.

## SUPPLY CHAIN OF OIL PRODUCTS



## SUPPLY CHAIN OF LNG



LNG terminal is one of the most important national facilities ensuring the energy security, which allowed for the formation of the natural gas market in Lithuania and opened

opportunities for the country and its residents. The purpose of KN Oil Terminal is to provide the services of handling of oil products supplied from/to oil refineries (from railway

tank cars to tankers and vice versa) and storage of such products in the storage tank park of the terminal. Oil products are also imported through KN Oil Terminal, by providing the services

of transshipment of oil products from oil tankers to the customers' vehicles (tank trucks and/or tank cars).

LNG terminal is one of the most important national facilities ensuring the energy security, which allowed for the formation of the natural gas market in Lithuania and opened opportunities for the country as well as its people and companies to import natural gas from all over the world. The LNG terminal is part of a complex LNG service chain, designed by the company to supply the Baltic Sea region with the cleanest fossil fuel and to promote environmentally friendly logistics. The LNG storage facility with the regasification unit is the LNG tanker that receives LNG from the gas vessels delivering it to the Seaport of Klaipėda and can tranship LNG to the arriving gas vessels. The regasified LNG is delivered to the natural gas transmission system. The LNG reloading station commenced its operation in 2018, it is designed to receive LNG from small-scale gas vessels, temporarily store it and tranship to LNG tank trucks or vessels. LNG can also be loaded into ISO-compliant standard-sized containers that can be transported by rail and road. This opens up opportunities for industrial sites and settlements that are further away from the pipeline, to obtain cleaner energy.



## KN STRATEGY

At the beginning of 2020, the Supervisory Council of KN approved the Strategy 2020–2030, setting the overall strategic objectives for the company as a whole and for each of its activities, assessing the company's historical financial information and setting targets for the strategic period. However, since October 2020, the environment in which the Group

operates started changing significantly when the EU imposed a number of sanctions on Belarus. On 24 June 2021, Council Regulation (EU) 2021/1030 was introduced, which prevented the transit flows of petroleum products from Belarus. The company has started adapting its oil business segment to the changing environment and the transshipment of the oil products from Belarus terminated in the beginning of 2021. In addition, the current global situation is leading to further changes which should be reflected in

the strategic objectives.

As a result of these geopolitical circumstances, some of the objectives, in particular in the oil business segment, are no longer relevant and need to be revised. The review of the strategy is pending in 2022, with a corresponding strengthening of the sustainability area, taking into account the results of the analysis of key sustainability topics. For more information on KN strategy, please refer to the Consolidated Annual Report of KN, page 84-87.

**The company's mission** is to ensure safe, reliable and efficient access to the global energy market through the sustainable development, investment and operation of multi-functional liquid energy terminals worldwide. Through its activities, the company aims to help its customers with transition to cleaner energy while maintaining their competitiveness.

## MAIN BUSINESS LINES UNTIL 2030

### OIL TERMINALS

- Handle any oil product without limitation to transshipment mode, provide smart throughput, storage and blending services.
- Be fully capable of working with products that go beyond traditional oil or petroleum products range.
- Invest in sustainable and more efficient technologies and processes to reduce emissions from our activities.



### KLAIPĒDA LNG HUB

- Assure the region's access to the global LNG market at least till 2044 and benefit for Lithuanian consumers through commercial activities.
- Assure highest quality bunkering and truck loading services, contribute to innovation development through the LNG cluster.



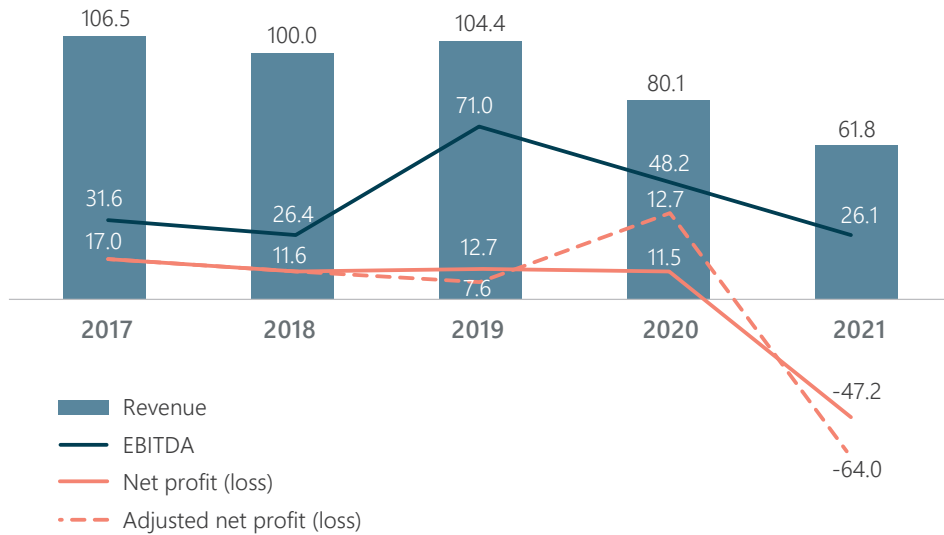
### INTERNATIONAL LNG PROJECTS

- See the net profit from international LNG projects higher than from oil products transshipment services, which is the largest portion today.
- Become the preferred partner for new LNG import terminal projects globally.
- Be within the top three leading floating LNG import terminal companies.



In 2021, KN activities included: loading of petroleum and chemical products (at Klaipėda Oil Terminal), long-term storage of petroleum products (at oil terminal in Subačius, Kupiškis district), LNG terminal operations and the development of other LNG-related activities. The company's management assesses the financial performance of each segment and sets individual strategic objectives. For more information on the company's operations and supply chain, see the Consolidated Annual Report of KN on page 78-84.

FINANCIAL PERFORMANCE OF KN GROUP, EUR MILLION



FINANCIAL PERFORMANCE OF KN GROUP

In 2021, the group’s adjusted net profit (loss) is EUR 47 million compared to EUR 11 million profit in 2020. The main reasons, which influenced this result, are:

- The adjusted net profit from oil terminals is lower by EUR 53 million mainly due to the recognized impairment of Klaipėda Oil Terminal in amount of EUR 54.2 million and the respective deferred income tax asset impact of EUR 8.1 million.

The total impact from recognition of this impairment loss on net profit (loss) amounts to EUR 45.2 million. The revenue from oil business segment lower by EUR 10 million also contributed to the net loss of 2021.

- The adjusted net profit from commercial LNG activities is EUR 1 million higher because in the beginning of 2020 the company signed a long-term contract with the Polish state gas company PGNiG to reserve capacity of Klaipėda small-scale LNG station for the next 5 years, starting from Q2 2020. Furthermore, on 16 September 2021, Gas Natural Açu (GNA) LNG-to-power project in the port of Açu, Brazil, launched com-

mercial operations and KN became the operator of two fully operational LNG terminals worldwide.

- The adjusted net profit from regulated LNG activities (EUR 323 thousand) is lower by EUR 6 million due to (i) EUR 2 million or 162 percent higher emission allowances expenses and (ii) lower revenue - main reasons: (1) the additional LNG security component in 2021 has been reduced by the surplus of LNG return from 2014–2019 and repayment of reloading revenue for 2019 in total amount of EUR 2.6 million, (2) EUR 1.9 million lower revenue from the fixed component due to lower consumption capacities, (3) the additional LNG security component level set by NERC for 2021 is EUR 1.2 million lower compared to 2020, (4) EUR 3.2 million lower revenue from variable component from LNG security supplement, (5) fines for unused capacity in amount of EUR 0.4 million received in 2021 (no such in 2020). Moreover, changes in deferred income tax balance have a positive impact of EUR 4.7 million on the adjusted net profit of LNGT.

The group’s sales revenue in 2021 (EUR 62 million) was lower by 22.8 % or by EUR 18 million compared to 2020 (EUR 80 million). The decrease in revenue was influenced by COVID-19 pandemic, related

worldwide lockdowns, and geopolitical situation resulting no Belorussian cargoes, as well as lower revenue from regulated LNG activities. For more detailed information on KN financial performance in 2021, please refer to the Consolidated Annual Report for 2021, p. 102–109.

EMPLOYEES

As of 31 December 2021, KN Group had 378 employees (as of 31 December 2020 – 412). On the last day of 2021, 351 employees were working in Lithuania and 27 – in KN Açu. In 2021, in view of the economic situation on the global oil market, which led to a significant decrease in the volumes of transhipped petroleum products, and in order to ensure its competitiveness in the market, KN focused on cost reduction and optimisation and efficiency of work organisation processes, which led to a reduction in the number of permanent employees. Among other decisions, it was decided not to recruit new staff for positions that were left by employees who decided to continue their career outside KN.

Respective increase in the total turnover of KN staff in Lithuania:

- 2017 m. – 5.65 %
- 2018 m. – 8.77 %
- 2019 m. – 14.45 % (at the beginning

## KN GROUP EMPLOYEES BY THE TYPE OF CONTRACT IN 2021

	TOTAL	PERMA-NENT EMPLOYEES	TEMPO-RARY EMPLOYEES	FULL-TIME EMPLOYEES	PART-TIME EMPLOYEES
Lithuania					
Male	256	254	2	254	0
Female	95	93	2	93	0
Brasil					
Male	20	20	0	20	0
Female	2	2	0	2	0

## STAFF TURNOVER BY GENDER IN KN LITHUANIA

	2019	2020	2021
New employments, total	32	59	34
Male	12	11	12
Female	20	48	22
Terminated working contracts* by gender:	61	43	75
Male	19	7	19
Female	42	36	56

\* Including employment contracts terminated at the employee's initiative and by decision of the company.

- of the year, the reorganisation of operations was carried out to streamline processes and reduce staff).
- 2020 m. – 8.92 %
  - 2021 m. – 17.89 % (at the beginning

of the year, the reorganisation of operations was carried out to streamline processes and reduce staff). 22 employees left the organization as a result of redundancies.

## AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

EMPLOYEE CATEGORY	GROUP 2021	GROUP 2020	CHANGE, %	COM-PANY 2021	COM-PANY 2020	CHANGE, %
Managers <sup>1)</sup>	58	48	20,8	47	42	11,9
Specialists	200	210	-4,8	179	188	-4,8
Workers	130	142	-8,5	129	142	-9,2
<b>Total</b>	<b>388</b>	<b>400</b>	<b>-3,0</b>	<b>355</b>	<b>372</b>	<b>-4,6</b>

<sup>1)</sup> Managers of the Company include: Chief Executive Officer (CEO), Directors and Heads of Divisions

In terms of trends in staff turnover on the basis of gender, the same proportions are maintained as in previous periods and there is no gender bias.

The organisation and organisational structure have been changed to achieve greater efficiency and quality of performance. In 2021, all managerial positions were filled resulting in an increase in the total number of managers in the group. The number of specialists and workers decreased due to the optimisation initiated at the beginning of the year. The focus is to make the positions of workers and specialists more versatile and with more competences, able to perform the right function at the right time.

The provisions of Collective Agreement of the KN apply to all KN employees in Lithuania. The company also has one

trade union, representing 38.4% of KN employees in Lithuania (40.5% in 2020). In 2021, a collective agreement was also signed in KN Açu. For more detailed information on the employees of the KN Group, see the Consolidated Annual Report of KN, p. 117.



## COMPANY REMUNERATION POLICY

The Company's remuneration policy is regulated by the following documents:

- Employee remuneration policy approved by the Board of KN
- Procedure for award of bonuses to the top management of AB Klaipėdos Nafta approved by the Board of KN

- Procedure for the design of the remuneration system approved by the KN CEO
- Procedure for employee performance review and compensation approved by the KN CEO.

There were no significant changes to this area in 2021.

The Company's remuneration system is based on the Hay Group Methodology which measures jobs by relative size, nature, and importance in order to ensure that each job within the company is fairly rewarded. The monthly salary/wage is set for a job upon evaluation of the level of knowledge and work experience required for the job, the complexity of functions, the degree of responsibility and management. The aim of the company is to ensure competitiveness of the employees' pay, feeling of internal justice and remuneration that does not discriminate any employee on the ground of sex or any other ground. Annual employee performance reviews are conducted annually with every employee, discussed in relation to KN values and setting the goals for the new period. The standard salary for the entry level positions is determined according to the Hay Group's 50–75 percentile, depending on the experience and competencies they have.

#### AVERAGE MONTHLY SALARY (GROSS), EUR

EMPLOYEE CATEGORY	GROUP 2021	GROUP 2020	CHANGE, %	COMPANY 2021	COMPANY 2020	CHANGE, %
Managers <sup>1)</sup>	5.061	5.507	-8,1	5.459	5.719	-4,5
Specialists	2.445	2.511	-2,6	2.553	2.552	0,0
Workers	1.614	1.741	-7,3	1.614	1.741	-7,3
<b>Total</b>	<b>2.506</b>	<b>2.543</b>	<b>-1,5</b>	<b>2.570</b>	<b>2.574</b>	<b>-0,2</b>

<sup>1)</sup> The Company's managers include: Chief Executive Officer (CEO), Directors and Heads of Divisions. The following sums were calculated for the remuneration to the Group's managers in 2021: EUR 3,684 thousand, including EUR 177 thousand of taxes paid by the employer (in 2020 - EUR 3,137 thousand, including EUR 103 thousand of taxes paid by the employer). The average annual salary of the manager in the Group amounted to EUR 63.5 thousand in 2021 (in 2020 - EUR 65.3 thousand).

