



AB LESTO
Report on Corporate Social Responsibility 2013

17 May 2014

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ABOUT THE REPORT

LESTO is a member of the Global Compact initiated by the United Nations, and submits the annual progress report, that is prepared in accordance with the Global Compact principles.

To enable a more transparent view of our economic, environmental and social performance and impact, we have based our reporting on the GRI sustainability framework. LESTO has prepared its social responsibility report 2013 in such a way as to, insofar as it is relevant to our activities, comply with the GRI G4 (CORE) Sustainability Reporting Framework.

This is the fourth LESTO social responsibility report in general (date of most recent previous report – 17 May 2013). The progress reports on social responsibility activities in LESTO are prepared annually, in Lithuanian and English. The information about social responsibility activities is presented in all LESTO periodic and annual audited company activities reports, which are published at the stock exchange.

About all these activities LESTO publishes press releases, presents on the company's website: www.lesto.lt and on the pages of social responsibility initiatives www.tiekkiekreikia.lt, www.elektromagija.lt and on the website of the Ministry of Economy "State-owned enterprises (<http://vkc.vtf.lt/imoniu-socialine-atsakomybe/apie-isa>).

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A WORD FROM THE CEO



Here is the fourth Social Responsibility Report of AB LESTO, which describes our progress and contributions to creating an energy and environment-friendly society in 2013.

During last year we made many small steps forward in achieving our vision.

Social responsibility mean to us the ideas, which we rely on in our daily activities and planning the future. We have responsibility to contribute to public welfare not only by ensuring uninterrupted power supply and distribution, but also by implementing the community relevant projects, actively instructing on the issues of safe and rational use of energy, advising in order to make a positive impact on energy consumption patterns and promoting interest in advanced technologies.

During 2013 we actively participated in the National Network of Responsible Business. During LESTO chairmanship National Network of Responsible Business members established Lithuanian Association of Responsible Business, which continues past network's activities and stimulates development of responsible business of companies and organizations in Lithuania, represents global initiatives.

In 2013 LESTO introduced social responsibility policy which covered the principles of sustainable development, determination of the indicators, stakeholder involvement and cultivation of sustainable development competences. Our example encourages us to invite other companies to join - we believe that the only way to achieve social and economic well-being and good business results at the same time is to do business based on principles of sustainable development and social responsibility.

For a few years LESTO implements large-scale long-term social responsibility projects - „To the Extent Required“, „Operation 2020“ and „Electromagic“ - for children, young people and the general public, which combine active involvement of the communities, workers and target groups, the ideas of safe and effective energy use and environmental sustainability. Our initiative is publicly visible because it creates a shared value not only for the residents of Lithuania, but also the business community. We are open for public initiatives, the company encourages employees to participate in various activities and to collaborate with non-governmental organizations, academia, students and their parents, as well as volunteer in the traditional environmental campaigns.

During 2013 in order to draw public attention to power economy as well as safety in common areas we started a project for apartments „To the extent required for the apartments: safe and cost-saving home“. This initiative did not went unnoticed. Association Investors' Forum, uniting largest investors in Lithuanian economy, recognized LESTO as the Responsible Company of 2013. During the same year Vilnius University Communications faculty students named LESTO

the “Most socially responsible Fox of Year”. We are very excited for these awards, but they are not our main goal - we are happy when our efforts are transformed into benefits for customers, employees, the environment and society.

In the future LESTO will continue socially responsible activities – the issue of energy efficiency in the European Union is becoming more and more relevant and encourages us to seek for active dialogue with different social groups, explain the benefits of rational use of energy and demonstrate the practical examples of efficiency. In preparation to implement a new EU Energy Efficiency Directive, LESTO already perform a number of activities that contribute to the rational and sustainable use of electricity.

I hope that you will feel the benefits that we create by sharing our energy with you and creating sheared value to the Lithuanian society and the state

Respectfully
Aidas Ignatavičius
Chief Executive Officer, LESTO

Principles and priorities of socially responsible activities

Socially responsible activities mean to us the ethical treatment of employees, customers (market), the public and the environment.

We strive to guarantee not only qualitative electricity supply and safety of residents, meet customers' needs, and pay regard to the interests of the environment and groups of society. For us a responsible and sustainable development means a permanent power supply, which promotes economic and social development while preserving the environment: improvement of operational efficiency and technological development, and answering the needs of employees and community, all this being carried out with minimal impact on the environment. The most important preconditions: the power transmission efficiency, rational use of energy, increase of electricity production from renewable sources, natural resource preservation.

Being responsible for our activities, we seek to contribute to public welfare not only by ensuring uninterrupted power supply, but also by implementing the community relevant projects, actively instructing on the issues of safe and rational use of energy, advising, in order to make a positive impact on energy consumption patterns and promoting interest in advanced technologies.

LESTO is guided the principles of sustainable development:

- assurance of energy supply which promotes economic and social development while preserving the environment;
- efficient use of natural resources;
- resourceful and efficient use of energy, and reduction of the environmental impact during electricity distribution and use;
- promotion of sustainable approach to the environment of the employees, the public and the suppliers.

The priorities of LESTO Corporate social responsibility:

The main goal of LESTO socially responsible activities is formation of skills of society contributing to safe and rational consumption of electricity, saving energy resources and minimizing effect over environment; therefore, all socially responsible actions initiated by LESTO contribute to achievement of these goals.

LESTO mission - Reliable electricity for a meaningful life of everyone.

LESTO vision - A model company that the public has confidence in.

LESTO values:

COOPERATION: We work and take responsibility as a team.

RESPECT: We respect each individual and the surrounding environment.

DEDICATION: We are proud to represent energy sector and serve our community.

POSITIVE ATTITUDE: We are always looking ahead and constantly spread good mood.

INNOVATIVENESS: We are seeking perfection and initiating changes.

LESTO activities relies on:

LESTO Code of Ethics

LESTO personnel policy
LESTO Social responsibility policy
LESTO Corporate communications policy
The Ten Principles of United Nations Global Compact

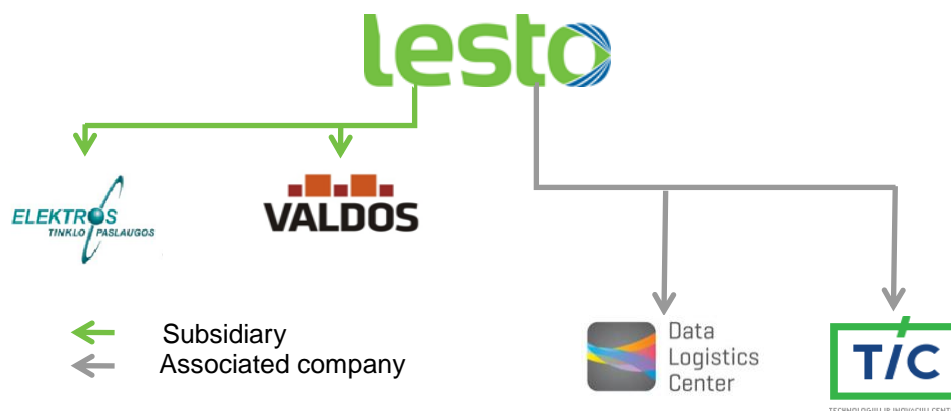
ABOUT THE COMPANY

LESTO is Lithuanian distribution network operator. Company's main responsibilities include: provision of network service for customers; satisfaction of customers needs; effective connection of new users; exploitation, maintenance, management and expansion of distributive network; assurance of network security; optimization of operating costs and reduction of technological losses. LESTO geographical market is Lithuania. LESTO serviced territory 65.3 thousands km², length of electricity lines – 121,698 km. Number of customers 1 608 898 (number of residential customers 1 545 204; number of business customers – 63 694).

Address of LESTO headquarters: Žvejų str. 14, LT-09310 Vilnius, Lithuania.

LESTO company group

On the report signature date, LESTO with its subsidiaries ELEKTROS TINKLO PASLAUGOS UAB, NT Valdოს UAB and associated companies Technologijų ir inovacijų centras UAB and Duomenų logistikos centras UAB (On report signature date Technologijų ir inovacijų centras UAB had 100% Respublikinio energetikų mokymo centras Vsl, 0,59% NT Valdოს, UAB capital), make up LESTO company group (hereinafter – LESTO group).



