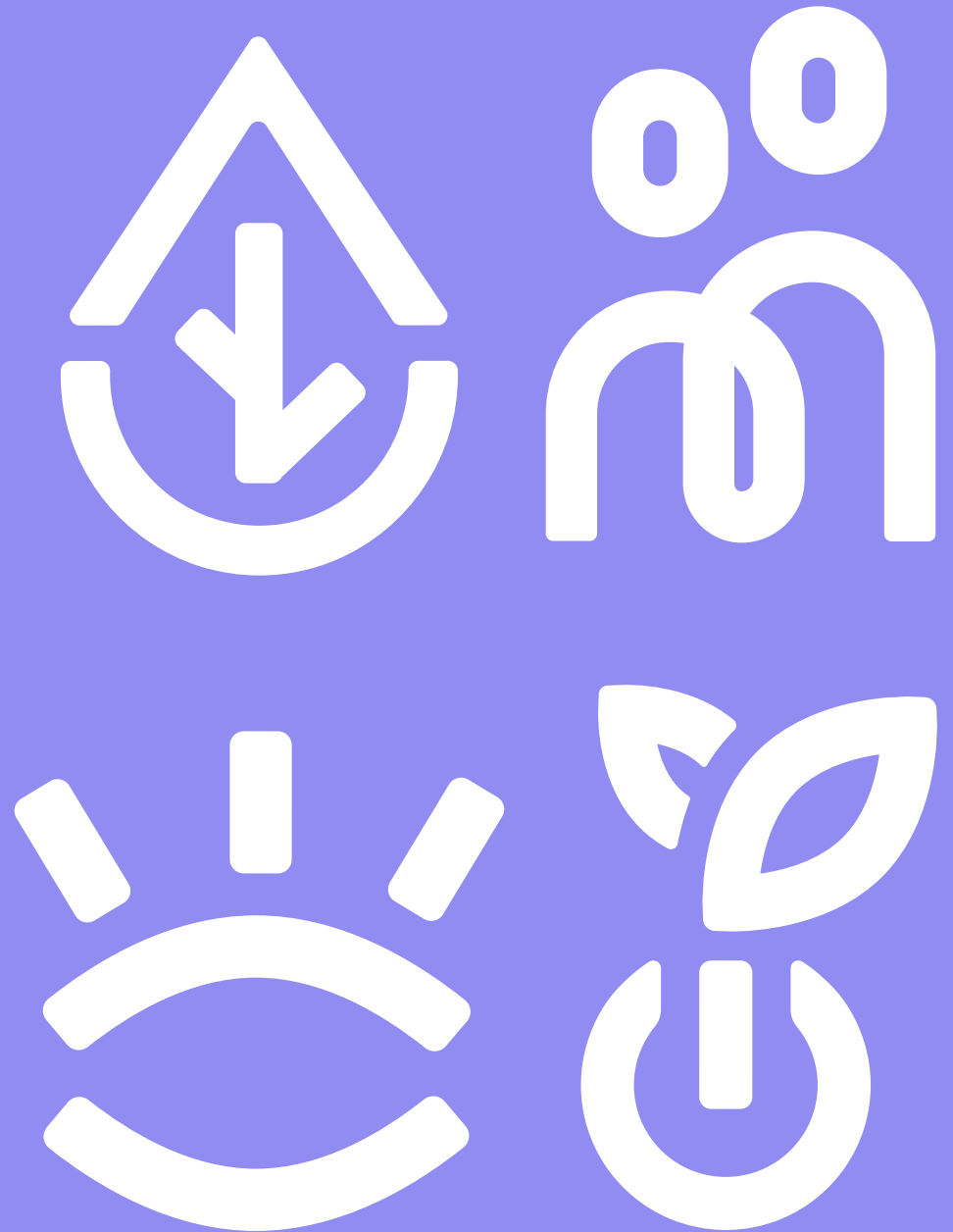


Materiality assessment: what is important to our stakeholders?



