



**AB Amber Grid  
Social Responsibility Report 2019**

**2020**

**TABLE OF CONTENT**

ABOUT THE PROGRESS REPORT .....3  
LEADER’S WORD.....3  
PRINCIPLES AND PRIORITIES FOR RESPONSIBLE ACTIVITIES.....4  
ABOUT THE COMPANY..... 14  
RESPONSIBILITY AND TRANSPARENCY..... 20  
ENVIRONMENTAL PROTECTION AND OCCUPATIONAL SAFETY..... 30  
RELATIONS WITH THE PUBLIC: SUPPORT..... 36  
SOCIAL INITIATIVES ..... 37

## **ABOUT THE PROGRESS REPORT**

In preparing the Progress Report on Social Responsibility (hereinafter – the Progress Report, the Report) of the Company, AB Amber Grid (hereinafter – the Company, Amber Grid) follows the principles of the Global Compact initiated by the United Nations (UN) and the recommendations of the Global Reporting Initiative (GRI), which help to measure performance against the related economic, environmental indicators, as well as the indicators in the field of employee, human rights, market and relations with the public.

This report is prepared for all stakeholders: business partners, investors, employees and their trade union, media representatives, social partners, residents and local communities, and other related organizations.

This is the third Progress Report on Social Responsibility of the Company.

This Progress Report presents the works and achievements of Amber Grid in 2019 in the field of social responsibility related to the market, environmental protection, relations with the employees and with the public. The report describes the strategic directions, actions and achievements of social responsibility of the Company.

Questions or comments and remarks on improving the social responsibility report are welcome to be submitted by e-mail to the address [soc.atsakomybe@ambergrid.lt](mailto:soc.atsakomybe@ambergrid.lt).

During 2019, no stakeholder feedback on the Report of 2018 or on the responsible activities pursued was received.

This Progress Report is prepared in Lithuanian and English. It is publicly available on the Company website [www.ambergrid.lt](http://www.ambergrid.lt) (in the column “Social responsibility”), on the website of Nasdaq Baltic Stock Exchange. The Report has not been audited.

## **LEADER’S WORD**

Dear everyone,

Recently, concerns about climate change challenges to mankind have been increasingly voiced. Large industrial and technology corporation declare their commitments to stop using fossil fuels replacing them with renewable energy by 2050. Lithuania also exerts measures in the context of climate change. Ambitious goals to increase the share of renewable energy in the total energy consumption were set in the National energy independence strategy: 2030 - up to 45 per cent, from 2050 - 80 per cent. The world and our country place significant focus on the role to be taken by business through investments into creation of more sustainable and green economy.

Companies must work intensely at identifying how their business goals should be related to climate change mitigation. Positive results given by digital technology progress in reducing climate change

consequences must be taken into consideration. Businesses must commit themselves to reduce carbon dioxide emissions into air and to promote application of renewable energy sources.

Joining the government in aspiring the goals of increasing use of renewable energy, we, the gas transmission system operator, have already published our intention to ensure 50 per cent of consumed electricity to be generated from sun. By the end of 2021, three solar power farms with the planned capacity of 1.4 MW will be installed by us. Searching for new applications of the gas network in the context of renewable energy development, we are analysing uses of innovative Power-to-Gas technologies, when excess electricity is transformed into gas energy - hydrogen and methane and transported via gas transmission and distribution networks to the energy storage and consumption places.

It is obvious that rapid achievements in the fields of digitalisation, data management and technological breakthrough have huge potential in tackling most complicated social and environmental issues. Understanding that, we invest into digitalisation projects reducing our activity impact on people's working time and technological resources in use.

Social responsibility starts from each of us, therefore I invite you not only yourself to be socially responsible but also to urge your employers, businesses, institutions operating nearby to take socially responsible approach to mankind and environment in which we operate and live.

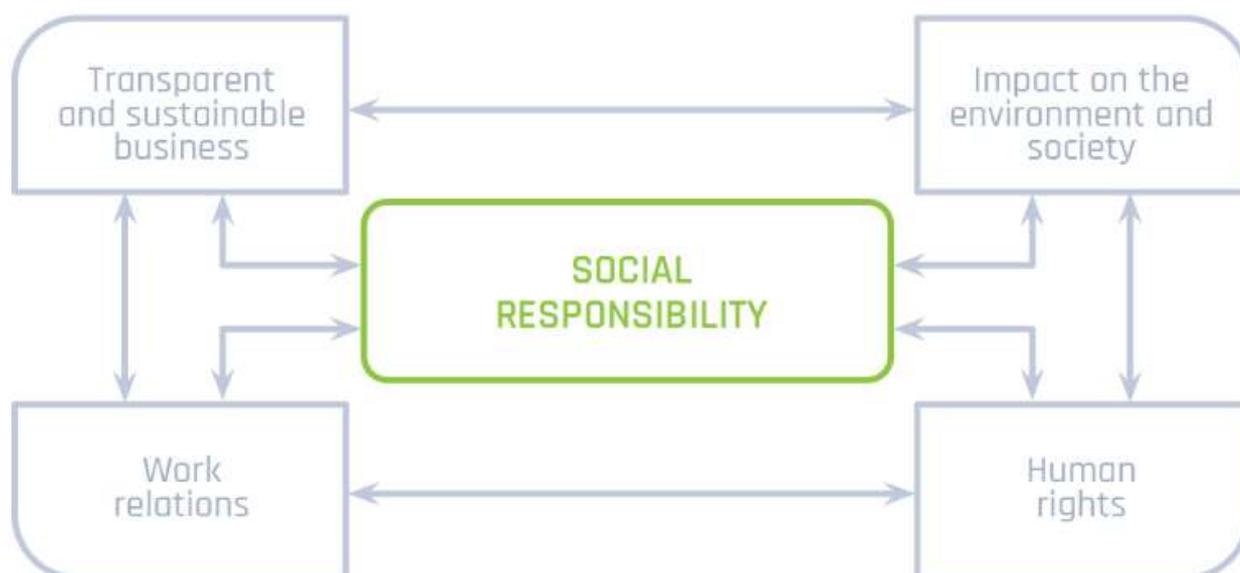
Yours faithfully,

Nemunas Biknius

## **PRINCIPLES AND PRIORITIES FOR RESPONSIBLE ACTIVITIES**

Amber Grid considers that the ways in which the result is achieved are important. Therefore, drawing on the best practices of national and international organizations, it aims to improve business practices, to implement modern methods of human resources management and to apply technologies that conserve natural resources, materials and processes that are not harmful to human health. In planning its activities, the Company takes into account the economic and social expectations of the stakeholders, ensures transparent management, develops ethical relationships in the market, implements measures to prevent corruption, and contributes to creating a good business climate in the country. The company strives to maintain its status of a reliable social partner by contributing at the national level to solving the topical social problems of our society.

The social responsibility policy of the Company is based on its vision, mission, values and the directions and objectives of the activities approved in the five-year strategy, which, more particularly, are - developing regional activities and ensuring the success of strategic projects, effective activities, the creating and advanced organisation. The responsibility of the Company in the broad sense is focused on these key areas (see Fig. 1):



*Fig. 1. Areas of the social responsibility policy*

**social responsibility in the market, efficient and transparent business:** open and honest cooperation with the stakeholders that help to implement the attitudes of socially responsible business, secure and reliable transmission of natural gas to the system users, combating corruption and bribery, ensuring competitiveness, taxes paid in good faith;

**social responsibility in environmental matters:** efficient use of natural resources in the activities, participation in ecological prevention programs that ensure landscape and biodiversity, promoting a sustainable approach to the environment among the employees, contractors, suppliers and the public.

**social responsibility in maintaining relationship with the employees:** responsibility in respect of the employees, taking care of the health, safety and equal rights of own employees, application of advanced performance management and reward system, creation of conditions for personal and professional development of the employees, and for development of general competencies;

**social responsibility in maintaining relationship with the public:** development of various social initiatives, volunteering and other projects in the local communities and at the national level, cooperation with the science institutions.

Once a year a research is conducted to evaluate the Company's socially responsible activities in the area of the organization management.

Based on the results obtained, the importance of the measures implemented is assessed, and the level of maturity is determined, the next year's plan of social responsibility specific actions is prepared, that helps to achieve the set objectives effectively.

### **Company values, strategy and objectives**

#### **Mission of Amber Grid**

We conduct gas transmission efficiently and reliably, create favourable conditions for competition in the gas market and for the development of renewable energy sources.

### **Vision of Amber Grid**

An innovative energy company in the integrated European gas network.

To implement the strategic directions, Amber Grid forms an appropriate organizational culture that is based on the Company's values. Amber Grid is guided by common human, country and professional values. These values form the foundation of the Company's conduct, activities and organizational culture.

The value behaviours and the principles of leadership applied in the Company are integrated into the annual employee performance appraisal system. Each value behaviour is given a relevant comparative weight which influences a variable reward for the executives and employees.

Below is a description of the Company's values.

Value	Description
Professionalism	<ul style="list-style-type: none"> <li>• I do the work better than expected</li> <li>• I say what I do and do what I say</li> <li>• I keep my promises</li> </ul>
Cooperation	<ul style="list-style-type: none"> <li>• I communicate clearly and understandably</li> <li>• I show my position and respect others</li> <li>• I help others to achieve the result</li> </ul>
Progress	<ul style="list-style-type: none"> <li>• I take the initiative and learn from mistakes</li> <li>• I search for new ideas and implement them</li> <li>• I continuously improve my skills and share them</li> </ul>

*Table 1. Description of Amber Grid*

### **Strategic objectives and action plans**

In pursuit of the Company's vision and strategic goals set by the state and the shareholder, which, specifically, are - to increase the value of the Company and to ensure the implementation of the country's strategic interests in the gas sector, Amber Grid will focus on four strategic directions (see Fig. 2):

- development of regional activities and ensuring the success of strategic projects;
- sustainable growth of the Company and ensuring long-term benefits for the shareholders;
- efficient operation and innovation;
- the creating and advanced company.

The Board of Amber Grid approves the operational strategy of the Company.

