

**SUSTAINABILITY
REPORT
IN
ACCORDANCE
WITH
GRI STANDARDS
2016**



**AB
KAUNO
ENERGIJA**



AB Kauno Energija is the second largest district heating company in Lithuania, producing and supplying heat for consumers in the cities of Kaunas and Jurbarkas and in Kaunas district for more than 50 years already. The company takes care on the living and working conditions of inhabitant of these cities, of their wellbeing and even health, because people cannot live without heat.



As a heat generating enterprise, our Company is directly related with emissions of combustion products into environment, therefore it is especially sensitively observed by both institutions responsible for environment protection and citizens of the city. This is why we – heat producers and suppliers must work insomuch not to only making certain reliable uninterrupted heat supplies at any circumstances, but also that equipment used in our activities would not pollute environment or at least would not exceed permissible limits. Therefore heat supplies may be considered more as social favour, not a profit seeking business.

In 2016, in order to reduce heat price for consumers, to reduce demand in fossil fuel, to increase the efficiency of heat production and the usage of renewable energy sources, the Company continued accomplishing of its strategic program of modernization of its heat production facilities. A new 5 MW capacity biofuel burned boiler was built in the boiler-house of company's affiliate "Jurbarkas heat networks". Implementation of this project let reduce heat production costs in Jurbarkas at more than three times and practically to refuse usage of fossil fuel in this boiler-house.

In order to encourage society's progress, the Company further supported academic community, cooperated with Kaunas University of Technology, with Lithuanian Energy Institute and other scientific institutions.

This report provides the information on Company's progress during the year 2016, considering economic, social and environmental aspects, as well as our Company's environmental policy and indicators.

The Company intends to further follow principles of social responsibility in its activities, allowing remaining reliable and responsible company.

*Dr. Rimantas Bakas
General Director of AB Kauno Energija*

INTRODUCTION 3

GRI 102 GENERAL DISCLOSURES 4

Organizational Profile	4
Strategy	6
Ethics and Integrity	7
Governance	7
Stakeholder Engagement	8
Reporting Practice	9

GRI 103 MANAGEMENT APPROACH 11

GRI 204 Procurement Practices	11
-------------------------------	----

TOPIC SPECIFIC STANDARDS 14

GRI 200 Economic	14
GRI 300 Environmental	15
GRI 400 Social	17

The GRI Standards will come into full use from 2018, although organisations are being encouraged to adopt them sooner. This report has been prepared in accordance with GRI Standards: Core option.

There are two options for preparation in accordance with GRI Standards Core and Comprehensive. As this is the first time the company has applied the GRI Standards, the report will be 'Core' option – providing the minimum information required in order to understand the nature of the company and how it manages its material topics and related impacts.

The GRI Standards list 33 categories of material topics under three topic specific standards: Economic (GRI 200 x 6); Environmental (GRI 300 x 8); and Social (GRI 400 x 19). The GRI 101: Foundation clause 1.3 is quite clear on how to choose the material topics for Core reporting:

The report shall cover topics that:

- 1.3.1 reflect the reporting organization's significant economic, environmental, and social impacts;
- or
- 1.3.2 substantively influence the assessments and decisions of stakeholders.

Therefore, only those material topics which the company believes to bear a significance upon the company's economic, social and environmental impacts, or if the topics have an influence on the decisions of stakeholders, should be reported on.

However, the procurement for services to complete this report states that all 33 GRI standards should be reported on.

Therefore, although all 33 material topic are reported on, only those with significance under clause 1.3 (quoted above) are reported on in full and with reference to the comprehensive conditions of GRI 103.

In all other cases where a required disclosure is reported using a reference to another source where the information is located, all efforts have been made to ensure that a specific location is referenced, as well as ensuring that this location is readily and publicly available. These additional sources may include other materials produced by the company such as its annual report and full financial statements. In this case, a section name or other specific information is provided. If disclosures are not provided, then any reason for omission is within the GRI 101 / Clause 3.2 'Reasons for Omission'.

Under the GRI Standards, the reporting conditions are clear. There are three inclusions to consider:

- **Requirements.** These are mandatory instructions and are read in the context of recommendations and guidance. An organization is required to comply with all applicable requirements in order to claim that its report has been prepared in accordance with the GRI Standards.
- **Recommendations.** These are cases where a particular course of action is encouraged, but not required. Guidance. These sections include background information, explanations and examples to help organizations better understand the requirements. However, **an organization is not required to comply with recommendations or guidance in order to claim that a report has been prepared**

in accordance with the Standards. This report has fulfilled all applicable requirements, and where possible, all applicable recommendations.