Activity indicators

LESTO group results for the twelve months of 2013 is a net profit of LTL 47.6 million, while LESTO group's net loss amounted to LTL 45.6 million in the same period of 2012 and LTL 61.4 million loss in the same period of 2011.

During the twelve months of 2013 LESTO group earned LTL 2,431.2 million, Company's income share made up 98.7 % of group income i.e. LTL 2,398.4 million. Comparing with the twelve months of 2012 LESTO group income increased by 6.5 % and comparing with the same period of 2011 – by 8.3 % (in 2012 LESTO group earned LTL 2,283.7 million, in 2011 – LTL 2,245.5 million).

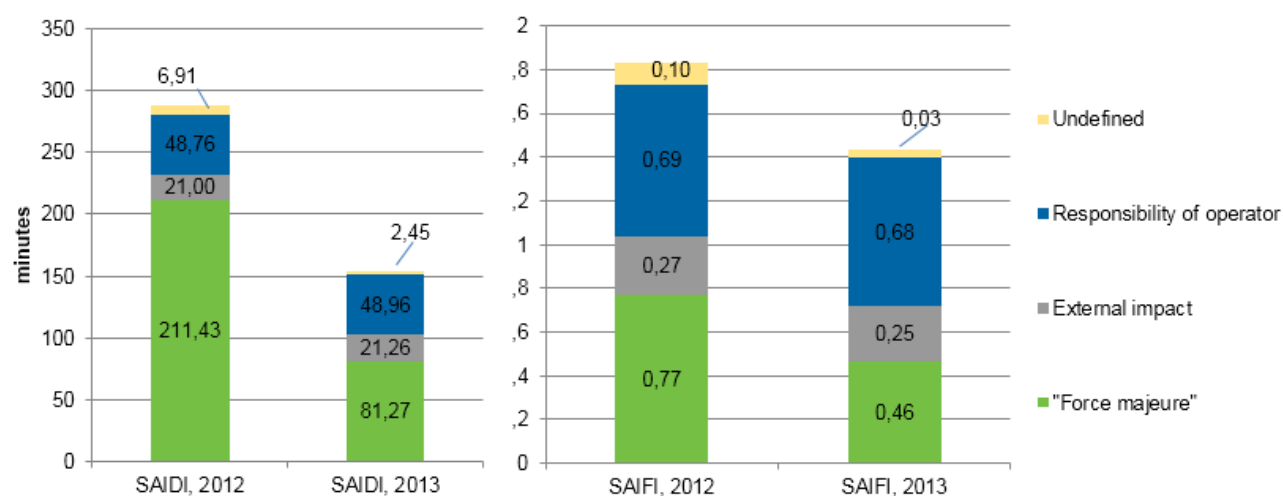
Income, costs and profitability

LESTO group profitability ratios	2013	2012	2011
Net profit margin, %	1.96	-2.00	-2.73
Operating profit margin, %	2.37	-2.02	-3.09
EBITDA, LTL thousand	458,581	390,964	362,246
EBITDA margin, %	18.86	17.12	16.13
ROA, %	0.94	-0.88	-1.16
ROE, %	1.41	-1.33	-1.68

The Reliability of Electricity Supply

In the twelve months of 2013, regardless of the influence of natural disasters (“force majeure”) the system average interruption duration index (SAIDI) per customer amounted to 72.67 minutes and, compared with the same period of 2012, it has improved (SAIDI for the twelve months of 2012 was equal to 76.67 minutes), the system average interruption frequency index (SAIFI) per customer reached 0.96 times and, compared with the same period of 2012, it has slightly improved (SAIFI for the twelve months of 2012 amounted to 1.06 times).

Quality of electricity supply (SAIDI, SAIFI) 2013 January – December and 2012 January – December



During the twelve months of 2013 the amount of LESTO network service reached 8,209 million kWh. Electricity sales made up 37.3 % of this amount, to the rest customers LESTO granted only network service. Comparing with the same period of 2012, the amount of electricity sold decreased by 15.2 %, while the volume of network service increased by 1.2 %. Such a decline of sold electricity was due to the fact that more consumers have opted independent suppliers. Technological losses experienced by the Company during the twelve months of 2013 amounted to 664 million kWh and this totalled to 7.5 % from the amount of electricity received while during the same period of 2012 technological losses totalled to 7.8 % from the amount of electricity received.

Development and expansion of the activities

Activity indicators	2013	2012
Amount of electricity received to the distribution network, million kWh	8,874	8,804
Technological losses in the distribution network, million kWh	664	691
Volume of network service, million kWh	8,209	8,113
Amount of electricity sold, million kWh	3,061	3,609
Electricity quality indicators:		
SAIDI, minutes (with “force majeure”)	153.9	288.1
SAIFI, times (with “force majeure”)	1.43	1.83

LESTO management

LESTO performs the functions of electricity distribution and is a public supplier, so in order to ensure the equal rights of consumers, transparency in decision-making the company activity is strictly regulated by law and supervised by the respective state authorities.

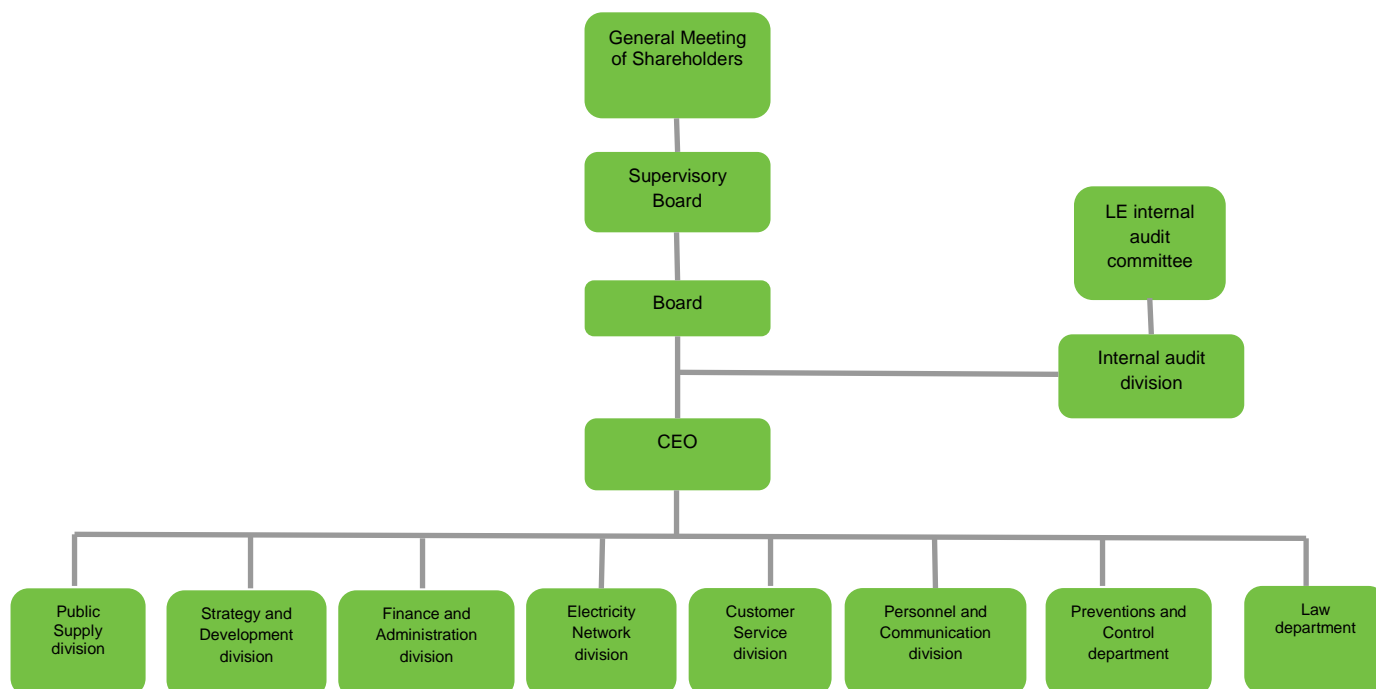
The Company management bodies are the general shareholders' meeting, the Board of 5 members and CEO. Decisions on the four-year elected board members are taken at the general shareholders' meeting. The rights of all shareholders are equal.

In the beginning of the reporting period (1 January, 2013) LESTO management bodies consisted of General Meeting of Shareholders, a collegiate managing body – Board, and one-person managing body – Chief Executive Officer.

