



Lietuvos energija, AB  
**Social Responsibility Report**  
2011

# A Word from the General Manager



## *Dear Shareholders, Customers, Partners and Employees,*

I am glad that you have opened the first page of the Lietuvos Energija Social Responsibility Report for 2011. We are ready to acquaint you with the most important steps, which have undoubtedly reinforced the position of our company as a socially responsible one and which represent guidelines for the further development of our business activities. I believe that everybody who has contributed to the company's activities to a smaller or larger extent is convinced that last year we went a long and purposeful way in implementing the principles of **economic, ethical and ecological responsibility**. There were no significant pitfalls on this way, and we were led and united by our fundamental values – **respect, responsibility, professionalism, cooperation, and initiative**.

One of the most important changes in 2011 was related to **economic** responsibility. In order to optimise our operating costs and reduce the power generation cost, last year we completed reorganisation of the company and formed a new national power generation unit. The reorganisation resulted in setting up a new company. Its business processes were reviewed and their efficiency was increased, duplication of functions was eliminated, non-core functions were outsourced, and administration costs were cut.

Our new service portfolio is aimed at maximum benefits for customers. This is illustrated by the functional positions of power plants controlled by Lietuvos energija, AB: the Lithuanian Power Plant is a national power generating company securing both basic reliability and reserve of the power supply, the Kruonis Hydro Pumped Storage Plant serves as a guarantor of the power supply reliability, and the Kaunas Hydro Electric Power Station operates on a 100% commercial basis, with all the generated electricity sold in the market.

The employees were in the focus of attention during the process of strategic changes. We aimed to provide them with best working conditions in line with health and safety at work regulations and social guarantees to meet their expectations. Therefore, we maintained constructive collaboration ties with trade unions, and both sides concluded and approved a collective agreement.

We believe that the potential of our achievements lies in the knowledge and practical skills of our employees, their willingness to improve their qualification. Therefore, the employees were actively encouraged to take part in training, seminars and skills improvement courses and to develop their professional competences in other ways. They were provided with opportunities for engaging in meaningful and healthy leisure activities. In 2011 we continued our team-building traditions - jointly celebrated holidays, held in-house sport events and award ceremonies of the best employees.



As operations of Lietuvos energija, AB are closely related to the environment, ecological responsibility is one of our priorities. Last year we committed ourselves to be leaders in the area of application of clean and environmentally friendly technologies. This position will be consolidated by the putting of the new combined-cycle unit, meeting the EU pollution targets for 2012, into operation in the autumn of this year. Furthermore, we initiated a programme of environmental projects including the projects on the construction of a biofuel-fired plant, construction of floatation facilities for surface wastewater treatment, reduction of carbon dioxide emissions, and monitoring of pollution indicators as well as publishing of the monitoring results in the company's website. Our social initiatives contribute to the environmental protection as well: we organised a clean-up of the shores of the Kaunas Lagoon and took part in the "Let's Do It 2011" (DAROM 2011) campaign, which has become a traditional one and which involves employees from all the power plants.

We did not forget our closest neighbourhood, i. e. the Elektrėnai town community. We provided children of Elektrėnai with safety reflectors, invited the children from the Elektrėnai Child Care Home to a Christmas party, collected and donated books for the town library, and collaborated with local educational establishments as well as national universities in different activities.

Every idea or initiative raised and implemented by our staff, every work accomplished is first of all related to social responsibility. The company is ready for further consistent work based on specific plans on social responsibility activities for 2012. We have an excellent roadmap for this – the Global Compact, a major initiative on corporate social responsibility, to which we have recently acceded. Its values, focussed on respect for human rights, rights of employees, responsibility to the environment, and transparent operations, are fully consistent with the objectives of our company and reinforce the realisation of our social initiatives.

Yours sincerely,  
Dalius Misiūnas  
General Manager, Lietuvos energija, AB



### *Dear Shareholders and Employees of Lietuvos energija and Members of the Public,*

This is the 2011 Social Responsibility Report by the largest power generation company in Lithuania – Lietuvos energija, AB. I would like to briefly present the main highlights, importance and benefits of corporate social responsibility (CSR).

