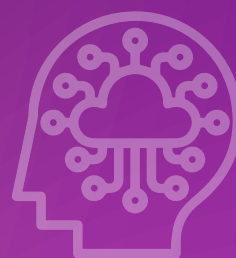


2021 ANNUAL MANAGEMENT REPORT





LIETUVOS DRAUDIMAS AB ANNUAL MANAGEMENT REPORT

for the year ended 31 December 2020

OVERVIEW OF THE MARKET

In 2021, the Lithuanian non-life insurance market recovered and compensated for the fall in 2020. According to the Bank of Lithuania, the non-life insurance market of the country, including the branches of foreign insurance companies doing business in Lithuania, reached EUR 721 million in insurance premiums written for 2021, which is 8.5% more than in 2020.

7.1 million contracts were concluded in 2021 in the Lithuanian non-life insurance market, which is 5.1% more than in 2020. There were 5.3 million valid non-life insurance contracts at the end of 2021, which is 6.8% more than in 2020. In 2021, the largest part of those insurance contracts accounted for compulsory motor third party liability insurance policies (MTPL), comprising 43% of all the contracts, which is slightly less than in 2020.

According to written premiums, the MTPL remained the largest non-life insurance type, generating EUR 239 million in premiums in 2021, which is 33% of all non-life insurance market premiums. In the business insurance segment, the MTPL grew by 4.5%, while in the resident insurance segment, this insurance type continued to fall in 2021, with the premiums decrease of 6.1% in 2021.

The second largest insurance type by the premiums written was the terrain vehicle Casco insurance. The Casco insurance premiums written in 2021 accounted for the same number (23%) of all the non-life insurance market premiums as in 2020, although the share of contracts is significantly more moderate, comprising 6%. In the resident insurance segment, the terrain vehicle insurance growth in 2021 amounted to nearly 16%, while the growth

of the Casco insurance premiums written in the business segment increased by nearly 5%.

The third largest insurance type is property insurance, accounting for 19% of all insurance premiums. In 2021, property insurance almost doubled its growth compared to 2020, with the premiums increase of 15%.

According to the insurance premiums written, these three types of insurance – MTPL, Casco and property insurance – comprised nearly 76% of the entire non-life insurance market in Lithuania.

In 2021, the premiums written by Lietuvos draudimas AB in the non-life insurance products increased more than the market in Lithuania, and only somewhat less than in Estonia. The Company maintains its leading position in Lithuania, with its position secured among the top four largest non-life insurance companies in Estonia.

In 2021, the contracts concluded by Lietuvos draudimas AB amounted to 2 million, which nearly as many contracts as in 2020. The growth rate of the insurance premiums written increased by 8.8%. In 2021, the total premiums written by the Company in the Lithuanian market amounted to EUR 214 million. According to the country's market share held, Lietuvos draudimas AB remains a strong market leader, holding 29.7% of the entire market at the end of 2021.

The resident insurance market premiums amounted to EUR 324 million in 2021. In the resident insurance segment, the premiums grew by 5.3% as compared to 2020, with Lietuvos draudimas AB growth comprising correspondingly 3.3%. The growth in the Company's corporate customer segment was significantly greater than in the residential segment. The amount of business insurance premiums written by Lietuvos draudimas AB grew by 17.2% in 2021 and while the market grew at the rate of 11.3%.

In 2021, the market growth was largely determined by the health insurance, the premium amount of which increased by nearly 26% in comparison with 2020. The health

insurance market share held by Lietuvos draudimas AB had the largest increase among all the insurers offering this service – from 15.2% to 17.5%.

ESTONIAN MARKET

The Estonian non-life insurance market recognized EUR 399 million gross written premium in 2021 increasing by 4.2% compared to EUR 383 million in 2020. The number of non-life insurance gross written premiums by the Lietuvos draudimas AB Estonian branch in 2021 increased 3.6% compared to 2020 – amounting to a total of EUR 58 million. According to the data of the Estonian Department of Statistics Lietuvos draudimas AB market share was 14.5% decreasing slightly by 0.2% y/y. Lietuvos draudimas AB Estonian branch ended fourth according to the premiums in the Estonia non-life insurance market.

MTPL market premiums did not recover and remained under prior period by -4% (EUR -3.6 million). Market growth was supported mainly by health business strong growth (+190% or EUR 3.85 million), private vehicles insurance (+6.5% or EUR 4.1 million), private property (+5.6% or EUR 3.9 million) being the most resilient during the crises and insurance for pecuniary loss growth (+30% or EUR 4 million) driven by LHV.

The structure of non-life insurance in 2021 was dominated by motor insurance, which accounted for 55%, including motor own damage insurance accounting for 31% following by property insurance with 29% of the gross premium written in the market.

As of December 2021, there were 13 companies operating in the country's non-life insurance sector among which the biggest 4 companies held approx. 70% of Estonian non-life insurance market. Estonian capital based insurer LHV Kindlustus started the active offering of motor insurance in 2021. LHV Kindlustus is also providing home insurance, MTPL and travel insurance, as well as equipment, additional guarantee insurance and insurance for pecuniary loss.

FINANCIAL RESULTS OF THE COMPANY

Non-life insurance premiums written in 2021 by Lietuvos draudimas AB together with its Estonian branch amounted to EUR 272 million and, compared to the EUR 253 million

of premiums written in 2020, achieved a 7.5% growth. The Company successfully grew in both of its Lithuanian and Estonian markets.



