

An aerial photograph of a vast green field, possibly a vineyard or agricultural field, with several power lines and pylons running across it. The field is divided into rows, and the power lines are supported by wooden pylons. The overall scene is bright and green, suggesting a focus on sustainability and nature.

EPSOG

SUSTAINABILITY REPORT 2021

WWW.EPSOG.LT

WE STAND WITH UKRAINE

МИ З ВАМИ УКРАЇНА

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In pursuit of complete energy independence from Russian gas, in response to Russia's energy blackmail in Europe and the war in Ukraine, Lithuania has stopped using Russian gas: the Lithuanian gas transmission system since the beginning of April 2022 has been operating without the import of Russian gas.

This is confirmed by the data provided by the national gas transmission network operator "Amber Grid", which is a part of the EPSO-G group. This data shows that on the 2nd of April, 2022 the import of Russian gas for Lithuania's needs through the Lithuania-Belarus connection was equal to 0 MWh.

The entire gas demand of Lithuania is met through the Klaipėda liquefied natural gas terminal.

On the 22nd of May, 2022 electricity exchange operator Nord Pool stopped the trading of Russian electricity by Inter RAO group, which was the only one importing electricity from Russia to the Baltic countries.

To this day, Russian electricity is no longer imported to Lithuania, and the main flows of electricity imported to Lithuania come from Sweden, Poland and Latvia.

STATEMENT OF THE ACTING CEO



Dear all,

In previous years, the board of EPSO-G approved a long-term strategy, which will be implemented by 2030. It envisages a significant role for the group's companies in ensuring a smooth transition to a climate-neutral energy system.

The new strategy became the basis for a more systematic approach to sustainability in the EPSO-G group: the main directions of sustainability, long-term goals, and more active integration of sustainability principles into the daily activities and processes were foreseen.

We raised sustainability to a strategic level - EPSO-G not only approved group-wide policies for sustainability, equal opportunities, environmental protection, occupational health and safety, but also set a long-term goal - to reduce the environmental impacts of activities of group companies by more than half by the year of 2030.

The year 2021 was productive for the EPSO-G group not only financially, but also in non-financial terms.

To enable the transition to climate-neutral energy, last year we connected about 217 MW of new renewable energy production sources to the electricity transmission networks. In the field of natural gas transmission, the system of guarantees of origin of green gas has started to operate. A study on the use and development of hydrogen was also started last year and has been completed this year. This study will be the base on which the future of this new type of energy in our country will be determined.

To intensify the reduction of our environmental impacts, we took new initiatives at the group level. We started the electrification of the group companies' fleet, the transition to green energy use in administrative activities, as well as the development of clean energy production capacities for our own needs.

There are many sustainable achievements in the social field as well. Occupational health and safety remain a priority for us as a group of energy companies. By actively carrying out preventive and educational actions, we achieved that neither our companies nor contractors' companies had a single fatal or serious accident. Last year, we also paid a lot of attention to the professional development of employees, raising their competencies, and taking care of their physical and emotional health.

Customer satisfaction is an extremely important indicator of the quality of our company's activities. I am pleased that last year we received extremely high results from our first customer satisfaction survey. These results are the quality bar of our company's activities, which we will constantly strive to raise, both by improving existing and offering new services.

EPSO-G group aims to implement the transformation of the energy sector by ensuring a harmonious balance between environmental, social and economic goals. High-reliability indicators of transmission networks, strong anti-corruption organizational culture, and transparent relations with suppliers and other stakeholders allowed us to achieve good financial results and significantly exceed the return indicators set by the Lithuanian government.

In the coming years, EPSO-G group will continue to increase the maturity of sustainability governance. We will not only measure and reduce the impact of our activities on the environment, disclose the risks and opportunities related to climate change in accordance with international good practice, but also create an advanced organization in which the principles of sustainability are an integral part of daily activities.

Algirdas Juozaponis
Acting CEO of EPSO-G

SUSTAINABILITY ACHIEVEMENTS IN 2021



-12%

Reduced GHG emissions in our operations (compared to 2019 base year level)



**1,45
MW**

New green energy production capacities for own needs have been installed



**217
MW**

New renewable energy production capacities have been connected to the electricity transmission network



0

Serious and fatal accidents in activities, as well as cases of discrimination and corruption



15,6%

EPSO-G" group's normalized return on equity (ROE) in 2021



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1. OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY IN EPSO-G GROUP

OUR APPROACH

EPSO-G has a key role in ensuring a smooth and reliable transition within the Lithuanian energy system through integrating high volumes of renewable energy sources, enabling decarbonization of the sector, initiating system interconnection projects and facilitating climate-neutral energy exchanges.

For EPSO-G, sustainability means transforming the energy sector in a balanced manner between environmental, social, and economic goals, thus empowering the establishment of a climate-neutral economy. EPSO-G is taking responsibility for coming generations by contributing to sustainable development and engaging all stakeholders environmentally, socially, and economically.

EPSO-G strives for the principles of sustainability to be integrated into the activities and processes of all group companies. As the owner of strategically important energy infrastructure, EPSO-G aims to contribute to the implementation of the obligations related to climate change and environmental protection defined in the Paris Agreement, the European Green Deal, the National Energy Independence Strategy and the National Climate Change Management Agenda.

EPSO-G also aims to contribute directly to the United Nations Sustainable Development Goals by focusing on ensuring access to affordable clean and modern energy, combating climate change, developing modern infrastructure and innovation, creating of safe and decent working conditions, worker well-being, and a sustainable supply chain.

EPSO-G has set three long-term directions in the areas of environment, social and economic performance in respect to relevant SDGs.

SUSTAINABILITY DIRECTIONS



Environment

Enable a climate-neutral energy transition, reduce the impact of our activities



Social

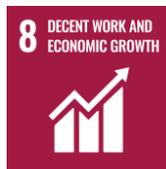
Create a progressive and sustainable organization



Governance

Transparent, efficient management and development of the energy exchange platform

RELEVANT SUSTAINABLE DEVELOPMENT GOALS:



EPSO-G contributes to each of the United Nations Sustainable Development Goals by the following actions:

Goal 7. Affordable and clean energy:

- We aim to facilitate the connection of renewable energy producers to electricity and natural gas transmission infrastructure
- We develop a system for the exchange of green gas guarantees of origin and maintain a system for green electricity guarantees of origin
- We aim to adapt gas transmission systems for hydrogen transport

Goal 8. Decent work and economic growth:

- We take a proactive approach to occupational safety and health
- We create an organizational culture based on respect for human rights
- We invest in the professional and personal development of our employees
- We ensure clear and transparent principles of remuneration for employees
- We support voluntary trade union membership of employees

Goal 9. Industry, innovation and infrastructure:

- We ensure reliable and safe operation of electricity and gas transmission systems
- We aim to adapt corporate structures and incentive systems to foster innovation

Goal 12. Responsible consumption and production:

- We aim to apply to our business partners not only qualitative but also fairness and sustainability criteria
- We ensure responsible sorting and management of waste generated in the operations of companies
- We conduct public procurement in observance of green criteria

Goal 13. Climate action:

- We assess the environmental impacts of our activities and develop plans to mitigate these impacts
- We implement advanced environmental management systems and prevention measures
- We aim to increase the use of green energy in our operations

MATERIALITY ANALYSIS

In 2022 EPSO-G completed a materiality analysis of all topics relevant to the companies' activities and stakeholders. 645 respondents took part in the survey, including company employees, suppliers, customers, business partners, local communities, associations, trade unions, the Ministry of Energy, managers, and board members.

In the sustainability policy, which was approved by the EPSO-G Board in 2021, is stated that the group will have to undertake a regular, but at least biennial, review of the environmental, social and economic topics for sustainability through a materiality assessment, ensuring the involvement of stakeholders.

EPSOG SUSTAINABILITY MATERIALITY MATRIX



LONG-TERM SUSTAINABILITY GOALS

The main sustainability goals of EPSO-G have been determined after assessing the environmental, social and economic impacts of the group's companies, as well as the actions envisaged in the group's long-term strategy, which will help ensure the transformation of the energy sector and the transition to the climate-neutral energy system.



**ENABLE A CLIMATE-NEUTRAL ENERGY TRANSITION,
REDUCE THE IMPACT OF OUR ACTIVITIES**



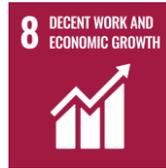
**CREATE A PROGRESSIVE AND
SUSTAINABLE ORGANIZATION**



**TRANSPARENT, EFFICIENT MANAGEMENT AND
DEVELOPMENT OF THE ENERGY EXCHANGE PLATFORM**



- Environmental impacts (including GHG emissions) reduced by 2/3 by 2030 (compared to 2019)
- 0 significant environmental incidents in own operations
- Gas transmission systems adapted to transport hydrogen
- Favourable conditions for connecting green energy producers to the energy infrastructure



- 0 cases of human rights violations or discrimination
- 0 serious or fatal accidents
- Customer satisfaction - at least 70%
- No less than 70% of workers, producers, suppliers, and consumers consider the EPSO-G group to be an open, innovative and sustainable organization



- 0 cases of corruption
- Good governance index – A+
- 100% of public procurement – green
- Reliable and safe operation of electricity and gas transmission systems
- Sustainability criteria integrated into the requirements for contractors
- Company structures and motivation systems are adapted to promote innovation



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2. ENVIRONMENTAL SUSTAINABILITY

ENVIRONMENTAL SUSTAINABILITY

OUR APPROACH

In the field of environment, the EPSO-G group pursues the main goal of enabling climate-neutral energy and also reducing the environmental impacts and greenhouse gas emissions arising from the activities of the group's companies. In the environmental policy approved by the EPSO-G board in 2021, the group undertook to monitor the environmental impact of its activities, to implement modern technologies and measures that would reduce significant environmental impact on the environment. When operating, expanding or modernizing the infrastructure of energy systems, the companies of the group undertook to ensure the protection of biological diversity, and to implement environmental management systems (ISO 14001, etc.) in their activities, to ensure compliance of these systems with the requirements.