On 26 July, 2013, LESTO Extraordinary General Meeting of Shareholders approved a new version of the Articles of Association of the Company. The Articles of Association were registered on 31 July, 2013.

On the report signature date according the Articles of Association LESTO management bodies includes General Meeting of Shareholders, a collegiate supervisory body – Supervisory Board, a collegiate managing body – Board, and one-person managing body – Chief Executive Officer.

LESTO management structure till 31 December, 2013



Shareholders

On December 31, 2012 the number of LESTO shareholders totalled – 7,431.
On December 31, 2013 the number of LESTO shareholders amounted to 7,188.

Shareholders who owned more than 5 % of the issuer's authorized capital on 31 December, 2013

Full names of the shareholders (names of companies, types, headquarter addresses, company register code)	Number of ordinary registered shares	Share of authorized capital, %	Votes granted by shares owned, %
Lietuvos energija, UAB Žvejų str.14, Vilnius, company reg. No. 301844044	499,026,209	82.63	82.63
E.ON Ruhrgas International GmbH, Brüsseler Platz 1 45131 Essen, Germany HRB No 21974	71,040,473	11.76	11.76

On 17 January, 2011 LESTO shares were included in the Main List of NASDAQ OMX Vilnius. LESTO shares are not traded in other regulated markets

Description of the supply chain

Lithuanian distribution network operator LESTO performing the function of public and guarantee electricity supplier, is purchasing all the electricity needed for legitimate and available means, to the best of the purchase price. LESTO activity is regulated. LESTO must comply price caps set and controlled by the National Control Commission For Prices and Energy. LESTO signs contracts with individual electricity producers and suppliers, evaluates each proposal according to criteria that electricity would be bought as cheaply as possible. Usually LESTO trades under bilateral contracts with suppliers (combined heat and power, renewable power plants and other suppliers or importers). The energy shortage could be acquired in the energy market where trading is anonymous and the different price is formed for each hour.

LESTO also acquires a range of products and services, required to ensure the efficient performance, from the various suppliers in the market. The company makes these purchases in accordance with the Public Procurement Act. During 2013 company's Contract works purchasing department carried out 1252 procurement purchases and signed a 1089 contracts. Goods and Services Procurement Division engaged in 651 purchases and signed 562 contracts with suppliers.

In order to ensure transparency in 2013 more than 90 percent of procurement procedures, based on the total value of the procurement were conducted in Central Procurement Information System (CVP IS).

Precautionary approach

Risk management system of the Company is based on the following principles: COCO (Committee of Sponsoring of the Treadway Commission) ERM (Enterprise Risk Management), AS/NZS ISO 31000:2009 (Risk Management – Principles and Guidelines) and ISO/IEC 27005:2011 (Information technology – Security Techniques – Information Security Risk Management). The goals of the Company performance are understood extensively, because they include both the goals of common character concerned with vision, mission, values and strategy of the Company, and particular goals concerning pursuance of performance function of several structural divisions of the Company. Risk management of the Company is based on assessment of possible negative influence affecting goals of the Company and goals of its performance functions (processes) as well as results. Identification, analysis, assessment and management of risks is pursued systematically following the documents that regulate risk management approved by the Board: Risk management Policy, Risk management procedure and other internal legal act which are related with risk management.

Memberships of associations

In 2013 LESTO was the member of these Lithuanian and international organizations.

Lithuanian organizations:

National Lithuanian Electrical Association

Association of HR Professionals

Lithuanian Association of Responsible Business (from March 2014, till then – member of National Network of Responsible Business)

International organizations:

Member of the Global Compact initiated by the United Nations



HUMAN RIGHTS

LESTO does not tolerate any violation of human rights, speaks out against discrimination and forced labor, child labor, and for a fair and transparent remuneration policy, it complies with the laws on overtime and working time, respects the right of workers to rest and does not tolerate any kind of harassment or violence.

PERSONNEL

LESTO personnel policy is focused on the personnel training of occupational skills and formation of organizational culture, creating more value to the employees and the public. In June 2013, the company was recognized as one of the most attractive employers in Lithuania, in the CV Market survey it took the sixth place.

Number of employees since the beginning of the year was reduced by 5.3 % - from 2,555 employees on 1 January, 2013 to 2,420 employees on 31 December, 2013. In LESTO group, the number of employees was reduced by 5.1 % - from 3,384 employees on 1 January, 2013 to 3,212 employees on 31 December, 2013. The structure of the Company's employees by their education was as follows: 58.1 % of the employees had higher education, 23 % had post-secondary education, and 18.9 % had secondary or specialized-secondary education.

LESTO employees by categories

Category	Number of employees		Change, %
	31 12 2013	31 12 2012	
Top-level managers	8	9	-11.1
Middle-level managers and specialists	1,997	2,075	-3.8
Workers	415	471	-11.9
Total	2,420	2,555	-5.3

Responsible Job Cuts

In order to increase the efficiency of the Company during the third quarter of the year 2013, LESTO in its service centres the second stage of the project in order to centralize functions unrelated to rendering service to clients was implemented, and as a result the number of LESTO staff was reduced by 26 positions. Electricity network division started implementing the project of centralizing electricity network maintenance functions – as a result network maintenance functions were transferred to regional network management departments. The project for the implementing of unified control and management system and for extension of territories served by strategic teams continued as well - by implementing these projects, the number of LESTO personnel was reduced by 55 positions.

During the fourth quarter of the year 2013, the Company finished the project on centralization of network maintenance functions and continued projects for implementing unified control and management system as well as extending territories serviced by strategic teams - by implementing these projects total number of LESTO staff during the fourth quarter of the year 2013 was reduced by 63 positions. These changes had an influence on the number of LESTO employees.

Monitoring of Equal Opportunities

The most of employees are men. This is due to the specifics of activities in the electricity network companies: there a large proportion of employees in traditionally considered masculine occupations are men, women seldom choose job in field electrical and technological spheres

In the end of 2013 the total number of employees by open-ended employment contract and gender was: men – 1769, women – 485. The total number of employees by fixed-term employment contract and gender was: men – 23, women – 64. Managers: men – 125, women – 37. Workers: men– 1667; women – 512.

Total workforce by region and gender (2013):

Regional departments	Men	Women
Vilnius region	409	252
Kaunas regions	274	76
Klaipėda region	292	56
Šiauliai region	245	55
Panevėžys regions	202	38
Alytus region	172	39
Utena region	198	33

Distribution of employees by gender in the highest levels of the management of the company: CEO is male and the heads of three departments – Electricity Network, Customer Service, Finance and Administration – are run by men, and one department – Organization Development and Communications– is supervised by woman.

There were 0 of incidents of discrimination during the year 2013.

Trade Unions and Collective Agreement

The company supports the employees in voluntary grouping into trade unions and closely cooperates with them. Quarterly meetings are organized where strategic projects of the company are discussed. The representatives of the trade unions take part in working groups when the issues on employee occupation, re-skilling, remuneration and social matters are under discussion.

The company provides funding and support for the trade unions for the sports and cultural activities, designates the premises for meetings, conferences, allows them to use working tools and internal communication, computer equipment, and under separate agreement to use

transport services. During the year 2013 representatives of the trade unions actively participated in the improvement process of the collective agreement.

There are eight trade unions in the company with about 850 employees in them.

The collective agreement was passed at the Conference of LESTO employees on March 10, 2011. The purpose of this agreement is to ensure effective activities of the Company and represent the rights of all employees of the Company and their legitimate interests. The collective agreement specifies the scheme of remuneration of the employees, social, economic and occupational conditions and the guarantees that are not regulated by laws and other legal acts. The employees are offered additional guarantees (allowances in the cases of accidents, illness, death of immediate family members, birth of a child support, additional days of paid leave following the birth, marriage, and in other cases).

Under the Collective agreement, the workers are given additional paid vacation days; for example, in cases of their marriage they receive 2 days; when the employees lose a loved one, they are given 4 days and are awarded a material benefit. An extraordinary material support is given to the employees who have three or more under-age children or disabled dependents, as well as to those who raise alone the under-age children and receive no financial support from a parent. Under the Collective agreement, the company financially supports the employees after a complicated illness, accidents, in cases of losses due to natural disasters.

The percentage of total employees covered by collective bargaining agreements – 100 %.