The strategic directions in 2017-2022 operational strategy correspond to the strategic directions formed by the main shareholder UAB EPSO-G.



Fig. 2. Scheme of the strategy of Amber Grid

The Company's plans are greatly influenced by decisions of state institutions regarding the strategic directions of the country's energy, and the solutions regarding the development priorities for individual energy sectors (the National Energy Independence Strategy, that was approved in 2018, and the plan of its implementing measures, the National Energy and Climate Action Plan 2021 – 2030 that was approved in 2019) related to the promotion and development of renewable energy sources, increasing energy efficiency, implementation of the requirements of the Network Codes adopted by the EU in the areas of security, reliability, interoperability of gas pipelines, as well as in the areas of access conditions, trading, pricing, and other.

Stable financial situation of the Company, favourable equity to debt ratio, experience gained in successful implementation of infrastructure projects, and the availability of EU financial support enable implementation of new major gas transmission infrastructure projects by creating new gas supply routes for cross-border flows of natural gas (between the countries of the Baltic region and Western Europe, thus amortising or stabilizing declining natural gas consumption in Lithuania by reducing dependency of the activities on several large users of the gas system).

The natural gas markets of the Baltic States are relatively small. As a result, the focus of new large natural gas suppliers on these markets is limited. Merging of the gas markets of the Baltic States to form a single regional gas market would create conditions to attract large gas suppliers that would increase competition and would offer attractive conditions for gas supply services to consumers

Development of regional activities and ensuring the success of strategic projects in the market

In the perspective of 2021–2022, Amber Grid sees the gas market of the region of four Eastern Baltic countries, specifically Lithuania, Latvia, Estonia and Finland, as a single market, i.e. the market that

operates according to harmonized rules, with a single formed zone of gas trading, balancing and exit-entry points. Only Latvia and Estonia have agreed on a single natural gas market from 2020. From 2020, they, together with Finland, have formed a single tariff area. Lithuania still continues negotiations with Latvian, Estonian and Finnish operators regarding cost sharing. The aim is to create a single market under conditions that are acceptable to all parties, including the Lithuanian population and business. Lithuania aims to join the single tariff area at a later stage from 2022. To that end, the updated action plan for the implementation of a single gas market in the Eastern Baltic region will be implemented

Currently, the natural gas markets of the countries of the Eastern Baltic region are not connected to the single European natural gas network, although they have common gas connections (Estonia with Latvia and Finland, and Latvia with Lithuania). In seeking to integrate the Baltic and Finnish gas markets into a single EU gas market, to diversify sources of gas supply and to increase security of gas supply, Amber Grid plans, together with GAZ-SYSTEM S.A., to complete at the end of 2021 the construction of the gas pipeline (GIPL) that will connect Lithuania with Poland.

In May 2018, the networks interconnection agreement was signed between the transmission system operators of Lithuania and Poland Amber Grid and GAZ-SYSTEM S.A., whereby both parties approved the final decision to invest in the project of gas interconnection Poland-Lithuania (GIPL). In 2020, the phase of the gas pipeline construction in the territory of Lithuania began.

To create a single regional gas market, a project to increase the capacity of the Gas interconnection between Lithuania and Latvia was started in cooperation with the Latvian transmission system operator. After integrating the Baltic gas markets into a single EU gas market, this connection will become an important part of the route that connects the European and Eastern Baltic markets. In 2019, the EU financial support agreement under the Connecting Europe Facilities was signed to ensure the implementation of this project, and in 2020, the implementation of the project began. The Project is expected to be completed by the end of 2023.

### **Efficient operation and innovation**

Digitization of IT systems. In 2020, the Company intends to start / continue digitizing of various IT systems: to implement an integrated accounting and financial management information system that will ensure effective accounting, budgeting, control and analysis functions of EPSO-G Group; to develop a reliable IT system for efficient gas flow management and interactive information exchange between the transmission system operator and system users, etc.

Great attention will also be paid to ensuring cybersecurity of the IT systems. Review of the existing IT systems is planned, special security requirements will be posed for the newly implemented systems.

After implementing in 2019 the system of guarantees of origin for gas produced from RES, the company intends to further develop this system by integrating the national system of guarantees of origin for gas produced from RES into the European system under development (for import/export of guarantees of origin), by improving the register that would meet the European requirements for guarantee of origin systems

In improving the performance management, the introduction of a technological asset management system based on risk assessment, and preceded by internal and external analysis, is scheduled for 2020-2022. A benchmark analysis of the activities of the European transmission system operators will also be carried out. Based on its results, improvements to processes of ongoing activities will be carried out.

To ensure effective management of project activities, the processes of project management and project portfolio management systems are planned to be improved

To promote innovation and the search for possible new activities, in 2020, the Company, together with other companies of EPSO-G Group, plans to develop an integrated functional action plan for creating an innovation ecosystem of EPSO-G Group

After the Seimas of the Republic of Lithuania approved on 21 June 2018 the new National Energy Independence Strategy that poses the ambitious goal of becoming an energy-sustainable and self-sufficient state by 2050, in order to contribute to the implementation of this goal, in March 2019, Amber Grid initiated an analysis of the relevance and applicability of "Power to Gas" (P2G) technologies in Lithuania.

Currently, it is one of the technologies with the greatest potential which enables the accumulation and balancing of high-power RES-generated electricity in the electrical system, is the production of hydrogen or synthetic methane gas. Hydrogen or methane produced by P2G devices can be supplied to the existing natural gas transmission infrastructure, they can be mixed with conventional natural gas. This project is a part of the joint long-term innovation project of EPSO-G Group.

### Creating and advanced organization

In order to create an effective, competent organization, where activities are based on shared values, and decisions would be taken in quick response to a changing situation the Company will strengthen its strategic leadership and management competencies through a variety of measures: in monitoring changes in the labour market in 2020, the Company will review and update the general training system, will link it to competencies module.

The training system will be updated using the latest methods. The system will allow educating, retaining and motivating the employees. A major focus will also be on implementation of organizational culture change. To that end, the existing human resources management practices will be strengthened and developed.

### Stakeholders having an interest, which affect successful operation of Amber Grid:

Interest groups	Why is important	Cooperation/Actions
<b>Communities</b>	Support from communities - an important element of project success. Support is created by promoting mutual trust, understanding, cooperation, and responsibility.	<ul style="list-style-type: none"> <li>Social projects for communities in the vicinity of which the company carries out works: in 2019, 50 meetings with the</li> </ul>

		<p>communities living in the regions where the construction of the strategic gas pipeline, that will connect Lithuania and Poland, begins, were held;</p> <ul style="list-style-type: none"> <li>• Regular provision of relevant information to the local communities about the projects of gas infrastructure that are carried out by Amber Grid.</li> <li>• Respectful communication of the project promoters and contractors with communities.</li> </ul>
<p><b>Media, public</b></p>	<p>Amber Grid is guided by the mission of the Company, fulfils the intended objectives and thus contributes to the public good. The company notifies the media and the public about its activities in a transparent, timely and open manner.</p>	<ul style="list-style-type: none"> <li>• In 2019, 19 press releases were published on the Company activities and the projects implemented;</li> <li>• 1 press conference was held;</li> <li>• The company website is constantly and timely updated by providing relevant information;</li> <li>• Increased communication flow on social networking websites LinkedIn and Twitter. In 2019, 86 notices of the Company activities, ongoing projects, the recruitment selections announced, and career opportunities within the company were</li> </ul>

		announced in Amber Grid accounts on the social networking websites;
<b>Non-governmental organizations</b>	The Company carries out continuous monitoring of environmental impact. The Company implements good governance practice in the areas of accountability and corruption prevention.	<ul style="list-style-type: none"> <li>• Bilateral meetings with the representatives of the NGOs;</li> <li>• Promotion of corruption prevention</li> </ul>
<b>Employees</b>	Experienced, competent and value-driven professional staff is an essential prerequisite for implementing the Company objectives and vision.	<ul style="list-style-type: none"> <li>• The meetings of the Company management with the employees, that are regularly held twice a year, when the management team not only visits the units that are located remotely from the headquarters, but also answers the topical questions of the employees, discusses the topics suggested by the employees;</li> <li>• "Daily News" are announced in the company on the daily basis, and the Leader's letters that are sent to the employees on Fridays allow everyone to feel not only the realities of the Company, but also of the entire Group of Companies to which Amber Grid belongs.</li> <li>• Internal and external training for staff to promote knowledge development, development of new job skills, teamwork, etc.;</li> <li>• The increasing number of the employees gets involved in volunteering activities. In 2019, several volunteering campaigns were organized. During them, the employees contributed through their activity to works that</li> </ul>

		<p>promote the sense of community, citizenship and benevolence for socially sensitive groups in the public;</p> <ul style="list-style-type: none"> <li>• Every year the Company carries out employee engagement and satisfaction surveys, the results of which serve for improvement of working conditions.</li> </ul>
<b>Customers and foreign partners, transmission system operators</b>	Amber Grid does not have direct relationship with the end customer and works in the B2B field.	<ul style="list-style-type: none"> <li>• Regular direct communication with the customers;</li> <li>• Notifying of the Company activities;</li> </ul>
<b>Shareholders, state representatives and market regulator</b>	Shareholder confidence and quick decisions have influence over the success of strategic projects. Cooperation with the state representatives is necessary in ensuring the formation of a long-term vision of the gas sector. Business relations with the market regulator.	<ul style="list-style-type: none"> <li>• Regular direct communication, consultations;</li> <li>• Quarterly and annual financial statements and announcements published in Nasdaq Vilnius Stock Exchange;</li> <li>• Participation in Lithuanian and foreign energy conferences.</li> </ul>
<b>Contractors, suppliers</b>	In carrying out international projects, it is important to ensure quality of works of contractors and suppliers, transparency, occupational safety, environmental protection, supply of quality goods and services.	<ul style="list-style-type: none"> <li>• Publication of procurement plans</li> <li>• Information events</li> </ul>

**AB Amber Grid defines its responsibilities and relies on the following documents in its activities:**

Descriptions of the internal policy and procedures of the Company:

