



KN SOCIAL RESPONSIBILITY REPORT OF 2020

REPORT FOR JANUARY 1ST-DECEMBER 31ST, 2020
FOLLOWING GRI GUIDELINES

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Dears,

3 P's - planet, people and profit - are the three points of focus on the agenda of the most businesses owners and managers across the world. Achieving a balance among the environment, society and the economy is considered essential to meet the needs of the present without compromising the ability of the future generations to meet their needs. For us at KN group these considerations are also important.

A year of COVID-19 pandemic brought a lot of challenges from the perspective of sustainable business, balancing all the three pillars of sustainability in the times of great anxiety and uncertainty. However, we kept with our commitments for the environment with further focus on the implementation of the environmental plan, which targets reduction of emissions as well as helps creating more friendly environment for the communities around our company. We also raised a new ambition to reduce Scope 1 emissions from the operations of Klaipėda oil terminal by up to 50 percent, if compared to the average level of emissions in the 5 last years, by 2030. Furthermore, our target is to reduce VOC emissions for more than 50 percent, if compared to the to the average level of VOC emissions in the 5 last years, by 2030. Despite the

volatility and sensibility of the supply chains due to the pandemic situation, we are progressing with the environmental measures in our operations as planned.

However, the sustainability pillar, which required most attention in 2020, is people. Because of the pandemic situation, personal safety became even more important than before, as well as need to balance personal and professional tasks working from home. As a responsible employer, KN not only focused on the safety of its employees, who didn't have opportunity to work remotely, but also prepared sets of protective equipment for family members of the Group's employees. Also, as a responsible society member, we shared our resources of the personal protective equipment with hospitals and institutions in need and joined supporting initiatives, initiated by business associations.

Last but not least, we maintained our communication with our stakeholders, like communities, at the same level as before the pandemic. For us it was important to be sure that our stakeholders had an opportunity to provide their feedback for the company in the same way as before the COVID-19 stalled the world.

Business-wise, year 2020 was a tough year for all the companies, operating in the field logistics, including KN. COVID-19

pandemic was a great disruption, that influenced the mobility of people and accordingly demand for the oil products. In this context one may ask – should we even care about the sustainability? The pandemic is still influencing business in the sectors like energy and logistics, it also pushes the great transformation in the minds of the people across the globe towards the green transformation. The world is facing challenging times and great transformations is ahead of. We are fully aware that KN is at the beginning of our sustainability journey. However, this journey is full of inspiration and opportunities for growth both professionally and personally.

Also, sustainability increases business resilience in the new challenges ahead. Having all our stakeholders in mind, we aim to develop our business in the manner, which will create additional value for them. Given this context, environmental, social and governance topics will require even larger share of attention in our operations in 2021. It will also require change of mindset at various levels of our organization. However, sustainability is key for the successful long-term business, and we are keen to enroll.

Sincerely,
Darius Šilenskis
KN CEO



GENERAL INFORMATION

KN SOCIAL RESPONSIBILITY AND SUSTAINABILITY

From KN perspective, in order to be successful and responsible member of the society in the long-term perspective, all companies should adhere to principles of business sustainability and take responsibility for building the path for future. The company understands that all its activities can contribute both to well-being or distress for future generations and therefore strives for own environmental, social and governance consciousness. Following from that,

KN considers social responsibility and sustainability as key for its operations and develops its' business according the following guidelines:

- Economic responsibility.
- Transparent business practice.
- Top conditions for employees.
- Sustainable partnership with clients.
- Minimizing and preventing adverse company impact.

As KN states in its business strategy 2030, to be successful in the long-term perspective, the company will focus on establishing sustainability focused mindset in the company and will seek to integrate CSR and sustainability

standards into KN business practices. KN will have to develop its sustainability road-map for the long-term and short-term goals, also focus on sustainability trainings across the organization and development of the relevant KPI's.

For more information please refer to the company's website > [Sustainable development](#) section.

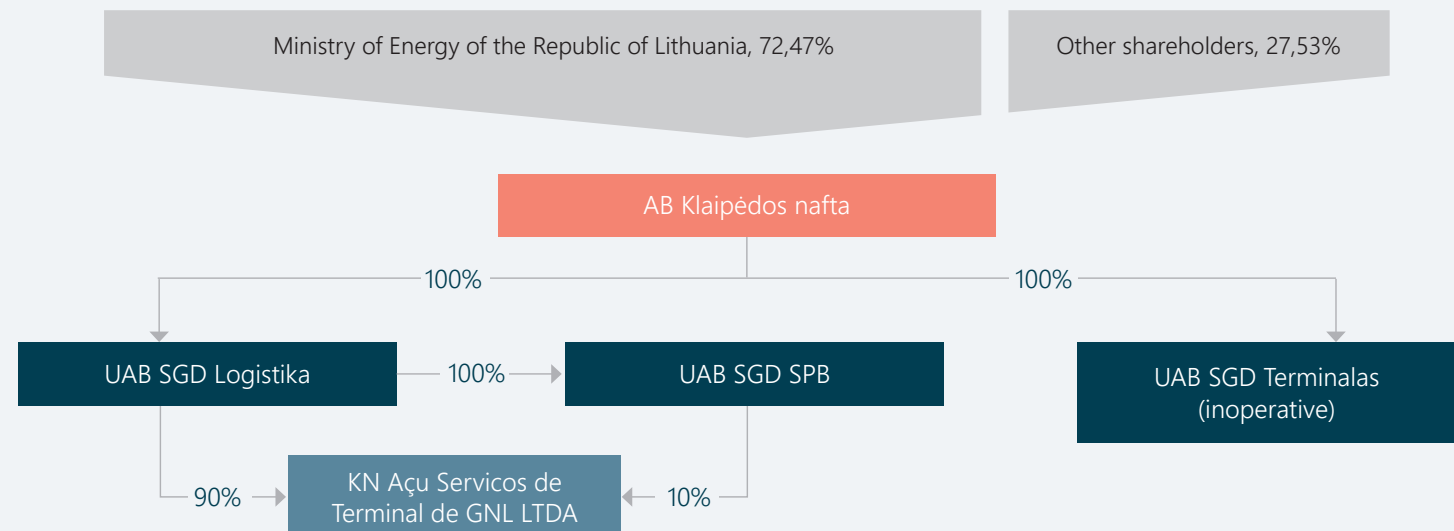
CHANGES SINCE 2019

In February 2020 KN was appointed as the operator of a liquefied natural gas

(LNG) terminal in the Brazilian Port of Açu. Under the contract concluded with Gas Natural Açu (GNA), a joint venture of Prumo Logistica, BP and Siemens, KN as the operator of the LNG Terminal is responsible for the smooth operation of the LNG Terminal, including the technical and commercial operation of the installation of the quay and its facilities, gas pipeline and gas metering stations. KN established a company KN Açu Serviços de Terminal de GNL Ltda., which is responsible for the execution of this project in Brazil and formed a team of local specialists. Strategic project management and operational supervision were ensured by KN team in Lithuania, acting as

ABOUT THE COMPANY

Joint Stock Company „Klaipėdos Nafta“ (hereinafter – KN or the Company) is a joint-stock company registered in the Republic of Lithuania. As of May 2021, KN Group is comprised of the following companies (hereinafter referred to as the KN Group):



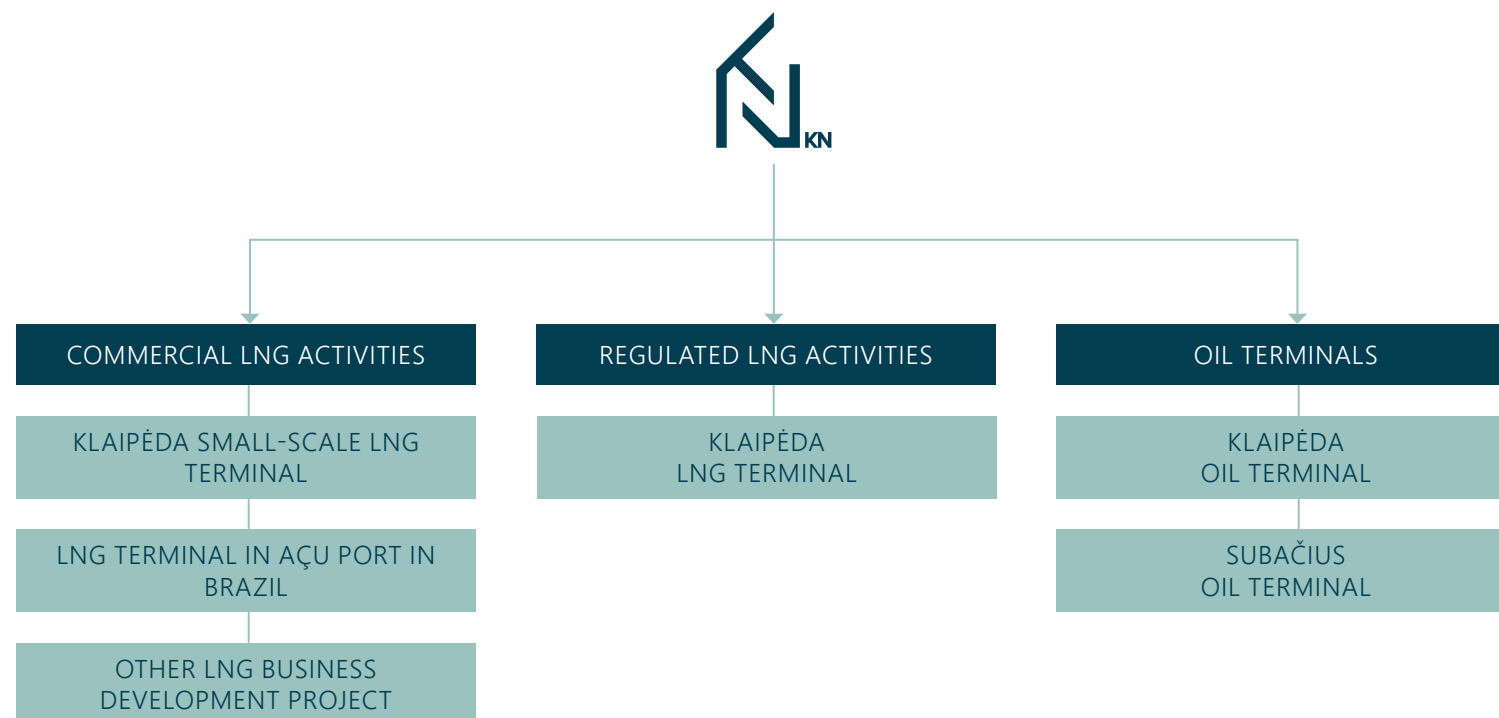
MAJOR SHAREHOLDERS OF THE COMPANY HAVING MORE THAN 5% OF SHARES (EACH) OF THE COMPANY AS OF 31 DECEMBER 2019 AND 2020

SHAREHOLDER'S NAME (COMPANY'S NAME, ADDRESS, COMPANY CODE OF REGISTRATION)	31 DECEMBER 2020		31 DECEMBER 2019	
	NUMBER OF OWNED SHARES (UNIT)	PART OF AUTHORIZED CAPITAL (%)	NUMBER OF OWNED SHARES (UNIT)	PART OF AUTHORIZED CAPITAL (%)
The Republic of Lithuania, represented by the Ministry of Energy of the Republic of Lithuania (Gediminas Ave. 38/2, Vilnius, 302308327)	275,687,444	72.35	275,587,444	72.34
Concern UAB Achemos grupė (Vykinto st. 14, Vilnius, 156673480)	39,662,838	10.41	39,650,338	10.41
Other (each owning less than 5%)	65,702,111	17.24	65,714,611	17.25
Total	381,052,393	100.00	380,952,393	100.00

an LNG competence centre. Since the preparations for the operations of KN Açu were carried out throughout 2020, due to the early developments of this business unit only partial data regarding KN Açu is available and will be reflected in this report for the 2020.