<sup>2)</sup> The average monthly remuneration is calculated in observance of Resolution No 1341 of the Government of Lithuania on 23 August 2002 on the remuneration to managers of state-owned enterprises (as subsequently amended).

#### THE AVERAGE EMPLOYEE SALARY (GROSS) IN 2021 BY GENDER

DARBUOTOJŲ KATEGORIJA	GROUP			COMPANY		
	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE
Managers <sup>1)</sup>	5.061	5.021	5.210	5.459	5.544	5.210
Specialists	2.445	2.587	2.208	2.553	2.747	2.255
Workers	1.614	1.635	1.217	1.614	1.635	1.217
<b>Iš viso</b>	<b>2.506</b>	<b>2.509</b>	<b>2.523</b>	<b>2.570</b>	<b>2.569</b>	<b>2.573</b>

<sup>1)</sup> The Company's managers include: Chief Executive Officer (CEO), Directors and Heads of Divisions

<sup>2)</sup> The average monthly remuneration is calculated in observance of Resolution No 1341 of the Government of Lithuania on 23 August 2002 on the remuneration to managers of state-owned enterprises (as subsequently amended).

In 2021, the average monthly salary of KN employees did not change, compared to 2020 (in 2021 - 2,570 EUR/month, in 2020 - 2,574 EUR/month, respectively).

## STAKEHOLDERS

Stakeholder engagement is one of our principles of open and responsible

action, which enables us to identify key topics of interest to stakeholders.

The Company's activities, including relationships with stakeholder, are guided by the highest standards of good governance practices. In addition, KN is guided by the Stakeholder Policy adopted by the Company in 2021 and published on the website of KN. This policy provides principles and guidelines for the development of KN's stakeholder relationships, ensuring opportunities to identify key topics of

interest to stakeholders in the context of the company's sustainable operations.

Our key stakeholders: employees, shareholders, business partners, customers, communities and society in general, and decision-makers at national and regional level. Topics of relevance to our target groups include the safety of our operations, economic impact, environmental performance improvement and good governance practices.

In addition, in early 2022, KN involved stakeholders in the materiality analysis to provide feedback, and their views are reflected in the materiality matrix.

Overview of the key stakeholders of the company:

STAKEHOLDER	AMBITION	WHY IS IT IMPORTANT?	HOW DO WE SEEK TO DEVELOP RELATIONS?
<b>Clients</b>	<ul style="list-style-type: none"> <li>To help clients maintain a competitive advantage and move to more sustainable forms of energy.</li> <li>To ensure that clients have access to international energy markets.</li> </ul>	Satisfied clients are the foundation for long-term growth and business sustainability.	<ul style="list-style-type: none"> <li>To provide our know-how to create added value for clients.</li> <li>To provide services to clients efficiently, in a timely manner and with high quality.</li> <li>To seek innovations and offer innovative solutions creating added value for clients.</li> </ul>
<b>Business partners and business community</b>	Open, cooperative, proactive members of the business community, a sound example of the Company's business sector.	Working together with partners, we can contribute to strengthening the value chain, increasing business competitiveness and creating a greater value for the members of community.	<ul style="list-style-type: none"> <li>In the course of development of professional contacts, sharing good practices and experiences or raising and calling for a common solution of the issues relevant to the business community.</li> <li>Communicating on projects, sharing experience and knowledge.</li> <li>Taking part in solving the issues relevant to the sector by offering own competencies.</li> </ul>
<b>Employees and employee representatives</b>	KN's innovative, adaptable and multicultural teams are in demand worldwide.	People are the core asset of our Company and they are always at the heart of our technology-based operations.	<p>Ensuring that the members of the team have the opportunity::</p> <ul style="list-style-type: none"> <li>to achieve high personal results;</li> <li>to continuously learn and improve;</li> <li>to earn a competitive salary;</li> <li>to feel proud of creating change and connecting energy markets around the world.</li> </ul> <p>Develop a relationships with the employees or their representative organizations that is based on values and mutual dialogue.</p>

STAKEHOLDER	AMBITION	WHY IS IT IMPORTANT?	HOW DO WE SEEK TO DEVELOP RELATIONS?
<b>Shareholders</b>	An open and transparent stock exchange participant that meets the highest standards set by investors and earns the expected return for shareholders.	The listing of a Company increases confidence in its operations and governance locally and internationally. In turn, this contributes to the long-term success of the business.	<ul style="list-style-type: none"> <li>• Transparent, open and timely communication with investors, providing them with regular and reliable data on the Company's results and business plans.</li> </ul>
<b>State institutions</b>	We ensure the national energy independence and meet other goals set for a strategic Company via the State letter of Expectations and/or other legislation.	By participating in the governance of the state-controlled company within the set rules and principles, the state pursues business value growth, dividend or profit-sharing yields, ensuring national security interests, implementing strategic projects or other objectives set by law and formulating expectations for companies accordingly. Clearly presented expectations of the government contribute to the increase of the welfare of the state.	<ul style="list-style-type: none"> <li>• Business is developed responsibly, increasing the value created for Lithuania and all shareholders through Company business decisions.</li> <li>• Activities are carried out in such a way as to ensure work safety, safe and reliable operation of managed infrastructure, and proper care of the environment.</li> <li>• The company operates in accordance with the highest standards of transparency, governance, ethics and social responsibility, thus setting an example for other organizations in the country and promoting overall progress.</li> </ul>
<b>Municipal institutions</b>	Creating value for the regions, where the Company operates.	The Company acts as responsible member of community, which aims at creating mutual value, i.e. revealing its full business potential as well as contributing to the success of the region it operates in.	<ul style="list-style-type: none"> <li>• Activities are carried out in such a way as to ensure work safety, safe and reliable operation of managed infrastructure, and proper care for the environment.</li> <li>• Engagement into the process of solving issues relevant for the specific region by offering own competencies, know-how or other available resources.</li> <li>• Contributing to the increase of the potential of the regions through own business contacts or communication to business partners.</li> </ul>
<b>Neighbouring communities</b>	<ul style="list-style-type: none"> <li>• To increase trust in the Company and ensure its lawful operations.</li> <li>• To contribute to promoting a positive impact in relationships with communities in society.</li> </ul>	A sustainable and credible neighbourhood, an involvement of communities related to the long-term perspective of the Company activity and "the right to act".	<ul style="list-style-type: none"> <li>• Developing an open dialogue, responding to the need to know and understand the issues that are most relevant to communities and the impact that the company has on them, in line with the principle of good neighbourliness.</li> </ul>
<b>Media, opinion shapers</b>	To be an open and cooperative partner for the media and opinion shapers in providing correct and reliable information.	We understand that information about our activities as of a strategic Company is important for our stakeholders, and, considering this, we engage in an active dialogue.	<ul style="list-style-type: none"> <li>• Our goal is to build and maintain professional relationships with the media and opinion shapers.</li> <li>• We show initiative by sharing value-creating knowledge and insights.</li> <li>• When sharing information, we respect customer data and comply with contractual obligations.</li> </ul>

STAKEHOLDER	AMBITION	WHY IS IT IMPORTANT?	HOW DO WE SEEK TO DEVELOP RELATIONS?
<b>Supervisory and regulatory authorities</b>	<ul style="list-style-type: none"> <li>To be a reliable and professional partner in the development of business sector regulation.</li> <li>Impeccable compliance.</li> </ul>	<p>We work with supervisory and regulatory authorities to understand their needs and objectives and to offer our knowledge and expertise in shaping market regulation practices.</p> <p>We understand that impeccable compliance increases the confidence of all stakeholders in the company and strengthens its reputation.</p>	<ul style="list-style-type: none"> <li>We are available and accessible to supervising and regulatory authorities, share information, knowledge and insights with them regarding the sector where the company operates.</li> <li>Information requested by supervisory and regulatory authorities is provided on the timely basis and of proper quality.</li> </ul>
<b>Decision-makers</b>	To develop business responsibly, increasing the value created for Lithuania by the adopted decisions.	<p>Being a company of strategic importance, we understand the interest of decision-makers so that our activities would best meet the interests of the country and create the greatest value for it.</p> <p>The company adheres to the principle of political neutrality in its activities and does not provide support to any politician or political party in either financial or non-financial terms.</p>	<ul style="list-style-type: none"> <li>We develop professional relationships and share our knowledge, expertise and insights on global energy sector trends.</li> <li>We take the time to provide context and discussion about the company's decisions that are important at the national level.</li> </ul>
<b>Social partners</b>	To be an open and cooperative partner focused on increasing the well-being of the community.	Working together with partners, we can contribute to creating a greater value for the community and promoting the development of sustainability initiatives.	We contribute to the development of general educational or activity programs that contribute to solving problems relevant to society by promoting the ideas of corporate responsibility and sustainability.

## DATA PROTECTION

KN has assessed its internal legislation, processes and identified areas for improvement in the area of personal data protection in 2021. Data collection processes have been complemented by privacy notices. The process of selection of candidates for staff, trainees and members of management bodies of the company, and the process for

reconciling public and private interests of staff, have been supplemented with personal data protection considerations, which allow for adequate information to be provided to data subjects about the processing of their personal data. In 2022, KN plans to implement further corrective actions based on the report of the above mentioned evaluation.

In view of the nature and extent of processed personal data it was decided to appoint the Data Protection Officer

in the company. The Data Protection Officer monitors the compliance of KN with all data protection legislation, including audits, awareness-raising and training of staff involved in data processing operations. This ensures that the company receives timely information about its obligations and is in a position to implement them properly.

In 2021, KN identified the need for a data protection impact assessment

on the use of customer relationship management and personnel management systems, as well as video surveillance for the additional purpose. These assessments will be carried out in 2022 in order to identify appropriate measures to manage personal data and to anticipate how they will be implemented.

In 2021, KN did not receive any complaints regarding the improper processing of personal data, but

informed the State Data Protection Inspectorate of the identified personal data breach within the organisation in strict compliance with the established requirements and procedures for processing of personal data.

The company follows the principles of transparency and accountability in data processing, which are further enshrined in the updated Code of Conduct of KN.







# ENVIRONMENTAL IMPACT AND PROTECTION



Protecting the environment is one of the priority areas of KN social responsibility. Both in the operation of the existing oil and LNG terminals and in the planning of new activities, KN complies with the basic principles of environmental protection set out in the National Environmental Strategy of the Republic of Lithuania, with the conditions set out in the environmental permits, as well as with the norms set out in the environmental rules and standards.

The Company is not only declarative, but also effective in its social responsibility - we do our utmost to ensure that environmental impacts are measured and controlled. In light of the global concern about climate change, the Company feels responsible for its ecological footprint, and seeks to measure the Company's environmental impact through clearly defined indicators and balance it accordingly.

In 2021, KN clearly defined the target to reduce volatile organic compound (VOC) emissions by 35% by 2024 and 45% by 2030 compared to the current period. We have also set the target to reduce the direct CO<sub>2</sub> emissions from Klaipėda Oil Terminal's operations by increasing energy efficiency through the rational use of energy resources. We aim to reduce these emissions by 20% by 2024 and 50% by 2030.

One of KN's strategic objectives is to ensure environmentally sustainable operation of KN terminals and full compliance with environmental requirements. The company has clearly identified the significant environmental aspects of its operations, their impact on the environment, and the necessary control and management measures. KN strives to improve its environmental performance by continuously monitoring the environmental impact of its activities and by aiming at pollution prevention, waste reduction, water and energy efficiency, and efficient use of raw materials. We continuously monitor our impact on environmental quality, assessing the real impact on the environment, rather than simply seeking to comply with norms or requirements.

In 2020, KN was issued the certificate confirming that KN's environmental management system complies with the ISO 14001:2015 standard, and, in 2021, auditors confirmed KN's compliance with this certificate.

Long-term environmental objectives of KN regarding sustainable operations:

- Preventing or reducing negative environmental impacts.
- Improving environmental performance.
- Thoughtful consumption of natural resources.

#### HIGHLIGHTS FOR 2021:

- KN investment in the environmental measures was around EUR 2 million in 2021.
- All electricity used in the Klaipėda Oil Terminal's operations is certified as green.
- KN has set new environmental targets for 2030 and has prepared a new Environmental Action Plan, which will be presented separately.



#### PROGRESS OF ENVIRONMENTAL ACTION PLAN

Since 2018, KN is implementing the Environmental Action Plan, which sets out the measures and the commitment to continue to operate sustainably and to ensure the highest environmental standards. The implementation of this action plan will contribute to the reduction of volatile organic compound

(VOC) emissions, ensuring minimal emissions to the environment and more efficient neutralisation of VOCs.

KN investments in the environmental field have reached EUR 8 million by the end of 2021. By 2017, more than EUR 3 million had been invested in measures to reduce ambient air pollution, and more than EUR 5 million between 2017 and 2021, of which EUR 2 million will be invested in the environmental measures in 2021.

