



AB  
**KAUNO  
ENERGIJA**

CONSOLIDATED SUSTAINABILITY REPORT IN ACCORDANCE  
WITH GRI STANDARDS  
2018







We are proud to present this - our third GRI Standards Sustainability Report.

In 2018, we continued to implement our new company four year strategy, concentrating on increasing customer satisfaction, working closer with suppliers to ensure that they are aware of our commitment to sustainability, and continuing to train and increase the knowledge of our employees on all aspects of our environmental management initiatives.

In addition, we started the process of developing a closer exchange of ideas and feedback with our stakeholders. This is something we want to improve so that our GRI Standards report fully represents their assessments and decisions.

Our choice of Material Topics currently reflects the company's impact in social, economic and environmental areas. However, with more of our customers (and some suppliers) gaining more and more interest in our environmental performance, we will try to improve our reporting and data collection processes so that we are gradually able to increase the number of material topics we can report on.

The company has made great progress since it started reporting using GRI Standards, and we want to continue this progress, and are committed to doing so in the foreseeable future.

**Vaidas Sleivys**

*Director of Production Department, (and Interim Director General).*



# Introduction

This GRI Standards Report forms part of the AB Kaunas Energy “Social Responsibility Report”, which is produced annually and published in conjunction with the company’s consolidated annual report and financial statements.

The report has been prepared **in accordance with GRI Standards 2016: 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 economic, environmental, and social impacts.

GRI Standards are separated into three distinct sections: **General Disclosures** (GRI 102); **Management Approach** (GRI 103) which reports on each of the topic specific standards; and **Topic Specific Standards** (GRI 200, 300, and 400).

Within the set of Topic Specific Standards, only those material topics with significance (as defined by GRI 101: clause 1.3) are reported on in full. In a few cases where supporting information for a disclosure has an external reference, all efforts have been made to ensure that a specific location is referenced, as well as ensuring that this location is publicly available. These additional external sources may include other materials produced by the company such as its annual report and full financial statements. If some material topics are not provided with a full disclosure, this is allowed under GRI 101: clause 3.2 ‘Reasons for Omission’ and the reason for omission will be given.

The material topics chosen for this report are as follows:

**GRI 204 Procurement Practices**

**GRI 205 Anticorruption**

**GRI 302 Energy**

**GRI 305 Emissions**

**GRI 307 Environmental Compliance**

**GRI 403 Occupational Health & Safety**

**GRI 404 Training and education**

**GRI 405 Diversity & Equal Opportunity**

**GRI 406 Non-discrimination**

**GRI 407 Freedom of Association & Collective Bargaining**

**GRI 408 Child Labour**

**GRI 409 Forced or Compulsory Labour**

**GRI 415 Public Policy**

**GRI 416 Customer Health and Safety**

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. This sustainability report is produced as a stand-alone report in accordance with GRI Standards 2016.



## GRI 102 General Disclosures

### Organizational profile

102-1	<b>Name of the organization</b>	AB „Kauno energija“ (Public Limited Liability Company Kaunas Energy)
102-2	<b>Activities, brands, products, and services</b>	Provider of energy services to clients and customers in regions within Lithuania.
102-3	<b>Location of headquarters</b>	Raudondvario pl. 84, 47179 Kaunas Lithuania
102-4	<b>Location of operations</b>	Lithuania – specifically Kaunas, Kaunas District and Jurbarkas.
102-5	<b>Ownership and legal form</b>	Information presented in the annual report. Section 2
102-6	<b>Markets served</b>	Information presented in the annual report. Section 3
102-7	<b>Scale of the Organisation:</b>	<ol style="list-style-type: none"> <li>Information relating to total number of employees, the range of company activities, net revenues, and quantity of products / services provided is all presented in the annual report in sections 18, 7, 6 14 &amp; 18; 5 &amp; 14; 7 &amp; 14; and 6.1.respectively.</li> <li>Information in this disclosure asking for total capitalisation broken down in terms of debt and equity in is only for private sector organisations and is therefore not applicable here.</li> </ol>

102-8

## Information on employees and other workers

Figures shown are for the full year ending 31 December 2018 and are recorded in A/R section 18 – pages 87-89.

Total Number of Employees by Employment Contract and Gender						
Total Number	Fixed-term employment contracts			Open-ended contracts		
	Total	Women	Men	Total	Women	Men
427	12	5	7	415	132	283

All employees are employed in and within the Kaunas and Jurbarkas region.

Total Number of Employees by Employment Type and Gender						
Total Number	Full-time Employees			Part-time Employees		
	Total	Women	Men	Total	Women	Men
427	401	121	280	26	16	10

All employee data is compiled and processed by the company's staff and administration departments, and there are no significant changes in the figures above since the last reporting period.

The major parts of the company's activities are carried out by company employees. Although there are external service contractors employed on projects (selected and employed through Public Procurement in accordance with Lithuanian law), the percentage of work they perform is not monitored.

102-9

## Supply chain

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 11 major suppliers in Kaunas and the Kaunas area, and supplies heat to 119,165 consumers. In 2018, these 11 major suppliers were:

1. UAB Kauno termofikacijos elektrinė
2. UAB „Danpower Baltic Taika“
3. UAB „Lorizon energy“
4. UAB „Ekoresursai“
5. UAB „Petrašiūnų katilinė“
6. UAB „Aldec General“
7. UAB „ENG“
8. UAB „Danpower Baltic Biruliškių“
9. UAB „Ekopartneris“
10. UAB „Danpower Baltic Taika Elektrinė“
11. UAB „Foksita“

In 2018, the company engaged with a total of 675 smaller Lithuanian suppliers and six external to Lithuania: a total of 681 suppliers providing a range of small local services across the broad scope of the company's activities.

