

2019 ANNUAL MANAGEMENT REPORT





LIETUVOS DRAUDIMAS AB

ANNUAL MANAGEMENT REPORT

For the year ended 31 December 2019

OVERVIEW OF THE MARKET

In comparison with 2018, the Lithuanian non-life insurance market growth slowed down in 2019. 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 675 million in insurance premiums written for 2019, which is 7% more than in 2018.

7.4 million contracts were concluded in 2019 in the Lithuanian non-life insurance market, which is 5% more than in 2018. There were 4.8 million valid non-life insurance contracts in the Lithuanian market at the end of 2019, which is nearly the same as in 2018. The largest part of those insurance contracts accounted for compulsory motor third party liability insurance policies (MTPL), comprising 44% of all the contracts.

According to written premiums, the MTPL remained the largest non-life insurance type, generating EUR 259 million in premiums in 2019, which is 38% of all non-life insurance market premiums. In the business insurance segment, the MTPL growth

was somewhat more moderate, just over 2%, while in the resident insurance segment, this insurance type growth was somewhat faster, with the premiums increase of 5% in 2019.

The second largest insurance type by the premiums written was the terrain vehicle Casco insurance. The Casco insurance premiums written in 2019 accounted for nearly a quarter (23%) of all the non-life insurance market premiums, although the share of contracts is significantly more moderate, comprising 4%. In the resident insurance segment, the terrain vehicle insurance growth in 2019 was in the double digits, exceeding 11%, while the growth of the Casco insurance premiums written in the business segment amounted barely to 1%.

The third largest insurance type is property insurance, accounting for 17% of all insurance premiums. The property insurance had a prudent growth in 2019, increasing at a stable rate, with the premiums increase of 8%.

According to the insurance premiums written, these three types of insurance – MTPL, Casco and property insurance

– comprised nearly 80% of the entire non-life insurance market in Lithuania.

In 2019, the premiums written by Lietuvos draudimas AB in the non-life insurance products grew slightly less than the market both in Lithuania and Estonia. Nonetheless, the Company maintains its leading position in Lithuania, with its position secured among the top four largest non-life insurance companies in Estonia.

LITHUANIAN MARKET

In 2019, the contracts concluded by Lietuvos draudimas AB amounted to 2.1 million, which is 2% more than in 2018. The growth rate of the insurance premiums written exceeded 6%. In 2019, the total premiums written by the Company in the Lithuanian market amounted to EUR 204 million. According to the country's market share held, Lietuvos draudimas AB remains a strong market leader, holding 30.2% of the entire market at the end of 2019. The market share held exceeded the benchmark of 30% for three consecutive years.

The resident insurance market premiums amounted to EUR 312 million in 2019. In the resident insurance segment, the premiums grew by 8% as compared to 2018, with Lietuvos draudimas AB growth comprising correspondingly 6%. The growth of the Company's

resident non-motor insurance products outpaced the market indicators.

The growth in the Company's business client segment was higher than in the resident segment, and somewhat higher than in the overall commercial market growth. The amount of business insurance premiums written by Lietuvos draudimas AB increased by 7% in 2019 and while the market grew less than 7%.

In 2019, the market growth was largely determined by the health insurance, the premium amount of which increased by 25% in comparison with 2018. The health insurance market share held by Lietuvos draudimas AB had the largest increase among all the insurers offering this service – from 9 to 12%.

ESTONIAN MARKET

The number of non-life insurance premiums written by the Lietuvos draudimas AB Estonian branch in 2019 was 5% higher than in 2018 – amounting to a total of EUR 63 million. According to the data of the Estonian Department of Statistics, Lietuvos draudimas AB branch growth in 2019 was somewhat lower than the market, with its market share in Estonia amounting to 16%. Lietuvos draudimas AB Estonian branch ended fourth according to the premiums in the Estonia non-life insurance market.

RESULTS OF THE COMPANY OPERATIONS

Non-life insurance premiums written in 2019 by Lietuvos draudimas AB together with its Estonian branch amounted to EUR 267 million and, compared to the EUR 253 million of premiums written in 2018, achieved a 5.5% growth. The Company successfully grew in both of its Lithuanian and Estonian markets.

Lietuvos draudimas AB demonstrated profitable performance in both its markets. The net profit of Lietuvos draudimas AB in 2019, including the result of the Estonian branch, amounted to EUR 21.5 million, compared to EUR 17.5 million in 2018. The Company's operations were profitable in both the non-life insurance activities and investment portfolio management in 2019.

The Company earned EUR 21.4 million from direct non-life insurance activities in 2019 (EUR 19.6 million in 2018). 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, improving results of some business segments, decreasing expense ratio and profitable operations in Estonia. Continuous fixed cost control in the Company and focus on efficiency to prevent the increase of the expense indicators at the same or higher rate than income, resulted in the improvement of the Company's profitability.

The Company continued its conservative investment policy in 2019, concentrating its investments in the European government and strong companies' debt securities.

In terms of investments, the Company's activities in 2019 were highly successful. The profits from investment activities of Lietuvos draudimas AB together with the Estonian branch comprised EUR 3.9 million, as compared to EUR 1.2 million in profits from investment activities in 2018. The success of the activities was determined by the conservative investment strategy of Lietuvos draudimas AB and resolution of the customs conflict between the USA and China in 2019, which delivered a favourable response and altered expectations of the investors.

The sum of claims settled with the Company's clients continues to increase annually. In 2019, the Company together with the Estonian branch settled non-life insurance claims for the amount of EUR 138 million, which is 8% more compared to the previous year (EUR 128 million in 2018).

Corporate income tax expense of Lietuvos draudimas AB increased by 12.6% in 2019 and amounted to EUR 3.1 million (EUR 2.8 million in 2018).

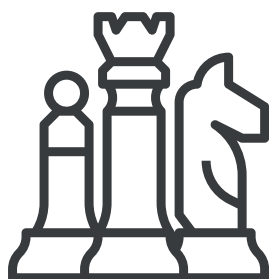
SHAREHOLDERS AND STRUCTURE

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 2019.

In 2019, the Company did not acquire, did not dispose and, as at 31 December 2019 did not hold any of its own shares.

In 2019 and as at 31 December 2019, 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 mt. 141, Tallinn, Estonia.