All EPSO-G group companies have the goal of zero tolerance for environmental pollution and 0 environmental incidents. "EPSO-G" group also seeks to oblige contractors and other business partners to take responsibility for the impact of their activities on the environment and strive to reduce it. EPSO-G companies also adhere to the precautionary principle - following the requirements of the law, they carry out environmental impact assessment procedures before starting to implement projects that may have a significant impact on the environment, biodiversity or society.

The managers of the EPSO-G group companies and the functional curators of the environmental protection function are responsible for the implementation of the environmental policy. They ensure that environmental aspects are identified promptly, environmental goals are set, plans are prepared, tasks are formulated to improve the state of the environment, and sufficient resources are allocated for their implementation. The implementation of the policy is periodically monitored, processes are audited, technologies used and work methods are audited.

In 2021, no violations of environmental laws were recorded in the group, and no fines were imposed. Also, during the reporting year, there were no significant environmental incidents that occurred due to the fault of the company's employees or contractors.

	 Number of inspections of employees regarding compliance with environmental requirements in 2021 were carried out	 Number of inconsistencies were identified for non-compliance with environmental requirements in 2021
In EPSO-G group companies	225	35
In companies of contractors and subcontractors	49	25

REDUCTION OF ENVIRONMENTAL IMPACTS AND GHG EMISSIONS

In 2021, EPSO-G group companies performed a GHG inventory, following the international GHG Protocol methodology. During the inventory, direct (first level) and indirect (second level) greenhouse gas emissions resulting from the activities of the group companies and the resulting impacts were assessed. Second level (Scope 2) emissions are calculated according to the market-based approach.

The company "Energy cells" did not participate in the GHG inventory, as it had not started full-scale operations in 2021.

The base (reference) year from which the group plans to reduce environmental impacts, including GHG emissions, is set to 2019 - this is the year in which none of the group's companies were affected by the activity restrictions caused by COVID-19, which also affected the activities of some of the group's companies.

In 2021, EPSO-G group companies consistently reduced environmental impacts and GHG emissions. The amount of natural gas released into the environment in a controlled way decreased significantly. This was mostly influenced by the use of a modern mobile gas compressor, which helps to significantly reduce natural gas emissions during pipeline repairs or reconstructions. In the operation of the electricity transmission network, electricity losses in the network also decreased due to more optimal network management solutions.

By the end of 2022, the companies of the EPSO-G group will prepare plans to reduce environmental impacts, including GHG emissions, which will be implemented by 2030.

EPSO-G Group has reduced GHG emissions by 12% compared to the 2019 level



GHG EMISSIONS OF EPSO-G GROUP BY SIGNIFICANT EMISSION SOURCES*:

Source and level of emissions	2019	2020	2021	2030 goal
Scope 1, tCO2e	69453	63830	61092	
Controlled release of natural gas into the environment during operations or repairs	46284	44807	39063	
Uncontrolled natural gas leaks	11790	11790	12309	
Transport	2371	2311	2721	
Combustion of fuel in stationary equipment	8514	4781	6573	
SF6 gas leaks into the environment	494	141	426	
Scope 2, tCO2e	222868	202130	196280	
Grid losses in the transmission network	205635	185015	176352	
Electricity consumption	17233	17115	19928	
Scope 1 ir 2 emissions, tCO2e	292351	266004	257446	99399
Change compared to the base year, %	(base year)	-10%	-12%	-66%
GHG intensity (amount of emissions per unit of group income tCO2e / million euros)	1164	985	711	-

*GHG inventory data has not been verified by an independent evaluator.

CONSERVATION OF BIODIVERSITY AND ECOSYSTEMS

EPSO-G group companies that operate, expand or modernize the infrastructure of energy systems are committed to ensuring the protection of biological diversity: if necessary, to monitor biological diversity, and in the event of unavoidable objective circumstances, to foresee and implement the necessary measures to reduce or compensate for the impact.

The operator of the electricity transmission system continued to apply bird protection measures in managed infrastructure objects. This is aimed at reducing the death of migratory birds, and improving their breeding conditions by monitoring cases of bird deaths near the high-voltage electricity transmission network and reacting accordingly. 110 kV voltage overhead-lines supports were equipped with special bird protection – fork-type devices that prevent birds from landing above the insulators, as well as replacing the upper insulators in the garlands with larger diameter ones. These measures reduce the possibility of short-circuiting when perching large birds (white storks) and thus reduce their death.

During the migration of the birds, both Litgrid and Amber Grid companies take measures to minimize disruption during operational or construction work. On the recommendation of ornithologists, due to the disturbance of birds during their transition from May 1 to July 31. the execution of works is limited, this is responsibly assessed even before the project execution schedules are drawn up.

No significant negative impact on any protected animal, bird, or plant species was recorded in 2021.

SUSTAINABLE AND EFFICIENT USE OF RESOURCES

EPSO-G group companies strive to create an organizational culture based on the philosophy of preserving nature and other natural resources.

In the group's environmental policy, EPSO-G companies are committed to using certified green electricity in their administrative activities, expanding the use of RES to meet the technological energy needs of the transmission network infrastructure, prioritizing and expanding the use of clean transport, consistently reducing the use of polluting fuels and measures that increase energy efficiency.

In 2021, EPSO-G started a project for the electrification of electric cars used in administrative activities - a public procurement has been launched, during which the aim will be to rent electric cars or hybrid passenger cars, which will help to significantly reduce transport pollution.

Gas transmission system operator Amber Grid has installed a 450 kilowatt (kW) solar power plant and started producing green electricity for the gas grid. In total, by the end of 2021, Amber Grid has installed almost 1.5 megawatts (MW) of its own solar power plants on the territory of the company, which, it is calculated, should help save about 50% on company expenses for electricity.

	2021
Electricity consumed (at the level of the whole EPSO-G group)	354668 MWh
Heat energy used (at the level of the entire EPSO-G group)	368 MWh
Energy intensity (at the level of the entire EPSO-G group)	0,97 kWh / EUR
Installed power of solar power plants	1,45 MW
Electricity produced by solar power plants the amount of energy for the technological needs of the transmission network	70,1 MWh



In 2021, the Amber Grid company installed a 1.45 MW solar power plant



The new power plant produced about 70.1 MWh of green energy for the company's needs



The solar power plant Amber Grid helped to save about 50% of electricity costs

WASTE REDUCTION, RESPONSIBLE SORTING AND DISPOSAL

In carrying out their activities, the companies of the EPSO-G group are guided by the principles of pollution prevention and aim to reduce the amount of waste generated in their activities, to ensure their safe and responsible handling.

The largest amounts of waste are generated in the construction, reconstruction or repair activities of energy transmission networks, which are implemented by the group companies Amber Grid and Litgrid. Significant quantities of hazardous and non-hazardous waste are also handled by the company Tetas, which performs repair and construction works at energy facilities in the country.

In comparison, the activities of other companies of the group generate an insignificant amount of municipal waste, which is not separately accounted for, so it cannot be inventoried. In administrative activities, the companies of the group sort household, glass, paper and plastic waste - for this, most of the offices have special bins for sorting. Group companies enter into contracts with specialized companies for the safe management and utilization of waste generated in production activities.

Amounts of waste generated in the group's companies in 2021:

	Hazardous waste	Non-hazardous waste	Paper, glass, plastic
Amber Grid	38,64 t	36,54 t	3,05 t
Litgrid	175,25 t	2629,31 t	n.d.
Tetas	329,15 t	1047,57 t	11,30

FAVORABLE CONDITIONS FOR THE GROWTH OF RES

Dialogue with the market regarding the availability of the necessary infrastructure for the development of biogas production. In order to connect biogas plants to the Lithuanian gas transmission system, it may be necessary to build an additional section of the gas pipeline from the network to the production facility. Business representatives intending to develop biomethane production must also take care of a plot of land and obtain the consent of residents to build a new energy production facility, as well as install their own infrastructure on all plots of land between the biomethane plant and the gas transmission system. In order to find out as many aspects of the biogas market and operations as possible and to improve the conditions for biomethane producers to connect to the transmission network, Amber Grid conducted a market survey in 2021.

In June, 2021 Amber Grid interviewed Lithuanian renewable resources (biomethane) market participants to find out the current situation in the renewable resources market and identify areas for improvement so that this market could develop faster and easier in Lithuania. Amber Grid has issued connection conditions for 8 persons (total annual capacity ~0.7 TWh or 2-3 percent of the total amount of gas consumed in Lithuania per year). According to the results of the survey, 5 market participants plan to conclude a connection agreement in 2021. III quarter - in 2022 III quarter. The planned introduction of green gas into the gas transmission system is in 2022. IV quarter - in 2023 II quarter

Favorable conditions for RES integration into the electricity transmission network. The operator of the electricity transmission system, Litgrid, has set itself the goal of ensuring 0 cases every year when the supply of electricity produced by RES to transmission networks is restricted due to violations of legal acts or the conditions specified in connection contracts. In 2021, this Litgrid indicator reached 0 cases.

In 2021, Litgrid received 32 applications from RES producers for the issuance of conditions for connection to the transmission network. The production capacity of renewable energy resources with a total capacity of 217 MW is connected to the transmission network.