102-10	<b>Significant changes to the organization and its supply chain</b>	<p>There were some significant changes to the structure of the company and the way in which it communicates with clients and customers. At the start of 2018 as part of the city municipality's efforts to centralise and streamline the customer service centres of all municipality controlled companies and enterprises, the single service centre 'Mano Kaunas' was launched. Now city inhabitants can receive from this single 'one-stop-shop', information or consultation regarding services of six enterprises including energy, waste, water, building maintenance, and the public transport services. This takes away much of the public interface traffic we previously received at our head office building.</p> <p>Additional changes to the company structure in terms of services and ownership of company subsidiaries; departing and new members to the Management Board; statutes relating to competences and structure of Supervisory Board and Management Board; are all detailed in the Annual Report –section 1.</p>
102-11	<b>Precautionary Principle or approach</b>	<p>The EU policy on the environment states that it shall <i>"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	<b>External initiatives</b>	<p>April: The company supports and encourages its employees to participate in the national and regional initiative "MesDarom.lt" (<a href="http://mesdarom.lt/apie-mus/istorija">http://mesdarom.lt/apie-mus/istorija</a>) - a scheme for members of the community and companies to clean up local areas.</p> <p>June: The company encouraged and supported its employees to participate in the XXIII Lithuanian Energy Sector Sports Games in Šventoji. These games are not only a sporting event, but also a great opportunity to communicate with colleagues outside the office to meet the energy of other companies.</p> <p>October: As part of the Kaunas University of Technology's career days activities (KTU 'WANTed'), the company participated in a major exhibition of career opportunities, an event it has participated in for over a decade.</p> <p>Throughout the year, five tours of the company took place. Participants were invited to sign up via a special Facebook page. During the tour, the company introduced its activities, presented its production capacities, and helped participants to understand energy efficiency and reducing the cost of heating. In total about 120 people visited the company during these five tours.</p>
102-13	<b>Membership of associations</b>	<p>The company is a member of the following associations:</p> <ul style="list-style-type: none"> <li>• Lithuanian District Heating Association</li> <li>• Lithuanian Electricity Association</li> <li>• Kaunas Region Industrialists and Employers Association</li> <li>• Lithuanian Thermal Technology Engineers Association</li> </ul>



## Strategy

102-14

**Statement from senior decision-maker**

We are proud to present this - our third GRI Standards Sustainability Report.

In 2018, we continued to implement our new company four year strategy, concentrating on increasing customer satisfaction, working closer with suppliers to ensure that they are aware of our commitment to sustainability, and continuing to train and increase the knowledge of our employees on all aspects of our environmental management initiatives.

In addition, we started the process of developing a closer exchange of ideas and feedback with our stakeholders. This is something we want to improve so that our GRI Standards report fully represents their assessments and decisions.

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## 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:

[www.kaunoenergija.lt/bendroves-veikla/apie-bendrove/misija-ir-vertybes](http://www.kaunoenergija.lt/bendroves-veikla/apie-bendrove/misija-ir-vertybes)

The Code of Ethics is publicly disclosed within the company and is applicable to all employees, agents, brokers, contractors, subcontractors or suppliers of the Company. A copy of this can be found on the company website:

[www.kaunoenergija.lt/bendroves-veikla/apie-bendrove/etikos-kodeksas](http://www.kaunoenergija.lt/bendroves-veikla/apie-bendrove/etikos-kodeksas)

## Governance

102-18	<b>Governance structure</b>	<p>Information about the company's management structure, along with a governance structure scheme diagram, is on the company website: <a href="http://www.kaunoenergija.lt/bendroves-veikla/bendroves-valdymas">www.kaunoenergija.lt/bendroves-veikla/bendroves-valdymas</a></p> <p>Committees responsible for decision-making on economic, environmental, and social topics include:</p> <ul style="list-style-type: none"> <li>• <b>Audit Committee</b> 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 Company's audit committee's internal rules approved by Supervisory Board on 26 October 2015: the <a href="http://www.kaunoenergija.lt/wp-content/uploads/2016/02/Audito-komiteto-vidaus-taisykl%C4%97s_20151026.pdf">www.kaunoenergija.lt/wp-content/uploads/2016/02/Audito-komiteto-vidaus-taisykl%C4%97s_20151026.pdf</a>). During 2018 The Audit Committee had 1 session in which it monitored the financial statements and audit process performed by an independent auditor and reviewed the interim financial statements of nine months of the Company.</li> <li>• <b>Technical Board</b> (established by order of General Director), which examines adopted resolutions and makes recommendations to the company's General Manager on a range of economic, social and environmental topics. During 2018, the board met 16 times.</li> <li>• <b>Occupational Health &amp; Safety Committee</b> established in 2017 and with no issues to deal with in 2018, it had no reason to meet.</li> <li>• <b>A few permanent committees</b> established to address specific operational issues.</li> </ul>
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## Stakeholder Engagement