The material topics chosen for this report are as follows:

- **GRI 204 Procurement Practices:** the company (in 2016) procured some 60% of its heat provision from independent heat producers, this GRI standard is perhaps the most important within this topic.
- **GRI 305 Emissions:** (2016 figures) emissions increased if compared to the previous periods. This topic is perhaps also the most relevant for GRI 300.
- **GRI 307 Environmental Compliance:** because Kauno Energija is compliant, this is a highly positive reporting standard for the company.
- **GRI 308 Supplier Environmental Assessment:** included because it needs to improve as there is currently no environmental assessment of suppliers. In order to comply with GRI standards this situation will need to improve.
- **GRI 403 Occupational Health and Safety:** the company is strong on employee relations. This topic is mainly related to illnesses and trade union agreements – for which the information is readily available.
- **GRI 414 Supplier Social Assessment:** Linked to GRI 308, and important also for the same reasons
- **GRI 415 Public Policy:** connected to contributions / connections to political parties and lobbying.
- **GRI 416 Customer Health and Safety:** compliance to regulations and to list any serious accidents or issues.

This report presents the AB Kaunas energy activity in 2016. This GRI Standards Report forms part of the seventh AB Kaunas Energy "Social responsibility report", which is produced annually and published in conjunction with the company's consolidated annual report and financial statement.

To the best of our knowledge, the ten reporting principles as laid down in GRI 101 have been applied, disclosures provide contextual information about the company, and every relevant material topic has been identified and reported on.

Reporting Principles for defining report content	Reporting Principles for defining report quality
<ul style="list-style-type: none"> ■ Stakeholder Inclusiveness ■ Sustainability Context ■ Materiality ■ Completeness 	<ul style="list-style-type: none"> ■ Accuracy ■ Balance ■ Clarity ■ Comparability ■ Reliability ■ Timeliness

With this report AB Kaunas Energija seeks to provide non-financial corporate responsibility information to its stakeholders: clients (users), shareholders, investors, employees, suppliers, business and social partners and the public.

GRI 102 General Disclosures

ORGANIZATIONAL PROFILE

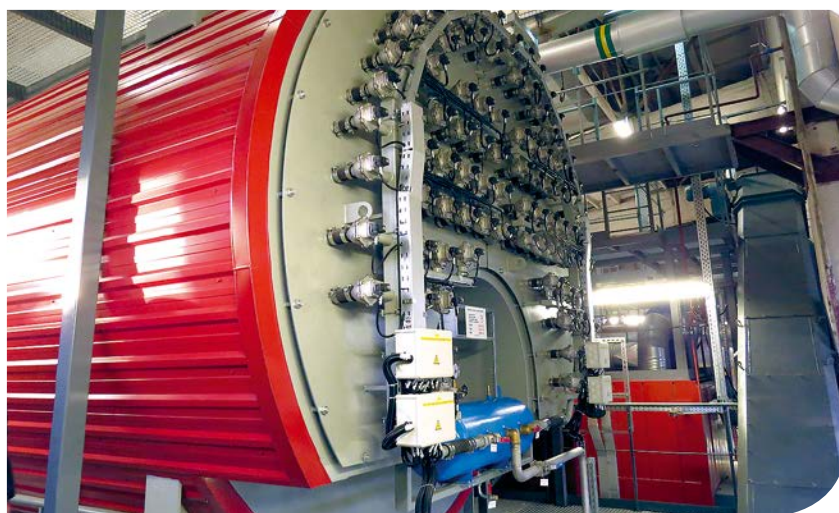


102-1	Name of the organization	AB „Kauno energija“ (EN Public Company Kaunas Energy)
102-2	Activities, brands, products, and services	http://www.kaunoenergija.lt/bendroves-veikla/apie-bendrove/
102-3	Location of headquarters	Raudondvario pl. 84, 47179 Kaunas, Lithuania
102-4	Location of operations	Lithuania, Kaunas, Kauno region, Jurbarkas.
102-5	Ownership and legal form	Information presented in the annual report. Section 2
102-6	Markets served	Information presented in the annual report. Section 3
102-7	Scale of the Organisation:	Information presented in the annual report: i) total number of employees Section 18 ii) total number of operations Section 5 iii) net revenues Section 7 iv) Not Applicable v) quantity of products / services provided Section 6.1