The Lietuvos draudimas AB demonstrated profitable performance in both its markets. The net profit of Lietuvos draudimas AB in 2021, including the result of the Estonian branch, amounted to EUR 26.9 million, compared to EUR 25.7 million in 2020. The Company's operations were profitable in both the non-life insurance activities and investment portfolio management in 2021.

The Company earned EUR 27.9 million from direct non-life insurance activities in 2021 (EUR 27.6 million in 2020). The successful result in the non-life insurance segment and stable profits were determined by the further growth of premiums earned, which is the consequence of the increased business volumes in the Company and decreasing cost ratio. The fixed cost control in the Company and focus on efficiency prevent the increase of the expense indicators at the same or higher rate than income, resulting in the improvement of the Company's profitability.

The Company continued its conservative investment policy in 2021, concentrating its investments in the European government debt securities and safe securities of the strong companies.

In terms of investments, the Company's activities in 2021 were also successful. The profits from investment activities of Lietuvos draudimas AB together with the Estonian branch comprised EUR 3.2 million, as compared to EUR 2.8 million in profits from investment activities in 2020.

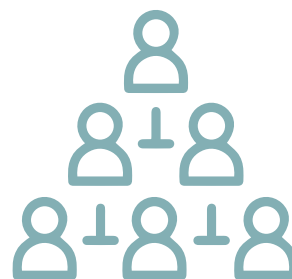
The sum of claims settled with the Company's customers continues to increase annually. In 2021, the Company together with the Estonian branch settled non-life insurance claims for the amount of EUR 142.9 million, i.e., 10% more than a year ago (EUR 130.3 million in 2020).

Corporate income tax expense of Lietuvos draudimas AB increased by 11% in 2021 and amounted to EUR 3.9 million (EUR 3.5 million in 2020).

SHAREHOLDERS AND STRUCTURE

Lietuvos draudimas AB belongs to the Polish, Central and Eastern Europe insurance group Powszechny Zakład Ubezpieczeń Spółka Akcyjna (PZU SA), which held 100% of Lietuvos draudimas AB shares in 2021. in 2021.

In 2021, the Company acquired, disposed and, as at 31 December 2021, held no own shares. In 2020 and as at 31 December 2021, Lietuvos draudimas AB did not have subsidiaries. The Company has a branch in Estonia, which operates under a registered name of Lietuvos Draudimas AB Eesti filiaal. Company code 12831829, head office address Parnu mnt. 141, Tallinn, Estonia.



COMPANY STRATEGY

In 2020-2021, Lietuvos draudimas operated in accordance with the Restart strategy. The strategy was focused on successful growth and optimising the company's cost base in order to maintain the position of the market leader and stable financial results: consistent profitability, ambitious combined insurance indicator and efficient cost management.

At the end of 2021, the Company approved a new strategy for 2022-2024. In this strategy, the company named its goals, linking them with the activities of the shareholder PZU SA. Lietuvos draudimas AB will continue to pursue consistent activities seeking stable growth and the best customer experience. The Company also plans to pay more attention to sustainability activities and continue to invest in the well-being of its employees.

THE COMPANY'S CUSTOMERS AND THEIR EXPERIENCE

At the end of 2021, Lietuvos draudimas AB had 597,234 unique customers, of which 561,937 were natural persons and 31,297 legal entities. In 2020, the Company had 588,155 customers.

Seeking improvement of the services and contact points with the clients, since 2010, Lietuvos draudimas AB has been using the Voice of the Customer system. This system helps to listen to customers and consider their opinion.

At the end of 2021, the Net Promoter Score indicator amounted to 77% (74% in 2020).

During 2021, the number of private customers grew the fastest in housing, casco and compulsory third-party liability insurance products. In the segment of corporate customers, the highest growth was recorded in the health and Casco insurances.

"IT MAKES A DIFFERENCE WHERE TO ACQUIRE INSURANCE" – A VALUE STRATEGY FOR PRIVATE CUSTOMERS

Lietuvos draudimas AB continued the value strategy for private clients prepared in 2015, thus further improving and expanding the range of products with added value for clients.

COMPULSORY DRIVER'S THIRD-PARTY LIABILITY INSURANCE:

In 2021, the Company improved the Driver's Third-Party Liability Insurance offer and offered customers a new added value to the usual insurance package – insurance against complete destruction of the vehicle, aimed at customers who do not have a casco insurance but want to protect themselves from losses when after the occurrence of the event the vehicle is deemed unrepairable (beyond economic repair). In this case, the customer can receive a maximum benefit of up to EUR 10,000.

CASCO INSURANCE

After the renewed casco product introduced to the market in 2020, Lietuvos draudimas further developed and improved this product in 2021, focusing on increasing the value for its customers. The sum insured of accident insurance has been increased from EUR 10,000 to EUR 15,000, the product terms and conditions have been updated, eliminating the "grey areas", increasing the technical assistance limit in the event of an accident abroad, and clarifying the definition of a motorhome.

HOME INSURANCE

In 2021, the Company substantially revised the terms and conditions of the housing product insurance and issued a new version of the terms and conditions to ensure that product coverage meets the current needs of customers. The changes were intended to correct the discrepancies, reduce the "grey areas" due to insured events and, of course, to add the most relevant values so that the insur-

ance coverage is constantly relevant and best meets the growing needs of the customer in the market.

