



SUSTAINABILITY REPORT OF AB KLAIPĖDOS NAFTA 2022

REPORT FOR JANUARY 1ST-DECEMBER 31ST, 2022
WITH REFERENCE TO THE GRI STANDARDS

TABLE OF CONTENTS

CEO FOREWORD	3	ENVIRONMENTAL IMPACT AND PROTECTION OF THE ENVIRONMENT	22	EMPLOYEES AND EQUAL OPPORTUNITY	36	GRI INDEX	62
GENERAL INFORMATION	4	IMPACT MANAGEMENT	23	COLLECTIVE BARGAINING AGREEMENT	40	THIRD PARTY OPINION	68
ABOUT THE COMPANY AND ITS SUPPLY CHAIN	5	NEGATIVE IMPACT REDUCTION	23	LABOUR UNIONS	41		
BOUNDARIES OF THE REPORT AND TAXONOMY REQUIREMENTS	8	COMMUNICATION ON ENVIRONMENTAL IMPACT INCIDENTS, INSPECTIONS, COMPLAINTS	24	REMUNERATION POLICY	41		
COMPANY'S STRATEGY AND SUSTAINABLE TRANSFORMATION	8	EMPLOYEE ENGAGEMENT IN ENVIRONMENTAL AND SUSTAINABILITY ISSUES	24	GENDER PAY GAP	43		
FINANCIAL RESULTS AND TAXES	10	GREENHOUSE GAS (GHG) EMISSIONS	25	EMPLOYEE ENGAGEMENT AND SATISFACTION	44		
COMPLIANCE	11	ENERGY CONSUMPTION AND EFFICIENCY	26	DEVELOPMENT OF COMPETENCES	44		
SUSTAINABILITY MANAGEMENT	12	OTHER SIGNIFICANT AIR EMISSIONS	27	OCCUPATIONAL HEALTH AND SAFETY	45		
PRINCIPLES OF SUSTAINABILITY MANAGEMENT	13	WATER AND SEWAGE	29	LOCAL COMMUNITIES AND SOCIAL INITIATIVES	50		
STAKEHOLDERS	13	WASTE MANAGEMENT	31	GOVERNANCE	52		
SIGNIFICANT IMPACTS AND SUSTAINABILITY RISKS	16	OTHER ENVIRONMENTAL IMPACTS	33	GOVERNANCE PRINCIPLES AND MAIN DOCUMENTS	53		
CLIMATE RISKS AND ADAPTATION	18	SOCIAL IMPACT	34	PREVENTION OF ANTI-COMPETITIVE BEHAVIOUR	53		
MATERIAL TOPICS	20	IMPACT MANAGEMENT AND PROTECTION OF HUMAN RIGHTS	35	PREVENTION OF CORRUPTION AND BRIBERY	54		
				PROCUREMENT PRACTICES	57		
				ASSET INTEGRITY AND INCIDENT MANAGEMENT	58		
				CYBERSECURITY AND DATA PROTECTION	59		



Dear All,

While I wish I could address you on a different note, we cannot ignore that unfortunately, the year 2022 will be remembered as the year Russia launched its war on Ukraine, with far-reaching consequences that continue to impact the global business, political, and social environment.

For many businesses, 2022 was a year filled with dilemmas and tough decisions. Uncertainty and high volatility fuelled inflation and skyrocketing energy costs, forcing businesses to navigate the delicate balance between business continuity, profitability, and stakeholder and shareholder value.

As KN is a company of strategic importance, we immediately shifted our focus to enhancing the safety and security of our infrastructure and increasing its resilience against physical and cyber threats when the aggression against Ukraine began. We also took steps to enhance the resilience of our employees through additional training, lectures, and skill advancements. Ensuring a reliable supply of energy resources to Lithuania and neighbouring countries was also a top priority for us.

You may wonder, where does sustainability fit into this context? For us, it remained a high priority. We concentrated our efforts on increasing the energy efficiency of our operations and achieved outstanding results, with energy efficiency measures reducing electricity or thermal energy demand by as much as one third in some cases. We also implemented a solar power plant project for generating electricity at our Subačius oil terminal, explored opportunities to reduce emissions at the Klaipėda LNG terminal, and supported our clients' increased transshipment needs for biofuels.

Furthermore, from a governance perspective, we formalized our sustainability policy, which was adopted in December 2022, marking a symbolic milestone that will guide our sustainability efforts in the future.

Last but not least, towards the end of 2022, KN embarked on a journey to develop a new corporate strategy until 2050. Our current business strategy no longer reflects the changed business and geopolitical environment, with significant events such as the COVID pandemic, events in Belarus, the outbreak of the war in Ukraine in 2022, and the accelerated pace of green transformation all impacting KN's activities and strategy. The need for sustainability and decarbonization is increasingly relevant, and we must address it for better growth and a sustainable long-term future.

As the world changes, sustainability is becoming one of the key business drivers. While it may present new constraints for some, for those with a creative mindset, it also brings new business opportunities. I believe that our new strategic approach will contribute to the sustainable balance of people, planet, and profit, generating additional value for all our shareholders, including employees, communities, and anyone else affected by KN's operations.

Best regards
Darius Šilenskis
CEO of KN



GENERAL INFORMATION

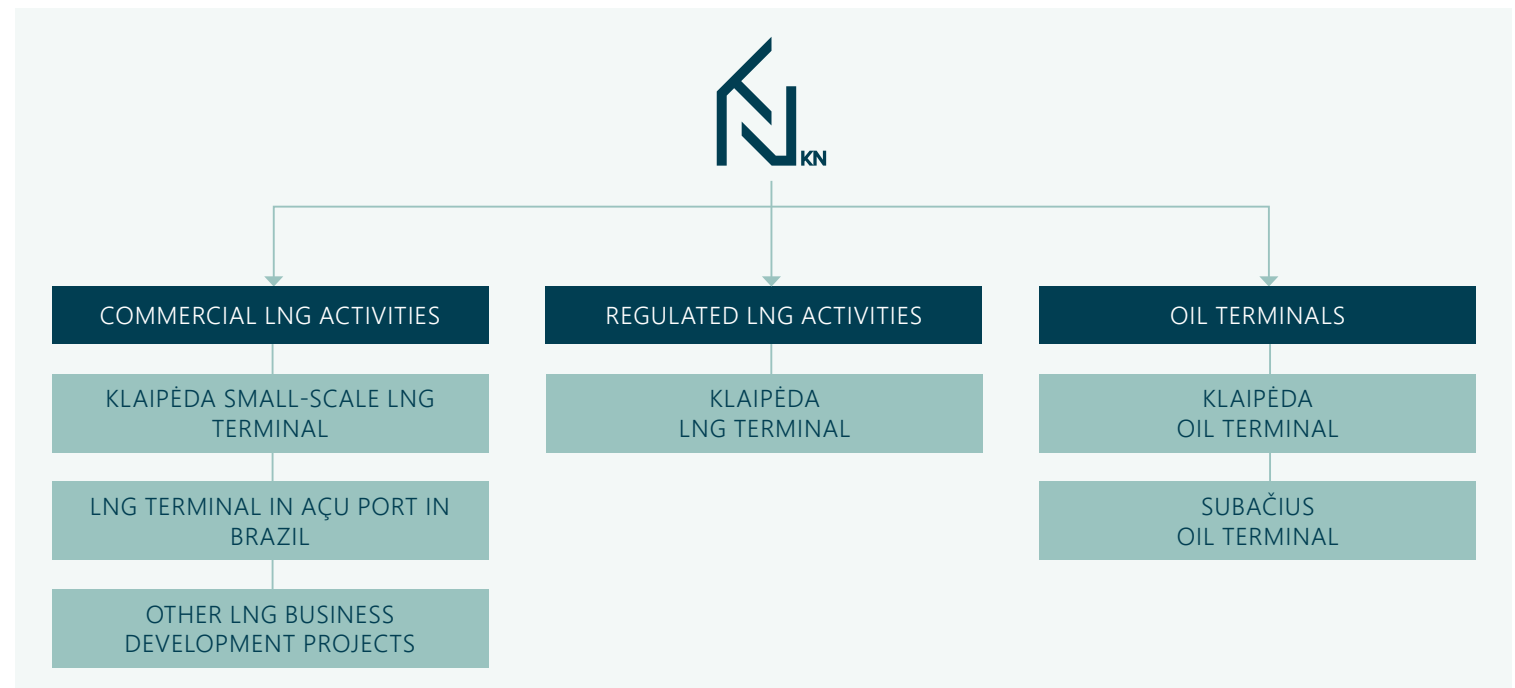
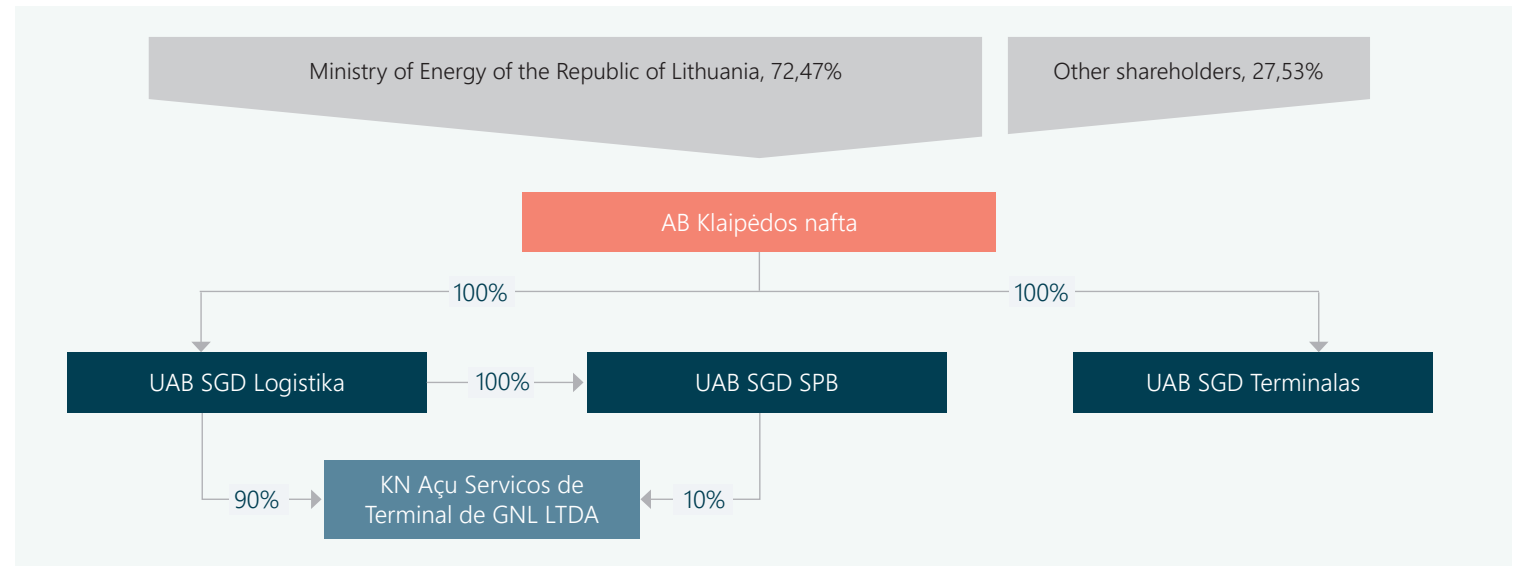
ABOUT THE COMPANY AND SUPPLY CHAIN

Joint Stock Company “Klaipėdos Nafta” (from now on – KN or the Company) is a joint-stock company registered in the Republic of Lithuania. It is owned by the Lithuanian government (72.47%) and other shareholders (27.53%).

KN Group consists of JSC “Klaipėdos Nafta”, several subsidiaries – “SGD terminalas”, “SGD logistika” and “SGD SPB”, as well as Company “KN Açu Serviços de Terminal de GNL Ltda” (operating LNG terminal in Port of Açu, Brazil), which is controlled by “SGD logistika” and “SGD SPB”.

KN operates terminals of oil products and liquefied natural gas (LNG). Group owns and operates two oil terminals in Lithuania (Klaipėda oil terminal and Subačius oil terminal), operates a large-scale LNG terminal in Lithuania and one in the port of Açu in Brazil, and also owns and operates a small-scale LNG reloading station in Lithuania. Currently, the Group’s activities can be divided into three main segments: commercial LNG activities, regulated LNG activities, and oil terminals.

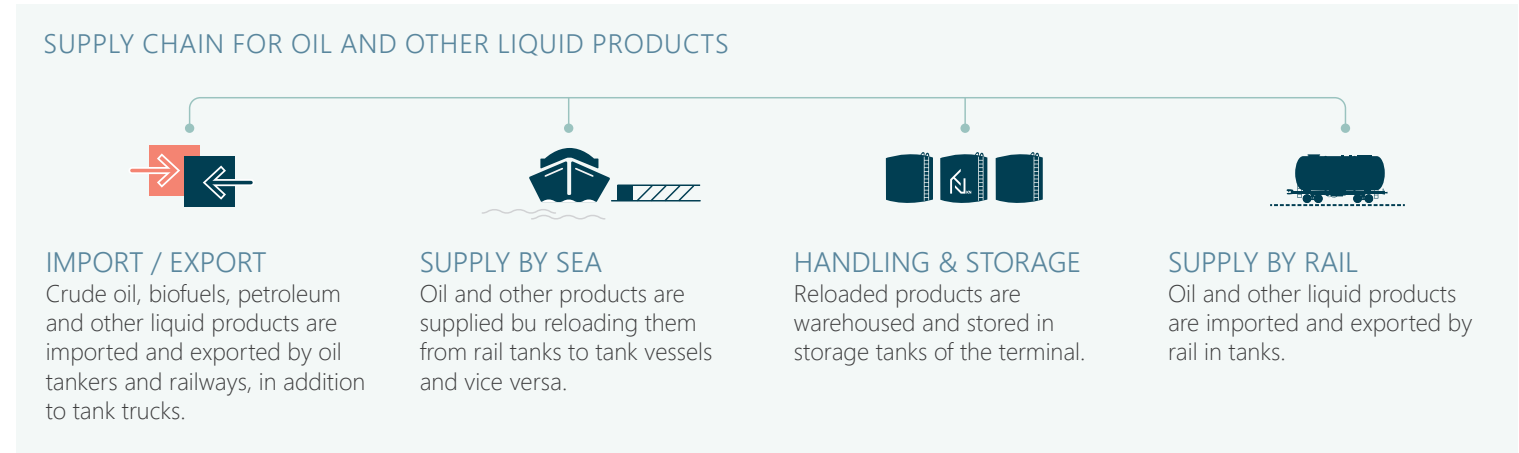
KN is a company of strategic impor-



tance for the energy security of Lithuania and the surrounding region, as it allows the import of energy resources. KN-operated LNG terminal in Klaipėda has become the main facility to ensure the import of liquefied natural gas into Lithuania and neighbouring countries once Russia launched its war on Ukraine in 2022. KN is also responsible for storing the obligatory oil product reserve of the Republic of Lithuania and for the reliable and efficient transshipment of oil products in Klaipėda port.

At the KN Oil Terminal, oil products supplied from/to oil refineries (from railway tank cars to tankers and vice versa) are handled, and also oil products are stored in the storage tank park of the terminal. In addition, 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). Furthermore, the oil terminal in Subačius (Kupiškis district) is used for the short/long-term storage of petroleum products and storage of oil product (fuel) stocks of Lithuania to ensure the national energy security under the relevant legal acts.

KN is increasingly diversifying the portfolio of products being loaded via the Company's oil terminals, paying particular attention to biofuels. Today, three different types of biofuels (ethanol and



various kinds of biodiesel – FAME and HVO) are loaded at the KN oil terminal in Klaipėda. Handling of biofuel products is constantly increasing: during 2022, KN handled 4% more biofuels than in 2021 – they now make about one-quarter of all products being loaded via KN oil terminals.

In 2022, bitumen transshipment was started using tanks reconstructed in 2021. As a result, at the end of 2022, the Klaipėda oil terminal took about 22% of the bitumen transshipment market in the terminals of the Baltic countries and the Gulf of Finland (Russia). The diversification of oil products transhipped via the Klaipėda oil terminal also increased by the start of the loading of Lithuanian crude oil in the first half of 2022.

Loading of petrochemical products intensified, and in 2022 it was about three

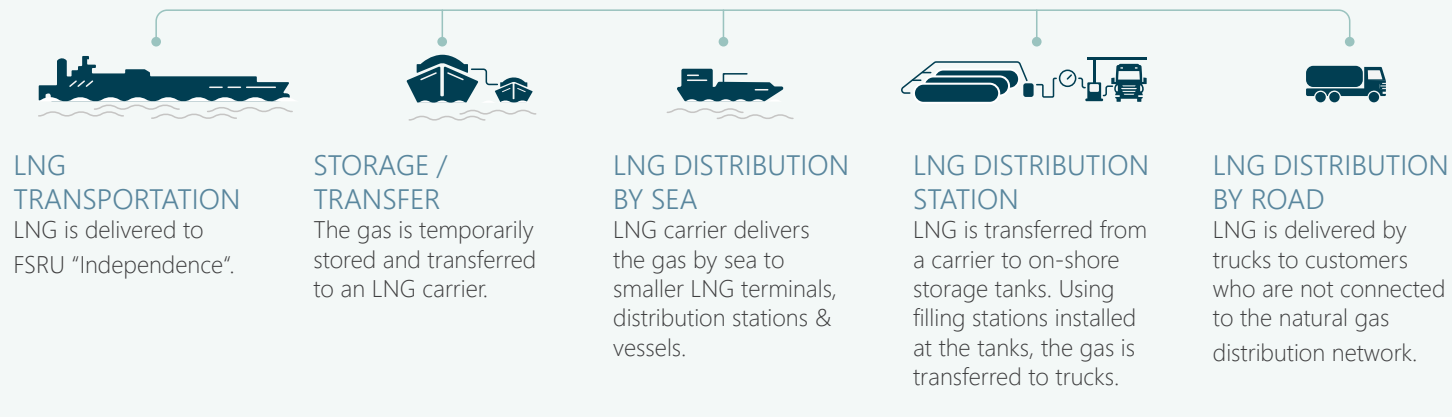
times higher than in 2021 due to new clients attracted. Transshipment of oil products (diesel and gasoline) to tank trucks in 2022 was 20% higher than in 2021. Intensified transshipment activity also increased demand for the storage services of handled oil products – revenue from the rent of shore tanks in 2022 increased by 45% compared to 2021.

Liquefied natural gas (LNG) terminal is one of the essential national facilities ensuring energy security, which allowed for the formation of the natural gas market in Lithuania and opened opportunities for the country and its people and 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.

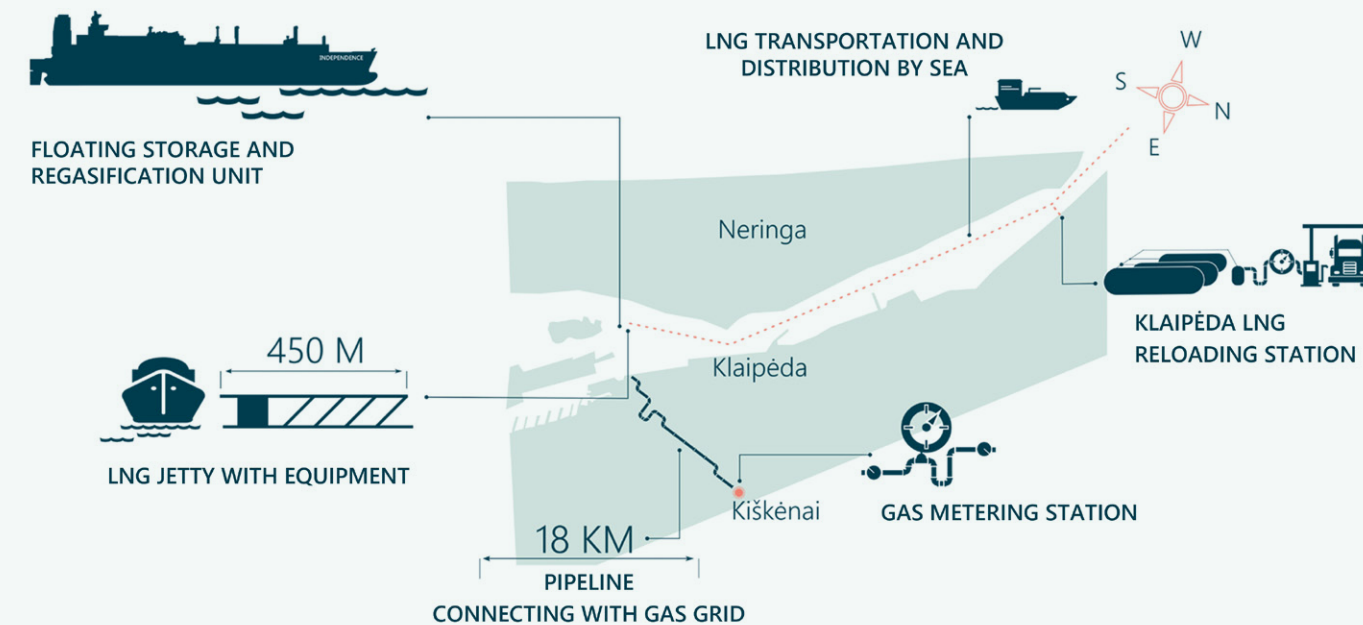
The LNG terminal consists of a floating storage and regasification unit (FSRU) named Independence, a berth and a gas pipeline. The FSRU is permanently moored to a berth in the Klaipėda Seaport. The LNG terminal is connected to the natural gas transmission system. LNG cargoes from the international markets are delivered by the LNG carriers, stored in and regasified by FSRU. Natural gas is afterwards supplied to the natural gas transmission system.