102-8	Information on employees and other workers	<p>Information about employees (data Kauno Energija including Jurbakas Branch) from December 2016.</p> <table><tr><th rowspan="2"></th><th rowspan="2">Total Number of Employees 2016-12-31</th><th colspan="3">Fixed-term employment contracts</th><th colspan="3">Open-ended contracts</th></tr><tr><th>Total</th><th>Women</th><th>Men</th><th>Total</th><th>Women</th><th>Men</th></tr><tr><td>a)</td><td>508</td><td>6</td><td>1</td><td>5</td><td>502</td><td>157</td><td>345</td></tr></table> <table><tr><th rowspan="2"></th><th rowspan="2">Total Number of Employees 2016-12-31</th><th colspan="3">Full-time Employees</th><th colspan="3">Part-time Employees</th></tr><tr><th>Total</th><th>Women</th><th>Men</th><th>Total</th><th>Women</th><th>Men</th></tr><tr><td>b)</td><td>508</td><td>476</td><td>136</td><td>340</td><td>32</td><td>22</td><td>10</td></tr></table> <p>c) All these employees work within the Kaunas and Jurbarkas region.</p> <p>d) The major part of the company's activities are carried out by company employees. There are external service contractors employed on projects and these are selected and employed through Public Procurement in accordance with Lithuanian law. The percentage of work that they perform is not monitored.</p> <p>e) No significant changes in these figures.</p> <p>f) All employee data is compiled and processed by the company's staff and administration departments.</p>		Total Number of Employees 2016-12-31	Fixed-term employment contracts			Open-ended contracts			Total	Women	Men	Total	Women	Men	a)	508	6	1	5	502	157	345		Total Number of Employees 2016-12-31	Full-time Employees			Part-time Employees			Total	Women	Men	Total	Women	Men	b)	508	476	136	340	32	22	10
	Total Number of Employees 2016-12-31	Fixed-term employment contracts			Open-ended contracts																																									
		Total	Women	Men	Total	Women	Men																																							
a)	508	6	1	5	502	157	345																																							
	Total Number of Employees 2016-12-31	Full-time Employees			Part-time Employees																																									
		Total	Women	Men	Total	Women	Men																																							
b)	508	476	136	340	32	22	10																																							
102-9	Supply chain	<p>The main suppliers in terms of bulk services bought are the independent heat producers of which, in accordance with legislation, the company buys heat from, and supplies heat to consumers. In 2016, the company bought from 11 suppliers in Kaunas and the Kaunas area. These suppliers are:</p> <ul style="list-style-type: none">■ UAB Kauno termofikacijos elektrinė■ UAB „GECO Kaunas“■ UAB „Lorizon energy“■ UAB „Ekoresursai“■ UAB „Petrašiūnų katilinė“■ UAB „Aldec General“■ UAB „ENG“■ UAB „Danpower Baltic Biruliškių“■ UAB „Ekopartneris“■ UAB „SSPC-Taika“■ UAB „Foksita“ <p>In total the company purchased 844.3 thousand. MWh of heat vol. i. y. representing 59.1 percent of the heat supplied to the grid (compared to 60.4 percent in 2015).</p> <p>In 2016, the company engaged with a total of 579 Lithuanian suppliers and six external to Lithuania: a total of 585 suppliers providing a range of small local services across the broad scope of the company's activities.</p>																																												
102-10	Significant changes to the organization and its supply chain	<p>There were no significant changes to the organisation and its supply chain or in the structure of outsourcing of services for heat supply.</p>																																												

102-11	Precautionary Principle or approach	<p>The EU policy on the environment states that it <i>shall aim at a high level of protection taking into account the diversity of situations in the various regions of the Union. It shall be based on the precautionary principle and on the principles that preventive action should be taken, that environmental damage should as a priority be rectified at source and that the polluter should pay.</i></p> <p>Within this understanding, the company applies where practical the same precautionary principle in seeking not to generate significant environmental impact, and where there is impact of any nature the company seeks to address this quickly and clearly.</p>
102-12	External initiatives	<p>Kauno Energija is a member of the UN Global Compact. The company also supports and encourages its employees to participate in the national and regional initiative „MesDarom.lt“ (http://mesdarom.lt/aktualijos.html). This is scheme for community and companies to clean up the local areas.</p>
102-13	Membership of associations	<p>The company is a member of the following associations:</p> <ul style="list-style-type: none"> ■ Lithuanian District Heating Association ■ Lithuanian Electricity Association ■ Kaunas Region Industrialists and Employers Association ■ Kaunas Regional Energy Agency (Kauno Energija is one of the four founders of this Agency)

STRATEGY



102-14	Statement from senior decision-maker	<p>The year 2016 proved to be a significant year in progress made. The company commitment to social responsible reporting has stepped up a gear to now include the GRI Standards methodology, further strengthening our commitment to being a socially and environmentally supportive company. Our commitment to being people focused and results driven has helped the company to reduce by half the cost of heating for customers. We constantly seek to improve our range of environmental management initiatives in all our day-to-day activities, from the attention paid to strict control of emissions from our heat sources, to the emission data collected from our use of fluorescent lamps, tyres, wastewater and other waste amounts.</p> <p>Our company strategy remains one that is fully focused on strengthening our role as a leader in transparent and inclusive social, economic and environmental reporting.</p>
102-15	Key impacts, risks, and opportunities	Not required for CORE reporting

ETHNICS AND INTEGRITY



102-16	Values, principles, standards, and norms of behaviour	Information provided on the company website under mission and vision, and values and strategic objectives: http://www.kaunoenergija.lt/bendroves-veikla/apie-bendrove/misija-ir-vertybes/
102-17	Mechanisms for advice and concerns about ethics	Not required for CORE reporting