ACTIVITY AND THE CHAIN OF VALUE

KN is the company of strategic importance for the energy security of Lithuania and the surrounding region, which ensures the possibility to import oil and liquefied natural gas into Lithuania and neighbouring countries, as well as the storage of the mandatory



oil product reserve of the Republic of Lithuania, and ensures reliable and efficient transshipment of oil products in the Port of Klaipėda. Also, in 2020 KN became the operator of liquefied natural gas (LNG) terminal at Açu Port, Brazil.

Currently, the Company's activities can be divided into three main segments: commercial LNG activities, regulated LNG activities, and oil terminals.

SUPPLY CHAIN

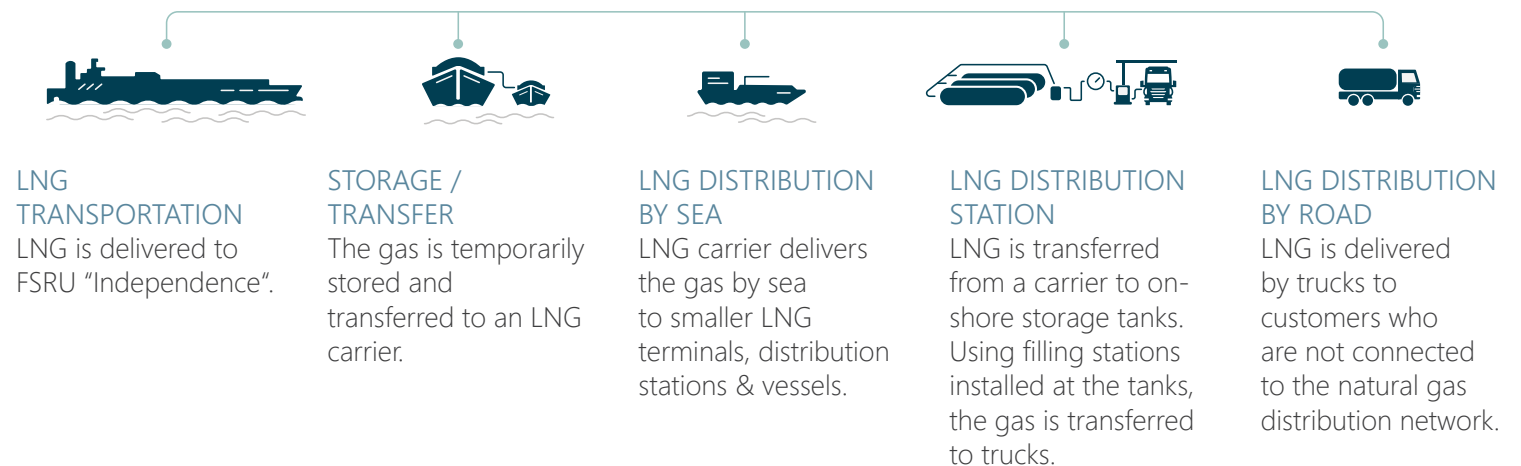
The purpose of KN oil terminal is to provide the services of handling of oil products supplied from/to oil refineries (from railway tank cars to tankers and vice versa) and storage of such products in the storage tank park of the terminal. Oil products are also imported through KN Oil Terminal, by providing the services of transshipment of oil products from oil tankers to the customers' vehicles (tank trucks and/or tank cars).

LNG terminal is one of the most important national facilities ensuring the energy security, which allowed for the formation of a natural gas market in Lithuania and opened opportunities for the country as well as its people and

SUPPLY CHAIN OF OIL PRODUCTS



SUPPLY CHAIN OF SGD



companies to import natural gas from all over the world. The LNG terminal is part of a complex LNG service chain, designed by the company to supply the Baltic Sea region with the cleanest fossil fuel and to promote environmentally friendly logistics. The LNG storage facility with the regasification unit is an LNG tanker that receives LNG from the gas vessels delivering it to the Seaport of Klaipėda and can tranship LNG to the arriving gas vessels. The regasified LNG is delivered to the natural gas transmission system. The LNG reloading station commenced its operation in 2018, it is designed to receive LNG from small-scale gas vessels, temporarily store it and tranship it to LNG tank trucks or vessels. LNG can also be loaded into ISO-compliant standard-sized containers that can be transported by rail and road. This opens up opportunities for industrial sites and settlements that are further away from the pipeline, to obtain cleaner energy.



COMPANY STRATEGY

In the beginning of 2020, the Board of AB “Klaipėdos nafta” has approved the corporate strategy for the period 2020 - 2030 (hereinafter - the Strategy). The Strategy analyses

MAIN BUSINESS LINES BY 2030

OIL TERMINALS

- Handle any oil product without limitation to transshipment mode, provide smart throughput, storage and blending services.
- Be fully capable of working with products that go beyond traditional oil or petroleum products range.
- Invest in sustainable and more efficient technologies and processes to reduce emissions from our activities.



the Company’s environmental factors, establishes common strategic goals for the entire Company and for each individual activity, evaluates the historical financial information of the Company and establishes the strategic period’s target indicators to be reached. In the course of the year 2020 the strategy was revised, with some changes proposed in the fields of innovation, CSR, people and safety. However, there were no major changes in the core business segments. For more information about the KN strategy, please refer for the Annual report of 2020, p. 82.

KLAIPĖDA LNG HUB

- Assure the region’s access to the global LNG market at least till 2044 and benefit for Lithuanian consumers through commercial activities.
- Assure highest quality bunkering and truck loading services, contribute to innovation development through the LNG cluster.



KN mission is to ensure safe, reliable and efficient access to global energy markets by sustainable development, investment and operation of multi-functional terminals worldwide. Our aim is to assist our customers on cleaner energy transition and to maintain their competitiveness.

In 2020 the business activity of KN encompassed four separate fields activity: oil product transshipment

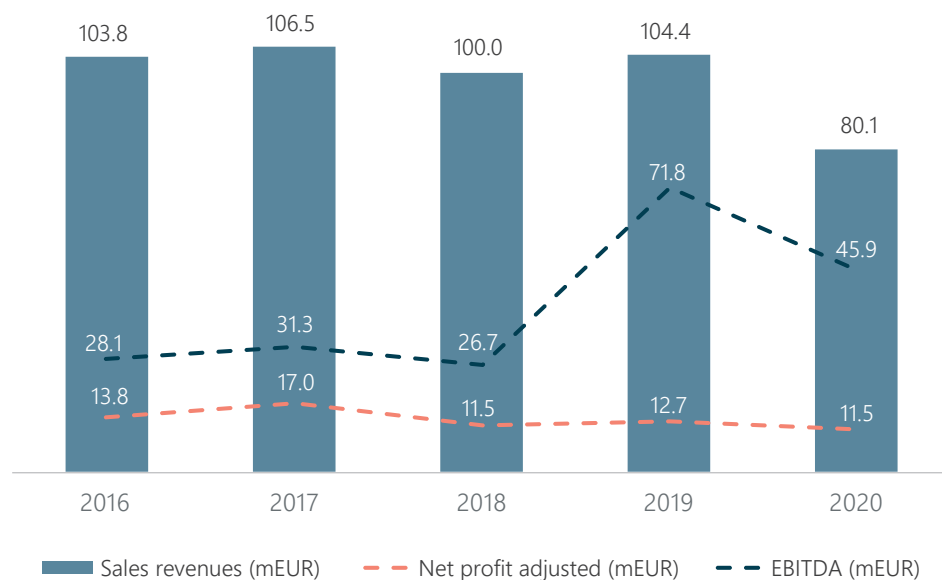
INTERNATIONAL LNG PROJECTS

- See the net profit from international LNG projects higher than from oil products transshipment services, which is the largest portion today.
- Become the preferred partner for new LNG import terminal projects globally.
- Be within the top three leading floating LNG import terminal companies.



(at Klaipėda oil terminal), long-term oil product storage (at Subačius oil terminal, located in Kupiškis District), LNG terminal operation, and the development of LNG related activities. The management evaluates the financial results of each activity and sets strategic goals for each of them.

For more information on the company activities, value and supply chain, please refer to the Annual Report of 2020, p. 75.



KN GROUP ACTIVITY RESULTS

The activities of the oil and liquefied natural gas (LNG) terminal operator KN in 2020 were mostly affected by the slowdown in the global economy caused by the coronavirus pandemic, leading to a drop in demand for petroleum products and stabilizing oil refining margins in record lows. Despite these global challenges, the KN group earned 11.5 million EUR adjusted net profit.

KN's financial results of 2020 and 2019 have mainly been affected by IFRS 16 "Leases" - a new standard which came into effect on 1 January 2019 and by the reduction of LNG security supplement from 1 January 2020 by EUR 26.8 million per annum. These changes have significantly affected KN's statement of financial position, statement of comprehensive income, and financial indicators. When the standard has become effective, the lease obligations are recognized in the statement of financial position as an asset and a liability (right-of-use assets and a lease liability). As most lease payments are denominated in USD, the positive impact of unrealized USD/

EUR exchange rate in amount of EUR 28,765 thousand has been recognized in the statement of comprehensive income in 2020. However, it is a non-cash item, which has no impact to the Group's and the Company's actual earnings.

For more information on financial results of KN group, see the Consolidated Annual Report of 2020, p. 96

EMPLOYEES

The number of employees of the Group on 31 December 2020 was 412 (on 31 December 2019 – 374). In 2020 on the last day of the year 390 employees worked in KN Lithuania,

22 people were employed in KN Açu. There were no significant variations in the amount of the permanent contracts in 2020.

The principles of the KN collective bargaining agreement apply to all employees in Lithuania. The Company also has one trade union, which unites 40.5% of all KN employees in Lithuania (43.57% in 2019).

KN Açu signed collective bargaining agreement in the beginning of 2021 and their first collective bargaining agreement was reflecting the period of June 2020 to May 2021. They presented this information for KN workers in general meeting on 1st quarter of 2021. Updated version will be signed at the end of June 2021.

KN GROUP EMPLOYEES BY EMPLOYMENT CONTRACTS IN 2020

	TOTAL	PERMANENT CONTRACT	TEMPORARY CONTRACT	FULL TIME	PART TIME
Lithuania					
Men	289	280	9	289	0
Women	101	96	5	100	1
Brasil					
Men	20	20	0	20	0
Women	2	2	0	2	0

COMPANY REMUNERATION POLICY

The Company's remuneration policy is regulated by the "Employee Remuneration Policy" approved by the Board of the KN and the "Procedure for Award of Bonuses to the Top Management of AB "Klaipėdos Nafta". There were no significant changes to this policy in 2020.

The Company's remuneration system is based on the Hay Group Methodology which measures jobs by relative size, nature, and importance in order to ensure that each job within the Company is fairly rewarded. The monthly salary/wage is set for a job upon evaluation of the level of knowledge and work experience required for the job, the complexity of functions, the degree of responsibility and management. Aim of the company is to ensure competitiveness of the employees' pay, feeling of internal justice and remuneration that does not discriminate any employee on the ground of sex or any other ground. Annual employee performance reviews are conducted annually with every employee. During the performance evaluation the development with employee is

AVERAGE NUMBER OF EMPLOYEES

EMPLOYEE CATEGORY	GROUP 2020	GROUP 2019	CHANGE, %	COMPANY 2020	COMPANY 2019	CHANGE, %
Managers ¹⁾	48	43	11.6	42	41	2.4
Specialists	210	183	14.8	188	181	3.9
Workers	142	147	-3.4	142	147	-3.4
Total	400	373	7.2	372	369	0.8

¹⁾ The Managers of the Company include CEO, Directors, Functional Managers, Heads of Divisions.