STRATEGY

In 2019, Lietuvos draudimas AB continued its activities according to the active Lietuvos draudimas AB strategy for the years 2016-2020 called “Sekmes kodas” (Code of Success). According to this strategy, the Company maintains and solidifies its position as the Lithuanian non-life insurance leader and successfully executes its activities, while showing stable financial results: consistent profitability, ambitious combined insurance indicator and effective cost management.

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. The Privacy Policy of Lietuvos draudimas AB and its Procedure for Legal Protection of Personal Data regulating the main principles of protection of personal data, and which all the Company employees must be familiarised with under signature, were renewed in 2019. The employees of the Company annually broaden their knowledge in the field of protection of personal data by taking the assessment test compulsory to all employees.

In addition, seeking to ensure property implementation of the GDPR requirements, in 2019, the Company conducted the audit of security of personal data and information (GDPR).

Seeking to ensure protection of personal data and all information related to secure provision of insurance-related information to clients, the self-service portal Savas LD of Lietuvos draudimas AB is being expanded with additional functions introduced annually.

In 2019, the representative of Lietuvos draudimas AB continued participation in the GDPR working group organised by a non-life insurance association, one of the purposes of which is to prepare the Code of Conduct of the insurance sector together with the selected law firm. Upon approval of the Code by the State Data Protection Inspectorate, it will be used as an additional measure allowing to ensure that the activities of Lietuvos draudimas AB conform to the GDPR requirements.

TRUST IS OF THE UTMOST IMPORTANCE

Lietuvos draudimas AB mission states that we are trusted experts and leaders who highlight new non-life insurance market directions and constantly create and provide relevant and innovative insurance solutions to all Lithuanian residents and businesses.

By performing its activities, the Company is seeking to high level of trust among the clients, because its insurance activity is based on the promise to help in the event of a misfortune.

In accordance with surveys, Lietuvos draudimas AB is considered to be the most trustworthy insurer in the whole market, which is the exclusive feature of the Company. Public opinion surveys conducted in October

2019 show that 42% of non-life insurance service users trust Lietuvos draudimas AB. The Company is the most recommended company on the market, with the external recommendation indicator – Net Promoter Score (NPS) – measured during surveys, amounting to 48%.

Seeking improvement of the services and contact points with the clients, since 2010, Lietuvos draudimas AB has been using the CustomerVoice System. This system helps to listen to clients and consider their opinion. During the year 2019, the ClientVoice System was used to interview more than 24 thousand of the Company's clients. At the end of 2019, the CustomerVoice NPS indicator reached 72.9%.

ACHIEVEMENTS AND AWARDS

Lietuvos draudimas AB always devotes special attention to customer service, while its quality is achieved through consistent work, continuous attention and sustainability. According to the surveys performed in the past years, the customer service level at Lietuvos draudimas AB is assessed at least 90% and is among the top three best scores. According to the 2019 results of the traditional

mystery shopping survey conducted annually independently from the market participants by Slapto pirkėjo tyrimai UAB (trademark Dive Lietuva), Lietuvos draudimas AB was acknowledged to be the non-life insurance company with the best customer service, scoring 91%. The total average of the insurance market amounted to 86% of 100 possible.

THE COMPANY SIGNED THE CONTRACT FOR 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 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 headquarters will be moved to the largest

building of the complex. This building will feature 300 workstations provided with day light illumination, modern meeting rooms and break areas. 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 with the stair terraces. 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 2022. Lietuvos draudimas AB investment into the project will amount to EUR 18.5 million.

VALUE STRATEGY FOR CLIENTS: IT MAKES A DIFFERENCE WHERE TO OBTAIN INSURANCE

ADDED VALUE FOR CLIENTS INSURED UNDER THE MANDATORY DRIVER'S THIRD-PARTY LIABILITY INSURANCE

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. Added value was created by the new generation compulsory insurance against civil liability in respect of the use of motor vehicles (MTPL) for clients.

Additional services have been created in 2019 intended to further expand the scope of MTPL: the clients were offered a free new bonus while purchasing the insurance – third party liability insurance cover for a year for the whole family against accidents while using a bicycle, kick scooter, roller-skates, segway, skateboard. The additional service was focused on the families and expanded the scope of insurance coverage, by saying to clients that “it makes no difference what you drive or ride, it makes a difference where to obtain insurance”.

Aside from added value offered, the Company continues to be the only in the market to offer its MTPL clients free technical roadside assistance together with insurance. The technical assistance is an integral part of the compulsory insurance, changing the driver's view and making him realise that there is a difference where to acquire insurance, even when choosing only a compulsory one. The technical roadside assistance insurance, provided with the compulsory insurance, is valid whenever the driver fails to start the car, in case he runs out of fuel, whenever a vehicle needs transportation to a repair shop or a parking lot after a road accident, whenever a driver locks his keys inside the car, is trapped in the snow or mud, or in case the driver just needs a consultation over a phone. The assistance service is provided on a 24/7 basis, covering the entire territory of Lithuania. The time between the call for assistance and response is up to an hour within city limits.

The Company seeks that the customer experience is as best and as simple as possible, and therefore, it contributes to the development of new technologies. At the end of 2019, when the electronic accident declaration system was created, Lietuvos draudimas AB advised its clients to use the smart electronic declaration submission method in the event of an accident. The accident declaration comprises 15 sections, which must be filled out by both parties to the accident. Previously, the drivers had to fill out each point by hand, which cost a lot of time after experiencing a stressful situation, and led to mistakes. The electronic declaration allows to completely eliminate the probability of errors because the programme is set to prevent proceeding to the next step, if the previous section was not filled out correctly. Such method of form completion takes less

time and is undoubtedly more convenient for the clients. When filling out the e-declaration, all the information will be automatically transferred to the insurance company, and the clients will not be required to send declaration and photographs of the place of the accident, as in the cases with the paper form.

SELF-SERVICE PLATFORM FOR LIETUVOS DRAUDIMAS CLIENTS – SAVAS LD

In 2019, Lietuvos draudimas AB continued to develop its clients' self-service Savas LD (MyLD). It allowed to stimulate activity of the clients (lotteries for clients) and offer a new convenient option to register claims regarding persons or vehicles – the self-service system automatically registers the claim and forwards the claim number of the policyholder.