In addition, the LNG reloading station (operating near the Klaipėda Oil Terminal since 2018) receives LNG from small-scale LNG vessels, temporarily storing LNG and transshipping 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 infrastructure opens up opportunities for industrial sites and

SUPPLY CHAIN OF LNG



LNG TERMINAL INFRASTRUCTURE



settlements further away from the pipeline to obtain cleaner energy.

In 2022, demand for Klaipėda LNG terminal services has increased significantly as countries in the region have started looking for alternatives to natural gas imports following Russia's war on Ukraine. In 2022, six users from Estonia, Poland, Norway and Lithuania have been using the terminal services and it has been operating at virtually maximum capacity since April 2022. As a result, a record 32 TWh of natural gas was regasified during the year (96% increase), and 54 LNG carriers were received.

Since Russia invaded Ukraine in 2022, no Russian cargo has been delivered to the LNG Terminal. KN is proactive while ensuring the compliance of Companies using the LNG terminal with the relevant EU sanctions in their operations.

Contribution to promoting LNG as a cleaner fossil-fuel alternative is a part of our activities – we believe it to be a transition instrument towards more sustainable economics. KN is already using its know-how for consulting – helping to develop other LNG projects. So far, the Company has contributed to more than ten different LNG projects worldwide – recent ones including Germany's first floating LNG terminal in the port of Wilhelmshaven and a greenfield FS-

RU-based LNG terminal project in the port of Piombino, Italy. We are proud that our experience helps other countries to strengthen their energy security.

In the context of Russia's invasion of Ukraine, it is also important to mention that the Group and the Company have had no trading relationships with Belarus since February 2021 or with Russian entities. The Group and the Company do not have material contracts/sales with entities in Russia and Belarus and do not receive essential supplies or services from these countries.

BOUNDARIES OF THE REPORT AND TAXONOMY REQUIREMENTS

Given the structure of the KN Group, this report provides data for the main Company, "Klaipėdos nafta" (KN), including subsidiaries. When relevant/possible – separate data for "KN Açu Serviços de Terminal de GNL Ltda" (operating LNG terminal in Port of Açu, which is located in the municipality of São João da Barra, belonging to the state of Rio de Janeiro, part of the Federative Republic of Brazil) is provided. In addition, environmental data is also provided separately according to different operating locations in Lithuania (two

oil terminals in Klaipėda and Kupiškis region, an LNG terminal and an LNG reloading station in Klaipėda).

As the new version of GRI standards came into force on January 1st 2023, this report has been prepared in reference to Universal and Topic standards and GRI Sector Standard 11: Oil and Gas 2021.

KN is held as a non-financial undertaking under the Accounting Directive and might also be held as a public-interest company. However, KN is not considered a large undertaking with more than 500 employees or a parent undertaking of a large group with more than 500 employees on average on a consolidated basis during the financial year. For this reason, as the undertaking, KN is not subject to the disclosure obligations laid down in Articles 19a and 29a of the Accounting Directive and does not fall within the scope of the Non-Financial Reporting Directive. Therefore KN is not subject to reporting obligations under Taxonomy Regulation.

According to Commission Delegated Regulation (EU) 2021/2139, economic operators not covered by Taxonomy Regulation (EU) 2020/852 may also apply the Regulation voluntarily. The Company intends to focus on analysis and preparation to start reporting under Taxonomy Regulation as part of its sustainable operations efforts. In 2023 KN

intends to assess its operations for Taxonomy-eligibility and to disclose information respectively in its reporting the following year.

COMPANY'S STRATEGY AND SUSTAINABLE TRANSFORMATION

The Company's mission is to ensure safe, reliable, and efficient access to the global energy market through the sustainable development, investment, and operation of multi-functional liquid energy terminals worldwide. Through its

activities, the Company aims to help its customers transition to cleaner energy while maintaining their competitiveness.

The current business strategy of KN was drawn up in 2019 for the period until 2030 but no longer reflects the changed business and geopolitical environment in which the Company operates. In the last few years number of events have had a significant impact on KN activities and, consequently, on the strategy: the COVID pandemic, the events in Belarus, and finally, the outbreak of the war in Ukraine in 2022 and the acceleration of the pace of the green transformation because of it.



MAIN BUSINESS GOALS ACCORDING TO THE STRATEGY ADOPTED IN 2019

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.



Due to these important circumstances mentioned above, some goals, particularly for the oil business segment, are no longer relevant and need revision. The Company is going through a transformation, during which expectations regarding further diversification, efficiency, continuity of managed infrastructure operations, the importance of the entire region's energy security, and the need for sustainability and decarbonisation are becoming increasingly relevant.

At the beginning of 2023, KN selected international experts for consulting on

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.



developing the Company's new long-term operational strategy. Selected strategic consultants will assist in further assessing the strategic directions developed by KN managers, analyse internal and external environmental factors, and help draft a strategy that will best meet the business expectations. The articulation of the new KN strategy is expected in the first half of 2023.

KN's newly developed long-term strategy will cover the period of 2023–2050 but will be divided into three distinct phases: short-term (2023–2030), or the current evolution; medium-term

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.



(2030–2040) focusing on the role of KN in the transitional energy market; and long-term (2040–2050), which will cover the planning of the Company's activities for its journey towards complete climate neutrality.

The long-term strategy will have to cover the four main activities of KN – the current oil terminal services, the LNG terminal business in Klaipėda port and the region, the global LNG business development through operation and maintenance services and investments in LNG terminal projects, and the new business lines such as hydrogen and al-

ternative energy carriers, carbon-dioxide capture, and storage, etc.

KN is already actively involved in the debate on the future of fossil fuels and the transition to a more climate-neutral economy. KN is actively engaged in various associated initiatives concerning LNG and fossil fuels synergy with renewable energy. Being founder of Lithuanian LNG platform and member of LT Hydrogen platform, KN advocates for the consistent transition towards net-zero economy. Accordingly, we actively participate in various conferences and seminars to share our know-how in LNG terminals and discuss the future of energy. Furthermore, the Company is trying to find additional opportunities to exploit its infrastructure and know-how and alternatives for new activities. Among them, new areas of development and the potential to create value in the wind energy sector by providing operation and maintenance services are further explored.

Also, we are participating in the international project “Carbon Neutral LNG”, launched in Nuremberg, Germany, in November 2022. The three-year project will aim for its participants to collaborate on developing a hybrid process chain involving the production of hydrogen from biomass and its conversion to synthetic methane while using a variety of chemical and biological

processes. During the project, laboratory research will be conducted to implement small demonstration projects and assess their economic profitability. By participating in this project, KN expects to gain much useful experience working with the new generation of gas mixtures to develop and expand competencies in the application of hydrogen technologies, the production of synthetic methane and the transportation and geological storage of CO₂.

Furthermore, KN, together with “Akmenės cementas” and “Orlen Lietuva” have signed letters of intent for a joint feasibility study to assess the potential and feasibility of liquefied carbon dioxide (CO₂) capture and storage tech-

nology for industrial companies in the country. The study will analyse the potential to reduce atmospheric emissions through the concept of carbon dioxide value chain management and the possibility of applying this solution to companies with unavoidably high Greenhouse gas (GHG) emissions from their business processes. The feasibility study will contribute to the analysis launched by KN, “Larvik shipping” (LS) and “Mitsui O.S.K.” Lines Ltd. (MOL) in 2021.

In view of the changes in the energy sector globally, in 2022 KN engaged in the search of additional opportunities to exploit our existing infrastructure and know-how. Among other initia-

tives, KN considers becoming a service port for future offshore wind farm in the Baltic Sea. Therefore, KN and the companies of the largest Polish oil group ORLEN, ORLEN Neptun I and Energa Wytwarzanie, signed a letter of intent on the possibility of cooperation in the provision of operation and maintenance (O&M) services for wind farms in the Baltic Sea. The letter of intent sets out an agreement on the synergy and conditions for cooperation between the three parties in the development and implementation of an O&M strategy for wind farms in the Lithuanian part of the Baltic Sea.

KN is actively participating in discussions about the transformation of the

economy and energy sector towards net zero, the Blue economy (sustainable use of ocean and sea resources and sustainable coast-related activities), and Greentech. These activities help us follow and analyse the most relevant trends, understand the challenges and opportunities and the position of other organisations, seek dialogue for transformation, and educate the public.

FINANCIAL RESULTS AND TAXES

In 2022, transshipment volumes at KN oil terminals increased by 17% compared to the 2021 result. The Company’s liquefied natural gas (LNG) terminal in Klaipėda showed record results, with 96% more natural gas regasified in 2022 than the previous year. International LNG’s business development activities in 2022 saw a growing demand for consultancy services, and KN was selected to provide LNG terminal management services for the Wilhelmshaven LNG terminal.

According to audited figures, the KN Group generated revenues of EUR 77.8 million in 2022 (the previous year’s revenues amounted to EUR 61.8 million). 36% of the Group’s sales revenues are from oil terminals and

TAXES PAID BY KN GROUP, EUR

YEAR	AB KLAIPĖDOS NAFTA TOTAL	KN, EXCISE EXCLUDED	SUBSIDIARIES TOTAL	SUBSIDIARIES: PAID IN BRAZIL
2016	78 191 729	9 646 780	975	Not operating
2017	126 482 147	10 430 732	1085	Not operating
2018	166 581 445	10 163 479	1006	Not operating
2019	173 586 505	8 556 553	49 985	Not operating
2020	195 064 538	5 820 977	751 125	747 414
2021	205 714 730	6 109 278	1 435 869 *	1 430 842
2021	209 156 712	5 588 563	1 490 599	1 486 262

*Updated number (in KN Social responsibility report 2021 was 1 368 625).

64% from regulated and non-regulated LNG activities. The Group's consolidated EBITDA in 2022 was EUR 35.0 million (EUR 26.1 million a year earlier). The net loss of the KN Group amounted to EUR 5.9 million in 2022 (EUR 64 million in 2021), while the adjusted net profit reached EUR 8.9 million, compared to an adjusted net loss of EUR 47.2 million recorded in 2021. More detailed financial results can be found in the Consolidated Annual Report for 2022, pages 101-103.

KN Group implements fair business principles responsibly and correctly, declaring and paying all operating taxes charged in every market the Group operates. The principal paid taxes in Lithuania are VAT and profit tax (paid to the national budget), resident income tax (paid to the national budget and then redistributed to municipal budgets), taxes paid to the Social Insurance Fund in Lithuania, taxes paid directly to municipalities (real estate, pollution).

In addition, KN 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 – the Company pays these taxes to the national budget. It is the main reason why According to the State Tax Inspectorate, in 2022, KN ranked

sixth among the largest taxpayers in Lithuania). In 2022, 49% of KN's taxes (excluding excise) paid in Lithuania were related to Social Insurance, 42.3% was resident income tax (part of it reaches municipal budgets), and 8.6% – were taxes paid directly to municipal budgets.

The main taxes paid in Brazil are profit tax, withholding company income tax, payroll tax, municipal service tax, and social contribution tax.

KN Group neither seeks nor applies particular tax optimisation or artificial tax reduction schemes. Over the last seven years, no complaints have been filed against the Group regarding the incorrect declaration and payment of taxes.

COMPLIANCE

KN seeks to conduct its business in full compliance with all laws and regulations applicable to its business.

In 2022, no penalties or sanctions related to environmental breaches were imposed on Klaipėda Oil Terminal, Subačius Oil Terminal, or Klaipėda LNG Terminal and KN Açu in Brazil.

On December 1st 2022, The Court of Appeal of Lithuania decided the case regarding the shares of AB Klaipėdos Nafta (KN) granted to employees. This case concerns the decision of KN's general shareholders meeting in 2018 – to establish a three-year Employee Share Grant Program in 2019-2021, which aimed to provide an additional incentive for employees to implement the Company's goals and strategy. Following these rules and other procedures valid in the Company, in 2019, KN bought its shares on the "Nasdaq Baltic" stock exchange, with which employees were paid up to 50 percent bonuses for performance results of 2018. In addition, all taxes were deducted and paid to the state when the shares were granted to employees. It is important to stress that KN did not encourage employees with shares in the subsequent periods. The Court of Appeal of Lithuania stated that KN did not cause damage to the state and shareholders by motivating employees with shares and that there is no reason to claim that state or Company assets were wasted or managed irrationally as KN employees were given shares as part of their earnings. Court also stated that employees would not have to return the received shares, and there is no need for restitution as no damage was caused.



SUSTAINABILITY MANAGEMENT

PRINCIPLES OF SUSTAINABILITY MANAGEMENT

From the perspective of KN, to be a successful and responsible member of society in the long term, the principles of business sustainability shall go hand in hand with how we operate. Every organisation can create positive and negative impacts through its activities, and we aim to be a business model that makes a positive impact.

On December 19th, 2022 Sustainability policy, which will guide Company's sustainability management and activities, was adopted. It is valid for all Companies of KN Group. The Policy states that the following sustainability principles guide KN:

- Driving profit responsibly.
- Aiming for enhanced operational efficiency and productivity through thoughtful natural resource utilisation, emissions, and waste reduction.
- Pursue circular economy principles in the KN's activities.
- Creating a healthy, safe, collaborative, and diverse work environment.
- Fostering a culture of engagement in sustainability through employee education and engagement, and

- Assisting our customers on cleaner energy transition, considering Lithuania's and EU and other markets where the KN is present, goals for the climate-neutral economy.

The Policy outlines the main principles for environmental, social and economic responsibility, governance and accountability in sustainability management. KN expects each KN group employee, contractor and supplier will follow the above practices to ensure that KN meets its sustainability goals. The Sustainability policy is published on Company's [website](#).

Furthermore, the Company has additional policies providing guidelines for implementing sustainability principles in different areas. KN operates in various countries and also considers OECD Guidelines for Multinational Enterprises.

Sustainability in the KN group is managed based on sustainability goals and measurable sustainability indicators. Sustainability goals in the areas of environmental and social impact, as well as governance, have been set considering KN's impacts and material topics, as well as UN Sustainable development goals. Each goal has a concrete target for the short-term period – the year 2024, and the long-term period – the year 2030, and respective

activities, which should help to reach the goal, are planned. The relevant departments of the organisation are responsible for implementing these goals. The information on these goals is provided in relevant thematic sections of this report.

Sustainability management in the Company starts at the Management level. While selecting the Independent Board members, experience in applying environmental, social responsibility and corporate governance (ESG) criteria has also been considered. The Board is active in determining the Company's strategy and approves risk management plans, KN annual activities plan and budget. It also analyses and evaluates the provided information concerning Company's activities, business results, and financial situation. As of 2023, ESG-related goals are included among Company objectives, approved by the Board.

Reporting results of sustainability progress to KN stakeholders regularly and via a Sustainability report prepared while following international standards and guidelines by the Governance coordination centre (analytical centre founded by the Government of Lithuania, which seeks to ensure consistent and professional governance at state-owned enterprises), is an integral part of the sustainability

management process. KN's Head of Communication is directly responsible for reporting on and communicating Company's sustainability activities and issues.

To reach its sustainability goals, KN is also educating its management and employees on sustainability topics.

STAKEHOLDERS

Stakeholder engagement is one of our principles of open and responsible action, which enables us to identify key topics of interest to Stakeholders. The Company's activities, including relationships with stakeholders, are guided by the highest standards of good governance practices, KN values and the Code of Conduct. In addition, KN is guided by the Stakeholder Policy adopted by the Company in 2021 and published on its website. This Policy provides principles and guidelines for developing KN's stakeholder relationships, ensuring opportunities to identify key topics of interest to stakeholders in the context of the Company's sustainability.

Our key stakeholders are employees, shareholders, business partners, customers, communities and society in

general, and decision-makers at the national and regional levels. The main topics relevant to our stakeholders include the safety of our operations,

economic impact, environmental performance improvement and good governance practices.

OVERVIEW OF THE KEY STAKEHOLDERS OF THE COMPANY

STAKEHOLDER	AMBITION	WHY IS IT IMPORTANT?	HOW DO WE SEEK TO DEVELOP RELATIONS?
Clients	<ul style="list-style-type: none"> To help clients maintain a competitive advantage and move to more sustainable forms of energy. To ensure that clients have access to international energy markets. 	Satisfied clients are the foundation for long-term growth and business sustainability.	<ul style="list-style-type: none"> To provide our know-how to create added value for clients. To provide services to clients efficiently, in a timely manner and with high quality. To seek innovations and offer innovative solutions creating added value for clients.
Business partners and business community	Open, cooperative, proactive members of the business community, a good example of the Company's business sector.	Working with partners, we can strengthen the value chain, increase business competitiveness, and create greater value for the community members.	<ul style="list-style-type: none"> In the course of the development of professional contacts, sharing good practices and experiences or raising and calling for a common solution to the issues relevant to the business community. Communicating on projects and sharing experiences and knowledge. Taking part in solving the issues relevant to the sector by offering its competencies.
Employees and employee representatives	KN's innovative, adaptable and multicultural teams are in demand worldwide.	People are our Company's core asset and are always at the heart of our technology-based operations.	<p>Ensuring that the members of the team have the opportunity:</p> <ul style="list-style-type: none"> to achieve high personal results; to continuously learn and improve; to earn a competitive salary; to feel proud of creating change and connecting energy markets worldwide. <p>Develop relationships with employees or their representative organisations based on values and mutual dialogue.</p>
Shareholders	An open and transparent stock exchange participant that meets the highest standards set by investors and earns the expected return for shareholders.	The listing of a Company increases confidence in its operations and governance locally and internationally. In turn, this contributes to the long-term success of the business.	Transparent, open and timely communication with investors, providing them with regular and reliable data on the Company's results and business plans.

Continued ›

STAKEHOLDER	AMBITION	WHY IS IT IMPORTANT?	HOW DO WE SEEK TO DEVELOP RELATIONS?
State institutions	We ensure national energy independence and meet other goals set for a strategic Company via the State letter of Expectations and/or other legislation.	By participating in the governance of the state-controlled company within the set rules and principles, the state pursues business value growth, dividend or profit-sharing yields, ensuring national security interests, implementing strategic projects or other objectives set by law and formulating expectations for companies accordingly. Clearly presented government expectations contribute to the increase of the state's welfare.	<ul style="list-style-type: none"> • Business is developed responsibly, increasing the value created for Lithuania and all shareholders through Company business decisions. • Activities are carried out in such a way as to ensure work safety, safe and reliable operation of managed infrastructure, and proper care of the environment. • The Company follows the highest standards of transparency, governance, ethics and social responsibility, thus setting an example for other organisations in the country and promoting overall progress.
Municipal institutions	Creating value for the regions where the Company operates	The Company acts as a responsible member of the community, aiming to create mutual value, i.e. revealing its full business potential and contributing to the success of the region in which it operates.	<ul style="list-style-type: none"> • Activities are carried out in such a way as to ensure work safety, safe and reliable operation of managed infrastructure, and proper care for the environment. • Engagement in solving issues relevant to the specific region by offering competencies, know-how or other resources. • Contributing to increasing the potential of the regions through own business contacts or communication with business partners.
Neighbouring communities	<ul style="list-style-type: none"> • To increase trust in the Company and ensure its lawful operations. • To contribute to promoting a positive impact in relationships with communities in society. 	A sustainable and credible neighbourhood, involvement of communities related to the long-term perspective of the Company activity and "the right to act".	Developing an open dialogue, responding to the need to know and understand the issues most relevant to communities and the company's impact on them, in line with the principle of good neighbourliness.
Media, opinion shapers	To be an open and cooperative partner for the media and opinion shapers in providing correct and reliable information.	We understand that information about our activities as a strategic Company is important for our stakeholders, and, considering this, we engage in an active dialogue.	<ul style="list-style-type: none"> • Our goal is to build and maintain professional relationships with the media and opinion shapers. • We show initiative by sharing value-creating knowledge and insights. • When sharing information, we respect customer data and comply with contractual obligations.

Continued ›

STAKEHOLDER	AMBITION	WHY IS IT IMPORTANT?	HOW DO WE SEEK TO DEVELOP RELATIONS?
Supervisory and regulatory authorities	<ul style="list-style-type: none"> To be a reliable and professional partner in developing business sector regulation. Impeccable compliance. 	<p>We work with supervisory and regulatory authorities to understand their needs and objectives and to offer our knowledge and expertise in shaping market regulation practices.</p> <p>We understand that impeccable compliance increases the confidence of all stakeholders in the company and strengthens its reputation.</p>	<ul style="list-style-type: none"> We are available and accessible to supervising and regulatory authorities and share information, knowledge and insights with them regarding the sector where the company operates. Information requested by supervisory and regulatory authorities is provided on time and of good quality.
Decision-makers	To develop business responsibly, increasing the value created for Lithuania by the adopted decisions.	<p>Being a company of strategic importance, we understand the interest of decision-makers so that our activities would best meet the country's interests and create the greatest value for it.</p> <p>The company adheres to the principle of political neutrality in its activities and does not support any politician or political party in financial or non-financial terms.</p>	<ul style="list-style-type: none"> We develop professional relationships and share our knowledge, expertise and insights on global energy sector trends. We take the time to provide context and discussion about the company's important decisions at the national level.
Social partners	To be an open, cooperative partner focused on increasing the community's well-being.	Working with partners, we can contribute to creating greater value for the community and promoting the development of sustainability initiatives.	We contribute to developing general education or activity programs that contribute to solving problems relevant to society by promoting corporate responsibility and sustainability.