Performance Management System

In our company the annual interview is an employee performance management tool which ensures that the personal goals for employees are set taking into consideration the goals of the company. Employee performance management is one of the most important and effective tools of the management in our company which helps achieve the goals of organization and develop positive relationship between managers and their subordinates; allows plan the career of employees and increase their motivation.

The annual interview allows evaluate the achievement of goals set up for the employee and establish the new ones, forms the feedback culture between a superior and a subordinate. During it, there are discussed not only the goals but also the possibilities of improvement of personnel skills, career and educational opportunities. The objectives are fixed, coordinated, approved, modified and evaluated in the electronic system; they must be measurable, specific, time-defined, achievable and motivating.

Training

LESTO organizes training of different type for the employees of the Company. Professional qualification of employees is raised by mandatory training – after completion of training the employees obtain certificates that permit more effective special works. 1,313 persons participated in mandatory training during the year 2013. The employees participated in training of special driving licences (C, CE, BE), manager of high-scaler works, operator of traveller managed from the ground, electro-technical personnel operating tasks under voltage on current-carrying parts, trees, bushes, branches, mower at protection zones, safety and fire signalization, first aid and hygiene skills, etc.

During the year 2013, 1,640 persons participated in general training with the aim to train general competencies. This training was organized both for forming inner groups of the Company and sending single employees to seminars and conferences (in Lithuania and abroad) organized by outer suppliers. The Company pays high attention to quality of serving the clients; therefore, during the year 2013 training for employees of Electricity network division (for electromounters of strategic team and dispatchers) was organized in order to manage critical and conflict situations; for employees of Customer service division, who contact clients directly – training in order to manage conflict situations and to negotiate conflicts; for managers of Customer service division – for individual working with employees in order to ensure achievements of the goals prescribed to client services. Once the operating manuals started to work at the Company, attention was paid to management of projects, improvement of processes and training masters for them; therefore, during the current years, training for masters of the processes was organized, namely on how processes might be managed efficiently by improving them; for managers of projects, who are liable for well-timed implementation of engineering processes within electricity network service.

The Company pays high attention to its best employees; therefore, already few years successively talent management system is developed. In 2013 employees included to certified talent's list of the Company participated in various training programmes organized by competence training and education centres.

The programme of inner lectors has been running successfully in the Company for successive three years – training for their colleagues has been conducted by the Company's employees themselves. Inner teachers have trained their colleagues on ABC of electro technique, using MS Excel programme, culture of correct speech, efficient communication and other skills. 14 leaning themes training general competences were prepared along with some more themes training special professional competences. Training was conducted by more than 25 inner teachers. 1,391 persons participated in inner training during the year 2013.

The Company also constantly collaborates with manufacturers and equipment suppliers delivering their knowledge to LESTO electricity network service employees doing the work for free – presenting the trends of market and innovations in sphere of the energy. 536 employees participated in such training in 2013.

In order to ensure the quality of organized training and prepare training programmes, the Company constantly collaborates with training suppliers and surveys for evaluating the training are performed.

In order to manage training-related data and information efficiently, the training is organized by using DSIS (work safety information system) created at the beginning of 2013.

Payment system

Remuneration policy was introduced by LESTO the implementation of which placed LESTO among other most progressive companies of the country, which remunerate their employees for the work performed according to the results achieved, value created for the organization and the team. The remuneration system was developed on the basis of "Hay Group" methodology ensuring objective evaluation of the employee's offices according to the required education, complexity of the problems, and level of responsibility of the specific office. This system supports efficiency management of the Company's expenses and ensures that strategic goals and business management logics of LESTO would be reflected in the payroll system.

The Company's employee remuneration package consists of financial, non-financial and emotional rewards. Financial reward system includes a monthly paid fixed salary indicated in the employment contract, as well as the variable part of the salary paid for the reached results of performance and other premium (for overtime, night work, etc.) paid according the collective agreement and other internal legal acts. Non-financial rewards are an indirect of employee remuneration, which is used by the Company to promote its employees' effort, involvement and loyalty, employee well-being and enrichment activities in the Company. These rewards includes various events, greetings for special occasions, recognition and evaluation by awarding employees for their especially high results, health promotion, employee development and training. Emotional rewards are the factor that is hardly measured but very important for employees' involvement in the Company's operations, it includes the Company's reputation, organizational culture and values, career opportunities, various internal communication programmes that allows employees to share their ideas, ask questions, get acquainted with colleagues with the support of an internal website.

Average wages of LESTO employees

Employee category	Average gross wage, LTL	Average gross wage, LTL	Change, %
	2013	2012	
Top-level managers	18,641	17,903	4.1
Middle-level managers and specialists	3,337	3,154	5.8
Workers	2,772	2,883	-3.9
Total	3,288	3,156	4.2
Local minimum wage	1000	850	

Occupational Safety and Health

Caring for your employees, we have organized their medical examination. Field workers were vaccinated against tick-borne encephalitis 678 employees (in 2012, it was – 911 employees), and those who have contact with the customers from influenza 552 employees (in 2011, it was – 640 employees). For medical service of our employees in 2013 we spent 91 thousand LTL (in 2012, it was – 115 thousand LTL).

Sports Activities

The company promotes a healthy lifestyle, sports activities and physical health care. In 2013, favorable conditions for workers to exercise were created in 36 cities in Lithuania. The employees could choose either a swimming pool, or a gym, or play basketball.

Integration of New Employees

In order to make the integration of new employees into the team smooth there is a publication "Newcomer's Guide" which helps get acquainted with the principles of the company activities. In order to ensure proper socialization process, managers are encouraged to assign for new employees "buddy" of the same department personnel, who are responsible for a broad range of assistance to new staff during the probationary period.

LESTO also organize "Newcomer's Days", during which the new employees and trainees students get acquainted with the company managers and activities of the departments. The newcomers get acquainted to the company's strategic directions, the main principles of operation of the energy sector, basics of electrical engineering.

Internship

LESTO actively collaborates with educational institutions and creates conditions for university or college students for application of theoretical knowledge and acquisition of professional skills. Since the beginning of the year 2013, 92 students were exercising their practice in LESTO. The Company received not only the students coming for the mandatory internship, but also LESTO was searching and selecting motivated and enthusiastic students in order to provide them opportunity to exercise practice in the Company on a voluntary basis. Given the demand of new employees, the Company remembers most enthusiastic trainees, and most relevant of them are invited to join the team of LESTO Company. Even 12 trainees exercising practice from the beginning of the year 2013 were employed according to terminable or termless employment contract.



MARKET, INVESTORS AND CLIENTS

In the business environment, LESTO seeks to maintain transparent relationships with all market participants, i.e. customers, partners, contractors and investors.

Electrical network modernization

Every year LESTO taking care of the security of energy supply and of economic and social benefits to the society, pays much attention to the development and modernization of the distribution network. An important aspect of the environmental protection is better conditions for energy conservation, more rational use of it.

LESTO by modernizing and expanding the electricity sector, a large part of it being older than 30 years, invests in environmentally friendly modern technologies. During the reconstruction of old electrical substations there are installed wastewater and rainwater collection facilities which meet the highest quality standards that no pollutants enter to the environment. Outdated, worn out power transformers are replaced with quieter operating ones, and less overloaded transformers are replaced with lower - power transformers, in order to use the existing assets more efficiently and reduce the power losses..

In the twelve months of 2013, LESTO investments in electricity network expansion and modernization reached LTL 298.5 million. This is 7.6 % less compared to the investment during the same period of 2012.

Comparing with the twelve months of 2012, the biggest decrease was in investment in the reconstruction of 0.4 - 10 kV electricity network (24 %) and in investment in the reconstruction of 110/35/10 kV transformer substations and 10 kV distribution subsections (23.8 %). Investment in the buyout of electricity objects has increased by 18.2 % compared with the same period of 2012.

Totally per year 2013, 877 transformer stations of 10/0.4 kV voltage were modernized. In order to avoid vulnerability of the airlines and damages due to natural disasters, LESTO continued laying underground cables for electricity transmission. During twelve months of the year 2013, LESTO laid 1,326 kilometers of cable lines of 10/6/0.4 kV voltage. Cable lines notably reduce number of failures during exploitation, exploitation itself of such lines is cheaper and, if airlines are changed to the cables, the landscape becomes lovelier.