HOME INSURANCE

Like every year, in 2019, the existing terms and conditions of the insurance applicable to clients were supplemented with the values allowing to maintain relevance of the coverage, meet their needs and allow the clients to feel the Company's care. By monitoring the claim and indemnity statistics, and seeking to implement the chosen strategy – to indemnify the consequences of the gravest damages with assurance – in 2019, the sums insured for expenses on arrangement of the place of insurance (following occurrence of the event), water leakage from stationary equipment and sums insured for performance of contractual obligations. The apartment residents continue receiving the doubled sum insured of the third-party liability insurance, while seeking to stimulate honesty and responsibility to others, the sums insured of the family liability insurance, which provides indemnification to property and health of the third persons, have been tipped.

Seeking to stimulate acquisition of home insurance by non-insured residents, the Company organised the communication campaign designed to draw attention of the Lithuanian citizens to the situations where insurance can come to the rescue in the event of fire or water leakage. The sales promotion included the lottery where one client won an apartment in Vilnius.

PERSONAL INSURANCE

In 2019, Lietuvos draudimas AB devoted much of its attention to the sale of personal insurance. Added value was created to the clients renewing their personal insurance contracts and terms and conditions of personal insurance was improved for all clients: better conditions in case of dental damages, reduced treatment period in the event of minor traumas, 5 new diseases on the list of additional illnesses with now a total of 14 insured diseases.

In order to boost sales to personal insurance to families, the Company implemented promotion initiatives: one of the initiatives included the lottery with the main prize being a trip to Disney Land for the whole family.

As of 1 January 2019, the fixed price personal insurance package offers for children and adults were reviewed and adjusted. These fixed price offers are renewed and improved for the benefit of clients on an annual basis seeking to offer more value.

PRIMARY SCHOOL PUPILS INSURANCE PROGRAMME

Seeking to reduce the expenses of parents at the start of the school year, enhance the feeling of security in the family and provide modern learning means to children, Lietuvos draudimas AB together with its partner E-mokykla (E-school) continued implementation the "Primary school pupils insurance" programme introduced in 2018. "Primary school pupils insurance" programme offers free special insurance of Lietuvos draudimas to the first graders during the entire school year and a free electronic exercise license that can be used in EMA (Electronic Learning Environment). "Primary school pupils insurance" programme enabled to introduce the smart learning process to pupils of classes 1-4 and allowed parents to insure their young schoolchildren against traffic accidents during the entire school year.

SALES NETWORK

The special feature of the Company is its largest sales network in Lithuania allowing to provide services to clients in places convenient for them, even in small towns. The Company currently has 100 own points of sales throughout Lithuania. This network is optimised annually in respect to customer convenience and behaviour, seeking a higher efficiency of the sales network. In 2019, Lietuvos draudimas AB opened two new modern customer service divisions on Ukmergės 282 in Vilnius (TC Maxima) and on K. Baršausko g. 66A in Kaunas (TC Molas). Four regional divisions moved into the new premises, while 7 divisions were fully renovated, created modern comfortable customer service areas. All sale points have been provided with the self-service computers.

In 2019, the Company continued to dedicate attention to customer service training for all employees, seeking to

improve employee competences and knowledge. Both internal and external training sessions have been organised.

In 2019, Lietuvos draudimas AB Estonian branch continued successful increase and development of online sales. The sales of this channel grew by 23% as compared to 2018, comprising 10% of all Estonian branch premiums written. The Estonian clients are offered to purchase all basic non-life insurance products online: compulsory motor third party liability insurance policies (MTPL), Casco insurance, travel insurance, private property and personal insurance.

In 2019, Lietuvos draudimas AB Estonian branch continued its successful cooperation with SEB Bank and SEB Leasing, providing insurance services to its clients.

BUSINESS CLIENT SERVICES

In 2019, Lietuvos draudimas AB continued expanding the number of insured persons and increased its market share in health insurance products 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. According to the 2019 data, the health insurance market share held by Lietuvos draudimas AB had the largest increase among all the insurers offering this service – from 9 to 12%.

Seeking to stimulate employees and employers to use health insurance actively, in 2019, Lietuvos draudimas AB organised and implemented activities aimed at better product visibility and provision of added value to persons insured. The Company created and presented to the market the single short-term health insurance packages with validity of half a year designed to introduce the advantages of this insurance. The Company also organised cycles of lectures and business breakfasts across Lithuania, attended conferences, offered trainings for employers and employees on employee intensives, health promotion and health insurance.

CLIENTS

At the end of 2019, Lietuvos draudimas had 586,204 unique private and corporate clients. This number grew by up to 1% as compared to 2018.

The largest increase among the private clients in the Company was due to a higher number of personal insurance clients. Among the corporate clients, the largest growth was due to the number of health insurance clients.



COOPERATION WITH STARTUPS

Lietuvos draudimas AB takes interest in developing financial services startups and is always looking for innovative insurance solutions for consumers. Attempting to understand what insurance services a today's clients would like to see and wishing to be closer to development of novelty services, in 2019, Lietuvos draudimas AB initiated cooperation with Saugo startup. The Company sees this cooperation as its investment into innovations.

Saugo startup offers several services to users. The main service is two types of extended warranty: a regular warranty covering repair costs under all the points listed

in the manufacturer's warranty and insurance terms and conditions, or a premium warranty, which allows to replace a broken item with a new product. Depending on the warranty period granted by the manufacturer, the warranty may be extended for maximum additional terms of three years. If during this period the warranty has not been used, it is possible to refund up to 30% of the amount paid to Saugo account. The extended warranty service is becoming increasingly popular both in Lithuania and abroad, because as the sustainability trends are becoming prevalent, the consumers want assurance that the purchased product will service for a long time.

INNOVATIONS

One of the main values at Lietuvos draudimas AB is innovations. The Company continuously seeks innovative solutions, which it could present as the environment changes. The insurance and financial startups continuously emerging around the world are always in the field of attention of Lietuvos draudimas AB. The Company's representatives participate in discussions and events, where they share their insights on new approaches and novelties that could have influence on traditional insurance market in the future. The ambition of Lietuvos draudimas AB is to be at least one step ahead in creation and implementation of innovations. Seeking innovations in daily Company operations, much attention is focused on stimulating innovative attitude of employees and search for cutting edge solutions.

In 2019, Lietuvos draudimas AB continued the Hackathon (creative workshops) initiative by organising the hackathon with other business partners and scientists. At this hackathon, the participants were able to expand and develop ideas related to artificial intelligence that understands Lithuania, and its application possibilities in business.