2021 report



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Elektroninių Mokėjimų Agentūra, Energijos Skirstymo Operatorius (ESO), Ignitis, Ignitis Gamyba, Ignitis Grupės Paslaugų Centras (Ignitis Group Shared Service Centre), Ignitis Renewables, Kauno Kogeneracinė Jėgainė (Kaunas CHP), Vilniaus Kogeneracinė Jėgainė (Vilnius CHP)



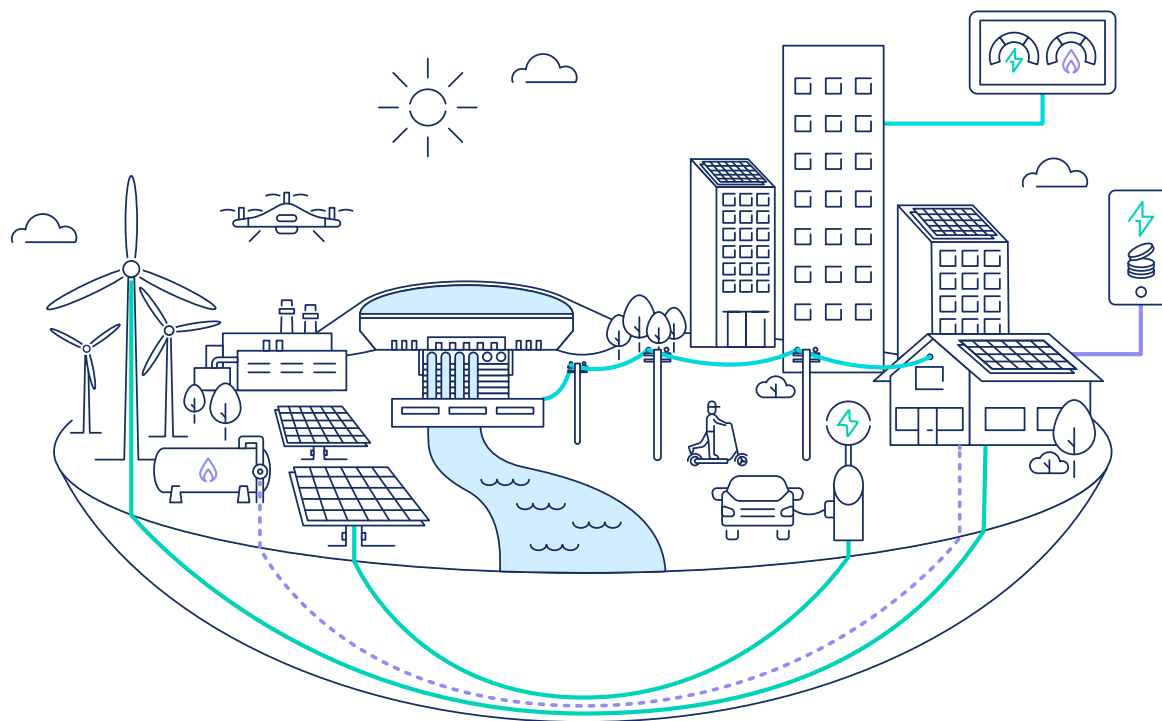
Sustainability at Ignitis Group



Ignitis Group – creating an #EnergySmart world

A leading utility and
renewable energy group
in the Baltic region.

Core focus is on home
markets – **Baltic countries,
Poland and Finland.**



Networks

Resilient and efficient
energy distribution
networks enabling the
energy transition.



Green Generation

Focused,
sustainable and
profitable growth.



Flexible Generation

Reliable and
flexible
power system.



Customers & Solutions

Innovative solutions for
easier life and energy
evolution.

Sustainability is an important part of our strategy



MAIN TOPICS

We are committed to reducing net GHG emissions to zero by 2050. We seek to contribute directly to the implementation of the UN Global Compact, Sustainable Development Goals, and the Paris Agreement.



GOVERNANCE AND PROCESSES

We follow good corporate governance practices and seek to manage our impacts based on the recommendations of international institutions and the scientific community.

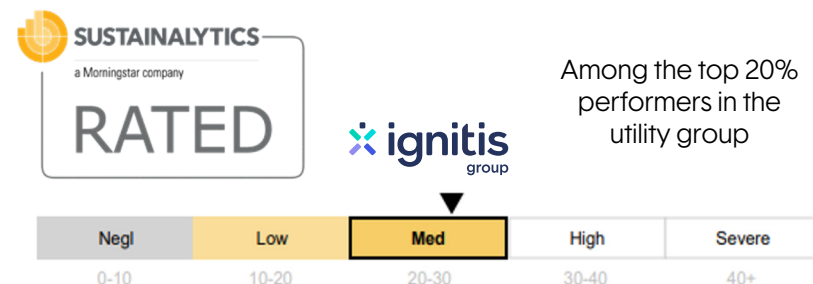


ACCOUNTABILITY

We seek to disclose the Group's progress by using globally recognised standards and formats suited to a broad range of stakeholder needs.