In 2021, the modeling of odour

## PROGRESS OF ENVIRONMENTAL ACTION PLAN IN 2021

NO.	MEASURES TO REDUCE AIR POLLUTION	EXPECTED RESULTS	TIMEFRAME FOR IMPLEMENTATION	PROGRESAS
1	The installation of an air-pollution treatment plant to clean pollutants collected from:  (i) 16 existing petroleum product storage tanks located in the heavy fuels tank park.  (ii) the railway oil loading sidings of the railways No.1-2, which are used for loading heavy fuel products (e.g. fuel oil)	Reduction of VOC emissions from the handling of petroleum products from/to rail tankers and from the handling and storage of petroleum products in tanks.	Full-scale environmental project implemented by <b>31 12, 2022</b>	<b>Environmental project implemented by 90%.</b> Early in Q2 2021, an air pollutant treatment plant was built. 16 tanks are connected to the air pollutant treatment plant. Full-scale project to be implemented by the end of 2022, with the connection of the railway oil loading sidings No 1-2 to the air pollutant treatment plant.  The purpose of this air pollutant treatment plant is to reduce the intensity of odours caused by the loading of heavy fuel or crude oil.
2	Modernization of boiler burners of Klaipeda oil terminal	The refurbishment of the boiler burners shall reduce the single emission limit values for nitrogen oxides and carbon monoxide to ambient air from 300 mg/m <sup>3</sup> to 100 mg/m <sup>3</sup> .	<b>31 12 2021</b>	<b>Project fully implemented.</b> QII 2021 – boiler no 1 burner installation work completed QIV 2021 – boiler no 1 burner installation work completed The environmental targets of a 3-fold reduction in single emissions of nitrogen oxides and carbon monoxide were achieved.
3	Collecting air pollutants from 12 newly built tanks storing light petroleum products (e.g. petrol) and cleaning them in an air pollutant treatment plant.	New tanks will be integrated into the air pollutant treatment plant, which will ensure minimal emissions to the environment.	<b>31 12 2023</b>	H2 2021 - looking for solution to reduce VOC emissions, using the already existing environmental infrastructure H1 2022 - public procurement procedure for purchase of the project works.

dispersion in ambient air was performed, which showed that the odour concentration in the nearest residential environment will reach 0.5 odour units (OUE/m<sup>3</sup>).

Currently, the maximum odour concentration in ambient air is 8 European odour units (OUE/m<sup>3</sup>) and

from 1 January 2024, operators will have to ensure that odours in ambient air from planned/executed economic activities do not exceed 5 OUE/m<sup>3</sup>.

## GREENHOUSE GAS (GHG) EMISSIONS

The annual greenhouse gas reports are prepared in accordance with the requirements of the GHG Protocol

Corporate Accounting and Reporting Standard (hereinafter – the International Protocol). GHGs include CO<sub>2</sub> and CH<sub>4</sub> emissions. Emissions of other greenhouse gases (N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>) are not accounted for because no significant sources of pollution with these gases have been identified. GHG emissions include emissions listed in the

international protocol Scope 1, Scope 2, and Scope 3:

- **Scope 1.** Direct CO2 emissions (from boilers, vehicles) and direct CH4 emissions (from natural gas leaks in pipelines and tanks).
- **Scope 2.** Indirect CO2 emissions related to the production of purchased electricity.
- **Scope 3.** Indirect CO2 emissions from the production of purchased materials and services.

98% of GHG emissions consist of emissions from combustion plants using fossil fuels. In KN case, emissions from FSRU in Klaipėda are attributed to Scope 3. Indirect CO2 emission released from generating electricity, purchased for KN needs, falls under Scope 2.

CO2 EMISSIONS FROM KN OPERATIONS

CO2 EMISSIONS	2019	2020	2021
Direct CO2 emissions (Scope1), t/m	16 630	14 242	7 816
Indirect CO2 emissions (Scope2), t/m	1 960	0	0
Indirect CO2 emissions (Scope3), t/m	50 155	66 042	53 694
Indirect CO2 emissions (Scope2), t/m	(-) 5492	(-) 5060	(-) 3271*
<b>Total, t/m</b>	<b>68 745</b>	<b>80 284</b>	<b>61 510</b>

\*With 100 % of purchased electricity coming from renewable sources, in 2021, KN did not release into the environment more than 3000 t of CO2 emissions

The increase in the relative GHG indicators for the LNG terminal and the KN Subačiaus terminal is due to the increased volumes and operating intensity of these terminals, and may also be influenced by an update of the activity data and emission factors used in the calculation, which have been chosen in order to ensure that the data source is as accurate and as up to date as possible.

**EMISSIONS OF OTHER POLLUTANTS**

This report provides data only for those air pollutants with the highest emissions, namely carbon monoxide (CO), nitrogen oxides (NOx), and

RELATIVE GHG EMISSIONS (SCOPE 1-3) PER TONNE OF PRODUCT TRANSHIPPED IN KN TERMINALS OR DEGASSED MHW

CO2 EMISSIONS	2019	2020	2021
Transshipped amounts at KOT. kg CO2 /t	3.23	2.41	2.06
Transshipped amounts at SOT. kg CO2 /t	1.52	0.21	0.33
GDP degasified and transshipped volumes of natural gas. kg CO2 /MWh	0.24	0	0
LNGT degasified and transshipped volumes of natural gas. kg CO2 /MWh	2.55	3.01	3.28

volatile organic compounds (VOCs). Pollutant emissions have been calculated in accordance with the methodologies in force in the Republic of Lithuania.

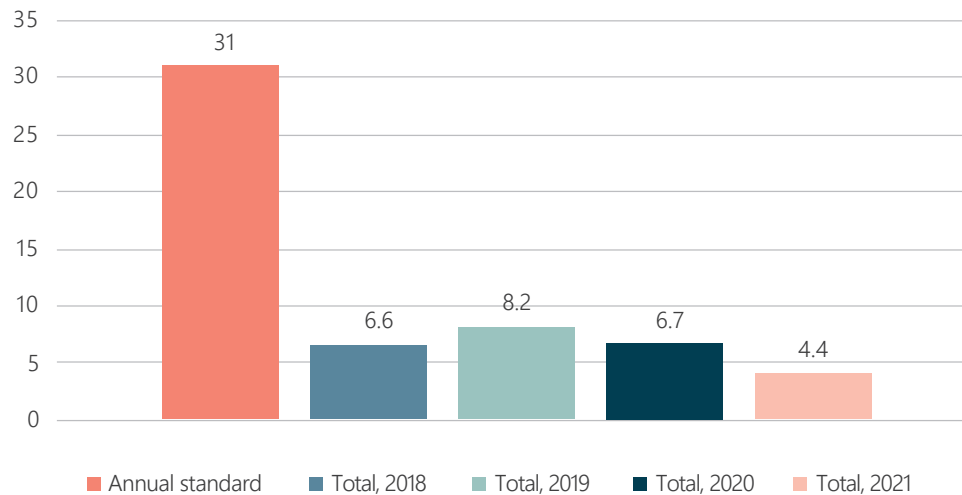
At KN Oil Terminal, annual VOC emissions depend directly on the annual amount of oil products transhipped, and CO and NOx - on the amount of natural gas burned in combustion plants, i.e. in the boiler room and VOC incinerator.

More than 95% of emissions of the LNG storage facility to the environment consist of CO and NOx, the amount of which depends directly on the amount of gas burned in the combustion plant. One-off CO and NOx emissions comply with the threshold values of 100 mg/m3 set in the Best Available Techniques applicable in the EU.

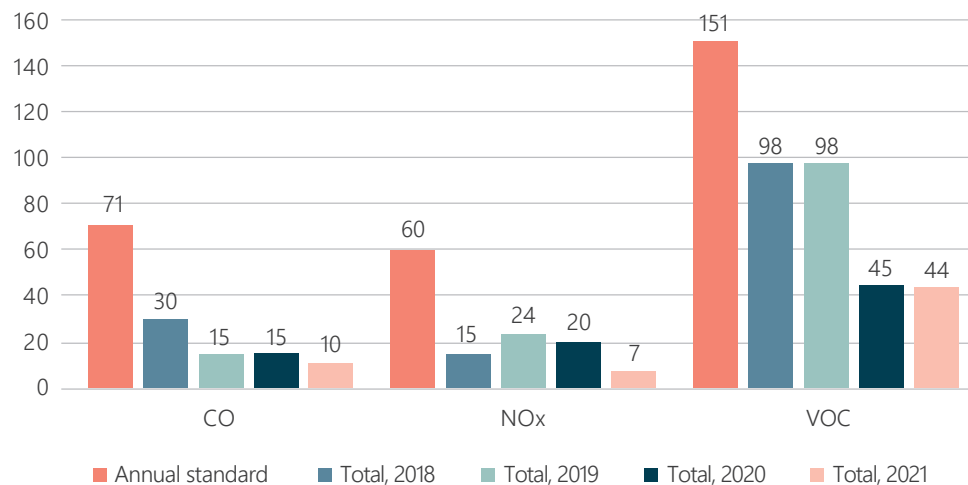
In 2020, as in the previous year, the actual emissions did not reach the permissible annual pollution levels (standards) set in the environmental permits issued to the terminals of the company.

In 2021, emissions and VOCs at KN oil terminals were lower than compared to 2020. Decrease was influenced by lower transshipment volumes. NOx and CO emissions from operations of Klaipėda FSRU were higher due to record high operations at the terminal.

## VOC EMISSIONS AT SUBAČIUS OIL TERMINAL, T/M



## EMISSIONS AT KN OIL TERMINAL, T/M



It should be noted that the graph shows revised figures for 2020: CO was reported at 13 t/m (should have been 15 t/m) and VOCs at 39 t/m (should have been 45 t/m). The inaccuracies are due to a spreadsheet error.

## SEWAGE MANAGEMENT

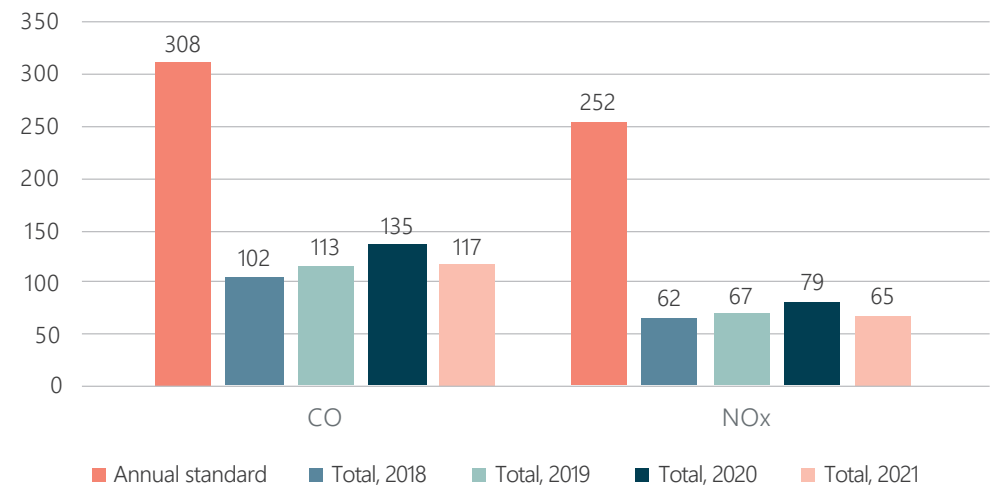
In order to meet all environmental protection requirements, KN collects and treats the sewage, generated in the operation, in order to meet the established standards. The amount of pollutants discharged with sewage is calculated in accordance with the methodologies approved in the Republic of Lithuania. The amount of sewage discharged is accounted by the installed accounting devices. Monitoring of discharged sewage and of the impact on surface water quality is performed including the monitoring of the condition of the Curonian Lagoon (Klaipė-

da Strait) below and above the sewage discharge facility. The data of the monitoring is provided on a monthly basis at KN website (in the Lithuanian language).

Klaipėda Oil Terminal operates biological sewage treatment plant, the purpose of which is to collect and treat industrial, domestic, and surface sewage generated during economic activities. The efficiency of sewage treatment from pollutants is very high as seen in the table “Sewage treatment”.

Subačius Oil Terminal operates sewage treatment plant, which treat surface sewage collected from the terminal

## EMISSIONS AT KLAIPĖDA LNGT, T/M



territory and domestic sewage. Sewage is treated up to the standards and discharged into a surface water body – the Lėvuo River. In 2021, compared to 2020, the sewage discharged by Subačius Oil Terminal increased due to higher amount of precipitation.

Sewage discharged at both Klaipėda and Subačius Oil Terminals is below the permissible annual pollution levels (norms) set out in the environmental permits issued to the Terminals.

## SEWAGE TREATMENT

	INDICATOR	ANNUAL LIMIT SET IN THE ENVIRONMENTAL PERMIT	2020		2021	
			FACT, T/M	TREATMENT EFFICIENCY, %	FACT, T/M	TREATMENT EFFICIENCY, %
Klaipėda Oil Terminal (domestic, industrial, surface wastewater)	BDS7	18.4	0.4551	99	0.3357	97
	NOx	16	0.9108	78	0.3342	76
	Phosphorus	1.6	0.0945	81	0.0533	78
	Oil and oil products	4.0	0.0124	100	0.0000	100
	Total treated amount, m3		353 002		287 676	
Subačius Oil Terminal (domestic, industrial, surface wastewater)	BDS7	1.2033	0.1228	Not measured	0.2564	Not measured
	Oil and oil products	0.2616	0.01677	Not measured	0.0457	Not measured
	Suspended substances		0.14104		0.3505	
	Total treated amount, m3		26 697		52 318	
FSRU	Collected sewage is transferred to the third parties for treatment.					