ADAPTATION OF ENERGY SYSTEMS FOR DECARBONIZATION

Taking into account the goals of the National Energy Independence Strategy and the National Energy and Climate Action Plan, it is relevant for the EPSO-G group to focus on enabling the decarbonization of the energy sector - preparing for large-scale renewable energy integration, including adapting the gas system for hydrogen transportation, preparing to integrate significant amounts of offshore wind, develop systems of guarantees of origin.

For this purpose, EPSO-G, together with the operator of the natural gas transmission system, Amber Grid, started preparing guidelines for the development of national hydrogen technology in Lithuania. After a detailed analysis, independent foreign experts, working together with Lithuanian institutions and companies, will present possible solutions for the value chain of the hydrogen sector. The experts will have to perform an analysis of the potential for the development of hydrogen production and utilization in Lithuania, covering the hydrogen value chain from production possibilities in Lithuania, storage of the new energy carrier, its import and export, promotion of investments in the development of hydrogen to the adaptation of infrastructure to hydrogen.



In 2021, renewable energy resources with a total capacity of 217 MW were connected to the electricity transmission network.



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3. SOCIAL SUSTAINABILITY

SOCIAL SUSTAINABILITY

OUR APPROACH

The aim of EPSO-G in the social field is to create an advanced organizational culture that adheres to the principles of sustainability. The elements of this culture are inseparable: caring for employees' well-being, their development, safe work culture, fostering equal opportunities, creating open and mutual trust-based relations with local communities, and ensuring customer satisfaction with the services provided by the group companies. EPSO-G aims to become an organization that the majority of suppliers, producers, consumers, employees, communities, and representatives of other interested parties would consider as an organization that adheres to the principles of sustainability.

Distribution of employees working in the EPSO-G group by company, 2021 December 31

	2021 12 31	2020 12 31
EPSO-G group	1278	1081
EPSO-G (patron company)	74	32
Amber Grid	324	319
Litgrid	335	308
Tetas	498	395
Baltpool	19	18
Get Baltic	8	9
Energy cells	20	-

Distribution of employees working in the EPSO-G group by gender and type of employment contract, 2021 December 31.

	Men	Women
All workers	1063 (80%)	259 (20%)
Full-time employees	1016 (77%)	249 (19%)
Part-time employees	47 (3,6%)	10 (0,8%)
Employees working under an open-ended contract	1021 (77 %)	239 (18 %)
Employees working under a fixed-term contract	51 (3.9 %)	11 (0.8 %)
Working migrants	9 (0.7 %)	0 (0%)
Employees with disabilities	4 (0.3%)	3 (0.2%)

ENSURING HUMAN RIGHTS AND EQUAL OPPORTUNITIES FOR EMPLOYEES

The EPSO-G group aims to actively contribute to the implementation of the goals related to human rights and equal opportunities set out in the United Nations Sustainable Development Agenda until 2030 and the obligations defined in national laws to ensure equal opportunities.

Any form of discrimination is prohibited in EPSO-G group companies, and any form of mobbing, psychological violence, bullying or abuse of position is not tolerated. Group companies respect and protect the rights of each employee, treat them with respect and fairness, create safe working conditions that meet their needs, promote the personal and professional development of employees, and do not discriminate against employees in any form.

In 2021, the group's equal opportunities policy approved by the EPSO-G board defines the most important principles that are applied in the group's companies in order to ensure that the principles of equal opportunities and non-discrimination are observed in all areas of labor relations. The implementation of the equal opportunities policy in each company of the EPSO-G group is the responsibility of their managers.

Possible violations of the principles of this policy in EPSO-G group companies can be reported via the trust line by e-mail to pranesk@epsog.lt, using the notification submission form available on the website www.epsog.lt, or by sending the information to the address of the registered office (correspondence) of EPSO-G. The working principles of the hotline and information on the protection of whistle-blowers are provided in the EPSO-G Group's corruption prevention policy.

Distribution of employees by gender and positions in 2021. December 31

		
Position	Men	Women
Board members	19 (76%)	6 (24%)
C-level management	21 (81%)	5 (19%)
Mid-level management	85 (63%)	50 (37%)
Specialists	779 (95%)	40 (5%)
Administration workers	18 (21%)	65 (79%)

ENSURING PROFESSIONAL DEVELOPMENT FOR EMPLOYEES

EPSO-G group constantly encourages employees to improve and raise their qualifications and creates opportunities for this goal to be achieved. The aim is to develop professional (functional) and general (based on values) competencies of employees. While maintaining and strengthening the quality of management processes, great attention is paid to the development of managerial competencies.

The training of employees in the EPSO-G group takes place on the 70-20-10 principle, according to which 70% of education, development, and learning activities take place during the employee's work experience, 20% - from communication and cooperation with colleagues and managers with various experiences and competences, 10% - from training events.

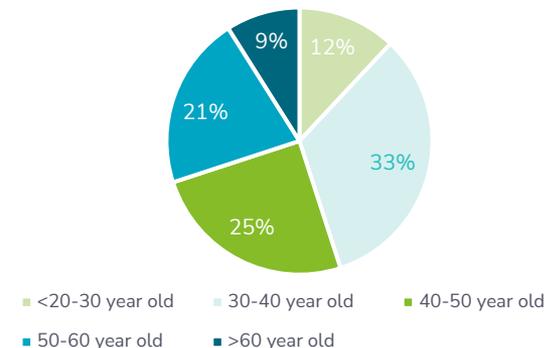
Employee training actions are planned on the principle of interface with EPSO-G group and specific company strategy, values, performance evaluation, competency model, shift planning, and professional and technical qualification evaluation.

Statistics of external and internal training conducted in the company, December 31, 2021.

	2021	2020
Average number of training hours per year per EPSO-G employee	28	n.d.
Number of external trainings attended by employees of the EPSO-G group	90	n.d.
Number of in-house trainings attended by EPSO-G group employees	7	n.d.

In the EPSO-G group, the performance of employees is evaluated according to different aspects and with different periodicity, depending on the nature of the employee's activity and responsibilities. Annual performance evaluation, which takes place once a year, during which the employee and the manager discuss and evaluate the achievement of the employee's annual goals and competencies, the manager determines the overall result of the employee's performance evaluation. Project performance evaluation, during which the results achieved by the employees during the implemented projects or their stages are evaluated, based on the established indicators. Quarterly performance evaluation, during which the compliance of the performance results achieved by the employees with the established criteria is evaluated during the quarter. All employees of the EPSO-G group of companies underwent a performance and career evaluation at least once a year.

Distribution of employees of the EPSO-G group of companies by age on 31 December 2021.



EMPLOYEE WELL-BEING AND JOB SATISFACTION

The EPSO-G group seeks to create an open, advanced, sustainable development-oriented organization where professional partnership relations between the employer and employees prevail, each employee has opportunities for self-realization, grows together with the organization and is able to take responsibility for their decisions and actions. By operating efficiently and ensuring optimal operating costs, the EPSO-G group responsibly manages the salary budget. Employees are paid a performance-based salary, as well as incentives for achieving challenging goals. The group also provides employees with additional benefits related to health care and social welfare.

An equal remuneration policy based on the principles of responsibility and accountability has been implemented and operates in the companies of the EPSO-G group. Its purpose is to effectively manage the group's wage costs and create motivational incentives, with the goal that the amount of the reward depends directly on the achievement of the goals set for the company and each employee.

This means that the evaluation of the employee's performance is taken into account when determining remuneration. Therefore, the remuneration of EPSO-G managers and employees consists of two parts - fixed and variable. The fixed part depends on the level of responsibility of the position, which is determined according to the methodology used in international practice. The variable part of the remuneration is paid when the individual goals set during the annual evaluation are achieved, and the company reports to the shareholder and the board for the achievement of the company's annual goals. In accordance with international good governance practice, EPSO-G's remuneration policy is approved or changed by the Board only after the Remuneration and Nomination Committee, with a majority of independent members, has made its recommendations.

The same remuneration policy principles are applied in all group companies:

- The principles of the remuneration policy are the same for all employees (including managers).
- The remuneration fund is approved by the company boards. The Remuneration and Nomination Committee monitors the balance between control of payroll costs and incentives for employees performing their duties appropriately.
- The remuneration of EPSO-G managers and employees consists of two parts: fixed and variable.
- The permanent part depends on the level of responsibility of the position. It is determined according to the methodology recognized and widely used in international practice.
- The variable part of the remuneration is paid when the individual goals set during the annual evaluation are achieved, and the company reports to the board for the achievement of the company's annual goals.

- Annual goals for managers and employees are set in accordance with the EPSO-G group of companies' employee performance evaluation policy.
- The variable part of the salary is not paid to the employee in the event that the performance does not meet expectations according to the established evaluation criteria or the company's performance and financial results are assessed as unsatisfactory.
- The variable part of the remuneration is not a bonus. It cannot exceed 20-30% of fixed remuneration.
- The amount of variable remuneration is estimated in the company's budget and accounted for in the financial result, which is audited and published publicly.
- The variable part of the remuneration of the head of the company depends on the implementation of the goals set in the company's strategy, which are published publicly on the company's website.
- The variable part of remuneration is not paid to members of collegial bodies.
- Severance pay is paid to employees in accordance with the procedure established by the Labor Code of the Republic of Lithuania and employment contracts.
- The severance payments do not exceed the amounts determined by the legislation of the Republic of Lithuania, except for exceptional cases in which, for objective reasons, higher payments are agreed upon. The relevant board of the group company must be informed about the disbursements of such benefits and the grounds for their disbursement at its next meeting.
- The size of the work, remuneration, as well as severance pay of top-level company managers is determined by the company's board.
- It is envisaged that for results of special importance, not foreseen in the employee's annual goals, in exceptional cases, an incentive payment not exceeding the amount determined in the policy may be awarded. The relevant board of the group company must be informed about this at its next meeting.
- Prior agreements on the amounts of severance payments, with the exception of company managers, whose working conditions are determined by the board, are not concluded.