Hackathon is a 24-hours-long event of a specific format that takes place without any breaks and brings together teams that create early-stage products. The teams include the Company's programmers and representatives of other business areas; the prototype ideas created by the team are presented after 24 hours of work.

The Information Technologies and Operation Department of Lietuvos draudimas AB has been operating according SCRUM practice for several years. This world-popular method helps to be more flexible and react faster to the ever-changing situations. The aim of the SCRUM is to increase operating capacity and reduce time consumption in order to adapt to the rapidly changing environment, be closer to business. The SCRUM practice reduces the risk of large changes by splitting them into smaller parts called experiments. Furthermore, the SCRUM practice allows the Company to see the results of implementing a change or an innovation in a shorter period of time, in order to feel the benefit or to change solutions faster.

The Communities of Practice continued their activities in the IT department, where the colleagues can share

practices and resolve work-related problems. This promotes cooperation – one of the values of the Company, as the Communities of Practice are accessible to co-workers from other departments.

The Mentoring Programme plays an important role at the IT department. Its purpose is to learn new things and look for innovative solutions together with the fellow workers. Mentoring is one of the forms of leadership, defining a leader whose main purpose is to educate and offer consultations to other persons, in this case colleagues, deepen their knowledge and assist in planning personal growth. The Mentoring Programme facilitates the learning environment, while the employees are responsible for their own improvement. During personal meetings with

a mentor, the current achievements and challenges are discussed and further plans are made: development areas, aims of activities and growth perspectives. The mentors will in the long run take over part of the managers' functions and will be responsible for the improvement processes and acquisition of necessary competences.

Seeking to training young and motivated members of the team, the IT Talent Laboratory was created at the IT department in 2019. Thanks to this initiative, seven colleagues were able to successfully join the IT professional team. IT Talent Laboratory allows for successful adaptation in the IT area for both people with previous IT experience and those without it.

INNOVATIONS AT LIETUVOS DRAUDIMAS AB ESTONIAN BRANCH

The Company's Estonian branch aspires to become the leader in the local market and stand out among other insurance companies. The Estonian branch noticed a decrease in the number of clients coming to the division personally, therefore, it dedicates much attention to the daily digitisation of the services. The self-service platform development continues, which will allow the Estonian branch to be even more modern and transparent, and be a unique service provider.

The Estonian branch is testing new automation methods, for example, by reducing manual work through automation of the payment area. This allows to boost the customer satisfaction indicator.



CLAIM INDEMNIFICATION IN LITHUANIA

During the year 2019, the number of cases of claims registered in Lithuania increased by 20.8% compared to 2018 and reached a total of 197.5 thousand claims. The largest part of claims handled by the Company in Lithuania in 2019 were health claims – 37.8% and transport claims – 37.7%.

In 2019, 69% of all claims were settled by the Company within a month, 20% – within 5 days, and 5% of claims – on the day of reporting.

During the year 2019, the Company's clients were compensated with EUR 1.4 million for claims caused by storms and other natural disasters. During 2019, the snowstorm and black ice sweeping across Lithuania in January 14 caused damages worth EUR 377 thousand. Vilnius and Kaunas are the cities that suffered the most damages.

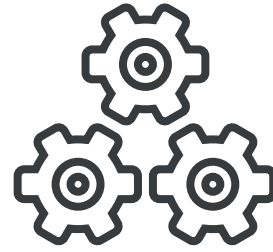
In 2019, the settlement and indemnification of the largest claim (EUR 390 thousand) to a legal person due to the fire that occurred in 2018 damages that client's stock in the warehouse, i.e. domestic appliances, were completed.

The largest claim that occurred and was indemnified to a private client in 2019 amounted to EUR 250 thousand due to a broken harvester, which experienced a discharge from the power lines resulting in melting of the metal.

The largest claim of the legal person that occurred and was settled in 2019 was indemnified, the sum amounting to EUR 228 thousand due to the fire resulting in damages to the facility.

CLAIM INDEMNIFICATION IN ESTONIA

Lietuvos draudimas AB Estonian branch registered 33.3 thousand claims in 2019, which is 1.8% more than in 2018. The largest share of claims in the Estonian branch were transport claims, comprising 70% of all the claims, property claims – 16% and travel insurance claims – 8%.



CLAIM INDEMNIFICATION PROCESS IMPROVEMENTS

In order to ensure fast and effective damage regulation process, with increasing number of damages and increasing customer expectations, the Company executes a strategic project during which the processes are handled in such a way that the client damage claim settlement is as simple and efficient as possible. This long-term project, executed according to the long-term Company's strategy "Sekmes kodas" (Success Code) (2016– 2020), includes the following three damage claim settlement areas: the general damage settlement process efficiency improvement; the improvement of the communication with the client who suffered damages; and the increase of client's trust regarding the damage settlement process. Following this process, Lietuvos draudimas AB is able to increase the efficiency of the damage claim settlement processes and to ensure its clarity and simplicity for the clients in order to meet their expectations. In 2019, the possibility for the clients to register their personal and Casco claims and submit documents via the self-service portal SavasLD was implemented; the Company started to use this channel also to send information to clients this way insuring not only the speed and conform of information exchange but also security of data exchange. The Company is currently testing the electronic programme allowing the clients not only to register claims and submit related documents, but also to receive estimation of the sum of indemnification of small standard transport claims and confirm its payment in the same transaction.

Compared to 2018, the Company identified 63.8% more fraudulent cases (834 in 2019); however, their value (amounts unpaid) reached EUR 1.8 million, or 29.3%, more than in 2018. The most frequent types of fraud according to the identified number of fraud cases: increased event damage – 33%, falsification of circumstances of the event – 18%, attempting to receive indemnification purchasing insurance after the event – 17%. Even though according to the statistics, falsification of circumstances amounts to only 18%, these cases are of a higher value as the falsification of circumstances comprises 30% of value of all identified fraudulent actions in 2019 (comprising 27% in 2018). The largest revealed fraud of 2019, when the event circumstances were attempted to be tampered with, amounted to EUR 58.8 thousand.

Seeking to ensure efficiency in the field of fraud prevention and identification, the Company's systems were provided with the function to register the investigation or inform the inspector regarding a suspected fraud, which allows a more effective and faster response to a potential fraud and easy monitoring of the entire investigation process.