GOVERNANCE

102-18	Governance structure	<p>a) Information about the company's management structure is here http://www.kaunoenergija.lt/bendroves-veikla/apie-bendrove/bendroves-valdymas/</p> <p>b) Committees responsible for decision-making on economic, environmental, and social topics include:</p> <ul style="list-style-type: none"> ■ Audit Committee made up from a minimum of three members, at least one of which is independent. There are currently six members: three external and independent, and three from among the company's employees (Economic, Accounting, and Judicial/Legal department). The Audit Committee operates under the supervisory board in 2015. 26 October approved by the company's audit committee's internal rules (http://www.kaunoenergija.lt/wp-content/uploads/2016/02/Audito-komiteto-vidaus-taisykl%C4%97s_20151026.pdf) ■ Technical Board (under the General Order of the Director), which examines adopted resolutions and makes recommendations to the company's General Manager on a range of economic, social and environmental topics. During 2016, the Technical Council met 13 times. ■ A number of permanent committees established too address specific operational issues. ■ Occupational health & safety committee – will be established in 2017
--------	----------------------	--

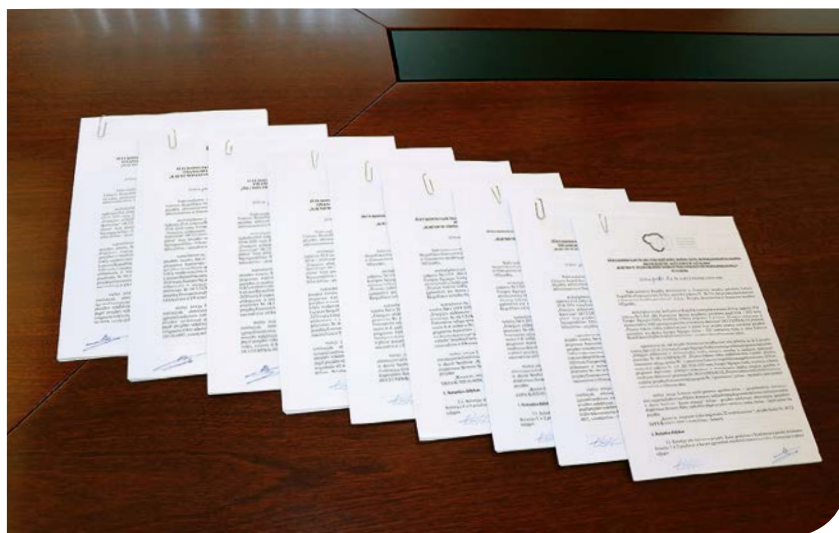
102-19 to 102-39	Governance	Not required for CORE reporting
------------------------	------------	---------------------------------

STAKEHOLDER
ENGAGEMENT

102-40	List of stakeholder groups	<p>These stakeholders are those individuals or groups to whom the company considers itself accountable and those to whom we expect to be affected by the company's activities or provision of services:</p> <ul style="list-style-type: none"> ■ The company's shareholders (among them the city of Kaunas, and Kaunas and Jurbarkas District Municipality). A full list of the 300 or so individual shareholders is held by our financial partner SEB Bank. ■ The company's managers and employees, and workers union ■ Non-employee workers (connected to key service providers for the company), and service customers ■ Business partners - including suppliers of goods, service providers, contractors, independent heat producers,
102-41	Collective bargaining agreements	<p>Yes, the company is set up and operate a Collective Agreement. It is posted on the company intranet site and updated periodically. It applies not only to workers' trade union members, but also to all employees of the company (100%).</p> <p>The Company's intranet site is provided here (but please note that it is only accessible from within the company's local network): http://web/sharepoint/portal/Shared%20Documents/KOLEKTYVINE_SUTARTIS_2013.pdf</p>
102-42	Identifying and selecting stakeholders	<p>All stakeholders and interest groups are identified through their direct connection to the company and the company activities. Any other interested individuals or groups are encouraged to be involved in our engagement activities or events.</p> <p>With regard to the goods suppliers, service providers and works contractors are selected through public procurement in accordance with Lithuanian and/or EU law.</p>
102-43	Approach to stakeholder engagement	<p>The company's shareholders receive periodical activity reports, annual reports, CSR reports, and reports on coordinated investment projects. The company's managers and employees communicate daily through departmental and inter-departmental communication.</p> <p>Customers with queries about their service provision are in touch with the company Customer Service Department via telephone, e-mail, and postal mail. Information is also available to consumers and the media through the company and Kaunas Municipality websites.</p> <p>Once a year the company carries out customer quality service surveys. Also, two to three times a year there are face to face meetings with customers held at the company premises and organised to respond to relevant new development sin the company services. Here members of the management take questions from participants. Announcement of the meetings are published in local newspaper "Kauno diena", also on the company web site and at the entrance to the company's Customer Service Department building door. In 2016 we held two such meetings.</p>

		<p>The purpose of the company's interaction with stakeholders is to ensure that the company remains an open and transparent company, constantly seeking to improve its performance and service delivery standards.</p>
102-44	Key topics and concerns raised	<p>With customers the key issues relate to costs and technical problems with the heating system. The company also has regular issues to respond to, that are raised by the main shareholder Kaunas City Municipality as well as the National Commission for Energy Control and Prices. All such issues are controlled and responded to through the company's customer service department in partnership with the relevant technical and management leaders within the company.</p> <p>An example of where company practice has changed/improved based on customer feedback is as follows:</p> <p>Three years ago, the Company changed the order of hydraulic testing of pipelines. The new method divided the network into smaller zones meaning that the supply of hot water was stopped for a smaller number of consumers and for a shorter time. Instead of the previous two week stoppage during testing, the supply of hot water is now stopped for only two to three days.</p>