SIGNIFICANT IMPACTS AND SUSTAINABILITY RISKS

The Company is constantly assessing its significant environmental and socio-economic impacts. The result of the last assessment is presented in the table.

SIGNIFICANT ENVIRONMENTAL IMPACTS	SIGNIFICANT SOCIOECONOMIC IMPACTS
Greenhouse gas (GHG) emissions	Workplace creation
Emissions of other pollutants (NOx, Volatile organic compounds, etc.)	Development of employee skills and ensuring their welfare
Waste (hazardous and non-hazardous)	Employee health and safety
Community disturbance (odours and noises)	Ensuring human rights and equal opportunities at work
Water usage	Supporting local communities
Effluents	Helping to ensure the energy independence of the country
Possible spills and other critical incidents having an impact on the environment (including groundwater and soil)	Taxes and dividends paid

In addition, while preparing this report, KN also assessed the main risks for the Company's sustainability – they are presented in the table below.

All these impacts and risks were considered while determining Company's Material topics and setting respective ESG goals.

RISKS FOR KN'S SUSTAINABILITY

RISK	DESCRIPTION	RISK MANAGEMENT
Environmental pollution due to industrial accidents or malfunctions	Employee errors, climate/weather conditions or industrial accidents may cause damage to the environment, property workers and surrounding communities.	<p>KN Quality, Environmental Protection, Occupational Health and Safety Management Systems meet the requirements of the international standards ISO 9001: 2015, ISO 14001: 2015 and ISO 45001: 2018. These standards are recertified regularly.</p> <p>Process safety incident and technological malfunction incident management procedures are reinforced.</p> <p>KN is monitoring air pollution emissions from stationary air pollution sources and monitoring an impact on the environmental air quality.</p> <p>Proper industrial accident management plans are in place – they are timely revised and updated.</p> <p>Regular training of employees on safety issues is being performed.</p>
Health and safety incidents at Work	KN handles various fuels, oil and chemical products; its terminals are classified as dangerous objects. All this makes employee health and safety one of the most crucial factors in and for Companies' operations.	<p>KN Quality, Occupational Health and Safety Management Systems meet the requirements of the international standards ISO 9001: 2015 and ISO 45001: 2018. These standards are recertified regularly.</p> <p>Regular employee training is being performed.</p> <p>A culture of zero safety accidents is fostered within the Company, and a respective incentive system is in place.</p>
Lack of skilled workforce	The competition for employees with specific competencies, which the Company needs, has intensified, especially among the port companies. Difficulties in attracting new employees would mean an additional workload for the Company's current workforce and may negatively impact employee satisfaction and talent retention.	<p>Competitive remuneration policy, employee competence development system, employee overall compensation and benefits structure and process for adaptation of new employees are in place.</p> <p>Assessing and planning the demand for crucial competence positions is being done, as well as constantly reviewing employee value propositions and employer branding strategy.</p>

Continued ›

RISK	DESCRIPTION	RISK MANAGEMENT
Conflicts with communities regarding KN activities	Malfunctions or operations errors at KN terminals may have a negative impact on people living in the neighbourhood of the terminals, mainly worsening their living conditions because of the oil products' odours or noise of the technical processes. Moreover, due to the proximity of another logistic terminal with similar activities, local communities sometimes may assume KN is responsible for some of the negative impacts caused by other companies.	Dedicated communication channels to submit complaints for the communities and complaints review/ assessment procedures are in place, enabling KN activities to minimise the impact. Regular communication and information for communities about KN activities' impact and providing actual data of regularly performed monitoring is ensured.
Cyber security incidents	Cyber security risk is the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information and systems by cybercriminals or malicious actors.	The Company's cyber security is governed by the Cyber Security Policy and Guidelines, which include organisational and technical provisions of the Cyber Law of the Republic of Lithuania. Regular activities include vulnerability management, conducting regular security assessments and penetration testing, and providing employee training on the best cybersecurity practices.
Non-compliance	The Company operates in different locations in Lithuania and foreign countries and has many international business partners. Therefore, corruption and other infringement (for example – not following established procedures and policies) could damage the Company's reputation and negatively impact its business contracts.	Due diligence procedures are in place. New policies and mechanisms to enable and ensure them (f. e., training and whistleblowing procedures) are constantly developed.

Additional general risk management system information is provided in Consolidated Annual Report for 2022, pages 125-128.

CLIMATE RISKS AND ADAPTATION

The possible impact of climate change on the activities of the KN group has been assessed according to long-term climate changes forecast and climate models for Lithuania, as well as the "Sensitivity of individual sectors to climate change" analysis by the Ministry of Environment. Main risks identified

and respective adaptation strategies are presented in the table on page 19.

At the end of 2022, KN initiated developing its new long-term strategy, which will outline business directions until 2050. During this process, the Company intends to look for the optimal formula (having in mind climate change and a need for adaptation) for further diversification, efficiency, continuity of managed infrastructure operations and importance for the energy security of the entire region, as

well as the need for sustainability and decarbonisation.

The Company has the challenge to transform its operations so that the services provided meet the needs of the future and the operations are climate neutral. We understand that in the coming decades, the world will have to transition from the still widespread use of fossil fuels for energy and transportation to other forms of energy. KN has always been and wants to remain an essential part of future

energy supply and value chains while simultaneously successfully creating value in the energy sector, ensuring energy security and financial returns for shareholders and Lithuania. In all this context, we need to look far into the future, review the current business model, and make long-term decisions to ensure competitive advantage and greater profitability of our activities in the future. Please refer to this report's "Strategy and sustainable transformation" part for more information.

CLIMATE RISKS AND ADAPTATION STRATEGIES

RISK CATEGORY	RISK DESCRIPTION	ADAPTATION STRATEGIES
Physical risk		
Acute risks	<p>Risk of worsening operating conditions from extreme weather events:</p> <ul style="list-style-type: none"> • Changes in storm strength leading to increased wind speed and more giant waves – impact on the product loading process in the Port facilities and railway overpasses, the rising possibility of loading incidents (spills); • regional changes in temperatures, precipitation pattern and frequency – e.g., downpours could impact transshipment operations; • extreme weather temperatures and heat waves – possible risks for employee health and logistics infrastructure. 	Regular assessment of physical risks, robust safety and health assurance protocols, periodical renewal of emergency response and crisis management plans.
Chronic risks	<p>Risk of disruption of operational processes due to the long-term increase in average temperatures, changing precipitation and wind patterns, and rising sea levels.</p> <p>Due to the expected increase in air temperature in the cold period of the year, more frequent fluctuations in air temperature around 0 °C are expected. Due to more frequent freeze-thaw cycles, the operational time of above-ground and underground infrastructure may be shortened, and infrastructure repair and renovation costs may increase.</p> <p>Due to the expected decrease in the number of days with snow cover (especially in the western part of Lithuania), the probability of damage to the underground infrastructure due to frost may increase, especially during extreme cold, and the energy losses of thermal lines may increase.</p>	<p>Regular assessment of physical risks.</p> <p>Re-planning the work mode according to the changing conditions, dedicating more resources towards regular infrastructure maintenance, and increasing infrastructure resilience and energy efficiency. Reviewing the cost planning process.</p>
Transitional risks		
Policies and regulations	<p>Regulation, which could impact decrease of demand for oil and natural gas and thus KN's revenue.</p> <p>Risk of increased costs due to introducing and expanding a carbon price system.</p>	<p>Diversification of the portfolio of products.</p> <p>Investigation of low-carbon technologies (CO2 capturing, hydrogen, operation and maintenance services of wind power parks in the Baltic Sea) opportunities that complement existing assets, strategy and competencies.</p>

MATERIAL TOPICS

In the first quarter of the year 2022, KN has analysed key sustainability topics to better respond to stakeholder expectations, manage risks and act more sustainably. The initial list of topics was drawn up by the Company’s representatives and sustainability experts, assessing the Company’s impacts and the key aspects affecting sustainability.

In the first months of 2022, several remote meetings were held with key stakeholders – representatives of Klaipėda City Municipality Administration, Klaipėda University, Klaipėda Department of the National Centre for Public Health under the Ministry of Health, representatives of Klaipėda communities (Vitė, Melnragė, Dangė) and their associations in the Company’s neighbourhood as well as representatives of the Office of the President of the Republic of Lithuania, the Ministry of the Environment, the Ministry of Economy and Innovations, the Ministry of Transport and Communications, the State Energy Regulatory Council. They discussed the Company’s impacts and sustainability aspects, ranked materiality topics, and suggested additional aspects.

It is important to mention that all this has been done in the context of the ongoing pandemic, but before Russia’s invasion of Ukraine, which happened at the end of February 2022.

Materiality topics were also rated by the Company’s employees, customers and partners using a remote survey. Finally, the Company’s management expressed its position in the ranking process, and the materiality matrix was developed. According to the widely used methodology, the matrix ranks the themes on the vertical axis according to their importance to stakeholders and on the horizontal axis according to their importance to the Company.

The Materiality matrix of KN contains 36 topics: 11 environmental, 13 social and 12 governance topics. These topics were considered while setting relevant ESG goals and will be considered during the corporate strategy update process.

While preparing this report, GRI Sector Standard 11: Oil and Gas 2021, which came into effect on January 1st, 2023, has also been analysed. This process helped to review the material topics determined in Materiality Matrix, as is encouraged by the new version of Universal GRI standards, such as GRI 3: Material topics, effective since January 1st, 2023 (it stresses the



- 1 Development of environmental management
- 2 Unused infrastructure
- 3 Freedom of association & collective bargaining
- 4 Application of circular economy principles
- 5 Responsibility in the supply chain
- 6 Gender diversity and equality
- 7 Shareholder engagement & democracy
- 8 Board diversity
- 9 Waste & waste management
- 10 Environmental impact of services
- 11 Water usage, water pollution & sewage
- 12 Employee engagement, empowerment & satisfaction
- 13 Employee turnover
- 14 Employee competence development
- 15 Community engagement & dialogue
- 16 Data privacy & protection
- 17 Climate change adaptation & resilience
- 18 Managing of sustainability topics & communication
- 19 Green procurement
- 20 Energy usage
- 21 Civil safety and communication to citizens
- 22 Work conditions & employee welfare (including supply chain)
- 23 Customer satisfaction
- 24 Non-discrimination & protection of human rights
- 25 Fair remuneration policy
- 26 Board independence
- 27 Business transformation & sustainable innovation
- 28 Protection of soil & groundwater
- 29 Spills & other environmental incidents
- 30 Impact towards climate change and its minimization
- 31 Air pollution
- 32 Employee health & safety
- 33 Compliance
- 34 Ethics & anticorruption
- 35 Cyber security
- 36 Sustainability risk management system

importance of the Company's impacts and reviews the role of stakeholders in the process of determining material topics).

As a result, the 22 most essential material topics were defined while preparing this report – they are listed (alphabetically, according to relevant ESG area) in the infographic below.

Performance on these topics and their management are presented in this Sustainability report.

MATERIAL TOPICS

E	S	G
Air emissions	Competitive remuneration policy	Asset integrity and incident management
Energy usage	Employment and Employment practices	Climate adaptation, resilience, and sustainable innovation and transformation
Greenhouse gas emissions	Employee competence development and turnover	Compliance
Waste	Employee engagement, empowerment and satisfaction	Cyber security and data protection
Water and effluents	Freedom of association and collective bargaining	Payment to governments and taxes
	Local Communities and social initiatives	Prevention of anti-competitive behaviour
	Non-discrimination and equal opportunity	Prevention of corruption
	Occupational health and safety	Procurement practices
		Sustainability management and communication



ENVIRONMENTAL IMPACT AND PROTECTION OF ENVIRONMENT

IMPACT MANAGEMENT

One of KN's strategic objectives is to ensure the environmentally sustainable operation of KN terminals and full compliance with environmental requirements.

In 2020, a certificate confirming that KN's environmental management system complies with the ISO 14001:2015 standard was issued. In 2022, auditors confirmed KN's compliance with this certificate. Both in the operation of the existing oil and LNG terminals and the planning of new activities, KN complies with the basic principles of environmental protection set out in the National Environmental Strategy of the Republic of Lithuania, with the conditions set out in the environmental permits, as well as with the norms set out in the environmental rules and standards.

Also, KN has an approved "Quality, Environmental, Health and Safety Policy", by which the Company commits:

- 1) To protect the environment, to use natural and energy resources rationally and sparingly, and to carry out effective prevention of pollution, waste generation, and unforeseen dangerous situations, and to strive for their reduction,

- 2) Plan and carry out our activities by assessing possible risks, implementing, and using environmentally friendly and advanced technologies and work methods.

Furthermore, the Company has a procedure for determining environmental protection aspects and environmental impact management, the purpose of which is to determine and ensure the identification of environmental protection aspects, the determination of their significance and impact on the environment, and their management to ensure the efficiency of environmental protection and compliance with applicable legal acts and the requirements of the ISO 14001:2015 standard.

Following this procedure, KN has identified the significant environmental aspects of its operations and their impact on the environment and designed the necessary control and management measures to avoid negative environmental impacts of our activities and mitigate them.

KN's environmental management areas are climate change mitigation, energy efficiency, prevention of and reducing air emissions and pollution, waste reduction, usage of water and efficient use of other natural resources. The Company continuously monitors its impact on environmental quality via the following

indicators: greenhouse gas emissions, emissions of other pollutants, energy consumption, water consumption, amount of and treatment of sewage, and waste generated and managed via different methods. These indicators are provided in the report – providing data according to various locations/activities: Klaipėda Oil Terminal (KOT), Subačius Oil Terminal (SOT), LNG terminal and related infrastructure in Klaipėda.

NEGATIVE IMPACT REDUCTION

We acknowledge our responsibility for our environmental footprint and search for ways to minimise it rather than comply with environmental norms and requirements. That's why we have set concrete goals to reduce our negative impact and improve our environmental performance. These goals and the means to achieve them are the basis for the Environmental Protection Program for 2022-2030, which has been prepared and approved February, 2022. The Program includes specific quantitative mitigation targets for 2024 and 2030 and corresponding measures. It will be periodically reviewed and updated in the light of the changing legal and geopolitical situation.

The main goals of the Environmental Protection Program are:

1. To reduce direct CO₂ emissions of Klaipėda Oil terminal (Scope 1) by at least 20% by the end of 2024 and at least 50% by the end of 2030, compared to 2020.
2. Use only green electricity to reduce indirect CO₂ emissions (Scope 2) generated while producing electricity used in Klaipėda and Subačius Oil Terminals.
3. To reduce natural gas and electricity consumption by at least 3% by the end of 2024 and at least 10% by the end of 2030, compared to 2020.
4. To reduce relative (emissions/emissions/transhipped products) VOC emissions from the handling and storage of petroleum products by 35% by the end of 2024 and by 45% by the end of 2030, compared to 2020, and to ensure that maximum odour concentration in ambient air (caused by relevant air emissions) will not exceed 1 odour unit in the residential environment due to the activity of KNT by the end of 2024, and will not exceed 0,7 odour unit till the end of 2030.
5. To increase the % of waste recycled – to reach at least 70% by the end of 2024 and at least 90% of waste recycled by the end of 2030.

To reach goals of the Environmental Protection Program, respective measures, such as installing air purification units and building air pollutant treatment plants, modernising boiler burners and other equipment/infrastructure, increasing the efficiency of combustion plants, installing green electricity power generation capacities, optimising the process have been implemented.

We constantly seek new technical solutions to reduce emissions and waste and mitigate our impact. For example, since 2018, KN has been implementing the Environmental Action Plan in response to comments from communities regarding perceived unpleasant odours. It aims to reduce volatile organic compound (VOC) emissions via more efficient neutralisation of VOCs. Communities and other interested parties are constantly informed about the progress of implementing this plan.

KN investments related to the implementation of this plan have reached EUR 8 million: more detailed information about measures implemented in 2022 is provided in the “Other significant air emissions” part of this report. Other significant investments related to reducing our negative environmental impact are mentioned in relevant impact-related sections of this report.

COMMUNICATION ON ENVIRONMENTAL IMPACT

KN, following the environmental monitoring regulations of an Economic Entity and in coordination with the environmental protection authorities, carries out a monitoring program. The Company monitors the environmental impact of the terminals (emissions to ambient air and surface water and the quality of ambient air, groundwater, and surface water). It makes the monitoring data available to stakeholders in a clear and understandable way. The aim is to enable stakeholders to assess the compliance of the terminal’s activities with the established environmental quality standards by allowing them to compare the actual emissions of pollutants with the established standards. Monitoring data is available on the Company’s website.

Since the end of 2022, KN has publicly shared VOC monitoring data in real-time on Company’s website (www.kn.lt). The public can also obtain real-time information on transshipment operations by calling a dedicated line, announced on Company’s website.

KN is also constantly strengthening community relations – including

discussions on environmental impact, the Company’s investments, as well as concerns of the residents. In 2022, 2 meetings were held with local communities. KN also regularly participates in meetings organised by state institutions on environmental quality issues, where it presents the measures used and implemented to reduce the negative impact of its activities on the environment.

INCIDENTS, INSPECTIONS, COMPLAINTS

In 2022, there were no significant spills of oil products, chemicals, or waste in all the terminals operated by KN.

In 2022, 4 scheduled environmental inspections were performed in KN Oil Terminal, 3 scheduled inspections were conducted in Subačius Oil Terminal, and 3 scheduled inspections were performed in the LNG terminal.

In 2022, no penalties or sanctions related to environmental breaches were imposed on Klaipėda Oil Terminal, Subačius Oil Terminal or Klaipėda LNG Terminal.

Since 2018, the Company has had a dedicated line, announced on Company’s website, using which residents can

file a complaint about KOT activities. They can also file a written complaint via official Company e-mail. All complaints received in any form (written, oral) are registered. Upon receipt of a complaint, the situation which gave rise to the complaint is assessed/analysed, and a reply is provided to the complainant.

In 2022 4 enquiries were received from public authorities related to the odours of the transshipment operations at the premises of Klaipėda Oil terminal. None of the queries, after investigation, were attributed to the operations of KN. No complaints regarding KOT were received from communities.

In 2022 no enquiries were received from public authorities regarding Subačius Oil Terminal and LNG terminal. No complaints regarding these two terminals were received from communities.

EMPLOYEE ENGAGEMENT IN ENVIRONMENTAL AND SUSTAINABILITY ISSUES

Employee engagement in environmental activities and their education on sustainability issues is an integral part of our environmental initiatives. Waste prevention

and recycling, saving energy resources, and education on climate change and other environmental topics are the most important spheres of these initiatives.

As in other companies, teleworking has become commonplace during the pandemic and has taken hold among the Company's employees, who are increasingly turning to hybrid working options. This way, more meetings between different departments are being held by videoconferencing, thus reducing the number of long-

distance journeys and, consequently, contributing positively to the environmental impact.

In addition, much of the administrative work was digitalised (use of e-signature for signing contracts and other documents, etc.) and is still being digitalised. The Company also has a dedicated Paperless initiative to promote a paperless working culture. In 2022, number of printed pages of documents in KN had further decreased and reached 778 900 pages

(786 893 pages in 2021, 826 311 pages in 2020, 954 679 in 2019).

GREENHOUSE GAS (GHG) EMISSIONS

The Company prepares annual greenhouse gas (GHG) emission reports following the European Union Emissions Trading Scheme requirements and annual GHG reports following the requirements of The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (from now on – GHG Protocol). As GHG emissions directly contribute to climate change, we are constantly searching for ways to reduce our emissions – starting with Scope 1 and Scope 2 emissions.

GHGs in KN's accounting include CO₂ and CH₄ emissions. Emissions of other greenhouse gases (N₂O, HFCs, PFCs, SF₆) are not accounted for because no significant sources of pollution with these gases have been identified.

In 2022, sources from which emissions were accounted for and included in different Scopes have been revised and expanded. In addition, the GHG emissions in 2021 have been recalculated to include these additional

sources. We aim to collect and account for even more data from additional sources and prepare a full extent GHG report as well as submit it for an independent audit in coming years.

GHG emissions we already account for:

- Scope 1. Direct CO₂ emissions (from boilers and vehicles) and direct CH₄ emissions (from gas leaks in pipelines and tanks). Since 2022 we also include emissions from refrigeration reagents.
- Scope 2. Indirect CO₂ emissions related to the production of purchased electricity. Since 2022 we also include heat energy consumed in KN's leased office premises.
- Scope 3. Indirect CO₂ emissions from the production of purchased materials, the paper used, and emissions related to water supply, sewage, waste management and some services. Since 2022 electrical transmission losses, some business travel-related data (flights, accommodation) and losses related to oil product logistics were also added into calculations.