- The remuneration policy does not provide for any remuneration that entitles the manager, collegial body member or employee to shares, stock options or the right to receive remuneration based on changes in share price or other financial instruments
- To promote employee engagement and loyalty, EPSO-G group companies provide emotional non-financial rewards. Indirect rewards include events for employees, recognition, and appreciation for exceptionally good performance.

Average monthly salary (without variable salary component) of employees of EPSO-G group companies by gender, EUR, in 2021:

		
Position	Men	Women
CEO	6900	d.n.p.*
C-level managers	6350	6300
Mid-level managers	4100	3800
Specialists	2170	2260
Workers	1300	–

*data is not published due to confidentiality and personal data protection requirements.

The wage fund of EPSO-G group companies in 2021 was 35,133 thousand. EUR (2020 - EUR 29,885 thousand).

Position	Number of employees in EPSO-G group (end of period)		Average monthly salary (including variable part of salary), EUR	
	2021	2020	2021	2020
CEO	7	6	9 063	9 094
C-level managers	21	20	7 999	7 650
Mid-level managers	135	103	4 518	4 326
Specialists	725	623	2 582	2 385
Workers	390	329	1 375	1 257
Total	1 278	1 081	2 561	2 561
Wage fund, thousand. EUR			35 133	29 885

EPSO-G group adheres to the provision that the employees of all companies of the group can freely join trade unions. The group companies Amber Grid, Litgrid and Tetas have trade unions, and collective agreements are applied in the mentioned companies, which set working, payment, social, economic and professional conditions and guarantees, which are not regulated by laws or other normative legal acts. According to the collective agreement, additional financial guarantees apply to employees (benefits in case of accidents, illness, death of loved ones, support for the birth of a child, support for raising three or more children or a disabled child), additional vacation days (birth of a child, death of a relative and other cases) and other guarantees.

Profesinems sąjungoms priklausantys darbuotojai bei darbuotojų dalis, kuriems taikoma kolektyvinė sutartis (2021 12 31 duomenys):

Company name	Unionized employees	Proportion of employees covered by a collective agreement
Amber Grid	180	100%
Litgrid	95	100%
Tetas	1	100%
Baltpool	0	(no collective agreement in the company)
Energy cells	0	(no collective agreement in the company)
Get Baltic	0	(no collective agreement in the company)
EPSO-G	0	(no collective agreement in the company_

Financial and non-financial additional benefits apply to all employees of the EPSO-G group. In 2021, one employee of the group received an average of 1000 EUR worth of additional benefits.

Collective agreements with Amber Grid, Litgrid and Tetas employees include additional notice periods and consultation provisions related to changes in compensation and working conditions, planned structural changes, downsizing and other issues that may have a significant impact on employees.

OCCUPATIONAL SAFETY AND HEALTH

One of the most important strengths of the whole EPSO-G group and each of its member companies is the experienced and competent employees, whose safe working environment, well-being and health are a necessary condition for the implementation of the strategies and objectives of EPSO-G and its companies and for ensuring impeccable professional reputation.

In 2021 the new employee safety and health policy was approved by the EPSO-G board which applies to all companies of the group. The main goals of this policy are to ensure safe and healthy working conditions for employees at their workplaces, to prevent work-related injuries and occupational diseases, form a company-wide safety and health policy and culture, which fosters a healthy environment.

All companies of the EPSO-G group strive to ensure that not a single serious or fatal accident occurs among the company's employees or the contractors and subcontractors hired to perform the work. In 2021, not a single serious or fatal accident occurred in any of the EPSO-G Group companies.

Accidents at work in EPSO-G group companies, contractor and subcontractor companies in 2021:

	Minor accidents	Serious accidents	Fatal accidents
In EPSO-G group	3	0	0
In companies of contractors and subcontractors	3	0	0

EPSO-G group companies, especially infrastructure and construction companies, pay great attention to raising employees' competencies in occupational safety issues. For this, not only mandatory briefings are prepared for both employees and hired contractors, but also additional training is organized. Preventive inspections of compliance with work safety requirements are also carried out in infrastructural companies.

	Organized training for employees on the topic of work safety, pcs.*	Checked employees for compliance with work safety requirements, pcs.**
In EPSO-G group	3339	1538
In companies of contractors and subcontractors	0	280

* Including repeated training for the same employee

** Including checks for the same employee

The EPSO-G group cares about the health of employees, therefore a healthy lifestyle and active activities are constantly promoted, and mandatory preventive health checks and preventive vaccinations of employees are organized.

	Employees vaccinated against flue in 2021	Workers vaccinated against tick-borne encephalitis in 2021	Employee health checks in 2021
In EPSO-G group	260	190	614

To effectively control the risks of the COVID-19 pandemic, in 2021 new business continuity assurance and preventive measures were continued and planned in all companies of the group. The organization of remote work, the management of employee flows, the distribution of information to employees on preventive measures, the provision of personal protective equipment, and the opportunity to receive vaccinations.

Litgrid and Amber Grid companies continued to apply additional organizational measures in the system control centers, and technical and replacement measures in the system control centers in the event of the spread of the virus. In these companies, emergency management plans have also been reviewed, additional documents are being prepared and tools have been implemented - lists of critical activities in the areas of activity, lists of resources and responsible persons, and other documents and tools.

DIALOGUE AND INVOLVEMENT OF LOCAL COMMUNITIES

EPSO-G group companies inform local communities in advance about projects in their neighbourhood. During the implementation of the projects, the work time is coordinated with the residents. It is aimed that during the implementation of the entire project, the inconvenience caused to the residents due to the ongoing works will be minimized.

As Lithuania implements the GIPL gas pipeline connection project of European Union significance, which connected Lithuania to Western Europe via Poland, the operator of the gas transmission network Amber Grid in 2021 continued a long-term program of meetings with communities in the municipalities where the main gas pipeline GIPL is being built - 30 meetings with communities were held (36 meetings in 2020).

In 2021, the Litgrid company, which implements projects for synchronization with continental European networks continued the cycle of meetings with local communities - 17 meetings with 15 communities were held. These meetings are designed to present projects and bring communities together in joint events. In addition to these complex events, 7 public presentations of projects were organized in Lithuanian municipalities.



In 2021, 47 meetings were held with local communities near which EPSO-G companies operate

CUSTOMER SATISFACTION

As a parent company, EPSO-G has no direct customers. It fulfills its role by paying attention to high-quality management decisions that have a decisive influence on the activities of managed companies, highly qualified specialists and a good professional reputation of the management company are necessary to ensure effective operational control and consulting.

Litgrid is an electricity transmission system operator that ensures reliable electricity transmission and electricity balance, manages and operates the high-voltage electricity transmission network and DC links LitPol Link and NordBalt. The company takes care of the development of the transmission network and the electricity market, coordinates electricity flows and supports the stable operation of the country's energy system. Litgrid clients: operators of electricity distribution networks, electricity producers and suppliers, electricity consumers - large industrial companies.

Amber Grid's customers are large Lithuanian industrial companies and medium-sized Lithuanian business companies, electricity and centralized heat production companies. Also Baltic and third-party energy and natural gas supply companies provide natural gas transmission services.

The company GET Baltic administers an electronic trading system in which trading of short-term and long-term natural gas products is carried out on the common trading platforms of Lithuania, Latvia, Estonia and Finland. By creating solutions adapted to natural gas trade, GET Baltic aims to increase the liquidity, competitiveness and transparency of the wholesale natural gas market in the Baltic States and Finland.

According to the activities carried out, Baltpool's customers are centralized heat supply companies, independent heat producers and other companies that use biofuel products traded on the stock exchange in their activities, in the activity of organizing wood auctions, the customers are wood sellers and electricity consumers who, according to the current legal regulation, must pay funds for services of public interest for consumed electricity.

Tetas main activity is engineering networks t. i.e. construction and repair of electrical installations up to 400 kV voltage. The company also carries out construction works - erects and installs construction structures, installs power supply and distribution devices, lays electrical networks, and performs installation works of static electrical engineering systems.

The function of Energy Cells is to install, operate, maintain and manage a system of energy storage devices with a total combined power and capacity of 200 MW and 200 MWh. These devices are important for ensuring the instantaneous reserve, guaranteeing reliable, stable and user-friendly operation of the Lithuanian electricity system until synchronization with continental European networks, and in the future for the integration of rapidly growing renewable energy sources.

The results of the GSCI study (Energy cells did not participate in the study because 2021 was not active and EPSO-G did not participate because it does not have any direct customers):

EPSO-G group companies	GSCI index 2021	Annual goal
Amber Grid	83	≥ 70%
Baltpool	88	
Get Baltic	75	
Litgrid	79	
Tetas	79	

In 2021, a survey of 221 customer satisfaction conducted by EPSO-G group companies according to the international GSCI methodology. During the investigation, it became clear that customer satisfaction with the services provided by the group companies is high. Customer comments collected during the research will form the basis for improving service provision processes and implementing customer service standards.

VOLUNTEERING AND SOCIAL PARTNERSHIPS

By contributing to the implementation of goals important to society or the local community, EPSO-G group companies in 2021 further encouraged employees' voluntary unpaid involvement in charitable activities. Voluntary activities of employees are encouraged - 1 day a year is allocated for this according to the collective agreement.