102-40	<b>List of stakeholder groups</b>	<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"> <li>• The company's heat supply customers (residents of Kaunas, Kaunas District, and Jurbakas, and organisations consuming heat and/or hot water from the district heating system).</li> <li>• 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.</li> <li>• The company's managers and employees, and workers union</li> <li>• Non-employee workers (connected to key service providers for the company), and service customers</li> <li>• Business partners - including suppliers of goods, service providers, contractors, independent heat producers</li> </ul>
102-41	<b>Collective bargaining agreements</b>	<p>The company has a 'Collective Agreement' set up and operating. 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><b>102-42</b></p>	<p><b>Identifying and selecting stakeholders</b></p>	<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 suppliers of goods, service providers and works contractors, these are selected through public procurement in accordance with Lithuanian and/or EU law.</p>
<p><b>102-43</b></p>	<p><b>Approach to stakeholder engagement</b></p>	<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 through the new centralised municipality service centre 'Mano Kaunas' 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 developments in 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 2018 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 and as such, our engagement with stakeholders will inevitable help to improve our preparation of this report.</p>
<p><b>102-44</b></p>	<p><b>Key topics and concerns raised</b></p>	<p>Regarding topics and concerns raised by customers, these are related to costs and to technical problems with the heating system. We address these on a wider basis by placing information articles in the local newspapers explaining some generic issues.</p> <p>Regular issues that are raised by the main shareholder Kaunas City Municipality as well as the National Commission for Energy Control and Prices are all controlled and responded to through the company's Department of Sales in partnership with the relevant technical and management leaders within the company.</p>

## Reporting Practice

<p><b>102-45</b></p>	<p><b>Entities included in the consolidated financial statements</b></p>	<p>A list of all entities included in the organization's consolidated financial statements or equivalent documents is included throughout all of the A/R – in particular sections 2-14.</p> <p>The organization's consolidated financial statements or related documents cover the activities of AB Kauno Energija (including its subsidiaries UAB Kauno Energija NT and UAB Petrašiūnų Katilinė). The subsidiary Jurbarko Šilumos Tinklai was removed from the register of legal entities on March 01 2018 (in accordance with a management board decision dated No 24 2017).</p>
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<b>102-46</b>	<b>Defining report content and topic Boundaries</b>	Now in our third year of reporting under the GRI Standards, the Company 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.
<b>102-47</b>	<b>List of material topics</b>	<p>GRI 204 – Procurement Practices GRI 205 – Anti-Corruption</p> <p>GRI 302 – Energy GRI 305 – Emissions GRI 307 – Environmental Compliance</p> <p>GRI 403 - Occupational Health &amp; Safety GRI 404 – Training and Education GRI 405 – Diversity &amp; Equal Opportunities GRI 406 – Non-Discrimination GRI 407 – Freedom of Association &amp; Collective Bargaining GRI 408 – Child Labour GRI 409 – Forced or Compulsory Labour GRI 415 – Public Policy GRI 416 – Customer Health &amp; Safety</p>
<b>102-48</b>	<b>Restatements of information</b>	There are no reasons for restatements of information during the reporting period of 2018.
<b>102-49</b>	<b>Changes in Reporting</b>	None this year. However, from 2020, two GRI Standards will have new revised versions: <i>GRI 403 Occupational Health and Safety</i> and <i>GRI 303 Water</i> (which will become <i>GRI 303 Water and Effluents</i> ). We will start to report on these new versions from next year.
<b>102-50</b>	<b>Reporting Period</b>	January 1 <sup>st</sup> to December 31 <sup>st</sup> 2018
<b>102-51</b>	<b>Date of most recent report</b>	This is the third report produced under GRI Standards. The last report was for 2017 and this, along with company annual reports and financial statements are available.
<b>102-52</b>	<b>Reporting Cycle</b>	Annual
<b>102-53</b>	<b>Contact point for questions regarding the report</b>	<p>Mr. Ūdryš Staselka Public Relations AB „Kauno energija“ Tel. +370 37 30 58 85 / Mob. +370 650 96 883 Email: u.staselka@kaunoenergija.lt / www.kaunoenergija.lt</p>
<b>102-54</b>	<b>Claims of reporting in accordance with GRI Standards</b>	This report has been prepared in accordance with the GRI Standards: Core option

# GRI 102 General Disclosures

<b>102-55</b>	<b>GRI content index</b>	This report constitutes this GRI standard in full and in doing so fulfils the reporting requirements in accordance with disclosure 102-54.
<b>102-56</b>	<b>External assurance</b>	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. The assurance of the quality of this GRI Standards Report is limited to following the guidelines of the GRI Standards only and it 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 200 – Economic

### GRI 204 – Procurement Practices

103-1

**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. This is a substantial amount of service procurement - representing 60% of consumers heat demand - 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 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.

<p><b>103-2</b></p>	<p><b>The management approach and its components</b></p>	<p>The company's procurement policy is determined in the Rules of Procurement, which is available publicly on the company's website: <a href="http://www.kaunoenergija.lt/bendroves-veikla/viesieji-pirkimai/mazos-vertes-pirkimu-tvarkos-aprasas">www.kaunoenergija.lt/bendroves-veikla/viesieji-pirkimai/mazos-vertes-pirkimu-tvarkos-aprasas</a></p> <p>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.</p> <p>The Company's procurement procedures are organized by the Procurement Commission constituted by the order of General Manager or Procurement Organizer, subject to procurement amount. All announcements and winning contracts are published on the Central Procurement Portal: <a href="https://cvpp.eviesiejipirkimai.lt">https://cvpp.eviesiejipirkimai.lt</a></p> <p>For all heat providers in Lithuania, procurement procedures are governed by national regulations based on legislation. For any local company related procurement grievances, the responsibility for dealing with such is managed within the company's Heat Procurement Commission and associated company departments.</p>
<p><b>103-3</b></p>	<p><b>Evaluation of the management approach</b></p>	<p>Evaluation of the management approach is not formally carried out. However, the management approach is systematically linked to the procurement process and adjustments can be made through employee or client feedback.</p>