- Collective Agreement;
- Ethical Employment and Working Conditions Policy;
- Description of the Environmental and Occupational Safety and Health Policy;
- Description of the Equal Opportunities Policy;

Documents that are valid for EPSO-G group companies:

- Description of the Corporate Governance Policy. It is aimed at ensuring good governance practices in EPSO-G group of companies by setting uniform principles of corporate governance in the group of companies and interaction between parent company and other group companies;
- Description of the Social Responsibility Policy. It is aimed at improving business practices, implementing modern human resource management, applying natural resource-friendly technologies, materials and processes that have no negative effects on human health, based on good practice of the country and international organizations;
- Description of the Transparency and Communication Policy. It is aimed at helping to communicate more efficiently with each other and with external stakeholders: the public, shareholder, market regulators, etc.;
- Description of the Corruption Prevention Policy. It is aimed at establishing the basic principles and requirements of corruption prevention and the guidelines for ensuring compliance with them in EPSO-G group of companies, which create preconditions and conditions for implementing the highest standards of transparent business performance;
- Description of the Employee Remuneration Policy. It is aimed at proper management of wage costs and developing motivational incentives to make the reward directly dependent on the achievement of the goals that are raised for the company and each employee;
- Description of the Accounting Policy. It is aimed at ensuring that stakeholders are able to assess the performance, prospects of the group's companies, and to make appropriate economic decisions
- Description of the Dividend Policy. It is aimed at establishing clear guidelines for expected return on equity and investment for existing and potential shareholders, by ensuring simultaneously the sustainable long-term growth of the value of companies, timely implementation of strategic projects that are of importance for the country, thus consistently strengthening confidence in the whole group of energy transmission and exchange companies;
- Description of the Interest Management Policy. It is aimed at developing in EPSO-G group of companies a unified interest management system that is in line with good practice to ensure that decisions in the group companies are taken objectively and impartially, as well as to create an environment that is unfavourable to corruption and to increase confidence in the activities of the group's companies;
- Description of the Sensitive Information Protection Policy. It is aimed at developing a uniform system for the identification, use and protection of confidential and commercially (industrially) sensitive information, to help members of the management bodies and

employees of EPSO-G group companies in protecting confidential information entrusted to them from inappropriate and harmful disclosure;

- Description of the Technological Assets Development and Operation Policy. It is aimed at consistent implementation of the principles for the management and development of electricity and natural gas infrastructure that are based on cost analysis, at implementing advanced technologies, at management and development of energy transmission infrastructure in a socially responsible way, taking into account the requirements of occupational safety and environmental protection;
- Description of the Support Policy, which is aimed at ensuring that the support provided is public and does not raise public doubts as to its expediency and the transparency of the allocation process;
- Description of the Risk Management Policy. It is aimed at implementing in EPSO-G group of companies a uniform risk management system in accordance with COSO ERM standards applied in international practice, that define the principles and responsibilities for identifying, assessing and managing risks;
- Description of the Employee Performance Assessment Policy that is aimed at developing a consistent system for evaluating individual goals of the employees, that helps effectively manage wage costs, as well as at creating motivational incentives for the employees who perform their duties properly and exceed expectations;
- other.

## **ABOUT THE COMPANY**

Amber Grid is the Lithuanian Natural Gas Transmission System Operator that is responsible for natural gas transmission (high-pressure pipeline transportation) to system users, operation, maintenance and development of natural gas infrastructure. The Company has been operating since 1 August 2013, when the temporary natural gas transmission license, which was issued to the company by the National Energy Regulatory Council (hereinafter – the NERC), took effect.

The Company manages UAB “GET Baltic”, which organizes trading on the natural gas exchange and which was issued with a licence of a natural gas market operator by the NERC. Currently, UAB “GET Baltic” organizes trading on the natural gas exchange in Lithuanian, Latvian and Estonian markets. “Amber Grid” owns 100 percent of UAB “GET Baltic” shares.

Since 1 November 2015, Amber Grid is a member of the European Network of Transmission System Operators for Gas (ENTSOG).

### **Key performance indicators**

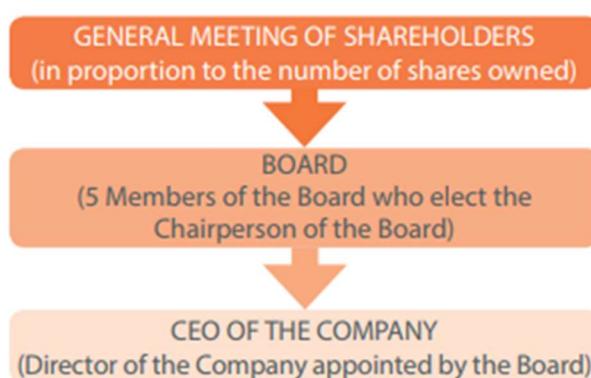
In 2019, the Company revenue amounted to EUR 54.3 million and, compared to 2018, remained unchanged.

The net profit of the Company amounted to EUR 11.9 million. In 2018, as a result of revaluation of property, plant and equipment, and accounted impairment the net loss amounted to EUR 21.6 million.

In 2019, the Company transported 23.5 TWh of natural gas to the Lithuanian consumers up to the internal exit point. This is 5.4% more than in 2018, and 26.0 TWh of natural gas were transported to Kaliningrad region of the Russian Federation (in 2018 – 27.8 TWh).

## Corporate governance

According to the Articles of Association in force, the Corporate governance structure is presented in Figure 3.



*Fig. 3. Principles of management of Amber Grid*

### General Meeting of Shareholders

The General Meeting of Shareholders is the highest governing body of the Company. During the reporting period, the Company's shareholders had equal rights (property and non-property) provided for in laws, other legal acts and the Articles of Association of the Company. None shareholder has been granted exclusive rights; all shareholders have equal rights. During the reporting period, the Company's management bodies created the right conditions for the implementation of shareholders' rights.

### Board of the Company

After the amendments to the Law of the Republic of Lithuania on Companies entered into force on 1 January 2018, the responsibilities of the Board of Amber Grid were expanded by providing it with supervisory functions. In accordance with the provisions of the law, the composition of the Board was renewed – the employees of the Company were replaced in the Board by new members not related with the Company through employment relations. In order to continue to comply with good governance practice, the employees of the Company performing the executive function may no longer be elected to the five-member board that performs supervisory function. It is provided for in the Articles of Association of the Company that the Board of the Company consists of 5 (five) members, two of them are independent members and three of them are the employees of the parent

company UAB EPSO-G. The Board is elected by the General Meeting of Shareholders for a four-year term. The continuous term of office of a member of the Board is no longer than two full successive terms of office, i.e. no more than eight consecutive years. The principle of proper representation of all shareholders' rights in the Board is ensured in electing the members of the Board. The competences of the members of the Board are in line with the core areas that are directed by the Board. In proposing candidates to take the position of the members of the Board, priority is given in particular to the candidate's competence and the need to ensure that the board has representatives of all relevant competencies as per the core directed areas. The Board elects the Chairman of the Board from its members.

**CEO**

The Head of the Company – the CEO is a single-person management body of the Company who is elected, appointed, recalled and dismissed by the Board of the Company. The laws, other legal acts and the Articles of Association of the Company stipulate the competence of the CEO, the procedure for the election and revocation. The CEO organizes the activities of the Company, manages it, acts on behalf of the Company and enters into transactions unilaterally, except in cases provided for in the Articles of Association of the Company and legal acts.

AB „AMBER GRID“  
ORGANISATIONAL STRUCTURE

APPROVED BY  
Minutes No. 8 of 25 June 2019  
Of the Meeting of the Management Board of Amber Grid

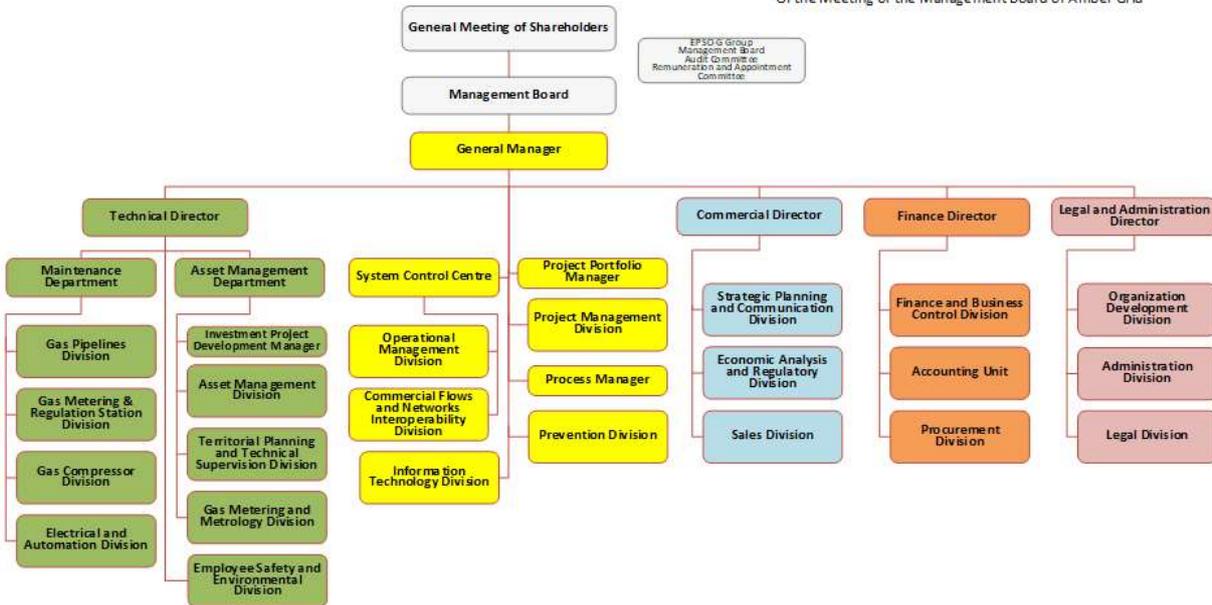


Fig. 4. Amber Grid corporate governance structure

**Shareholders**

As of 31 December 2019, more than 2,200 natural and legal Lithuanian and foreign citizens were the shareholders of the Company, of which the shareholder UAB EPSO-G owned a controlling stake (96.58%) in the Company. The rest of the Company's shares (3.42%) is quoted on the additional trading list of NASDAQ Vilnius Stock Exchange Baltic.