In 2021, Lietuvos draudimas continued to offer extended home insurance to new customers. In order to encourage non-insured residents to take out home insurance, the Company organised a communication campaign "Extended home insurance" and offered a 15-months housing coverage for a 12-months' price. During the campaign, we provided all new customers with the same additional values by choosing the home insurance that meets their needs: an increased sum insured of third-party liability insurance, free personal third-party liability insurance and extended insurance coverage.

PERSONAL INSURANCE

Lietuvos draudimas started the second half of 2021 with a campaign for customers "Two insurances as gifts" and paid great attention to personal insurance sales in the family segment. All new clients with family personal insurance were given two additional insurances free of charge: personal third-party liability and medical expenses.

TRAVEL INSURANCE

In response to the ongoing pandemic, in 2021, the Company offered its customers the opportunity to acquire the travel insurance product with a current COVID-19 risk option.



CUSTOMER SERVICE AT COMPANY OFFICES

In 2021, Lietuvos draudimas AB invested in the renovation of its offices throughout Lithuania and plans to continue these works in 2022. In total, the Company renovated 26 offices (compared to 5 offices renovated in 2020, and 10 in 2019), which were adapted for hybrid working.

The decision to work in a hybrid model means that the Company's employees, taking into account the ongoing pandemic, work in the office by a factor of 0.5 – part of

the time working in the office and part at home. This work model also requires renovated premises that would enable efficient use of the space required for a smaller number of employees.

At the same time, renovation also means modern solutions for the Company's customers and comfort for employees. Each office adapted to hybrid working is equipped according to the prevailing modern trends: renovated interior, ex-

cellent plumbing and power networks, and spaces arranged for convenient customer service.

CUSTOMER SERVICE IN E-SPACE

2021 was another year of the digital leap that extended the growing need of customers to deal with insurance issued remotely that emerged with the onset of the COVID-19 pandemic. Realising the changing habits of customers, also this year the Company focused on customer service in e-space – further improved its self-service system Savas LD and expanded the range of services available in the e-space.

When assessing customer activity, the Company calculated the following self-service results:

- The number of successful logins to self-service in 2021 increased by as much as 54.2% compared to 2020.
- In 2021, we recorded + 0.5 million more successful logins.
- Along with the growth in logins, the payments via Savas LD also increased by 32%, amounting to nearly EUR 7 million more than in 2020.

During 2021, in order to improve the customer experience in self-service, the Company devoted most of its IT resources and made the following changes:

- Improvements in cash balance management and payments;
- Extending casco damage registration functionalities;
- Development of card payments;
- Improvements in the administration of business product offers;
- Process for claims registration and administration in compulsory driver's third party liability insurance;
- Process for property claims registration and administration.

In general, all actions allowed to significantly increase the share of active customers in the self-service. The Company recorded that in 2021, self-service had 49.9% active private customers (37.2% – in 2020), and 16.5% business customers (6.7% – in 2020).

In addition to the changes in the self-service space, the Company has developed new products that customers can conveniently purchase in e-space, i.e., home and casco insurance products. The team also worked to improve the customer's route on the Lietuvos draudimas website www.ld.lt to make it faster and more convenient for the customer.

BUSINESS CUSTOMERS – RELATIONSHIP BASED ON TRUST

Close communication and trust are the key aspects that the Company fosters in its communication with Lietuvos draudimas business customers. In order to cooperate smoothly, we run various initiatives in our organisation – we invite legal clients to educational and entertainment events, we encourage them to talk not only about business or future contracts, but also to communicate in a slightly different informal environment.

According to the data of 2021, we achieved a market share of 22.8% in the business sector, and we grew by 17.2% in 12 months compared to 2020. We value business customers who trust us, choose us and allow us to contribute to the security of their business.

In 2021, the needs of business customers also responded to the general trend – businesses were looking for ways to improve the physical and psychological health of their employees, and people valued these steps taken by employers. As health coverage is in pursuit of important aspects, in 2021,

Lietuvos draudimas AB continued expanding the number of insured persons covered with health insurance and increased its market share in this product by offering a complex of additional actions, which allowed to expand the penetration of this segment and stimulated companies, which previously did not have this insurance, to acquire this product.

It is estimated that during 2021, Health Insurance grew by 25.9% in the entire market, and Lietuvos draudimas AB health insurance sales are growing every year, with a growth of 47.2% in 2020 and 44.7% in 2021, reaching the market share of 17.5%, which means the company has taken the second place in the market.

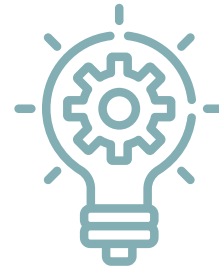
Contributing to emotional stability and health, the Company organised online lectures on health topics for its Health Insurance business customers. In 2021, Lietuvos draudimas AB created a new e-space to foster communication with brokers and intermediaries, where important information and expert insights are conveniently shared. The Company also ran a preventive communication line on the social network LinkedIn called #patarimasverslui (#tipsforbusiness).

The year 2021 also delighted us with new partnerships with other businesses in the Lithuanian market, creating the best experience for customers. Cooperation has been initiated with Lietuvos Paštas AB, Tele2 Lietuva and Elektrum Lietuva, which help each customer to acquire the services of Lietuvos draudimas AB in the most convenient way.