## GRI 205 - Anti-Corruption

<p><b>103-1</b></p>	<p><b>Explanation of the material topic and its boundary</b></p>	<p>The company and its subsidiaries are guided by its anticorruption policy which identifies the main principles and requirements for the prevention of corruption in the company and its subsidiaries. The policy includes guidelines for ensuring compliance, the implementation. The Company's anticorruption policy is in harmony with the laws of the Republic of Lithuania. The company constantly works hard to minimize the risk of corruption through a range of management and quality control measures.</p>
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103-2	<b>The management approach and its components</b>	<p>To prevent corruption, a system has been created in which named or anonymous cases of abusive or corrupt practices can be reported to the Company. This system encourages all company employees, suppliers, and customers to report on any incidents that they feel are abusive or corrupt such as personal gain in working relationships, exceeding powers granted, assimilating or disposing of company assets, disclosing official or commercial secrets, and any acts of bribery or bribe-taking.</p> <p>The information can be submitted by e-mail: <a href="mailto:pasitikejimo.linija@kaunoenergija.lt">pasitikejimo.linija@kaunoenergija.lt</a> or by filling out the notification form published on the company website: <a href="http://www.kaunoenergija.lt/korupcijos-prevencijos-kontaktu-forma">http://www.kaunoenergija.lt/korupcijos-prevencijos-kontaktu-forma</a>. Full confidentiality and assurance of anonymity of the data is guaranteed (although, applicants are invited but not forced to provide contact information).</p> <p>Compliance with Corruption Prevention Requirements and Standards is an integral part of the Company's business ethics, and the corruption prevention policy is applicable to all company representatives, subsidiaries, contractors, subcontractors, suppliers and intermediaries.</p>
103-3	<b>Evaluation of the management approach</b>	<p>Evaluation of the management approach is not formally carried out but improvements are considered whenever issues are raised by users of this process.</p> <p>For this category of 103-3 disclosure reporting, the company is working to develop a more effective method of encouraging and collecting evaluation feedback in order to improve this section of reporting.</p>

## GRI 300 - Environmental

With reference to clause 1.1 of GRI 103 Management Approach, the disclosures are combined for GRI 300- Environmental material topics.

**GRI 302 – Energy**

**GRI 305 – Emissions**

**GRI 307 – Environmental Compliance**

103-1	<b>Explanation of the material topic and its boundary</b>	<p>The material topics within GRI 300 listed above have been chosen as the most relevant for reporting purposes. Due to the particularity of activities the company uses a lot of electricity and has high emissions into the air and generates a specific amount of effluents and waste. The saving of energy and its resources is very important for the company's economic performance. 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.</p> <p>Emissions and environmental compliance have an impact wider than local company sites. Therefore, the boundary for impacts for these material topics is within all company sites as well as throughout the whole country.</p>
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103-2

**The management approach and its components**

Although the company does a good job of managing the topic within the company it could still improve its management approach in relationships with clients / service providers outside the company.

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. Links to all decision making for these material topics are referred to in disclosure 102-18 (*Governance Structure*) and all links to the principles that make up the company policies are in disclosure 102-16 – 102-17 (*Values, Principles, Standards and Norms of Behaviour and Mechanisms for Advice and Concerns about Ethics*).

For 305 Emissions the company is guided by the following:

- Kyoto Protocol,
- Helsinki Commission (HELCOM) and environmental constraints of Helsinki Convention,
- European Parliament and Council Directive 2001/80/EB of regulating energy emissions
- Lithuanian environmental normative document LAND 43-2013 for the use of natural resources, and emissions from air pollutants into the environment

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 Lithuanian laws.

The company has its own air pollution laboratory that operates with a permit from the Lithuanian Environmental Protection Agency. This continuously monitors the emissions to the atmosphere from stationary sources to make sure that they do not exceed the permissible limits Six company boiler-houses use biofuels, thus reducing atmospheric pollution.

Small internal improvements such as using recycled or environmentally friendly paper to print the company's, Annual Report and Financial Statement, on, are easy to implement. The company chooses to not print the Sustainability Report and instead, encourages e-downloads (unless events we attend require handout copies for participants). Improvements to larger technical service providers, whose contracts are regulated based on national guidelines, are more difficult to make.

103-3

**Evaluation of the management approach**

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.

For this category of 103-3 disclosure reporting, the company is working to develop a more effective method of encouraging and collecting evaluation feedback in order to improve this section of reporting.

## GRI 400 - Social

With reference to clause 1.1 of GRI 103 Management Approach, the disclosures are combined for GRI 400-Social material topics.

**GRI 403 - Occupational Health and Safety**

**GRI 404 - Training and Education**

**GRI 405 - Diversity and Equal Opportunities**

**GRI 406 - Non-Discrimination**

**GRI 407 - Freedom of Association and Collective Bargaining**

**GRI 408 - Child Labour**

**GRI 409 - Forced or Compulsory Labour**

**GRI 415 - Public Policy**

**GRI 416 - Customer Health and Safety**

103-1

**Explanation of the material topic and its boundary:**

The material topics within GRI 400 listed above have been chosen as the most relevant for reporting purposes. 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. Qualification and technical improvement of employee skills is important to the company, so the company promotes and supports an annual programme of different types of courses and trainings, seminars and conferences for employees to participate in.