Currently, 94% of KN's GHG emissions are treated as Scope 3 emissions because FSRU Independence is owned by company Hoegh LNG and thus included in Scope 3: the most significant share of these GHG emissions being CO₂ emissions from the used natural gas and diesel on

The most important permanent activities and initiatives of 2022:

- In-house training on waste generation, sorting, and management; Information on waste prevention and sorting, as well as on KN's generated and transferred waste, is provided on the Company's intranet page.
- "I Care campaign", aimed at reminding employees to switch off various devices and lightning and save electricity;
- Encouraging employees to come up with ideas for KN that would help the Company to save energy resources;
- Participation in Spring Clean-Up Campaign "Darom" aimed to remove self-generated landfills, collect hazardous waste, and clean green areas. KN employees are invited to team up and clean the premises close to Company's territory in Klaipėda.
- The Company also celebrates World Environment Day (June 5th). In 2022 all employees were invited to attend a lecture on sustainability – Ieva Vilké, the sustainability consultant, explained what sustainability is, presented local and global sustainable development trends and shared the basics and examples of sustainable business.
- In October 2022, an internal Sustainability Day was organised at the Company. Employees, among other topics, were presented with KN Environmental policy, goals and action plans in this area. They were also invited to discuss climate change with Dr Justinas Kilpys, the climate scientist.

GHG EMISSIONS

CO2 EQUIVALENT, METRIC TONNES	2020	2021	2021 RECALCULATED (NEW SOURCES INCLUDED)*	2022*
Direct CO2 emissions (Scope 1)**	14 242	7 816	7 843	5 845
Indirect CO2 emissions (Scope 2)	0	0	6	19
Indirect CO2 emissions (Scope 3)	66 042	53 694	62 839	94 052
Total CO2 emissions	80 284	61 510	70 688	99 916

* Market-based method (following GHG protocol).

** 95% of KN's GHG emissions (Scope1) consist of emissions from combustion plants using fossil fuels.

vessels, used for transportation of LNG vessels. When KN takes over the FSRU Independence in 2025, emissions of the LNG terminal will be accounted as Scope 1 emissions.

According to the Reporting Guidelines, it is not recommended to include information about the electricity produced for your own needs in the calculations if it is produced from natural gas to avoid double accounting.

Therefore, emissions related to electricity produced by LNG Terminal for its own needs from liquefied natural gas are not included in any Scope. Additionally, they are already included in Scope 3 as emissions from used natural gas and diesel in LNG Terminal.

The decrease in Scope 1 emissions in 2022 is due to the more effective use of natural gas and electricity via

process optimisation. For example, in 2022, 28% less natural gas was used in the Klaipėda oil terminal. Increase in Scope 3 emissions is influenced by the record volumes of Klaipėda LNG terminal operations.

Further GHG reduction measures are foreseen - they aim to reduce emissions from combustion plants by 50% by 2030 (Scope 1) and reduce Scope 2 emissions by various energy efficiency

means and expanding usage of green energy – continuing to purchase 100% green electricity for oil terminals and installing solar power plants.



ENERGY CONSUMPTION AND EFFICIENCY

KN pays much attention to the energy savings. By 2030, the target is to reduce electricity and natural gas consumption by 10% compared to 2020. To reach this, the Company is reviewing and optimising energy-intensive oil handling and storage processes, and various electricity and natural gas saving measures have already been applied.

A solar power plant project in the Subačius oil terminal was started in 2022 (Completed in Q1, 2023). A feasibility study for an electrical interconnection to the Klaipėda LNG terminal to reduce its' CO2 emissions is being carried out. In 2022, KN signed the Energy Savings Agreement with the Ministry of Energy of Lithuania, setting out specific measures and deadlines to improve Company's energy efficiency.

In 2022, 24% less electricity was used in Klaipėda and Subačius oil Terminals than in 2021 (and 35% less than in 2020) – due to implemented energy

RELATIVE GHG EMISSIONS PER TONNE OF PRODUCT TRANSHIPPED IN KN TERMINALS AND DEGASSED, MHW

RELATIVE GHG EMISSIONS	2020	2021	2021 RECALCULATED (NEW SOURCES INCLUDED)*	2022*	CHANGE, %
Total emissions / Transhipped amounts at KOT (kg CO2 / t of transhipment)	2.41	2.06	2.45	1.50	-39
Total emissions / Transhipped amounts at SOT (kg CO2 / t of transhipment)	0.21	0.33	0.47	0.13	-72

* Market-based method (following GHG protocol).

efficiency measures. Energy intensity in 2022 (amount of energy used per tonne of transhipped product) in KOT reduced by 37%, and in SOT by 40%, compared to 2021.

As the LNG terminal in 2022 regasified 96% more natural gas than in 2021, the amount of electricity needed and thus generated in the storage vessel from the LNG increased by 35%. Thus the energy intensity in 2022 (amount of energy used per tonne of regasified product) reduced by 31% (compared to 2021).

In 2022, these energy efficiency measures were applied at the KN Oil Terminals:

- ✓ Optimisation of the process of loading and storing heavy fuel products;
- ✓ Implementation of a daily electricity consumption monitoring system to analyse consumption;
- ✓ Implementation of a thermal energy consumption monitoring system to analyse consumption;
- ✓ Replacement of electricity/energy-intensive equipment with less electricity/energy-intensive ones.

The value of investments in these instruments is around 160 thousand euros.

ELECTRICITY CONSUMPTION (KLAIPĖDA AND SUBAČIUS OIL TERMINALS, LNG TERMINAL IN KLAIPĖDA: STORAGE VESSEL AND RELATED INFRASTRUCTURE)

ELECTRICITY, MWh	2020	2021	2022
Electricity purchased and used in KN	11 206	9 525	7 233
The proportion of green electricity in purchased electricity	100%	100%	100%
Electricity generated from LNG and used in the Klaipėda LNG storage vessel	49 903	47 071	63 678

One of the most significant energy consumption-related investments in 2022 (project value is more than 200 thousand euros) is the 300 kW solar power plant at the Subačius Oil Terminal, which started to operate in March 2023. The installation includes 731 solar modules on the roofs of the administration, boiler house, laboratory buildings and garage complex. The total surface area of all the solar modules is around 3,000 square metres. The electricity produced by

the plant will meet 100% of the electricity demand of Subačius Oil Terminal. It is estimated that the electricity generated by this solar power plant will reduce KN’s CO2 emissions by almost 130 tonnes per year.

The Company plans to continue investing in sustainable ways of generating electricity. A solar power plant with a capacity of 800 kW, about 2.5 times larger, is also scheduled to be installed at

USE OF FOSSIL FUEL (IN OIL TERMINALS AND LNG TERMINAL)

LOCATION AND FOSSIL FUEL TYPE	2021	2022
Gas in fuel-burning devices in Klaipėda Oil terminal. millions of m ³	4.05	2.91
Gas in fuel-burning devices in the LNG storage vessel. millions of m ³	25.53	38.46
Liquid fuel in fuel-burning devices in Subačius Oil terminal. thousands of m ³	6.7	7.9
Diesel in various installations in Oil terminals and the LNG terminal. thousands of m ³	11.9	9.4

the KN Oil Terminal in Klaipėda by the summer of 2024; this will require an investment of around €800,000.

OTHER SIGNIFICANT AIR EMISSIONS

This report provides data only for those air pollutants, the highest emissions of which are released by KN: carbon monoxide (CO), nitrogen oxides (NO_x) and volatile organic compounds (VOCs). Pollutant emissions have been calculated following the methodologies in force in Lithuania.

At KN Oil Terminal, annual VOC emissions depend directly on the annual amount of oil products transhipped and CO and NO_x emissions – on the amount of natural gas burned in various installations: for example, the boiler room and VOC incinerator (aimed at reducing VOC emissions). At Subačius Oil Terminal, annual VOC emissions depend directly on the annual amount of oil products transhipped. CO and NO_x emissions of SOT are relevantly small – thus not included in this report. At the LNG terminal, CO and NO_x emissions depend directly on the amount of gas burned in the combustion plant.

The Company carries out the handling works related to oil products following

the Integrated Pollution Prevention and Control permit issued by the Environmental Protection Agency, which specifies that the Company, while carrying out the loading of oil products, is required to implement (and implements) these environmental measures to reduce the emission of pollutants and odours into the environment:

- while unloading petroleum products (fuel oil, diesel oil, etc.) from railway wagons, the wagons are affixed with special covers with valves that prevent the emission of VOC from wagons to the environment;
- VOC recovery unit is used while unloading gasoline from railway wagons into the ground tanks;
- gasoline, fuel oil and diesel oil are being loaded into the petrol tankers that were previously used for the transportation of oil;

- VOC vapours produced during loading are burned in the VOC vapour incineration equipment - torch.

In 2022 installation of an air-pollution treatment plant to clean pollutants collected from 16 existing petroleum product storage tanks located in the heavy fuels tank park and the railway oil loading sidings of railways No.1-2, which are used for loading heavy fuel products (e.g., fuel oil), has been completed. Another measure – collecting air pollutants from 12 newly built tanks storing light petroleum products (e.g., petrol) and cleaning them in an air pollutant treatment plant – should be completed in 2023. It will allow the reduction of emissions of VOCs as well as the intensity of odours in the residential environment.

In 2022, VOC emissions at the

Klaipėda Oil terminal were lower compared to 2021, despite an increase in transshipment. In 2022, VOC emissions in the Subačius oil terminal were 59% bigger than in 2021 due to increased transshipment.

In 2022, as in the previous year, the actual VOC emissions did not reach

the permissible annual pollution levels (standards) set in the environmental permits issued to the terminals of the Company. Nevertheless, KN aims to reduce VOC emissions from the handling and storage of petroleum products by 35% by the end of 2024 and by 45% by the end of 2030, compared to 2020.

VOC EMISSIONS OF KN OIL TERMINALS

	2020	2021	2022
VOC emissions of Klaipėda Oil terminal, tonnes	45	44	32
Permissible annual pollution levels (standards) for KOT, tonnes	151	153	159
VOC emissions of Subačius Oil terminal, tonnes	6,7	4,4	7
Permissible annual pollution levels (standards) for SOT, tonnes	31	31	31

CO EMISSIONS OF KN TERMINALS

	2020	2021	2022
CO emissions of Klaipėda Oil terminal, tonnes	15	10	8
Permissible annual pollution levels (standards) for KOT, tonnes	71	71	72
CO emissions of Klaipėda LNG terminal, tonnes	135	117	118
Permissible annual pollution levels (standards) for LNG, tonnes	308	308	308

NOX EMISSIONS OF KN TERMINALS

	2020	2021	2022
NOx emissions of Klaipėda Oil terminal, tonnes	20	7	4
Permissible annual pollution levels (standards) for KOT, tonnes	60	60	61
NOx emissions of Klaipėda LNG terminal, tonnes	79	65	91
Permissible annual pollution levels (standards) for LNG terminal, tonnes	252	252	252

Currently, the maximum permitted odour concentration in ambient air (caused by relevant air emissions) is 8 European odour units (OUE/m³) and from January 1st 2024, operators will have to ensure that odours in ambient air from planned/executed economic activities do not exceed 5 OUE/m³. Nevertheless, KN has even more ambitious goals: to ensure less than 1 odour unit in the residential environment due to the activity of KNT by the end of 2024 and less than 0,7 odour units by the end of 2030. In 2022 average/maximum odour concentration related to activities of KN did not exceed 0,6 OUE/m³.

Despite an increase in transshipment, CO and NO_x emissions from operations of the Klaipėda Oil terminal were smaller due to the decrease of fossil fuel burned.

NO_x emissions from operations of the Klaipėda LNG terminal were higher due to increased operations at the terminal, and CO emissions remained almost the same.

WATER AND SEWAGE

WATER AND SEWAGE RELATED TO THE ACTIVITIES OF OIL TERMINALS

The primary water source used in the operations of Klaipėda Oil Terminal is centralised water supply networks. In 2022, most (83%) of water from centralised networks was used for steam production and on the oil product trestle. 13% of the water was spilt due to a broken pipe; the rest was used for household purposes and provided to subscribers.

Subačius Oil Terminal draws water from a groundwater well for economic activities. Since April 2022, surface water has been used for firefighting purposes and thus accounted for.

Water consumption by Klaipėda and Subačius Oil Terminals does not significantly impact water sources, despite that KN still applies measures to reduce water consumption. After optimizing the oil handling and storage processes in 2022, KNT's boiler house used 29% less water for steam production than in 2021 (the total water consumption did not decrease due to the increased transshipment in KNT). Water is not reused in Klaipėda and Subačius Oil Terminals.

To meet all environmental protection requirements and established standards, KN collects and treats the sewage generated in operation. The amount

of pollutants discharged with sewage is calculated following the methodologies approved in the Republic of Lithuania. The installed accounting devices account for the amount of sewage released.

Klaipėda Oil Terminal operates a unique sewage treatment system. Wastewater generated by the Company's economic activities (industrial – including bilge water from ships, domestic, and surface sewage) is collected and treated in biological sewage treatment plants based on biosorption processes (with activated carbon and microorganisms). This system installed by KN is a unique technology designed by the Company that allows for achieving an extremely high sewage treatment efficiency (80-99%, depending on the indicator). The Company's sewage treatment plant is also used for collecting and treating sewage related to the activities of the State Seaport of

WATER CONSUMPTION AT KN OIL TERMINALS, BY SOURCE, M³

	2020			2021			2022		
	CENTRALIZED NETWORK, M ³	GROUND-WATER, M ³	SURFACE WATER, M ³	CENTRALIZED NETWORK, M ³	GROUND-WATER, M ³	SURFACE WATER, M ³	CENTRALIZED NETWORK, M ³	GROUND-WATER, M ³	SURFACE WATER, M ³
Klaipėda Oil Terminal	76 951		30 203	69 309		29 291	82 624*		24 715
Subačius Oil Terminal		3 533			6 814			2 347	734*

* In 2022, 11 167 m³ of water spilt due to a broken pipe in the Klaipėda Oil terminal – it led to higher consumption of centralised water.

** Surface water in Subačius Oil Terminal has been accounted for since April 1st, 2022.

SEWAGE TREATMENT

	INDICATOR	ANNUAL LIMIT SET IN THE ENVIRONMENTAL PERMIT	2020		2021		2022	
			FACT, T/M	TREATMENT EFFICIENCY, %	FACT, T/M	TREATMENT EFFICIENCY, %	FACT, T/M	TREATMENT EFFICIENCY, %
Klaipėda Oil Terminal (domestic, industrial, surface wastewater)	BDS7	18.4	0.4551	99	0.3357	97	0.4039	96
	NOx	16	0.9108	78	0.3342	76	0.4059	65
	Phosphorus	1.6	0.0945	81	0.0533	78	0.0447	75
	Oil and oil products	4.0	0.0124	>99	0.0000	100	0.0269	>99
	Total treated and discharged amount, m3		353 002		287 676		224 816	
Subačius Oil Terminal (domestic, industrial, surface wastewater)	BDS7	1.3411	0.1228	Not measured	0.2564	Not measured	0.3551	Not measured
	Oil and oil products	0.2915	0.01677	Not measured	0.0457	Not measured	0.0104	Not measured
	Suspended substances	1.7492	0.14104	Not measured	0.3505	Not measured	0.4043	Not measured
	Total treated and discharged amount, m3	34 514	26 697	Not measured	52 318	Not measured	58 307	Not measured

* Not measured means that only factual pollutant levels are measured.

Klaipėda – such as vessel-generated waste (bilge water) and cargo residues.

The treated sewage is discharged into the Curonian Lagoon (via the Klaipėda port channel) only after laboratory control is conducted and meeting the required standards is confirmed. Monitoring of discharged sewage and the impact on surface water quality is performed – part of it is monitoring the condition of the Curonian Lagoon (Klaipėda Strait) below and above the sewage discharge facility. The monitoring data is provi-

ded monthly on the KN website (in the Lithuanian language).

Subačius Oil Terminal operates a sewage treatment plant, which treats 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. The company itself carries out the monitoring of SOT discharged effluents once a quarter, periodical inspections are also ensured by state institutions

Pollutants in the sewage discharged at both Klaipėda and Subačius Oil Terminals are below the permissible annual pollution levels (norms) set out in the environmental permits issued to the Terminals – for example, the amount of pollutants discharged in sewage from KOT is 2% of the annual norm, in SOT –23% of the annual norm.

WATER AND SEWAGE RELATED TO THE ACTIVITY OF THE LNG TERMINAL

The only water source used in the LNG

storage vessel is the Curonian Lagoon – accounted as surface water. The related infrastructure does not use Centralised water and uses just a small amount (less than 100 m³ per year) of groundwater.

Water in the vessel is used for these technological processes: (i) 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

SURFACE WATER CONSUMPTION AT KLAIPĖDA LNG TERMINAL, M3

	2020	2021	2022
Amount of water used, m3	67 735 270	69 292 488	75 333 840

the transshipment of LNG from/to the LNG carrier/storage vessel, so that in the event of LNG leakage damage to the hull is prevented. In 2022, about 76.15% of the extracted water was used in the gasification plant, about 23.25% was used in cooling and 0.6% for “water curtain”.

At the Klaipėda LNG terminal, the water consumption increased in 2022 compared to 2021 due to increased activity volume.

Used water from the LNG vessel is returned to the Curonian Lagoon. Water used in ships operations is not polluted – it meets the established quality parameters and does not require treatment – therefore, it does not affect the water quality of the Curonian Lagoon and is not considered sewage.

In the LNG storage vessel, during the gasification process in winter (when the water temperature is less than 13 °C), the water taken from the Curonian Lagoon is used in a „closed circuit“. It means water is not discharged into the Curonian Lagoon but is reused in the LNG gasification process.

WASTE MANAGEMENT

Following ISO 14001:2015, the Company has a Waste Management Procedure – it determines the waste management process, including the accounting procedure of waste generated and managed (transferred to waste handlers). Waste is managed following environmental requirements to avoid negative effects on the health of

KN employees, the general public and the environment.

A dedicated department is created to manage waste-related processes, and internal audits of the waste management system are carried out regularly to ensure compliance with the Waste Management procedure.

This department also manages a dedicated intranet page, where employees can find all relevant information related to waste – it is helpful for employees at work and in their daily activities. Additional internal waste prevention and recycling training is conducted for the Company’s employees.

The most significant amount of waste in KN is generated during the operations of the terminals – loading operations, technical maintenance, tank cleaning, and waste management.

The largest part of hazardous waste consists of various materials and water which had contact with oil products. Most non-hazardous waste is mixed municipal, scrap metal, bitumen, and large/mixed construction waste.

Information on hazardous and non-hazardous waste generated and managed is presented separately, based on information provided by waste handlers, according to the Waste Management Rules of the Republic of Lithuania.

MANAGEMENT OF WASTE FROM SUBAČIUS OIL TERMINAL

	2021		2022	
	TONNES	%	TONNES	%
Total waste (tonnes)	107.181		52.67	
Ways of managing non-hazardous waste				
Non-hazardous waste, total:	2.31	100	3.32	100
Ways of managing hazardous waste				
Hazardous waste, total:	104.867	100	49.35	100
Recycling	97.856	93.3	49	99.3
Waste incineration (energy production)	7.011	6.7	0.35	0.7

* Information on how non-hazardous waste is managed is not provided by waste handlers.

MANAGEMENT OF WASTE FROM KLAIPĖDA OIL TERMINAL

	2020		2021		2022	
	TONNES	%	TONNES	%	TONNES	%
Total waste (tonnes)	428.73		1019.43*		183.87	
Ways of managing non-hazardous waste						
Non-hazardous waste, total:	125.31	100	97.68	100	91.65	100
Recycling	59.47	47.5	90.72	93.0	83	90.6
Disposal	9.12	7.3	0.17	0.2	0	0
Composting	5.16	4.1	5.71	5.8	1.87	2.0
Waste incineration (energy production)	51.56	41.1	1.08	1.0	5.73	6.3
Information not provided by the waste handler					1.06	1.1
Ways of managing hazardous waste						
Hazardous waste, total:	303.42	100	921.75*	100	92.22	100
Recycling	290.26	95.7	909.40	98.7	77.91	84.5
Waste incineration (energy production)	12.67	4.2	5.87	0.6	8.96	9.7
Disposal	0.49	0.2	6.48	0.7	5.36	5.8

* In 2021, the amount of hazardous waste generated in KOT increased due to disturbances caused by changes in technological processes and waste not transformed into a fuel.

MANAGEMENT OF WASTE FROM THE KLAIPĖDA LNG TERMINAL

	2021		2022	
	TONNES	%	TONNES	%
Total waste (tonnes)	879.65		2161.97	
Non-hazardous waste, total:	36.65	4.2	22.90	1.1
Hazardous waste, total:	843	95.8	2139.07**	98.9

* The waste from the LNG terminal is transferred to waste handlers by the owner of the LNG vessel.

** Amount of waste increased due to increased activity, the most significant part of this being shipping liquids, oil products and water separators.

We aim to increase the % of KN's waste recycled – to reach at least 70% by the end of 2024 and at least 90% by the end of 2030. For that purpose, when concluding contracts with licensed waste handlers, we ask them to ensure that priority will be given to waste recycling and that no less than 90% of the amount transferred per year will be recycled.

OTHER ENVIRONMENTAL IMPACTS

KN provides oil and natural gas handling and storage services and its operations don't require large quantities of raw materials. Only small amounts of materials are used to service and maintain the existing infrastructure – therefore, they are not reported.

The responsible use of chemicals throughout the company chain is governed by the approved instructions for the use of chemicals and chemical mixtures, which are designed to establish safe methods of use and accounting for chemicals and chemical mixtures from acquisition to end-use.