In 2021 EPSO-G parent company and transmission system operators actively participated in national (such as the National Lithuanian Energy Association - NLEA) and various international organizations and associations, such as the European Network of Electricity Transmission System Operators (English abbreviation - ENTSO-E) and the European Gas Transmission network of system operators (English abbreviation - ENTSO-G), Central European Energy Partners Association (English abbreviation - CEEP), TSO and other electric energy company associations in the activities of "Best Grid".

A nighttime cityscape featuring a multi-lane highway with long-exposure light trails from cars. The city is illuminated with various lights, and a white network of lines and nodes is overlaid on the scene, suggesting a digital or infrastructure theme.

EPSOG

4. SUSTAINABLE GOVERNANCE

SUSTAINABLE GOVERNANCE

OUR APPROACH

EPSO-G aims to ensure transparent and efficient management and development of energy platforms. The necessary components for this are – high-reliability indicators of the transmission network, the formation of an anti-corruption culture in the companies of the entire group, the improvement of the supply chain based on sustainability standards, and the promotion of the creation and implementation of innovations in activities.

RELIABILITY AND SECURITY OF TRANSMISSION NETWORKS

We understand the reliability of electricity and gas transmission networks as uninterrupted 24/7 networks. This requires the analysis and evaluation of the country's long-term consumption needs for electricity and natural gas, the planning and implementation of appropriate investments to efficiently meet energy needs and ensure the necessary capacities of electricity and gas transmission systems, system security and reliability, and access to various electricity generation and natural gas sources. sources of supply.

Reliability indicators of the Litgrid electricity transmission network:

	2021 indicators	2020 indicators	2021 minimum levels set by NRA
Average interruption time, AIT - min	0,11	0,21	0,29
Energy not supplied, ENS - MWh	3,35	6,21	6,30

Amber Grid natural gas transmission network reliability indicators:

	2021 indicators	2020 indicators	2021 minimum levels set by NRA
Number of unplanned outages due to operator responsibility	0	0	0
Cumulative duration of unplanned outages due to operator responsibility	0	0	0

Both Amber Grid and Litgrid prepare and regularly update 10-year transmission network development plans, which foresee investments in the modernization and renewal of network components. These investments help maintain high electricity and natural gas transmission rates.

TRANSPARENT MANAGEMENT AND CREATION OF AN ANTI-CORRUPTION ENVIRONMENT

EPSO-G Group implements strategic projects of regional and national significance. These are projects requiring large investments. Their success depends on the understanding, trust and support of shareholders, partners, controlling and regulatory institutions and the people of Lithuania. Therefore, in its activities, EPSO-G continued to pay a lot of attention to the supervision of procurement processes and the prevention of corruption.

EPSO-G has consistently implemented the requirements of the Law on Alignment of Public and Private Interests, according to which managers and members of collegial bodies of all companies managed by EPSO-G are obliged to publicly declare their interests. The requirements of the law were implemented to a greater extent than provided for in the law based on the management policy of the interests of the members, managers and employees of the collegial bodies of the EPSO-G group of companies.

In 2021 EPSO-G group purposefully adhered to the attitude of not tolerating corruption, patronage of family members, relatives, friends, or any other forms of influence peddling, consistently and systematically implementing the prevention of conflicts of company and private interests. Group encourages employees and other stakeholders to directly or anonymously report possible violations, unethical or dishonest behaviour without fear of negative consequences to the trust line at pranesk@epsog.lt, the group companies' trust line or directly to the specified address of the Special Investigation Service of the Republic of Lithuania.

Actions toward creating of anti-corruption culture in EPSO-G group:

	2021	2020
Part the managers of the EPSO-G group who are familiar with the anti-corruption policy	100%	100%
Part of the employees of the EPSO-G group who are familiar with the anti-corruption policy	100%	100%

in 2021 December a survey of the perception of corruption among employees of EPSO-G group was conducted. 513 employees participated in the survey (298 employees in 2020). According to the survey, the percentage of respondents who negatively assess people giving bribes reached 94% (2020 - 98%). 97% of respondents who have not encountered corruption in their activities in the last 3 years (2020 – 98%), and the percentage of respondents who know where to turn when faced with corruption reached 89% (2020 - 91 percent). The results of the survey show that the corruption perception index of employees in the companies of the EPSO-G group remains very high.

	2021	2020
Number of corruption cases recorded	0	0
The number of employees dismissed for violations of the anti-corruption policy	2	0
Number of suppliers terminated due to corruption	0	0
Number of cases filed against the company or its employees for corruption	0	0

CYBER SECURITY AND DATA PROTECTION

Electricity and natural gas transmission services are classified as critical services. For this reason, EPSO-G group companies providing the aforementioned services regularly compile and update lists of critical information infrastructure objects and perform their assessment.

Across the EPSO-G group, IT and cyber security professionals strive to create an organizational culture that is resistant to various types of cyber attacks. In October 2021, EPSO-G, together with the National Cyber Security Center, organized information security exercises "Cyber-shield 2021" for the group's employees, during which a cycle of training, seminars, and social engineering tests took place.

	2021	2020
Conducted preventive training on cyber security	1 cyber security training and 3 social engineering tests	1 cyber security training

SUSTAINABLE VALUE FOR THE ECONOMY AND FINANCIAL RETURN FOR THE STATE

EPSO-G Group services create value and expand opportunities to choose from more sources (e.g. regional integration of the gas market, after the implementation of GIPL), suppliers, services (e.g. adaptation of the gas transmission system for hydrogen transportation, trade in energy origin certificates, preparation of electricity infrastructure electrification of railways, speeding up the connection of electricity consumer systems) contributes to the well-being of the population, the creation of a climate-neutral energy system, and at the same time (through competitive energy prices) increasing the competitiveness of the national economy.

The group's goal in the income structure is to increase the percentage of income from unregulated activities and foreign markets. In 2021 this indicator reached 10.5% and was slightly lower than planned (11%).

The normalized ROE of the EPSO-G group in 2021 was 15.6%. The goal set by the state for the group for the period 2019-2021 was to reach 5.7% average ROE.

COMPLIANCE WITH THE CRITERIA OF THE EU TAXONOMY REGULATION

The European Union Taxonomy Regulation is a classification system consisting of a list of environmentally friendly economic activities. The implementation of this regulation helps to identify which economic activities are considered sustainable and environmentally friendly in the European Union.

The Taxonomy Regulation establishes six environmental objectives: climate change mitigation and adaptation, sustainable use of waters and marine resources, transition to a circular economy, pollution prevention and control, biodiversity and ecosystem protection and restoration. The first delegated act of this regulation, published earlier this month, aims to implement climate change mitigation and adaptation objectives.

Assessment of compliance with the EU Taxonomy Regulation depends on three criteria:

- whether the economic activity carried out contributes to one of the six envisaged environmental objectives;
- whether economic activity does not cause significant harm to environmental protection objectives;
- whether the economic activity meets the standards of social responsibility.

The EPSO-G group carries out activities that fall under the classification system of the Taxonomy Regulation: activities of electricity transmission networks and activities of energy storage systems. The compliance of EPSO-G group of companies' income, capital costs and operating costs with the classification system of the Taxonomy Regulation was evaluated by the independent evaluator CICERO Shades of Green.

During the independent assessment of compliance with the EU Taxonomy Regulation, the criteria of significant damage to environmental objectives and social responsibility standards were not applied.

A detailed CICERO Shades of Green assessment of EPSO-G companies' compliance with the classification system of the Taxonomy Regulation is [available on the EPSO-G website](#).

	Share of economic activities that meet the criteria of the EU Taxonomy, %	Share of economic activities that do not meet the EU Taxonomy criteria or are not included in the system, %
Revenue of EPSO-G group in 2021	75%	25%
EPSO-G group's CAPEX in 2021	63%	37%
EPSO-G group's OPEX in 2021	74%	26%

INNOVATIONS, SCIENTIFIC RESEARCH, DIGITALIZATION

In carrying out these activities, EPSO-G groups of companies are guided by the Guidelines for Scientific Research and Experimental Development and Innovation Activities (hereinafter referred to as R&D Activity Guidelines). The purpose of the R&D activity guidelines is to ensure the continuity and efficiency of the activities of the companies of the EPSO-G group, competitiveness or the creation of conditions for competition through research, innovation and new solutions while implementing the goals of NENS and creating greater added value for society.

R&D activity guidelines set the same concepts of scientific research and experimental development, innovation and innovative activities for the entire group, common directions and priorities of activities, classification principles and recommendations to transmission system operators regarding the allocation of funds for R&D activities, which are not classified as regulated activities.

In carrying out innovation activities, in 2021 38 new projects of various scope were initiated in the group of companies, 21 projects were completed. In order to involve employees in the solution of current challenges, creative thinking workshops were organized for the employees of the group.

At the end of 2021, the group's innovation portfolio consisted of 40 measures focused on advanced and efficient system management and monitoring, modern asset management solutions, the group's ITT and digitization development, and the development of new business organizations and services. A few such projects:

- Preparation of Lithuanian hydrogen development guidelines and development plan;
- Power-to-Heat pilot;
- Adaptation of the gas transmission system for transporting a mixture of hydrogen and natural gas;
- Dynamic line rating (DLR) pilot;
- Demonstration project of flexibility services ONENET;
- The first substations without gases (SF6);
- Smart electric car charging pilot project;
- Marine network optimization study;
- Research on the application of innovative measures in integrated renewable energy power plants and the methodology for determining optimal solutions;
- Pilot (test) project for the use of satellite images for airline maintenance.