INNOVATIONS

Digitisation and teleworking, which began in 2020 in response to the crisis, turned into a transforming mechanism in 2021, which called for the expansion of business principles. The ambition of Lietuvos draudimas AB is to implement innovations in the insurance market, thus streamlining the activities of the company's employees and improving customer experience.



CLAIM SETTLEMENT AT THE TIME MOST CONVENIENT TIME FOR CUSTOMER

Since the beginning of the pandemic, Lietuvos draudimas AB has recorded a growing customer activity on the Internet: both in purchasing products and in self-service and claims administration. Adapting to new customer habits in 2021, Lietuvos draudimas AB significantly innovated the field of claims administration by implementing significant changes. The first change was implemented in August 2021, when the entire claims registration process was moved to the self-service website Savas LD.

Management of claims in self-service to customers means the most important things in this modern world: the freedom to handle claims at the convenient time, on day of the week (24/7), and data security. The self-service is protected by the customer's unique login credentials, making it the safest way to communicate with the insurer.

Self-service registration of the customer's claims also ensures faster claim administration, as the process itself becomes more straightforward – when all the customer's

information is available in one place, the expert manages, reviews and analyses it faster, which means that the indemnification reaches the customer faster than usual.

For customers who use online services less frequently, the Company has prepared all the information materials that explain the new process step by step. The team of Lietuvos draudimas call centre was ready to help every customer by providing consultations during the claim registration. Moreover, the Company has installed self-service computers or tablets at all customer service points, which can be used to connect to the self-service platform, and the experts working there are always ready to assist if any questions arise.

At the end of 2021, assessing the success of the change, the Company recorded that 82% of private customers are already using the self-service Savas LD to register their claims. In the business customer sector, the change is also obvious – 66% of customers register claims in the self-service.

FIRST CLAIMS SETTLED WITHOUT EMPLOYEE INVOLVEMENT

In the autumn of 2021, for the first time in the history of Lietuvos draudimas AB, motor claim was settled without the participation of employees, i.e., in a completely robotised manner. The robotic method is the calculator for Compulsory Driver's Third-Party Liability Insurance and Casco Insurance claims that was launched in self-service Savas LD.

The newly installed calculator enables the customer to not only notify about the fact of the damage, but also, after specifying the damages, to immediately receive the calculation of the indemnity performed with the use of an algorithm. The customer performs the entire claim administration independently: registers the claim in the self-service, assesses the loss, submits the documents and photos of damages, indicates the bank account and receives an

indemnity after agreeing to the evaluated damage. No claims employee is involved in this entire process.

In order for the automatic algorithm to calculate the customer's damage, the tool was adapted to the needs of Lietuvos draudimas customers. The Company's employees have determined and implemented the rules for evaluating each possible damage to the vehicle, and it is according to these rules that the algorithm evaluates and calculates the indemnification amount payable to the customer.

Payment of indemnification takes place in three stages:

- Entering damages – the customer enters the required information into the system and marks the damages;
- Evaluation according to the rules – the internal

algorithm evaluates the damage marked by the customer according to the established rules;

- Calculation mechanism – the indemnification calculated by the algorithm is sent to the customer, who confirms whether it is appropriate for him/her;
- If the customer does not agree with the amount specified by the algorithm, only then will the claim be passed on to the claims specialist for further administration.



Robotic claims regulation allows Lietuvos draudimas AB to minimise the claim cycle and pay indemnification to the customer within the shortest time, while also saving our team's work resources. It is planned that in the future this automatic process will be developed in such a way that after the customer's decision to click "I agree", he/she will receive a payment within a few hours or even minutes, i.e., no longer than it takes for an instant payment.

GOLD – A MODERN SALES SYSTEM

In 2021, the Company started running all its sales to private customers and part of its business sales only by using its own innovative and intuitive sales system goLD. The functions of the system make the daily work of Lietuvos draudimas AB consultants, intermediaries and brokers simpler, faster and more efficient.

The system allows to create an offer for a customer in just a few steps, i.e., by entering the basic information about the client, an offer is generated with the help of several clicks,

and the submitted offer can be converted into an insurance contract by a single click.

The new sales management system clearly provides the seller with all relevant information about the customer: insurance, ending contracts, upcoming payments, etc. This step allows the Company's sales team and brokers cooperating with Lietuvos draudimas AB to execute sales faster and more efficiently, while providing the customer with a more innovative insurance service purchasing experience and the employees with a modern user-friendly tool.

ACTIVITIES OF THE ESTONIAN BRANCH

At the end of 2020, Health Insurance product was launched to participate in strongly growing health market. In the first half year Lietuvos draudimas AB Estonian branch focus on Health Insurance product further development in production system and self-service platform enabling to participate in larger fleet tenders. The product was launched in July 2021 and the second half of the year has been very successful as sales are exceeded Plan.

Several initiatives initiated in claim handling for efficiency improvement:

- Direct handling with some reliable car repair shops was initiated and first agreements with car repair shops are signed in order to increase efficiency in MOD and MTPL claim handling activities;
- Client value (traffic light) development was completed and it has been launched into TIA – all claim and client fields show 3 values: clients total GWP, claim and policy pieces;

- Further development of automatic invoice payment process in claims handling to launch the project at the beginning of 2022. The main goal is to reduce the manual work of claim handlers and automate claim handling process.