The main shareholder of the Company – UAB EPSO-G is 100% owned by the Ministry of Energy of the Republic of Lithuania.

Shareholder	Registered office address / legal entity code	Number of shares owned under the right of ownership, pcs
UAB EPSO-G	A. Juozapavičiaus str. 13 Vilnius, Lithuania / 302826889	172.279.125
Minor shareholders		6.103.389
<b>Total</b>		<b>178.382.514</b>

### Membership in organisations

The Company is a member of the European Network of Transmission System Operators for Gas (ENTSOG) ([www.entsog.eu](http://www.entsog.eu)), of the association “Polish-Lithuanian Chamber of Commerce” and of the National Energy Association of Lithuania.

The ENTSOG was established under Regulation (EC) No 715/2009 of the European Parliament and of the Council as an organization for ensuring cooperation between gas transmission system operators at European Community level.

The association “Polish-Lithuanian Chamber of Commerce” is a bilateral Lithuanian-Polish economic cooperation organization. The association collects information for its members about business opportunities in both countries, cooperates with organizations and individuals ensuring business management and development, organizes conferences and thematic events.

The National Energy Association of Lithuania was established in 2016. The Association forms the common position of the energy sector, represents the interests of its members at the state institutions, public and international organizations, aims to develop and improve the conditions of Lithuanian electricity and gas supply to the country's consumers, and promote the economic and technical progress of the energy sector.

In 2019, the Company has become a member of ERGaR ([www.ergar.org](http://www.ergar.org)) the aim of which is to develop the transfer of guarantees of origin between countries for gas produced from renewable energy sources.

### Description of supply chain

The value created by the Company – ensured reliability of the natural gas transmission system, availability of transmission infrastructure, and created conditions of competition in the natural gas market.

The value chain of the Company consists of key equivalent processes:

- ✓ Planning of ensuring country's gas needs. Analysis and assessment of long-term consumption needs of natural gas, planning and execution of relevant investments in order to effectively meet gas needs and to ensure the necessary gas transmission system capacity, security and reliability of the systems, and access to various natural gas supply sources;
- ✓ Development, management and maintenance of cross-border gas connections and internal transmission systems. Implementation of Lithuanian natural gas transmission system and international interconnection development projects, operation, maintenance and repair of transmission systems and their equipment in order to ensure reliable and safe transmission of natural gas to energy consumers in accordance with legal requirements. In addition, day-to-day management of the natural gas system, including real-time management, reliability assessment, information exchange with system users and operators of other systems, and ensuring balancing of natural gas system and congestion management;
- ✓ Ensuring use of systems. Ensuring access to natural gas transmission systems, applying non-discriminatory, clear and comprehensible rules for the use of systems and clear pricing, simple and convenient contracting and administration of contracts, provision of information to system users and harmonization of the rules for the use of systems in the region.

The prices of natural gas transmission services provided by Amber Grid are regulated by the NERC.

In 2019, the Board of the Company established the prices of natural gas transmission services for 2020 - thanks to the Company's focus on operational efficiency, the deployment of smart network maintenance technologies and the pre-attribution of part of the permissible income level to short-term services they will not reach the ceiling set by the NERC.

The prices of natural gas transmission services, that are valid from 1 January 2020, are available publicly on the website of AB Amber Grid [www.ambergrid.lt](http://www.ambergrid.lt).

The Company purchases various goods, services and works necessary for efficient operation from the suppliers operating in the market. This is done in accordance with the Law on Public Procurement.

The Company purchases from the suppliers operating in the market various goods, services and works necessary for ensuring efficient operation in accordance with the provisions of the Law of the Republic of Lithuania on procurement by contracting entities in the field of water management, energy, transport or postal services

### **Risk management**

The Company's risk management methodology has been prepared in accordance with the provisions of the International Standard COSO ERM (edition of June 2017), the Risk Management Methodology of EPSO-G and the internal documents of Amber Grid.

Figure 5 presents a scheme depicting the Risk Management Model of the Company according to the COSO ERM standard. Risk management is a unified part of the Company's management and planning, including the mission, vision and values of Amber Grid. The principles of risk management help to create, preserve and realize the value of the Company. The risk management model defines the key

conditions that are necessary for the efficiency and effectiveness of risk management in the Company.



*Fig. 5. Risk Management Model according to the COSO ERM standard*

The risk management model consists of the following key elements:

1. Leadership and culture. The Company's management actively seeks to integrate the Risk Management Model into planning processes and obliges the risk holders to identify risks, continuously evaluate them, propose risk management measures and implement them.
2. Strategy and objective setting. Risk management is a fundamental part of the Company's strategy development and a basis for drawing up an action plan. The management of the Company must strive to link the risk management, risk management strategy, objectives and measures with the Company's strategy, activities and objectives. The Board and the leaders demonstrate by their actions that risk management is a continuous process directly related to the implementation of the Company's strategy, that helps achieve the objectives set by the Company.
3. Activities. During the risk management process risks are identified, their potential impact on the Company in financial terms (in euros) is analysed, compared to the Company revenue (in percent), the value of risk exposure under the Risk Exposure Evaluation Scale is recorded and the probability of the risk is determined. A plan of risk management measures is prepared in accordance with the Company's Risk Management Methodology. Monitoring of risks and of the implementation of a plan of risk management measures is also carried out in order to maximize the Company's success in implementing the strategy, objectives and the action plan. After having regularly assessed the likelihood and impact of individual risks and after having determined the level of risk, a map of the key risks, which depicts the probabilities, impact and levels of individual risks, is drawn up in the Company.
4. Monitoring and reviewing results. The Finance and Business Control Unit coordinates the monitoring of the Company risks and of the implementation of measures for their management that is carried out by Risk Holders and by individuals who are responsible for the implementation of measures for risk management. The Finance and Business Control Unit provides generalized monitoring results for information to the Company's management, the Board and EPSO-G Risk Management and Prevention Unit, for each by area of expertise, also the approved forms of reports,

and, when necessary, detailed monitoring results. Taking into account the existing and the planned to achieve results of risk management, the management, the Board and the EPSO - G Risk Management and Prevention Unit assess the effectiveness and efficiency of the risk management system. In order to increase the effectiveness of the Risk Management methodology within the Company, the Finance and Business Control Unit on a regular basis and / or in the event of significant change in business environment (internal or external) reviews risk management processes and forms. The methodology is harmonized and adjusted under the procedure established in the Company.

5. Communication and accountability. The responsible employees record, store and share on a regular basis information and data that are necessary to ensure effective management of the Company risk.

## **RESPONSIBILITY AND TRANSPARENCY**

The Company does not tolerate in its activities any manifestations of corruption, inappropriate benefits, gift acceptance, provision, offer, promise or requirement by abusing current positions

The Company's corruption prevention activities are based on national legislation and voluntary obligations overriding them:

- ✓ All managers of the Company are directly responsible for the implementation of anti-corruption measures and show an example for their employees;
- ✓ Proportionate anti-corruption procedures based on risk assessment are applied;
- ✓ The assessment of corruption related risks is carried out on a regular basis, the measures to reduce corruption related risks are planned and adapted, the effectiveness of anti-corruption activities is monitored and, if necessary, more effective measures are implemented.

In the third quarter of 2019, in accordance with the provisions of the Law of the Republic of Lithuania on Prevention of Corruption, the identifying and assessing the likelihood of corruption occurring in procurement management was carried out. During the assessment, risks were identified during the assessment, and recommendations were provided in order to make procurement management processes even more transparent.

The main finding of the assessment: "In accordance with the criteria set forth in Article 6 (4) and (6) of the Law on Prevention of Corruption, after assessing the information collected and taking into account the measures/efforts taken by the Company to reduce the likelihood of occurrence of corruption, it follows that the probability of corruption occurring exists in the activities of Amber Grid and in a separate area of activities that was assessed, i.e. in procurement management. However, the Company is currently implementing the measures to prevent corruption, and has provided the specific actions and deadlines to perform them in order to reduce the likelihood of occurrence of corruption in procurement management."

In 2019, the Corruption Prevention Commission of the Company had 5 meetings. During the meetings, the material of the investigation, conducted in accordance with the Letter of the Trade Union of the Company on the manifestations of nepotism/cronyism during the selections, was analysed.

No specific cases of nepotism/cronyism in carrying out staff selections were identified during the investigation. However, the Commission identified few risks and made recommendations to the units responsible for selections for the improvement of the selection processes. In accordance with the Rules for Implementation of the Corruption Prevention Policy of the Company, the employees of the Company declared private interests by submitting the declarations of private interests (hereinafter – the declarations). In 2019, 40 declarations were submitted:

- ✓ 33 declarations were submitted by the newly recruited employees;
- ✓ 7 declarations were revised/supplemented (in 2018 – 3 declarations; in 2017 – 2 declarations);
- ✓ 4 employees notified the Prevention Unit of the Company about a potential situation of conflict of interest  
(in 2018 - 2 employees; in 2017 – 4 employees).

In November 2019, the updated version of the Rules for Implementation of the Corruption Prevention Policy of the Company was approved. The key amendments:

- ✓ in accordance with Deloitte's audit recommendation, the provision that employees declare private interests to the Company by May 1 of each year was approved;
- ✓ in accordance with the Law on Protection of Whistleblowers, the provisions on the protection of whistleblowers were approved.

Violations of legal provisions and rules of conduct, of ongoing transactions and accounting by the Company managers and employees, bribery, corruption, impact trading, abuse, conflict of interest, nepotism and cronyism, violations of the requirements of transparency, equality, non-discrimination, proportionality and impartiality of procurements carried out can be reported by a trust line: by e-mail [sauga@ambergrid.lt](mailto:sauga@ambergrid.lt) or by telephone: +370 666 06 084; +370 5 232 7787.

In 2019, no reports/complaints were received through the trust line (in 2018 - 1 report was received; in 2017 – no reports were received).