In September 2019, after evaluating the groundwater monitoring report of Klaipėda 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 clean-up the territory, which was identified as contaminated already in 1996, when groundwater pollution monitoring was conducted. The respective 3-year plan for contaminated has been prepared, and in 2021, the Company started cleaning the



contaminated area.

According to the plan, 2 monitoring and 3 pumping groundwater wells have been installed. They are periodically pumped to remove the accumulated layer of free oil products and monitoring of pumped contaminated water is performed and progress report prepared at the end of every year.

The cleaning works will end in 2023. The contractor will prepare a final report on the remediation works, including recommendations for further cleaning and/or monitoring. The report will be submitted to the Lithuanian Geological Survey, which will also provide a relevant conclusion.



SOCIAL
IMPACT

IMPACT MANAGEMENT AND PROTECTION OF HUMAN RIGHTS

KN's primary asset is its employees, who are vital in achieving Company's goals. Therefore, the KN HR policy is focused on encouraging teamwork, unity and continuous progress, strengthening employee competencies, ensuring work-life balance, and fostering an inclusive culture that creates greater added value and enables personal and company growth.

We aim to create a motivating working environment. Achieving long-term success requires diverse ideas, perspectives and talents. Therefore at KN, we support diversity: a key source of innovation and competitiveness, allowing each of us to fully participate and contribute to the Company's success and help to ensure that business operates efficiently and reaches its potential. KN's reward and incentive principles are based on its employees' qualifications, experience, competencies and performance, thus avoiding bias or personal preferences.

We are guided by the values of KN and adhere to the principles of respect, cooperation, professionalism and progress. Our values guide how we operate anywhere in the world and what we ex-

pect from ourselves, our colleagues, our clients, our management and other key stakeholders. Our quarterly and annual recognition initiatives are based on values, not only achievements.

KN activities are also guided by the principles of human rights protection and ensuring that the Company does not contribute to human rights infringements. We foster an environment where employees are treated equally, respected and empowered to reach their potential. We ensure that the Company is free from all forms of discrimination – gender, religion, age, disability, race, sexual orientation.

The Company is committed to a fair, competitive and transparent remuneration policy, complies with laws on overtime work and working time, respects the right of workers to rest and does not tolerate any form of harassment or violence. We oppose all forms of discrimination and forced labour. As set out in the Code of Conduct of KN, which applies to KN Group as a whole, the Company's employees, irrespective of gender, nationality, religion, social or marital status, membership of a social or political organisation, or any other personal characteristic, have equal opportunities to hold managerial positions, to take part in decision-making, and to develop their professional skills.

In 2022, the Company did not register any cases of human rights violations or related complaints. We will continue to strive to ensure the highest standards of human rights protection in KN and to secure an organisational culture fostering human rights. Furthermore, we educate our staff periodically on Human rights issues and want to reach the goal of every employee participating in training.

The KN's remuneration system is based on the work structure developed using the Hay Methodology and comparing salary values with other companies in the local country market the Company is operating to ensure that every KN employee is rewarded fairly and competitively. The Company's objective is to ensure the competitiveness of the employees' remuneration in the local market, internal fairness of remuneration, and eliminate the possibility of discrimination on any grounds – specific goals concerning the pay gap have been set.

KN provides a working environment that meets strict standards of safety and well-being. We aim to ensure a healthy and safe workplace through sustainable operations, high safety standards and increased employee awareness of workplace safety. In our sustainability goals, we have a Zero critical and process safety incidents target and targets related to Occupational accident frequency rate

(LTIR) and Frequency of near misses or potential safety incidents (IR).

The responsibility of the Company and its employees to each other, colleagues and society, as well as management of social impact, are defined by the following:

- Collective Agreement;
- Rules of Working Procedure;
- Personnel Policy;
- Code of Conduct;
- Remuneration Policy;
- Procedure for setting up the remuneration system;
- Procedure for discussing and rewarding staff members' annual performance;
- Procedure for organising the adaptation of new staff;
- Guidelines for staff development;
- Procedure for organising staff selection;
- Procedure for the organisation of in-house training;
- Guidelines for the planning and development of the pool of key positions.

At the end of 2022 Company also adopted the Violence and Harassment Prevention Policy. It foresees measures and principles for solving cases to ensure that employees do

not experience hostile, unethical, humiliating, aggressive, insulting, or offensive actions that harm the honour and dignity, physical or psychological integrity of employees or which could intimidate, humiliate employees or push them into a helpless and powerless position.

In this part of the report, we use the term Company while talking about the leading Company – JSC “Klaipėdos Nafta”, who employs directly >90% of employees who are considered working in KN Group. ~7% work in Brazil and are employed by “KN Açu Serviços de Terminal de GNL Ltda” (owned by JSC “Klaipėdos Nafta” via JSC “SGD logistika” and JSC “SGD SPB”). Other subsidiaries in

Lithuania (in “SGD logistika”, “SGD terminalas”, and “SGD SPB”) operate mainly as SPVs, each employing not more than 2 employees. Therefore the main social impact is related to the activities of the leading Company – and it sets the goals and principles to be followed in all companies of the KN Group. Relevant data is provided for the Group according to the main location of employees’ activities. Some more detailed data is provided just for the main Company (as it is not collected/analysed for smaller ones).

EMPLOYEES AND EQUAL OPPORTUNITY

As of 31 December 2022, KN Group had 361 permanent and 6 temporary employees (as of 31 December 2021 – 373 employees, amongst them 4 temporaries) – 335 (329 permanent and 6 temporaries) working in Lithuania and 26 – in KN Açu. As the new global challenges impacting Company’s business appeared, KN continued its focus on cost reduction and optimisation and efficiency of work organisation processes, which led to a slight decrease in permanent employees.

The Company is committed to providing equal opportunities for all employees. Nevertheless, most of the Company’s employees (73%) still are male. Male to female workers ratio was

2.68 in Lithuania (the most considerable disproportion among workers) and 3.33 in Brazil. The ratio is mainly influenced by the specific nature of the Company’s business, i.e. women are still less likely to opt for technical engineering and field-based technological work and the specialities directly related to these activities.

Dynamics of the total turnover of KN Group staff in Lithuania:

- 2018 – 8.77%
- 2019 – 14.45% (at the beginning of the year, operations were reorganised to streamline processes and reduce staff).
- 2020 – 8.92%
- 2021 – 17.89% (at the beginning of the year, operations were reorganised

EMPLOYEES OF KN GROUP BY THE TYPE OF CONTRACT AND GENDER IN 2022

	TOTAL IN THE GROUP	PERMANENT EMPLOYEES	TEMPORARY EMPLOYEES	FULL-TIME EMPLOYEES	PART-TIME EMPLOYEES
Working in Lithuania					
Total	335 (98% in JSC KN)	329	6	334	1
Male	244	239	5	244	0
Female	91	90	1	90	1
Working in Brazil: KN Açu					
Total	26	26	0	26	26
Male	20	20	0	20	0
Female	6	6	0	6	6

to streamline processes and reduce staff). 22 employees left the organisation as a result of redundancies (3 female, 19 male). Voluntary turnover – 8.67% (11 female, 20 male).

- 2022 – 16.67%. 14 employees (7 female, 7 male) left the organisation due to redundancies. Voluntary turnover – 10.23% (9 female, 27 male).

Dynamics of the total turnover of KN Group staff in Brazil:

- 2020 – 25%
- 2021 – 34% (5 males left the organisation voluntary - voluntary turnover 18.9% - and 4 males were fired).
- 2022 – 45.4% (9 males and 1 female left the organisation voluntary - voluntary turnover 37.9% - and 1 male was fired).

The increased supply of relevant job positions in the labour market has influenced staff turnover in Brazil. The turnover of employees in Lithuania was affected by the voluntary decision of employees to continue their career path beyond the organisation. Further optimisation of processes to increase efficiency has also contributed to increased staff turnover. The Company is currently analysing and assessing the situation to reinforce its value proposition on the market in 2023 and to ensure lower turnover.

According to the provisions of the

THE AVERAGE ANNUAL NUMBER OF EMPLOYEES BY CATEGORY

EMPLOYEE CATEGORY	KN GROUP			KN LITHUANIA		
	2022	2021	CHANGE, %	2022	2021	CHANGE, %
Managers*	54	58	-6.9	46	47	-2.1
Specialists	183	201	-9.0	159	179	-11.2
Workers	123	129	-4.7	123	129	-4.7
Total	360	388	-7.2	328	355	-7.6

* Managers of the Company: Chief Executive Officer (CEO), Directors and Heads of Divisions.

THE NUMBER OF EMPLOYEES IN DIFFERENT POSITIONS AT THE END OF THE YEAR

EMPLOYEE CATEGORY	KN LITHUANIA 2021			KN LITHUANIA 2022			CHANGE 2022 / 2021		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
Managers	49	38	11	50	37	13	+1	-1	+2
Specialists	177	99	78	166	94	72	-11	-5	-6
Workers	125	119	6	119	113	6	-6	-6	0
Total	351	256	95	335	244	91	-16	-12	-4

THE NUMBER OF EMPLOYEES IN DIFFERENT POSITIONS AT THE END OF THE YEAR

EMPLOYEE CATEGORY	KN AÇU 2021			KN AÇU 2022			CHANGE 2022 / 2021		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
Managers	6	4	2	6	4	2	0	0	0
Specialists	21	20	1	20	16	4	-1	-4	+3
Total	27	24	3	26	20	6	-1	-2	+3

KN's collective agreement, when the employment contract is terminated because the function performed by the employee becomes redundant, at the employee's request, the Company is obliged to pay the retraining costs of such an employee (up to 500 euros). In 2022, 7 employees exercised this right (the total retraining amount paid by the Company was 3326 euros).

In 2022, 26.78% of managerial positions (including members of the collegial bodies, 15 women in total) in KN in Lithuania were held by women (in 2021 – 26.6%, in 2020 – 24.56%). The revised KN strategy 2030 includes the target for gender balance in managerial positions. The goal for 2024 is to have 30% of managerial positions occupied by women, and in 2030 – 37% of the positions occupied by women.

To reach this, we plan to invest in women's education, strengthen their self-confidence, and ensure that more female candidates participate in Work selections.

The net workers decrease gender ratio in KN Lithuania was 3 (-12 men compared to -4 women; and 2.5 if excluding changes due to the end of

STAFF TURNOVER BY GENDER IN KN LITHUANIA

	2020	2021	2022
New employment			
Total	59	34	46
Female	11	12	15
Male	48	22	31
Terminated working contracts* by gender:			
Total	43	75	60
Female	7	19	19
Male	36	56	41

* Including employment contracts terminated at the employee's initiative and by the Company's decision.

temporary workers' contracts). This ratio is similar to the organisation's general men-to-women ratio, 2.7.

Regarding staff turnover trends by gender (data provided in the tables), the proportions in Lithuania changed a bit. Gender disproportion in new employment increased to a men/women ratio of 2.07 in 2022, compared to 1.83 in 2021. The men/women ratio of terminated contracts decreased from 2.95 in 2021 to 2.16 in 2022.

Staff turnover trends by gender are also being monitored in Brazil – thus, as it is a relatively small company, no statistically significant conclusions can be drawn.

STAFF TURNOVER BY GENDER IN KN AÇU

	2020	2021
New employment		
Total	6	12
Female	2	3
Male	4	9
Terminated working contracts* by gender:		
Total	9	11
Female	0	1
Male	9	10

* Including employment contracts terminated at the employee's initiative and by the Company's decision.

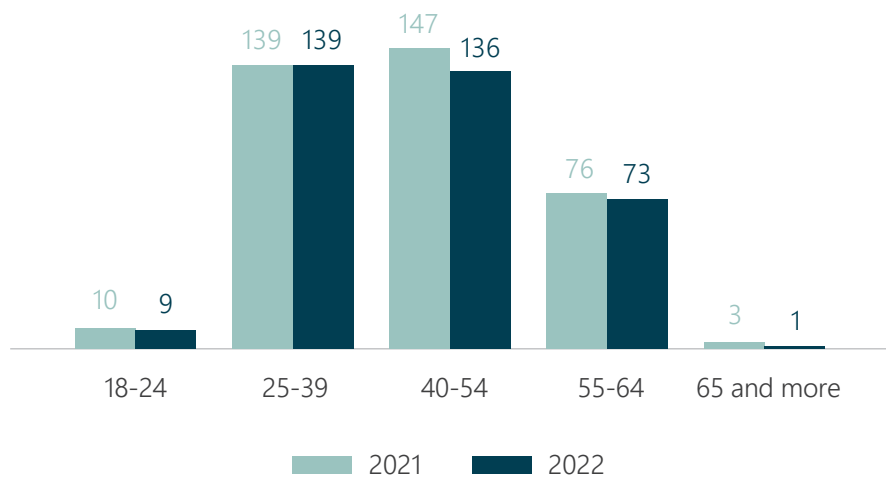
DISTRIBUTION OF GROUP'S EMPLOYEES BY WORK EXPERIENCE, YEARS



DISTRIBUTION OF EMPLOYEES ACCORDING TO THE LENGTH OF SERVICE IN (KN LITHUANIA) IN 2022

	WOMEN	MEN	TOTAL	% TOTAL EMPLOYEES
< 1 yrs.	13	25	38	11.34
1-5 yrs.	33	73	106	31.64
6-9 yrs.	17	48	65	19.40
10-14 yrs.	8	38	46	13.73
15-19 yrs.	6	15	21	6.27
> 20 yrs.	6	24	30	8.96
> 30 yrs.	8	21	29	8.66
Total	91	244	335	

NUMBER OF THE GROUP'S EMPLOYEES BY AGE GROUPS



AVERAGE AGE OF THE EMPLOYEES OF THE GROUP



EMPLOYEES IN LITHUANIA WHO HAVE TAKEN CHILDCARE LEAVE

INDICATOR	2020		2021	
	WOMEN	MEN	WOMEN	MEN
Use of maternity/paternity leave				
Employees entitled to maternity/paternity leave	4	10	4	6
% of employees who exercised their right to maternity/paternity leave	100%	10%	100%	0%
Employees returning to work after maternity/paternity leave	4	0	2	0
% of employees returning to work after maternity/paternity leave	100%	0%	50%	-
Employee retention after parental leave				
Employees who returned from parental leave within the year before the beginning of the reporting period	2	0	3	0
Among them – are employees who were still working a year after their return to work	2	0	3	0
Retention ratio	100%	0	100%	0

KN Group monitors employee distribution according to their work experience.

The average work experience of the employee in the Group is 9,5 years – the number is highest among workers (12,9 years) and smallest among managers (7,4 years). The difference is quite natural considering the Company's specifics – combining the long-term experience of oil terminals and relatively recent LNG activities with a

need to constantly adapt to changing market conditions and seek and exploit new opportunities.

KN Group also monitors employee distribution according to age. All employees should have equal opportunities regardless of age, and diversity, according to this criterion, could play an important role in the organisation's successful operation and transformation.

KN is also monitoring staff turnover related to exercising the right to maternity or paternity leave – we think this is one of the fundamental employee rights that should be exercised regardless of parents' gender. This information about employees in Lithuania is presented in the table.

In Brazil – 3 employees had a right to paternity leave (relatively short in Brazil) in 2022; all exercised it and returned to work after the leave.



COLLECTIVE BARGAINING AGREEMENT

The provisions of the Collective Agreement of the KN apply to all KN employees in Lithuania – permanent and temporary ones. The agreement aims to create conditions for sustainable economic activity and business development and to guarantee better working conditions than those provided for in the legislation of the Republic of Lithuania. It covers wages, working and rest time, training, health and safety, other socio-economic working conditions, and additional benefits.

In 2022, 61 workers in Lithuania benefited from the relevant social guarantees under the collective bargaining agreement of KN, such as childbirth benefits or payments in the event of the death of a relative (46 workers benefited from the collective agreement in 2021).

The Collective bargaining agreement in Brazil was signed in 2021. It aims to guarantee better working conditions than those provided for in the legislation of the Republic of Brazil. It covers issues such as wages, working and rest time, training, health and safety, and other

socio-economic working conditions and additional benefits. In 2022, 26 workers in Brazil benefited from the relevant social guarantees under the collective bargaining agreement of KN Açu (27 workers benefited from the collective agreement in 2021).

According to the current KN Group practice, workers can lodge complaints about working conditions and infringements of their rights with the respective trade union directly to the HR unit or anonymously by filling in a form on the website or by email, or through suggestion boxes in the Company's Terminals (in Lithuania). However, no such complaints were received in 2022.

LABOUR UNIONS

KN Group recognises the labour union as an equal social partner representing employees and expressing their interests. Accordingly, the Company enables the members of the trade union committee to combine the management of trade union affairs with their primary work obligations. It provides free of charge the necessary premises and essential working tools for the trade union's activities.

As of 31 December 2022, 105 employees, i.e. 32.3% of all employees of KN Lithuania (2021: 38.4%; 2020: 40.5%), belonged to the labour union. The number of union members has decreased. Therefore, the Company's labour union and HR department agreed to be more proactive in providing information about how to enter the union, its role and its activities. This measure targets new employees who could be interested in joining the union but may lack information about it.

Meetings of the labour union representatives with the Company's management are organised periodically to discuss topical issues related to changes in the collective agreement and structural changes in the company and company operations. In 2022, six meetings were held (the same number as in 2021) with the labour union representatives. These meetings included discussion and agreement on the specific decisions, such as revision of the conditions and payments when the timing of the shift is changing as per Labour Code regulation, revision of the remuneration rate per unit payments, and update of The Rules of Working Procedure.

In 2022, 3 meetings with the labour union and 2 meetings between the labour union and the employees took place in KN Açu. These meetings

included discussion and agreement on specific decisions such as benefits and employee base salary indexation.

REMUNERATION POLICY

KN Group seeks to create a motivating, efficient, competitive, fair, transparent and easy-to-understand compensation system that aims to attract, retain and motivate employees whose skills and work results help the Company to successfully develop and implement its mission and achieve strategic goals and business objectives. The Company's remuneration policy defines the principles of determining and paying remuneration and employee incentives. Furthermore, it establishes understandable, fair and transparent procedures and aims to encourage employees to achieve strategic goals and create value.

These primary documents regulate the Company's remuneration policy:

- Employee remuneration policy approved by the Board of KN;
- Procedure for award of bonuses to the top management of KN approved by the Board of KN;
- Procedure for the design of the remuneration system approved by the CEO of KN;

- Procedure for employee performance review and compensation approved by the KN CEO.

As KN is expanding its international activities, it has also adopted and applied compensation and benefits package for employees working abroad (EXPATS), which provides a range of benefits for employees delegated on long-term business trips.

According to the remuneration policy, remuneration may consist of a fixed component and a variable component payable for short-term or annual performance results of the Company/employee's performance. The Company's remuneration system is based on the Hay Group Methodology, which measures jobs by relative size, nature, and importance to ensure that each position is fairly rewarded. The monthly salary/wage is set for a job upon evaluating the required knowledge and work experience, the functions' complexity, and the degree of responsibility and functions assigned. The Company aims to ensure the competitiveness of the employees' pay, feeling of internal justice and remuneration that does not discriminate against any employee on the ground of sex or any other basis. The base salaries are usually reviewed once a year, considering Lithuanian labour market trends, Company's performance and

AVERAGE MONTHLY SALARY AT KN AND KN GROUP

EMPLOYEE CATEGORY	KN GROUP			KN LITHUANIA		
	2022	2021	CHANGE, %	2022	2021	CHANGE, %
Managers	5501	5061	8.7	5621	5459	3.0
Specialists	2646	2445	8.2	2745	2553	7.5
Workers	1794	1614	11.2	1794	1614	11.2
Total	2728	2506	8.9	2765	2570	7.6

employee performance results. The standard salary for entry-level positions is determined according to the Hay Group's 50–75 percentile, depending on their relative work experience and competencies.

In 2022, the average monthly salary

of KN employees changed by ~8% compared to 2021 (in 2022 - 2,765 EUR/month and 2021 - 2,570 EUR/month, respectively). The change in average monthly salary in the Group was similar: in 2022 - 2,728 EUR/month, and in 2021 - 2,506 EUR/month, respectively.

The main changes in remuneration happened because of reviewing the salary for those employees whose wages were below the market median and those whose responsibilities changed. The total annual remuneration fund of the Company in 2022 reached 12,52 million EUR and 13,52 million

EUR in the Group.

Principles for determining, paying and promoting remuneration for members of the Head of the Company (as well as for members of the Supervisory Board, members of the Board and members of Committees) are determined by the Remuneration Policy, approved by Extraordinary General Meeting of Shareholders. It was revised during the Meeting on 20 October 2022, considering the changed state-level regulation regarding the remuneration of the members of collegial bodies.