Information on the LNG Terminal in Klaipėda is not provided, because sewage discharged into the Curonian Lagoon does not require treatment.

## WATER CONSUMPTION

### AT KN OIL TERMINALS

The main water source used in operations of Klaipėda Oil Terminal is centralized water supply networks. In 2021, the

majority (94%) of water taken from centralized networks was used for steam production and on the oil product trestle, the rest of the water was used for household purposes and provided to subscribers. Also, the surface water used in part of the processes of Klaipėda Oil Terminal is taken from the Curonian Lagoon.

Subačius Oil Terminal draws water from a groundwater well for economic activities.

Water consumption by Klaipėda and

Subačius Oil Terminals does not have a significant impact on water sources. Water is not reused in Klaipėda and Subačius Oil Terminals.

### AT LNG TERMINAL IN KLAIPĖDA

The main source of water for LNG storage vessel is the Curonian Lagoon. The FSRU uses water from the Curonian Lagoon for technological processes: (i) cooling - cooling / cooling of the ship's engines and auxiliary equipment premises; (ii) in the gasification unit water is used in the LNG “defrosting”

process; (iii) for “water curtain”, which means the continuous spraying of water on the hulls during the transshipment of LNG from / to the LNG carrier / storage vessel, so that in the event of LNG leakage damage to the hull is prevented. About 74% of the extracted water is used in the gasification plant, and about 26% goes for cooling.

Used water is returned to the Curonian Lagoon. Water used in operations is not polluted and meets the established quality parameters, therefore it does not affect water quality of the Curonian Lagoon. In the LNG storage vessel, during gasification process in winter (when the water temperature is less than 13 °C) the water taken from the Curonian Lagoon is used in a “closed circuit”, that is, water is not discharged into the Curonian Lagoon, but is reused in the LNG gasification process. In 2021, the amount of groundwater

extracted at the Subačius Oil Terminal is twice as high as in 2020 due to the filling of fire protection tanks and tank cleaning works. At Klaipėda LNG terminal, the higher water consumption is due to increased terminal activity.

## PROTECTION OF GROUNDWATER, GROUND, AND SOIL

In September 2019, after evaluation of the groundwater monitoring report of Klaipėda Oil Terminal for the last five years, the Lithuanian Geological Survey additionally instructed to prepare a management plan for the territory including the railway loading stage and to clean-up the territory. The respective 3-year plan for contaminated territory has been prepared and, in

2021, the company started cleaning of contaminated area. The cleaning works will continue until end-2023. The final report will be prepared at the end of the cleaning works.

## SIGNIFICANT SPILLS AND OTHER INCIDENTS

In 2021, there were no significant spills of oil products, chemicals, or waste in the terminals operated by KN.

## WASTE MANAGEMENT

The principles of waste prevention are implemented in the recycling (recovery) of waste by using the waste to improve the state of the environment and by separa-

ting secondary raw materials from waste. The Company’s sewage treatment plant in the State Seaport of Klaipėda also operates as the port pollution collection facility - collecting vessel generated waste (bilge water) and cargo residues.

In 2021, a total of 2,000 tonnes of waste were generated at KN terminals in Lithuania, of which 99% was recycled. Most (99%) of the generated hazardous waste is recycled, and the rest is incinerated for energy production or disposed of.

Information on management of waste generated in KOT is based on data provided by waste managers. In 2021, the amount of waste generated in KOT increased, due to changes in technological processes liquid fuel waste generated during waste treatment was not properly dewatered. The amount of generated liquid fuel waste (628.78 t) was transferred to waste management companies

### WATER USAGE AT KN TERMINALS, BY SOURCE, M3

	2020			2021		
	CENTRALIZED NETWORK, M3	GROUNDWATER, M3	SURFACE WATER, M3	CENTRALIZED NETWORK, M3	GROUNDWATER, M3	SURFACE WATER, M3
Klaipėda oil terminal	76 951		30 203	69 309		29 291
Subačius oil terminal		3 533			6 814	
FSRU			67 735 270			69 292 488

after the waste was not recovered into a petroleum product.

In 2021, the LNG carrier-storage facility generated 880 t of waste, of which 4% was non-hazardous waste and 96% - hazardous waste. It should be noted that from 2021 onwards, other shipping liquids and oil products from oil products/water separators will be included in the accounting of LNG waste. The total amount of such waste is 838.53 tonnes. The waste from the LNG ter-

terminal is transferred to waste handlers by the owner of the FSRU.

In 2021, the LNG terminal generated 880 t of waste, of which 4% was non-hazardous waste and 96% - hazardous waste. It should be noted that from 2021 onwards, other shipping liquids and oil products from oil products /water separators will be included in the accounting of LNG waste. The total amount of such waste is 838.53 tonnes.

#### WASTE MANAGEMENT AT KN OIL TERMINAL

	2019		2020		2021	
	TONNES	%	TONNES	%	TONNES	%
Ways of managing non-hazardous waste						
<b>Non-hazardous waste, total:</b>	<b>114.148</b>	<b>100</b>	<b>125.314</b>	<b>100</b>	<b>97.682</b>	<b>100</b>
Recycling	74.973	65.7	59.47	47.5	90.721	93
Disposal	30.532	26.7	9.12	7.3	0.17	0.2
Composting	5.66	5.0	5.16	4.1	5.710	5.8
Waste incineration (energy production)	2.983	2.6	51.564	41.1	1.081	1
Ways of managing hazardous waste						
<b>Hazardous waste, total:</b>	<b>184.99</b>	<b>100</b>	<b>303.414</b>	<b>100</b>	<b>921.753</b>	<b>100</b>
Recycling	171.975	93.0	290.264	95.7	909.401	98.7
Waste incineration (energy production)	12.422	6.7	12.665	4.2	5.872	0.6
Disposal	0.593	0.3	0.485	0.2	6.480	0.7



## WASTE MANAGEMENT AT SUBAČIUS OIL TERMINAL

	2019		2020		2021	
	TONNES	%	TONNES	%	TONNES	%
Ways of managing non-hazardous waste						
<b>Nepavojingos atliekos iš viso</b>	<b>114.148</b>	<b>100</b>	<b>125.314</b>	<b>100</b>	<b>97.682</b>	<b>100</b>
Recycling	3.45	100	3.8	100	2.314	100
Disposal		0.0		0.0	0.320	14
Waste incineration (energy production)		0.0		0.0	0.4985	21.5
Ways of managing hazardous waste						
<b>Hazardous waste, total:</b>	<b>53.529</b>	<b>100</b>	<b>131.703</b>	<b>100</b>	<b>104.867</b>	<b>100</b>
Recycling		0.0		0.0	97.856	93.3
Waste incineration (energy production)		0.0		0.0	7.011	6.7

\*0.4985 t is disposed of in landfill based on the total volume (25% in 2021), with the remainder of the sorted municipal waste stream being transferred to waste handlers. Information on recycling methods and quantities is not available.

## USE OF NATURAL RESOURCES AND RAW MATERIALS

KN provides oil and gas handling and storage services and does not carry out production, which requires large quantities of raw materials. Only small amounts of materials are used to service and maintain the existing infrastructure; therefore they are not reported here.

## ENERGY CONSUMPTION

In 2021, 9,525 MhW of electricity was purchased from the centralised grid for use by KN terminals (11,206 MhW in 2020). In 2021, 100% of the electricity consumed at the oil terminals (Klaipėda and Subačiai) in 2021 came from electricity generated from renewable energy sources. The LNG storage vessel at LNGT generates its own electricity from LNG and produced 47,071 MhW for its own use in 2021.

## SAVING OTHER RESOURCES

In 2021, due to the COVID-19 pandemic, the company's employees were encouraged to work from home, if their job description allowed them to do so. Much of the administrative work was organised using digital tools, which provided an additional impetus for further digitisation of processes.

In 2021, 786,893 pages of documents were printed in the company, down 5% on the previous year (826,311 pages).

The use of e-signature for signing contracts and other documents is also contributing to the reduced use of paper in the office.

As in other companies, teleworking, which has become commonplace during the pandemic, has taken hold among the company's employees, who are increasingly turning to hybrid working options. This way, more meetings between different departments are being held by videoconferencing, thus reducing the number of long-distance journeys and, consequently, contributing positively to the environmental impact.

## FINES AND SANCTIONS RELATED TO THE ENVIRONMENT AND COMPLAINTS

In 2021, 6 environmental inspections were performed in KN Oil Terminal, 4 environmental inspections were performed in Subačius Oil Terminal, and 3 inspections - in LNG terminal. In 2021, no penalties or sanctions related to environmental breaches were imposed on Klaipėda Oil Terminal, Subačius Oil Terminal or Klaipėda LNG Terminal.

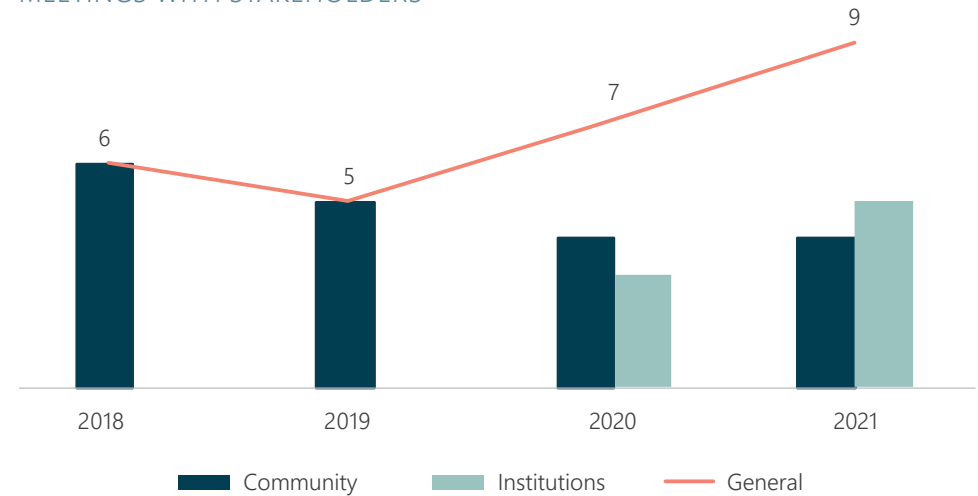
12 enquiries were received from communities or public authorities regarding Klaipėda Oil Terminal. All complaints received in any form (written, oral) are registered. Upon receipt of a complaint, the situation which gave rise to the complaint is assessed / analysed and a reply is provided to the complainant. All complaints received from the public regarding the operation of KN Oil Terminal and enquiries from public authorities are related to possible intense odours.

## COMMUNITY ENGAGEMENT

The company provides information openly to interested authorities, social organisations and the public, and has been focusing on strengthening community relations for a number of years. In 2021, the company continued to actively engage with neighbouring communities: despite the quarantine in the country, remote meetings were held with local communities to present the progress of the Environmental Action Plan and to answer questions, raised by the communities. In 2021, 4 meetings were held with local communities.

In 2021, KN participated in 5 meetings organised by public authorities on the environmental quality issues, where the company presented the measures used and implemented to reduce the environmental impact of its operations. KN also organised the roundtable discussion „Clean air in Klaipėda: what can we do today to improve its quality tomorrow“ with the relevant authorities to discuss the air quality issues.

## MEETINGS WITH STAKEHOLDERS



KN openly shares environmental data with the public: KN website provides data on environmental monitoring of Klaipėda Oil Terminal and information on the progress of the Environmental Action Plan.

# PEOPLE AND SOCIETY



Courtesy of GNA

Despite the the pandemic constraints and challenges in the business environment faced by the company, KN continued to consistently focus on the implementation of its people strategy in the area of HR, set clearly defined occupational health and safety objectives, continued to promote dialogue with the communities in Klaipėda, and was involved in education and science, healthy lifestyle, and environmental protection initiatives inside and outside the organisation.

#### KEY HIGHLIGHTS:

- According to the business newspaper „Verslo žinios“, **KN was one of 20 most desirable employers in Lithuania in 2021**. The company ranked first among transport and logistics companies.
- In 2021, KN launched **an internal mentoring programme**, with 14 pairs of employees taking part during the year.
- Given the impact of the pandemic on people's well-being and emotional state, in 2021, KN initiated **internal training sessions to strengthen employees' psychological and emotional resilience**.
- During the year, KN engaged in six educational initiatives in cooperation with schoolchildren and students in the Klaipėda region, who were able to learn more about the Company's activities and processes, and to assess what knowledge they would need if they were to choose a career path related to the Company's activities in the energy sector.
- As in previous years, in 2021, KN decided to abandon the traditional Christmas corporate gifts and to allocate the funds planned for them to **improve the environment of the community of Vītė** near the Klaipėda Oil Terminal by planting trees in the square.

## PEOPLE

The main asset of the company is its employees, who pay the key role in achieving KN goals. The company's HR policy is focused on developing teamwork

and unity, continuous progress, optimum use of human resources, strengthening employee competences and fostering an inclusive culture that both creates greater added value and enables personal and company growth.

We promote employee diversity and

a motivating working environment. Achieving long-term success requires diverse ideas, perspectives and talents, which is why at KN we support diversity: a key source of innovation and competitiveness, allowing each of us to fully participate and contribute to KN's success and helping to ensure that the business operates efficiently and reaches its potential. The Company's reward and incentive principles are based on the qualifications, experience, competences and performance of its employees, thus avoiding bias or personal preferences.