On 6, 11 and 13 December 2019, annual anti-corruption events/training were organized for the responsible employees of the Company (taking decisions on behalf of the Company, participating in procurements, etc.). During these training sessions the participants were taught/discussions were held on the following topics:

- ✓ nepotism and cronyism (concepts, essence, features);
- ✓ amendments to the Rules for Implementation of the Corruption Prevention Policy of the Company;
- ✓ amendments to the Law on the Reconciliation of Public and Private Interests, that will take effect from 1 January 2020;
- ✓ Order of the Company on the declaration of private interests in accordance with the procedure established by the Chief Official Ethics Commission (the list of posts for which

declaration is mandatory; clarification of declarations; responsibilities of the Prevention Unit in controlling/managing private interests);

- ✓ the peculiarities of declaration of private interests in accordance with the procedure established by the Chief Official Ethics Commission;
- ✓ situations of conflicts of interest, conflicts of interest, how to avoid conflicts of interest.

99 employees of the Company participated in the training (in 2018 – 45 employees; in 2017 – 50 employees).

## **Public procurements**

### Regulation

When planning and executing procurements and procurement agreements, the Company is guided by the provisions of the Law of the Republic of Lithuania on Procurement Carried out by Contracting Entities in the Spheres of Water Management, Energy, Transport or Mail Services (hereinafter referred to as the Law), of other legislation governing procurement and applicable to the Company, or good commercial practice where the law does not apply to certain procurements.

### Internal processes

The planning and execution of procurement in the Company are regulated by approved processes and documents, procurements are planned and the Procurement Summary is published according to the procedure established by the Law. Normally, procurements in the Company are carried out by procurement commissions, whereas low value procurements are carried out by procurement organizers appointed by the order of the CEO. Multi-level controls are ensured in decision-making.

### Transparency

All persons participating in the Company's procurements, as well as those who may have direct or indirect influence over them, have signed declarations of impartiality and confidentiality pledges. The Company makes publicly available the procurement contracts it has concluded in accordance with the procedure established by the Law. The Company also prepares and provides to the Public Procurement Office:

- ✓ reports on procurement procedures for each completed procurement;
- ✓ reports of public procurement contracts, of procurement contracts and of internal transactions for all procurements made during the calendar year.

## **EMPLOYEES**

The employees represent the strength and main property of AB “Amber Grid” - experienced and competent professionals implementing projects of strategic importance to the state. The company is focused on the development of the professional skills of the employees and the formation of a value creating business culture. The Company is aiming to make the Company's employees proud that they work in an advanced organization, the employees are allowed to develop in the professional field, to reconcile professional and family responsibilities, tolerance of individual differences is encouraged.

On 31 December 2019, the Company had 316 employees (on 31 December 2018 – 329 employees<sup>1</sup>). Table 2 presents their distribution according to the groups of posts. In 2019, the Company employee turnover rate was 13.9 % (in 2018 – 12.4 %).

GROUPS OF POSTS	Number of the employees on 31 December 2019	Number of the employees on 31 December 2018
CEO	1	1
Top-level managers	3	4
Middle-level managers	28	27
Experts-specialists	178	173
Workers	106	124
All employees	316	329

Table 2. Employee structure by categories

Table 3 presents the structure of the employees by educational background.

EDUCATIONAL BACKGROUND	Number of the employees on 31 December 2019	Number of the employees on 31 December 2018
University degree or equivalent	193	190
Non-university higher education	46	50
Secondary and vocational	77	89

Table 3. Structure of the employees by educational background

### Reward system

The Company strives to attract, retain and motivate competent professionals in their field who adhere to the Company's values at work and achieve the objectives posed.

The purpose of the reward system is to create motivational incentives for the value creating employees who achieve the posed objectives. Therefore, the remuneration of all the employees of Amber Grid is comprised of two parts - fixed and variable.

The fixed part of the remuneration depends on the level of responsibility for the post held, which is determined according to the methodology applied in international practice.

<sup>1</sup> Number of the employees excluding the employees on parental leave.

The variable part of the remuneration is not a bonus and is paid when the Company objectives and the individual ones that have been agreed during the annual dialogue are implemented, and the employee demonstrates behaviour based on the Company's values.

In exceptional cases, by the decision of the Head of the Company, harmonized with the Board of the Company, the employee may receive a lump sum incentive payment for critical results which are not provided for in the annual objectives of the employee.

Amber Grid reports to the shareholder for the achievement of the Company's annual objectives.

TABLE OF OBJECTIVES and evaluation of achievement PCT

Table 4 presents the average monthly wages by groups of employees in 2018-2019. The average wages in Lithuania in 2019 – EUR 1,317.60. (<https://osp.stat.gov.lt/naujienos?articleId=5973390>).

Groups of posts	Average monthly wages, EUR (before tax), 2019	Average monthly wages, EUR (before tax), 2018
CEO	13,890	12,159
Top-level managers	7,255	7,142
Middle-level managers	4,127	3,823
Experts-specialists	2,151	2,029
Workers	1,217	1,485
Average	2,047	2,066

\*In order to ensure comparability of data, the provided information about average wages of 2018 has been recalculated by multiplying by a factor 1.289 since in 2019 the employer's social security contributions have been transferred to an employed person. In 2019, the average monthly wage of the employees in the worker category is lower than in 2018 due to carrying forward the payment of the variable remuneration component to 2020.

Table 4. Average monthly wages by the groups of the employees in 2018-2019

**Trade union**

On 23 June 2017, Amber Grid trade union was established by 113 employees of the Company at the constituent meeting. At the end of 2019, there were 213 members in the trade union, the employees were represented in the council by 8 members. The purpose of the trade union is to represent and defend the professional, labour, economic and social rights and legitimate interests of its members. Meetings of the representatives of the trade union and the Company's management are periodically organized. During them, issues that are of relevance to the trade union are discussed.

The Company supports grouping of the employees into voluntary trade unions, and cooperates closely with them and develops a constructive social dialogue.

### **Collective Agreement**

The purpose of a collective agreement is to represent the rights and legitimate interests of all employees. The agreement stipulates employment, remuneration, social, economic and professional conditions and guarantees that are not regulated by laws or other regulatory acts. Additional financial guarantees apply to the employees (benefits in cases of accidents, illness, death of relatives, support for the birth of a child, support for raising three or more children or a disabled child), additional holiday days (on the occasion of the birth of a child, death of a close relative and in other cases) and other guarantees.

Given the amendments to the Law of the Republic of Lithuania on Personal Income Tax, to the Law of the Republic of Lithuania on State Social Insurance, to the Law of the Republic of Lithuania on Sickness and Maternity Social Insurance, that became effective on 1 January 2019, in 2019, an arrangement to amend the Collective Agreement was signed. By this arrangement, the material aid payments under the Collective Agreement, of which an employee pays personal income tax, after the tax reform were increased by a statutory factor of 1,289 in order to keep the actual agreed benefits received by the employees unchanged as a result of the tax reform.

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

### **Possibility of teleworking**

The Company encourages the employees of the Company, whose nature of activity and technical conditions allow to do so, to take advantage of teleworking opportunity and, when necessary, to perform the functions assigned to them applying this form of work organization. The employees taking advantage of this possibility enjoy the conditions provided by the Company to work in a comfortable and expeditious manner as if they were in the office.

### **Competence development**

For the purpose of building an effective, competent, progressive leadership organization, in which activities are based on shared values, the Company identifies the strategic skills and competences of the employees - the competencies that have the greatest impact on the success of the organization, the implementation of strategic objectives, and leadership development.

In 2019, the Employee Competence Management Policy was approved in the Company. It is aimed to identify the groups of competences and competence describing behaviours required for successful strategy implementation, required for successful implementation of the strategy, which would direct the employees to pursue clear and specific abilities that have the greatest impact on the success of the organization and their work, and that would help improve, to evaluate periodically these competences for the purposes of their leadership and talent development, and of strengthening of

overall organizational capabilities. The set of competences grouped according to the principles presented in the policy forms a model of competences, which is applied to identify strategically important competences, to evaluate them and to identify directions for their improvement and development. Taking into consideration the requirements posed for the Company and the performance objectives, education plans and other development needs, the Company pays special attention to the development of staff competences.

The Company pursues its core activities in a regulated energy environment, in which there are clear requirements regarding the professional staff preparedness and for the performance of basic and additional certification functions. Taking into account the legal regulation, the Company organizes vocational and other compulsory staff training and certification of energy employees.

During the training within the Company, great attention is paid to the quality of training. To that end, training programs and training materials for energy staff are constantly reviewed and updated. In 2019, the Company has approved and coordinated with the State Energy Inspectorate 6 basic training programs for employees operating natural gas transmission system objects and their equipment. In order to enable other training providers to train employees of other companies (for example, employees of contractors' organizations), the programs prepared by the Company are publicly available on the Company's website. The Company ensures timely organisation of compulsory training (fire safety, civil protection, first aid), and that not only theoretical knowledge, but also practical skills are acquired by the employees participating in training. For this purpose, the Company periodically organises different types of exercise involving all employees of the Company.

For the development of professional competences of the employees, the Company organises additional safety, technical and environmental training (work with chemicals, use and testing of elevating tools, use of fall from height protection equipment, raising environmental awareness among the employees).

The Company also organises training on general competences, provides opportunities for the employees to attend various seminars, conferences where the employees improve their job skills, get acquainted with innovations in their field and best practices from other companies.

**Number of the employees having participated in training in 2019**

Ser. No	Training type	Number of participants in training	Number of the employees having participated in training	% of the employees having participated in training of the total number of the employees*
1	Professional training Certification of energy employees	116	84	25.5
2	Compulsory training	233	114	34.7
3	Technical training	778	318	96.7
4	Special training	109	78	23.7
5	General training	82	77	23.4
6		552	187	56.8

*\* Calculated % of the average annual number of the employees (in 2019 – 329 employees)*

### **Selections and career**

In 2019, the Selection Policy has been approved in the Company. The Policy establishes common principles and practice for the selection of employees, that facilitates transparent selection of the best candidates with the required qualifications, skills, experience and who meet the Company values, and who would effectively contribute to the achievement of the Company's objectives.