LESTO replaces old induction electric meters with new electronic meters, which are twice as accurate. Electricity metering equipment automation has enabled automatically submit bills for electricity consumption for the clients, eliminating a need for customers to declare electricity consumption.

Investors

LESTO seeks to maintain close relationships with existing and potential investors in the company.

In our website, we place timely information which is regularly updated and relevant to investors. You will find the lists of shareholders, information on material events, past periodic and annual financial reports and our plans for the future: the investor's calendar as well as trading in shares information in real time.

Timely publication of the company information is equally available to all who are the shareholders and potential investors. A treasury manager maintains relationships with our shareholders.

In 2013 there were no records for the stock exchange rules violations.

Market liberalization

From January 1, 2010, a free electricity market operates in Lithuania. According to the electricity market development plan, all customers are free to choose an independent electric supplier. LESTO as electricity distribution operator actively encourages business to enter the free market. The representatives of large companies received information, were invited to the meetings and presentations and were consulted on the liberalization of the electricity market.

In order to make it easier, LESTO has implemented an automated data collection system, which helps to quickly provide information to energy suppliers and business enterprises that are no longer subject to the public supplier prices. The outcome of the project "Customer Service Data" is that independent suppliers have the opportunity to login to the portal and see the potential customers.

On 31 December, 2013 independent suppliers delivered electricity to 108,700 objects. According to plan for development of Lithuanian power market signed by the Government of the Republic of Lithuania on 8 July, 2009, on 31 December, 2013 independent electricity supplier has been chosen accordingly:

- About 86 % of objects with permissible power of 400 kW and more;
- About 57 % of objects with permissible power of 100 kW and more;
- About 33 % of objects with permissible power of 30 kW and more;
- About 47 % of objects with permissible power less than 30 kW.

The remaining objects are supplied with electricity by the warranty supplier (LESTO).

Customer Settlement Management

Satisfaction of clients is measured once per year by running a survey of clients' satisfaction. In the year 2013, satisfaction level of LESTO clients, which was estimated according to GCSI research methodology, was by 9 points higher than comparative GCSI index of European energy companies. LESTO index equals to 76, whereas average of European energy companies equals to 67 points of the index. This research shows the fact that quality of service and servicing provided by LESTO exceeds the expectations of the clients and is rated better by 1 point than a year before.

For the research of LESTO client's satisfaction Global Customer Satisfaction, index (GCSI) methodology was invoked, which is based on American Customer Satisfaction Index (ACSI). GCSI is a global franchise of ACSI research methodology. The instrument consists of 17 questions that are summarized to 6 rate groups: expectations of clients, assessment of quality, assessment of understood value, satisfaction of clients, loyalty of clients and complaints of clients. Investigation of satisfaction of LESTO clients within the period of September-November, 2013 was performed by UAB "SYNOPTICOM". Controlled sampling was comprised of 1106 private clients and 921 business clients.

After evaluating research results, LESTO annually prepares schedule of the measures, the application of which improves servicing of the clients and the services provided. In the course of last year, changes of the website www.manoelektra.lt were implemented, clients servicing system was rearranged, processes of the Company enabling more speedy and comfortable provision of usual services were optimized, and centralized briefing of the clients about occurring failures and planned duration for their elimination was implemented.

In 2013 the number of customers who uses the remote service channels (self-service website "Mano elektra" and customer service 1802) increased, while the flow of electrical energy users in LESTO customer service centers of smaller towns is decreasing. Due to changing customer needs, the Company consistently invests and expands the services provided by the telecommunications and internet channels.

Remote Channel Promotion

In 2013 many important services were introduced in self-service website „Mano Elektra“ (www.manoelektra.lt). From now on customers can submit applications for increasing or decreasing the capacity, changing the category of reliability or connection (movement) of new installations. The business customers can notify about a new or changed contract with independent supplier in efficient manner in self-service system. The new self-service website's www.manoelektra.lt version was introduced on June in 2013. Customers are welcomed by a new self-service user experience and modern standards conforming appearance as well as modern services. During the third quarter of 2013 the service of an application for signing or terminating the purchase / sale agreement, there is an ability to order a certificate of payment. The announcement about the debt payment has become easier. Customers can find all ever sent notices, signed drafts and debt payment / peace agreements in self-service website. Intensive self-service site www.manoelektra.lt functionality development project was completed in the fourth quarter of 2013. From now on self-service site provide more than 30 services for private and business customers. The campaign of www.manoelektra.lt awareness raising on TV and radio was implemented at the end of the year (from October to December); the campaign attracted new users and led to greater use of installed services. The declaration of meter readings is the most often used service. This service is used by more than 50 % of regular visitors of the system.

Currently 385 thousand of users registered themselves in the system, including 334 thousand domestic users.

During 2013, the number of visitors of the website www.manoelektra.lt (by comparing data of the year 2012) increased from 1.711 million to 2.462 million; proportionately, unique visitors increased from 0.891 million to 1.098 million.

During 2013, by short client service telephone 1802 information was provided to more than 937 thousand clients (during relevant period of the year 2012, information was provided to 902 thousand clients), more than 380 thousand requests of the clients on various questions were received and solved (during relevant period of 2012, 517 thousand requests of the clients were received and solved).

During 2013, more than 284 thousand clients were served by client service centres located in the five largest Lithuanian cities.

Customer Settlement Management

The clients have been using electronic means of settlement more and more often. At the end of reporting period, nearly 40 % of all payments for energy consumption were performed by electronic channels.

Direct debit means one method of payment for the consumed energy and it becomes more and more popular in Lithuania. Following this method, the client pays equal sum for electricity each month and this amount is automatically deducted from client's bank account. More than 12.5 % of LESTO customers are paying by direct debit already. Each client, who pays for electricity by means of direct debit, is personally informed about individual contribution amount settled individually. On request of LESTO clients, who selected to pay by direct debit, after carrying periodical inspections of meter readings the amount of contributions is recalculated, and also when the price of the electricity is changed. Moreover, clients themselves can select the most comfortable payment's date, when invoice for consumed electricity is settled automatically.

Clients have the possibility to declare energy consumption readings on self-service website www.manoelektra.lt, which is periodically updated.

Corruption prevention

LESTO does not tolerate any corruption and speaks up for fair business and transparent communication with the public authorities. The risk is minimized by the operating complex internal control mechanisms designated to identify potential corruption risks. Corruption prevention is one of the functions of Department of Prevention and Control in the company.

Transparency

- LESTO implemented more than 90 % public procurement procedures, calculated by procurement value, were performed by Central Public Procurement Information System (CVP IS) means. The system enables procuring organizations to organize all the procurement cycle by electronic method and procurers can conveniently and easily under "one-window" principle participate in public procurement.
- LESTO complies with the principles of transparent communication and the purpose of public information is not commercial. The Company does not purchase advertising publications or articles in the media. It publishes only the information that is relevant to electricity consumers: on the company's services, social responsibility topics.



ENVIRONMENTAL PROTECTION

In the everyday activities, the Company encourages the application of the working tools, which reduce labor expenditure and pollution, actively seeking for the ways how to reduce the negative impact of energy facilities to people and the environment. LESTO invests in environmentally friendly modern technology.

LESTO while implementing the environmental projects attempt to reduce the negative impact of energy facilities to people and the environment and to encourage a wider public participation in the initiatives.

„Darom 2013“

More than 400 workers of the electricity distribution network operator LESTO across Lithuania joined the initiative “Darom 2013” and collected more various wastes, which pollute the environment by irresponsible people. AB LESTO invited people to behave responsibly throughout the year: to protect the environment, bring waste for recycling, rationally use the resources and electric power.

Electric Cars

LESTO sees high potential for development of electric vehicles in the future; new technologies using energy more efficiently and their introduction to car industry compete in the market more and more, particularly in comparison with long-standing automobiles that use traditional fossil fuel. In order to run experiments and practically assess possibilities by using new cars, also their potential under Lithuanian climate and roads conditions, LESTO leased electric car for three years period in 2013.

Paper

Instead of usually used paper bills, we encourage our customers to choose the electronic ones. Electronic document management and archiving is easier and faster: the customers receive their bills by e-mail message and can pay them without leaving their home or by connecting to the self-service system from any computer.

In order to reduce the use of paper and document management costs for paper invoices and correspondence administration, our company has implemented an electronic document management system (DocLogix), where all documents are managed and archived electronically.