The monthly salary of the CEO since August 2022 was EUR 9,600 (until July 2022 – EUR 9,200). Following the Remuneration policy, the CEO is also eligible to receive an annual

THE AVERAGE EMPLOYEE SALARY (GROSS) BY GENDER IN KN GROUP

EMPLOYEE CATEGORY	KN GROUP 2021			KN GROUP 2022			CHANGE 2022 / 2021			DIFFERENCE IN SALARIES	
	TOTAL, EUR	MEN, EUR	WOMEN, EUR	TOTAL, EUR	MEN, EUR	WOMEN, EUR	TOTAL, %	MEN, %	WOMEN, %	MEN / WOMEN 2022, %	MEN / WOMEN 2021, %
Managers	5061	5021	5210	5501	5523	5431	8.7	10.0	4.2	1.7	-3.6
Specialists*	2445	2587	2208	2646	2753	2477	8.2	6.4	12.2	11.1	17.2
Workers**	1614	1635	1217	1794	1824	1233	11.2	11.6	1.3	47.9	34.3
Total	2506	2509	2523	2728	2706	2795	8.9	7.9	10.8	-3.2	-0.6

* Differences in specialists' salaries according to gender could partly be explained by various responsibilities of the position – differences in Hay levels.

** Differences in workers' salaries according to gender is significant due to a big disproportion of the number of workers according to gender – at the end of 2022, 113 men and just 6 women occupied such position – their responsibilities cannot be compared directly, taking into the account differences in Hay levels.

THE AVERAGE EMPLOYEE SALARY (GROSS) BY GENDER IN KN LITHUANIA

EMPLOYEE CATEGORY	KN 2021			KN 2022			CHANGE 2022 / 2021			DIFFERENCE IN SALARIES	
	TOTAL, EUR	MEN, EUR	WOMEN, EUR	TOTAL, EUR	MEN, EUR	WOMEN, EUR	TOTAL, %	MEN, %	WOMEN, %	MEN / WOMEN 2022, %	MEN / WOMEN 2021, %
Managers	5459	5544	5210	5621	5690	5431	3.0	2.6	4.2	4.8	6.4
Specialists*	2553	2747	2255	2745	2888	2531	7.5	5.1	12.2	14.1	21.8
Workers**	1614	1635	1217	1794	1824	1233	11.2	11.6	1.3	47.9	34.3
Total	2570	2569	2573	2765	2734	2860	7.6	6.4	11.2	-4.4	-0.2

* Differences in specialists' salaries according to gender could partly be explained by various responsibilities of the position – differences in Hay levels.

** Differences in workers' salaries according to gender is significant due to a big disproportion of the number of workers according to gender – at the end of 2022, 113 men and just 6 women occupied such position – their responsibilities cannot be compared directly, taking into the account differences in Hay levels.

bonus depending on the results of the Company and the achievement of the yearly goals. The maximum compensation in case all goals are achieved consists of 4 monthly salaries. In 2022 CEO's variable salary (monthly annual bonus equivalent) was EUR 767, compared to EUR 1,227 in 2021.

The ratio of the annual remuneration of the person who earns the most in the Company (Head of the Company) compared to the average yearly salary of all employees in 2022 was 3.79 (compared to 4.18 in 2021). The ratio of the annual total payment of the Head of the Company compared to the median yearly total remuneration of all employees in 2022 was 4.66 (compared to 5.15 in 2021).

To enhance management of the remuneration area in the Company, at the end of 2022 additional advisory body to the Supervisory Council was established: The Remuneration and Nomination Committee, which makes recommendations on the Company's remuneration policy, proposes the criteria for assessing the performance of its executives and provides other recommendations relating to remuneration. The Remuneration and Nomination Committee comprises 3 members, of which 1 is independent, and 2 are delegated members of the Supervisory Council. The members are appointed until the end of the term of office of the current Supervisory Council.

GENDER PAY GAP

Reducing the gender pay gap is one of our ESG goals. The average monthly remuneration for men in KN Group in 2022 was EUR 2706 (last year – 2509), and for women – EUR 2795 (previous year – 2523), respectively. The average

monthly remuneration for men in KN Lithuania in 2022 was EUR 2743 (last year – 2569), and for women – EUR 2860 (previous year – 2573), respectively.

While comparing average monthly salaries, the unequal gender distribution between positions in the organisation and the different Hay levels should be considered.

THE RATIO OF THE SALARY OF A STANDARD ENTRY-LEVEL EMPLOYEE TO THE MINIMUM WAGE IN LITHUANIA

	2022	2021	CHANGE, % (2022/2021)
All employees	3.79	4.00	-5.3
Women	3.92	3.93	-0.3
Men	3.75	3.91	-4.1

KN has set a target to reduce the percentage of the pay gap between female and male positions at the same Hay level to $\leq 4\%$ at the end of 2024 and $\leq 3,5$ at the end of 2030. This indicator was equal to 9.25 in 2020, 5.88 at the end of 2021 and reached 4.3 in the year 2022.

The ratio of the salary of a standard entry-level employee to the minimum wage in Lithuania is presented in the table on the previous page. While calculating it, entry-level positions are classified as labourers, and the average monthly contractual salary is converted to full-time equivalent (FTE).

EMPLOYEE ENGAGEMENT AND SATISFACTION

KN's Employee Engagement and Satisfaction Survey conducted in 2022 showed that 54% of employees (61% in 2021) are fully satisfied with their working environment, the Company and its culture. The satisfaction level is similar to the average job satisfaction score for employees of Lithuanian organisations (56%). The Company measures engagement because it believes that col-

leagues, who are engaged in their work, find it easier to do it, feel happier, are more creative and therefore add more value by effectively implementing the Company's strategy and achieving its goals. Although the engagement rate over has dropped (from 69% to 60%), the KN score is still similar to the 2022 average engagement rate for Lithuanian organisations (59%).

Psychological safety was rated at 66% (compared to 71% in 2021) in the annual engagement survey. In 2022 KN continued internal training sessions to strengthen employees' psychological and emotional resilience, which continued to contribute to employees' psychological and emotional security at the workplace.

In our assessment, the continuity of external stress factors (Russian invasion of Ukraine in 2022), as well as external turbulences, having an impact on KN's activities, together with increased pressure on the adaptation speed and emphasis on continuous increase of operational efficiency were main factors impacting general emotional well-being, thus affecting the satisfaction and engagement rates.

Considering these results, a working group from different departments has been assembled to develop a plan for increasing engagement and satisfac-

tion. Change management and its communication, as well as ensuring work-leisure balance and remuneration policy, are the key issues to be tackled.

DEVELOPMENT OF COMPETENCES

The KN education system is designed to promote the development of employees both independently and through the learning processes of strategically important knowledge and skills that are part of the curricula. Therefore, all employees are given the opportunity to participate in the programs.

Implementing the KN education system is based on 6 principles: link with business strategy, cooperation between departments, identification of needs based on assessing employees' competencies, measurement of learning effectiveness, integration of education with other processes and selection of appropriate educational tools.

KN encourages the personal development of its employees and provides them with opportunities to improve their competencies through external and internal training. The Company allocates around 1.7% of

its adjusted net profit annually to professional development. In 2022 besides occupational health and safety training, the focus was put on strengthening project management and sales competencies and cooperation between departments to improve the focus on the client.

The Company continues to provide the opportunity for a targeted group of project managers to obtain the Prince2 certification in project management. In 2022, 15 employees used this opportunity to strengthen their skills, thus helping KN to operate more effectively. In addition, the Company is still providing the possibility for employees to be partially reimbursed for their higher education fees, but no new employees applied for this. (In 2021, 3 requests were granted).

Employees are also encouraged to share their knowledge and experience through internal training. In 2022, 4 days of internal training were held, covering 12 topics. In 2021, KN's internal mentoring programme was also successfully launched, with 14 pairs participating in a six-month programme. It was planned to continue in 2022 but was temporarily paused because external challenges demanded a more significant focus on managing the processes and adapting to changes.

ANNUAL TRAINING HOURS IN KN GROUP

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		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Total	7144	7485	7375	2.66	2.59	2.36	1235	1136	3745	47.5	47.33	156.04
Managers	1556	1497	1454	3.89	3.40	3.64	297.08	34	619	6.04	1.42	25.79
Specialists	3502	4042	3941	2.63	2.72	2.59	937.92	1102	625	5.7	18	26.04
Workers	2086	1946	1980	2.19	2.02	1.65	n/a	n/a	n/a	n/a	n/a	n/a

*As the LNG terminal in Brazil started operating in the autumn of 2021, training hours in 2020 were much more significant as the team was preparing to operate the terminal.

** - there are no workers in KN Açu.

Though total annual training hours in KN Lithuania in 2022 decreased a bit due to a slightly smaller number of employees, the average number of training days was nearly the same.

To ensure a smooth succession process, KN trains employees to take over the leadership of a specific unit temporarily, if necessary. To this end, management reserve training and succession plans are in place, encouraging employees who are considered potential future managers to acquire higher qualifications. This measure is also one of the employee motivation and career planning tools. In 2022, 71 staff members with competencies in 67 different specialities participated in the programme to ensure managerial succession.

In 2022, 28 internal promotions in the KN were recorded and in KN Açu, 7 internal promotions happened. In addition, the leadership training continued, with 13 new managers participating in 2022.

The Company has conducted a 360-degree feedback study for managers for the last three years. Following the method, KN Managers receive feedback on their behaviour according to the Company's values and leadership competencies from people who work with them. Based on survey results, Managers create their Personal development plans and thus grow to be even better leaders for their teams. In addition, in 2022, KN leadership standard training was conducted for new managers.

In 2022, the onboarding process for new employees was continued to ensure that new employees who join the Company integrate as quickly and smoothly as possible into the workforce. Respective training programme is being updated regularly. In addition, specific training is provided for employees returning from maternity/paternity leave to ensure a smooth adaptation process.

Annual employee performance reviews are conducted annually with every employee; it allows not only for evaluating their performance, progress and compliance with Company values but also for discussing development needs and other expectations and setting the goals for the new period.

OCCUPATIONAL HEALTH AND SAFETY

OHS MANAGEMENT AND GOALS

KN seeks to provide a working environment that meets strict standards of safety and well-being. As a terminal operator, KN provides and maintains a health and safety management system to ensure safety performance based on legislation and industry best practices, with clear commitments, targets, and responsibilities. KN's goal is the continuous improvement of the occupational safety and health management system by ensuring proper compliance and improvement

of the safety culture to achieve a zero rate of significant safety incidents and accidents. It also focuses on educating workers to understand better their role in reducing negative environmental impacts and that the health and safety of themselves and others are the highest value of every worker.

The Occupational Health and Safety Management System (OHS) applies to all professionals working at and maintaining the terminals operated by KN, whether employed by the Company or other companies and those, engaged in developing international LNG terminal projects.

Legal acts, best industry practices and clear obligations, objectives and responsibilities for the terminal operator regulate the implementation of measures of this system. OHS requires strong management commitment, employee engagement, and continuous improvement.

In 2020, KN was certified according to the Occupational Health and Safety Management System standard ISO 45001:2018. It applies to all activities of KN in Lithuania, including international business development. In 2022 DNV performed an annual audit as a formal part of the ISO certification process to maintain certification of the management system. The key objective

of the audit was to determine the conformity of the management system with the standards – ISO 45001:2018, as well as ISO 9001:2015, and ISO 14001:2015. Nonconformities haven't been identified during this audit.

In addition, internal audits of the KN management system are carried out by competent employees who can understand the risks and opportunities associated with the audit principles and the scope of the audit, as well as apply audit criteria, appropriate principles, procedures and methods in different audits and know applicable legislation and can ensure that audits are carried out consistently and systematically. In 2022, 13 internal audits (In 2021 – 6) were conducted.

KN uses measurable indicators to monitor the safety and health of workers, namely the number of critical incidents, Number of process safety incidents, Occupational accident frequency rate (LTIR) and Frequency of near misses or potential safety incidents (IR). These indicators are used for measuring occupational safety and health management efficiency. They help KN assess its occupational safety and health performance and benchmark itself against other companies in Lithuania and worldwide. The Company has set goals and monitors performance using these

indicators. For example, the number of Critical and Process safety incidents should be 0 annually, LTIR should reach ≤ 0.5 in 2024 (≤ 0.2 in 2030), and IR should reach ≥ 80 in 2024 (≥ 100 in 2030). Respective actions to achieve this are planned.

In 2022, there were no critical incidents in the Company (same as in 2021) and two Process safety incidents (first and second level; one such incident in 2021). All process safety incidents were investigated, and corrective measures were provided.

In order to monitor the occupational health and safety (OHS) status at KN more efficiently, a new OHS monitoring indicator Total Recordable Case Frequency (TRCF), aimed at measuring frequency of all work-related injuries, has been introduced starting from 2023. It will allow to evaluate a much larger amount of data related to occupational health and safety and assess the overall OHS performance of the entire company, as well as compare it with other companies engaged in similar activities.

HAZARD IDENTIFICATION, RISK ASSESSMENT AND INCIDENT INVESTIGATION

KN implements an initial risk assessment of workplaces and continual

risk assessment of work-related hazards before any work is planned and carried out. These procedures are implemented using the following means:

- 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 requires assessing risks before any work, implementing means for preparation, induction to workers and fulfilment of safety measures at work.

Personnel responsible for the preparation, execution and inspection of works are specially instructed and trained according to relevant formal and informal training programs. Work leaders, executors and inspectors are trained to identify work-related hazards and hazardous situations, to stop dangerous works and to report such situations using the KN system of reporting about accidents, near misses and unsafe situations.

In 2022 KN continued the implementation of various measures for the safety of employees, as well as implemented new measures:

- Unified guidelines for issuing permits for hazardous works (fire, cold, confined spaces and energy works)

WORK RELATED INJURIES IN KN LITHUANIA

	2022	2021	2020
The number and rate of fatalities as a result of work-related injury	0	0	0
The number and rate of high-consequence work related injuries	0	0	0
The number and rate of recordable work-related injuries	2, LTIR – 0.6	3, LTIR – 0.9	1, LTIR – 0.3
Reports on near misses or potential safety incidents (IR)	304	282	71
The number of hours worked	595203	635892	679409
Work-related hazards that pose a risk of injury	0	0	0
Work-related ill health or fatalities as a result of work-related ill health	0	0	0
Work-related hazards that pose a risk of ill health	0	0	0

have been prepared with references to separate clear procedures that define the process of issuing permits for individual accounts.

- The “Safety bypass” procedure, focusing on bypasses by OHS specialists and department heads, and standardised safety inspection questionnaires have been prepared. Following the analysis of bypasses, additional safety measures have been implemented.
- The new Risk Assessment Proce-

dure has been prepared – it defines the Company’s professional risk assessments and the periodic risk assessment of routine and non-routine work. A three-year occupational risk assessment contract was signed with an independent third party – it allows for prompt occupational risk assessment in the event of changes in working conditions.

In 2022, a new addendum to the agreement template with contracting

WORK-RELATED INJURIES IN KN AÇU

	2022	2021
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	0	0
The number and rate of recordable work-related injuries	0	0
Reports on near misses or potential safety incidents (IR)	101	202
The number of hours worked	49518	65752
Work-related hazards that pose a risk of 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

organisations has been prepared, obliging organisations working in the territory of KN to provide basic safety indicators and KN to control how safety requirements are met. It is important to stress that rules are also foreseen in which cases (for which offences) the contractor may be deprived of permission to work for KN. Furthermore, the representatives of the contractors are also obliged to pass a briefing on work safety requirements at terminals of KN.

The change management system implemented in the Company also requires all planned process-related changes to be evaluated through a risk assessment process. In 2022, the Procedure for Risk Analysis of Technological Processes and Devices was prepared, specifying the application of various risk assessment methodologies in assessing technological changes.

Near misses, unsafe conditions or any hazard reporting is an integral part of promoting a safety culture in the organisation. In 2022, 304 reports were received on near misses or potential safety incidents (IR) (2021 – 282). KN fosters a no-blame culture and awards the most active employees for reporting any noticed hazards or near misses. For those who seek to be unnoticed, KN provides the possibility to report anonymously.

The investigation of work-related incidents covers the generally accepted eight-stage process of investigation of accidents/incidents: gathering and analysing the information, identifying the required risk control measures, definition of investigation methods, formulation of the action plan, final approval of actions taken (including informing third parties), analysis of lessons learned, implementation of corrective action and measurement of corrective actions effectiveness.

KN health and safety policy state that each employee of KN Group has the right to require the employer to create safe and healthy working conditions, to install collective protective equipment, and to provide personal protective equipment when collective measures do not protect against the effects of risk factors. In addition, an employee may refuse to work when the employee

is untrained to work safely, in case of failure of work equipment or case of emergency, in case of violation of work instructions and without necessary collective protective equipment or personal protective equipment.

Principal investments in additional occupational safety and health measures in 2022 were dedicated to redesigning various unsafe workplaces and other measures identified during the investigation of incidents and potential accidents, as well as employee education. The investments for additional measures in 2022 were around 30,000 Euros, much smaller than in previous years, as the most significant improvements were already made in 2020-2021.

WORKER PARTICIPATION, CONSULTATION, COMMUNICATION AND TRAINING ON OHS ISSUES

The Company has developed a special matrix of mandatory OHS training covering the whole organisation, updated in 2022. Training needs are determined by considering legislative requirements, market best practices, job descriptions, occupational risk assessment results, and investigations into incidents or near misses. This training is free of charge and provided during working hours. Licensed third-

party agents deliver most training, while some are in-house via a digital learning platform. A dedicated training classroom with computerised workstations is available for employees who do not have a computerised workstation. In 2022 the Company continued to encourage periodic coaching to be done online.

Last year a study of the level of the Company's safety culture was conducted, and areas for improvement were identified. Respectively actions, such as "Safety talks" with production departments and training on conducting safety talks, were already implemented in 2022. Additional actions, like safety inspections according to the new procedure, are planned for 2023.

Every bigger department of the Company has an internally elected representative responsible for safety and health issues (the total number of such representatives in the KN being 9). These representatives (who receive additional health and safety training) help KN 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 unit and advising the employees of the represented unit or other employees on health and safety issues within the limits of

competence;

- Providing suggestions or observations from departments on improving workers' health and safety, as well as on the existing processes or procedures, etc.
- Setting a positive example and encouraging other department employees to act responsibly (for example, wear the issued personal protective equipment) and follow the Company's procedures, instructions and other requirements to ensure the health and safety of employees.
- Participating in assessing occupational and other potential risks and investigating accidents and incidents.

The Company has also set up an Employee health and safety committee operating on a bilateral basis. It comprises 15 members, including the already mentioned representatives of the employees, representatives of the administration and the head of the trade union and is chaired by Chief Operations Officer. The committee, by its competence:

- Examines the causes and circumstances of accidents at work and occupational diseases; prepares and proposes preventive measures to avoid accidents at work and occupational diseases;
- Considers the state of safety and health of employees in the Compa-

- ny and the results of professional risk assessment, examines the measures implemented by the employer to ensure the health and safety of employees and submits related relevant proposals;
- Collects information from the health and safety representatives of the employees on compliance with the requirements of the OHS-related legal acts and how they are met in the Company;
- Considers and submits proposals on the procedure for training and instructing employees on the OHS issues;
- Examines whether the mandatory health examinations of employees are properly organised, as well as their results, submits relevant proposals regarding preventive measures to improve the health of employees;
- Considers and submits proposals regarding the provision of household, sanitary and hygiene premises, collective and personal protective equipment and the relevant supervision procedure;
- Provides insights to the management on the relevant regulatory legislation and Company's OHS procedures related to them;
- Prepares proposals amending collective agreements to improve the health and safety of employees at workplaces or in the Company;

- Upon the request of the employee or the management, examines the disagreements regarding the refusal of the employee to work because of OHS.
- Examines other issues related to the health and safety of employees.

The Employee Health and safety committee meets regularly to discuss relevant issues. In 2022, the occupational risk assessment results and the updated mandatory training matrix were presented and discussed with the Committee members. Additional discussions about the causes of accidents and other relevant employee issues were being held.

EMPLOYEE HEALTH AND WELL-BEING

The Company pays great attention to the health of employees. All employees are provided with supplementary health insurance, which contributes to the employee's well-being and covers the most frequent health expenses, i.e. outpatient and inpatient treatment, preventive health check-ups, dental services, etc.

KN is one of Lithuania's few companies with a licensed medical facility, which provides emergency first aid, carries out preventive healthcare services, and controls health risk factors and

infections. In addition, Company has a physical medicine and rehabilitation facility for the preventive medical aid to employees. The Company also has cooperation agreements with personal healthcare centres to provide extended health care for its employee free of charge, as well as additional vaccination and examination services (including detection of COVID-19 disease, which was still essential in 2022).

Relevant numbers concerning activities of KN licensed medical facility in 2022:

- 74 employees were consulted (244 in 2021);
- Outpatient care was provided to 194 employees (99 in 2021), of which 20 (19 in 2021) were referred to another medical institution.
- Preventive health checks of 137 employees were performed (307 in 2021).
- 31 employees participated in first aid and hygiene skills training (32 in 2021).
- Immunoprophylaxis was provided (vaccination against pneumococcal infections, tick-borne encephalitis, typhoid fever, hepatitis A and B, influenza, tetanus, typhoid fever, yellow fever, and diphtheria) for 120 employees (487 in 2021).
- Preventive examinations of employee health indicators (determination of blood glucose and cholesterol)

were performed. A control test was performed for 15 employees in Lithuania (54 in 2021).

- Rehabilitation and health-supporting procedures performed for 126 employees (132 in 2021).
- Additional testing for COVID-19 disease was carried out for 137 employees (185 in 2021).

One of the areas of focus in 2022 was strengthening employee skills in providing emergency first aid. A training session was organised to provide first aid for various injuries, stop bleeding, help a choking person, give external cardiac massage and perform artificial respiration. During it, much attention was paid to psychological preparedness for various emergencies. In addition, a training defibrillator was purchased, which, together with other first-aid training tools, was used to train employees on how to provide first aid.