Ongoing self-service portal phase II developments in pre-filled claim forms with policy details; cloning e-store for logged in users; form of termination of contract, create self-service advertising spaces – lives are planned in 2022. Further planned self-service development starting in 2022 is claims registering functionalities for repair shops.

Improvements in debt management by launching SMS delivery project by sending SMS to policyholder to notice unpaid invoices. Project is delivering expected results.

It was started to sell MTPL insurance as monthly prepaid instalments in the online store and in the direct sales channel.

CLAIM INDEMNIFICATION IN LITHUANIA

During the year 2021, the number of cases of claims registered in Lithuania increased by 43.98% compared to 2020 and reached a total of 311.6 thousand claims. The largest part of claims handled by the Company in Lithuania in 2021 were health claims – 54.67% and transport claims – 22.30%.

In 2021, 73.20% of all claims (except health claims) were settled by the Company within a month, 28.23% – within 5 days, and 5.5% of claims – on the day of reporting. The pandemic brought a new approach to claim inspections. The Company administered more claims from photos of damaged property, vehicles and insured items provided by customers.

During the year 2021, the Company's clients were compensated with EUR 2.87 million for claims caused by storms and other natural disasters. In 2021, the most significant damage was caused by heavy snowfall in the winter, the loss amounted to EUR 1.27 million.

In 2021, the settlement and indemnification of the largest claim (EUR 0.553 million) to a legal person due to the fire that occurred in 2018, during which the grain warehouse had burned down.

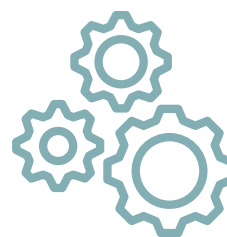
The largest damage that took place and was compensated to a private client in 2021 amounted to EUR 0.145 million for a burnt down business structure.

The largest claim of the legal person that occurred and settled in 2021 was the sum amounting to EUR 0.551 million due to the fire in the biogas plant facility.

Compared to 2020, the Company identified 68.27% more fraudulent cases (1294 in 2021); however, their value (amounts unpaid) reached EUR 2.342 million, or 56.92%, more than in 2020. The most frequent types of fraud according to the identified number of fraud cases: 52.09 percent - increased value of damages – 17.08%; - falsification of circumstances of the event – 9.74%; - attempting to receive indemnification by purchasing insurance after the event. Even though according to the statistics, falsification of circumstances amounts to only 17.08%, these cases are of a higher value as the falsification of circumstances comprises 34.91% of value of all identified fraudulent actions in 2021 (comprising 34.90% in 2020). The largest revealed fraud of 2021, when the event circumstances were attempted to be tampered with to increase the damages, amounted to EUR 0.455 million.

CLAIM INDEMNIFICATION IN ESTONIA

Lietuvos draudimas AB Estonian branch registered 29 083 claims in 2021, which is 7.2% more than in 2020. The largest share of claims in the Estonian branch were motor claims, comprising 68.5% (in 2020: 65.2%) of all the claims, private property claims – 18.8% (in 2020: 19.1%) and travel insurance claims – 3.9% (in 2020: 8.6%).



HUMAN RESOURCES

In 2021, Lietuvos draudimas AB had 866 employees (958 in 2020). The average aggregate working time of Lietuvos draudimas AB employees is 10.6 years, average age – 42 years. This indicator is stable and has not changed for the past 6 years. In 2021, the turnover rate was 19.8% (voluntary turnover – 15.3%).



EMPLOYEE ENGAGEMENT

Lietuvos draudimas AB monitors and analyses the engagement of its employees since 2000 and initiates actions that promote employee engagement.

The engagement survey of Lietuvos draudimas AB is used as a tool allowing to objectively measure the Company's success in creating a culture of trust and engagement, assess the strategic coherence, motivation and relations, as well as implementation of objectives. Lietuvos draudimas AB does its best for the employees to be proud of working at the Company, to recommend it to their friends and acquaintances, and to become true ambassadors of the Company.

We monitor the engagement survey in two directions: how many of engaged employees we have and what is the percentile rank compared to other organisations around the world. Percentile rank assessment is an organisation's diagnostics in which only quantitative data (the score given in answers to the questions) are assessed, while all questions and qualitative data, such as response time scores, comments and their nature, i.e., positive, negative or even not recorded, are taken into consideration to determine the engagement levels. We compared the result of our company this year with the result of 2019, because then we used the same methodology with the results of other companies conducting this study.

According to the survey, this year 27% of Lietuvos draudimas employees are engaged, and compared to 2019, this number has more than tripled. These employees are engaged and feel satisfied. They are motivated to work better than expected and also set a great example for others and are determined to go the extra mile every day for the good of the company.

64% of employees fall into the middle of the scale. This means that these employees perform their job well and are

a very important part of the organisation. They need to be valued and recognised when they achieve their goals. However, these employees are reluctant to take the extra step.

9% of the organization's employees are classified as non-engaged. These employees are silently or passively non-engaged. They go with the flow or have given up, but many of them have the potential to become more engaged if the causes of dissatisfaction are eliminated.

The percentile ratio is measured by comparing the organisation's performance with that of other companies around the world. The lowest possible percentile rank is 1%, the highest is 99%. The percentile rank is used to evaluate 4 areas of the organisation:

- **Engagement culture** – does the organisation have a culture that ensures respect for employees, motivates them, gives them opportunities and offers challenges?
- **Motivation and relationships** – do managers motivate employees to achieve the best results? Do they build strong relationships and a united team?
- **Strategic coherence** – do employees understand the direction an organisation is moving and how they contribute to its success?
- **Implementation** – do managers clearly define expectations, ensure employee accountability and achieve tangible results?