MEASURING PROGRESS

We aim to benchmark our continuous improvement using Environmental, Social and Corporate Governance (hereinafter – ESG) ratings provided by leading ESG ratings agencies and seek to improve our ESG ratings*.

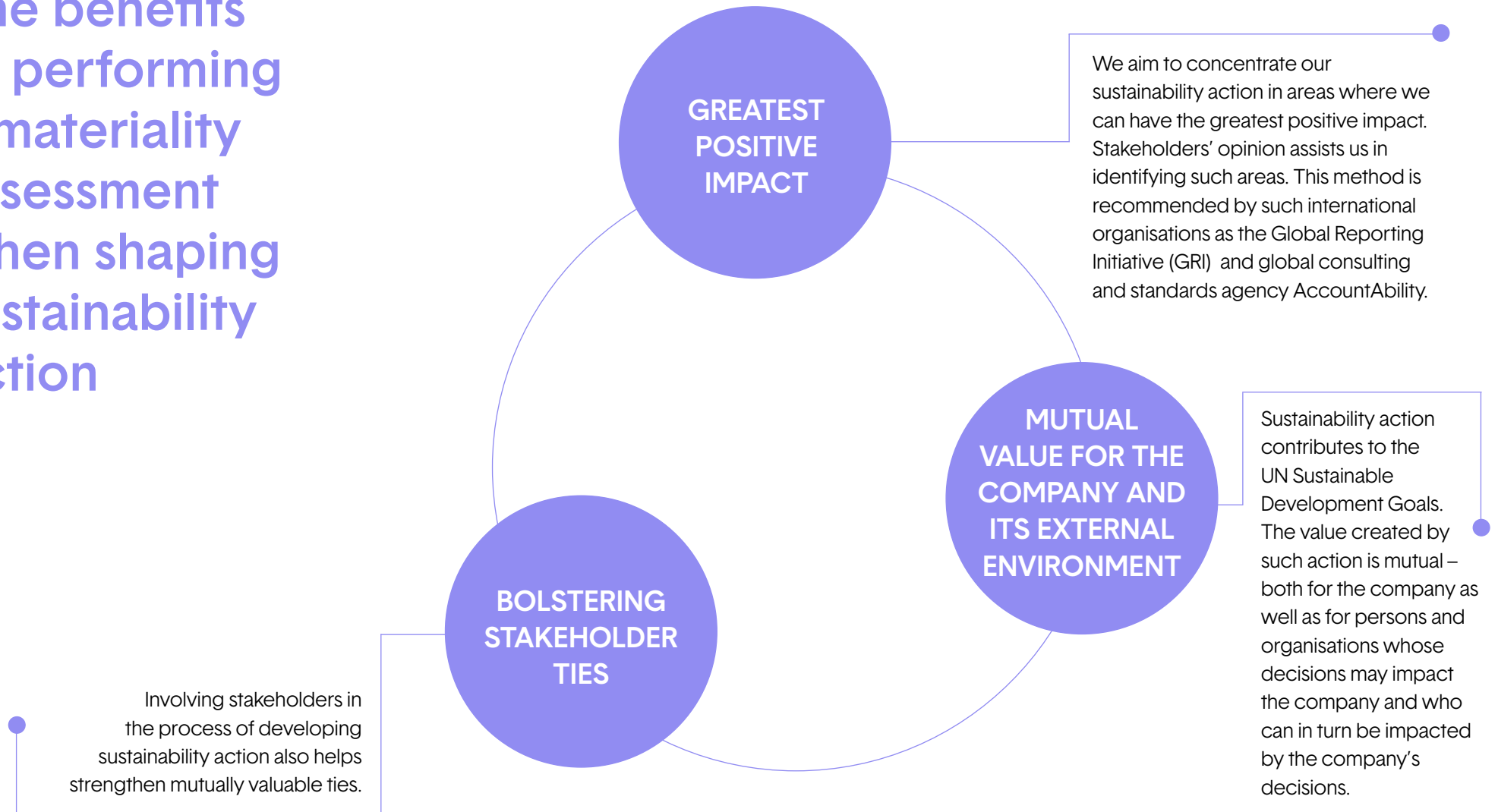


* MSCI disclaimer and Sustainalytics ESG Risk Rating Summary Report is available on <https://www.ignitisgrupe.lt/en/sustainability-activities-and-results>.