The Company applies high standards of value, professionalism and excellent reputation for the employees of all levels, and also standards of excellent leadership abilities for the leaders. A combination of competence, leadership and professional knowledge of the employees and leaders creates prerequisites for forming a creating, advanced Company that is open to innovation and changes.

The Company provides opportunities and encourages career development of the employees. In 2019, 21 employees took advantage of career opportunities: 2 employees of the worker category became specialists, 15 specialists became higher-level specialists or changed their field of activity or unit, 2 specialists became middle-level managers, 1 middle-level manager changed his field of activity and became the functional manager, 1 middle-level manager became the top-level manager.

### **Integration of new employees**

The process of adaptation of new employees in the Company is implemented according to unanimously applied practice. An adaptation plan is drawn up for new employees, the employees are acquainted with the employees of the Company units, activities, procedures and working principles applied in the Company. The purpose of the program is to help the new employees to get to know faster the organizational culture of the Company, to integrate into the team, to understand the principles of work and to start creating value for the Company.

### **Employee involvement**

At the end of 2019, the employee engagement survey was conducted in the Company for the second time. The engagement survey helps to evaluate the areas of the organization management, activities organization and work with people, which influence employee motivation and engagement. The survey questionnaires were completed and option was expressed by 260 employees, i.e. 83% of all employee of the Company (in 2017 – 70%). The results of the survey of 2019 show that compared to the result of 2017, the employee engagement has increased by 6 percentage points.

The survey showed that most of the Company's employees are positive about the available resources, defined and promising direction, most of them feel respected, recognized, empowered to act. The survey also provided useful insights into areas for improvement, and to take targeted measures to increase employee engagement and motivation.

### **Protection of human rights and equal opportunities**

The Company relies on the Descriptions of Ethical Employment and Equal Opportunities Policies approved in 2017, which emphasize that all forms of discrimination are strictly prohibited (International Labour Organization Conventions No 100 and No 111). The Company ensures equal rights for all employees, and does not tolerate discrimination in employment, salary, training, career, termination of employment relations or retirement, and in other areas for the employees race, nationality, gender, sexual orientation, age, political affinities, as well as for other aspects which could lead to discrimination, it does not tolerate any threatening, harassing or exploiting behaviour of the employees.

The employees who may have been subjected to unlawful acts may lodge a complaint with the responsible person appointed by the Company. If the employee is dissatisfied with the outcome of the complaint examined, he / she may defend his / her violated law in accordance with the law. Any employee who saw and / or has a suspicion of, and / or witnessed discrimination, harassment or sexual harassment shall notify thereof his / her immediate superior or a responsible person appointed by the Company. The Company ensures confidentiality in the handling of complaints, and all employees and the Company, accordingly, must keep confidential any information obtained during the investigation of the infringement. Violation of this provision is considered a gross violation of labour discipline.

In 2019, no discrimination or other incidents involving violations of human rights have been detected in the Company (none have been detected in 2017 and 2018). The results of the employee engagement survey conducted in 2019 show that 87% of the employees who participated in the survey were positive about the statement that the Company does not discriminate the employees based on gender, race, religion, age, nationality and similar (11% of the evaluations were neutral and only 2% of them were negative).

The majority of the Company's employees are men. This is strongly influenced by the specifics of the activities carried out: women are less likely to opt for works of technical engineering profile and technological works performed outdoors, and specialties directly related to them. In 2019, the Company had 66 female employees (in 2018 – 59 female employees) and 250 male employees (in 2018 – 270 male employees). The average age of the employees is 44.7 years (of women – 43.5 years, of men – 45 years). At the end of 2019, the ratio of the middle-level managers of the units was as follows: 19 men and 9 women were holding managerial posts (in 2018 – 21 men and 6 women).

### **Employee Performance Evaluation System**

Employee performance evaluation is one of the most important methods of governance and effective management that helps to achieve organizational goals and create positive relations between managers and their subordinates, to plan employees' careers and increase their motivation.

### **Annual dialogue**

An annual dialogue is a means of managing employee performance, that provides a framework for setting and evaluating individual goals of the employees, and for accountability, that is linked to values and a reward system, and that helps to build an advanced, results-oriented organizational

culture. The Company aims that individual objectives associated with the strategy are set for each employee, which they would pursue based on the values of the Company - professionalism, cooperation and progress.

The objectives must be measurable, specific, time-bound, achievable and motivating. An annual dialogue helps to assess how the objectives set for the employee have been achieved and to set new objectives, it forms a feedback culture between the manager and the subordinate. During the dialogue, the employees' competence development, learning, career opportunities and employee expectations are also discussed. All specialists and managers of the Company participate in the process of the annual dialogue.

The Company employees of worker category, with whom a personal annual dialogue is not organised because of the specifics of their work, are evaluated on the basis of the set performance indicators and receive feedback on a monthly basis.

### **Experience of LEAN implementation in the Company**

The Company continues to apply LEAN practices in its activities. In 2018, the training and application of LEAN methods was extended to the units that were not included in the first stage. The managers and specialists of the Company are trained to understand and visualize business processes, identify non-value activities, to identify activities that create added value for the customer and wastage in the process, daily reporting systems, indicator definition, problem-raising, and standardized problem-solving techniques. Together with the units that started to apply these practices in the first phase of application of LEAN practices, Amber Grid designed a four-level daily reporting system based on performance indicators across the Company and started applying a strategic planning LEAN method "Hoshin". In the next stage, the Company seeks to consolidate and deepen the application of selected LEAN practices in its activities, to start application of process equalization methodology "Heijunka".

The main goal of the application of LEAN practices in the Company is to involve the employees in the continuous development process of the organization, to develop an effective and motivating culture of organization and management system.

### **Employee health**

The Company promotes healthy lifestyle, sports activities and physical health care of its employees. Compulsory preventive health checks and preventive vaccinations of the employees are organized in the Company. In 2019, 172 health checks for the employees were carried out (in 2018 – 236 health checks). 72 employees were vaccinated against tick-borne encephalitis (in 2018 – 86 employees), and 122 employees were vaccinated against flu (in 2018 – 86 employees).

### **Sports activities and other initiatives**

In 2019, for the third time in a row, a health week was organized in the Company. It is aimed at bringing employees' attention to lifestyle and the most relevant health issues. A health week of 2019 was focused on encouraging the employees to lead an active lifestyle. Lectures and workshops were organized for this purpose. Additional blood tests paid by the employer as additional benefits for the

employees provided for in the collective agreement were also organised. 160 employees took advantage of this opportunity.

In 2019, the Company created favourable conditions for the employees to engage in sports – to play basketball, football or volleyball.

During team building events a lot of attention is paid to the sporting activities of the employees and the promotion of a healthy lifestyle.

## **ENVIRONMENTAL PROTECTION AND OCCUPATIONAL SAFETY**

The principles and commitments of “Amber Grid” related to Environmental Protection and Occupational Safety and Health are set out in the Description of Environmental and Occupational Safety and Health Policy.

The principles set out in the aforementioned description are aimed at minimizing as effectively as possible the negative impact of the Company's activities on the environment and ensuring the safety and health of the employees. The set principles of prevention, security, environmental sustainability are binding on all stakeholders and their groups participating in the process of “Amber Grid” activities.

### **Management system**

The environmental management system implemented since 2014, that complies with the international standard ISO 14001, and the occupational safety and health management system implemented since 2016, that complies with OHSAS 1800 standard, operate in the Company. The Environmental and Occupational Safety and Health Management System is integrated into all Amber Grid operational planning, organization and management processes.

In 2019, the management system of the Company was re-certified according to ISO 14001 standard, and certified according to the new occupational health and safety management system standard ISO 45001.

The new certification embedded that the environmental and occupational safety and health management set out by the Company standards ensures a continuous reduction of the environmental impact of the activities, of occupational safety and health risk, and implementation of the requirements applicable to the activities, which are established by international and Lithuanian legal acts, regulations and other normative documents.

The Company's management, taking into account the social and economic situation as well as the financial and technical capabilities of the company, is committed to ensure continuous improvement of environmental protection and occupational safety and health management processes, enhancement of efficiency of environmental protection and occupational safety and health, and to lead according to standards acceptable to the management process.

The Environmental and Occupational Safety and Health Management System, which is implemented in the Company, operates in a recurring process of "Planning-Implementation-Inspection-Analysis".

For the sake of successful management, it is clearly defined in the Company who is responsible for certain parts of the management process coordination and implementation. For efficient and timely implementation of management measures, the implementation of management measures is integrated into the annual objectives in the annual plans of the employees responsible for the implementation of certain measures. Taking into account the conditions of the changing economic, social and natural environment, changing external and internal factors that influence the Company's activities, the system processes are constantly monitored, reviewed and periodically adjusted. The management of influencing factors is directly related to the goals and objectives that are raised in terms of the implementation of the principles of the Company's environmental protection and occupational safety and health policy.

By improving the environment and working conditions, the Company constantly invests in new equipment, production process technologies, information management and other tools. Taking into account the identified environmental aspects and occupational risk factors arising from the Company's activities, only reliable measures that comply with quality standards, reduce environmental impact and ensure the safety and health of workers are applied.

Identification of occupational risk factors and their significance are assessed in accordance with generally accepted risk management methodologies and applicable international, Lithuanian legislation and internal legal acts of the Company, as well as taking into account changes in indicators of continuously increased efficiency, the Company's obligations to its stakeholders, duration, frequency, danger, consequences of impact, etc.

In 2019, the occupational risk assessment of all posts and jobs was commenced in the Company to assess the factors related to physics, also chemical, biological, ergonomic, physical, psychosocial factors. The occupational risk assessment will be completed in full in Q1 2020.

In ensuring social cooperation and partnership, all employees of the Company are constantly informed and educated on environmental protection, and occupational health and safety issues. To that end, different in their nature events are organized, information material is distributed, and internal training is organised.