The technical roadside assistance provided by Lietuvos draudimas AB to its clients was requested more than 19,000 times in 2019. Technical assistance services were used by both Company's Casco clients (who receive a wider package of services) and all of the Company's mandatory civil liability insurance clients. The most popular service remains the transportation of vehicles.

HUMAN RESOURCES

The annual average turnover at Lietuvos draudimas AB fluctuates between 12% and 16%. The general employee turnover in 2019 decreased from 15% to 11%, voluntary – from 11% to 8%. Comparison of the Company's turnover indicator with market data demonstrates that the market turnover is even higher, amounting to 21%, where 5% accounts for involuntary and 16% for voluntary turnover. The turnover in the insurance sector is 22%, voluntary turnover accounts for 16% (according to Korn Ferry data). The turnover at the Estonian branch amounts to 6.5%.

The average number of employees (counted in approved FTE) in Lietuvos draudimas AB together with the Estonian branch was 1,300 in 2019 (1,342 in 2018).

The average aggregate working time of Lietuvos draudimas AB employees is 10 years, average age – 42 years. This indicator is stable and has not changed for the past 5 years.

Lietuvos draudimas AB devotes a lot of attention to the internal career of its employees and promotes the upbringing

and education of its employees inside of the Company: the total carrier indicator of all employees in terms of all positions was 34% in 2019 (i.e., every third vacancy is taken by the internal employee of Lietuvos draudimas).

In 2019, 58 employees (excluding sales areas) made an internal career at the Company, of which 3 were appointed managers, and 4 became managers of another level/field. In 2019, a total of 4 trainees took their internships at the Company (5 in 2018). A total of 59 people were employed as assistants in 2019, and 26 of the assistants were promoted to the specialist positions (44% of all assistants).

Lietuvos draudimas AB continues upbringing of the needed sales specialists by continuing the junior insurance consultant's

training program in Lithuania: 32 junior insurance consultants were employed in 2019, 17 of them sought promotion inside the Company and became insurance consultants.

2 employees of the Company are delegated members of the Labour Disputes Commission under the State Labour Inspectorate, representing both the employer's and trade union's interests.

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.

LIETUVOS DRAUDIMAS AB EMPLOYEE ENGAGEMENT

Lietuvos draudimas AB takes pride in its engaged employees. It allows the Company to sustain its best employees in the dynamic labour market situation. Lietuvos draudimas AB monitors engagement of its employees and initiates action allowing to improve the situation. Since 2000, the Company has been annually assessing the employee satisfaction and engagement by using the methodologies of different suppliers (world known Gallup, AON Hewitt, etc.). Constantly searching for the new, accurate and innovative methods for evaluation of employee experience, Lietuvos draudimas AB conducted the employee engagement survey in 2019 by using the survey tool design by the American company CustomInsight.

Like every year, all employees of the Company were asked to fill out an anonymous online engagement survey, while the survey algorithms allow to evaluate both the answers and other form completion parameters (response speed, team distribution, comments, etc.), on the basis of which the survey conclusion were presented. The survey evaluated the number of persons engaged and measured how the employees evaluate what the company does for them. The results obtained at Lietuvos draudimas AB were compared with the results of over 500 different organisations globally.

The result reported was 98%, demonstrating that the activities Lietuvos draudimas AB carries out for its employees are given an excellent assessment, and are suitable and clear to the employees. The employees value what the Company provides: environment, culture, career opportunities, and they understand the company's strategic directions. At the same time, this indicator shows that in terms of this aspect, the Company's results are better than the 98% of the companies that participated in the survey.

This methodology allowing to measure employee engagement and satisfaction offers a 'smarter' and more functional way to assess employee involvement and



provides the possibilities for the managers and personnel specialists to make deeper insights. According to this survey methodology, which is based on artificial intelligence and various algorithms, all employees are separated into three engagement levels, while each level is separated into another two categories (a total of six categories). The survey allowed to reconsider the concept of an engaged employee and evaluate according to the willingness to walk an extra mile. Although the 98th percentile demonstrated that the activities carried out by the Company allowed it to outpace a large share of the undertakings participating in the survey, each team prepares a relevant action plan for the improvement of the situation, preservation of the advantages, etc. The purpose of the engagement actions is to improve the employee experience, find unique incentive measures and enhance the efficiency of everyday operations. This allows to involve the employees into improvement of the company activities and feel part of the company. 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. In such a way, by creating the conditions for the Company's employees to become its ambassadors, the employer earns a competitive advantage in the fight for the best employees available on the labour market.

It is a great challenge to achieve results where the employees are actively involved in the Company's activities and express their satisfaction on various aspects of the organization for a large company which has departments with tens or dozens of employees spread throughout the country. Therefore, the Company continuously aims at 'feeling the beat' of the company, involving all employees in the preparation of the engagement action plan and creating an innovative workplace conforming to the modern global standards. By actively and openly cooperating with each employee, the Company manages to preserve the focus on a human being, the engagement of all employees and their satisfaction. Trust

is successfully built not only through maintaining relations with clients but also inside the Company, i.e. between the employees and the employer: communication is open and uncomplicated, understanding each other is valued, and promises are kept.

The engagement survey of Lietuvos draudimas AB is also 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 and aims.

ADDITIONAL BENEFITS FOR EMPLOYEES

Lietuvos draudimas AB seeks to have the best, most motivated and dedicated employees, therefore, it regularly invests into various areas of activities (benefits, social guarantees, training and education of employees, health promotion, fair rewards, etc.), which helps to maintain the talents.

In 2019, the company made a decision to provide health insurance to all employees dedicated to efficient work who passed the trial period. This decision has been implemented since 2020.

Lietuvos draudimas AB provided to its employee more than what is stipulated in the requirements of the Labour Code that came into force on 1 July 2017. To show care for the health of its employees, the Company provides health days, which are a leave intended for implement of health in the event of minor and short-term health disorders. Such health days are provided to all employees, up to 4 day per year in cases where the employee does not seek help at a health care institution and recovers at home. The employees actively enjoy these benefits – approx. 60% of the Company's employees used this possibility in 2019.

In order to improve the work and rest balance, in 2018, the Company introduced additional leave for employees employed for more than two years who produce good and

efficient results – 5 calendar days per calendar year. The employees can use these days as they see fit, for example, to extend their leave by a week or take separate days off and work five weeks of four working days.