Materiality assessment overview



The benefits of performing a materiality assessment when shaping sustainability action

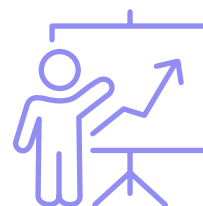


How did we evaluate the materiality of sustainability topics?



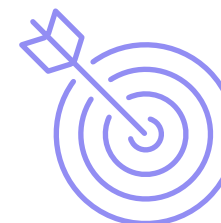
During the materiality assessment we identified and surveyed key stakeholders in order to discover their expectations regarding our sustainability.

We identified our stakeholders – our employees, partners, investors and others – and gathered their views on what sustainability topics should be important to Ignitis Group and its companies.



After learning stakeholder expectations, we analysed the connections between the expressed views and the strategic goals of the Group.

We want to ensure that our sustainability action is purposeful and focused on areas where we can have the greatest positive impact. Therefore, we analysed expectations expressed by our stakeholders and identified how we could embed and reflect them in our strategic goals.



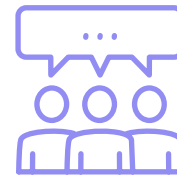
The results help us form our sustainability pillars by prioritising areas where we have the greatest possibility to have the largest positive impact.

We compiled a materiality matrix to help illustrate how stakeholders' expectations for our sustainability align with our strategic goals. We are continuing to develop sustainability action and focus on areas where expectations of stakeholders and the strategic goals of the Group have the greatest overlap.

Stakeholder surveys: core information



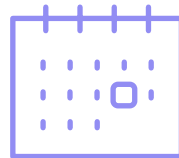
We disseminated the survey to our target audience after compiling 41 distinct stakeholder groups.



There were 2,959 respondents.



Methodology: CAWI (online), CATI (by phone, with media representatives), interviews (with communities).



Surveys were conducted in April–June 2021.



We wanted to survey specific stakeholders important to the Group, therefore, we did not conduct the surveys using randomisation techniques. This means that the surveys cannot be considered statistically representative.



Survey results disclosed opinion tendencies among the stakeholders.

Stakeholders of the Group



*Partners and other stakeholders include associations, educational institutions, sustainability experts, transmission system operator, renewable energy developers (stakeholder of the Group subsidiary ESO), independent energy suppliers (stakeholder of ESO).

Survey content

By using available sources of stakeholder views, we first clarified sustainability topics potentially relevant to the Group.

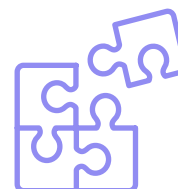


19 sustainability topics of the Group

Each subsidiary of the Group then identified topics relevant to its activities from the full list of the Group's sustainability (ESG) topics.



19 sustainability topics of the Group



Sustainability topics for each Group subsidiary

The stakeholders evaluated the materiality of ESG topics for each company. Respondents were asked what, in their opinion, should be important to a given Group company when considering each topic.



Stakeholders of the Group



Stakeholders of each Group subsidiary

Overview of expectations of Ignitis Group stakeholders – what is the most material to them?



ESG topic*	OVERALL MATERIALITY SCORE	Employees	Private customers	Business customers	Local communities	Government and municipal institutions	Shareholders, investors	Suppliers, contractors	Media	Partners and others
Ethical business, anti-corruption and transparency										
Health & safety of employees and contractors										
Climate impact and GHG emissions										
Energy system resilience and security, ensuring uninterrupted operations										
Impact on soil, water and air quality										
Competent employees now and in the future										
Local community welfare and relations										
Sustainable solutions and services for clients										
Impact on biodiversity and ecosystems										
Using secondary raw materials, reducing waste										
Employee welfare, adequate remuneration, cooperation										
More sustainable internal energy consumption										
Energy efficiency for the public and customers										
Access to energy										
Diverting waste from landfills, promoting circular economy										
Responsibility and sustainability in the supply chain										
Sustainable financial instruments										
Diversity, equal opportunity, human rights										
Engagement in social activities										

Phrasing of the leading question in the questionnaire: "There are many ways companies can contribute to environmental sustainability and social good. How important is it for [name of Group subsidiary] to contribute towards each of the topics listed below?"

*Detailed topic descriptions can be found in Annex 1.

Ignitis Group materiality matrix

After clarifying which sustainability topics are perceived by stakeholders as the most important, we outlined the vertical axis of the materiality matrix: we ranked the sustainability topics from the least material to the most material (from the bottom to the top) based on gathered survey responses.