In 2022 KN continued implementing various Coronavirus prevention measures, such as a hybrid work model. Even after the pandemic ended, Company provides a possibility for employees (if their functions allow) to work 10 days per month remotely, considering it an important factor for increasing employee well-being and satisfaction.

The company has a Long-Term



Healthy Workplaces Programme, which includes comprehensive measures to create a healthy working environment. As a part of it, KN supports, and funds sports for its employees – a gym is rented for basketball and football fans, and funds are allocated for beach volleyball tournaments and dragon boat races.

Other actions aimed at promoting employee well-being and wellness, emphasising the importance of physical movement, were implemented in 2022. While celebrating European Mobility Week (In September 2022), KN organised a hike along the Baltic Sea coast. More than 50 colleagues took part in it. This event launched the already traditional activity of the Company – the initiative “KN Moves Again!”. It encourages employees to

collect kilometres by walking or running. Fifty-five colleagues took part in the challenge (last year – 44), and together they walked over 12.5 million steps from 16 September to 16 October 2022.

Traditional summer and Christmas events aimed at increasing emotional well-being, employer satisfaction and teamwork were also organised in 2022.

The Company has already been organising periodic meetings with various interesting people for several years. In 2022, the meetings focused on physical and mental health, psychological resilience and healthy lifestyles. The virtual meeting “Strong immunity and overcoming fatigue through nutrition and lifestyle” was led by the therapeutic nutritionist

Ingrida Kuprevičiūtė. Another two lectures about the possible damage of sedentary work, as well as tips on how to exercise easily at work, were given by physiotherapists Viktorija Tarasenko and Loreta Skardžiuvienė. Employees were also allowed to apply the knowledge in practice by attending free therapeutic exercise sessions – necessary equipment was purchased, and relevant instructions were prepared.

External factors such as the pandemic, war in the nearby region and economic turmoil had a huge impact in 2022 – so stress management and resilience were identified as another key topic for employee well-being. For this reason,

a lecture on psychological resilience (consisting of physical, emotional, mental, and spiritual resilience) by Dainius Judžentis, an instructor at the Lithuanian Military Academy, was held. In addition, stress management training was organised for all KN staff.

LOCAL COMMUNITIES AND SOCIAL INITIATIVES

We work to maintain strong and long-lasting relationships with the local communities where KN operates (focusing on Vitė and Melnragė





communities in Klaipėda) – this is done through dialogue and strengthening our relationships. We aim to hear and understand the communities’ most pressing concerns, and we consider the expectations expressed by the communities regarding the mitigation of our Company’s impact.

In 2022 KN implemented various initiatives with communities:

- The tradition of regular meetings was maintained, and several regular meetings were held to discuss topics of interest to the communities and to answer their questions concerning our activities and impacts;
- KN organised civil protection training for neighbouring communities. The training provided an overview

of possible emergencies, guidance on actions taken in the event of an accident at the terminal, and detailed information on communication channels with the public during such incidents.

- KN team and the local community have planted 15 black pine trees in the residential area of Vitė in Klaipėda – continuing the tradition.
- On International Neighbours’ Day, KN contributed to the local Vitė Community Festival. The Company provided a dedicated area for children’s activities.
- The Company decorated a Christmas tree in one of the Melnragė community’s main squares for Christmas.

The Company has also contributed

to the main event of Klaipėda – the Sea Festival - by supporting part of its programme, i. e. talk show with the most famous Klaipėda residents or popular people significant to Klaipėda.

Following the Law of Support and Sponsorship regulations, which foresees that support by state-owned enterprises cannot be provided if the net profit amount of the state-owned enterprise for the reporting financial year is negative (incurred losses), KN was not entitled and eligible to provide the direct financial support in 2022. However, in the context of the war in Ukraine, the Company organised fundraising campaigns and invited all KN employees to participate. They donated hygiene products, utensils and stationery to Ukrainian families fleeing the war in Klaipėda. The collected items were handed over to the Ukrainian Support Centre in Melnragė and the “Save the Children” organisation. Also, KN joined the initiative to help children from Ukraine in Klaipėda to prepare for the new school year (In Autumn 2022); additionally, some stationary was also donated by KN employees.

Despite the ongoing pandemic and other pressing challenges, KN continued the partnership with education institutions, providing 9 students with the opportunity to complete their internships in the

Company (in 2021 – 10 students had such opportunity). Being the Company of strategic importance, in the events of the war in the nearby region, KN had restricted its rules concerning site visits – thus, only one site visit for the students of Lithuanian Maritime Academy was organised and conducted by KN specialists.



KILKN

GOVERNANCE

GOVERNANCE PRINCIPLES AND MAIN DOCUMENTS

Given the strategic function of the Company as well as being a partly (72.47%) state-owned enterprise and a publicly listed company, KN has the objective to enhance shareholder value, respond to stakeholders' interests and represent best business practices. The Company continuously strengthens its corporate governance competencies and implements the highest governance standards and principles.

KN aims to organise its corporate management and internal processes to ensure transparency, efficiency, profitability and sustainability. The internal control processes and management practices implemented align with the best management practice principle and legal requirements.

In their activities, managerial and supervisory bodies of KN observe the Law on Companies, the Law on Securities, the Articles of Association of the Company, and other applicable legal acts of the Republic of Lithuania, as well as Policies and other relevant documents of the Company. In addition, the Company also follows 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 the Corporate Governance Code for the Companies listed on NASDAQ Vilnius. KN also complies with Resolution No 1052 of the Government of the Republic of Lithuania of July 14th 2010, on approval of the Description of the guidelines for ensuring the transparency of activities of state-owned enterprises (from now on – the Transparency Guidelines).

Since 2016 more than ½ of the Supervisory Council and Board members meet independence requirement. Currently 4 out of 5 Board members are independent, and 2 out of 3 Supervisory Council members are independent.

Ministry of Energy, representing the biggest shareholder – the Republic of Lithuania - in the Letter of Expectations (March 9th, 2023) also set expectations, amongst others, regarding KN's governance: it should ensure transparency, efficiency and sustainable development as well as responsible and value-based activities of the Company.

KN Corporate Governance Policy sets out the main methods, requirements and principles of the Company's

corporate governance, as well as the obligations of KN and its subsidiaries in this area. The Stakeholder Policy, which established principles and guidelines for developing KN's relations with its stakeholders, is another important document regulating the activities of the Company. Furthermore, the Code of Conduct describes how we work at KN and guides the Company in our business relationships. It contains KN's values and sets the standards for how we should behave and make decisions.

In addition, on December 19th, 2022 Sustainability Policy, which guides Company's sustainability management and activities, was adopted. Anti-Bribery and Anti-Corruption Policy, as well as Remuneration Policy, has also been updated in 2022. The Gifts Policy was prepared at the end of 2022 and entered into force in January 2023.

According to the Governance Coordination Centre, which compiles the Good Governance Index of State-Owned Enterprises annually, KN has been ranked as A- for its corporate governance, a slight decrease from its previous rating of A. The main areas for improvement were identified in strategic management and planning. However, the Company has shown improvement in its transparency dimension, which

includes its focus on anti-corruption practices and sustainability reporting. The transparency dimension of KN was evaluated A+ in 2022, an increase from the previous year's rating of A. Information on Management structure (including the composition of various management bodies and their activities) and compliance with Transparency guidelines and the Corporate Governance Code can be found in the Governance report, published as part of the KN's Consolidated annual report for 2022.

PREVENTION OF ANTI-COMPETITIVE BEHAVIOUR

KN supports free and fair competition in the market, and strives to provide the highest quality commercial solutions to its customers.

Currently, the Group's activities can be divided into three main segments: oil terminals, regulated LNG activities – seen as activities with a state interest – and commercial LNG activities (international projects and small-scale LNG operations). The Management of KN evaluates the financial results of each segment and sets individual strategic goals.

The regulated LNG activities segment includes the activity of the LNG terminal in Klaipėda, which receives, stores liquefied natural gas, regasifies, and supplies it to the main gas pipeline. The fixed and variable parts of the price apply to the terminal's services. They are approved annually by the National Energy Regulatory Council of Lithuania (from now on – NERC).

The LNG terminal fully ensures the third-party access requirements following EU laws. The terminal's activities are organised in observance of the Regulations for using the Liquefied Natural Gas Terminal (from now on - Terminal regulations), adopted after public consultations with market participants and approved by NERC. The terminal's capacities are allocated to the users on the same conditions, following the public and transparent capacity allocation procedures or Spot capacity allocation procedures in case free capacities are left.

In September 2022, 4 LNG terminal capacity packages of 6 TWh/year (24 TWh) were allocated to Klaipėda LNG terminal users from Lithuania, Latvia and Poland for a ten-year period until 2033, starting from January 1st 2023. The renewed LNG terminal capacity allocation model will allow to allocate around 60% of the total LNG terminal capacity over the next 10 years to long-term contract users. Allocating capaci-

ty ten years in advance ensures that the market will be able to meet not only the gas demand of Lithuanian consumers but also transmission to other European countries and storage in the Latvian gas storage facility. The remaining capacity of the LNG terminal will be allocated through an annual capacity allocation procedure.

LNG terminal ensures a multiuser environment, i. e. allows several terminal users to use services of LNG terminal simultaneously based on mandatory borrowing/lending conditions. Detailed information on LNG terminal services and operating model can be found in the Terminal regulations or on www.kn.lt.

On December 30th, 2022, KN, after winning the announced public tender, signed a contract with the Public Institution Lithuanian Energy Agency for the provision of storage, storage and handling services for light oil products (diesel and gasoline) owned by the State of Lithuania at the Company's Subačius oil terminal. The agreement entered into force on January 1st 2023 and is valid for 10 (ten) years. With this contract, the Agency ensures the storage and accumulation of state fuel reserves at the Subačius oil terminal of the Company following the regulation of the Law on Oil Products and Oil State Reserves. The preliminary value of the

storage, terminal and other services related to the storage and handling of light oil products is 37.73 million Euros (without VAT) for the entire contract validity period.

PREVENTION OF CORRUPTION AND BRIBERY

KN does not tolerate corruption or its manifestations and is committed to open competition, ethical business conditions and adequate transparency and openness in its operations. Key documents establishing zero tolerance of corruption are the Code of Conduct, Procedure for Declaring Private Interests and Managing Conflicts of Interest, Stakeholder Verification Procedure and Anti-Bribery and Anti-Corruption Policy.

This Policy expressly and publicly declares rejection of bribery, fraud, extortion, the creation of unofficial accounts, the execution of unofficial and improperly documented transactions, the recording of fictitious expenses, the use of false documents and other forms of corruption as referred to in the United Nations Convention against Corruption.

The provisions of the Standard of

Conduct and the principle of Zero Tolerance for Corruption as well as procedures to handle properly private interests and manage conflicts of interest, apply to all employees of the Group, members of the management and supervisory bodies, third parties acting on behalf of the Company, and KN clients and partners. All employees of the Company are familiar with the Anti-Bribery and Anti-Corruption Policy and the Code of Conduct and are committed to complying with their provisions. Appropriate training is also provided to employees.

In 2022, there were no reported cases of corruption in the Company.

In September 2022, KN updated and enhanced its Anti-bribery and Anti-corruption Policy. Additional regulations provided for in the updated Policy relate to zero tolerance for corruption, the involvement of managers and employees in the formation of an anti-corruption environment, periodic determination of the probability of the occurrence of corruption, compiling a list of corruption risks, responsibility for the violation of policy provisions without publicising the identified cases of corruption.

Gift regulation is another important area related to preventing corruption and bribery. KN Group already had

related regulations in the Code of Conduct and Anti-bribery and Anti-corruption Policy, stating that employees of KN do not accept or offer gifts, including cash, securities, gift vouchers, various services, etc., which may damage the reputation of KN employees or business partners or reduce their credibility.

During an update of the Anti-bribery and Anti-corruption Policy in 2022, intolerance of gifts due to the positions held has been reconfirmed, and a questionnaire (to assess the acceptability of the gift or hospitality) has been drafted. KN has clearly defined procedures for the acceptance of permissible and impermissible gifts and other benefits – since 2019, a register of gifts, in which all gifts received must be registered, has been operating.

The separate Gift policy, which sets the rules for accepting and providing gifts, was adopted in 2022 and entered into force in 2023. The Policy regulates in detail the implementation of KN employees' zero tolerance for corruption in the spheres of the appropriate acceptance of gifts from existing and potential business partners, customers and suppliers, as well as proper provision of gifts to existing and potential business partners, customers and suppliers. The Policy also establishes the procedure for declaring and registering gifts, except in

cases where regulatory rights Acts prohibit accepting and giving gifts. The value of gifts for representation has been increased to EUR 150, following the regulations of the Law on the Coordination of Public and Private Interests of the Republic of Lithuania.

The Company has control mechanisms to identify, assess and monitor potential corruption risk factors. While assessing corruption risks, KN analyses the activities and processes of each business segment, compiling a list of corruption risks.

The most relevant risks identified are:

- 1) Large-scale procurement. The Company makes efforts to ensure a transparent process of preparation of procurement documents, selection and execution of the procurement method while maintaining confidentiality.
- 2) Management of oil product handling contracts. The Company aims to ensure transparency in determining the terms and conditions of such contracts, the management of the contract execution process and customer due diligence procedures.

Reports are regularly submitted to the Board to manage and mitigate these risks. KN also has a risk event register in the document management system,

contributing to more efficient risk management within the Company.

Once a year, KN performs a special assessment of the likelihood of corruption. In 2022 the process of control of third parties in the acceptance of ordered works and services was analysed to assess the probability of the occurrence of corruption. After conducting the investigation, the conclusion can be drawn that third-party control of KN in the acceptance of ordered works and services should be attributed to the Company's areas of operation where there is some probability of corruption. However, this probability is assessed as only theoretical. The possibility of corruption in this area is managed within the Company; however, additional measures were foreseen to further minimise the corruption risk factors.

The risk of corruption is also assessed in the context of the development of international projects, considering both external and internal factors and the level of corruption risk in the country. Additional control measures include due diligence procedures.

To reduce the likelihood of corruption, increase transparency, and encourage fair business, KN applies due diligence procedures not only to its employees in Lithuania and Brazil but also to its business partners. The procedure is

used before the conclusion of the contract. The due diligence procedure requires written confirmation from another party that it accepts and undertakes to comply with the Anti-bribery and Anti-corruption Policy and Code of Conduct of KN. The anti-corruption provisions and the commitment to comply with them are also included in cooperation agreements with business partners (anti-corruption clauses).

In 2022 due diligence procedure was updated – new provisions on international sanctions (by EU and US), politically exposed persons (PEP) and final beneficiaries were included. In 2022, 47 due diligence procedures for new business partners were carried out.

The internal control system is continuously revised and improved. Employees have the right, and the Company provides them with the means to report anonymously on the suspected or attempted acts of bribery and corruption or suspected or actual breaches of the Anti-bribery and Anti-corruption Policy, as well as breaches of the requirements set out in the KN's internal procedures and the Code of Conduct. Employees are encouraged to report possible cases or manifestations of corruption via SpeakUp@kn.lt or anonymously using the respective form at www.kn.lt. These channels can be used by the Company's employees and any

other interested parties.

In 2021, this whistleblowing procedure was updated to ensure that it works across the Group, including the Brazilian subsidiary, and also to establish more sustainable principles for the protection and confidentiality of whistle-blowers'. The procedure provides that the assessment of the information received is the responsibility of the internal audit department of KN, which is functionally subordinate and accountable to KN's collegiate management bodies. Also, whistle-blowers can apply directly to the collegial bodies of the KN (Audit Committee and the Supervisory Board) by emailing SupervisoryBodies@kn.lt. Both channels aim to maximise the protection of whistle-blowers', the confidentiality of information and whistle-blowers', and ensure that information is appropriately investigated.

In September 2022, representatives from "Ignitis" and "Lietuvos paštas" were invited to share best practices on whistleblowing procedures, practical aspects and other related topics within their companies. Over 60 employees from KN attended this session.

In 2022 two notifications of low significance were received via Speak-Up: none of the reports related to possible corruption or fraud, and the Company

reacted according to the relevant procedures.

KN has a system for the declaration of private interests. Members of the Company's collegiate management bodies, managers and employees included in the established and publicly disclosed list of positions and all employees participating in KN's public procurement declare their private interests through the publicly available PINREG database of the Chief Ethics Commission (CEC). The list of positions for declaring interests is constantly reviewed and updated. In 2022, 170 staff members of KN submitted their declarations in the PINREG database.

The procedure for the Declaration of Private Interests and Management of Conflicts of Interest was updated in February 2022, and a separate Policy on the Management of Private Interests was approved. This Policy aims to establish the principles and measures for preventing public and private conflicts of interest in the KN Group by ensuring the proper functioning of the conflict-of-interest prevention system and creating an environment unfavourable to corruption. The Policy establishes the basic principles of interest management and measures of conflict-of-interest management, which are applied to all employees of the KN Group and members of governing and

supervisory bodies.

KN follows the Procedure and Policy when setting the requirements for the conduct of its employees or in the event of a conflict of interest. Staff members are regularly consulted on potential conflicts of interest. Thirty-six consultations on specific cases of potential

conflicts of interest happened in 2022, and four withdrawals by staff members were approved.

In 2022 The Company did not have any transactions or agreements with the members of its Supervisory Council and the Board. More information regarding transactions with related

CORRUPTION PREVENTION MEASURES IN KN

MEASURES		2022	2021	2020
Impeccable reputation and reliability of employees	Total inspections	49 (+ in 19 Açu)*	25	38
	Inspections by the Special Investigation Service (from total)	8	10	7
Business partners' due diligence	Inspections, total	47	16	18
Interest management	Official public declarations of private interests submitted to the PINREG database	170	163	134
	Declarations of private interests according to additional KN procedures**	-**	127	88
	Withdrawals	4	2	1
	Provided consultations	36	32	16
	Conflicts of interest	0	0	0

*Since 2022- the measure is also being applied in Açu.

** As the PINREG system was updated in 2022, allowing English-speaking persons to declare their interests, an additional procedure is no longer required.

parties is presented in the Explanatory note to the Company's financial statements for 2022.

Before appointing employees, KN takes all reasonable steps to ensure that Company employs persons of good reputation and trustworthiness, taking into account the functions of the prospective employee and the relevant corruption risks. KN has approved the list of positions for which applications are subject to screening by the Special Investigation Service of the Republic of Lithuania). In 2022, at the request of KN, this institution carried out 8 background checks on potential KN employees.

In 2022 KN also conducted an anonymous survey of KN employees' tolerance for corruption (30% of employees participated). It revealed that the level of intolerance of corruption in KN is quite high: 93% of employees would report cases of corruption, i.e. would not tolerate corruption; 90% of employees know whom to report corruption to; the number of people who believe that corruption is not widespread in KN reached 99% (in 2020 - 90%).

In 2022 a separate section, "Corruption Prevention", was created on the Com-

pany's internal website. It provides employees with relevant information related to the process of declaring private interests in the PINREG system, as well as relevant links to internal documents and procedures related to corruption prevention, implemented anti-corruption measures, links to anti-corruption training on the Special Investigation Service e-learning platform and training conducted by the Transparency Academy.

In 2022, KN provided anti-corruption training to KN employees on regulating the declaration of private interests, potential conflicts of private interests and their management, and the concept and manifestations of corruption in Lithuania. External anti-corruption training on reporting violations (Speak-Up) was also conducted. In March 2022, online training "The concept and manifestation of corruption in Lithuania, conflicts of interest" was organised. The theoretical and practical training was conducted by representatives of the Special Investigations Service of the Republic of Lithuania and the "Transparency Academy". Most important information on risks of corruption, conflicts of interest, and the regulation of the declaration of private interests was discussed during the training, with more than 100 employees of KN participating.

In 2021-2022 KN participated in the "Transparency Academy", an exchange project on good anti-corruption practices initiated by the Special Investigation Service. The Transparency Academy project aims to bring together corruption prevention specialists and anti-corruption institutions and encourage sharing best practices among each other to create a corruption-proof environment. The project was concluded at the end of 2022 with a certificate from the Transparency Academy handed to the Company. As a result of this project, the KN corruption resilience level was as high as 88% in 2022 - 22% higher than in 2021, when the corruption resilience level was 66%.

Part of the evaluation was influenced by the risk management system within the Company. KN achieved the maximum rating by assessing all corporate functions, establishing a prioritised list of risks, and regularly reporting to the Board, thereby managing and mitigating the risks identified. Other measures implemented in the Company, such as the risk register in the document management system, the streamlining of the stakeholder verification process, and the periodic audits of the various Company's functions, have also contributed to the improved evaluation.

The Company is politically neutral and does not contribute financially to

political parties, groups or politicians. KN adheres to the Law on Charity and Sponsorship, as well as guidance by SIS, which governs the allocation and provision of the Company's support for public benefit purposes. The Company has a Procedure for awarding support (publicly available on www.kn.lt), which sets out the main principles and guidelines for donations, the criteria and priorities for allocating support. However, in 2022, KN didn't provide financial support.