The percentile rank 98% demonstrates that the activities that Lietuvos draudimas AB carries out for its employees are appreciated, and are suitable and clear to the employees. The employees essentially value what the Company provides for them: environment, culture, career opportunities, and they understand the company's strategic directions, etc. At the same time, this indicator shows that in terms of this aspect we are better than 98% of the companies participating in this survey, which is a really great result.

INTERNAL CAREER

Lietuvos draudimas AB pays a lot of attention to the internal career of its employees and promotes growth of its employees inside of the Company: In 2021, 63% of vacancies were filled by internal candidates (in 2020 – 59%). In 2021, 90 employees made internal vertical or horizontal careers (in 2020 – 74). 3 specialists became managers (7 in 2020), and 7 managers became managers in the next level/ in another field (4 in 2020).

The Company is a member of the Human Resource Management Professionals Association (PVPA) participating actively in the activities and events of this organisation. One of the Company's employees is a lecturer of the HR Standard Programme organised by PVPA.



ADDITIONAL BENEFITS

In today's society, when teleworking or hybrid working is becoming an integral part of all organisations, there is increasingly more focus not only on the specifics of such work, but also on the well-being of employees. When we work at home, we often feel the boundary between work and personal life has become blurred, and when we lack social contact with colleagues and a sense of community and belonging to an organisation, we have a harder time coping with rising emotions and we move less.

This is the second year that Lietuvos draudimas AB is working remotely and we plan to continue working in a hybrid method in the future, thus, we care that each of our employees is able to adapt and feel well. Realising the urgency of all this, the Company invited employees to take care of their emotional and physical well-being together and presented a continuous programme "I feel good". The employees attended lectures on emotions at work, psychological resilience and sympathy. The employees were also invited to improve their physical well-being by participating in walking challenges organised by the Company, such as the "LD Century Challenge" and the "Walk15 Organisations Challenge".

Taking into account the trends of teleworking and hybrid working, and taking care of the quality workplace of employees at home, the Company has allocated a financial gift of EUR 200 to each employee (excluding assistants) to improve their workplace at home.

In order to achieve a better work-life balance, the Company has approved a workation of 182 days per year in the European Union for all employees with the appropriate type of position. Workation is one of the things that came with teleworking, leadership based on trust and has been established as a normal practice when an employee chooses to work remotely while being in another country.

Employees particularly appreciate the additional benefits of the Company – 5 additional days of leave per calendar year. This benefit is available to employees who have worked for more than two years. Lietuvos draudimas AB encourages employees to maintain a work-life balance and well-being, therefore the Company ensures that employees devote extra time to their rest.

Lietuvos draudimas AB continued to take care of the health of its employees and insured all its employees (after assessment and completion of the probationary period) with the Health Insurance. The Company also continued the added benefit of health days, i.e., a leave for improvement of health in the case of mild and short-term health problems. Such health days are provided to all employees, up to 4 days per year in cases where the employee does not seek help at a health care institution and recovers at home. The company also provided free flu vaccinations. As every year, Lietuvos draudimas AB insured its employees against accidents.

STRENGTHENING THE COMPETENCIES OF EMPLOYEES

The pandemic continued in 2021, which resulted in the emergence of teleworking or hybrid working. These forms of working have also led to distance learning and participation in conferences. As much as 95% of training took place in a remote format. In 2021, 1102 company employees attended at least one training. Lietuvos draudimas AB provided approximately 27 hours of training per employee per year. The employees improved their qualification by attending internal and external trainings and seminars, the lectures in the programme "I feel good" organised for all employees, as well as during the "Leadership Conference", gained experience in foreign and Lithuanian conferences. They also took courses at the electronic academy of Lietuvos draudimas AB – eLDa, and on other learning platforms.

In 2021, the Personal Development section has been created for employees on the intranet, where employees have the

opportunity to watch video lectures, find recommended reading material and webcasts.

We participated in 18 conferences in Lithuania and 8 conferences abroad, with a total of 307 employees attending the conferences. In 2021, the training topics were mainly related to the strengthening of professional and general competencies, such as how to motivate oneself in a changing environment, resilience to change, personal effectiveness, building and maintaining relationships, negotiation, emotional cognition, psychological resilience, etc. We have also focused on strengthening the competencies of new managers.

The employees developed new skills not only in training with the help of external lecturers, but also shared their experience with colleagues during the internal initiatives "Afternoon Interviews", "E-coffee", etc.

ESTONIAN BRANCH

Inspired by positive feedback from last year Estonian branch repeated donation activities to medical staff, ambulance and rescue services. This time organization contribu-

ted with refreshment and fruits to support frontline staff with vital vitamins in these difficult times.



SOCIAL RESPONSIBILITY: CREATING A SAFER WORLD

SUSTAINABLE ACTIVITIES AND ENVIRONMENTAL PROTECTION

Although the impact on nature and environmental pollution from the companies working in the same field as Lietuvos draudimas AB is minimal, we always search for ways for efficient consumption of resources we use every day and contribute to a more cherished environment. In 2021, the Company paid a lot of attention to planning and emphasising specific actions that it will more actively seek in the field of sustainability in 2022-2024.