In 2019, a "Safety Week" was organized for the second time for the employees of the Company. It is intended to draw employees' attention to the risks in the work environment and to the possibilities of avoiding their effect. To update and deepen the knowledge of the employees, training on the issues of occupational safety and labour law were organized.

#### Implementation of measures to ensure environmental protection and occupational safety

##### **Reconstruction (modernization)**

- ✓ As part of Amber Grid repair and investment programs of 2019, the Pipeline Division began, both by way of economics and contract, modernization/reconstruction of the sites of gas pipeline taps of branch of the main pipeline to Vievis gas distribution station LČ No 1-I and 1-II, of branch of the main pipeline to Elektrenai gas distribution station LČ No 1-I and 1-II, of branch of the main pipeline to Žiežmariai gas distribution station LČ No 1-I and 1-II, of branch

of the main pipeline to Kaišiadorys gas distribution station LČ No 1-I and 1-II, of branch of the main pipeline to Praviena gas distribution station LČ No 1-I and 1-II. Works will be completed in 2020.

- ✓ In 2019, the modernization/reconstruction of the sites of gas pipeline taps LČ No 16A; 17 and 19B of the main pipeline DN 720 to Kaliningrad Region was completed by way of contract.
- ✓ By way of contract, the over-ground crossings were replaced with an underground gas pipeline in the main pipeline Vilnius-Kaunas DN 720, in the main pipeline DN 530 to Kaliningrad Region, in the branch of the main pipeline to Alytus gas distribution station DN 400.
- ✓ By way of economics, the disconnection of a 5 kilometre-long section of the main pipeline Ivaceviciai – Vilnius – Riga was carried out by welding a spherical pipe plug and by installing a bypass line.
- ✓ By way of economics, the taps A-1; A-2; A-3 and Ž of a bypass line of a linear tap No 2 were replaced in the branch of the main pipeline to Marijampole gas distribution station DN 400.
- ✓ The disconnection and connection of the main pipeline Panevezys-Riga for works of reconstruction was carried out. Maintenance of “14 km” of reconstruction was carried out.

#### **Internal pipeline diagnostics and troubleshooting**

- ✓ Defects identified after the internal diagnostics of in the branch of the main pipeline to Alytus gas distribution station DN 400 were eliminated by welding 10 pcs of pipe inserts. This was done by way of contract.
- ✓ The internal piping diagnostics of the main pipeline Minsk-Vilnius-Vievis DN 1200 was carried out. Defects identified after the internal diagnostics were eliminated by installing on the pipeline piping two steel reinforcing sleeves. A crack across a metal wall in the pipeline piping was removed by welding a pipe insert. Works were carried out by way of contract.
- ✓ Before works of internal diagnostics, works of cleaning of the pipeline piping of lines I and II of the branch of the main pipeline to Jonava gas distribution station, of the main pipeline DN 720 to Kaliningrad Region and of looping to Jonava gas distribution station DN 820 were carried out. Works were carried out by the Pipeline Division by way of economics.
- ✓ In 2019, in Panevezys zone, by way of contract, repair of defects found after diagnostics was carried out in the main pipeline Panevezys-Siauliai, in the main pipeline Siauliai-Klaipėda in Mostaiciai marsh. Taps were replaced in the branch of the main pipeline to Utena gas distribution station LČ 1-I, 1-II, and in the branch to Raguva gas distribution station LČ 1-I, 1-II.
- ✓ 39 lesions were identified in the main pipeline Panevezys-Siauliai and in the main pipeline Siauliai-Klaipėda after receiving data following the internal diagnostics. The lesions were identified and their analyses were carried out, 9 pcs of problematic pipeline inserts were replaced. These works made it possible to operate the pipeline at maximum working pressure.

#### **Gas leaks and their elimination**

- ✓ Works of elimination of gas leaks found in 2018 were carried out. In the main gas pipeline Ivaseviciai-Vilnius-Riga, by way of economics, 5 pipe inserts were welded, 10 pipe inserts were welded by way of contract.

- ✓ In 2019, during the operation works of the main pipelines, 73 gas leaks were found, 69 gas leaks were eliminated.
- ✓ In 2019, works of dredging measurement and gas leak testing of the main pipeline DN 720 to Kaliningrad Region, of looping to Jonava gas distribution station DN 820, and of Vilnius-Kaunas underground pipelines were carried out by bypassing the main pipeline. During the bypass, 27 gas leaks were detected. By way of contract, gas leaks were eliminated by welding 24 pipe inserts. By way of economics, gas leak was eliminated in the main pipeline Vilnius-Kaunas DN 350 by welding a pipe insert. In the main pipeline gas leak in the looping to Jonava gas distribution station DN 820 was eliminated by way of economics by pinching the lesion site with a lead plate and by installing a composite reinforcement sleeve Milliken A+ Wrap.
- ✓ Defects identified after the internal diagnostics of the piping of the branch of the main pipeline to Marijampole gas distribution station were eliminated by way of contract by welding 17 pipe inserts, by way of economics 1 pipe insert was welded and lesions were localised by installing 11 composite sleeves Milliken A+ Wrap.
- ✓ Additional gas leak detection was organised in the main pipeline Ivaceviciai-Vilnius-Riga, 4 gas leaks were found. Consistent to the planned gas venting, problematic pipeline welds were removed. During the search for gas leaks in the main pipeline Panevezys-Vilnius, one gas leak was found, and was eliminated by way of economics.

#### **Checks of the main pipeline by walking, by driving**

- ✓ In 2019, checks by walking of the branch of the main pipeline to Vievis gas distribution station, of the branch to Zapyškis gas distribution station, of the branch to Pabradė gas distribution station, along with measurement of dredging and search of gas leak, were carried out. No gas leak was found during the checks by walking. Works of measurement of dredging of the underground pipeline of the main pipeline Minsk-Vilnius-Vievis DN 1200 and of checks for gas leaks were also started, by carrying out checks by walking of the route of the main pipeline.
- ✓ Vegetation was removed from a route of the main pipeline with an area of 21.3 ha, and in the marshy locations of the route of 3.06 ha.
- ✓ By way of contract, 150 pcs of new route marking columns were equipped.
- ✓ In Panevezys zone, 640 km of the main pipeline were checked by driving using Sherp.

#### **Operation of gas distribution stations**

- ✓ In 2019, the Division of Gas Distribution Stations by way of contract carried out repairs of Palanga building in Panevezys zone.
- ✓ By the way of economics, works of flushing of the heating system of Anykščiai gas distribution station, of Utena gas distribution station, of Klaipėda-2 gas distribution station, of Daugėliai gas distribution station, of Papilė gas distribution station, of Pajiešmeniai gas distribution station were carried out.
- ✓ In 2019, the Division of Gas Distribution Stations in Vilnius zone, by way of economics and contract, has replaced the unreliable Italian gas pressure regulators in Birštonas gas distribution station, Elektrėnai gas distribution station, carried out works of flushing of the heating system of Kaunas gas distribution station, of Paneriai gas distribution station, carried

out works of reconstruction of the user metering lines of Jonava gas distribution station V by installing ultrasound meters.

### **Other activities**

- ✓ 50 premises and 13 cars were managed and arranged applying the 5S standard. Application of 5S system allows to find objects faster, saves time and allows to keep order, the amount of tools and materials available is known.
- ✓ 87 standards have been developed, which allow to fill in the documents required for work faster and to make the work process more efficient.
- ✓ In 2019, a mobile gas compressor for pumping gas was used to pump gas 13 times or to reduce pressure in the pipeline. A total of 728,144 m<sup>3</sup> of gas was saved instead of releasing it into the atmosphere. In Panevezys, gas compressors worked 38 days, in Jauniūnai - 38 days.
- ✓ In 2019, 504 bends of the main pipeline piping were measured. No critical flattening was observed, the measured wall thickness values corresponded to design thicknesses or calculated values.
- ✓ In 2019, 1,082 faults were recorded, of which 917 were eliminated. Most faults are eliminated within 30 days. The recorded faults were analysed, and recommendations for prevention of the occurrence of tendentious faults were provided.

Since the Company cares about the health and life of the employees of the Company and those around them, in 2019, the Company acquired 4 automatic external defibrillators to rescue people with serious heart rhythm problems. The automatic external defibrillators are registered on Lithuanian map of defibrillators and can be used, if necessary, not only by the employees of the Company, but also by people who are present nearby and by ambulance specialists.

In November 2018, the Incident Prevention Committee was established in the Company to reduce risks in the work environment. The purpose of this Committee is to investigate the causes of unsafe workplaces and situations identified in the Company, to provide for and ensure the implementation of measures to eliminate or reduce risks.

### **MARKET, CUSTOMERS**

The exclusive rights to provide natural gas transmission services throughout the territory of the Republic of Lithuania are conferred to the Company.

By ensuring the country's strategic interests, the Company effectively develops the transmission system, reliably executes gas transmission. In seeking favourable conditions for the operation of the Baltic gas market in the integrated European gas network, the Company actively contributes to the development of an integrated European gas transmission system, and cooperates with the Baltic gas transmission system operators.

The transmission system operated by the Company is connected to the natural gas transmission systems of the Republic of Latvia, the Republic of Belarus and the Kaliningrad Region of the Russian Federation, Klaipėda LNG Terminal, the distribution systems of Lithuanian distribution system operators and the consumer systems directly connected to the transmission system.

## **Regional gas market**

In view of the fact that the implicit capacity allocation model, that was introduced in the Baltic States from 1 July 2017, has been favourably evaluated by market participants, from 1 July 2019 the companies Amber Grid, Conexus Baltic Grid AS (Latvia) and Elering AS (Estonia) started applying the implicit capacity allocation model not only on the day-ahead ordered products, but also on within-day traded gas and capacity products. From 1 January 2020, the implicit capacity allocation model was started to be applied in Finland too. Capacity allocation is linked to gas trade on natural gas exchange UAB GET Baltic. It is a transitional Baltic-Finnish gas integration facility in pursuit to increase the competitiveness of gas markets and to promote cross-border trade in gas.