We are guided by the values of KN and adhere to the principles of respect, cooperation, professionalism and excellence. Our values guide how we operate anywhere in the world and what we expect from ourselves, our colleagues, our clients, our management and other key stakeholders.

We foster the environment where every employee is treated equally, respected and empowered to reach their potential. We ensure that the company is free from all forms of discrimination.

The company's remuneration system is based on the work structure developed using the Hay Methodology and by comparing salary values with foreign capital companies in Lithuanian market to ensure that every KN employee is rewarded fairly and competitively. The

Company's objective is to ensure the competitiveness of the employees' remuneration in the market, internal fairness of remuneration and to eliminate the possibility of discrimination on any grounds (age, gender, etc.).

The Company provides the working environment that meets strict standards of safety and well-being.

KN's Employee Engagement and Satisfaction Survey conducted in 2021 showed that 61% of employees (67% in 2020) are fully satisfied with their working environment, the company and its culture. This is above the average job satisfaction score for employees in the Lithuanian organisations (59%). The company measures engagement because it believes that colleagues, who are engaged in their work, find it easier to do it, feel happier, are more creative and therefore add more value by effectively implementing the company's strategy and achieving its goals. Although the engagement rate has dropped (from 75% to 69%) and has returned to the level of 2019, KN score is still above the 2021 average engagement rate for Lithuanian organisations (63%). In our assessment, downsizing and other organisational challenges during the year had the biggest impact on the employee engagement and satisfaction.

In 2021, KN initiated internal training

sessions to strengthen the psychological and emotional resilience of employees. This has contributed to employees' psychological and emotional security at the workplace. Psychological safety was rated high at 71 out of 100 in KN annual engagement survey. In the survey, employees revealed that one of the most satisfying aspects of the company is the good working atmosphere.

## KEY DOCUMENTS

The responsibility of the company and its employees to each other, colleagues and society is enshrined in the following documents:

- The Collective Agreement;
- The Rules of Procedure;
- Personnel Policy;
- Code of Conduct;
- Remuneration Policy;
- Procedure for setting up the remuneration system;
- Procedure for discussing and rewarding staff members' annual performance;
- Procedure for organising the adaptation of new staff;
- Guidelines for staff development;
- Procedure for organising staff selection;
- Procedure for the organisation of in-house training;
- Guidelines for the planning and development of the pool of key positions.

## TRADE UNIONS

As of 31 December 2021, 134 employees, i.e. 38.4% of all KN employees (2020: 40.5%; 2019: 43.57%) belonged to the trade union. The decline in the trade union membership is likely to be related to the reduced staff number in the company. Meetings of the trade union representatives with the company's management organised periodically to discuss topical issues related to changes in the collective agreement, work organisation and operations of the company are. In 2021, six meetings were held (five in 2020) with the trade union representatives. These meetings included discussion and agreement on the specific decisions, including:

- The analysis of change in remuneration for different categories of employees over the last year (comparing changes in remuneration with other companies).
- Health and safety issues regarding the need to wear masks in KN area were discussed. Management listened to workers' concerns and ensured that they were able to work more comfortably without posing additional risks to the safety of their colleagues.
- Updated work rules were presented to ensure the safety of employees, with the rotation of shifts every 24 hours during the pandemic when

there is a reduction in staff due to illness.

- Concerns expressed by staff that they do not have sufficient competences for certain additional operations were discussed. In this context, it was ensured that an employee with required competencies will be promoted as an expert to take up the additional position of in-house trainer and assist other colleagues in developing the necessary competencies.
- Discussions were held on how work could be done more efficiently by improving certain infrastructure and how it is represented in flowcharts. Improvements in this area were agreed and specific tasks were set.

In 2021, 3 meetings with the trade union and 3 meetings between the trade union and the workers took place in KN Açu.

## COLLECTIVE BARGAINING AGREEMENT

In 2019, the collective bargaining agreement was renewed among the employer (the company) and the employees. The collective agreement covers wages, working and rest time, training, health and safety and other socio-economic working conditions. The aim of the agreement is to create conditions for sustainable economic activity and business development and

to guarantee better working conditions than those provided for in the legislation of the Republic of Lithuania. Provisions of the collective bargaining agreement of KN apply to all KN employees in Lithuania.

In 2021, 46 workers benefited from the relevant social guarantees under the collective bargaining agreement of KN, such as childbirth or bereavement benefits (44 workers benefited from the collective agreement in 2020).

According to the current KN practice, workers can lodge complaints about working conditions and infringements of their rights with the trade union of KN, directly to the HR unit of KN, or anonymously by filling in a form on the website or by email, or through suggestion boxes in the company's Terminals. No such complaints were received in 2021.

The collective bargaining agreement in Brazil was signed in 2021.

## DEVELOPMENT OF THE COMPETENCES

KN Group organises regular briefings, refresher and other training for its employees. There were no significant changes in the development of employee competences in 2021 as the company focused on occupational

health and safety training as well as general training to maintain and develop employee competences as foreseen in KN strategy.

Employees are encouraged to share their knowledge and experience through internal training. In 2021, 11 days of internal training were held, covering 24 topics. In addition, specific training is provided for employees returning from parental leave to ensure a smooth adaptation process.

KN also promotes personal development of its staff. The company continued to provide the opportunity for a targeted group of project managers to obtain the Prince2 certification in project management.

The aim is to strengthen the project management process in the company in its various areas of activity.

In addition, in 2021, the company granted 3 employee' requests for partial reimbursement of their higher education fees.

To ensure a smooth succession process, the company trains employees to take over the leadership of a specific unit on a temporary basis, if necessary. To this end, management reserve training and succession plans are in place, encouraging employees who are considered as potential future managers to acquire higher qualifications. This is also one of the employee motivation and career planning tools. In 2021,

70 staff members (professionals) with competences in 64 different specialties participated in the programme to ensure managerial succession. In 2021, the highest number of internal promotions in the company was recorded, with 26 colleagues replacing their positions internally.

In 2021, the company maintained its leadership standard by revising and adapting the leadership training provided over the last 2 years to the changed environment. A group of new managers was trained. Separate leadership development meetings were also held.

In 2021, KN internal mentoring programme was successfully launched

with 14 pairs participating in a six-month programme. The programme is planned to continue in 2022.

In 2021, the on-boarding process for new employees was re-launched to ensure that new employees who join the company integrate as quickly and smoothly as possible into the workforce. To this end, the training programme has been updated, with the retention of mandatory topics on the specifics of the company's operations and safety. Some of the training was recorded and made available to employees at their convenience.

### PROTECTION OF HUMAN RIGHTS

KN activities are guided by the

#### TRAINING TIME BY EMPLOYEES OF KN IN LITHUANIA

	ANNUAL TRAINING HOURS IN LITHUANIA			AVERAGE TRAINING DAYS PER EMPLOYEE IN LITHUANIA			ANNUAL TRAINING HOURS IN KN AÇU		AVERAGE TRAINING DAYS PER EMPLOYEE IN KN AÇU	
	2021	2020	2019	2021	2020	2019	2021	2020	2021	2020
<b>Total</b>	<b>7485</b>	<b>7375</b>	<b>5981</b>	<b>2,59</b>	<b>2,36</b>	<b>1,96</b>	<b>1136</b>	<b>3745</b>	<b>47,33</b>	<b>156,04</b>
Managers	1497	1454	1786	3,40	3,64	5,72	34	619	1,42	25,79
Specialists	4042	3941	3343	2,72	2,59	2,24	432	625	18	26,04
Workers	1946	1980	852	20,02	1,65	0,68	670	2475	27,92	103,13

Svarbu: 2020 m. KN Açu komanda ruošėsi SGD terminalo eksploatacijai ir valdymui – tai atspindi mokymosi valandose.

principles of human rights protection, and ensuring that the Company does not contribute to infringements of human rights. The Company is committed to a fair and transparent remuneration policy, complies with laws on overtime work and working time, respects the right of workers to rest and does not tolerate any form of harassment or violence. The Company opposes all forms of discrimination and forced labour. As set out in the Code of Conduct of KN, which applies to KN Group as a whole, the Company's employees, irrespective of gender, nationality, religion, social or marital status, membership of a social or political organisation, or any other personal characteristic, have equal opportunities to hold managerial positions, to take part in decision-making, and to develop their professional skills. In 2021, the Company did not register any cases of human rights violations or related complaints. We will continue to strive to ensure the highest standards of human rights protection in KN.

## GENDER EQUALITY

The company is committed to provide equal opportunities for all employees, regardless of gender. The majority of the Company's employees (75%) are male. This is strongly influenced by the specific nature of the company's business, i.e. women are less likely to opt for technical engineering and

field-based technological work and the specialties directly related to these activities.

The number of female managers, including members of collegiate bodies, has increased to 16 in 2021 (14 in 2020; 13 in 2019). In 2021, 78 women and 99 men held specialist positions in the company; 6 women and 119 men held worker positions. Compared to the number of professionals in 2020, the number of female professionals decreased by 7% and of male professionals - by 15%.

The revised KN strategy 2030 includes the target for gender balance in managerial positions. In 2020, 24.56% of managerial positions in KN in Lithuania were held by women (the company's target is 30%).

The average monthly remuneration for men in KN Lithuania is EUR 2,569 and for women – EUR 2,573 respectively. The difference is very small compared to the statistics seen at Korn Ferry in Lithuania, where women's remuneration is about 6% lower on average. However, when comparing average monthly salaries, the unequal gender distribution between positions in the organisation

and the different Hay levels should be taken into account. The company looks even deeper and more accurately than Lithuanian statistics at gender equality in remuneration and compares women's and men's remuneration by Hay level. KN has set a target to reduce the percentage of the pay gap between female and male positions at the same Hay level to 10% or more by 2024 and to 8% by 2030. In 2021, the average gap was 9.25%.

## OCCUPATIONAL HEALTH AND SAFETY

One of the main strategic objectives of KN is the continuous improvement of the occupational safety and health management system by ensuring proper compliance and improvement of the safety culture in order to achieve a zero rate of significant safety incidents and accidents.

In 2021, KN has set clearly measurable indicators to monitor safety and health of workers, namely:

- Process Safety Incident;
- LTIR - occupational accident frequency rate;
- IR - frequency of near misses or potential safety incidents.

The above indicators are relative indicators to measure the occupational safety and health management efficiency. Using these indicators, KN can not only assess its own occupational safety and health (OSH) performance, but also benchmark itself against other companies, both in Lithuania and worldwide.

Accordingly, in 2021, a strong focus was placed on the importance of safe and healthy working environment, fostering the occupational health and safety culture and enhancing employee awareness of the need to protect themselves and to comply with the requirements of safe working.

In 2021, KN focused on the recording of near misses, which is a widely used accident prevention system in global practice. In 2021, the Company managed to achieve the target set for the frequency of near misses and the near misses. The company also had no critical incidents in 2021.

### HEALTH AND SAFETY IN BRIEF:

- Near-misses reported in 2021 - 282 (target of at least 200 reports). In KN Açu, 202 reports were received in 2021.
- Accidents - 3 (Klaipėda Oil Terminal)

- LTIR - 0.9
- Investments in occupational safety and health measures for 2021: EUR 278,500 (EUR 317,000 in 2020). These funds are earmarked for fall protection on KNT flyovers, redesign of various unsafe workplaces, passageways, bridges, access to valves, etc. Also investments were made in various measures for which the need is identified during the investigation of incidents and potential accidents.

## OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT SYSTEM (OSH)

The Occupational Safety and Health Management System of KN aims to provide the safe and healthy environment for employees. The implementation of measures of this system is regulated by legal acts, best industry practices and clear obligations, objectives and responsibilities for the terminal operator. OSH requires strong management commitment and employee engagement, as well as continuous improvement. The objective of the safety and health management system is to prevent accidents at the workplace, occupational diseases, and to ensure safe and healthy workplaces, eliminate potential hazards and reduce risks to the safety and

health of employees by taking effective prevention and protection measures.

The Occupational Health and Safety Management System applies to all professionals working at and maintaining the terminals operated by KN, whether employed by the company or by other companies, as well as engaged in the development of international LNG terminal projects.

In 2020, KN was certified according to the Occupational Health and Safety Management System standard ISO 45001:2018. It applies to all activities of KN terminals in Lithuania, including international business development.

## HAZARD IDENTIFICATION, RISK ASSESSMENT, AND INCIDENT INVESTIGATION

KN implements initial risk assessment of workplaces and continual risk assessment of work-related hazards before any works planned to carry out. These procedures are implemented by means of:

- Occupational risk assessment, which is carried out at each workplace and repeated as the nature of work changes, new materials, chemicals, equipment or new processes are being used;
- Permit to work system, which require assessing risks before any work, implementing means for

preparation, induction to workers and fulfilment of safety measures at work.

Change management system implemented in the company, where all process related changes should be evaluated through risk assessment process. Personnel responsible for preparation, execution and inspection are specially instructed and trained according formal and informal training programs necessary for work. Work leaders, executors and inspectors are trained to identify work-related hazards and hazardous situations, to stop hazardous works and to report about such situations using KN system of reporting about accidents, near misses and unsafe situations.