In order to engage employees in the development of innovations, the group operates an additional incentive system, on the basis of which in 2021 the teams of the following projects were awarded:

- Pilot flyover of the main gas pipeline by photographing and laser scanning;
- Secondary transmission capacity trading platform;
- Data exchange through the application programming interface;
- RAIDA 2050 and P2G analysis;
- Use of drones to locate transmission network overhead line failure;
- Intelligent NordBalt cable fault location;
- Implementation of cyber security measures for privileged user workplaces.

The EPSO-G group pays great attention to preparing to open significant data to the market and increasing the maturity of digitization. In 2021 the data management, data analytics and open data project of the group companies was launched as the first step towards a data-based group of organizations - a relevant culture and ecosystem, where it will allow to fully utilize and integrate data, analytics into the group's activities and make the best operational decisions based on them.

In 2021, the Lithuanian digital technology association Infobalt and EPSO-G formed the EnergyTech Digital group, which will promote the wider use of digital technologies in the energy sector. EnergyTech Digital will unite energy and information technology companies and experts working at the country's most advanced universities into a close-knit community. It will act as a bank of innovative ideas and a center of exportable competencies, which will provide opportunities for sharing insights and experiences within the community.



In 2021, 38 new innovation projects of various scope were initiated in the EPSO-G group and 21 projects were completed

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

EPSO-G's activities and the success of implemented projects depend on transparent and fair procurement of goods, services and works.

At the end of 2021, the "EPSO-G" board approved the updated procurement policy of the group, which aims to follow the good procurement practices of international organizations, European Union institutions, and other procurement organizations and procurement entities and to ensure an efficient, dynamic and fragmented procurement process, creating added value for "EPSO-G" for the implementation of the goals of the G" group of companies.

Green procurement criteria were also integrated in the updated policy. "EPSO-G" group companies aim to reduce the impact on the environment, therefore they undertake to give priority to the implementation of green procurement. The Group is committed to achieving that:

- At least 10% of green purchases - from 2021 July 1st until the end of 2021.
- At least 50% of green purchases - in 2022.
- At least 100% green purchases - every year from 2023

	2021 results	2021 target	2023 target
Value of EPSO-G group procurements attributable to green procurement (counting public procurements carried out by contracting authorities)	20%	10%	100%
Ratio of local and/or foreign suppliers who won public procurements	83 (local) / 17 (foreign) %		
New suppliers that have been verified according to environmental criteria	0		

SUSTAINABILITY GOVERNANCE, POLICIES AND REPORTING PRACTICES

The principles of sustainability are implemented based on the related EPSO-G policies and other valid internal documents:

- Environmental Policy. This policy defines the key principles in the field of environmental protection, which shall be applied within the group to reduce the environmental impact of the activities carried out and to implement a culture based on the principles of sustainable development within the group and its environment.
- Equal Opportunities Policy. This policy defines the key principles applied in the group's companies to ensure that principles of equal opportunities and non-discrimination are respected in all areas of the employment relationship.
- Remuneration, Employee training, and Performance Review Policy. This policy is intended to properly manage wage costs, create motivational incentives, and to ensure proper personal and professional development, as well as a transparent performance review system, for all employees.
- Occupational Health and Safety Policy. The policy is aimed at ensuring the health of employees in the workplace and creating a healthy, safe, and productive working environment.
- Transparency and Communication Policy. The policy is aimed at fostering fair and efficient communication with each other and with the external stakeholders, i.e. society, shareholders, market regulators, etc.
- Corruption Prevention Policy. The policy sets basic principles and requirements aimed at the prevention of corruption and imposes guidelines for ensuring compliance with them, with the aim of creating conditions for the highest standards of transparent business conduct to be applied in the group.
- Interest Management Policy. The policy is intended to create an interest management system that is consistent with the common good practice, ensuring that decisions in the companies of the group are made in an objective and impartial manner. It also forms an environment that is unfavourable to corruption.

- Donations Policy. The policy is intended to ensure that the donations provided are public, and cast no doubt in society regarding the expediency and transparency of the granting process.
- Procurement Policy. The policy aims to follow good procurement practices of international organizations, the institutions of the European Union and other contracting authorities and contracting entities. It ensures an efficient, dynamic and transparent procurement process, creating added value for the achievement of the goals of EPSO-G's group companies.
- Code of Conduct. The policy aims to set the same general guidelines of behaviour for communication and cooperation with internal and external stakeholders: employees, customers, contractors, business partners, shareholders, national and municipal authorities, society, etc.

EPSO-G's Progress Report on Sustainability follows the principles of the UN Global Compact and the recommendations of the Global Reporting Initiative ("GRI") with the goal of assessing performance in relation to economic, environmental, social, and human rights indicators. In addition, the Group follows the reporting principles of the Transparency Guidelines for State-owned Enterprises of the Government of the Republic of Lithuania.

The Board of EPSO-G oversees the implementation of EPSO-G's long-term strategy, sustainability obligations, risk, and performance.

The foundation of EPSO-G's sustainability activities is the Sustainability Policy, which provides guidelines for environmental and social issues, human rights, labor relations as well as transparency. It is further based on EPSO-G's vision, mission and values and it is fundamental in steering the entire group towards sustainable development of its operations.

The main directions of the governing principles of sustainability and ESG management are set in EPSO-G's Sustainability Policy which applies to all companies of the group.

STAKEHOLDERS

EPSO-G group assesses and seeks to take into account the social and economic interests and expectations of the stakeholders when implementing its strategic objectives. Each direction of EPSO-G strategic activities is related to one or several stakeholders. The official, partnership or consultative contacts are maintained with the groups or individuals who express their interest in the activities carried out by EPSO-G group. The stakeholders are provided with comprehensive information related to the activities carried out by the group.

Main stakeholders:

- Clients
- Employees
- Labor unions
- Shareholders
- Foreign partners – the operators of energy transmission and biomass exchange
- National Regulatory Authority
- Local communities
- Contractors and suppliers
- NGOs
- General public and media

The ways we cooperate and inform our main stakeholders are explained in the stakeholder [engagement report](#).

ABOUT SUSTAINABILITY REPORT

EPSO-G's Progress Report on Sustainability follows the principles of the UN Global Compact and in accordance with the Global Reporting Initiative Standards ("Core" option) with the goal of assessing performance in relation to economic, environmental, social, and human rights indicators. In addition, the Group follows the reporting principles of the Transparency Guidelines for State-owned Enterprises of the Government of the Republic of Lithuania.

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EPSO-G group Sustainability Report for 2021 is available at the following address: <https://www.epsog.lt/en/about-us/sustainability>

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EPSOG

5. ABOUT EPSO-G GROUP

ABOUT EPSO-G GROUP

INFORMATION ABOUT GROUP COMPANIES, MISSION, VISION, VALUES

EPSO-G is a state-owned group of energy transmission and exchange companies. The shareholder rights and obligations of EPSO-G holding are implemented by the Ministry of Energy of the Republic of Lithuania. The group consists of a holding company, the transmission system operators managing the infrastructure of electricity and natural gas transmission, the market operators managing natural gas, biofuels and wood exchanges, as well as the company providing the infrastructure maintenance services.

EPSO-G group consists of the holding company EPSO-G, subsidiaries Litgrid, Amber Grid, Baltpool, Tetas, Energy Cells as well as indirectly controlled GET Baltic.

The main activity of EPSO-G group is to ensure uninterrupted, stable electricity transmission via high voltage grids and natural gas transportation via high pressure pipelines and efficient management, maintenance and development of these transmission systems. The Group also manages and develops the biofuels, natural gas and wood trade platforms designed to ensure competition in the market of energy resources and roundwood.

Vision – we will enable security, integration, and transformation of the Lithuanian energy sector. **Mission** – to enable sustainable and efficient energy exchange

Values:

Professionalism

Cooperation

Progress

Group companies:

Amber Grid is the designated operator of Lithuania's natural gas transmission system and is in charge of transmission of natural gas via high pressure pipelines to system users. The company operates, maintains and develops the natural gas transmission system. The gas transmission system is comprised of gas transmission pipelines, gas compressor stations, gas metering and distribution stations, cathodic protection installations, as well as data transmission and telecommunications systems.

Customers of Amber Grid are power plants, district heating plants and industrial companies as well as medium sized companies operating in Lithuania and gas supply companies, to which Amber Grid renders natural gas transmission services. The company takes part in the creation of the single gas market in the Baltic region. The company operates gas distribution stations, gas compressor stations and gas transmission pipelines.

Baltpool is the designated operator of the Lithuania's energy exchange assigned to organise and administrate trading systems of solid biofuel products and round wood. It acts as the administrator of public service obligations' (PSO) funds and is in charge of collection, payouts and administration of PSO funds. The mission of Baltpool is to provide efficient and competitive exchange floor to market participants. Shareholders of Baltpool are the state controlled energy companies EPSO-G and Klaipėdos Nafta.

The function of **Energy Cells** is to install energy storage facilities with a total capacity of at least 200 megawatts. The facilities will serve as a primary reserve for ensuring reliable, stable and consumer-friendly operation of Lithuania's electricity transmission system until the synchronization with the networks of continental Europe, and for the integration of rapidly growing renewable energy sources.

GET Baltic the indirectly controlled company of the EPSO-G group, administers the electronic trading system for trading spot and forward natural gas products with physical delivery in the market areas located in Lithuania, Latvia, Estonia, and Finland.