AVERAGE MONTHLY SALARY (GROSS), EUR

EMPLOYEE CATEGORY	GROUP 2020	GROUP 2019	CHANGE, %	COMPANY 2020	COMPANY 2019	CHANGE, %
Managers ¹⁾	5,507	4,701	17.2	5,719	4,744	20.5
Specialists	2,511	2,281	10.1	2,552	2,286	11.7
Workers	1,741	1,621	7.4	1,741	1,621	7.4
Total	2,543	2,28	11.6	2,574	2,282	12.8

¹⁾ The Company's managers include: Chief Executive Officer (CEO), Directors, Functional Managers and Heads of Divisions. The following sums were calculated for the remuneration to the Group's managers in 2020: EUR 3,137 thousand, in that amount taxes paid by the employer included EUR 103 thousand (when in 2019 were EUR 2,827 thousand from which EUR 48 thousand of taxes paid by the employer). The average annual salary of manager of the Group amounted to EUR 65.3 thousand in 2020 (in 2019 - EUR 65.7 thousand). The average monthly salary is calculated according to the average monthly wage calculation procedure as stated in the State companies' employees' average monthly salary calculation procedure approved by the Government of Lithuania on 23 August 2002, resolution No. 1341 and its subsequent changes.

All the Company's employee's average monthly salary of 2020 increased comparing to 2019, because around 50 percent of bonus has been paid out in shares in 2019 and another part has been transferred to the 3rd pension fund.

STAKEHOLDER	EXPECTATIONS	MEETING EXPECTATIONS	ENGAGEMENT & COMMUNICATION
Employees	<p>Transparent and fair remuneration policy.</p> <p>Work-rest balance.</p> <p>Behaviour based on Group values in decision-making and in daily work.</p>	<p>Remuneration policy updated after discussions with KN employees in 2020.</p> <p>Action plan for the take-aways of engagement surveys prepared.</p> <p>Updated Code of conduct, speak-up procedure.</p>	<p>Annual engagement surveys.</p> <p>Meetings with trade unions .</p> <p>Regular meetings with company management.</p> <p>Consistent internal communication.</p>
Shareholders	<p>An open and transparent stock exchange participant that meets the highest standards set by investors and seeks the returns for shareholders.</p>	<p>Execution of the corporate strategy, which was presented in public.</p> <p>According the survey carried out by internet portal 15min, KN ranked 34 among 100 most valuable companies in Lithuania.</p> <p>Consistent payment of dividends.</p> <p>According analysis performed by the Bank of Lithuania, KN corporate governance practices are among strongest ompared to all 26 Lithuanian companies listed on Nasdaq Vilnius. KN met all 10 Principles of NASDAQ Vilnius corporate governance code.</p>	<p>Transparent, open and timely communication with investors, providing them with regular and reliable data on the Company's results and business plans. F. e. regular webinars to present financial results through Nasdaq Vilnius.</p>
Ministry of Energy	<p>Ensure the national energy independence and meet other goals set for a strategic Company via State letter of Expectations and / or other legislation.</p>	<p>Implementing the strategic projects according the timeline and set goals.</p> <p>Efficient management of KN infrastructure.</p>	<p>According to the corporate governance practices.</p>
Clients	<p>Safe operations.</p> <p>Timely and high-quality services, flexible solutions.</p> <p>Proper corporate governance.</p> <p>Strong corporate reputation.</p>	<p>Customer surveys reveal positive feedback about Company's results and mutual cooperation with clients.</p>	<p>Customer surveys.</p> <p>Direct meetings.</p>
Communities	<p>Communities expect the Company to be a good neighbour, i. e. that the Company's activities would have the least possible impact on the quality of life of its neighbours and ensure a safe environment.</p>	<p>Periodic data of KN oil terminal environmental monitoring provided on the KN website.</p> <p>Regular meetings with communities.</p> <p>Environmental action plan to reduce VOC.</p>	<p>KN initiates regular meetings with community representatives, both on the premises of the Company and during community meetings. Direct communication also provides opportunities to hear out community expectations regarding company's engagement in the projects that are important to communities.</p>

discussed in respect to KN values and setting the goals for the new period.

The standard salary for the entry level positions is determined according to the Hay group's 50-75 percentile, depending on the experience and competencies that they have.



STAKEHOLDERS

KN operates in accordance with the principle of open and transparent dialogue with all stakeholders (please refer to the p. 11).



DATA PROTECTION

Observing the growing number of incidents related to possible personal data breaches and improper processing of personal data worldwide KN made some steps towards better data processing security and preventions of such incidents.

In 2020 KN have conducted external audit to evaluate applicable organisational controls in place and prepared an action plan to mitigate non-compliance or improve the current situation. Implementation of this plan started immediately. Among other planned actions, KN continued conducting annual GDPR trainings. The number of participants has raised up to 42% according to previous year. This result shows an increase in staff awareness and a positive attitude towards the protection of personal data.

The company follows the principles of transparency and accountability of data processing, which are additionally enshrined in the newly introduced [Code of Conduct](#).

General data protection law (Lei Geral de Proteção de Dados (LGPD)) was adopted in Brasil and takes effect from August 2021. First preparation steps to comply with it started in summer of the 2020: our company KN Açú has already assigned Data protection officer and now is examining offers and ways for compliance implementation.

The Group received no complaints regarding improper processing of personal data in 2020.



ENVIRONMENTAL IMPACT AND PROTECTION



Company ensures the maximum security of managed terminals and implements the highest standard solutions. In its activities the company uses modern production techniques and constantly implements technical measures to reduce waste emissions, as well as carries out adequate and regular maintenance and surveillance.

In 2020, KN received certificate, which assures, that KN Environmental Management System complies with the ISO 14001: 2015 standard.

Company aims at preventing or mitigating adverse environmental impacts and enhance beneficial environmental impacts in its operations, as environmental management is part of the organization’s business processes, strategic direction and decision making.

KN long term goals in the light of sustainable development are:

- preventing or mitigating adverse environmental impact;
- enhancing environmental performance;
- preserve natural resources.

Since 2018 KN implements the Environmental Action Plan, according to which the investments of KN in the field of environment will reach 8 million euros by the end of 2021. In 2020, the Company’s investments into measures dedicated to the reduction of the ambient air pollution reached 7,4 million euros, in 2020 alone the Company invested 2,4 million euros.

After the thorough analysis, the

Company has raised a new ambition to reduce Scope 1 emissions from the operations of Klaipėda oil terminal by up to 50 percent, if compared to the average level of emissions in the 5 last years, by 2030. Furthermore, our target is to reduce VOC emissions for more than 50 percent, if compared to the to the average level of VOC emissions in the 5 last years, by 2030.

It is expected that in 2022 a significant breakthrough in the field of air pollution management will be achieved as air pollution treatment plan will be commissioned and boiler burners will be installed.

REPORTING BOUNDARIES

KN Açu terminal was in the pre-commissioning phase, therefore its data is not calculated for the year 2020.

The Scope 3 emissions mainly involve emissions from floating storage regasification unit (FSRU) operation in Klaipėda, which comprise to 98 percent of total amount of Scope 3 emissions.

ENVIRONMENTAL ACTION PLAN PROGRESS

In 2020, KN has further implemented its Environmental action plan. The main milestones achieved, see Table on page 15.

GREENHOUSE GAS (GHG) EMISSIONS

The annual greenhouse gas reports are prepared in accordance with the requirements of The Green-house gas protocol A Corporate Accounting and Reporting Standard (hereinafter - the International Protocol). GHGs include CO2 and CH4 emissions. Emissions of other greenhouse gases (N2 O, HFCs, PFCs, SF6) are not accounted for because no significant sources of pollution with these gases have been identified.

GHG emissions include emissions listed in the international protocol Scope1, Scope 2, and Scope 3:

- Scope 1. Direct CO2 emissions (from boilers, vehicles) and direct CH4 emissions (from natural gas leaks in pipelines and tanks).
- Scope 2. Indirect CO2 emissions related to the production of purchased electricity.

KEY HIGHLIGHTS OF 2020

- Environmental Management System of KN in Lithuania certified according the ISO 14001: 2015 standard.
- Investments into environmental measures in 2020 were 2,4 mEUR
- All the electricity, used for the operations of Kaipėda oil terminal, is certified as green.



PROGRESS OF KN ENVIRONMENTAL ACTION PLAN IN 2020

ENVIRONMENTAL MEASURE	MILESTONES IN 2020	MILESTONES FOR 2021
Installation of an air pollution treatment plant for the purpose of cleaning pollutants collected from: (i) 16 existing oil product storage tanks located in the black oil product park. (ii) oil product railway loading platforms No. 1-2, where black oil products are loaded (e. g. fuel oil)	2020 Q3 - Q4 installation of the necessary infrastructure for the collection of pollutants from the tanks and the railway loading trestle, production, delivery and installation of the air pollution treatment plant at the Klaipėda Oil Terminal	Commissioning works of the air pollutant treatment plant and launching its operations
Modernization of boiler burners of Klaipėda oil terminal	Preparation of the boiler house modernization project, production and delivery of one boiler No.1 burners to Klaipėda oil terminal	Boiler no. 1 burner installation work. Boiler no. 2 burner production works
Installation of a new air pollution treatment plant, which will clean pollution collected from 12 newly built tanks	Project returned for improvement. Other alternatives for reducing VOC emissions are sought without purchasing a new air pollution treatment plant, but by using the existing environmental infrastructure	

- Scope 3. Indirect CO₂ emissions from the production of purchased materials and services.

98% of GHG emissions consist of emissions from combustion plants using

fossil fuels.

In KN case, emissions from FSRU in Klaipėda are attributed to Scope 3. Indirect CO₂ emission released from generating electricity, purchased for KN needs, falls under Scope 2.

CO₂ EMISSIONS FROM KN OPERATIONS

CO ₂ EMISSIONS	2019	2020
Direct CO ₂ emissions (Scope1), t/m	16 630	14 242
Indirect CO ₂ emissions (Scope2), t/m	1 960	0
Indirect CO ₂ emissions (Scope3), t/m	50 155	66 042
Indirect CO ₂ emissions (Scope2), t/m*	(-) 5492	(-) 5060
Total, t/m	68 745	80 284

*With 100 % of purchased electricity coming from renewables, KN didn't release into the environment more than 5000 t of CO₂ emissions.