Lietuvos draudimas AB has the Labour Council, which consists of 11 members, according to the number of employees of the Company, one of them is delegated by the Lietuvos draudimas AB employee trade union. In 2019, the Labour Council was involved in the renewal of the Company's Internal Work Regulations. With regards to the needs of customers seeking service, the accounting of the working hours of the reception administrators has been introduced.

For the purposes of implementation of the said changes, together with the representatives of the trade unions, in 2019, the Company signed a recast version Collective Agreement in 2019, which came into effect on 1 January 2020 legalising the use of employee fingerprints to access the Company's IT systems and processing of these biometric data for the said purposes.

The new type of an employment contract with several employers was concluded between the companies of the group in relation to shared employees, which allows simplifying management and administration of such labour relations, and division of costs.

DEVELOPMENT OF COMPETENCES OF EMPLOYEES

In 2019, 966 company employees attended at least one training. In topics of the internal training were related to enhancing the requirement competences: efficient communication, leadership, cooperation, stress management, management of changes, feedback provision and DiSC typology training. Training was designed for

target group of employees: specialists of difference areas according to the individual needs. In 2019, much attention was dedicated to training of new managers. They participating in the open external training where they acquired knowledge about emotional competence, effective management and team leadership practice.

In 2019, Lietuvos draudimas AB provided approximately 33 hours of training (4 days) per employee. The employees improved qualification during internal and external trainings and seminars, acquired new experience during foreign and Lithuanian conferences and participated in learning in Lietuvos draudimas AB e-academy – eLDa. In 2019, the outcome of personalised learning with the help of external e-platforms was improving: 14 employees chose to electronic environment for the improvement of their competences.

In 2019, the employees of Lietuvos draudimas AB attended 73 conferences in Lithuania and abroad; 54 employees participated in 22 foreign conferences, which took place in Portugal, Germany, Switzerland, France, Denmark, Netherlands, United Kingdom, Hungary, Austria, Poland and Latvia. 408 employees of the Company attended 51 conferences in Lithuania.

In 2018-2019, Lietuvos draudimas AB continued implementation of its 5th Talent Programme designed to provide intensive training, solidifying the existing competences and developing new ones. During implementation of the Talent Programme, 18 best specialists have been improvement their leadership, self-awareness, team work, project management and other skills necessary to leaders for a period of six months, and participated in the Company's business projects, the results of which were presented to the members of the Board.

The employees develop their new skills and improve their qualifications not only during trainings and by helping external lecturers but also by drawing experience from each other. The Company organised the Geek Days initiative for the eighth time. During this initiative, employees from various areas of expertise provide training to their colleagues on different topics. In 2019, this project was expanded and organised not only in Vilnius

but also in Kaunas headquarters. 16 internal presentations/trainings were given in 2019, with 510 company employees attending. In 2019, the employees were expended their knowledge during other internal events/initiatives, such as Afternoon Talks ("Popiečio pašnekesiai"), LDCoin Project and ITOD Mentorship Programme, etc.

LDCoin, the virtual cryptocurrency of Lietuvos draudimas created during the Hackathon of 2018, was continued to be used in 2019 for employee motivation and is linked to employee cooperation and involvement.

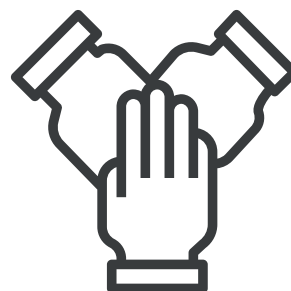
This cryptocurrency must be mined by the Company employees and use it to participate in LDCoin auctions and receive different prizes. Much attention in 2019 was devoted to mentorship. The employees were able to use virtual currency during auctions to win a meeting with a colleague or manager from another business area. The winners had an opportunity to shortly change their profession and spend half a day from a colleague, who works in his/her area of specialisation due to unique skills and competences. The initiative was presented across Lithuania – the employees came from other cities to attend interesting meetings. There were 11 meetings with colleagues, who shared their experience and contributed to the personal growth of the employees.

For the first time in the history of Lietuvos draudimas AB, the Company celebrated the Human Resources Day. The International Human Resources Day was celebrated on the 20th of May. The idea to celebrate this day was born two years again in Lithuania during the conference of the Personnel Management Professionals Association (PVPA) and is intended to create the spirit of unity and enhance the understanding of personnel activities in the organisations. The celebration of the HR Day in the Company was recognised and awarded by the Personnel Management Professionals Association.

HR ACTIVITIES IN THE ESTONIAN BRANCH

The Estonian branch continued the learning and improvement programme for employee, which includes the use of the employee self-service portal allowing participation in e-tutorials.

In 2019, the Estonian branch participated in the programme organised by the Ministry of Social Affairs of Estonia "Family friendly employer". This programme is designed to support the balance between work and leisure. The Estonian branch also organised the month of health of the employees, as well as announced and awarded the best employee of the year.





SOCIAL RESPONSIBILITY: CREATING A SAFER WORLD

Lietuvos draudimas AB acts as a socially responsible member of the society and employer. The Company seeks to provide the best insurance offers and ideal customer service to its clients, and seeks ways of making the provided offers and services to be beneficial to the public. Therefore, it actively initiates and develops social responsibility projects. Lietuvos draudimas AB activities are governed by the social responsibility strategy 2018–2020

of the Company's shareholder PZU Group and devotes special attention to social responsibility in business. Pursuant to this strategy, the growth of all companies of PZU GROUP must be compatible with environmental protection and depend on sustainable use of resources. PZU group of companies seeks responsible management of its capital: financial, human, environmental and social.

Acting as a socially responsible company, Lietuvos draudimas AB devotes all its efforts to the following areas conforming to the shareholders' social responsibility strategy:

- “Create a safe world” (initiative aimed at road safety and public security promotion);
- Support to the projects promoting financial education of young people and/or public financial integration;
- Volunteering activities of employees (the Company promotes volunteering activities conforming to the strategic support, charity and social responsibility areas: up to 2 working days can be provided to every employee to perform volunteer activities. Lietuvos draudimas AB stimulates employee involvement and participation in various public events representing Lietuvos draudimas AB. This area also includes the initiatives and donations of the Company employees: these donations can be collected and allocated in the areas listed in the social responsibility strategy.
- “Creating communities” (initiative aimed at strengthening communities, especially on a regional level), conforming to the support, charity and social responsibility area of the strategy.