REPORTING PRACTICE



102-45	Entities included in the consolidated financial statements	<p>a) A list of all entities included in the organization's consolidated financial statements or equivalent documents: please see AR Section 4 to 17.</p> <p>b) The organization's consolidated financial statements or equivalent documents cover the Kauno Energija (together with its affiliates "Jurbarkas heat networks").</p>
102-46	Defining report content and topic Boundaries	<p>a) Due to the GRI Standards being a totally new methodology, untried so far and in its inaugural phase, Kauno Energija have chosen those material topics that have the biggest bearing on their day to day activities, and that constitute the biggest part of their economic, social and environmental impact. The choice of material topics will more likely increase for the next year report because some pre-planning reporting structures should be in place in the coming year.</p> <p>b) Kauno Energija has used material topics that have been previously reported on through the inclusion of stakeholders. These material topics are within our previous sustainability reporting structures.</p>

102-47	List of material topics	<ul style="list-style-type: none"> ■ GRI 204 – Procurement Practices ■ GRI 305 – Emissions ■ GRI 307 – Environmental Compliance ■ GRI 308 – Supplier Environmental Assessment ■ GRI 403 – Occupational Health and Safety ■ GRI 414 – Supplier Social Assessment ■ GRI 415 – Public Policy ■ GRI 416 – Customer Health and Safety
102-48	Restatements of information	There are no reasons for restatements of information during the reporting period of 2016.
102-49	Changes in Reporting	None to report
102-50	Reporting Period	January 1st 2016 to December 31st 2016
102-51	Date of most recent report	This is the first report produced under GRI Standards. There are however annual reports and financial statements available for the period 2015
102-52	Reporting Cycle	Annual
102-53	Contact point for questions regarding the report	<p>Mr. Ūdrys Staselka</p> <p>Personnel and Administration Division – Public Relations</p> <p>AB „Kauno energija“</p> <p>Tel. +370 37 30 58 85 / Mob. +370 650 96 883</p> <p>e-mail: u.staselka@kaunoenergija.lt / www.kaunoenergija.lt</p>
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option
102-55	GRI content index	This report represents this GRI standard in full and in doing so fulfils the reporting requirements.
102-56	External assurance	This report has been prepared by an externally appointed organisation, procured through an open tender call for services. The preparation of the report takes information prepared for the audited accounts and annual report. However, the assurance of the quality of this GRI Standards Report is limited to the preparation following the guidelines of the GRI Standards only. This GRI Standards report has not been externally assured. However, the completed audited accounts and annual report have been passed and assured by the company board as part of its normal quality control of all information that is prepared for shareholders.

GRI 103 Management Approach

GRI 204 PROCUREMENT PRACTICES



103-1
GRI 204

Explanation of the material
topic and its Boundary

The company main procurement of services comes through the monthly procurement of provision of heating services from independent heat producers. These services represent 59% of consumers heat demand. This is a substantial amount of procurement, making this topic an obvious choice.

The boundary is with all of the business and residential customers who receive heating using these sources, and it is here where any potential impacts will be felt.

The company seeks to minimise these and any other boundary impacts through close management and quality control of these relationships on a regular basis. If serious impacts are likely to occur, we can correct through improved procurement procedure month by month.

103-2
GRI 204

The management approach
and its components

The company's services procurement procedure is organized by the Heat Procurement Commission (which includes company's employees from various departments). Much of our procurement procedures are governed by national regulations based on 2010 legislation. This governs all heat providers in Lithuania.

<https://www.e-tar.lt/portal/lt/legalAct/TAR.A37C2263838C/qCQgCxIhFq>

The rules of procurement represent our Procurement policy:

<http://www.kaunoenergija.lt/bendroves-veikla/viesieji-pirkimai/viesuju-pirkimu-taisykles/>

Company goals and targets for procurement practices are defined in law as we are obliged to provide the lowest price. All heat providers have technical measurements made of their service delivery to make sure it satisfies the conditions of the procurement contract.

Responsibilities are within the company's Heat Procurement Commission and associated company departments. Grievances are dealt with here also.