Relative GHG emissions (scope 1-3) per tonne of product transhipped in KN terminals or degassed, MhW:

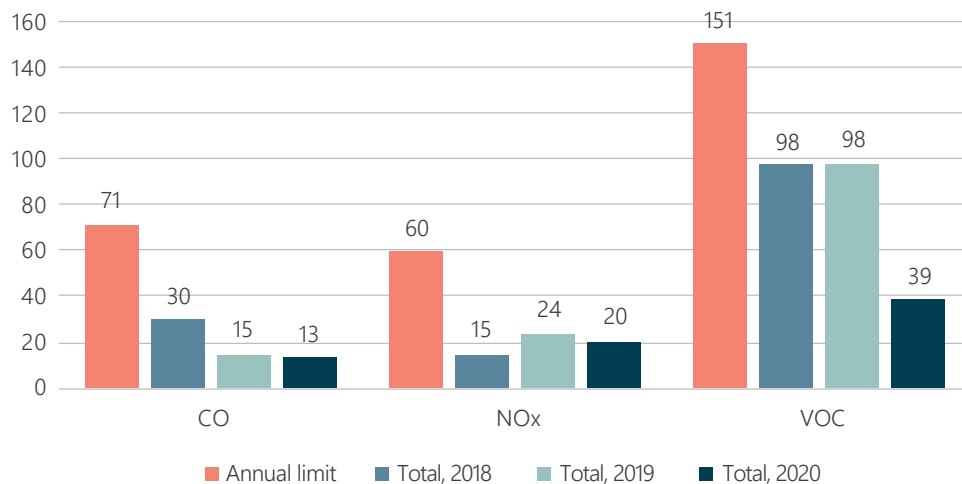
CO ₂ EMISSIONS	2019	2020
Transshipped amounts at KOT, kg CO ₂ /t	3,23	2,41
Transshipped amounts at SOT, kg CO ₂ /t	1,52	0,21
GDP degasified and transshipped volumes of natural gas, kg CO ₂ /MWh	0,24	0
LNGT degasified and transshipped volumes of natural gas, kg CO ₂ /MWh	2,55	3,01

EMISSIONS OF OTHER POLLUTANTS

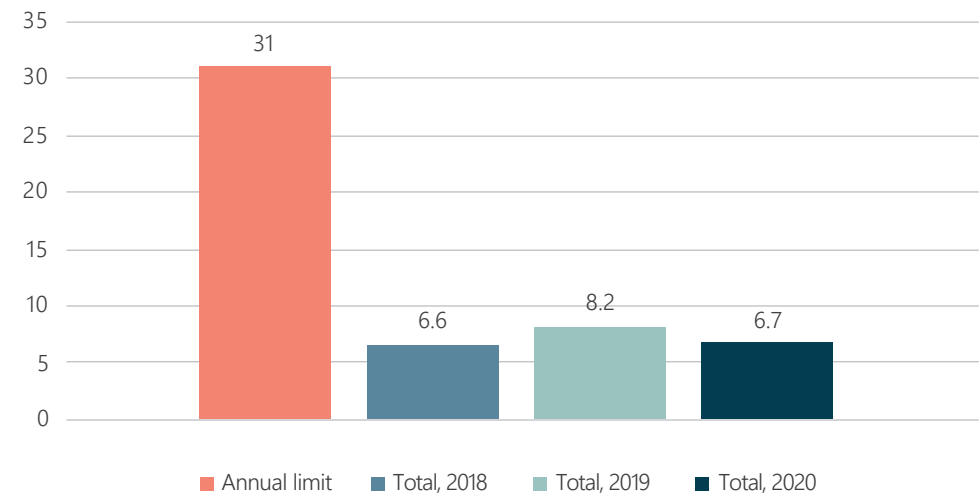
This report provides data only for those air pollutants with the highest emissions, namely carbon monoxide (CO), nitrogen oxides (NO_x), and volatile organic compounds (VOCs). Pollutant emissions have been calculated in accordance with the methodologies in force in the Republic of Lithuania. At KN oil terminal, annual VOC emissions depend directly on the annual amount of oil products transhipped, and CO

and NO_x - on the amount of natural gas burned in combustion plants, i.e. in the boiler room and VOC incinerator. According to preliminary data, the implementation of the Environmental Action Plan should reduce annual VOC emissions by approximately 30%. More than 95% of emissions of the LNG storage facility to the environment consist of CO and NO_x, the amount of which depends directly on the amount of gas burned in the combustion plant. One-off CO and NO_x emissions comply with the threshold values of 100 mg/m³ set in the Best Available Techniques applicable in the EU. As in previous year, in 2020 the actual emissions did not reach the permissible

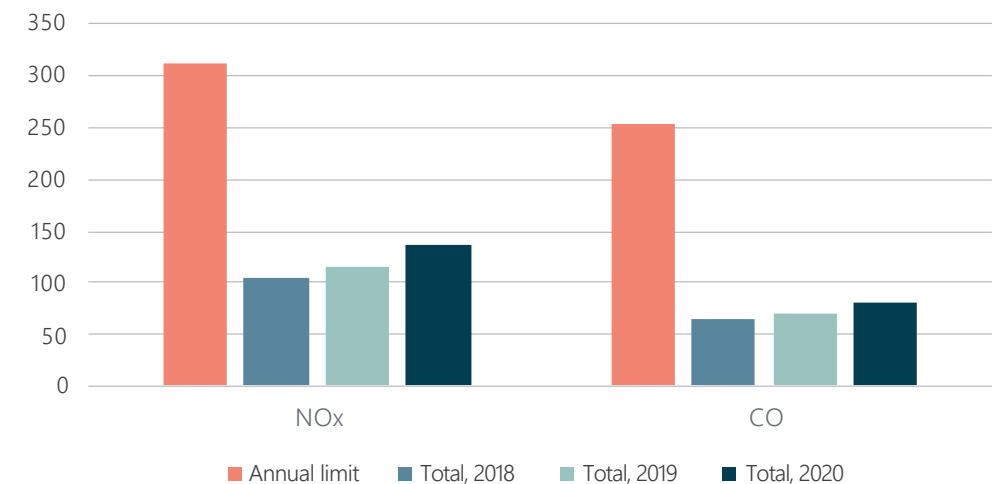
EMISSIONS AT THE KLAIPĖDA OIL TERMINAL, T/M



VOC EMISSIONS AT THE SUBAČIUS OIL TERMINAL, T/M



KLAIPĖDA FSRU EMISSIONS, T/M



annual pollution levels (standards) set in the environmental permits issued to the terminals of the Company.

Emissions and VOCs in 2020 at KN oil terminals were lower than compared to 2019. Decrease was influenced by lower transshipment volumes and also by changes in the methodology of calculations of emissions.

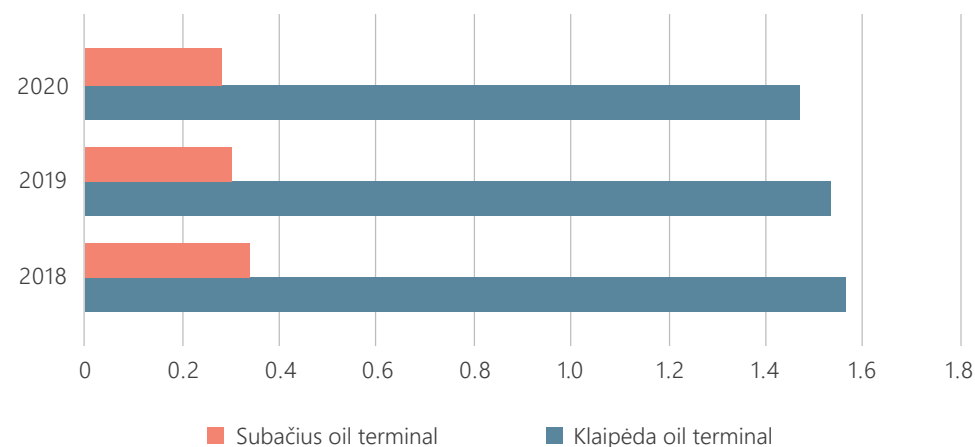
NO_x and CO emissions from operations of Klaipėda FSRU were

higher due to record high operations at the terminal.

SEWAGE MANAGEMENT

In order to meet all environmental protection requirements, KN collects and treats the sewage, generated in the operation, so that it would meet the established standards. The amount of pollutants discharged with sewage

POLLUTANTS DISCHARGED WITH SEWAGE, T



SEWAGE TREATMENT

	INDICATOR	ANNUAL LIMIT SET IN THE ENVIRONMENTAL PERMIT	2019		2020	
			FACT, T/M	TREATMENT EFFICIENCY, %	FACT, T/M	TREATMENT EFFICIENCY, %
Klaipėda oil terminal (domestic, industrial, surface wastewater)	BDS7	12	0,3982	98	0,4551	99
	NO _x	12	1,0652	70	0,9108	78
	Phosphorus	1,2	0,0701	83	0,0945	81
	Oil and oil products	0,8	0,0000	100	0,0124	100
	Total treated amount, m3		335 376		353 002	
Subačius oil terminal (domestic, industrial, surface wastewater)	BDS7	0,1219	0,7938	Not measured	0,1228	Not measured
	Oil and oil products	0,0219	0,1726	Not measured	0,01677	Not measured
	Suspended substances		0,1588		0,14104	
	Total treated amount, m3		34 514		26 697	
FSRU	Collected sewage is transferred to the third parties for treatment.					

is calculated in accordance with the methodologies approved in the Republic of Lithuania. The amount of sewage discharged is accounted by the installed accounting devices. Monitoring of discharged sewage and monitoring of the impact on surface water quality is performed, during these processes the condition of the Curonian Lagoon (Klaipėda Strait) below and above the sewage discharge facility is monitored. The relevant report is submitted to the Environmental Protection Agency on a quarterly basis.

The Klaipėda Oil Terminal operates biological sewage treatment plant, the purpose of which is to collect and treat industrial, domestic, and surface sewage generated during economic activities. The efficiency of sewage treatment from pollutants is very high as seen in the table “Sewage treatment”. Subačius Oil Terminal

operates sewage treatment plant, which treat surface sewage collected

from the terminal territory and domestic sewage. Sewage is treated up to the standards and discharged into a surface water body - the Lėvuo River.

Information on the LNG terminal in Klaipėda is not provided, because the sewage discharged into the Curonian Lagoon does not require treatment.

For the three consecutive years, amount of pollutants discharged with sewage is decreasing both in Klaipėda oil terminal and in Subačius.

The amount of pollutants discharged with sewage corresponds to the amounts specified in the environmental permit.

In 2020, the overall sewage treatment efficiency has further increased.



USAGE OF WATER

AT THE KN OIL TERMINALS

The main water source used in operations of Klaipėda Oil Terminal is centralized water supply networks. The majority (94%) of water taken from centralized networks in 2020 was used for the steam production and on the oil product trestle, the rest of the water was used for the household purposes and provided to sub-subscribers. The Subačius oil terminal draws water from a groundwater well for economic activities. Water usage in Klaipėda and Subačius oil terminals does not have a significant impact on water sources. Water is not reused in Klaipėda and Subačius oil terminals.

AT THE LNG TERMINAL IN KLAIPĖDA

Main source of water for LNG storage

vessel is water from the Curonian Lagoon. The FSRU uses water from the Curonian Lagoon for technological processes: (i) cooling - cooling / cooling of the ship's engines and auxiliary equipment premises; (ii) in the gasification unit water is used in the LNG “defrosting” process; (iii) for “water curtain”, which means the continuous spraying of water on the hulls during the transshipment of LNG from / to the LNG carrier / storage vessel, so that in the event of a LNG leakage damage to the hull is prevented. About 74% of the extracted water is used in the gasification plant, about 26% goes for cooling. Used water is returned to the Curonian Lagoon. The water used in the activity is not polluted and complies with the established quality parameters, therefore it does not affect the water quality of the Curonian Lagoon. In the LNG storage vessel in the gasification process in winter (when the water temperature is less than 13 °C) the water taken from the Curonian

WATER USAGE AT KN TERMINALS IN LITHUANIA

	2019			2020		
	CENTRALIZED NETWORK, M3	GROUNDWATER, M3	SURFACE WATER, M3	CENTRALIZED NETWORK, M3	GROUNDWATER, M3	SURFACE WATER, M3
Klaipėda oil terminal	100 575			76 951		30 203
Subačius oil terminal		8817			3 533	
FSRU			61 514 800			67 735 270

Lagoon is used in a “closed circuit”, that is, water is not discharged into the Curonian Lagoon, but is reused in the LNG gasification process. Increased water usage by the FSRU in 2020 was influenced by the record high volumes of operations.

PROTECTION OF GROUNDWATER, GROUND, AND SOIL

In September 2019, after evaluation of the groundwater monitoring report of Klaipeda Oil Terminal for the last five years, the Lithuanian Geological Survey additionally instructed to prepare a management plan for the territory including the railway loading stage and to arrange the territory. The management plan for contaminated territory has been prepared and in 2021 the company has started to clean up contaminated area.

SIGNIFICANT SPILLS AND OTHER INCIDENTS

During 2020, there were no significant spills of oil products, chemicals, or

waste in the operation of any terminal, operated by KN.