The company newsletter “People of Electricity” designed for more than 2400 of our employees was also prepared in electronic format only. Unnecessary to print documents such as interim or

annual reports, reports on social responsibility, are prepared in electronic format only.

Waste Management

LESTO takes care of waste management. It has contracts with waste management companies.

The Company has signed a contract with the Electrical and Electronic Equipment Manufacturers and Importers Association EEPA on the collection of energy saving bulbs, batteries and small electronics waste; for this purpose there were special boxes placed in customer service centres of the Company.

Natural Heritage Protection

LESTO are actively engaged in implementation of one of the most important and oldest nature protection directives, i.e. the Birds Directive in Lithuania.

LESTO together with the Lithuanian Ornithological Society and the Institute of Ecology for the Nature Research Center and the partners implement the project of the European Union Financial Instrument for the Environment LIFE + "The White Stork Protection in Lithuania. The stork nests built on the electricity poles are not safe either to birds or to people. When the storks touch the electrical wires they often get fatally injured; and LESTO incur losses due to electrical leakage and breaks in wires.

Therefore, the aim of the project is to ensure the protection of the white storks by installing special platforms on electric poles which were safe for birds and airlines. In the beginning of 2013 LESTO finished the project and installed a total of 3,260 artificial nets.



SOCIETY

To a wide extent LESTO implements long-term social responsibility projects for children, youth and public. All of them cover active inclusion of target social groups as well as ideas concerning safe and efficient usage of energy and environmental protection.



Loss reduction and educational project „Operation 2020“

Until the year 2020, the Company plans to proceed with the implementation of the programme “Operation 2020” in order to motivate responsible behavior with electric devices, increase understanding of people about safety and reduce negative outcomes rising as a result of non-responsible and malicious behavior of people.

By collaborating with judiciary institutions, greater infrastructural plants and communities, 63 criminal acts were detected during the year 2013 (59 cases of thieving oil, 2 of thieving wires, 1 theft of metals and 1 equipment damage from hooliganism cases). The Company suffered loss amounting to LTL 161.3 thousand for these criminal acts (part of loss was repaid), 39 persons were arrested for doing these criminal actions. Totally per year 2013, LESTO lost technologic property of value amounting to LTL 879.3 thousand as a result of theft (in 2012 – LTL 868 thousand). Nearly half of this total loss (LTL 390 thousand) was related to Vilnius region, where volume of theft has increased nearly by one-third. In order to solve the situation in the region, in cooperation with the police commissariats preventive measures plan was prepared.

In 2013, LESTO continued active collaboration with The Association of Chiefs of Local Authorities of Lithuania by participating in meetings and conferences organized by the chiefs. Utmost support against theft was provided by public spirit of the people, i.e. messages sent by the whistle-blowers provided help and led to expeditious exposing of the offenders, termination of electricity supply till transformers were repaired before they were burnt. After assessing cases of detected thefts it is possible to say that 50 % of theft cases were detected with the help of the citizens.

In order to prevent thefts of the distribution network equipment LESTO cooperate with major infrastructure companies - TEO, AB, AB "Lithuanian Railways, Electronics collectors association (EEPA), Recycling Association (APIA). In 2012 an agreement between companies was strengthened by new member Metal scrap buyers association. Companies agreed on common measures and working groups.

In all LESTO departments the company is searching for dialogue and actively trying to involve the local community. The representatives of the company actively participate in local community activities (meetings with chiefs of local authorities, local communities, leaders of

local government and other institutions). During 2013 the meetings with local government and community representatives were held in Šiauliai, Panevėžys and Vilnius (Trakai) and Alytus (Druskininkai) departments.



For the enhancement of electricity efficiency – „To the Extent Required“

Stimulation of rational energy usage is one of underlying trends of LESTO social responsibility, contributing to environmental protection and saving energy resources due to obligations of the country to pursue the European Union programme with regard to climate change. This project strives at creating traditions of rational life of society by searching for rational way to consume electricity both in daily life and business.

“The Green protocol” and “Conference for business on power efficiency”.

Companies have been invited to join “The Green protocol” for three years in a row. This refers to an agreement, which is unique in the country and has been initiated by LESTO. By following this agreement, companies and organizations confirm being aware of the ideas of saving environment and stimulating rational energy usage, and their own agreement with such ideas and undertaken realization of those in practice. For the third successive year, LESTO and business daily “Verslo Žinios” organize conferences for businesses on power usage efficiency – this year more than 300 people and more than 160 companies were participating in the conference.

Project for apartments

In order to draw public attention to power economy as well as safety in common areas, LESTO alongside with social partners UAB “Mano būstas LT”, UAB “ACME Europe” and “UAB “Elektros taupymo sprendimai” is implementing the project “As much as needed for apartments: safe and cost-saving home”. During the project targeted for apartments of four different cities and using the means provided by partners, modern and representative lighting of stairwells and outside doors was upgraded to operate on the basis of state circle: this means that light does not fade not only due to the movement, but also due to presence of a person. By this project, the Company pursues the goal of drawing attention both to energy saving and safety aspects. During the first two days after changing lighting power consumption of stairwells, the saved energy accounted for 26-32 %. Common premises use power both for lighting and circulation of pumps and other mounted equipment. For lighting of stairwell, the used power will decrease after changing incandescent light bulbs by LED bulbs - average stairwell shall pay for electricity LTL 61.33 less. For people living in apartments changing of incandescent light bulbs with LED bulbs should cost LTL 480. Investment into the new bulbs will be repaid within the period of 8 months.

Project of modern streets' lighting

In autumn of 2013, LESTO together with Birštonas local authorities and Italian public lightning company “Enet Sole” started an experimental project on efficiency of illuminators based on LED technologies “As much as needed for the city”. 14 usual street illuminators were changed with LED illuminators during the project. LESTO equipped required recording appliances and financed illuminator replacement works. Technical specifications of LED illuminators reflect situation that by modernizing lighting of streets, municipality could save 50-60 % of consumed electricity. According to LESTO data, 150-160 thousand illuminators currently are equipped in the largest cities of Lithuania, and most of them use sodium lamps of capacity from 70 to 250 W. According to preliminary assessment, in 2012 alone municipalities consumed 63.127 million kWh for lighting of streets and paid for consumed power LTL 25 million.



Educational project on power saving for children and youth - “Elektromagija”

Educational initiative “Elektromagija” is pointed towards young people – it is created for training children and youth on power benefits, hazards and safety questions. The initiative's aim is to encourage students to learn safe handling of electricity and electrical facilities, to promote interest in the responsible use of energy, as well as environmental and sustainable development ideas.

In the year 2013, students were invited to play new interactive game “Electromagical puzzle”. The aim of this game is both being better acquainted with the sources and electric appliances, and as a stimulation to use electricity safely in order to avoid possible hazards. Main prize of the competition was a tablet computer. While competing for the main prize, children registered more than 2 thousand gaming results; totally the website www.elektromagija.lt was visited by 7,500 players within the period of less than one month. Besides the winner of the main prize, 10 children were selected by drawing lots, who received the books stimulating creativity – “Good ideas with Olstein Kristiansen and the cow of ideas” and “Elektromagija.lt” notebooks.

In autumn of 2013, LESTO and Vilniaus kompiuterininkų akademija (VKA) agreed on collaboration and creation of new projects that would be realized by the students. They would receive tasks concerning electric energy – to create games, texts and other sights to visitors of the website “Elektromagija.lt”.

Collaboration with academic community

A new curriculum module of Energy economics was started in ISM Executive School in 2013. LESTO contributed to preparation of the module content and appointment of qualified lecturers. Lithuanian University of Educational Sciences (LEU), implementing “Green university” mission and striving at the development of social liability together with network distribution operator LESTO, organized a public lecture for academic community of the university “Social responsibility, or how organizations can achieve social benefits”. During the lecture, good practice of typical business social responsibility was discussed by presenting the ways used by University for training consumption culture, motivating students to use electricity, water, gas and other energy resources rationally. Lithuanian Children and Youth Centre ran Global education week events for the whole month in November, where efforts were made to draw attention of

youth to human action aiming at the environment, quality of human life, stimulation of interest in regular development ideas implementation as well as creating new values of consumption culture. During the week, an action day “Jump to sustainable life style” was organized. During this day, the students were visiting workshops and participating in sessions organized by event partners; a lecture “Electric ideas: from bulb to electro-car” provided by electricity distribution company – LESTO, reaped most attention of the students.