All procurement announcements and winning contracts are published on the company website:

<http://www.kaunoenergija.lt/bendroves-veikla/viesieji-pirkimai/biokuro-isigijimas/?ay=2017&am=2>

<http://www.kaunoenergija.lt/verslui/nepriklausomiems-silumos-gamintojams/silumos-supirkimas/>

103-3 GRI 204	Evaluation of the management approach	<p>Evaluation of the management approach is not formally carried out. However, the management approach is systematically linked to the procurement process and although evaluation is not carried out, adjustments can be made to the management approach through employee or client feedback.</p> <p>It is expected that this disclosure will provide details that are more positive next year.</p>
103	<p>With reference to clause 1.1 of GRI 103 Management Approach, the disclosures are combined for GRI 300 'Environmental' material topics.</p> <ul style="list-style-type: none"> ■ GRI 305 – Emissions ■ GRI 307 – Environmental Compliance ■ GRI 308 – Supplier Environmental Assessment 	
103-1 GRI 300	Explanation of the material topic and its Boundary:	<p>Three material topics have been chosen here as the most relevant for reporting purposes: Emissions; Environmental Compliance and Supplier Environmental Assessment.</p> <p>The company has high emissions into the air from its activities; environmental compliance is crucial if the company wants to maintain its commitment to the environment, to stay compliant, and to continue its high level of transparency in reporting such actions. Supplier environmental assessment needs to improve, which is why it is included here. The company wants to break with old practices and establish itself as positively encouraging suppliers to adopt a more environmental approach to business.</p> <p>Emissions and environmental compliance have an impact wider than local sites. Therefore, the boundary for impacts for these material topics are within all company sites as well as throughout the whole country.</p>
103-2 GRI 300	The management approach and its components	<p>The company does a good job of managing the topic within the company but could improve its management approach outside the company in relationships with clients / service providers.</p> <p>Internally the management systems in place to record and report on environmental impact are very strong. There is a special certified environmental laboratory installed to manage, collect, and process all relevant environmental data on company activities.</p> <p>The management systems in place to manage and control the environmental impact made by suppliers / external relationships are non-existent, and would be difficult to impose if they did exist.</p> <p>For smaller suppliers (eg: stationery, printing, and similar) there is a process of installing into the procurement for these smaller priced suppliers, conditions for environmental goods, materials, or equipment to be used or provided.</p> <p>The printing of the company's Annual Report and Financial Statement, along with the Sustainability Report are printed on recycled or environmentally friendly paper. Such small improvements to the company's environmental commitment can be more easily implemented than any similar such improvements to larger technical service providers whose contracts are regulated based on national guidelines.</p>
103-3 GRI 300	Evaluation of the management approach	<p>Evaluation of the management approach is not formally carried out. However, the management approach is systematically linked to the company's commitment to non-financial reporting and although evaluation is not carried out, suggestions can be made to the management approach through employee or client feedback.</p> <p>It is expected that this disclosure will provide marked improvements for next year.</p>

With reference to clause 1.1 of GRI 103 Management Approach, the disclosures are combined for GRI 400 "Social" material topics.		
103	<ul style="list-style-type: none"> ■ GRI 403 - Occupational Health and Safety ■ GRI 414 - Supplier Social Assessment ■ GRI 415 - Public Policy ■ GRI 416 - Customer Health and Safety 	
103-1 GRI 400	Explanation of the material topic and its Boundary:	<p>The company has identified and chosen four material topics within GRI 400. These are: Occupational Health and Safety; Supplier Social Assessment; Public Policy and Customer Health and Safety.</p> <p>The company is strong on employee relations and wants to provide regular reports on progress made in the health and safety issues for the company and its employees. The social assessment of suppliers fits into improvements we wish to make in this topic and is linked to environmental assessment of suppliers. Public policy is important because we provide a public service and are part of the city municipality services offered to the public. Any connections to political parties or political lobbying we want to be open and transparent. Customer health and safety is tantamount to our company, and as such, it should be included here. The company follows a strict regime of compliance to regulations.</p> <p>Here the boundary for impacts remains mainly focused on local and regional sites, along with all stakeholders within these areas.</p>
103-2 GRI 400	The management approach and its components	<p>Internally the company has a strong management approach for social and health and safety issues related to employees. This includes a collective agreement for all employees, an employee's safety and health department, health and safety committee being established, and established procedures for employees to voice their concerns, suggestions, or grievances.</p> <p>Employee's safety and health department has five staff: three for safety issues and two for health issues, as well as a company medical team on site in the head office. They follow and implement regulations as laid down by national state institutions.</p> <p>Regular articles and campaign notices related to health and safety issues are posted on the company intranet for employees.</p> <p>New employees are provided with instructions on basic health and safety company policies. Those working in manual roles are provided with a safety supervisor during the initial starting period.</p> <p>The company's health and safety team carry out regular workplace inspections both of company sites where employees are working, as well as company sites where non-employees are working.</p>
103-3 GRI 400	Evaluation of the management approach	<p>Evaluation of the management approach is not formally carried out. However, the management approach is systematically linked to the company's commitment to non-financial reporting and although evaluation is not carried out, suggestions can be made to the management approach through employee or client feedback.</p> <p>It is expected that this disclosure will provide marked improvements for next year.</p>

Please note: Reasons for omissions are permitted for all topic-specific disclosures (see clause 3.2)