The Company respects the principles of gender equality, non-discrimination, and freedom of association and collective bargaining agreements are automatically part of company policy (as is the outlawing of child labour and forced labour in the company).

Public policy is important because we provide a public service and are part of the city municipality services offered to the public, and our public policies need to reflect our public profile. The company follows a strict regime of compliance to health and safety regulations because it is tantamount to the services we provide, the people who provide them and those who use them.

The boundary for impacts remains mainly focused on local and regional sites, along with all stakeholders within these areas.

103-2

**The management approach and its components**

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 health and safety service (reorganised into the 'Work Safety Department' from March 01 2018), a Health and Safety Committee (established in 2017), and established procedures for employees to voice their concerns, suggestions, or grievances.

Links to all decision making for these material topics are referred to in disclosure 102-18 (*Governance Structure*) and all links to the principles that make up the company policies are in disclosure 102-16 (*Values, Principles, Standards and Norms of Behaviour*).

The Work Safety Department has five staff: three for safety issues and two for health issues, as well as a company medical team in the head office. They follow and implement regulations as laid down by national state institutions and there are regular articles and campaign notices related to health and safety issues posted on the company intranet and notice boards for employees.

Regular workplace inspections are carried out for company sites where employees are working, as well as company sites where non-employees are working. 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.

Special emphasis is paid to improving the qualifications of employees through their placement on specialist work-related training programmes run by either government institutions or through professional associations. These take place on an annual basis.

Both in 2018 and in previous years, the Company did not record any violation of the principles of gender equality, non-discrimination.

The trade-union operates in the Company. 147 of employees belonged to the trade-union as of 31 December 2018. Both the trade-union and individual employees are free to enter associations and negotiate collectively for better working conditions or pay.

There were no cases of child or forced labour in 2018 nor the previous years in the Company. With our policy on this issue, there will not be any cases expected at all in future reports.

103-3

**Evaluation of the management approach**

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.

For this category of 103-3 disclosure reporting, the company is working to develop a more effective method of encouraging and collecting evaluation feedback in order to improve this section of reporting.



## Topic Specific Standards

### GRI 200 - Economic

201	<i>Economic Performance</i>	
202	<i>Market Presence</i>	<i>Using the guidance in GRI 101: Foundation 2016 - clause 1:3, the company has not considered these topics for this report.</i>
203	<i>Indirect Economic Impacts</i>	
<b>204</b>	<b>Procurement Practices</b>	
<b>204-1</b>	<b>Proportion of spending on local suppliers</b>	<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 99,9749%.</p> <p>Local is defined as being within Lithuania. Our definition of 'significant locations of operation' is as above: the wider areas in which the company operates.</p>
<b>205</b>	<b>Anti-corruption</b>	
205-1	<i>Operations assessed for risks related to corruption</i>	<p><i>Omission of full disclosure allowed under GRI Standard 101: Clause 3.2. Although the company has a proven anticorruption policy that includes a mechanism for assessing corruption risk factors, defining all types of corruption, responsibilities and roles, the specific number and percentage of corruption-related risk factors has not been assessed so far.</i></p> <p><i>As no specific corruption risk assessment has been carried out so far, no significant dangers related to corruption have been identified. The company is working to define a clear corruption risk assessment procedure – something we hope will be ready within the next reporting period.</i></p>

<p><b>205-2</b></p>	<p><b>Communication and training about anti-corruption policies and procedures</b></p>	<p>The company has an approved Corruption Prevention Policy (approved by the decision of the Company's Board No. 2017-4-3 on 24 February 2017), which is published on its website: <a href="https://www.kaunoenergija.lt/wp-content/uploads/AB-Kauno-energija-ir-jos-dukteriniu-imoniu-korupcijos-prevencijos-politi.pdf">https://www.kaunoenergija.lt/wp-content/uploads/AB-Kauno-energija-ir-jos-dukteriniu-imoniu-korupcijos-prevencijos-politi.pdf</a>. It also provides a clear statement of its position on corruption and what it is doing to help prevent it happening; this is also on the company website: <a href="https://www.kaunoenergija.lt/bendroves-veikla/korupcijos-prevencija">https://www.kaunoenergija.lt/bendroves-veikla/korupcijos-prevencija</a></p> <p>All 21 members – representing 100% - of the governing bodies (Management) have been notified of the organization's anticorruption policies and procedures, as have all 406 employees of the workforce – representing 100% of all categories of work.</p> <p>In addition, all contractors and suppliers participating in public procurement procedures are made fully aware of the company's anticorruption policy and procedures on a compulsory basis. In total, 11 major suppliers and 670 smaller suppliers (detailed in disclosure 102-9) representing 100% are informed of the company's anticorruption policy. Compliance with the Corruption Prevention Policy is an integral part of our business ethics, and as such, it is fully applied to representatives (intermediaries) of the company.</p> <p>The regions covered by all of the above are as described in disclosure 102-4.</p> <p>One anti-corruption themed training took place in 2018 for approximately 30 Managers and Senior Management employees. This training was organised and delivered by Transparency International.</p>
<p><b>205-3</b></p>	<p><b>Confirmed incidents of corruption and action taken.</b></p>	<p>No case of corruption was identified in the company during 2018.</p>
<p>206</p>	<p>Anti-competitive Behaviour</p>	<p>Using the guidance in <i>GRI 101: Foundation 2016 - clause 1:3</i>, the company has not considered these topics for this report.</p>