Near miss, unsafe conditions or any hazard reporting is an integral part of promoting safety culture in the organization. Reporting number is one of the main KPI of health and safety system and this KPI is levelling each year: in 2021, the target of 200 reports by employees was set and it was exceeded as 282 reports were collected. KN fosters no blame culture and awards most active employees for reporting any noticed hazards or near misses. For those who seek to be unnoticed KN provides possibility to report anonymously.

Lithuanian legal acts and KN health and safety policy states that each employee has the right to require the employer to create safe and healthy working conditions, to install collective protective equipment, to provide personal protective equipment when collective measures do not protect against the effects of risk factors. In addition, an employee may refuse to work when: the employee is untrained to work safely; in case of failure of work equipment or in case of emergency; to work in violation of work instructions, without necessary collective protective equipment or without personal protective equipment; in the event of danger, stop working and leave the workplace. This statement is written in all job descriptions as the default.

The investigation of work-related incidents covers the generally accepted eight-stage process of investigation of accidents / incidents: gathering and analysing the information, identifying the required risk control measures, definition of investigation methods, formulation of the action plan, final approval of actions taken also informing 3rd parties, lessons learned analysis, corrective action implementation, measurement of corrective actions effectiveness.



## EMPLOYEE HEALTH

The company is one of the few companies in Lithuania that has a licensed medical facility. It provides emergency first aid, preventive health care for workers, control of infections, control of risk factors harmful to health. Occupational health monitoring of employees is carried out. First aid and hygiene skills training, health examinations at work and compulsory preventive health care at work are organized.

There are agreements concluded with personal health care centres for free extended health care, vaccination services and examination (testing) of employees for the detection of COVID - 19 disease, control of the spread of infection in the organization.

There is a functioning physical medicine and rehabilitation room with medical equipment approved by modern science and effective in medical practice, for the preventive medical aid to employees.

In 2021, the licensed medical facility consulted employers and workers on health matters:

- 244 employees were consulted (162 in 2020)
- Outpatient care was provided to 99 employees (223 in 2020), of which

19 (21 in 2020) were referred to another medical institution.

- Preventive health checks of 306 employees were performed (232 in 2020).
- 32 employees took part in first aid and hygiene skills training (61 in 2020).
- Immunoprophylaxis was provided (vaccination of pneumococcal infections, tick-borne encephalitis, typhoid fever, hepatitis A and B, influenza, tetanus, typhoid fever, yellow fever, diphtheria, COVID-19) for 487 employees (317 in 2020).
- Preventive examinations of employee health indicators (determination of blood glucose and cholesterol) were performed. A control test was performed for 54 employees in Lithuania (25 in 2020).
- Rehabilitation, health supporting procedures performed for 132 employees (58 in 2020).
- Additional testing for COVID-19 disease was carried out for 185 employees (179 in 2020).

## CORONAVIRUS PREVENTION

KN continued focusing on Coronavirus prevention and has taken various health measures to protect its employees and partners. The company continued to promote the hybrid working model, encouraging employees who can work

remotely to choose this mode of work. Additional health precautions are in place for employees who are unable to work remotely and appropriate health safety practices are in place at the Company's Terminals. All measures are regularly reviewed and updated.

In 2021, the company has consistently provided employees with information on Coronavirus vaccination, made vaccination available in the Company's medical facility, and expanded employee knowledge by holding two virtual meetings with medical professionals to provide up-to-date information on the vaccination for COVID-19 and to answer the most frequently asked questions about vaccination. In 2022, KN is among the organisations with more than 90% of their employees vaccinated against Coronavirus.

## WORKER PARTICIPATION, CONSULTATION, AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY

Each health and safety employee representative receives a special health and safety training. Employee representatives for health and safety help to implement the requirements of employee health and safety in the Company and to improve the safety

culture by:

- Cooperating with the Occupational Safety and Health unit and advising the employees of represented unit or other employees on health and safety issues within the limits of its competence.
- Providing suggestions or observations from departments on how to improve the health and safety of workers, the existing system, processes or procedures, used personal protective equipment, etc.
- Setting a positive example and encouraging other employees of the department to act responsibly, wear the issued personal protective equipment, follow the company's procedures, instructions and other requirements to ensure the health and safety of employees.
- Participating in the process of assessing occupational risks or other potential risks, accident and incident investigations.

The company has set up the employee health and safety committee operating on bilateral basis. It comprises 15 members, including representatives of the employer and of the employees, and the trade union head. The committee, in accordance with its competence:

- Examines the causes and circumstances of accidents at work and occupational diseases, prepares

and proposes to the company's manager preventive measures for accidents at work and occupational diseases;

- Considers the state of safety and health of employees in the company, the results of professional risk assessment, examines the measures implemented by the employer to ensure the health and safety of employees, submits proposals on the issues under consideration to the company CEO;
- Collects information from the health and safety representatives of the employees on the compliance with the requirements of the legal acts on the health and safety of employees and the control of the observance of these requirements in the company;
- Considers and submits proposals on the procedure for training and instructing employees on the issues of health and safety of employees to the manager of the company;
- Examines whether the mandatory health examinations of employees are properly organized and their results, submits proposals to the head of the company regarding preventive measures to improve the health of employees;
- Considers and submits proposals to the head of the company regarding the provision of household, sanitary and hygiene premises, collective

and personal protective equipment and the implementation of the established supervision of these measures;

- Prepares proposals on how to improve the health and safety of employees at workplaces or in the company by concluding collective agreements;
- Provides insights to the company's manager on the regulatory legislation and preparation of health and safety procedures related to them;
- Upon the request of the employee or the manager of the company, examines the disagreements between the employee and the manager of the company or the person authorized thereby regarding the refusal of the employee to work;
- Examines other issues related to the health and safety of employees.

In 2021, the committee provided insights on fixing unsafe workplaces and considered and agreed on the occupational risk assessment report and the timing and quantities of personal protective equipment provided to employees.

## EMPLOYEE HEALTH PROMOTION

In 2021, KN focused on promoting the well-being and wellness of its

employees, with a particular emphasis on the importance of movement, which was significantly reduced during the pandemic period:

- From 11 March 2021 to 9 May 2021, the company ran an activity challenge called „KN Moves!“, which encouraged employees to accumulate the required „movement kilometres“ by walking or running. 44 colleagues took part in the challenge and together they walked 7,827.9 kilometres between 11 March and 9 May.

- In 2021, two virtual meetings were held with one of Lithuania's most prominent sports scientists, Albertas Skurvydas, Habilitated Doctor of Biological Sciences who shared scientific and practical experience and discussed the importance of movement with the staff of KN.
- On the occasion of the European Mobility Week on 16–22 September, KN employees were encouraged to choose sustainable transport. During Mobility Week, KN employees were

## WORK RELATED INJURIES IN KN GROUP

	2021	2020	2019
The number and rate of fatalities as a result of work-related injury	0	0	0
The number and rate of high-consequence work related injuries	0	0	0
The number and rate of recordable work-related injuries	3, LTIR – 0,9	1, LTIR – 0,3	6, LTIR – 1,8
The number of hours worked	635892 (total with KN Açu: 701644)	679409	661577
Work-related hazards that pose a risk of injury	0	0	0
Work-related ill health or fatalities as a result of work-related ill health	0	0	0
Work-related hazards that pose a risk of ill health	0	0	0

invited to go car-free for at least one day and to find other means of transport to get to work, such as walking, public transport, cycling, scooters or roller skating.

- In addition, in 2021, employees in Lithuania and Brazil participated in a professional study on fatigue conducted by researchers from the Positive Health Team. The researchers measured different forms of fatigue: general fatigue, physical fatigue, reduced activity, reduced motivation and mental fatigue. The results were presented to employees and tips on how to overcome fatigue were shared.

## STAFF TRAINING ON OCCUPATIONAL HEALTH AND SAFETY

The company has developed a special matrix of mandatory training that covers the whole organisation. Training needs are determined by taking into account legislative requirements, market best practices, job descriptions, the results of occupational risk assessments, and the results of investigations into incidents or near misses. Training is free of charge and provided during working hours. Most of the training is delivered by licensed third-party agents, while some is delivered in-house via a digital learning platform. A dedicated training classroom

with computerised workstations is available for employees who do not have a computerised workstation.

## AUDITS OF OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

KN has in place the occupational health and safety management system certified according to ISO 45001:2018 standard, before certification it was audited by the recognizes third party external auditor.

Internal audits of KN management system are carried out by competent and appropriately trained employees, who are able to understand the risks and opportunities associated with the audit principles, the scope of the audit, and apply audit criteria, appropriate principles, procedures and methods in different audits, know applicable legislation and can ensure that audits are carried out in a consistent and systematic manner. In 2021, 6 internal audits and 1 external audit were conducted.

## SOCIETY

In 2021, KN focused on educational initiatives, not only by presenting the company's activities, but also by getting young people interested in the sciences

and engineering professions, in its social activities field. During the year, KN was involved in six educational initiatives:

- In February 2021, in a virtual lecture to the students of Klaipėda Žemynos Gymnasium, a representative of KN's HR Department delivered the presentation on how to prepare and perform well during a job interview and advised on how to draw up a professional curriculum vitae (CV).
- In March 2021, KN Chief Operations Officer took part in a remote event initiated by Klaipėda ID on engineering specialities „Engineering and Creativity. What is the connection?“ The aim of the event, which was attended by the pupils from various gymnasiums in Klaipėda, was to introduce the field of engineering and to encourage them to think about choosing the engineering specialty.
- In March–June 2021, KN participated in the pilot project „Research works of gymnasium students in business enterprises“ of the public enterprise Klaipėda ID aimed at contributing to the vocational guidance of pupils, familiarising them with the advanced enterprises operating in the region and informing about careers in Klaipėda region. The Sewage and Wastewater Unit representative helped the student from Klaipėda

Ažuolynas Gymnasium to carry out a research project.

- In March–July 2021, KN was involved in a series of experiential activities at Klaipėda University (KU) to celebrate the 30th anniversary of the University. The company contributed to the University's anniversary events by inviting people to experience the Liquefied Natural Gas (LNG) Terminal. In addition to registering for the experience, candidates had to send cover letters and justify why they should be invited to the „Learn how natural gas is supplied from the LNG terminal“ experience. The selected participants included the student from the Lithuanian Maritime University majoring in nautical science and the tour guide working with groups of foreigners.
- In 2021, KN also took part in the thirteenth year of the project „Schoolchildren - to the Government“ aimed at providing the best final year students with the first-hand insight into the activities of the Government and its institutions, to encourage young people to take part in the country's governance processes, and to contribute to the development of civil society. Participants of the „Schoolchildren - to the Government“ project took part in a virtual meeting with the Director

of Administration and Corporate Governance of KN and the LNG Terminal Operations Manager. KN colleagues acquainted pupils with the activities of our company and the LNG Terminal.

- In November 2021, the Lithuanian Maritime School (LAJM) organised the excursion to Klaipėda Oil Terminal for students. The students were familiarised with the processes and technologies at the dark oil terminal.

## TRAINEES

- The company cooperates with educational institutions and provides opportunities for university and college students to apply their theoretical knowledge and acquire practical skills. Students are accepted both for internship programmes provided by educational institutions and for voluntary internships. Since 2017, the Company has also been accepting trainees for the FSRU Independence and other departments of the LNG business related units.
- Those students, who demonstrate the best academic performance and the highest motivation, are offered a work placement. They are also given the opportunity to carry out practical training tasks under formal and informal occupational safety

programmes offered other training companies, where the company's employees are placed for training.

- In 2018, 23 students completed their internships with the company (in 2019 - 35). With the quarantine declared in the country at the beginning of 2020, and the subsequent shift to a more hybrid working regime, the opportunities to provide students with the chance to test themselves in a work situation and work environment have been significantly reduced. Nevertheless, the company found such opportunities and 22 students took up internships with the company in 2020 and 10 in 2021.

## OTHER

- As in previous years, in 2021, the company continued its tradition of not giving Christmas gifts directly to customers, and using the planned funds to improve the environment of the community of Vītė near Klaipėda Oil Terminal by planting a square with trees.
- KN did not provide financial support in 2021.



# GOVERNANCE



KN aims to organize its corporate management and internal processes in a way that ensures transparent, effective, and profitable activities and retaining the trust of our stakeholders. The internal control processes and management practices implemented within KN are in line with the best management practice principles.

In their activities, managerial and supervisory bodies of KN observe the Law on Companies, the Law on Securities, the Articles of Association of the company, and other applicable legal acts of the Republic of Lithuania, as well as the operational documents of the Company.

In addition, the company also follows good governance practices of the International Organization for Economic Co-operation and Development (OECD) and the Good Governance Guidelines of the NASDAQ Stock Exchange, including the Corporate Governance Code for the Companies listed on NASDAQ Vilnius. AB Klaipėdos nafta also complies with Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 on approval of the Description of the guidelines for ensuring the transparency of activities of state-owned enterprises (hereinafter – the Transparency Guidelines).

KN's focus on good governance and unconditional pursuit of best practices were highly evaluated in the assessment regarding listed companies' compliance with Nasdaq Vilnius Corporate Governance Code, which was initiated by the Lithuanian Central Bank as a supervisory authority for the listed companies. KN has been evaluated as one of the Nasdaq compliant among all 26 listed companies of Lithuania and its compliance with all 10 Principles of Nasdaq Vilnius corporate governance code was established. In addition, in February 2021, KN was recognized as one of the top 10 best investor relations companies listed at Nasdaq Baltic stock exchange. Nasdaq Baltic Awards assess companies for excellence in the areas of transparency, corporate governance, and investors relations.