While being active in these areas (supporting the projects in these areas or organising various campaigns focused on such experiences), the Company seeks to bring together as many people as possible for a common cause to solve the problems together – to protect the world surrounding us and promote changes, which could facilitate creation of a safer and more sustainable future.

Lietuvos draudimas AB is a participant of the Global Compact since 2008 and seeks to integrate the ten principles of the Compact as a part of its everyday organisation's culture and everyday work. The Global Compact principles, which the Company uses as its guide, are:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights in their area of influence.

Principle 2: Make sure that businesses are not complicit in human rights abuses.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should seek elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should seek effective abolition of child labour.

Principle 6: Businesses should seek elimination of discrimination in respect of employment and occupation.

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The Company, as a socially responsible part of the public, acts according to the above-mentioned principles.

PROTECT ME

In 2019, Lietuvos draudimas AB continued implementation of the children's road safety action "Protect me", organising it for the 20th time. This is one of the long living social responsibility initiatives in Lithuania. It was first initiated in 2000 by Lietuvos draudimas AB together with the Vilnius City Municipality in Vilnius, which in the long-run spread across Lithuania.

During the anniversary 20th "Protect me" initiative, the Company insured every pedestrian schoolchild in Lithuania in the month of September for the amount of EUR 5,000. According to the data of the Ministry of Education and Science, in 2019, approximately 320 thousand schoolchildren were studying in the schools of Lithuania. In the event a pedestrian schoolchild is involved in a traffic accident, his or her parents or guardians must report it to Lietuvos draudimas AB by calling 1828 and receive their insurance benefit.

The central aim of "Protect me" initiative is to attract public attention to the youngest and most vulnerable traffic participants, i.e., safety of school children on the city and regional streets. During the 20th "Protect me" initiative, Lietuvos draudimas AB carried out a social experiment designed to demonstrate the level care people actually prone to extend to children in everyday traffic situations. During this social experiment, hidden cameras were recording the situations demonstrating how much adults tend to notice and protect the children trying to cross the road at a red light. 9 hours of filming and 50 staged attempts to run out on the road, which was witnessed by 350, demonstrated that only 1 of 10 adults will pay attention to the children – stop them and advise not to cross the road. The remaining witnesses did not react, continued their dialogues and were indifferent to the children acting recklessly.



The mission of "Protect me" initiative is to contribute to safety of children on the road, with one of the crucial elements being attention of the public. This social experiment was highlighted by the media, presented in social media and was viewed 1.2 million times. "Protect me" initiative has been mentioned 111 times in the national and regional media.

During the "Protect me" project of 2019, Lietuvos draudimas AB continued and expanded the project initiative to provide the schools of smaller towns and regions with safety vests, implementing this project for the third consecutive year. In 2019, Lietuvos draudimas AB purchased and gifted 12,700 light reflective safety vests to the primary school children in Gargždai, Jurbarkas, Kelmė, Kuršėnai, Naujoji Akmenė, Plungė, Prienai, Radviliškis, Tauragė, Trakai, Ukmergė and Vilkaviškis. They will be used to ensure safety of children during school outings.

In the course of implementation of this project in the period of 2017-2018, 22,000 safety vests have been provided to children. In the period of three years (2017-2019), primary school children in 34 regions, which is more than a half of the country's municipalities, received 35 thousand vests.

In the period of "Protect me" initiative, there were 3 reports of children involved in accidents in September 2018. All their parents or guardians received the appropriate insurance benefits. Fortunately, no pupil road fatalities were reported in September 2019.

During 20 years of implementation of the “Protect me” initiative, this project succeeded in drawing the public’s attention to the safety of children who return to schools after summer holidays, and encouraging to take care of these children with utmost responsibility. Lietuvos draudimas AB considers this social responsibility area to be one of its priority areas and will continue the “Protect me” initiative in the coming year.

I CAN HELP

In 2019, Lietuvos draudimas AB continued “I can help” programme for the second year. This initiative has been organised in cooperation with the Lithuanian Red Cross and is intended to create a safe environment and offer assistance during accidents. This programme designed to teach first aid assistance is intended for the Company employees and clients. With regards to the essence of the insurance business, the promise is made to provide assistance when it is needed, therefore, in 2019, Lietuvos draudimas AB continued organising the first aid assistance training for clients to ensure that in the event of accident everyone is able to provide assistance before arrival of the medical emergency response team. 5 minutes – this is how long it takes for a human brain to die. In the event of cardiac arrest, a person stops breathing, and due to compromised blood flow, the brain’s oxygen supply is cut off and it stops functioning in only 4-5 minutes. It takes some 10 minutes or longer for the ambulance to arrive. The aim of the project is to protect the Company employees and their family members, as well as the clients, because the Company want to enhance the safety and assurance both at work and at home in the event of life-threatening situations. If the heart massage is performed in time, it can help to avoid fatality and save someone’s life, therefore, the ability to provide first aid assistance is a vital skill.

In 2019, the 6-weeks long training for customers was organised. During this time, 80 training events in 20 Lithuanian cities were organised. 667 customers attended and completed the first aid assistance course.

In order to attract public attention to the importance of provision of first aid assistance for human life, the Company designed a social experiment, during which a rescued person unexpectedly meets with his/her rescuers. This experiment was posted on social networks.

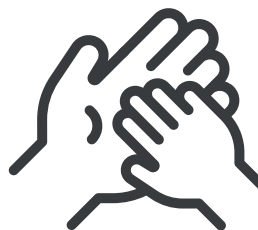
A total of 301 training sessions were organised during the two years of existence of the projects. This initiative was also aimed at offering advice on provision of first aid assistance by means of different public information channels. It will be continued in 2020.

MENTORSHIP IN THE LITHUANIAN JUNIOR ACHIEVEMENT PROGRAMME

Lietuvos draudimas AB considers financial literacy and education of the youth one of the essential areas of social responsibility. In 2019, the Company renewed its long-term partnership with the Junior Achievement Lithuania. Junior

Achievement Lithuania is an NGO organising economics and business education programmes for Lithuanian school children. One of the objectives of this organisation is the Student Teaching Community Programme, where high school students together with their economics teachers and mentors learn to create business enterprises. Lietuvos draudimas AB contributed to this programme. In cooperation with Junior Achievement Lithuania, the Company built a team of 10 mentors for the country’s youth. The managers of the Company’s departments dedicate their time and help students to develop their first businesses by offering consultations, mentor advice and facilitate practical opportunities. The enterprises created by the school children are very versatile – from designing and sewing apparels for pets from secondary raw materials to creating organic ink from processed raw materials (paper, hay), from production of healthy sweets to 3D-printed portable meteorological station linked to a smart phone application.