The process of establishing a common regional market in the Baltic region is taking place in several stages. From 2020, the Latvian and Estonian gas markets were merged, and it is planned that Finland and Lithuania will join the single regional market from 2022. The purpose of the formation of a single regional market is that the Baltic and Finnish natural gas markets have to be merged to form a single balancing zone where cross-border transmission tariffs would be abolished, gas system balancing and transmission capacity allocation would be carried out jointly by all transmission system operators in the Baltic States, gas trading would take place at one virtual point of sale. This would improve access (it would become direct) of other countries in the region to alternative gas supply sources, would increase competitive pressure, and the efficiency of gas infrastructure utilization would increase in Lithuania. Also, natural gas prices in all Baltic States would be unified, a significantly increased single market trading area would become more attractive to international gas trading companies, and this would allow greater competition, decrease in gas prices and more attractive other gas supply conditions.

## **Market for guarantees of origin for green gas**

With the recent growing demand for gas from renewable energy sources (RES) or so-called green gas in Europe, this type of renewable energy is also finding its way in Lithuania. The development of green gas would bring Lithuania closer to the objective pursued to reduce impact on climate change and to become a country of green energy. The Company supports and contributes to the promotion of green energy development.

From 1 June 2019, the Company administers the National Register of Guarantees of Origin for gas produced from RES, i. e. performs the functions of issuing, transferring and cancelling guarantees of origin, supervision and control of the use of guarantees of origin and recognition of guarantees of origin issued in other states in Lithuania.

The system of guarantees of origin allows the origin of the raw gas produced to be identified, registered and monitored, and the consumers of this energy can be guaranteed that the gas they use is produced using renewable energy sources. This system is useful for companies that wish to use in their activities environmentally friendly fuel produced in Lithuania or another Member State of the European Union.

In creating conditions for the development of green gas in Lithuania, in September the Company joined the international association that develops the European system of cross-border exchange guarantees for origin for green gas - ERGaR (European Renewable Gas Registry). The Company also participates in the EU-funded project "Regatrace" that is intended to develop a European trading system of guarantees of origin for biomethane and other renewable gas, and to promote the development of their production and market

### **Customers**

The customers of the Company include large electricity, district heating production, industrial companies and medium-sized Lithuanian business companies, natural gas supply companies, natural gas distribution system operators, which are provided with natural gas transmission services. In 2019, the Company has entered into contracts with 105 system users (in 2018 - with 103 system users).

### **RELATIONS WITH THE PUBLIC: SUPPORT**

In order to ensure the purposefulness, publicity of support provided and transparency of the awarding process, by the decision of 22 August 2017 the Board of Amber Grid approved the Company's Rules of the Procedure for the Provision of Support, which were prepared in accordance with the objectives of the Company's performance strategy for 2017–2022 and the principles of support policy of UAB EPSO-G group of companies.

#### **Directions of support**

It is stated in the regulations of the said procedure that the Company may influence the quality of life of the communities or their environment by implementing the development envisaged in the strategy and the projects that are economically important for the state. For this reason, the Company is entitled to support from its profit the needs of the local regions and / or communities in which these projects are carried out, education, culture, sports, social services, health care or other areas of community welfare. The company may also provide support to individuals who study in the programmes of the courses that are related to their direct activities. Amber Grid encourages voluntary unpaid engagement of the employees in activities of realization of objectives that are important to the public or the local community, and, taking this into account, may allocate support.

In providing support, the Company is guided by the following principles: compliance with operational objectives, transparency and impartiality, equality as well as coordination of confidentiality and publicity.

The Company does not grant support for the funding of political parties or political campaigns, to cover the debt obligations of the participants of political campaigns that occurred during the period of political campaigns, or those that are related to political campaigns, for charity and support funds set up by politicians or by people close to politicians, for legal entities that have improperly implemented or have breached a contract for support previously concluded with any company of UAB "EPSO-G" group of companies (or with other donor and this is known), as well as for activities that promote or relate to games of chance or gambling of this nature, alcoholic beverages, smoking

or other intoxicating substances, and for other activities which have or may have a negative impact on the public.

The profit share allocated by the Company for support is determined annually at the ordinary General Meeting of Shareholders, by making a reserve for this amount, taking into account the profit achieved of the reporting years and the projects being implemented. The profit share allocated for support may not account for more than 1% of net profit for the financial year, in any case not exceeding 50 thousand of euros. The Rules of the procedure for granting support are published on the Company's website [https://www.ambergrid.lt/lt/apie\\_mus/imones-socialines-atsakomybes-politika/parama-ir-ios-teikimo-tvarka](https://www.ambergrid.lt/lt/apie_mus/imones-socialines-atsakomybes-politika/parama-ir-ios-teikimo-tvarka).

No support was granted to any parties in 2019.

## **SOCIAL INITIATIVES**

### **Project “Culture of Dialogue and Cooperation”**

In 2018, Amber Grid initiated and in 2019 continues a long-term 50 of meetings with communities in the municipalities in whose territories the pipeline will be built. In 2019, 50 meetings were held.

As Lithuania implements the gas interconnection project GIPL of EU significance, that will connect Lithuania with Western Europe through Poland, Amber Grid is getting ready for the start of the pipeline construction.

The total of 165 km of the pipeline will be built through Lithuania from Širvintos district to Lazdijai. The works of the project will be directly relevant to a bigger number of owners in Lithuania than in Poland, and indirectly the project will affect the residents of 9 municipalities. For this reason, in 2018 Amber Grid started implementing the project of introducing the GIPL gas interconnection project between Lithuania and Poland to local communities called “Culture of Dialogue and cooperation”. During the meetings, the GIPL project is presented, its importance, objectives, and benefits are emphasized. In forming a culture of dialogue, well-known public figures are invoked for the meetings with the local community, who discuss on topics that raise people's curiosity and critical attitudes to various social phenomena.

The representatives of Amber Grid also plan to organise meetings with the communities in whose territories works of construction of the pipeline will take place at the beginning of 2020, and to continue them throughout the period of the pipeline construction. The purpose of such meetings is to engage in dialogue with the audience through an open conversation not only about the project, but also about simple things – relationship, meaningful activities and values.

Through the project “Culture of dialogue and cooperation” we aim to provide the residents with information on the importance, course and progress of the GIPL project that is being implemented in their neighbourhood, and to educate the public, to form the image of reliable, transparent, socially responsible company, to foster a culture of responsibility, rational creativity and dialogue, and to

build long-term relationship with the communities in whose environment the Company pursues its activities.

### **Education**

In 2019, the State Labour Inspectorate (hereinafter – the SLI) celebrated the 100th anniversary. On that occasion, a project "I Will Work Safely!" was organised. The purpose of the project is to conduct lessons, together with the representatives of different companies, for the 5th and 6th grade pupils of 100 Lithuanian schools about dangers and risks encountered in doing various works, and to tell about protective equipment that protect workers from these dangers. The employees of the Company, together with the representatives of the SLI, conducted lessons for the pupils of Miežiškiai Lower Secondary School of Panevezys district, of Pasvalys Svalia Progymnasium, and of Pumpenai Gymnasium of Pasvalys district. During the safety lesson, the pupils were told about gas, what are the dangers when working with gas, personal protective equipment was demonstrated, and the pupils were eager to try it.

In October 2019, the employees of the Company conducted an educational excursion for the pre-school pupils of Spindulys Progymnasium. The children became aware of the safety rules to be observed when using gas, they learned about a special odour used to odourise gas and why it is needed. The children enjoyed trying on the outfit worn by the employees of the Company when performing works of repair of the pipeline. They were impressed with the visit to a dispatcher unit of the Company.

### **Environmental management action**

Already for the sixth time the employees of the Company, together with their close relatives, participated in a voluntary public action "Darom". In 2019, 99 employees, together with their family members, participated in this action (in 2018 – 90 participants). In 2019, the Company received acknowledgement of the organisers of the action for the participation in the action "Darom".

### **"Day of the Blood Donor"**

Blood donation actions are constantly organised in the Company. This year, 50 employees of Amber Grid participated in the civic action "Day of the Blood Donor". They have contributed to saving the health and life of the sick ones.

25 litres of blood were donated. The National Blood Centre expressed acknowledgement to "Amber Grid" for its active participation and the dissemination of free blood donation ideas.

### **Charity auction**

During the summer feast of the employees, a **charity auction** was held. We have allotted the funds collected to the Childhood Cancer Fund **Rugutė** that supports children with oncological diseases.

### **Favourable wind mill action**

In contributing to the provision of support for the Fund Rugutė, that supports children with oncological diseases, 10 employees of Amber Grid participated in a volunteering action during which they stained favourable wind mills. All funds from sale of the mills were allotted for the Charity and Support Fund Rugutė.

### **Career Days**

Amber Grid contributed to the Career Day for Senior Class Students which is organised every year at Vilnius Gediminas Technical University Lyceum of Engineering. The employees of the Company visited the Lyceum and presented the activities of the Company, and introduced the profession of gasman to the pupils, presented the Company's activities and introduced the profession of gasman to the students - what knowledge and education are required in pursuing the activities of gas transfer.

### **Project “Children’s dreams”**

The employees of the Company joined the project “Children’s dreams” and made the greatest desires of children growing in difficult conditions to come true. In realizing the Christmas dreams of children, various toys, clothes, footwear, and other things were donated.

### **Christmas Charity Fair**

The employees of Amber Grid traditionally invite the youth of Lithuanian Special Society of Creative Works “Guboja”. Creative disabled artists organise a handicraft exhibition for the employees of the Company before the holidays and offer them to buy their handiwork. The charity fair is held in the lobby of the Company's headquarters. Therefore, the employees of Amber Grid “infested” the colleagues from other companies, that are located in the building of offices – they are also happy to buy souvenirs and personally contribute to support for the society.

### **Volunteering at the Food Bank**

Several times a year, the employees of Amber Grid devote all day to volunteering in a warehouse of the organisation Food Bank organization, that is located in Naujamiestis (Vilnius). The colleagues sort vegetables, select bread products, work in a cold store where they sort dairy products, meat, fish and other perishable foods. The team of Amber Grid sorts 2 to 3 tons of food products per day in Food Bank. On the same day, these products are handed over to 800 beneficiaries through social organisations.