Topic Specific Standards

GRI 200 ECONOMIC



201	Economic Performance	Only those material topics which the company believes to bear a significance upon the company's economic, social and environmental impacts, or those which have an influence on the decisions of stakeholders, have been included and reported on (GRI 101 Foundation: 3.1 guidance).
202	Market Presence	
203	Indirect Economic Impacts	
204	Procurement Practices 204-1 Proportion of spending on local suppliers	<p>The percentage of procurement budget that is spent on suppliers local to that operation (such as percentage of products and services purchased locally) is 100%.</p> <p>Local is defined as being within Lithuania.</p> <p>Our definition of 'significant locations of operation' is as above: the wider areas in which the company operates</p>
205	Anti-corruption	Only those material topics which the company believes to bear a significance upon the company's economic, social and environmental impacts, or those which have an influence on the decisions of stakeholders, have been included and reported on (GRI 101 Foundation: 3.1 guidance).
206	Anti-competitive behaviour	

GRI 300 ENVIRONMENTAL



301	Materials	Only those material topics which the company believes to bear a significance upon the company's economic, social and environmental impacts, or those which have an influence on the decisions of stakeholders, have been included and reported on (GRI 101 Foundation: 3.1 guidance).										
302	Energy											
303	Water											
304	Biodiversity											
305	Emissions											
	305-1 Direct (Scope 1) GHG emissions	<p>Omission of Disclosure (allowed under GRI 101 Foundation – section 3.2):</p> <p>Full disclosure information is available but not in the format required for this report. A new company data collection system is currently being implemented and this disclosure will be fully on in 2017.</p> <p>GHG emissions from company's heat production facilities</p> <table><tr><td>Year</td><td>2013</td><td>2014</td><td>2015</td><td>2016</td></tr><tr><td>Emissions of GHG, t CO₂ equivalent</td><td>36042</td><td>32711</td><td>8607</td><td>8480</td></tr></table>	Year	2013	2014	2015	2016	Emissions of GHG, t CO ₂ equivalent	36042	32711	8607	8480
	Year	2013	2014	2015	2016							
	Emissions of GHG, t CO ₂ equivalent	36042	32711	8607	8480							
	305-2 Energy indirect (Scope 2) GHG emissions	<p>Omission of Disclosure (allowed under GRI 101 Foundation – section 3.2):</p> <p>Full disclosure information is available but not in the format required for this report. A new company data collection system is currently being implemented and this disclosure will be fully on in 2017.</p>										
305-3 Other indirect (Scope 3) GHG emissions	<p>Omission of Disclosure (allowed under GRI 101 Foundation – section 3.2):</p> <p>Full disclosure information is available but not in the format required for this report. A new company data collection system is currently being implemented and this disclosure will be fully on in 2017.</p>											
305-4 GHG emissions intensity	<p>Omission of Disclosure (allowed under GRI 101 Foundation – section 3.2):</p> <p>Full disclosure information is available but not in the format required for this report. A new company data collection system is currently being implemented and this disclosure will be fully on in 2017.</p>											

305-5 Reduction of GHG emissions

Omission of Disclosure (allowed under **GRI 101 Foundation – section 3.2**):

Full disclosure information is available but not in the format required for this report. A new company data collection system is currently being implemented and this disclosure will be fully on in 2017.

In order not to adversely impact the environment and comply with the pollution limits, vibration and noise values, the Company is guided by the requirements of the Kyoto Protocol, the Helsinki Commission (HELCOM) and environmental constraints of Helsinki Convention, as well as the European Parliament and Council Directive 2001/80/EB of regulating energy emissions and Lithuanian environmental normative document LAND 43-2013 for the use of natural resources, and releases and emissions of air pollutants to the environment in its activities. Main sources of pollution of the Company: burning fossil fuel in the Company's heat sources, production of heat and waste water, are used in the industrial processes.

The Company pays taxes for atmospheric and water pollution. If allowable emission rate limits or annual limits are exceeded, the Company must pay the fines under the applicable laws of the Republic of Lithuania. There have been no pollution-related incidents and the Company was not imposed any penalties in 2015.

The measurement laboratory of stationary air pollution sources of the Group and the Company, having the permit issued by the Environmental Protection Agency, continuously monitors that the emissions to the atmosphere from stationary sources would not exceed the permissible limits established in integrated pollution prevention and control permits. Boiler-houses of Šilkas, Ežerėlis, Girionys and Noreikiškės, and starting from 2015 – Inkaras boiler-house and Petrašiūnai power-plant use biofuels, thus reducing atmospheric pollution.

305-6 Emissions of ozone-depleting substances (ODS)

Omission of Disclosure (allowed under **GRI 101 Foundation – section 3.2**):

Full disclosure information is available but not in the format required for this report. A new company data collection system is currently being implemented and this disclosure will be fully on in 2017.

305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions

Full reporting of those available and relevant requirements of this disclosure is contained in AR Section 7.