Cooperation of Junior Achievement Lithuania is the Company’s social initiative aimed at financial education of the youth and financial literacy of the public. Lietuvos draudimas AB will continue implementation of this mentorship programme in 2020.



VOLUNTEER WORK OF EMPLOYEES

The employees of Lietuvos draudimas AB annually participate in the blood donation initiatives. In 2019, 152 employees of the Company donated their blood.

The Company employees volunteered to participate in the Christmas wreath weaving initiative at the Christmas wreath workshops, delivering some 200 wreaths. These wreaths were gifted to the lonely and less fortunate people who greatly cherished this gift. Red Cross volunteers brought them to people in Vilnius, Klaipėda, Rokiškis, Elektrėnai, Panevėžys and Visaginas.

The Company’s employees team up and actively take part in various public sports events: in 2019, Lietuvos draudimas AB employees participated in the Vilnius Marathon, the Velomathon, and played basketball and football with other companies’ teams in various inter-company tournaments.

The Company employees actively create and participate in the social initiatives. This year, during the employee auction, funds have been donated and uses to support non-profit organisations.

INSURING THE ONLY FOUND ORIGINAL COPY OF THE LITHUANIAN INDEPENDENCE ACT

Lietuvos draudimas AB continued to provide coverage of the Lithuanian Council's Decision of 1918 February 16 proclaiming the Independence of Lithuania, brought from the Political Archive of the Federal Ministry of the Interior, Building and Community of Germany.

The Company has provided extensive insurance coverage for this single found original copy of the Independence Act, which has become the symbol of Lithuania's 100th anniversary. This insurance coverage ensures its all-round safety during transporting, safekeeping and exposition as well as insurance of the place of exposition, in case the document, the area of exposition or visitors sustain damage due to a sudden and unexpected event. It is not common in archive practice that original documents leave the storage facilities for a longer period of time, therefore, particularly high safety standards are applied to their protection. From January to November, the document was displayed at the House of Signatories in Vilnius.

CHARITY DONATIONS INSTEAD OF CHRISTMAS PRESENTS TO PARTNERS

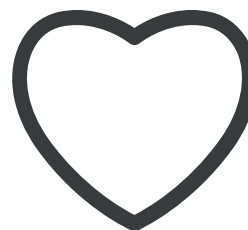
In 2019, Lietuvos draudimas AB invited its partners and customers to make charity donations instead of the traditional Christmas gifts. To congratulate their partners, business clients and brokers, the Company employees presented 'different' gifts – an opportunity to decide on the initiative to make a donation to. The clients, partners

and brokers to choose to either donate to the initiative "Protect me" (for purchasing and providing the safety vests to primary school children), make a donation for the first aid assistance training for high school students or contribute to the emotional help to children after various traumatising events, which is provided by the non-profit organisation Red Noses.

SOCIAL RESPONSIBILITY ACTIVITIES OF LIETUVOS DRAUDIMAS AB ESTONIAN BRANCH

In autumn of 2019, Lietuvos draudimas AB Estonian branch initiated the campaign for wearing of helmets #kiiverkaitseb (EN.: helmet protects). The idea of this campaign is aimed at the users of electrical kick scooters, who usually do not bother to wear protective helmets.

The Estonian branch also decided to make a donation to the Children's Fund (Haapsalu Neurological Rehabilitation Centre) instead of buying Christmas gifts for partners and clients.



SOCIAL RESPONSIBILITY 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. Therefore, since 2011, Lietuvos draudimas AB is using energy from renewable energy sources as a part of its energy consumption. This is confirmed 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 also seeks to apply the sustainable business principles in cooperation with its partners.

The Company used 1,661 MW of electricity in 2019 which is 3.8% less than in 2018 (1,726 MW). The energy consumption of the Estonian branch amounted to 93 MW.

In 2019, the energy consumption for heating of premises comprised 6,171 GJ, and, as compared to 2018, decreased by 2.3%. The heating energy consumption of the Estonian branch amounted to 1,010 GJ.

The amount of paper used by Lietuvos draudimas for printing amounted to 15.5 tons in 2019, and compared to last year's indicator, decreased by 18.4%. The Estonian branch continues the initiative seeking to become a paperless office, with 2019 consumption amounting to 1.0 t of paper.

In the course of the year, in all its divisions in Lithuania, the Company used 8.3 thousand m³ of water, which is by 5.5% less than in the previous year. The natural gas consumption in the said period amounted to 31.2 thousand m³, comprising a 5.1% increase.

In 2019, Lietuvos draudimas AB Estonia branch launched the initiative aimed at stimulating the employees to use potable water instead of bottled water and help contribute to protection of the environment by reducing the use of plastic and saving on the water delivery costs.

The vehicles used by the Company employees travelled a total of 6.3 million km.

The most travelling, i.e. 4.6 million km, was made by diesel cars, 1.1 million km – by petrol cars, and 590 thousand km – powered by gas. The Company employees travelled 4.8 thousand km by taxis for the needs of the Company.

The Estonian branch owns no company vehicles.

In 2019, the average distance flights on business trips comprised 63,130 km, long distance – 94,732 km.

In 2019, Lietuvos draudimas AB removed 900.9 m³ of waste, which is 1.42% less than in 2018.

The Company also contributed to the recycling of waste – in the course of the year, its employees separated and recycled 0.9 tons of paper.

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.

BEING A LEADER, CREATING VALUE FOR CLIENTS AND BENEFITS TO THE SHAREHOLDERS

In 2019, the “Sekmes kodas 2016-2020” (Success Code 2016-2020) strategy has been further consistently implemented, the Company will further consistently upkeep its mission to be a reliable insurance expert and a leader of non-life insurance drawing new directions, and creating and providing relevant and innovative insurance solutions.

The Company seeks ensured leadership on the market and growth, as well as profitable activities. It provides exceptional customer service and seeks to maintain a high level of employee involvement.

Kęstutis Šešpytis,
Chief Executive Officer



31 March 2020