However, in May 2020, volatile organic compounds (VOC) recuperator, which recovers petrol vapours generated on the railway loading platform from the unloading of petrol from tank wagons to tanks, had a malfunction as a result it was operating at a lower capacity. The company informed all relevant authorities and took immediate action to identify and address the cause of the failure. VOC from tank wagons has been collected and sent to alternative air pollution treatment plant, i. e. VOC incineration plant. In this way, a significant impact on the environment has been prevented.

WASTE MANAGEMENT

Information on the management of waste generated at KN oil terminal is based on data provided by waste managers.

The principles of waste prevention are implemented in the recycling (recovery) of waste by using the waste to improve the state of the environment and by separating secondary raw materials from waste.

WASTE GENERATED AT THE KN TERMINALS IN LITHUANIA

TERMINAL	YEAR	TOTAL AMOUNT, T	TOTAL AMOUNT BY TYPE	
			HAZARDOUS WASTE, T	OTHER WASTE, T
KOT	2020	428.728	303.414	125.314
			71%	29%
	2019	299.138	184.99	114.148
			62%	38%
SOT	2020	135.503	131.703	3.8
			97%	3%
	2019	56.979	53.529	3.45
			94%	6%
LNGT	2020	63.286	6.737	56.549
			11%	89%
	2019	39.775	3.208	36.567
			8%	92%

The Company’s sewage treatment plant in the State Seaport of Klaipeda operates as a port pollution collection facility as well - collecting vessel-generated waste (bilge water) and cargo residues.

In total 627 thousand tonnes of waste were generated as a result of KN

operations in Lithuania, and 98 percent of waste was recycled. The amount of generated waste at KN oil terminals increased in 2020 due to the increased variety of the transhipped products and accordingly involved technological processes to prepare storage tanks for different oil products. Majority of the hazardous waste are recycled.

USE OF NATURAL RESOURCES AND RAW MATERIALS

KN provides oil and gas handling and storage services and does not carry out production, which requires large quantities of raw materials. Small amounts of materials are used to service and maintain the existing infrastructure.

ENERGY CONSUMPTION

During 2020, 11,206 MhW of electricity was purchased from the centralized electricity supply networks for the needs of KN terminals (16,646 MhW in 2019). During the reference year, the electricity consumption was 33% (5440 MhW) lower than in 2019. In 2020, 100% of the electricity consumed at the oil terminals (in Klaipėda and Subačius) was comprised of electricity produced from renewable energy sources. LNGT storage facility generates electricity for its own needs from LNG and produced 49,903 MhW for its own use during 2020. In 2020, almost all combustion plants and transport used less fuel. This

was mainly due to lower volumes of operations at the Company's terminals. Due to significantly increased business volumes, the amount of natural gas consumed at Klaipėda LNGT was higher than in the corresponding period a year ago.

ENERGY SAVING

In 2020 an audit of the Energy, Energy Resources, and Water Consumption of KN Oil Terminal was performed, the aim of which was to identify opportunities to reduce energy consumption and provide measures to increase the efficiency of energy production and consumption. As a takeaway, it was decided to strengthen monitoring of electricity and steam consumption in the operations of KN oil terminal, starting 2021.

Also, in 2021 energy efficiency is already increased with installed measures like monitoring of the oil product heating in the storage tanks as well as more efficient control of the pipeline electric heating, which already contributes to the energy and correspondingly energy costs savings.





SAVING OF OTHER RESOURCES

Due to the coronavirus infection, the Company employees were encouraged to work from home, if their work specifics allowed it. This new regimen of the work routines, have resulted in lower consumption of the resources like paper, electricity, water and etc. at the company premises. Most of the administrative work was arranged using electronic communication channels and provided addition push for the further digitization of the processes.

In February 2020 the Company finished one of the digitization stages and announced that paper was abandoned from daily operations of the FSRU in Klaipėda. Specialists of the company's information systems and other departments ensured the appropriate interoperability of the Klaipėda LNG terminal and the gas metering station systems several kilometres away from the terminal itself and developed a data exchange solution. Employees, working at the LNGT, no longer use a single sheet of paper in their work.

In 2020, the company decreased amount of printed paper documents by 13 percent, if compared to 2019.



FINES AND SANCTIONS RELATED TO THE ENVIRONMENT AND COMPLAINTS

In 2020, 4 environmental inspections were performed at Klaipėda Oil Terminal, 1 at Subačius Oil Terminal, and 1 at LNG Terminal.


In 2020, no sanctions or penalties were imposed on Klaipėda Oil Terminal, Subačius Oil Terminal, and Klaipėda LNG Terminal for violations of environmental requirements. 18 inquiries concerning KOT operations were received in 2020. Complaints received in any form (written or oral) are registered. Upon receipt of the complaint, the situation for which the complaint was submitted is assessed / analysed and a response is provided to the applicant. All complaints from the population or inquiries from state authorities were received due to the activities of the KOT - a possible intense odour.



COMMUNITY ENGAGEMENT

The Company is open to providing information to interested institutions, public organizations and society, and for many years pays great attention to strengthening relations with communities. In 2020, the Company continued active communication with representatives of neighbouring communities: despite the lock-down, the online meetings with local communities were arranged to present the progress of the ongoing Environmental Measures Plan, and answer questions that were of concern to the communities. There were 5 meetings with local communities in 2020.

KN is also openly sharing environmental data with society – data of monitoring of Klaipėda oil terminal is provided on the Company's website, as well as information regarding the progress of the Environmental Action Plan.





SOCIAL

Courtesy of GNA

Key highlights:

- According business newspaper „Verslo žinios“, KN was among top 20 employers in Lithuania in 2020.
- KN joined the initiative to donate lung ventilators for the Klaipėda hospitals.
- In the outbreak of coronavirus in the beginning of 2020, KN has provided personal protective equipment not only for its employees and families, but also shared with institutions / medical facilities in need.
- Despite working remotely, KN has managed to get 3 ISO certificates and to implement LEAN programme.
- In 2020, KN employee satisfaction, according the annual employee service, was record high (satisfaction 86% in 2020 (81% in 2019); engagement 75% in 2020, 69% in 2019).

they are always at the centre of KN performance with technology. The company believes that professionals with necessary high competencies, whether it is technical or management, are vital to its success. People are attracted, motivated and retained as part of KN because they enjoy company's culture that empowers them to achieve results, enables their personal growth, constant progress, offers fair and competitive compensation package and allows them to feel pride in creating independence and making a difference for countries through bridging energy markets worldwide.

KN is a values-based company and operates in accordance with respect, cooperation, professionalism and progress. Company values govern the way it works anywhere in the world.

In 2020 KN has revised and slightly updated its people strategy. The company has identified its 4 key strategic competences for successful corporate strategy execution and accordingly KPIs for each area are established. The strategic competences are:

- Management of FSRU and operation of petrochemicals infrastructure.
- Project management.
- Bilingual capabilities.
- Leadership competencies: to

maintain leadership standard + add 2nd level leadership (Agile).

CORONAVIRUS PREVENTION

Right after the state-level emergency was declared in Lithuania in March 2020, the Company adopted a range of health safety precautions for its employees and partners. Employees of the Company, whose duties allows it, were encouraged to work remotely. For the employees, who cannot work remotely, additional health safety measures were provided and proper health safety related practices in the terminals of the Company have been implemented. All measures are being reviewed and updated regularly. Also, at the beginning of the pandemics, when there was a shortage of personal protective equipment, the Company provided sets of protective equipment not only for the KN employees, but also for their family members to decrease anxiety among employees and to increase safety within terminals of the Company. Each set contained 10 FFP2 respirators, 10 medical masks, 0,5 litres of disinfectant for surfaces, 100 ml disinfectant (small portable bottles) for hands, 20 pairs of gloves. The Group's investments into coronavirus prevention measures in 2020 were approximately 148 000 euros.

Values remained at the core of our business and it successfully guided us through the Covid-19 pandemic in 2020. Organization of work has changed for significant part of KN employees when we were forced to work remotely from offices. Thanks to good and strategic management KN people and IT infrastructure were well prepared for remote work and we were one of the first Company's to move to remote work even before Lithuanian governing bodies gave such orders to all companies in a state. The way of work has changed since then and, for example, onboarding process for newcomers has been enhanced to improve new joiner experience and quicker adaptation. Newcomers started receiving a video of how first days in the company will look like and where work tools would have to be collected. It enabled colleagues to get quicker and easier access to the tools needed to start working and also to avoid contact with not necessary people and most importantly to manage own emotions on the first day when everything is unknown. This way KN ensured the support for the newcomers' physical and emotional health even before they prepare to join KN so that once they start working they feel healthy, calm and managing expectations well on what is waiting ahead in the first days, weeks and months.


PEOPLE

People are the key asset of KN and

GUIDING DOCUMENTS

The Company and its employees, being responsible to each other, colleagues, and to the society act according to the following:

- Collective Agreement;
- Rules of Work Procedure;
- Personnel Policy;
- Code of Conduct ;
- Remuneration Policy;
- Salary Structure Building Procedure
- Procedure of Employees Annual Performance and Reward;
- Procedure for the Organization of the Adaptation of New Employees;
- Employees Training and Development Guidelines;
- Recruitment Procedure;
- Procedure for the Organization of Internal Training;
- Guidelines for planning and development reserve of key positions.

TRADE UNIONS

The Company has one trade union. On 31 12 2020 in Labour union there were 158 employees that makes 40,5% of all KN employees (43.57% in 2019). Meetings of trade union representatives with the Company's management are organized periodically to discuss relevant issues related to the amendment of the collective agreement.

There have been meetings with head of labour union on a periodic basis every two months or sometimes more often as KN treats labour union as social partner in business. There were 5 meetings with agreed decisions to follow. Discussion included:

- Structure and analysis of remuneration with average total salary and how it changed for different category of employees in the last number of years, its position in the market against other companies to ensure competitive pay for KN employees.
- Health and safety matters on necessity to wear masks in all areas. Accordingly, administration heard concerns addressed by employees and ensured they had better convenience without compromising on safety.
- Rules of work procedure updated to ensure safety of personnel for having 24 hour shift rotation during pandemic in case of reduced number of employees due to sickness.
- Employees raised a concern that there is not enough competencies in other category of employees to support certain operations. Concern has been heard and addressed ensuring that employee with required expertise competence is promoted to position expert with additional internal trainer responsibilities and is

assisting other colleagues to increase required competences.

- Other addressed concerns were to ensure that work could be done more effectively by improving some of infrastructure and the way it is pictured in schemes. It has been agreed for its improvement and works are being done to achieve targeted result.

In KN Açu there were 7 meetings with labour union and additionally 1 meeting between labour union and employees in 2020.

COLLECTIVE AGREEMENT

In 2019 the Collective agreement between the employer (the Company) and the staff has been updated for 2019-2023. The Collective agreement regulates the salary, working and rest time, employee qualification improvement, safety and health, and other socio-economic working conditions. The purpose of the agreement is to create conditions for the development of sustainable economic activities and business, and to guarantee a higher level of working conditions than provided for in the legislation of the Republic of Lithuania. Rules of working procedure (that has to be agreed and signed both by CBA and CEO) were updated once in 2020.

Collective bargaining agreement in Brazil will be updated at the end of June, 2021.

In 2020 44 employees benefited from the relevant social benefits as allowance on the child's birth or loss of close family member of KN's collective agreement (42 employees in 2019). According to the current practice of KN, employees can submit complaints regarding working conditions and violations of their rights to KN's trade union, directly to KN's human resources department or anonymously by filing out the Report form on the website or via mail, as well as through proposal boxes at Company terminals. No such complaints were received by the Company during 2020.

DEVELOPMENT OF COMPETENCES

The Group regularly organizes briefings, qualification and other training for its employees. There were no significant changes in the development of competences for the employees in 2020 as the company was focusing on health and safety trainings for its employees, as well as providing general training for the maintenance and development of employees' competencies as foreseen in the KN strategy.