In 2021, taking into account the activities of the shareholder PZU SA, Lietuvos draudimas AB has updated its Environmental Protection Policy, the aim of which is to reduce the Company's impact on the environment and provide its divisions with a consistent operating system based on which environmental impact must be measured and registered. The Company has also approved a new Human Rights Policy in accordance with the relevant policies of PZU SA. The aim of this policy is to protect human rights and create an organisation that supports diversity.

In October 2021, the Company took over and started following the PZU Group Sustainable Development Policy, according to which it planned actions allowing to manage environmental and sustainability risks. According to this document, the Company intends to take sustainability actions in the following directions:

- to reduce the impact of climate change by supporting the customers' sustainable choices through the Company's offers;
- to develop and offer customers greener service implementation solutions;
- to minimise environmental impact when choosing partners and suppliers;
- to carry out social responsibility actions related to the promotion of a healthier lifestyle and prevention of diseases both in the society and in our team;
- to maintain the balance of work and leisure and to take care of the emotional experience of the Lietuvos draudimas employees at work.

In line with the EU's Green Deal, in 2021, the Company began reviewing its existing risk management system in order to operate in accordance with the global sustainability risk management system ISO4001 and to become certified to this standard in the coming year.

Lietuvos draudimas AB included the relevant United Nations Sustainable Development Goals in its 2022-2024 strategy, in which it will carry out socially responsible and sustainable activities in the coming year.

“LESS PAPER!”

The Company started the year 2021 with a new, more sustainable habit and launched the “Less Paper” initiative. By the end of 2020, we calculated that by using paper in our processes, in terms of sustainability figures, we consume enough paper in one month to cut 31 trees. This figure became a reflection of the very significant changes in Lietuvos draudimas company. The “Less Paper” project covered almost every area of Lietuvos draudimas and became a significant part of new habits and a different culture.

In the scope of the project, the company reviewed its processes and assessed ways to reduce the number of paper documents. Based on the information gathered, the following actions have been taken:

- implementation of the electronic signature;
- focusing on development of the self-service website savasLD.lt and transfer of the processes to the digital space;
- reviewing the processes and moving some of them to the digital space: changing the debt notification process, thus reducing the number of paper letter notifications, and digitisation of the most commonly used documents that had to be sent by regular mail, etc.;
- increasing e-declaration awareness among our customers and encouraging its use;
- setting limits for printing using printers;
- introducing a duplex printing method;
- reducing the number of printers;
- reminding both employees and customers about digital solutions, e.g., that there is no need to have the compulsory third-party liability insurance in the vehicle, etc. We also encouraged employees to think before printing the document whether it is really necessary, thus strengthening the new habit.

The amount of paper used for printing in 2021 amounted to 2.92 tonnes, and compared to last year's indicator, decreased by 402%. In total, at the end of the year, the Company had

80% of customers whose service was handled without paperwork, allowing to reduce the amount of paper for customer service by 70%. Counting in trees, we reduced the use of paper so much that from the 31 trees we used to “cut” per month, it was only 8 trees in 2021.

USE OF OTHER RESOURCES

Since 2011, Lietuvos draudimas AB has been using energy from renewable energy sources as a part of its energy consumption. This is supported by the “Powered by Green” certificate. The Company strives to recycle as large a portion of secondary raw materials as possible, and choose more efficient means of transportation and more economical ways to travel for work assignments.

The Company consumed 1,582 MWh of electricity in 2021. In 2020, power consumption amounted to 1,493 MWh, which is 5.7% more.

In 2021, the energy consumption for heating of premises comprised 5,682 GJ, and, as compared to 2020, decreased by 3.5%.

In the course of the year 2021, in all its divisions in Lithuania, the Company used 3,364 m³ of water, which is by 57% less than in the previous year. The natural gas consumption in the said period amounted to 36.8 thousand m³.

The vehicles used by the Company employees travelled a total of 1,724 million km. The maximum, i.e., 1,368 million km, has been driven by diesel vehicles, and 338 thousand km – by petrol vehicles. In 2021, during the business trips, employees flew 45.503 thousand km.

In 2021, Lietuvos draudimas AB removed 824 m³ of waste, which is 4.8% more than in 2020. The Company also contributed to the recycling of waste – in the course of the year, its employees separated and recycled 1.7 tonnes of paper.



ENVIRONMENTAL PROTECTION IN THE ESTONIAN BRANCH

The electricity consumption of the Estonian branch amounted to 176 MW, in 2020 it was 194 MW. The heating energy consumption of the Estonian branch amounted to 253 GJ, in 2020 it was 194 GJ. The water consumption of the Estonian branch amounted to 344 m³ in 2021, in 2020 it was 336 m³.

The Estonian branch paper consumption remained in the same level as in 2020 - 0.8 t.



GENERAL DATA PROTECTION REGULATION

Implementing the General Data Protection Regulation (GDPR), which came into force on 25 May 2018, Lietuvos draudimas AB act consistently ensuring high level of data protection, i.e., regularly reviewing and updating its internal procedures regulating processing of personal data to ensure that they conform to the current provisions of the legal framework (laws and requirements set forth by the State Data Protection Inspectorate) and relevant interpretation of the court rulings.