The company continuously strengthens its corporate governance competences and implements the highest governance standards and principles to create tangible benefits for the country and its people.

In 2021, the following documents were adopted by KN, contributing to the improvement of different aspects of corporate governance:

- The Stakeholder Policy laying down the principles and guidelines for the

development of KN relations with its stakeholders;

- The updated Dividend Policy establishing that the Management Board of KN, on the basis of the Company's audited financial statements prepared in accordance with IFRS for the previous year, submits to the company's shareholders for approval a draft dividend resolution proposing the amount of the dividend based on the company's ROE for the period under review.
- The Corporate Governance Policy setting out the main methods, requirements and principles of corporate governance of the Company, as well as the obligations of AB Klaipėdos nafta and its subsidiaries in this area.

The objective of the corporate governance framework is to support value creation and responsible management thus contributing to the long-term success of the company.

Among state-owned companies, KN is considered to be one of the best performers in applying good governance principles in Lithuania and ranks among the top five in the Governance Index (State Coordination Centre, Good Governance Index of State-Owned Enterprises 2018-2021).



## MANAGEMENT STRUCTURE

The management bodies of the company:

- The General Meeting of Shareholders;
- The Supervisory Council;
- The Management Board;
- Chief Executive Officer (CEO, General Manager).

The General Meeting of Shareholders is the supreme management body of the company. Competences of the General Meeting of Shareholders of the company, shareholders' rights, their implementation are specified in the Law on Companies and articles of association of the company.

The Supervisory Council is a collegial supervisory body which consists of 3 (three) members (at least 2 (two) of them are independent members), elected for the period of four years at the General Meeting of Shareholders according to the procedure established by the Law on Companies. The Supervisory Council is a collegial body supervising the activities of the company, its status, competence, and functions have been defined by the Law on Companies and articles of association of the com-

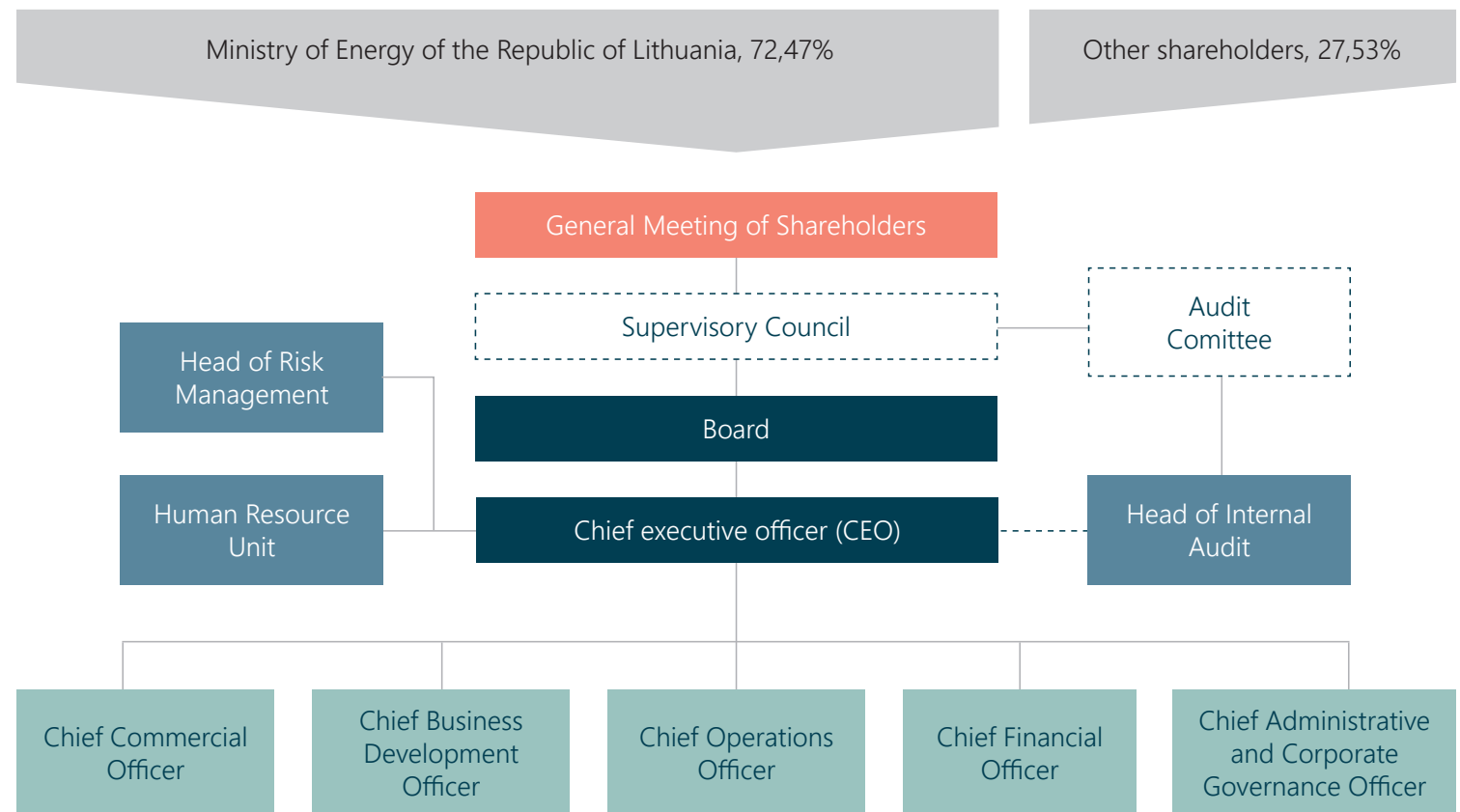
pany. Functions, rights and duties of the Supervisory Council are detailed in the Rules of Procedure of the Supervisory Council.

The Supervisory Council by its decision has set up the Audit Committee, which consists of 3 (three) members elected for the office term of the Supervisory Council. The key responsibilities of the Committee are to assist the Supervisory Council in fulfilling its oversight responsibilities in relation to financial reporting, the effectiveness of the system of risk management and internal control, monitoring the independence of both the internal and external auditors and assessing their performance and effectiveness.

The Management Board is a collegial management body of the company consisting of 5 (five) members, who are elected by the Supervisory Council for the period of 4 (four) years with the requirement that at least 3 (three) members are independent.

The company is managed by the Chief Executive Officer (CEO) which is a single person managing body of the company. The CEO is the main person managing and representing the company. The duties and competence of the CEO are defined by the Law on Companies and articles of association of the company.

## ORGANIZATIONAL AND MANAGEMENT STRUCTURE OF AB KLAIPĖDOS NAFTA



For more information on the management bodies of the company please refer to the AB Klaipėdos nafta Governance Report 2021, p.

## RISK MANAGEMENT

The company's Risk Management Policy approved by the Board regulates risk management, defines risk management principles and responsibilities, functions and responsibilities of the Chief Risk Officer, sets the risk appetite

and risk tolerance limits. The risk management system is developed in accordance with the ISO 31000 guidelines.

The list of principal risks and the risk management plan are provided to and approved by the Board of the company each quarter.

The main risk categories in activities of the group and the company are as follows:

- **Business risk.** This type of risk is generally related with the environment where the group and the company operate and has an impact on financial results: competitiveness of the group and the company against other market players in oil products transshipment, economic viability of key customers of the group and the company, changes in legal regulation of the LNG related activities etc.
- **Operational risk** is probably the widest risk category covering potential loss resulting from inadequate or failed procedures, systems or policies, employee errors, systems failures, fraud, or other criminal activity, as well as any event that disrupts business processes.
- **Compliance risk.** The company's activities are subject to a wide range of regulatory requirements arising from the specific nature of its activities;
- **Project risks.** For large investment projects, effective risk management throughout the project life cycle is critical to achieving project objectives.
- **Safety risk.** As a result of the company's activities, safety risks (occupational, environmental and fire protection), which may arise from process organisation, technological or hu-

man errors and external factors (environmental factors and third party errors in the process), are one of the main and most important risks in the company's activities.

More information on the risk categories of the group and the company are provided in AB „Klaipėdos nafta“ consolidated annual report, p. 127-130.

KN sustainability risks have not been assessed separately for the 2021.

## FIGHT AGAINST CORRUPTION AND BRIBERY

KN does not tolerate corruption of any kind or its manifestations and is committed to open competition, ethical business conditions and adequate transparency and openness in its operations. The group is guided by the Zero tolerance of corruption policy (hereinafter – the Policy). This Policy expressly and publicly declares its rejection of bribery, fraud, extortion, the creation of unofficial accounts, the execution of unofficial and improperly documented transactions, the recording of fictitious expenses, the use of false documents and other forms of corruption as referred to in the United Nations Convention against Corruption.

The Code of Conduct of KN was updated in 2020, reflecting the commitment to conduct business worldwide with the highest ethical standards. The provisions of the Anti-corruption Policy and the Standard of Conduct apply to all employees of the Group, members of the management and supervisory bodies, third parties acting on behalf of the company, as well as to KN clients and partners. All employees of the company are familiar with the Policy and the Code of Conduct and are committed to comply with their provisions. Appropriate training is also provided to employees.

The Company has control mechanisms in place to identify, assess and monitor potential corruption risk factors. In assessing corruption risks, KN analyses the activities and processes of each business segment, compiling a list of corruption risks. The most relevant risks were identified as:

- 1) Large-scale procurement. The Company makes efforts to ensure a transparent process of preparation of procurement documents, selection and execution of the procurement method while maintaining confidentiality.
- 2) Management of oil product handling contracts. The company aims to ensure transparency in the determination of the terms and condi-

tions of such contracts, the management of the contract execution process and customer due diligence procedures.

Once a year, KN performs an assessment of the likelihood of corruption. In 2021, one of KN activities, the preparation of technical specifications for the organisation of KN procurements, was assessed in terms of corruption risks. The risk of corruption is also assessed in the context of development of international projects taking into account both external and internal factors, as well as the level of corruption risk in the country. Additional control measures include due diligence procedures for business partners, anti-corruption clauses in contracts, application of the Anti-corruption Policy and Code of Conduct KN and the in subsidiaries and in relations with business partners.

The internal control system is continuously revised and improved. Employees have the right, and the Company provides them with the means to report anonymously on the suspected or attempted acts of bribery and corruption, or suspected or actual breaches of the Policy, as well as breaches of the requirements set out in the company's internal procedures and the Code of Conduct. It is encouraged to report possible cases or manifestations of corruption via [SpeakUp@kn.lt](mailto:SpeakUp@kn.lt) or anonymously using the



respective form at [www.kn.lt](http://www.kn.lt). This contact can be used by the company's employees as well as by any other interested parties.

In 2021, this whistleblowing and the whistleblowing procedure was updated to ensure that it works across the group, including the Brazilian subsidiary, and to establish more sustainable principles for the protection and confidentiality of whistleblowers. The procedure provides that the assessment of the information received is the responsibility of the internal audit department of KN, which is

functionally subordinate and accountable to KN's collegiate management bodies. This change aims to maximise the protection of whistleblowers, the confidentiality of information and whistleblowers and to ensure that information is properly investigated.

The company is politically neutral and does not make any financial contributions to the political parties, groups or politicians. The company has clearly defined rules on the giving and accepting of gifts. The circumstances under which it is possible to give or accept gifts

and to participate in events organised by third parties are specified. Additionally, in 2021, KN provided anti-corruption training to its employees on potential conflicts of interest and their management, the concept and manifestation of corruption in Lithuania, as well as corruption risks in public procurement. In 2021, 3 internal trainings and 2 external trainings were organised for 152 employees.

The company has a two-tier system of public and internal declaration of private interests. Members of the company's collegiate management bodies, managers and employees included in the established and publicly disclosed list of positions, as well as all employees participating in KN's public procurement, declare their private interests through the PINREG database of the Chief Ethics Commission (CEC). This database is public.

In 2021, 163 staff members of KN submitted their declarations in PINREG database. In addition, KN CEO approved the list of 127 positions of KN, for which the employees declare their private interests in accordance with internal requirements of KN.

KN follows the Procedure for the Declaration of Private Interests and the Management of Conflicts of Interest when setting the requirements for the conduct

of its employees or in the event of a conflict of interest. Staff members are regularly consulted on potential conflicts of interest, with 32 consultations on specific cases of potential conflicts of interest in 2021 and two withdrawals by staff members approved. Further information on declarations of private interests is available on the „Speak Up“ section of the website of KN.

KN support rules, which govern the allocation and provision of the company's support for public benefit purposes, set out the main principles and guidelines for donations, the criteria and priorities for allocating support, are also made publicly available on the company's website. However, in 2021, KN didn't provide financial support.