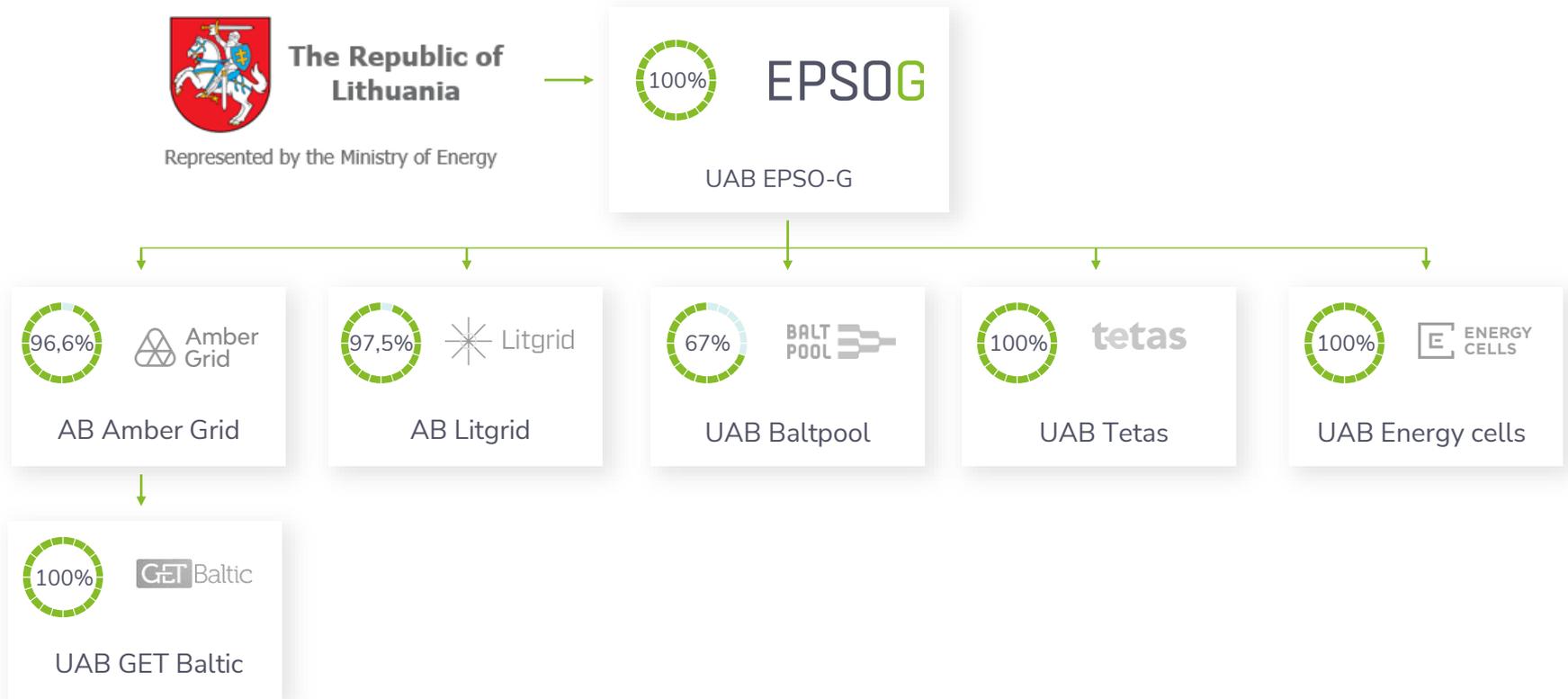
Litgrid is the designated operator of Lithuania's electricity transmission system. The company maintains stable operation of the national power system, controls electricity flows and enables competition in an open domestic electricity market. Litgrid is responsible for integrating national power system into the European power infrastructure and electricity market. The company runs strategic electricity cross-border links NordBalt (Lithuania-Sweden) and LitPol Link (Lithuania-Poland). The mission of the company: transmitting electricity across European markets, creating value to the society. Litgrid is in charge of high voltage (330 kV and 110 kV grids) lines and transformer substations and switchgears.

The main activity of **Tetas** is construction and repair of engineering networks, i.e. electrical equipment up to 400 kV. The company also performs construction works - constructs and installs building structures, installs electricity supply and distribution equipment, builds electrical networks, performs the installation of electrical engineering systems for buildings. Tetas is also carrying out installation of fiber-optic cable engineering infrastructure, provides photovoltaic power plant design services and installation works.

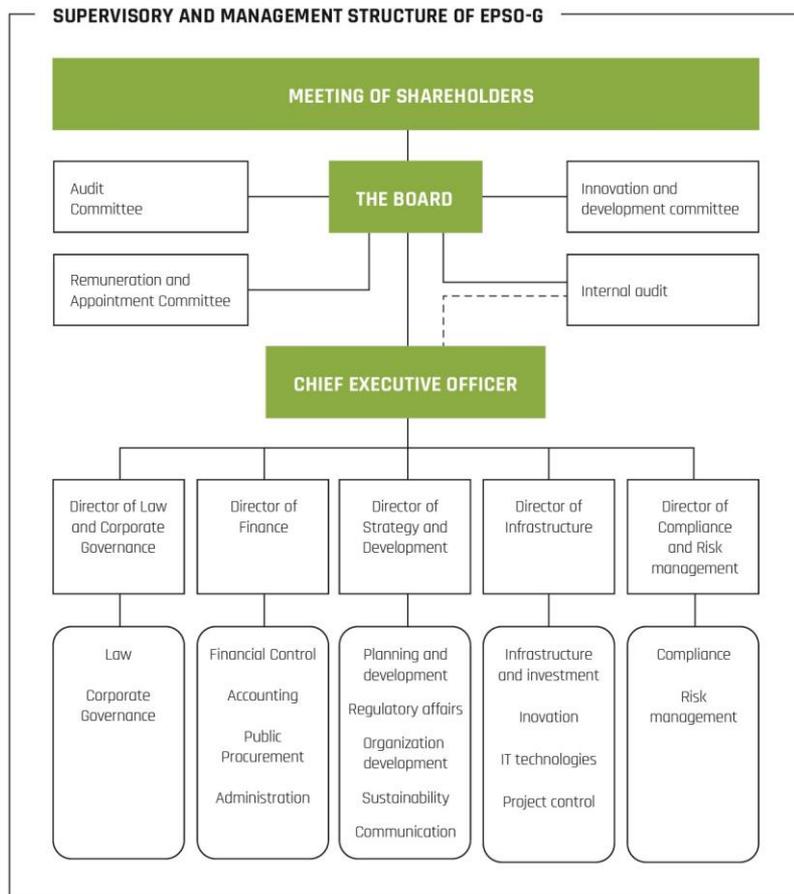
The company has a division providing design services, ensuring the provision of high intellectual and value-added services. The company also provides the market with unique testing and diagnostic services for electrical equipment.

The corporate structure of EPSO-G group, 2021 12 31:

CORPORATE STRUCTURE OF EPSO-G



SUPERVISION AND MANAGEMENT STRUCTURE



EPSO-G UAB is a state-owned holding company charged to lead an innovative, transparent and efficiently managed group of energy transmission and exchange operators that provide long-term benefits to the shareholders, ensure the implementation of Lithuania's strategic energy interests and contribute to the country's competitiveness and public welfare.

When implementing the rights and obligations of the sole shareholder - the Ministry of Energy - the holding company sets strategic goals and objectives, supervises their implementation, analyses and aims to improve the operating efficiency of the companies that are part of the Group.

The holding also streamlines good governance practices and coordinates the performance of the companies which are part of the Group in human resources, risk management, audit, social responsibility, communication and other key performance fields ensuring transparency, accountability and sustainable business operations in order to create long-term value for Lithuania's people, businesses and shareholders.

Group-wide committees:

- Nomination and Remuneration Committee (majority consists of independent members)
- Audit Committee (majority consists of independent members)
- Innovation and Development Committee (majority consists of independent members).

The group has a centralized internal audit. In order to ensure the independence of the internal audit, it is established that the head of the internal audit is appointed and dismissed by the board of the management company, where the majority consists of independent members. Internal Audit is also accountable to the EPSO-G Audit Committee, which also includes a majority of independent members. The recommendations of the internal audit are analyzed by the Company's Board and the plan of measures for the implementation of the recommendations is approved.

On the basis of the risk management policy of the EPSO-G group of companies, a unified risk management system is implemented in the Group in accordance with the COSO ERM standards applied in international practice, which define the principles and responsibilities of risk identification, assessment and management. Coordination of risk management is carried out at the Group level.