In 2021, the Privacy Policy of Lietuvos draudimas AB and the Procedure for Legal Protection of Personal Data of Lietuvos draudimas AB regulating the basic principles of personal data protection, the Procedure for Identifying and Investi-

gating Personal Data Security Violations and the Procedure for Assessing the Impact on Personal Data Protection have been updated, and all the company's employees have been familiarised therewith. The employees of the Lietuvos draudimas AB annually broaden their knowledge in the field of protection of personal data by taking the assessment test compulsory to all employees.

Seeking to ensure protection of personal data and all information related to protection of insurance, as well as safe and convenient provision of insurance-related information to customers, the self-service portal Savas LD of Lietuvos draudimas AB is continuously expanded with additional functions.

CORRUPTION PREVENTION

Lietuvos draudimas AB takes a strict stance in its corruption and bribery prevention policy, which is binding for all Company employees and applies to all its activities. Lietuvos draudimas AB employees have no right to give, offer or accept any type of bribes or "process acceleration payments", as well as any inappropriate gifts or offerings. This commitment applies not only in interactions with the state officials but also with any natural or legal persons.

Lietuvos draudimas AB internal Company intranet webpage has published the rules and advice list on how and when employees can give or take presents or other services, without violating the anti-corruption legal acts. The Company has determined that employees who might encounter bribing and corruption in their activities should have access to anti-corruption policy implementation relevant trainings.

The Company's team members must immediately inform the law enforcement officials or their own management regarding any attempts of bribing. The Company has

undertaken the obligation to combat bribery and corruption according to the legal acts in force in Lithuania, codes of conducts, and according to the best practice, which is disclosed in the Company's Corruption and Bribery Prevention Policy.

Lietuvos draudimas AB community also joins the fight against corruption, as well as adherence to the supporting principle, which prohibits to support and allocate funds to political parties, military organisations, organisations representing any single religion and persons who seek individual support.



HUMAN RIGHTS

Acting as a socially responsible company, Lietuvos draudimas AB supports the human rights principles proclaimed in the Universal Declaration of Human Rights, the ILO Labour Core Conventions, and is a signatory of the UN Global Compact. The Company undertakes to ensure to prevent any human rights violations in its activities.

Lietuvos draudimas AB respects and upholds the right to equal opportunities and non-discriminatory behaviour; the right to security of persons, children's rights, freedom of association and the right to collective bargaining. In its activities, the Company ensures that no forced labour is used in its activities, that a safe and healthy workplace is provided to the employees, and that the employees are paid a fair wage, that no bribes are paid and the Company's products are not used to abuse human rights.



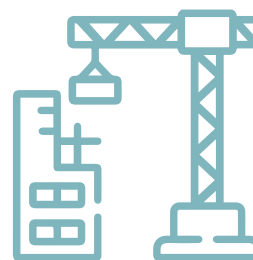
THE COMPANY CONTINUES CONSTRUCTION OF THE NEW OFFICE AND RESIDENTIAL COMPLEX

In autumn of 2019, Lietuvos draudimas AB obtained the construction permit for construction of the administrative and residential complex on the land parcel on J. Basanavičiaus g. 10 in Vilnius held in its management. The construction of the complex was commenced on 2 January 2020. The complex construction will be ensured by the contractor selected in procurement procedure – Panevėžio statybos trestas UAB. The authors of the complex project are the team of architects from the Lithuanian and Danish companies Archinova and PLH Arkitekter A/S.

This complex of administrative and residential buildings for presented to the public in the summer of 2018. The project has been reviewed and approved by all competent authorities and the construction permit has already been issued.

The complex will comprise the administrative premises with an area of 3,600 sq.m and residential premises with an area of 2,000 sq.m, including the underground parking lots. All the employees of Lietuvos draudimas will be moved to the largest building of the complex.

It will be equipped workplaces suitable for the hybrid working model, and feature modern meeting rooms and lounges. The office complex and building with modern studio apartments will be built next to this building, which will be all joined by an inner yard. All the premises will be arranged autonomously and provided with separate drive-ins, entrances and car parking spaces. The buildings will



feature the optimal microclimate from renewable energy sources, which will conform to efficiency class A+. Part of the underground parking spaces will be used for the public needs in accordance with the contract concluded with the Vilnius City Municipality.

The construction of the complex is expected to be completed in the autumn of 2022. Lietuvos draudimas AB investment into the project will amount to EUR 18.5 million.

The site under development is managed by Lietuvos draudimas AB according to the land use agreement concluded with the National Land Service under the Ministry of Agriculture. Its development with construction of administrative, commercial and residential buildings was approved in the detailed plan of the land parcel in 2007 by the Vilnius City Municipality.

BEING A LEADER, CREATING VALUE FOR EMPLOYEES, CLIENTS AND SHAREHOLDERS

In 2021, the Company renewed its mission and values. “We work towards your secure and peaceful future” – by stating this mission, the Company speaks of the security for everyone – both its employees, to whom it promises to be the best employer; and its customers, whose trust is considered to be the main evaluation of its activities, and the shareholders, thanks to whose investments Lietuvos draudimas AB constantly strives to be market leader, and to operate profitably and sustainably.



Kęstutis Šerpytis
Chief Executive Officer

28 March 2022

Lietuvos draudimas AB is guided by three values in its activities:

- **Desire to win** for the benefit of customers, employees and shareholders;
- **Freedom to act**, enabling curiosity and leadership in market innovation;
- **Cooperation** based on a transparent, fair and effective partnership.