## GRI 300 – Environmental

301	Materials	Using the guidance in GRI 101: Foundation 2016 - clause 1:3, the company has not considered these topics for this report.				
302	Energy					
302-1	Energy consumed within the organisation	<p>The organization itself is a producer of heat energy, so the largest part of electricity is consumed for the production and supply of heat energy.</p> <p>Information on total fuel consumption from renewable and non-renewable sources is disclosed in section 6.1 of the company's annual report. Solid biofuel and natural gas account for almost 100% of fuel consumption.</p> <p>Information on heat produced and sold is disclosed in section 7 of the annual report of the Company.</p> <p>In total, the electricity bought, and internally consumed, by the company was 12,685,301 kWh. This is split as follows:</p> <table border="1" data-bbox="667 1791 1474 1873"> <thead> <tr> <th data-bbox="667 1791 1068 1831">Internal needs / Other purposes</th> <th data-bbox="1068 1791 1474 1831">For heat production and supply</th> </tr> </thead> <tbody> <tr> <td data-bbox="667 1831 1068 1873">1,581,913 kWh</td> <td data-bbox="1068 1831 1474 1873">10,437,135 kWh</td> </tr> </tbody> </table> <p>The remainder - 666,253 kWh - was electricity resold and used under loan agreements.</p> <p>The company did not produce steam and therefore reports no consumption or sale in 2018. The company provided no sale or consumption of cooling in 2018.</p> <p>Total electric energy consumption in organization in 2018 was - 12,019,048 kWh.</p>	Internal needs / Other purposes	For heat production and supply	1,581,913 kWh	10,437,135 kWh
Internal needs / Other purposes	For heat production and supply					
1,581,913 kWh	10,437,135 kWh					

302-2	Energy consumed outside the organisation	
302-3	Energy intensity	<p><i>Omission of Disclosure (allowed under GRI 101 Foundation – section 3.2). The company currently has insufficient reporting standards, methodologies, assumptions, and/or calculation tools in place to fully report on these disclosures. The company is endeavouring to improve in all these areas and expects to be able to report fully in the next reporting period.</i></p>
302-4	Reduction of energy consumption	
302-5	Reductions in energy requirements of products & services	
303	Water	<p><i>Using the guidance in GRI 101: Foundation 2016 - clause 1:3, the company has not considered these topics for this report.</i></p>
304	Biodiversity	<p><i>Using the guidance in GRI 101: Foundation 2016 - clause 1:3, the company has not considered these topics for this report.</i></p>



305

Emissions

305-1

**Direct (Scope 1) GHG emissions.**

As the Company itself is a producer of heat energy, it monitors emissions from these sources of production and provides data to public authorities in accordance with the procedures established by law. From this data, we can report that the total direct emissions from the Company's heat production sources in 2018 was 21 008 metric tonnes CO<sub>2</sub> equivalent, with gases included in these calculations being CO<sub>2</sub> only (the biological emissions of CO<sub>2</sub> in metric tonnes are not counted in CO<sub>2</sub> equivalents). No other Scope 1 emissions are monitored or recorded.

The base year of the calculation is applied based on the individual production sources and is chosen due to the higher median of activity data (reports and justifications are available here: <https://www.kaunoenergija.lt/bendroves-veikla/apie-bendrove/aplinkosauga/>). According the law, only the emissions of boiler houses, that are more than 20 MW capacity are calculated. The company owns 6 boiler houses, that are more than 20 MW capacity:

For Petrašiūnai power plant (28,568 tonnes of CO<sub>2</sub>), and the boiler houses at Pergalė (7,506 tonnes of CO<sub>2</sub>), Noreikiškės (22,700 tonnes of CO<sub>2</sub>), and Garliava (30,594 tonnes of CO<sub>2</sub>), the baseline year of calculation of 2005-2008 is used. For the boiler houses at Šilkas (6,853 tonnes of CO<sub>2</sub>) and Jurbarkas(19,088 tonnes of CO<sub>2</sub>), the baseline year of calculation of 2009-2010 is used. The base year has not been recalculated since 2011.

The source of the emission factors and the reference to the global warming potential (GWP) rates used (as well as standards, methodologies, and calculating tools) are all taken from within the following articles and regulations:

- Directive 2003/87 / EC of the European Parliament and of the Council;
- Commission Regulation No 600/2012;
- Commission Regulation No 601/2012;
- Standard ISO 14065.

Actual total GHG emissions/t CO<sub>2</sub> equivalent from the company's heat production facilities from 2013 to 2018 are as follows:

Year	2013	2014	2015	2016	2017	2018
<b>Emissions of GHG</b>	36,042	32,711	8,607	8,480	8,918	21,008

305-2

*Energy indirect (Scope 2) GHG emissions*

305-3

*Other indirect (Scope 3) GHG emissions*

305-4

*GHG emissions intensity*

*Omission of Disclosure (allowed under GRI 101 Foundation – section 3.2). The company currently has insufficient reporting standards, methodologies, assumptions, and/or calculation tools in place to fully report on these disclosures. The company is endeavouring to improve in all these areas and expects to be able to report fully in the next reporting period.*