PROCUREMENT PRACTICES

The purpose of KN is to ensure that procurement is conducted fairly, adhering to the principles of non-discrimination, mutual recognition, proportionality, and transparency. The procurement procedures should allow KN to acquire goods, services, or works with the least possible negative impact on the environment, while using allocated funds in a rational manner.

In addition, KN aims to ensure that confidential information is not disclosed during the procurement process and that due diligence is carried out on business partners, service providers or other third parties before contracts are signed.

While planning and implementing procurements and the performance of procurement agreements, KN acts following the provisions of the Law of the Republic of Lithuania on Procurement by Entities Operating in the Water, Energy, Transport, and Postal Services Sectors (further – the Law on Public Procurement), other legislation regulating procurement and applicable to the Company, or follows good commercial practice even then the Law does not apply to specific procurements. KN has internal procurement standards that meet and even exceed the Law on Public Procurement requirements.

The planning, conduct and conclusion of procurement are governed by Company's documents specifically designed to regulate procurement: the Procurement Procedure, the Procurement Committee Regulations and the Procedure for the Organisation of Small Value Procurement. KN's procurement is planned, and the Procurement Summary is published following the procedure in the Law on Public Procurement. The Company's procurement is usually carried out by the Procurement Organiser (for low-value procurement) or the Procurement Commission (for higher-value procurement).

All persons involved in the Company's

procurement activities, and those who can directly or indirectly influence them, must sign declarations of impartiality and confidentiality undertakings. To prevent potential conflicts of interest, all employees of the Company involved in the organisation's procurement processes must declare their private interests through the publicly available PINREG database of the Chief Ethics Commission system of the Chief Ethics Commission.

The Company makes its procurement contracts publicly available following the procedures laid down by the Law. KN also prepares and submits to the Public Procurement Service of the Republic of Lithuania a report on procurement procedure for each procurement carried out (where required by the Law) and a report on purchase contracts for all purchase contracts concluded in a calendar year.

Since 2021, the Ecocost Procurement Management System has been used to manage the entire procurement process. All procurement activities are carried out electronically, with all actions recorded and multi-level controls over decision-making installed. There is also a strong focus on procurement analytics to identify weaknesses in the process and make the necessary decisions. Daily, more than 10 indicators

on ongoing procurement (number of bids; staff occupancy; cancellations, etc.) are monitored. These indicators are used as a basis for decision-making during the procurement process.

In 2022 additional attention was given to increasing the efficiency of processes: the main procurement procedures were revised, and much attention was paid to improving the competencies of employees who initiate procurement in the field of procurement planning. For that purpose, various pieces of training were organised, and methodological materials were prepared.

Since 2023, according to national regulation, all procurement (100%) has to be green – therefore, KN's goal is to have 100% of such purchases by value met the green procurement criteria). To reach 100% green procurement, Company is actively working with current and possible service providers (conducting market research and consultations), integrating environmental requirements in planned purchases, and conducting training of procurement organisers and members of procurement commissions on the establishment and application of green criteria.



ASSET INTEGRITY AND INCIDENT MANAGEMENT

Safe and reliable operations is essential for KN, managing critical energy infrastructure in Lithuania.

Following the Law on the Protection of Objects Important for Ensuring the National Security of the Republic of Lithuania, “Klaipėdos nafta” is included in the second category list of companies essential for ensuring national security, also oil product terminals managed by the Company in Klaipėda and Subačius, as well as LNG terminal, are treated as facilities and assets essential for ensuring national security. The individual requirements are provided in the legal acts aimed at ensuring the safety of the terminals. And they are followed both in internal procedures and cooperation with the institutions that ensure safety.

For example, according to the Resolution of the Government of the Republic of Lithuania No. 746 of July 25th 2018, on establishing protection zones for facilities and assets of national security, a 50-meter protection zone is established from the territory where the Klaipėda Oil terminal operates. It should also be noted that to manage the risks associated with a possible physical breach of the

Klaipėda LNG terminal, a 250-meter preventive physical protection zone is set up around the LNG terminal, where all activities are unrelated to the LNG terminal are prohibited or restricted. The terminal is guarded by Public Security Service (PSS) officers, who follow their own approved security procedures. Further details on regulations concerning the safety requirements of the terminals cannot be disclosed due to confidentiality requirements.

Since Russia invaded Ukraine in February 2022, Company has been closely monitoring and analysing the situation, and the level of protection of the infrastructure managed by KN has been increased accordingly. For example, LNG gas carriers arriving in Klaipėda are being escorted by the Lithuanian Naval Force and officers of the Lithuanian Police Anti-Terrorist Operations Unit ARAS. The protection of other KN terminals was also enhanced. We regularly consult and exchange information with the relevant authorities. The overall threat level during the preparation of the report was not changed, as we had no such indications from the authorities responsible for national security issues.

In the context of the war in the neighbouring region, we also focused on reviewing potential threat scenarios for our operational and business continuity. We assessed the need for additional

measures and implemented them. For example, in 2022, KN invested about 0.4 million euros in ensuring the Company's operational continuity during extreme situations in energy security. After reviewing possible energy supply interruption scenarios, we implemented additional measures to guarantee alternative energy sources to ensure KN's critical functions. Diesel generators were purchased to provide the necessary electricity to operational processes, boiler burner adaption to combined operation mode was implemented, and emergency lighting equipment was installed.

Various Regulations on the prevention, response and investigation of industrial accidents that a valid in Lithuania state that the safe use of hazardous establishments and safety control is the responsibility of the operator of the terminals. The operator must ensure the safe use of the dangerous establishment, take the necessary measures to prevent accidents and limit their consequences for the population and the environment. Therefore prevention of and response to incidents is one of the key topics for KN.

The internal emergency plans for the LNG and oil terminals are periodically reviewed and updated, training is carried out, and information on the safety status and preventive measures in place is provided to the authorities at the

required frequency and for communities. In an industrial accident, KN staff and the responsible authorities would respond following the plans drawn up and agreed upon, and residents would be informed accordingly.

The Company is constantly investing in safety measures and activities related to employees' readiness for emergencies (by regularly organising relevant employee training) and measures to increase civil safety. In 2022, in the context of the events in Ukraine, KN paid much attention to the review of response processes, communication and information-sharing practices, and the preparation of employees. Training on resilience was organised with internal discussions about how to behave during a war. Furthermore, in May 2022, civil safety training was organised for Vītė and Melnragė community representatives.

CYBERSECURITY AND DATA PROTECTION

As KN manages part of the country's critical energy infrastructure and is one of the potential targets of cyber-attacks, cyber security is one of the priority areas to ensure the safety of the Company's data, processes, infrastruc-

ture, and operations. Cyber risks are the potential for an authorised access, use, disclosure, disruption, modification, or destruction of data and systems by cybercriminals or malicious actors.

The National Cyber Security Centre under the Ministry of Defence evaluates the readiness of the most important entities for cyber defence, gives additional instructions on the essential measures that must be implemented, and provides intelligence related to preventive cyber defence. The same applies in the case of KN, and Company's management is responsible for applying relevant measures. KN's cyber security is governed by the KN Information and Cyber Security Policy, publicly available on KN's website, and Information Security Risk Management Guidelines, including organisational and technical provisions of the Cyber Law of Lithuania. The Company has also set minimal information and cyber security requirements for third parties.

It is important to note that Lithuania has already taken the threats posed by the Eastern neighbourhood seriously, and the institutions' demands regarding business continuity and cyber security were relatively high even before the war in Ukraine started. Therefore, KN continuously invested in respective areas to improve Company's resilience to cyber threats.

KN's regular activities in the sphere of cybersecurity include threats intelligence, vulnerability management, security assessments, protection and detection capabilities, and business continuity management. In addition, employee training on these topics, following the best cybersecurity practices, is being organised regularly.

Before and at the beginning of Russia's invasion of Ukraine in February 2022, KN observed a several-fold increase in the flow of malicious emails and cyber-attacks attempting to compromise the Company's IT infrastructure. However, no significant incidents occurred, as preventive measures were applied promptly and appropriately. Furthermore, KN initiated additional measures to strengthen detection and recovery capabilities. KN does not outsource operational business processes (e.g., IT services) to Russian or Belarussian service providers.

In 2021, KN assessed its internal legislation and processes and identified areas for improvement in personal data protection. Privacy notices have complemented data collection processes. The process of selection of candidates for employees, trainees and members of management bodies of the Company, and the process for reconciling public and private interests of employees, have been supplemented with personal

data protection considerations, which allow for adequate information to be provided to data subjects about the processing of their data.

Key documents which define data handling and storage processes and ensuring data privacy in KN are the Personal Data Privacy Policy, Website Visitor Privacy and Cookie Policy, Guidelines of Personal Data Processing (updated in 2022) and Personal Data Privacy Policy for candidates for positions of employees, interns and governing and supervisory bodies.

Since June 2021, KN has had a dedicated Data Protection Officer who monitors the compliance of KN with all data protection legislation, including audits, awareness-raising and training of staff involved in data processing operations. The officer also ensures that the Company receives timely information about its obligations and is in a position to implement them properly.

In 2022, KN implemented a project that included an assessment of personal data handled across the Company to integrate and ensure high-level personal data management in all of its activities. This assessment helped to identify and organise personal data in KN's processes, and training was provided to employees on how to manage personal

data appropriately. These efforts have resulted in increased compliance with personal data security regulations, and KN is committed to responsibly training new employees on proper personal data handling. A dedicated personal data training platform has been developed to access internal legislation and regulations easily. In 2023, KN plans to enhance further its coordination and assurance of personal data privacy within the Company.

In 2022, KN did not receive any complaints regarding improper processing of personal data in any of its operations.







Statement of use	AB "Klaipėdos nafta" has reported the information cited in GRI content index for the period 1st January – 31st December, 2022 with reference to GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General disclosures 2021	2-1 Organizational details	General information, p. 5
	2-2 Entities included in the reporting (partly)	Boundaries of the report, p. 8
	2-3 Reporting period, frequency and contact person	At the end of GRI Index
	2-6 Activities, value chain and other business relationships (partly)	About the Company, p. 5-8
	2-7 Employees	Employees, p. 36-40
	2-16 Communication of critical concerns	Prevention of corruption, p. 56
	2-19 Remuneration policy (partly)	Remuneration policy, p. 41-43
	2-20 Process to determine remuneration (partly)	Remuneration policy, p. 41-43
	2-21 Annual total compensation ratio	Remuneration policy, p. 41-43
	2-22 Statement on sustainable development strategy (partly)	CEO foreword, p. 3
	2-26 Mechanisms for seeking advice and raising concerns	Prevention of corruption, p. 56
	2-27 Compliance with laws and regulations	Compliance, p. 11
	2-29 Stakeholder engagement (partly)	Stakeholders, p. 13-16
2-30 Collective bargaining agreements	Collective bargaining agreements p. 40-41	

MATERIAL TOPIC: SUSTAINABILITY MANAGEMENT

GRI STANDARD	DISCLOSURE	LOCATION
GRI 3: Material topics 2021	3-1 Process to determine material topics	Material topics, p. 20-21
	3-2 List of material topics	Material topics, p. 20-21
	3-3 Management of material topics (partly)	Whole report – in the parts related to specific material topics

In the tables below additional GRI disclosures for every material topic (not mentioning disclosure 3-3 – management of material topics – for each topic in the tables once more) are provided.

Where no thematic GRI Standard is relevant or used, only location of information about management of the material topic is provided.

MATERIAL TOPIC: AIR EMISSIONS

GRI STANDARD	DISCLOSURE	LOCATION
GRI 305: Emissions 2016	305-7 NOx, SOx and other significant air emissions (partly)	Other significant air emissions, p. 27-29

MATERIAL TOPIC: ENERGY USE

GRI STANDARD	DISCLOSURE	LOCATION
GRI 302: Energy 2016	302-1 Energy consumption inside the organisation (partly)	Energy consumption, p. 26
	302-4 Reduction of energy consumption (partly)	Energy consumption, p. 26

MATERIAL TOPIC: GREENHOUSE GAS EMISSIONS

GRI STANDARD	DISCLOSURE	LOCATION
GRI 305: Emissions 2016	305-1 Scope 1 emissions	GHG emissions, p. 25-26
	305-2 Scope 2 emissions	GHG emissions, p. 25-26
	305-3 Scope 3 emissions	GHG emissions, p. 25-26
	305-4 GHG emission intensity	GHG emissions, p. 26
	305-5 Reduction of GHG emissions	GHG emissions, p. 26

MATERIAL TOPIC: WASTE

GRI STANDARD	DISCLOSURE	LOCATION
GRI 306 Waste 2020	306-1 Waste generation and related impacts (partly)	Waste management, p. 31-32
	306-3 Waste generated	Waste management, p. 31-32
	306-4 Waste diverted from disposal (partly)	Waste management, p. 31-32
	306-5 Waste diverted to disposal (partly)	Waste management, p. 31-32

MATERIAL TOPIC: WATER AND EFFLUENTS

GRI STANDARD	DISCLOSURE	LOCATION
GRI 303 Water and effluents 2018	303-1 Interaction with water as a shared resource (partly)	Water and sewage, p. 29-31
	303-2 Management of water discharge related impacts (partly)	Water and sewage, p. 29-31
	303-3 Water withdrawal (partly)	Water and sewage, p. 29-31
	303-4 Water discharge (partly)	Water and sewage, p. 29-31
	303-5 Water consumption	Water and sewage, p. 29-31

MATERIAL TOPIC: COMPETITIVE REMUNERATION POLICY

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General disclosures 2021	2-19 Remuneration policy (partly)	Remuneration policy, p. 41-43
	2-20 Process to determine remuneration (partly)	Remuneration policy, p. 41-43
	2-21 Annual total compensation ratio	Remuneration policy, p. 41-43

MATERIAL TOPIC: ENERGY USE

GRI STANDARD	DISCLOSURE	LOCATION
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employees, p. 36-39
	401-3 Parental leave	Employees, p. 40

MATERIAL TOPIC: EMPLOYEE COMPETENCE DEVELOPMENT AND TURNOVER

GRI STANDARD	DISCLOSURE	LOCATION
GRI 404: Training and education 2016	404-1 Average training hours of training per employee (partly)	Development of competences, p. 44-45
	404-2 Programs for upgrading skills and transition assistance	Development of competences, p. 44-45 & Employees, p. 38
	403-3 Percentage of employees receiving regular performance and development reviews	Development of competences, p. 44-45

MATERIAL TOPIC: EMPLOYEE ENGAGEMENT, EMPOWERMENT AND SATISFACTION

GRI STANDARD	DISCLOSURE	LOCATION
-	-	Employee engagement and satisfaction, p. 44

MATERIAL TOPIC: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General disclosures 2021	2-30 Collective bargaining agreements	Collective bargaining agreement, p. 40

MATERIAL TOPIC: LOCAL COMMUNITIES AND SOCIAL INITIATIVES

GRI STANDARD	DISCLOSURE	LOCATION
GRI 413: Local communities 2016	413-1 Operation with local community <...> programs (partly)	Stakeholders, p. 13-18 Communication on environmental impact, p. 24 Complaints, p. 24 Consultation on OHS issues, p. 48 Local communities, p. 50 Prevention of corruption, p. 56

MATERIAL TOPIC: NON-DISCRIMINATION AND EQUAL OPPORTUNITY

GRI STANDARD	DISCLOSURE	LOCATION
GRI 405: diversity and equal opportunity 2016	405-1 Diversity of governing bodies and employees (partly)	Employees and equal opportunity, p. 36-39
	405-2 Ratio of basic salary and remuneration (partly)	Remuneration policy p. 41-43 Gender pay gap p. 43-44
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and actions taken	Impact management and protection of human right, p. 35

MATERIAL TOPIC: OCCUPATIONAL HEALTH AND SAFETY

GRI STANDARD	DISCLOSURE	LOCATION
GRI 403 Occupational health and safety 2018	403-1 OHS management system	Occupational health and safety, p. 45-50
	403-2 Hazard identification, risk assessment and incident investigation	Occupational health and safety, p. 45-50
	403-3 Occupational health services (partly)	Occupational health and safety, p. 45-50
	403-4 Worker participation, consultation and communication on OHS issues	Occupational health and safety, p. 45-50
	403-5 Worker training on OHS	Occupational health and safety, p. 45-50
	403-6 Promotion of worker health (partly)	Occupational health and safety, p. 45-50
	403-7 Prevention and mitigation of OHS impacts linked to business relationships (partly)	Occupational health and safety, p. 45-50
	403-9 Work related injuries (partly)	Occupational health and safety, p. 45-50

MATERIAL TOPIC: ASSET INTEGRITY AND INCIDENT MANAGEMENT

GRI STANDARD	DISCLOSURE	LOCATION
GRI 303 Effluents and waste 2016	303-3 Significant spills	Incidents, p. 24 Additional information on topic management: Asset integrity and incident management, p. 58-59

MATERIAL TOPIC: CLIMATE ADAPTATION, RESILIENCE, AND SUSTAINABLE INNOVATION AND TRANSFORMATION

GRI STANDARD	DISCLOSURE	LOCATION
-	-	Strategy and sustainable transformation, p. 8-10 Climate risks and adaptation, p. 18-20

MATERIAL TOPIC: COMPLIANCE

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General disclosures 2021	2-27 Compliance with laws and regulations	Compliance, p. 11

MATERIAL TOPIC: CYBER SECURITY AND DATA PROTECTION

GRI STANDARD	DISCLOSURE	LOCATION
-	-	Cybersecurity and data protection, p. 59-60

MATERIAL TOPIC: PAYMENT TO GOVERNMENTS AND TAXES

GRI STANDARD	DISCLOSURE	LOCATION
-	-	Financial results and taxes, p. 10-11

MATERIAL TOPIC: PREVENTION OF ANTI-COMPETITIVE BEHAVIOUR

GRI STANDARD	DISCLOSURE	LOCATION
-	-	Prevention of anti-competitive behaviour, p. 53-54

MATERIAL TOPIC: PREVENTION OF CORRUPTION

GRI STANDARD	DISCLOSURE	LOCATION
GRI 205: Anti-corruption 2016	205-1 Operation assessed for risks related to corruption (partly)	Prevention of corruption, p. 54-57
	205-2 Communication and training (partly)	Prevention of corruption, p. 54-57
	205-3 Confirmed incidents and actions taken	Prevention of corruption, p. 54-57

MATERIAL TOPIC: PROCUREMENT PRACTICES

GRI STANDARD	DISCLOSURE	LOCATION
-	-	Procurement practises, p. 57-58

Reporting period for sustainability related matter is aligned with reporting period for financial reporting (1st January - 31st December, annually).

This report is published on 25th April, 2023.

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THIRD PARTY OPINION

SCOPE

Audronė Alijošiūtė-Paulauskienė as the sustainability expert (further Expert), was commissioned to carry out an expert third-party review of AB “Klaipėdos Nafta” (KN) 2022 Sustainability Report and GRI Content Index to determine whether the information was prepared with reference to the requirements of the Global Reporting Initiative’s Sustainability Reporting Standards (GRI Standards). The services provided did not delve into the granularity needed for formal attestation of claims, nor did the review assess data quality, materiality or underlying systems.

OBJECTIVE AND METHODOLOGY

The expert’s responsibility was to express an opinion based on the review performed as to whether any matters have come to the expert’s attention, which could cause her to believe that the disclosures in KN 2022 Sustainability Report have not been prepared with reference to the GRI Standards.

METHODOLOGY

To determine alignment with GRI’s technical guidance, the expert evaluated whether the disclosures in the report addressed the requirements outlined in the GRI Standards “in reference”.

CONCLUSION

The report generally complies with the key GRI standards reporting principles of accuracy, balance, clarity, comparability, completeness, reliability and timeliness, verifiability and sustainability context.

The report disclosures address the information requirements for the reporting with reference to of the GRI Standards.

RECOMMENDATIONS

1. The impact management approach should be described more precisely for each material topic. KN could also report its impacts in a broader context of sustainable development: e.g. reductions in GHG emissions concerning the goals set out in the United Nations (UN) Framework Convention on Climate Change (FCCC) Paris Agreement, UN Guiding Principles on Business and Human Rights, and other.
2. All material topics should have goals and targets and the effectiveness of the actions should be reported. It needs to be clarified whether the progress of managing material topics is satisfactory.
3. The overall sustainability management in KN, especially its operational part, should be defined and

disclosed more clearly. It is also noted that the engagement of stakeholders should be broader than materiality discussion, with their opinions being integrated into sustainability management process.

4. Having in mind KN’s sector the climate change-related disclosures should be elaborated more. This could be done using additional reporting frameworks, such as the Task Force on Climate-related Financial Disclosures (TCFD), to disclose the potential time horizon and potential financial impacts of climate change.
5. It has to be noted that for the successful sustainability reporting according to EU CSRD regulation in coming years, it will be necessary to define whether the sustainability topic is also material from a financial perspective, i.e., if it generates risks or opportunities that influence or are likely to influence the future cash flows.

Overall, KN’s sustainability report 2022 provides an adequate and transparent view of the company’s sustainability performance. I encourage the company to continue its efforts to enhance its sustainability performance and address the improvement areas identified in the review.

STATEMENT OF INDEPENDENCE

Audronė Alijošiūtė-Paulauskienė is an independent professional with expertise in the leading sustainability frameworks. She provides sustainability reporting and nonfinancial disclosure services and training. Audronė Alijošiūtė-Paulauskienė does not have a business relationship with KN, its directors or its managers beyond that required of this assignment.