Employees are encouraged to share the knowledge and experience gained through in-house training. In 2020, 10 internal training sessions were held on 17 topics. Additionally, special training was provided for the employees coming back from the parental leave, in order to assure their smooth process of adaptation.

KN also encourages its employees' personal development. The company provided opportunity for the selected group of project managers to get a Prince 2 certificate for the project management method and practitioner certification programme. After the trainings, 8 employees in 2020 were certified. Also, the group was formed to strengthen and lead the process of project management implementation

in the company across all areas. Furthermore, in 2020 5 employee requests for the partial compensation of university study fees were granted by the company.

In order to ensure the smooth transfer of manager activities, Company seeks to train employees, who could take over the management of the unit, if needed. To this end, development plans for manager reserve are being prepared - employees who are seen as potential future managers are encouraged to acquire higher qualifications. It is also one of the tools for employee motivation, as well as career preparation and planning. In 2020, 70 employees (specialists), representing 64 different specialties, were participating in the development programme, aimed at preparing manager reserve.

In 2020 company maintained leadership standard by reviewing and putting into practice material learned during the last 2 years on leadership and management. Additionally for all employees lectures by Steve Neal and Laura Rimkute separately were held on Emotional Intelligence and importance of practicing gratefulness. Managing staff had a learning session on Management in the New Normal held by Sandra Stankevičienė. Separate coaching sessions took place for managers, too.

At the end of 2020, the internal Mentorship program was launched – for a half-year program 18 applications were received. The program is implemented in the first half of 2021.

PROTECTION OF HUMAN RIGHTS

While carrying out its activities, KN group adheres to the principles of human rights protection and ensures that it does not contribute to violations of human rights. KN is committed to a fair and transparent salary policy, complies with laws governing overtime and working hours, respects the right of employees to rest and does not tolerate any form of harassment or violence. The company opposes any discrimination and forced labour. As stated in the KN Code of Conduct, which is applicable for the KN group, employees of the company, regardless of gender, nationality, religion, social or marital status, affiliation with a public or political organization or personal characteristics, have equal opportunities to hold managerial positions, participate in decision-making, and improve professional qualification. In 2020, no human rights violations or related complaints have been recorded in the company. We will continue to try to ensure the highest standards of the protection of human rights throughout the Company.

GENDER EQUALITY

The Company advocates equal opportunities for all employees, regardless of the gender of the employee. The majority of the

TRAINING TIME BY EMPLOYEES OF KN IN LITHUANIA

YEAR	ANNUAL TRAINING HOURS IN LITHUANIA		AVERAGE TRAINING DAYS PER EMPLOYEE IN LITHUANIA		ANNUAL TRAINING HOURS IN KN AÇU		AVERAGE TRAINING DAYS PER EMPLOYEE IN KN AÇU
	2020	2019	2020	2019	2020	2020	
Total	7375	5981	2,36	1,96	3745	156,04	
Managers	1454	1786	3,64	5,72	619	25,79	
Specialists	3941	3343	2,59	2,24	625	26,04	
Workers	1980	852	1,65	0,68	2475	103,13	

Note: in 2020 KN Açu team prepared for the O&M services of the terminal and it is reflected through the training time.

Company's employees (75%) are male. This is greatly influenced by the specifics of the activity performed, i. e. females are less likely to choose technical engineering profile and field-based technological work, as well as specialties directly related to these positions.

The number of female managing organizational units increased from 13 in 2019, to 14 in 2020. In 2020, 84 females and 117 males held specialist positions throughout the Company; 7 females and 139 males held worker positions. Compared to 2019, the changed in number of employed specialists was +5% for female specialists and +10.38% for male specialists, respectively.

In the revised People strategy 2030, KPI for the gender balance in managing positions is established. In 2020 in KN Lithuania 26,3% of management positions were filled by women and the company target is 30%.

Average basic monthly salary for men in KN in Lithuania is 2594 Eur and accordingly for women is 2511 Eur. Though, comparing those values a large disproportion of employees in terms of gender distribution within organization and in different Hay levels must be taken into account.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

KN provides and maintains a health and safety management system, which seeks to address high safety performance based on national legislation, best industry practice and sets clear commitment, objectives, responsibilities as the Operator of the terminals. Created Safety management system requires strong management commitment and employee involvement, as well as continuous improvement. Health and safety management systems aim is to prevent work-related injuries and illnesses and to ensure safe and healthy workplaces, to eliminate hazards and to reduce the risk of OSH by taking effective prevention and protection measures.

All KN operated terminals are covered with health and safety management system including Operation (handling and storage) and maintenance of oil, petroleum, and chemical products terminals, Operation (handling, storage, regasification and transmission) and maintenance of liquefied natural gas terminals, also consulting, development, and management services for liquefied natural gas terminals.

In 2020 KN has been certified according Occupational Health and Safety Management System standard ISO 45001:2018 for all Terminals activities in Lithuania including international business development.

Health and safety at a glance:

- Near miss reports in 2020 – 71 (KN Açu 15)
- Safety accidents – 1 (KNT)
- LTIR – 0,3
- Investments into increased health and safety measures in 2020 were 317 000 EUR

HAZARD IDENTIFICATION, RISK ASSESSMENT, AND INCIDENT INVESTIGATION

KN implements initial risk assessment of workplaces and continual risk assessment of work-related hazards before any works planned to carry out. These procedures are implemented by:

- Occupational risk assessment, which is carried out at each workplace and repeated as the nature of work changes, new materials, chemicals, equipment or new processes are being used;
- Permit to work system, which require to assess risks before any work,

implement means for preparation, induction to workers and fulfilment of safety means during work.

In 2020 Management of change system was implemented, where all process related changes should be evaluated through risk assessment process. Responsible for preparation, execution and inspection personnel are specially instructed and trained according formal and informal training programs necessary for work. Work leaders, executors and inspectors are trained to identify work-related hazards and hazardous situations, to stop hazardous works and to report about such situations using KN system of reporting about accidents, near misses and unsafe situations.

Near miss, unsafe conditions or any hazard reporting is integral part of promoting a safety culture among the organization. Reporting number is one of the main KPI of health and safety system as this KPI is levelling each year. The KPI for 2020 was set to 65 reports and was exceeded by collecting 71 reports. KN fosters no blame culture and awards most active employees for reporting any noticed hazards or near misses. For those who seeks to be unnoticed KN provides possibility to report anonymously.

Lithuanian legal acts and KN health and safety policy is stated that each employee has a right to require the employer to create safe and healthy working conditions, to install collective protective equipment, to provide personal protective equipment when collective measures do not protect against the effects of risk factors and refuse to work when: the employee is untrained to work safely; in case of failure of work equipment or in case of emergency; it is intended to work in violation of work instructions, without the necessary collective protective equipment or without providing the employee with personal protective equipment; in the event of danger, stop work and leave the workplace when leaving the premises. This statement is written in all job descriptions as the default.

In processes of investigate work-related incidents has a generally accepted eight - stage process to investigating accidents/incidents: gathering the information and analysing the information, identifying the required risk control measures, definition of investigation methods, formulation of the action plan, final approval on actions taken also informing 3rd parties, lessons learned analysis, corrective action implementation, measurement of corrective actions effectiveness.

OCCUPATIONAL HEALTH SERVICES

The company is one of the few companies in Lithuania that has a licensed medical facility. It provides emergency first aid, preventive health care for workers, control of infections, control of risk factors harmful to health. Occupational health monitoring of employees is carried out.

First aid and hygiene skills training, health examinations at work and compulsory preventive health care at work are organized.

There are organized agreements with personal health care centres for employees for free extended health care, vaccination services and examination (testing) of employees for the detection of COVID - 19 disease, control of the spread of infection in the organization. There is a functioning physical medicine and rehabilitation cabinet with medical equipment approved by modern science and effective in medical practice, for the preventive return of health to employees. At licensed medical facility employers and workers were consulted on health matters, in 2020:

- 162 employees were consulted.
- Outpatient care 223 employees, of which 21 were referred to another medical institution.
- Preventive health checks were

performed on 232 employees.

- 61 workers took part in first aid and hygiene skills training.
- Immunoprophylaxis was provided (vaccination of pneumococcal infections, tick-borne encephalitis, typhoid fever, hepatitis A and B, influenza, tetanus, typhoid fever, yellow fever, diphtheria) - 317 employees.
- Preventive examinations of employees' health indicators (determination of blood glucose and cholesterol) were performed. A control test was performed for 25 employees in Lithuania
- Rehabilitation, health supporting procedures performed - 58.
- Additional testing for COVID-19 disease - 179 employees.

WORKER PARTICIPATION, CONSULTATION, AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY

Each health and safety employee representatives receives a special health and safety training. Employee representatives for health and safety helps to implement the requirements of employee health and safety in the Company and to improve the safety culture:

- By cooperating with the Occupational Safety and Health Department and advising the employees of its department or other employees on health and safety issues within the limits of its competence.
- Providing suggestions or observations from departments on how to improve the health and safety of workers, the existing system, processes or procedures, used personal protective equipment, and etc..
- By setting a positive example and encouraging other employees of the department to act responsibly, wear the issued personal protective equipment, follow the company's procedures, instructions and other requirements to ensure the health and safety of employees.
- Participating in the process of assessing occupational risks or other potential risks, accident and incident investigations.

In the company, the Employee health and safety committee is established on a bilateral basis and it includes an equal number of the employer's representatives and the employees' representatives for safety and health. The Committee, in accordance with its terms of reference:

- examines the causes and circumstances of accidents at work and occupational diseases, prepares

and proposes to the Company’s manager preventive measures to prevent accidents at work and occupational diseases;

- considers the state of safety and health of employees in the Company, the results of professional risk assessment, examines the measures implemented by the employer to ensure the health and safety of employees, submits proposals on the issues under consideration to the head of the Company;
- gathers information from the health and safety representatives of the employees on the compliance with the requirements of the legal acts on the health and safety of employees and the control of the observance of these requirements in the Company;
- considers and submits proposals to the head of the Company regarding the procedure for training and instructing employees on the issues of health and safety of employees and its observance;
- examines whether the mandatory health examinations of employees are properly organized and their results, submits proposals to the head of the Company regarding preventive measures to improve the health of employees;
- considers and submits proposals to the head of the Company regarding the provision of household, sanitary

and hygiene premises, collective and personal protective equipment and the implementation of the established supervision of these measures;

- prepares proposals on how to improve the health and safety of employees at workplaces or in the Company by concluding collective agreements;
- submits proposals to the Head of the Company regarding the preparation of local normative, legal acts, procedures on health and safety;
- upon the request of the employee or the head of the Company, examines the disagreements between the employee and the person authorized by the head of the Company or the employer regarding the refusal of the employee to work;
- examines other issues related to the health and safety of employees.

In 2020 the Committee provided insights on services of providing work clothes as well as information about the personal protective equipment allocations principles.

PROMOTION OF THE WORKER HEALTH

Health care is a priority in the company, therefore a health program has been implemented. General bulletins are provided, f. e., on balanced nutrition,

proper sitting, work activities, special movement exercises and measures to promote physical activity at workplace. Workers are encouraged to exercise 2 times a day at their workplace to avoid musculoskeletal disorders.

All employees health-related activities are organized by certified health administrator and all health-related information is maintained strictly according GDPR requirements.

WORKER TRAINING ON OCCUPATIONAL HEALTH AND SAFETY

There is developed special mandatory training matrix, which involves all the organization. Training need is established considering requirements of legal acts, best industry practice, job descriptions, the results of the occupational risk assessment, investigations report of near miss or incidents. the trainings are provided free of charge and during paid working hours. Most part of trainings

WORK RELATED INJURIES

	2020	2019
The number and rate of fatalities as a result of work-related injury	0	0
The number and rate of high-consequence work-related injuries (excluding fatalities);	0	0
The number and rate of recordable work-related injuries*	1, LTIR – 0,3	6, LTIR – 1,8
The number of hours worked*	679409	661577
Work-related hazards that pose a risk of high-consequence injury	0	0
Work-related ill health or fatalities as a result of work-related ill health	0	0
Work-related hazards that pose a risk of ill health	0	0

* Data only for the KN in Lithuania

are provided by licensed third party organizations, and some trainings are provided internally through digital learning platform. For employees, who do not have computerized job place, a special training class with the computers is prepared.