305-5	<b>Reduction of GHG emissions</b>	<p>Greenhouse gas emissions increased quite significantly compared to 2017 (8,918 tonnes CO<sub>2</sub> in 2017, to 21,008 tonnes in 2018). The reason is the increased demand for heat from consumers resulting in additional burning of natural gas for heating systems. Gases included in the calculations are CO<sub>2</sub> only.</p> <p>The company's only reduction initiatives are based on public information campaigns to help customers understand more about energy efficiency measures. However, if the weather temperature drops drastically, then there is very little the company can do to stop the need to produce more heating energy.</p> <p>For baseline figures, please refer to the information in disclosure 305-1, as well as for the standards, methodologies, and calculating tools.</p>																																																								
305-6	<i>Emissions of ozone-depleting substances (ODS)</i>	<i>Omission of full disclosure allowed under GRI Standard 101: Clause 3.2. The company has insufficient methodologies, assumptions, and/or calculation tools in place to fully report on these disclosures.</i>																																																								
305-7	<b>Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions</b>	<p>Full reporting of those available and relevant requirements of this disclosure is contained in the company Annual Report - Section 7.</p> <table border="1" data-bbox="630 931 1442 1250"> <thead> <tr> <th>Per Year, t</th> <th>Particulates</th> <th>Nitrogen Oxides</th> <th>Carbon Monoxide</th> <th>Sulphur Dioxide</th> <th>Hydro-carbons</th> <th>Others</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>48,7984</td> <td>283,0412</td> <td>1,082,9366</td> <td>31,6210</td> <td>1,1982</td> <td>0,1509</td> </tr> <tr> <td>2017</td> <td>79,7242</td> <td>285,6461</td> <td>1236,7667</td> <td>145,0571</td> <td>1,1982</td> <td>0,4297</td> </tr> <tr> <td>2016</td> <td>53,7542</td> <td>265,0797</td> <td>1155,3349</td> <td>231,4719</td> <td>4,2871</td> <td>0,2818</td> </tr> <tr> <td>2015</td> <td>43,5783</td> <td>203,6775</td> <td>904,8513</td> <td>193,3228</td> <td>20,1586</td> <td>0,2818</td> </tr> <tr> <td>2014</td> <td>23,613</td> <td>154,570</td> <td>534,443</td> <td>47,158</td> <td>16,294</td> <td>0,440</td> </tr> <tr> <td>2013</td> <td>10,5967</td> <td>101,3197</td> <td>299,6656</td> <td>5,0747</td> <td>14,9647</td> <td>0,770</td> </tr> <tr> <td>2012</td> <td>7,6130</td> <td>54,3160</td> <td>135,1510</td> <td>6,0280</td> <td>1,2080</td> <td>0,4397</td> </tr> </tbody> </table> <p>There have been no pollution-related incidents and the Company was not imposed any penalties in 2018.</p>	Per Year, t	Particulates	Nitrogen Oxides	Carbon Monoxide	Sulphur Dioxide	Hydro-carbons	Others	2018	48,7984	283,0412	1,082,9366	31,6210	1,1982	0,1509	2017	79,7242	285,6461	1236,7667	145,0571	1,1982	0,4297	2016	53,7542	265,0797	1155,3349	231,4719	4,2871	0,2818	2015	43,5783	203,6775	904,8513	193,3228	20,1586	0,2818	2014	23,613	154,570	534,443	47,158	16,294	0,440	2013	10,5967	101,3197	299,6656	5,0747	14,9647	0,770	2012	7,6130	54,3160	135,1510	6,0280	1,2080	0,4397
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306	<i>Effluents and Waste</i>	<i>Using the guidance in GRI 101: Foundation 2016 - clause 1:3, the company has not considered these topics for this report.</i>																																																								
<b>307 Environmental Compliance</b>																																																										
307-1	<b>Non-compliance with environmental laws and regulations</b>	<p>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.</p>																																																								
308	<i>Supplier Environmental Assessment</i>	<i>Using the guidance in GRI 101: Foundation 2016 - clause 1:3, the company has not considered these topics for this report.</i>																																																								



## GRI 400 – Social

401	Employment	
402	Labour Management Relations	Using the guidance in GRI 101: Foundation 2016 - clause 1:3, the company has not considered these topics for this report.
403	<b>Occupational Health and Safety</b>	
403-1	<b>Workers representation in formal joint management-worker health &amp; safety committees</b>	<p>An occupational health and safety committee operates in the Company and it follows 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 operates at a senior management level within the company, reporting directly to the Company Director / Board, and represents 100% of the workforce employees.</p>

<p><b>403-2</b></p>	<p><b>Types of injury &amp; rates of injury, occupational diseases, lost days, &amp; absenteeism, &amp; number of work-related fatalities</b></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). In 2018 the company reported the following injuries in the work place:</p> <p>In the workplace (N1), three reported accidents: two male employees (right shoulder dislocation, and left fracture II finger I phalanx fracture) and one female employee (right lumbar joint rupture). On the way to the workplace (N2), one reported accident: one female (left ankle ligament sprain). In addition, there was one case of Osteochondrosis reported and recorded under the category of Occupational Disease.</p> <p>As yet, the company does not separate reasons for absence into categories that include types of injuries, and therefore cannot state how many days were lost through the above recorded injuries.</p>
<p><b>403-3</b></p>	<p><b>Workers with high incidence or high risk of diseases related to their occupation</b></p>	<p>The company does not have any occupational activities that would put its workers at high incidence rate, or high risk of specific diseases.</p>
<p><b>403-4</b></p>	<p><b>Health and safety topics covered in formal agreements with trade unions</b></p>	<p>The company has established 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 works with the trade union and covers 100% of all health and safety topics within the work place and broader work environment.</p>
<p><b>404 Training and Education</b></p>		
<p><b>404-1</b></p>	<p><b>Average hours of training per year per employee</b></p>	<p>The company has an annual programme of professional refresher courses and trainings – including participation in various seminars and conferences – to allow employees to update and upgrade their workplace skills and knowledge. The company also continues to invite recognised experts to deliver lectures to the employees once a year on topics related to the production or supply of heat.</p> <p>The average number of hours training per employee per year is 15 hours. And the split by gender of training is: women 300 hours, and men 375 hours. By category of employees this looks like: 240 hours for Managers, 405 hours for Specialists, and 30 hours for other workers.</p>