Cooperation with “Caritas”

To us, one of the crucial aspects of our social responsibility is volunteering of our staff and their personal contributions - over 450 various gifts - to the creation of a more sustainable society and environment as they join environmental projects and unite to help those in need, as we did in cooperation with the catholic charity organization “Caritas”.

Crime prevention and briefing the people

In summer of 2013, LESTO received a message about cases of fraud by simulating electricians, who tried to intrude into clients' homes and capture money from clients in a fraudulent manner. LESTO invited people to be watchful and ask all and any home-visiting specialists to show official certificates. Besides, residents must watch, whether arriving transport is marked by special signs. LESTO also briefed the property buyers and stimulated them to check, whether the previous owners of the property had fully settled the invoices with electricity distributing company LESTO, and how it is possible to avoid termination of electricity supply as a result of extraneous debts.

Free events on „Energetics Days“

April 17th is considered as the date of the beginning of electrical era in Lithuania. On this day, when the first power station started operations in Rietavas in 1892, energetics celebrates their mini-profession day. The 121 anniversary celebration, with the slogan „energetics live!“, reached its culmination – for the citizens of Vilnius and city guests, a plethora of entertaining and informative events occurring at the museum of energetics and technology of the Republic of Lithuania – from lectures for students, tours in museums to an exhibition of electro-mobiles and the execution of various experiments. Citizens were invited to hear directly and clearly what energetics do in everyday life and everything about the energetics of Lithuania today and in the future. The museum invited visitors to free tours, during which it was possible to become acquainted with the history and accomplishments of Lithuania's energetics and technology, and to see the impressive exhibition of the museum. The program of „Energetics Days“ was given as a gift by the National Lithuanian Electrical Association (LESTO AB, Lietuvos energija AB, Litgrid AB, Technologijų ir inovacijų centras UAB, „Visagino atominė elektrinė“ UAB, „Klaipėdos nafta“ AB) together with its partners – the Kaunas University of Technology, Faculty of Electrical and Management Engineering, the student association ENDI. The events were attended by more than 800 guests.

Research on the opinion of the society

In the beginning of 2013, following LESTO's order, „Baltijos tyrimai“ conducted a research on public opinion about habits of electricity consumption. Most participants had stated that they try to save electricity at home; however, when asked about the means of saving, one third of them could not mention even one. Most of the participants of the study associate savings only with

economic lamps and switched off lights. One third of all respondents know about the means to save electricity, but do not use any of them.

Improvements in services for clients with special needs

In June, LESTO conducted a research, during which the possibilities for improvements in services for physically disabled and elderly people, taking into account their specific needs, were assessed. The study was conducted by „Socialiniu klausimu sprendimai“. The client service centers of LESTO were evaluated in order to determine the current situation and to provide recommendations on the elimination of obstacles for the disabled, and eliminating the creation of new obstacles. After the recommendations were received, some problems were immediately fixed: improvements in the website's version for the disabled were installed, the contrast of the text was enhanced, special markings were installed. The installation of additional improvements is planned, such as modifications in the printed material and while selecting the places for the client service centers – a focus on how to assure comfortable access, accessibility to the parking lot, appropriate door width, arrangement of premises and special facilities.

The study is conducted in order to contribute to the guarantee of human rights and as a solution to the problem of integration of the disabled into society. The Company strives, for the equal treatment of our clients at any contact, and would be able to AB LESTO group interim report for the six months of 2013 use the same opportunities, independently of whether the person goes to client service centers or looks for information on the internet or reads the information on the brochure. This research is another step towards the integration of the disabled. This spring, LESTO signed an agreement with a social company for the disabled which won the public purchase for the delivery of the document archiving service

Operative information about problems and inconsistencies

From the end of June, LESTO started informing power consumers via e-mail and text messages about known troubles in distribution networks that are causing the loss of electric power. Clients are informed about the estimated time of repairs, changes in repair time, elimination of the issue. Messages, in the form of text messages or e-mails, about any issues are sent to all private and business clients of LESTO that have already provided the Company with their contact information (mobile phone number and e-mail address).

Evaluation and awards

Programme on the development The Global compact introduced by the United Nations in Lithuania and National Network of Responsible Business (NAV|T) in the year 2013, invited LESTO to become the company presiding over NAV|T. NAV|T is such a subject, which consolidates responsible business companies in Lithuania. During LESTO chairmanship from 2005, NAV|T members established Lithuanian Association of Responsible Business (LAVA), which continues past network's activities and stimulates development of responsible business of companies and organizations, contributes to creation of favorable conditions for reaching regular development of the country, represents global initiatives and forms liable performance criteria.

LESTO employee was recognized as a corporate social responsibility leader in city Siauliai. Arūnas Navarauskas, Šiauliai Grid exploitation unit manager of the Company, while implementing the European Social Fund project "Gateway: Corporate Social and Environmental

Innovation", on January 10, 2013 was recognized as a corporate social responsibility leader in the region of Siauliai. Award was given "for an endless enthusiasm while working on Corporate Social responsibility interests and incentives to engage other employees". The project "Gateway: Corporate Social and Environmental Innovation" was implemented and nominations were established by the United Nations Development Programme in Lithuania along with Lithuanian Business Employers' Confederation, trade union "Solidarity" and Non-Governmental Organizations' Information and Support Centre.

LESTO was given National Responsible Business Award, because the Company in the category of large Lithuanian companies was recognized as "Most social company of the year 2012". The award was presented for all-round partnership and spreading good examples abroad. LESTO earns National Responsible Business Award for the third year in a row.

Association Investors' Forum, uniting largest investors in Lithuanian economy, awarded businesses, organizations and media representatives that contributed the most to the country's investment climate and business environment where company LESTO has been recognized as Responsible Business 2013. Vilnius University Communications faculty students nominated LESTO the "Most socially responsible Fox Year 2013".

Accountability to society

This is the fourth LESTO social responsibility report in general (date of most recent previous report – 17 May 2013). The progress reports on social responsibility activities in LESTO are prepared annually, in Lithuanian and English. The information about social responsibility activities is presented in all LESTO periodic and annual audited company activities reports, which are published at the stock exchange „NASDAQ OMX Vilnius”.

About all these activities LESTO publishes press releases, presents on the company's website: www.lesto.lt and on the pages of social responsibility initiatives www.tiekkiekreikia.lt, www.elektromagija.lt and on the website of the Ministry of Economy "State-owned enterprises (<http://vkc.vtf.lt/imoniu-socialine-atsakomybe/apie-isa>).