During internal strategic sessions, executives of each company deliberated links between the stakeholders' views and the company's strategy. After that, we placed each sustainability topic on the horizontal axis based on its importance to the company's strategy by priority – from the less material (on the left) to the more material (on the right).

The complete matrix systemises the most relevant sustainability topics and provides guidance in focusing on areas and topics with the greatest positive impact on the company as well as the stakeholders. We continue the refinement of our sustainability goals and their implementation programmes in the identified priority areas.

The most relevant information about the progress of our sustainability action can be found on our website
<https://www.ignitisgrupe.lt/en/Sustainability>.



The main conclusions of the materiality assessment



The list of key sustainability topics reflects a measured balance between the areas of environmental (climate impact), social (health and safety of employees and contractors) and corporate governance (ethical business and transparency) impact.



Such results confirm that the strategic direction of Ignitis Group to follow the highest ESG principles is also reflected in the opinion of the stakeholders.



All sustainability topics presented to the stakeholders were identified by the respondents as important, therefore, when assigning the respective priority, we included them all in the further development of our sustainability action.



We invited a broad range of stakeholders with diverse backgrounds to voice their opinion. Even though nearly 3,000 unique respondents shared their views, we noticed that some of the target groups had a relatively low response rate. The cause may have been the quality of available contacts, lack of time or interest on the part of the target groups or other factors.



We believe that the insights we collected after discovering the opinion of persons and organisations important to our business continuity will help us better reflect their expectations and formulate sustainability goals and measures in a more targeted and focused manner.



Key sustainability topics according to stakeholders



Employees



Main expectations

Employee priorities

N=979



Employee welfare,
adequate remuneration

Health & safety of
employees and contractors



Resilient and secure
energy system

Ethical business, anti-
corruption and transparency



Additional proposals and comments

"We should not forget about social welfare, just remuneration, equal opportunities for employees of the Group and making an effort to attract spirited and innovative people to the Group."

"Raising awareness on waste-to-energy issues."

"All operations must be filtered through environmental principles in order to initiate continuous clean and sustainable operations."

"To apply innovative solutions, protecting birds from death upon collision with 10 kV overhead lines."

"Including employees in unions, public organisations."

"Days off for encouraging participation in social initiatives."

"Convenient installation of EV charging points in households, outside apartment buildings or other locations with easy access, such as parks or points of interest."

"Harmonisation of agriculture and green energy."



Main expectations

Private customer priorities N=1 393



Health & safety of employees and contractors



Resilient and secure energy system

Access/ensuring access to energy

Ethical business, anti-corruption and transparency

Business customer priorities N=370



Impact on soil, water and air quality



Health & safety of employees and contractors



Resilient and secure energy system

Ethical business, anti-corruption and transparency



Additional proposals and comments

"Entire Lithuania, not only Vilnius, needs more EV charging stations."

"To be closer to small households because they are confused about the activities of the market."

"To value employees who have been working for a long time."

"Change more overhead lines with underground cables."

"Do everything with longevity and durability in mind because only this will reduce waste."

"Improving networks and infrastructure by providing decent conditions for connecting new prosumers to the grid."

"Use recycled material in production."

"As much green energy as possible."

"Promote EVs and use them ourselves."

"Quick response after power failure."

"Consult with the public."

"Underground installation of power lines."

"Must promote solar and other types of energy."



Main expectations

Government and municipal institutions' priorities N=84



Local communities' priorities N=12*



Additional proposals and comments

"Pay more attention to educating consumers."

"Infrastructure expansion in consideration of the welfare of flora and fauna."

"Network's resilience to weather and other conditions."

"Energy savings."

"Use of biogas in the operations of the combined cycle unit."

"If the company will take care of the land properly, it can automatically guarantee better relations with its residents because the majority of them are farmers who shared their land and want that it would be taken care of properly, they want to know that it is not wasted."

"Maintaining good quality of soil, water and air, preventing pollution are a priority, and all the listed initiatives are important and natural when working towards it."

"Sustainable, transparent and clear governing of the company is where it all starts, it is what forms the right point of view towards both the environmental and social aspects."

* Results of quantitative surveys and focus groups. Citations from focus groups. Surveyed communities in Lithuania and Poland.



Main expectations

Supplier, contractor priorities N=62



Climate impact and GHG emissions



Health & safety of employees and contractors



Resilient and secure energy system

Ethical business, anti-corruption and transparency

Shareholder, investor priorities N=8*



Climate impact and GHG emissions

Impact on soil, water and air quality

Using secondary raw materials, reducing waste



Ethical business, anti-corruption and transparency



Additional proposals and comments

"When performing works, don't replace [still] new equipment with new equipment".