AUDITS OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

KN has implemented an occupational health and safety management system, which have been certified according to ISO 45001:2018 standard, before certification the external audit by recognizes third party was conducted.

Internal audits of the KN management system are carried out by competent and appropriately trained staff personnel able to understand the risks and opportunities associated with the audit principles, the scope of the audit, and apply audit criteria, appropriate principles, procedures and methods in different audits, know applicable legislation and to ensure that audits are carried out in a consistent and systematic manner. In 2020 6 internal and 1 external audit was conducted.

SOCIETY

In 2020 coronavirus pandemics brought into the attention health and safety issues. Accordingly KN focused on this area as well. Once a lockdown in Lithuania was announced, there was a shortage of personal protective equipment felt among medical community members. Therefore, KN made a decision to share its own resources with local hospitals and health institution in need. Some of the PPE were shared with National Public Health Center, also local hospitals. KN provided PPE worth more than 3500 Eur. Also the Company joined initiative of Association of Lithuanian Stevedoring Companies to buy 5 lung ventilating devices for hospitals in Klaipėda, with target contribution on KN behalf worth 15 thousand euros.

Despite the pandemic, KN continued focusing on educational initiatives. In 2020 KN employees participated in the events of “Young colleague week”, initiated by “Lietuvos Junior Achievement“. Four KN employees shared their experience, career tips and insights with pupils from all Lithuania during the video calls.

Furthermore, as previously, KN invited group of students from National Student Academy summer camp. They had a possibility to visit and get more information about the KN infrastructure at KN oil terminal in Klaipėda, get acquainted with KN laboratory, also KN invited them to participate at the special quiz based on the operations of the company.

Despite the pandemic situation, KN continued the corporate volunteering initiative before the Christmas. For the second year in a row, the Company allocated funds on behalf of customers, partners and other recipients of planned Christmas gifts to single and poor elder people. Previously, in 2019, the Company provided gift baskets, consisting of various food items and pharmacy checks, for 40 seniors. In 2020, it was also decided to extend the tradition inspired by the philanthropic spirit and share the goodness with one of the most sensitive social groups - lonely, poor elders. The company encouraged its employees to dedicate personal time to talk with elders in cooperation with the Order of Malta. The company addressed 54 grandparents living in Vilnius, Klaipėda and Kupiškis districts who, according to the volunteers, needed additional help and attention the most. An internal

platform for the implementation of the elders wishes “Let’s light the smiles!”, which contained short stories about seniors were created and employees were encouraged to contribute to the implementation the elders dreams.

Initially it was planned that the remaining wishes, which were not picked by KN employees, were implemented at the company’s expense. However, the involvement of KN team exceeded all expectations, therefore the amount provided by the company was spent on extending the same initiative, i.e. y. contributing to a happier Christmas of elders, as well as volunteers of Order of Malta. From the Company perspective, this project was an additional opportunity for the organization, to promote a sense of community, encourage a sense that everyone can contribute to creating an environment that is good for everyone to live in and nurturing community awareness.

GOVERNANCE



KN aims to organize its corporate management and internal processes in a way that ensures transparent, effective, and profitable activities and its activities retain the trust of our stakeholders. The internal control processes and management practices implemented within KN are in line with the best management practice principles.

Management and supervisory bodies of KN follow in their activities the Law on Companies, the Law on Securities, the Articles of Association of the Company, and other legislation in force in the Republic of Lithuania, and the operational documents of the Company. In its activities, the company also takes into account the good governance practices of the International Organization for Economic Co-operation and Development (OECD) and the Good Governance Guidelines of the NASDAQ Stock Exchange, including Corporate Governance Code for the Companies listed on NASDAQ Vilnius. AB “Klaipėdos nafta” also complies with the 2010 July 14 Lithuanian Government Resolution No. 1052 “On the Approval of the Description of the Guidelines for Ensuring the Transparency of the Activities of State-Owned Enterprises” (hereinafter - the Transparency Guidelines). The Transparency Guidelines are

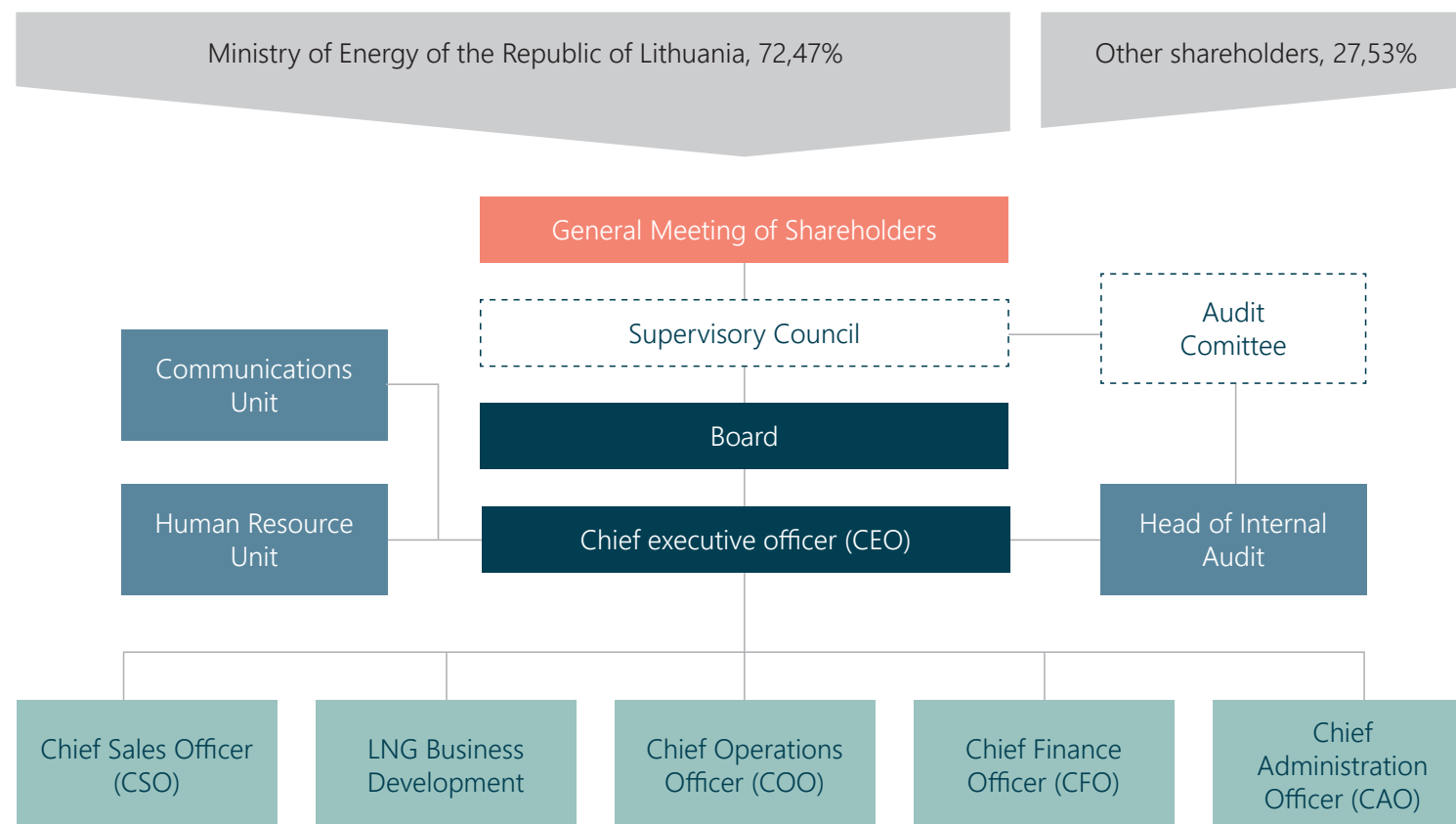
mandatory for the Company, as the Company is a state-owned enterprise (hereinafter - SOE).

KN’s focus on good governance and unconditional pursuit of best practices were highly evaluated in the assessment regarding listed companies’ compliance with Nasdaq

Vilnius Corporate Governance Code, which was initiated by the Lithuanian Central Bank as a supervisory authority for the listed companies. KN has been evaluated as one of the Nasdaq compliant among all 26 Lithuanian listed companies and compliance has been met in all 10 Principles of Nasdaq Vilnius corporate governance code. In

addition, in February 2021, KN was recognized as one of the top 10 best investor relations companies listed at Nasdaq Baltic stock exchange. Nasdaq Baltic Awards assess companies for excellence in the areas of transparency, corporate governance, and investors relations.

ORGANIZATIONAL AND MANAGEMENT STRUCTURE OF AB KLAIPĖDOS NAFTA (AS OF MAY, 2021)



MANAGEMENT

The management bodies of the company:

- The General Meeting of Shareholders
- The Supervisory Council
- The Board
- Chief Executive Officer (CEO, General Manager)

The General Meeting of Shareholders is the supreme management body of the Company. Competences of the General Meeting of Shareholders of the Company, Shareholders' rights, their implementation are identified in the Law on Stock Companies and in the Article of Association of the Company.

The Supervisory Council is a collegial supervisory body which consists of 3 (three) members (at least 2 (two) being independent), elected for the period of four years in the General Meeting of Shareholders according to the procedure established by the Law on Stock Companies. The Supervisory Council is a collegial body supervising the activities of the Company, its status, competence, and functions have been defined by the Law on Stock Companies and the Articles of Association of the Company. Functions, rights and

duties of the Supervisory Council are detailed in the Rules of Procedure of the Supervisory Council.

The Supervisory Council by its decision has formed an Audit Committee, which consists of 3 (three) members elected for the office term of the Supervisory Council. The key responsibilities of the Committee are to assist the Supervisory Council in fulfilling its oversight responsibilities in relation to financial reporting, the effectiveness of the system of risk management and internal control, monitoring the independence of both the internal and external auditors and assessing their performance and effectiveness.

The Board is a collegial management body of the Company consisting of 5 (five) members, who are elected by the Supervisory Council for the period of 4 (four) years with the requirement that at least 3 (three) members are independent.

The Company is managed by the Chief Executive Officer (CEO) which is a single person managing body of the Company. The CEO is the main person managing and representing the Company. The duties and competence of the CEO have been determined by the Law on Stock Companies and the Articles of Association of the Company. For more detailed information on the

management bodies of the company please refer to the AB „Klaipėdos nafta“ governance report of 2020.

RISK MANAGEMENT

The Company's Board has approved Risk Management Policy that regulates risk management, defines risk management principles and responsibilities, functions and responsibilities of the Chief Risk Officer as well as sets risk appetite and tolerance limits. The risk management system is developed in accordance with the ISO 31000 guidelines. The list of principal risks and the risk management plan are provided to and approved by the Company's Board each quarter.

Primary risk categories that the Group and the Company are exposed to while conducting business:

- Business risk. It is a risk category that is generally related with the environment where the Group and the Company operate and has an impact on financial results: competitiveness of the Group and the Company comparing with other players in the market of oil products transshipment, economic viability of the key customers of the Group and the Company, political and economic environment in Belarus, changes in legal regulation of the

LNG related activities etc.

- Operational risk is probably the widest risk category covering potential loss resulting from inadequate or failed procedures, systems or policies, employee errors, systems failures, fraud, or other criminal activity, as well as any event that disrupts business processes.
- Reputational risk. It is a risk mostly related with the decisions of the Group and the Company and behaviour of the employees. More detailed information about the risk categories of the group and the company are provided AB „Klaipėdos nafta“ governance report of 2020.