STRATEGY 2030

We enable sustainable and efficient energy exchange

EPSOG

SHAREHOLDERS

To ensure a balanced and integrated energy exchange system

SOCIETY

To promote climate-neutral energy choices for the long term economic competitiveness of Lithuania

EACH OTHER

To build an open and progressive team living the energy future

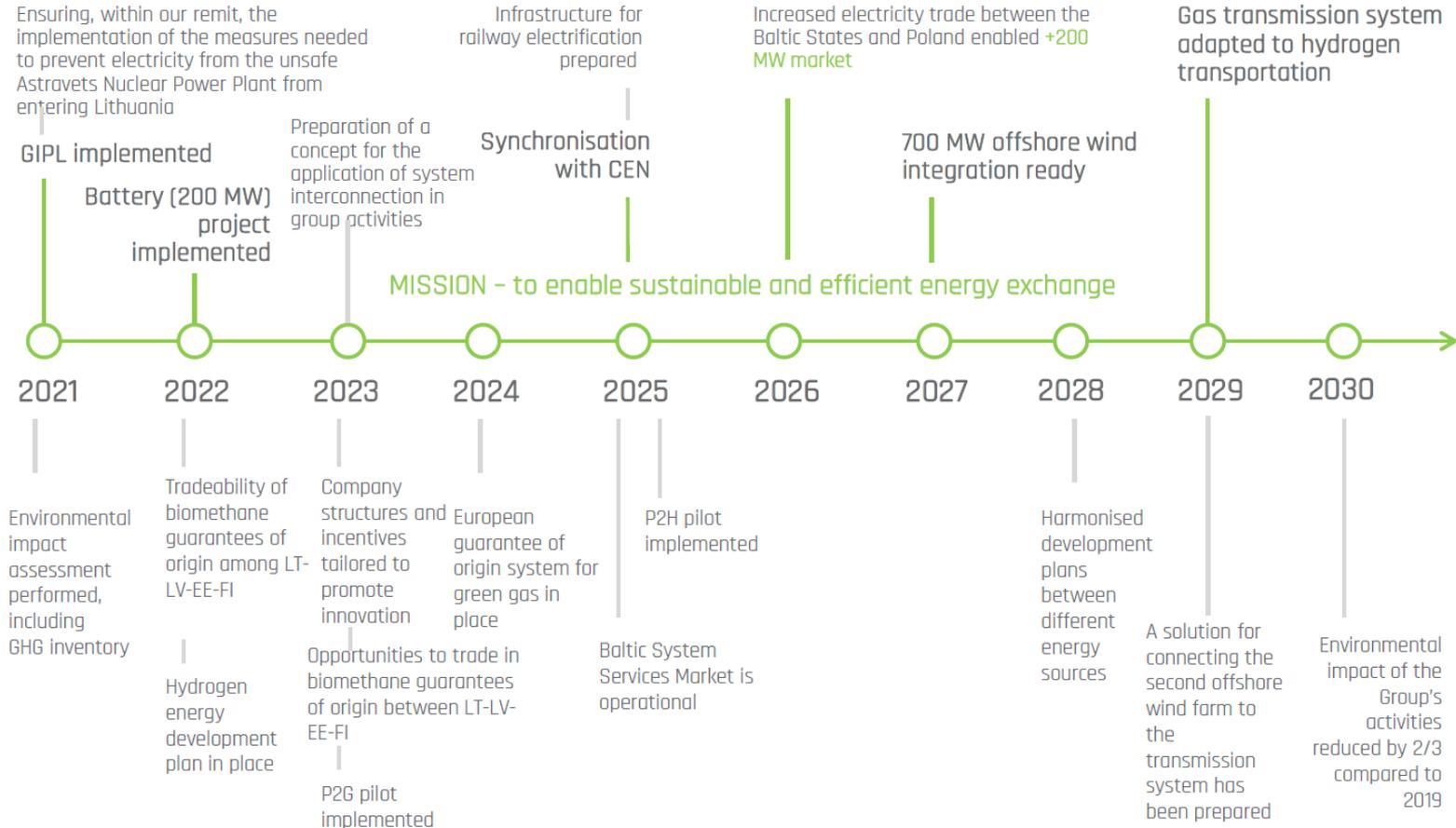
CUSTOMERS

Provide a wide range of energy options at competitive prices

PRODUCERS/SUPPLIERS

Develop a credible and transparent platform, where it is easy and fast to enable energy products on a liquid market

STRATEGY ROADMAP



GRI INDICATORS

GRI Standard	Subject	Sustainability report (SR) / Annual report (AR) page
ORGANISATION PROFILE		
102-1	Name of the organisation	SR 1
102-2	Activities, brands, products and services	SR 29
102-3	Place of registered office address	SR 27
102-4	Place of operations	SR 27
102-5	Ownership and legal form	SR 27
102-6	Markets served	SR 29
102-7	Size of the organisation	SR 16
102-8	Information on staff and other employees	SR 16
102-9	Supply chain	SR 26
102-10	Significant changes to the organization and its supply chain	SR 26
102-11	Precautionary Principle or approach	AR 13
102-12	External initiatives	SR 21
102-13	Membership of associations	SR 21
STRATEGY		
102-14	Statement from senior decision-maker	SR 3
102-15	Key impacts, risks, and opportunities	AR 32
ETHICS AND INTEGRITY		
102-16	Values, principles, standards, and norms of behavior	SR 29
102-17	Mechanisms for advice and concerns about ethics	SR 23-24
GOVERNANCE		
102-18	Governance structure	SR 31
102-19	Delegating authority	SR 29

102-20	Executive-level responsibility for economic, environmental, and social topics	SR 26
102-21	Consulting stakeholders on economic, environmental, and social topics	SR26
102-22	Composition of the highest governance body and its committees	AR 71
102-23	Chair of the highest governance body	AR 71
102-24	Nominating and selecting the highest governance body	AR70
102-25	Conflicts of interest	AR 86
102-26	Role of highest governance body in setting purpose, values, and strategy	AR 70
102-27	Collective knowledge of highest governance body	AR 70
102-28	Evaluating the highest governance body's performance	AR 70
102-29	Identifying and managing economic, environmental, and social impacts	SR 6-8, AR 57
102-30	Effectiveness of risk management processes	AR 57-58
102-31	Review of economic, environmental, and social topics	AR 96
102-32	Highest governance body's role in sustainability reporting	SR 26
102-33	Communicating critical concerns	AR 67
102-34	Nature and total number of critical concerns	AR 67
102-35	Remuneration policies	SR 17-19
102-36	Process for determining remuneration	SR 17-19
102-37	Stakeholders' involvement in remuneration	SR 17-19
102-38	Annual total compensation ratio	SR 17-19
102-29	Percentage increase in annual total compensation ratio	SR 17-19
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	SR 27
102-41	Collective bargaining agreements	SR 19
102-42	Identifying and selecting stakeholders	SR 27

GRI Standard	Subject	Sustainability report (SR) / Annual report (AR) page
102-43	Approach to stakeholder engagement	SR 27
102-44	Key topics and concerns raised	SR 7
REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	SR 29
102-46	Defining report content and topic boundaries	SR 27
102-47	List of material topics	SR 8
102-48	Restatements of information	SR 27
102-49	Changes in reporting	SR 27
102-50	Reporting period	SR 27
102-51	Date of most recent report	SR 27
102-52	Reporting cycle	SR 26
102-53	Contact point for questions regarding the report	SR 27
102-54	Claims of reporting in accordance with the GRI Standards	SR 27
102-55	GRI content index	SR 34-36
102-56	External assurance	SR 27
MANAGEMENT APPROACH		
103-1	Explanation of relevant topics and their boundaries	SR 7-8
103-2	Uncovering management's views on managing material sustainability topics	SR 7
103-3	Assessment of management's approach to important sustainability topics	SR 7
ECONOMIC PERFORMANCE		
201-1	Direct economic value created and distributed	AR 8
201-2	Financial implications and other risks and opportunities from climate change	SR 25
201-4	Financial support from the State	AR 37-38
PROCUREMENT PRACTICES		
204-1	Share of the value of procurement awarded to local suppliers	SR 26

ANTI-CORRUPTION		
205-2	Communication and training on anti-corruption policies and procedures	SR 23-24
205-3	Confirmed incidents of corruption and actions taken	SR 24
ENERGY		
302-1	Energy consumption in the organisation	SR 13
302-3	Energy consumption intensity	SR 13
BIODIVERSITY		
304-1	Business sites owned, leased, managed in or near protected areas and areas of high biodiversity value outside protected areas	SR 13
304-2	Significant impacts of activities, products and services on biodiversity	SR 13
EMISSIONS		
305-1	Direct GHG emissions (Scope 1)	SR 12
305-2	Indirect energy GHG emissions (Scope 2)	SR 12
305-4	GHG emission intensity	SR 12
305-5	Reducing GHG emissions	SR 12
WASTE		
306-1	Waste generation and significant waste-related impacts	SR 14
306-2	Management of significant waste-related impacts	SR 14
306-3	Waste generated by type	SR 14
ENVIRONMENTAL COMPLIANCE		
307-1	Non-compliance with environmental laws and regulations	SR 11
SUPPLIER ENVIRONMENTAL ASSESSMENT		
308-1	New suppliers that were checked according to environmental criteria	SR 26
308-2	Significant actual and potential adverse environmental impacts in the supply chain and actions to be taken	SR 11

GRI Standard	Subject	Sustainability report (SR) / Annual report (AR) page
EMPLOYMENT		
401-1	Recruitment of new employees and staff turnover	SR 16
401-2	Benefits for full-time employees that are not available to temporary or part-time staff	SR 19
LABOUR MANAGEMENT RELATIONS		
402-1	Minimum notice periods regarding operational changes	SR 19
OCCUPATIONAL HEALTH AND SAFETY		
403-1	Occupational health and safety management system	SR 19-20
403-2	Hazard identification, risk assessment, and incident investigation	SR19-20
403-3	Services related to occupational health	SR 19-20
403-4	Health and safety training for employees	SR19-20
403-8	Employees covered by an occupational health and safety management system	SR 20
403-9	Work-related injuries	SR 19
TRAINING AND EDUCATION		
404-1	Average hours of training per year per employee	SR 17
404-2	Staff skills development and career transition assistance programmes	SR 17
403-3	Share of employees whose performance and career progress is regularly reviewed	SR 17
DIVERSITY AND EQUAL OPPORTUNITIES		
405-1	Diversity of governing bodies and staff	SR 16-17
405-2	Basic salary ratio between women and men	SR 18-19
NON-DISCRIMINATION		
406-1	Incidents of discrimination and action taken to address them	SR 16
LOCAL COMMUNITIES		
413-1	Activities related to local community involvement, impact assessment, and the development programme	SR 20

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EPSO-G GROUP SUSTAINABILITY REPORT 2021

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