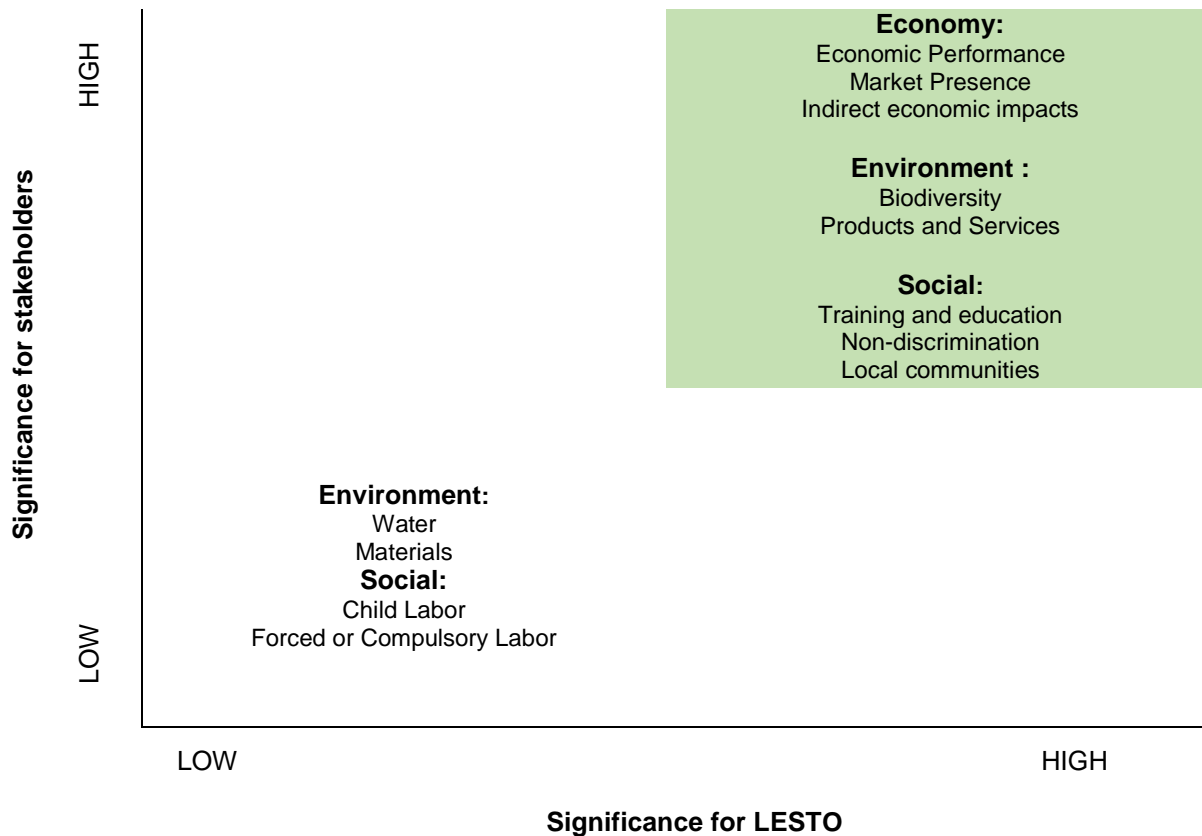
This is the first LESTO social responsibility report prepared according to the Global Reporting Initiative (GRI) version of the G4 requirements. This report has not been audited and meets G4 "CORE" version. LESTO plans to consider the future social responsibility report auditing option as well as the decision to go to G4 "Comprehensive" version.

Identified Material Aspects and Boundaries

GRI report content was chosen taking into account LESTO long-term strategy, public opinion research about the company, media monitoring analysis, assessment of the most important aspects of the company in the long run as well as the existing policies (on communication, personnel, payment, social responsibility) and the Code of Ethics. The content and the limits of the aspects determined in accordance with GRI G4 and methodological tool.

Important aspects to LESTO have not been identified in the past and in the present report is submitted for the first time. In this report information about LESTO contains both positive and negative aspects of the organization. The information is collected, provided and presented in a consistent and sufficiently way so that interested parties can analyze the changes and be able to compare the effectiveness of other organizations. The information provided is accurate and detailed enough to allow interested parties to evaluate the activities of the organization. The report is submitted on time, as scheduled. The report contains all the information in an understandable and clear way. Information was collected, documented, concluded, analyzed and disclosed in order to make sure its quality and relevance.

Identified material aspects



Aspect Boundaries

Material Aspects	Aspect Boundary	Stakeholders
Economic Performance	Inside and outside the Organization	Shareholders and investors
Market Presence	Outside the Organization	Clients, investors, suppliers
Indirect economic impacts	Outside the Organization	Clients, investors, suppliers
Biodiversity	Outside the Organization	Govermental institutions, society
Products and Services	Outside the Organization	Clients, society
Training and education	Inside the Organization	Employees
Non-discrimination	Inside and outside the Organization	Employees
Local communities	Outside the Organization	Society

Stakeholder Engagement

LESTO aims to create dialogue with all stakeholders in its activities. Company has identified the following stakeholders:

Internal stakeholders: shareholders of the company, the Board, other electricity companies, National Lithuanian Electrical Association and other organizations in whose activities LESTO is involved in, employees, trade unions.

External stakeholders: investors, customers, media, local government, state institutions (Seimas, Government, the State Energy Inspectorate, State Prices and Energy Control Commission, and others), Non-governmental organizations, communities, business partners, contractors, suppliers, independent electricity suppliers .

Basic requirements for stakeholder identification and selection

The main strategic direction of LESTO - to increase the company's value in the long term. To achieve this goal it is important to balance the needs of all stakeholders: shareholders, customers, investors, employees and the various groups. LESTO has very significant implications for the company's limits on the specifics of their services - electricity transmission is important in all economic levels, as well as everyone in the country.

Internal stakeholders were selected in accordance with the company's long-term business strategy. External stakeholders were selected on the basis of existing Lithuania national and EU legislation, company policies, as well as the company's experience in collaboration with civil society groups.

Company's approach to stakeholder involvement

LESTO seeks to cooperate actively with each named stakeholder group. Both company employees and executives were involved in the preparation of this report. LESTO specialists, responsible for the social responsibility activities identified in involved a number of key stakeholder representatives. Significant aspects of social responsibility report identified with the participation of: Lithuanian National Consumer Federation, Lithuania Disability Forum and the Baltic Environmental Forum representatives.

Key topics and concerns that have been raised through stakeholder engagement

With external stakeholders LESTO specialists discussed environmental impacts and the most significant economic, environmental and social aspects.

GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES				
GRI code	Description	Relevant Pages in Annual Report	Relevant Pages in Report on Corporate Social Responsibility	External Assurance
Strategy and Analysis				
G4-1	Statement from the most senior decision-maker of the organization		5	No
Organizational Profile				
G4-3	Report the name of the organization	9-10		Yes
G4-4	Report the primary brands, products, and services.	9-10		Yes
G4-5	Report the location of the organization's headquarters	9-10		Yes
G4-6	Report the number of countries where the organization operates	9-10		Yes
G4-7	Report the nature of ownership and legal form	9-10		Yes
G4-8	Report the markets served	56		Yes
G4-9	Report the scale of the organization	69		Yes
G4-10	Report the total number of employees		14-15	No
G4-11	Report the percentage of total employees covered by collective bargaining agreements		16	
G4-12	Describe the organization's supply chain		13	
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	58-59		Yes
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization		13	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses		13	
G4-16	List memberships of associations		13	
Identified Material Aspects and Boundaries				
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents	57		Yes
G4-18	Explain the process for defining the report content and the Aspect Boundaries		32	No
G4-19	List all the material Aspects identified in the process for defining report content		33	No
G4-20	For each material Aspect, report the Aspect Boundary within the organization		33	No
G4-21	For each material Aspect, report the Aspect Boundary outside the organization		33	No
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements		32	No
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries		32	No
Stakeholder Engagement				
G4-24	Provide a list of stakeholder groups engaged by the organization		34	No
G4-25	Report the basis for identification and selection of stakeholders with whom to engage		34	No
G4-26	Report the organization's approach to stakeholder engagement		34	No
G4-27	Report key topics and concerns that have been raised through stakeholder engagement		34	No
Report Profile				
G4-28	Reporting period		4	No
G4-29	Date of most recent previous report		4	No
G4-30	Reporting cycle		4	No
G4-31	Provide the contact point for questions regarding the report or its		4	No

	contents			
G4-32	Report the 'in accordance' option the organization has chosen		34, 35-36	No
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report		32	No
Governance				
G4-34	Report the governance structure of the organization	58-62		Yes
Ethics and Integrity				
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics		7-8	No

SPECIFIC STANDARD DISCLOSURES

Material Aspects	DMA and Indicators	Omissions	External Assurance	Page / Source
Economic				
Economic Performance	Report the direct economic value generated and distributed (G4-EC1)	No omissions	No	Annual Report 41
Market Presence	Range of ratios of standard entry level wage compared to local minimum wage (G4-EC5)	No omissions	No	Report on Corporate Social Responsibility 18
Indirect Economic Impacts	Report the extent of development of significant infrastructure investments and services supported (G4-EC7)	No omissions	No	Annual Report 66-69
Environmental				
Biodiversity	Habitat protected or restored (G4-EN13)	No omissions	No	Report on Corporate Social Responsibility 26
Products and Services	Extent of impact mitigation of environmental impacts of products and services (G4-EN27)	No omissions	No	Report on Corporate Social Responsibility 27-29
Social				
Training and Education	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings (G4- LA10)	No omissions	No	Annual Report 69-71
Non-discrimination	Total number of incidents of discrimination and corrective actions taken (G4- HR3)	No omissions	No	Report on Corporate Social Responsibility 15
Local Communities	Percentage of operations with implemented local community engagement, impact assessments, and development programs (G4-SO1)	No omissions	No	Report on Corporate Social Responsibility 27-28