THE FIGHT AGAINST CORRUPTION AND BRIBERY

The Company has zero tolerance for any kind of corruption or its manifestations and strives for open competition, ethical business conditions, and to properly ensure the transparency and publicity of its activities. The Group follows its Zero Corruption Tolerance Policy. It clearly and publicly declares its stance against bribery, fraud, extortion, informal accounting, informal and irregular transactions, fictitious cost accounting,

the use of forged documents and other forms of corruption mentioned in the United Nations Convention against Corruption. In 2020, the Company's Code of Conduct was updated to reflect a commitment to conduct its operations worldwide in accordance with the highest standards of ethics and integrity. The provisions of the Anticorruption Policy and the Code of Conduct apply to all Group companies, every employee of the Group, members of the management and supervisory bodies, third parties acting on behalf of KN and customers and contractors. All employees of the company are acquainted with the Anti-Corruption Policy and the Code of Conduct and are committed to complying with its provisions, and ongoing training is provided to the company's employees.

The company has clearly defined rules for giving and receiving gifts and / or taking part in events organized by third parties. In 2020, 5 internal trainings for 60 employees on possible conflicts of interest and their management were organized. The company implements a two-level – public and internal - declaration of private interests system. From 2020 members of collegial bodies, heads of structural units, according to the established list of positions, which is made public and employees participating in KN procurement procedures, must declare private

interests in the database of the Central Commission for Official Ethics (COEC) PINREG. The data in the PINREG register of interests are made public for everyone, and 134 KN employees have made declarations in this register. Also, part of the company's employees, according to a separately compiled list of positions, declare private interests internally, in 2020, 88 employees submitted internal declarations of interests. The procedure for declaring private interests and managing conflicts of interest approved by the KN for determining the conduct requirements of employees in the performance of their duties, the procedure for declaring private and Company interests and actions of employees in the event of a conflict of interest. Employees are regularly consulted on potential conflicts of interest, 16 internal consultations by Head of Prevention unit on specific cases of potential conflicts of interest were provided during 2020, and the withdrawal of one employee was confirmed. More information on the declaration of private interests is published in the "Speak-up" section of the KN website.

The Company also has effective rules for provision of support, which are published on the website, they regulate the allocation and provision of the Company's support funds for the purposes beneficial to the public, and

set the key principles and directions of support provision, as well as support criteria and priorities.

The Company is politically neutral and does not provide any financial support to political parties, groups or politicians.

The company has control mechanisms in place to identify, assess and monitor potential corruption risk factors. In assessing the risks of corruption, KN analyzes the activities and processes in all segments of the performed activities, and a list of corruption risks is compiled. The most relevant risks are related to:

- 1) large-scale procurements, the Company constantly strives to ensure transparent preparation of procurement documents, the process of selecting the procurement method and the execution of the procurement process, always maintaining confidentiality;
- 2) related to the management of oil product handling contracts, ensuring transparent determination of contract terms, management of the contract implementation process and due diligence procedures of customers.

Once a year, the KN performs a possible determination of the probability of corruption, in 2020, the financial control measures for monitoring and managing receivables were analyzed to assess the probability of corruption.

Corruption risks are also assessed in the development of international projects, both external and internal factors are assessed, as well as the level of corruption risks in the country is taken into account. Safeguards in place: due diligence procedures for business partners, anti-corruption clauses in contracts, application of KN Zero tolerance for Corruption policy and standard of conduct in the subsidiary and business partners.

The internal control system is constantly reviewed and improved. The employee has the right, and the company creates opportunities for them, to anonymously report suspected bribery and corruption acts or attempts to perform them, or about suspected or actual violations of the Zero tolerance for the corruption policy, as well as violations of the Company's internal procedures and Code of Conduct. Information on possible cases of corruption or manifestations of corruption is encouraged by e-mail speakup@kn.lt or anonymously via the form www.kn.lt. This contact can be used by both the company's employees and all other interested parties. 2020 the notification and examination procedure has been renewed, extending its validity throughout the Group, including the Brazilian subsidiary, and introducing more sustainable principles for the protection and confidentiality

of whistleblowers. In the procedure, the internal audit department of the KN is responsible for the evaluation of the received information, which is functionally subordinate and accountable to the collegial bodies. The aim is to maximize the protection of whistleblowers, the confidentiality of information and the whistleblower, and to ensure that information is investigated.

To reduce the likelihood of corruption, KN also applies “due diligence” procedures not only to its employees in Lithuania and Brasil, but also to its business partners. Before appointing employees to positions, KN shall utilise all possible measures to ensure that KN employs only good reputation and trustworthy individuals, taking into account the functions of the future employee and the corresponding risk of corruption. KN has an approved list of positions which are subject to inspection by the Special Investigation Service. In 2020, 7 such inspections were implemented for the candidates to the certain positions at KN and 18 due diligence procedures for new business partners.

In 2020 KN has joined Lithuania’s President office initiative “Transparency Academy”, which aims uniting corruption prevention experts, institutions fighting

corruption and engage them in sharing best practice.

Main documents, establishing stance against corruption:

- KN Zero Tolerance for Corruption Policy
- Code of Conduct

Key highlights of 2020:

- Updated KN Code of Conduct
- Updated speak-up procedure, which strengthened confidentiality of the persons that filed the information about the infringement.

Receiving gifts and participating at third party events

KN group has a clearly defined procedure for permitted and unauthorized gifts and other benefits. In 2019 a gift register was introduced to record all gifts received and donated. Group employees cannot accept cash, gift vouchers, discount coupons, alcoholic beverages, gifts with a market value exceeding 150 euros.

Corruption risk management through tenders

The Group regularly conducts high-value tenders to ensure that confidential information is not disclosed during

the procurement process and that due diligence is performed on business partners, service providers or other third parties prior to signing contracts. The Group adheres to internal procurement standards that meet and even exceed the requirements of the Public Procurement Act.



PUBLIC PROCUREMENT

During planning and implementation of procurements and the performance of procurement agreements, the Company shall act in accordance with the provisions of the Law of the

CORRUPTION PREVENTION

	MEASURES	AMOUNT
Impeccable reputation and reliability of employees	Total inspections	38
	Inspections by the Special Investigation Service (from total)	7
Business partners due diligence	Inspections	18
	Written confirmation of adherence to Anticorruption policy and Code of Conduct by business partners	7
	Anticorruption clauses in the cooperation agreements	4
Interest management	Official public declarations of private interests	134
	Declarations of private interests according KN procedures	88
	Withdrawals	1
	Provided consultations	16
	Interest conflicts	0

Republic of Lithuania on Procurement by Entities Operating in the Water, Energy, Transport, and Postal Services’ Sectors, other legislation regulating procurement and applicable to the Company, or in compliance with a good commercial practice unless the Law is not applicable to specific procurements.

INTERNAL PROCUREMENT PROCESSES

Procurement planning, execution, and completion in the Company shall be regulated by the following documents that have been specially developed for procurement regulation: the Procurement Organization Procedure, the Regulations of the Procurement Commissions, and the Low Value Procurement Organization Procedure. All the procurements executed by the Company shall be subject to planning, while the summary list of procurements shall be published in accordance with the procedure prescribed by the Law. Generally, the procurements of the Company are executed by the Organizers of procurements (in the events of low value procurements) or by the Procurement Commission (for procurements other than those of low value). All the actions taken during procurement shall be documented,

while the procedure for adoption of decisions shall be subject to the application of multilevel control measures.

TRANSPARENCY

All persons participating in the procurements organized by the Company or exercising direct or indirect influence thereon have signed declarations of impartiality and the obligation of confidentiality. The Company shall publish procurement agreements it has entered into in accordance with the procedure prescribed by the Law.

The Company shall also prepare and submit to the Public Procurement Office of the Republic of Lithuania the following documentation:

- A statement on procurement procedure per procurement affected.
- A statement on procurement agreements covering all procurement agreements concluded per calendar year. From 2020 all employees of the company participating in public procurements of KN must have declared their private interests through the system of the Chief Official Ethics Commission (COEC). This is done to prevent potential conflicts of interest.

FAIR TAXES

KN group implements fair business principles by responsible and correct declaration and payment of all operating taxes that are charged in every market the Group operates. Next to the usual profit, resident income, VAT, and taxes paid to Social Insurance Fund in Lithuania, profit tax, withholding income tax – Import, Tax on Remittance to abroad, Social contribution on Import Services, Payroll Tax paid in Brazil, the AB “Klaipėdos nafta” as the owner of the

excise warehouse also ensures correct declaration of excise and customs taxes, and payment thereof for storage of customers’ oil products and natural gas. Over the last 6 years, no complaints have been filed against the Group regarding the incorrect declaration and payment of taxes. At the same time, KN group neither seeks nor applies special tax optimization or artificial tax reduction schemes. According to the STI, in 2020 KN ranked fourth among the largest taxpayers in Lithuania.

For more information on KN Group taxes please refer to the KN Annual report.

TAXES PAID BY KN GROUP, EUR

YEAR	AB “KLAIPĖDOS NAFTA”	SUBSIDIARIES
2016	78 191 729	975
2017	126 482 147	1085
2018	166 581 445	1006
2019	173 586 505	49 985
2020	195 064 538	751 125
Total:	739 906 363	804 177





GRI INDICATOR INDEX

GRI STANDARD TITLE	DISCLOSURE NUMBER	DISCLOSURE TITLE	REPORTING REFERENCE IN THIS REPORT	EXTERNAL REFERENCE
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General Disclosures	102-3	Location of headquarters		Contacts
General Disclosures	102-4	Location of operations	General information, p. 5-6	
General Disclosures	102-5	Ownership and legal form	General information, p.5- 6	
General Disclosures	102-6	Markets served	General information, p. 5-6	Consolidated Annual report, p. 75-82 (Information about the company and its activities).
General Disclosures	102-7	Scale of the organization	General information, p. 9	
General Disclosures	102-8	Information on employees and other workers	General information, p. 9-10	
General Disclosures	102-9	Supply chain	General information, p. 7	
General Disclosures	102-10	Significant changes to the organization and its supply chain	General information, p. 5	
General Disclosures	102-13	Membership of associations		Membership
General Disclosures	102-14	Statement from senior decision-maker	CEO foreword	
General Disclosures	102-15	Key impacts, risks, and opportunities	CEO foreword	
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General Disclosures	102-22	Composition of the highest governance body and its committees		Management
General Disclosures	102-23	Chair of the highest governance body		Management
General Disclosures	102-24	Nominating and selecting the highest governance body	Governance, p. 32	Consolidated Annual report, p. 132-133 (AB Klaipėdos nafta governance report)
General Disclosures	102-25	Conflicts of interest	Governance, p. 32-34	
General Disclosures	102-26	Role of highest governance body in setting purpose, values, and strategy	Governance, p. 32	Consolidated Annual report, p. 134-141 (AB Klaipėdos nafta governance report)
General Disclosures	102-30	Effectiveness of risk management processes	Governance, p. 32	Consolidated Annual report, p. 129-131 (AB Klaipėdos nafta governance report)
General Disclosures	102-35	Remuneration policies	General information, p. 9-10	Consolidated Annual report, p. 116
General Disclosures	102-36	Process for determining remuneration	General information, p. 9-10	
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General Disclosures	102-40	List of stakeholder groups	General information, p. 11	
General Disclosures	102-41	Collective bargaining agreements	General information, p. 9	
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General Disclosures	102-51	Date of most recent report	Report for January 1 st -December 31 st , published on June 9th, 2020.
General Disclosures	102-52	Reporting cycle	Annually
General Disclosures	102-53	Contact point for questions regarding the report	P. 41 of this report
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Contact person for CSR related matters and this report: Orinta Barkauskaitė, KN Head of Communication (media@kn.lt).