In order to reduce the likelihood of corruption, KN applies due diligence procedures not only to its employees in Lithuania and Brazil, but also to its business partners. The due diligence procedure provides for a written confirmation by the interested party that it accepts and undertakes to comply with the Zero Tolerance for Corruption Policy and Code of Conduct of KN. The anti-corruption provisions and the commitment to comply with them are also included in cooperation agreements with business partners. Before appointing employees, KN takes all reasonable steps to ensure that KN employs persons of good repu-

## CORRUPTION PREVENTION MEASURES

	MEASURES	AMOUNT (VS 2020)
Impeccable reputation and reliability of employees	Total inspections	25 (38)
	Inspections by the Special Investigation Service (from total)	10 (7)
Business partners due diligence	Inspections, total	16 (18)
Interest management	Official public declarations of private interests submitted to PINREG database	163 (134)
	Declarations of private interests according KN procedures	127 (88)
	Withdrawals	2 (1)
	Provided consultations	32 (16)
	Conflicts of interest	0 (0)

tation and trustworthiness, taking into account the functions of the prospective employee and the relevant corruption risks. KN has approved the list of posts for which applications are subject to screening by the Special Investigation Service (hereinafter – the SIS). In 2021, at the request of KN, the SIS carried out 10 background checks on potential KN employees and 16 due diligence procedures for new business partners.

Since 2020, KN has been participating in the Transparency Academy initiated by the President of the Republic of Lithuania and organised by the SIS. The aim of the Transparency Academy project is to bring together corruption prevention specialists and anti-corruption institutions and to encourage the sharing of best practices among each other in order to create a corruption-proof environment.

#### Key documents, establishing zero tolerance of corruption:

- Zero Tolerance for Corruption Policy
- Code of Conduct
- Procedure for declaring private interests and managing conflicts of interest
- Stakeholder verification procedure

## GIFT REGULATION

KN Group has clearly defined procedures for the acceptance of permissible and impermissible gifts and other benefits. In 2019, a register of gifts was set up in which all gifts received must be registered. According to the Zero Tolerance for Corruption Policy of the company, only symbolic business gifts with a value of no more than EUR 30, within the limits of normal practice, are tolerated by KN. The Code of Conduct of KN stipulates that KN does not accept or offer gifts, including cash, securities, gift vouchers, various services, etc., which may damage the reputation of KN employees or business partners or reduce their credibility.

## PROCUREMENT

While planning and implementing procurements and the performance of procurement agreements, the company acts in accordance with the provisions of the Law of the Republic of Lithuania on Procurement by Entities Operating in the Water, Energy, Transport, and Postal Services' Sectors (further – the Law), other legislation regulating procurement and applicable to the Company, or follo-

ws good commercial practice even then the Law is not applicable to specific procurements.

## INTERNAL PROCESSES

The planning, conduct and conclusion of KN procurement are governed by documents specifically designed to regulate procurement: the Procurement Procedure, the Procurement Committee Regulations and the Procedure for the Organisation of Small Value Procurement. The Company's procurement is planned and the Procurement Summary is published in accordance with the procedure laid down in the Public Procurement Law. The Company's procurement is normally carried out by the Procurement Organisation (for low-value procurement) or by the Procurement Commission (for higher value procurement).

## EFFICIENCY

In 2021, the Ecocost Procurement Management System was implemented to manage the entire procurement process, so that all procurement activities are carried out electronically, with all actions recorded and multi-level controls over decision-making installed. There is also a strong focus on procurement analytics in order to identify weaknesses in the process and make the necessary decisions.

In 2021, several reviews of the procurement process were carried using different

methods and they helped reveal redundant steps in the procurement process as well as the need for additional methodological documentation.

On a daily basis, more than 10 indicators are monitored on ongoing procurement (number of bids; staff occupancy; cancellations, etc.) and these indicators are used as a basis for decision making during the procurement process.

## TRANSPARENCY

All persons involved in the company's procurement activities, and those who can directly or indirectly influence them, have to sign declarations of impartiality and confidentiality undertakings. The company makes its procurement contracts publicly available in accordance with the procedures laid down by the Law. The company also prepares and submits to the Public Procurement Service of the Republic of Lithuania a report on procurement procedure for each procurement carried out (where required by the Law) and a report on purchase contracts for all purchase contracts concluded in a calendar year.

To prevent potential conflicts of interest all employees of the company involved in the procurement processes of the organization must declare their private interests through the system of the Chief Ethics Commission.

## TAXES PAID BY KN GROUP, EUR:

METAI	AB KLAIPĖDOS NAFTA	SUBSIDIARIES
2016	78 191 729	975
2017	126 482 147	1085
2018	166 581 445	1006
2019	173 586 505	49 985
2020	195 064 538	751 125
2021	205 714 730	1 368 625
<b>Total:</b>	<b>945 621 093</b>	<b>2 172 802</b>

## CORRUPTION RISK MANAGEMENT IN THE PROCUREMENT PROCESS

The group regularly carries out high-value procurement procedures. When performing the procedure it is aimed at ensuring that confidential information is not disclosed during the procurement process and that due diligence is carried out on business partners, service providers or other third parties before contracts are signed. The group has internal procurement standards that meet and even exceed the requirements of the Law on Public Procurement.

## GREEN PROCUREMENT

The company is committed to green and sustainable procurement, and this has been a particular focus in the second half of 2021. In Q4 2021, 24.47% of purchases (by value) were categorized as green. The annual green procurement performance rate (by value) was 7.1%.

The Company has set the green procurement target of 50% (by value) in 2022.

## FAIR TAXES

KN group implements fair business principles by responsible and correct declaration and payment of all operating taxes that are charged in every market the group operates. Next to the usual profit, resident income, VAT, and taxes paid to Social Insurance Fund in Lithuania, profit tax, withholding income tax – Import, Tax on Remittance to abroad, Social contribution on Import Services, Payroll Tax paid in Brazil, AB Klaipėdos nafta as the owner of the excise warehouse also ensures correct declaration of excise and customs taxes, and payment thereof for storage of customers' oil products and natural gas. Over the last 6 years, no complaints have been filed against the group regarding the incorrect declaration and payment of taxes. At the same time, KN group neither seeks nor applies special tax optimization or artificial tax reduction schemes. According to the State Tax Inspectorate, in 2021, KN ranked fourth among the largest taxpayers in Lithuania.

For more information on KN group taxes please refer to the Annual Report of KN.





## GRI INDICATOR INDEX

GRI STANDARD TITLE	DISCLOSURE NUMBER	DISCLOSURE TITLE	REPORTING REFERENCE IN THIS REPORT	EXTERNAL REFERENCE
General Disclosures	102-1	Name of the organization	AB "Klaipėdos nafta"	
General Disclosures	102-2	Activities, brands, products, and services	General information, p. 6-7	
General Disclosures	102-3	Location of headquarters		<a href="#">Contacts</a>
General Disclosures	102-4	Location of operations	General information, p. 7	
General Disclosures	102-5	Ownership and legal form	General information, p. 6	
General Disclosures	102-6	Markets served	General information, p. 7	Consolidated Annual report of AB „Klaipėdos nafta“, p. 90-95
General Disclosures	102-8	Information on employees and other workers	General information, p. 10-11	
General Disclosures	102-9	Supply chain	General information, p. 7-8	
General Disclosures	102-10	Significant changes to the organization and its supply chain	General information, p. 7-8	Consolidated Annual report of AB „Klaipėdos nafta“, p. 75-76
General Disclosures	102-13	Membership of associations		<a href="#">KN Memberships</a>
General Disclosures	102-14	Statement from senior decision-maker	CEO foreword	
General Disclosures	102-16	Values, principles, standards, and norms of behaviour	People and society, p. 28	<a href="#">Vision, mission, values - KN</a>
General Disclosures	102-17	Mechanisms for advice and concerns about ethics	Governance, p. 40-41	
General Disclosures	102-18	Governance structure	Governance, p. 38-39	
General Disclosures	102-21	Consulting stakeholders on economic, environmental, and social topics	Materiality matrix, p. 5-6 Stakeholders, p. 13-15 Community engagement, p. 26 Trade unions, p. 29 Worker participation, consultation, and communication on occupational health and safety, p. 33	
General Disclosures	102-22	Composition of the highest governance body and its committees		Consolidated Annual report, p. 142-146 (AB Klaipėdos nafta governance report)
General Disclosures	102-23	Chair of the highest governance body		<a href="#">Management - KN</a>

General Disclosures	102-24	Nominating and selecting the highest governance body	Governance, p. 38-39	Consolidated Annual report, p. 142-146 (AB Klaipėdos nafta governance report)
General Disclosures	102-25	Conflicts of interest	Governance, p. 41	
General Disclosures	102-26	Role of highest governance body in setting purpose, values, and strategy	General information, p. 9	Consolidated Annual report, p. 139 (AB Klaipėdos nafta governance report)
General Disclosures	102-30	Efficiency of risk management processes		Consolidated Annual report, p. 128-130 (AB Klaipėdos nafta governance report)
General Disclosures	102-35	Remuneration policies	General information, p. 11-12	
General Disclosures	102-36	Process for determining remuneration	General information, p. 11-12 People and society, p. 28	
General Disclosures	102-38	Annual compensation ratio	Partially, General information, p. 12	Consolidated Annual report, p. 135 (AB Klaipėdos nafta report on remuneration)
General Disclosures	102-40	List of stakeholder groups	Stakeholders, p. 13-15	
General Disclosures	102-41	Collective bargaining agreements	People and society, p. 29	
General Disclosures	102-43	Approach to stakeholder engagement	Stakeholders, p. 13 Materiality matrix, p. 5-6	
General Disclosures	102-44	Key topics and concerns raised	Stakeholders, p. 13-15 Materiality matrix, p. 5-6	
General Disclosures	102-45	Entities included in the consolidated financial statements	General information, p. 6-7	Consolidated Annual report, p. 97
General Disclosure	102-47	Significant aspects of the report	Materiality matrix, p. 5-6	
General Disclosures	102-49	Changes in reporting	Materiality matrix included, p. 5-6	
General Disclosures	102-50	Reporting period	Report for January 1 <sup>st</sup> -December 31 <sup>st</sup> , 2021	
General Disclosures	102-51	Date of most recent report	Report for January 1 <sup>st</sup> -December 31 <sup>st</sup> , published on June 8th, 2021.	
General Disclosures	102-52	Reporting cycle	Annually	
General Disclosures	102-53	Contact point for questions regarding the report	Orinta Barkauskaitė, Head of Communication	
General Disclosures	102-54	Claims of reporting in accordance with the GRI Standards	Title page	
General Disclosures	102-55	GRI content index	This table	
General Disclosures	102-56	External Assurance of the Report	Third party opinion, p. 51	

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Water and Effluents	303-2	Managing the impacts of the discharged water	Partially, Environmental impact and protection, p. 22	
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Water and Effluents	303-5	Water consumption	Environmental impact and protection, p. 23	
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Emissions	305-3	Other indirect (Scope 3) GHG emissions	Environmental impact and protection, p. 20
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Waste	306-5	Waste for disposal	Environmental impact and protection, p. 24-25
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Environmental Compliance	103	The management approach and its components	Environmental impact and protection, p. 18
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Occupational Health and Safety	103	The management approach and its components	People and society, p. 31-33
Occupational Health and Safety	403-1	Occupational health and safety management system	People and society, p. 32
Occupational Health and Safety	403-2	Hazard identification, risk assessment, and incident investigation	People and society, p. 32
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Occupational Health and Safety	403-4	Worker participation, consultation, and communication on occupational health and safety	People and society, p. 33
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Contact person for CSR related matters and this report: Orinta Barkauskaitė, KN Head of Communication ([media@kn.lt](mailto:media@kn.lt)).

## THIRD PARTY OPINION

Starting from 2020, AB Klaipėdos Nafta (hereinafter - the company) started preparing and publishing a Sustainability Report on an annual basis, based on the GRI (Global Reporting Initiative) methodology. The company uses GRI indicators to disclose its impact in terms of qualitative parameters and to show its dynamics.

Kuras ir Partneriai has been advising the company on the Sustainability Report for several years in a row, in order to better reflect the principles of reporting and to identify which GRI indicators are disclosed in the report.

This year, we commented on the draft Sustainability Report and advised on the disclosure of GRI indicators. In addition, we provide the following opinion on the company's report.

Assessment of the report:

1. The report provides a very comprehensive picture of the Company's major environmental impacts, as well as accountability to employees, transparency and ethical performance, with a high level of disclosure in line with the GRI indicators and a good picture of the dynamics of the indicators.
2. The report generally complies with

the key reporting principles of accuracy, balance, clarity, comparability, reliability and timeliness of information.

General recommendations on the report:

1. The report should provide information on the management of operational sustainability (and not just individual sustainability topics), from impact analysis to the setting of specific targets and a strategy for operational sustainability, to the risks to sustainable operations;
2. Focus on disclosing the current and future impacts of climate change on the company's operations, including information on measures to mitigate and prepare for these impacts;
3. Disclose in the report in more detail the company's direct and indirect economic impacts in its countries of operation;
4. Given that the company operates not only in Lithuania but also in Brazil, to provide clearer information on the impacts in different countries, with more non-consolidated indicators. This is also important to ensure one of the principles of reporting - contextuality.
5. Disclose in more detail and in a language understandable to the ordinary reader of the report the methodology used to calculate some of the

indicators and the information that would explain changes in their values (especially when negative impacts increase), as well as the impact of the company's targeted actions on the change in the company's impacts.

We also make an additional recommendation in view of the fact that this year's analysis of key themes has been carried out with the involvement of stakeholders:

1. In line with the requirements of the GRI Standard, which will enter into force in 2023, provide information on each of the topics identified in the materiality matrix in next year's report, showing the impact, the objectives, the relevant indicators and their dynamics.

**Kuras ir partneriai**  
CSR & KOMUNIKACIJA