Per Year, t	2012 m.	2013 m.	2014 m.	2015 m.	2016 m.
Particulates	54,3160	10,5967	23,613	43,5783	53,7542
Nitrogen Oxides	54,3160	101,3197	154,570	203,6775	265,0797
Carbon Monoxide	135,1510	299,6656	534,443	904,8513	1155,3349
Sulphur Dioxide	6,0280	5,0747	47,158	193,3228	231,4719
Hydro-carbons	1,2080	14,9647	16,294	20,1586	4,2871
Vanadium Pentoxide	0,0000	0,0000	0,0000	0,0000	0,0000
Others	0,4397	0,770	0,440	0,2818	0,2818

306 Effluents and waste

Only those material topics which the company believes to bear a significance upon the company's economic, social and environmental impacts, or those which have an influence on the decisions of stakeholders, have been included and reported on (**GRI 101 Foundation: 3.1 guidance**).

307	Environmental compliance	
	307-1 Non-compliance with environmental laws and regulations	During this reporting period, the company did not receive any fines or sanctions for non-compliance with environmental laws and/or regulations at all, nor were any legal cases brought against the company during this time.
308	Supplier environmental assessment	
	308-1 New suppliers that were screened using environmental criteria	No suppliers were screened using environmental criteria during this reporting period.
	308-2 Negative environmental impacts in the supply chain and actions taken	No suppliers were screened or assessed for environmental impacts using environmental criteria during this reporting period.

GRI 400 SOCIAL



401	Employment	Only those material topics which the company believes to bear a significance upon the company's economic, social and environmental impacts, or those which have an influence on the decisions of stakeholders, have been included and reported on (GRI 101 Foundation: 3.1 guidance).
402	Labour management relations	
403	Occupational health and safety	
	403-1 Workers representation in formal joint management-worker health and safety committees	<p>The company is establishing now an occupational health and safety committee following the principles, roles and responsibilities as defined by the Occupational Safety and Health Committees of the General Regulations, approved by the Lithuanian Ministry of Social Security and Labour Minister in 2013. 9 September. Order no. A1-502.</p> <p>This committee will operate at a senior management level within the company, reporting directly to the Company Director / Board. This committee will represent 100% of the work-force employees.</p>

	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<p>Omission of Disclosure (allowed under GRI 101 Foundation – section 3.2):</p> <p>Full disclosure information is available but not in the format required for this report. A new company data collection system is currently being implemented and this disclosure will be fully on in 2017.</p> <p>All accidents are recorded and investigated if necessary under minor or major categories. Much of this reporting is required and covered by legal requirements and linked to information required by the national Social Insurance organisation (SODRA).</p>
	403-3 Workers with high incidence or high risk of diseases related to their occupation	The company does not have any occupational activities that would put its workers at high incidence rate, or high risk of specific diseases.
	403-4 Health and safety topics covered in formal agreements with trade unions	<p>The company is establishing an occupational health and safety committee following the principles, roles and responsibilities as defined by the Occupational Safety and Health Committees of the General Regulations, approved by the Lithuanian Ministry of Social Security and Labour Minister in 2013. 9 September. Order no. A1-502.</p> <p>This committee will work with the trade union and will cover 100% of all health and safety topics within the work place and work broader work environment.</p>
404	Training and Education	<p>Only those material topics which the company believes to bear a significance upon the company's economic, social and environmental impacts, or those which have an influence on the decisions of stakeholders, have been included and reported on (GRI 101 Foundation: 3.1 guidance).</p>
405	Diversity and Equal Opportunity	
406	Non-discrimination	
407	Freedom of association and collective bargaining	
408	Child labour	
409	Forced or compulsory labour	
410	Security practices	
411	Rights of indigenous peoples	
412	Human rights assessment	
413	Local communities	
414	Supplier social assessment	No suppliers were screened using social criteria during this reporting period.
	414-1 New suppliers that were screened using social criteria	

	<p>414-2 Negative social impacts in the supply chain and actions taken</p>	No suppliers were screened or assessed for social impacts using social criteria during this reporting period.
415	<p>Public policy</p> <p>415-1 Political contributions</p>	No financial or in-kind political contributions made directly or indirectly.
416	<p>Customer health and safety</p> <p>416-1 Assessment of the health and safety impacts of product and service categories</p>	No significant product and service categories for which health and safety impacts are assessed for improvement.
	<p>416-2 Incidents of non-compliance concerning the health and safety impacts of products and services</p>	The company has had no identified or recorded non-compliance with regulations and/or voluntary codes.
417	Marketing and labelling	Only those material topics which the company believes to bear a significance upon the company's economic, social and environmental impacts, or those which have an influence on the decisions of stakeholders, have been included and reported on (GRI 101 Foundation: 3.1 guidance).
418	Customer privacy	
419	Socioeconomic compliance	



Company Contact Information

Name of the company: Public limited liability company "Kauno energija"

Address of the company: Raudondvario rd. 84, 47179, Kaunas


Telephone: (8 37) 305 650

Fax: (8 37) 305 622

E-mail: info@kaunoenergija.lt

Website address: www.kaunoenergija.lt





AB Kauno Energija is the second largest district heating company in Lithuania, producing and supplying heat for consumers in the cities of Kaunas and Jurbarkas and in Kaunas district for more than 50 years already. The company takes care on the living and working conditions of inhabitant of these cities, of their wellbeing and even health, because people cannot live without heat.