"Protection of birds, bats, other animals and their habitats."

"Demand that all suppliers disclose sustainability data and use them in procurement procedures."

* Surveyed major shareholders and market analysts. The survey of retail investors was not conducted due to limitations related to GDPR.



Main expectations

Media priorities N=18



Climate impact and GHG emissions
 More sustainable internal energy consumption
 Diverting waste from landfills, promoting circular economy



Ethical business, anti-corruption and transparency

Partners' and others' priorities N=33



Climate impact and GHG emissions



Ethical business, anti-corruption and transparency
 Access/ensuring access to energy
 Sustainable financial instruments



Additional proposals and comments

"Ensuring network resilience for consumers under uncertain weather conditions."

"To consider the opinion of the communities and residents, so the company is as open to the public as possible."

"To trim trees near the power lines properly and take care of the environment after the works are complete."




"To push a more intense PV policy."

"The youth needs to be taught to love and nurture nature as well as conserve its resources."

Annex 1.
Description of
the Group's
sustainability
topics



Description of the Group's sustainability topics

	Topic	Description
	Climate impact and GHG emissions	Electricity generation from renewable energy sources, reducing emissions of greenhouse gasses (CO ₂ and others) in operations
	Energy efficiency for the public and customers	Energy saving via the digitisation of the network, encouraging consumers to save energy
	Sustainable solutions and services for clients	Promoting the growth of prosumer community, expansion of electric vehicle charging station network and other environmentally friendly and energy smart customer solutions
	Diverting waste from landfills, promoting circular economy	Energy generation from waste not suitable for recycling, promoting circular economy principles
	Impact on biodiversity and ecosystems	Conserving animals, plants, natural ecosystems, flora and fauna
	Impact on soil, water and air quality	Maintaining the good quality of soil, water and air, preventing environmental pollution
	More sustainable internal energy consumption	Using green energy for Group's activities, reducing energy consumption within the Group
	Using secondary raw materials, reducing waste	Using secondary materials in the activities of the Group and reducing waste from own activities
	Health & safety of employees and contractors	Ensuring occupational safety, nurturing the health of employees and contractors
	Local community welfare and relations	Protecting the health of community members and their environment, attention to the needs of communities
	Employee welfare, adequate remuneration, cooperation	Providing appropriate remuneration for employees, increasing employee satisfaction, ensuring freedom of association (unions)
	Competent employees now and in the future	Promoting professional and personal development of employees, fostering competences necessary for the energy sector
	Diversity, equal opportunity, human rights	Ensuring equal opportunity, gender equality and promoting diversity at work
	Engagement in social activities	Participating in civic initiatives and NGO activities, encouraging employee volunteering
	Energy system resilience and security, ensuring uninterrupted operations	Ensuring energy system security and continuous operation, network reliability and resilience to climate and other external factors
	Access to energy	Ensuring that electricity and/or gas is accessible to all consumers, fast and seamless connection of new customers to the grid
	Ethical business, anti-corruption and transparency	Ensuring transparent management of the company, fighting corruption, ensuring ethical market conduct
	Responsibility and sustainability in the supply chain	Purchasing environmentally friendly goods and services for the company's needs and encouraging suppliers to contribute to environmental sustainability and social good
	Sustainable financial instruments	Raising funds for sustainable projects, investing in sustainable businesses



Environmental
topic



Social responsibility
topic



Governance
topic

Each company selected sustainability topics relevant to its activities, and they were subsequently submitted for the assessment of the stakeholders. Description of the topic in a specific questionnaire was also adapted to the context of specific subsidiary companies.



Annex 2. Materiality assessment of Ignitis Group companies



Materiality matrix of Elektroninių Mokėjimų Agentūra



Materiality matrix of Energijos Skirstymo Operatorius (ESO)



Materiality matrix of Ignitis



Materiality matrix of Ignitis Gamyba



Materiality matrix of Ignitis Grupės Paslaugų Centras

(Ignitis Group Shared Service Centre)

Sustainability topics significant in terms of direct impact of Ignitis Grupės Paslaugų Centras. Assessed only direct activities of the company, without company's contribution towards enabling sustainability through services provided to the entire Group.



Materiality matrix of Ignitis Renewables



Materiality matrix of Kauno Kogeneracinė Jėgainė (Kaunas CHP)



Materiality matrix of Vilniaus Kogeneracinė Jėgainė (Vilnius CHP)