404-2	<b>Programmes for upgrading employee skills &amp; transition assistance programmes</b>	<p>The company works with the local Kaunas University of Technology (KTU) to help develop and better tailor some specific technical courses. This helps to strengthen the theoretical knowledge that all potential new employees, recruited after finishing studies at KTU, will have. However, there are no special programmes, except those for some employees who need to update their existing certificates or professional competences on a regular basis. To date, the company has not recorded these by gender.</p> <p>Transition programmes for those who are retiring (or being made redundant) do not currently exist within the company.</p>						
404-3	<i>Percentage of employees receiving regular performance and career development reviews</i>	<i>Omission of Disclosure (allowed under GRI 101 Foundation – section 3.2). Reporting standards are not sufficient to allow adequate data reporting here. The company does not currently provide performance reviews as part of its training and education for employees.</i>						
<b>405 Diversity and Equal Opportunity</b>								
405-1	<b>Diversity of governance bodies and employees</b>	<p>The share of individuals in the management bodies of each of the following categories:</p> <table border="1" data-bbox="667 1052 1479 1134"> <thead> <tr> <th>Total Managers – as of 2018-12-31</th> <th>Women</th> <th>Men</th> </tr> </thead> <tbody> <tr> <td>21</td> <td>6</td> <td>15</td> </tr> </tbody> </table> <p>Although there are six women Managers, there are currently no women within the ranks of Senior Management, or at Board or Supervisory Board level.</p> <p>The age group of those within the company governance bodies / senior management is as follows: two are younger than 30 years; ten are between the ages of 30-50 years; and nine are over 50 years.</p> <p>For all other employees by employment category the figures are as follows: the total number of women is 137 and for men the figure is 290. The age-group split is: 33 are younger than 30 years old; 136 are between 30-50 years old; and 237 are over 50 years old.</p> <p>The company does not have any information on persons belonging to minorities or vulnerable groups.</p>	Total Managers – as of 2018-12-31	Women	Men	21	6	15
Total Managers – as of 2018-12-31	Women	Men						
21	6	15						
405-2	<b>Ratio of basic salary &amp; remuneration of women to men</b>	The salaries of women and men with the same qualifications and working in the same positions are not different in the Company.						
<b>406 Non-discrimination</b>								
406-1	<b>Incidents of discrimination &amp; corrective actions taken</b>	No cases of discrimination were recorded in the Company in 2018.						

<b>407</b>	<b>Freedom of Association and Collective Bargaining</b>	
<b>407-1</b>	<b>Operations &amp; suppliers in which the right to freedom of association &amp; collective bargaining may be at risk</b>	<p>There are no risks to employees' in being able to exercise their rights to freedom of association and collective bargaining. All employees of the company (and extended Group subsidiaries) are free to join any association and negotiate collectively for better working conditions or pay. A trade union operates in the company with 147 members as at 31 December 2018.</p> <p>A collective agreement operates in the company, which covers all issues related to the employee's working conditions as well as all issues of learning and professional development and social security.</p>
<b>408</b>	<b>Child Labour</b>	
<b>408-1</b>	<b>Operations and suppliers at significant risk for incidents of child labour</b>	<p>There is no child labour in the company or its subsidiaries. There are also no company operations, or suppliers that the company works with, that can be considered to have significant risk for incidents of child labour.</p>
<b>409</b>	<b>Forced or Compulsory Labour</b>	
<b>409-1</b>	<b>Operations and suppliers at significant risk for incidents of forced or compulsory labour</b>	<p>There is no forced or compulsory labour in the company or its subsidiaries. There are also no company operations, or suppliers that the company works with, that can be considered to have significant risk for incidents of forced or compulsory labour.</p>
<b>410</b>	<i>Security Practices</i>	<p>Using the guidance in GRI 101: Foundation 2016 - clause 1:3, the company has not considered these topics for this report.</p>
<b>411</b>	<i>Rights of Indigenous Peoples</i>	
<b>412</b>	<i>Human rights Assessment</i>	
<b>413</b>	<i>Local Communities</i>	
<b>414</b>	<i>Supplier Social Assessment</i>	
<b>415</b>	<b>Public Policy</b>	
<b>415-1</b>	<b>Political contributions</b>	<p>No financial or in-kind political contributions made directly or indirectly.</p>

<b>416</b>	<b>Customer Health and Safety</b>	
<b>416-1</b>	<b>Assessment of the health &amp; safety impacts of product &amp; service categories</b>	<p>No significant product and service categories for which health and safety impacts are assessed for improvement.</p> <p>Please note however, that in terms of employee assessment, the company has a series of regular and routine health and safety checks and assessments made as part of its statutory legal working practices.</p>
<b>416-2</b>	<b>Incidents of non-compliance concerning the health &amp; safety impacts of products &amp; services</b>	<p>The company has had no identified or recorded non-compliance with regulations and/or voluntary codes.</p>
<b>417</b>	<i>Marketing and Labelling</i>	
<b>418</b>	<i>Customer Privacy</i>	<p><i>Using the guidance in GRI 101: Foundation 2016 - clause 1:3, the company has not considered these topics for this report.</i></p>
<b>419</b>	<i>Socioeconomic Compliance</i>	





## Company Contact Information

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