While social responsibility is becoming increasingly important for companies and their operations, examples of global best practices show that CSR, when implemented consistently, helps companies to succeed in achieving their objectives. This is of particular importance for large companies, whose value and profits are augmented upon securing better fulfilment of obligations, good reputation, and relations with various stakeholders.

It is essential to understand that corporate social responsibility is the voluntary action by the company. At the same time, one has to realise that best results are achieved when all the parties – the board, management, owners and other stakeholders of the company are aware of the importance of this concept, support it, implement it consistently, and consider it a priority.

Furthermore, CSR is method for the company to manage its business processes, which have an impact on the public and the environment, not just the company's employees. Any business has to be conducted by assuming responsibility for the ensuing impact upon society or the environment. CSR means a commitment to pursue development policies aimed at routine business operations, and accountability for the progress achieved should be an integral part of social responsibility.

The challenges raised by the economic crisis have crystallised the most important aspects of the companies' activities as well as the place and significance of CSR among corporate priorities. Clear, consistent and honest implementation of social responsibility creates, strengthens and maintains good reputation and enhances competitiveness of companies. I believe that socially responsible, efficient and innovative companies will not only survive during the changes, but will become winners as well.

We hope that Lietuvos energija, AB will achieve success in developing its social responsibility strategies in the future.

Sonata Matulevičienė

Member of the Board, Lietuvos energija, AB

# 01 Lietuvos energija, AB

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*The purpose of Lietuvos energija, AB's social responsibility strategy is to identify and describe the main guidelines for the development of the areas of social responsibility and for the carrying out of relevant activities.*

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The areas of our social responsibility have been selected taking account of the type of the company's operations and its strategic objectives:

- Economic responsibility
- Ethical responsibility
- Ecological responsibility

It is important for us to consistently and actively participate in the electricity market and ensure the quality of our services to customers. These objectives cannot be attained without a team of professionals. Understanding the importance of development and continuous learning, we consider economic responsibility to be high priority. This includes training of employees and young specialists by arranging regular on-the-job training and skills improvement courses.

We believe that sincere concern about the greatest asset of the company – its employees is indispensable for maintaining motivation and for encouraging them to be socially active. Therefore, our company's ethical responsibility covers also members of the employees' families and community members.

In its activities, Lietuvos energija, AB seeks to respect the environment, sparingly use natural resources, introduce innovative environmentally-friendly technologies, comply with the environmental regulations, and apply, in a professional way, preventive measures to reduce the adverse impact upon the environment. We develop the area of ecological social responsibility taking these aims into consideration.

# About the Company

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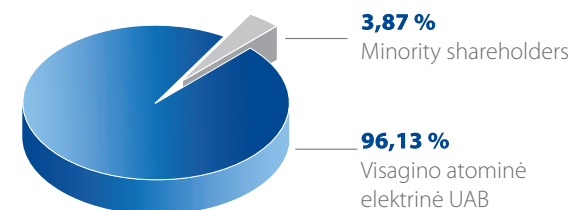
*Lietuvos energija, AB is the largest power generating company in Lithuania, joining together all the state-controlled power-generating capacities: the Lithuanian Power Plant, the Kruonis Hydro Pumped Storage Plant, and the Kaunas Hydroelectric Power Plant. Lietuvos energija, AB is also engaged in electricity import and export as well as electricity trading.*

In 2010, following the requirements of the Third EU Energy Package to increase efficiency of the energy system, ensure transparency of the sector and protect consumer interests, the Lithuanian power sector was divided into four operating units: power generation, power transmission, power distribution, and servicing of companies of the sector. Upon merger of two companies, i.e. Lietuvos energija AB and Lietuvos elektrinė AB, the new company - Lietuvos energija, AB upon reorganisation started operating on 1 August 2011. The company forms the basis of the power generation unit, the main task of which is to ensure energy security of the country. The power generation unit includes the Lithuanian Power Plant, the Kruonis Hydro Pumped Storage Plant, and the Kaunas Hydroelectric Power Plant.

Following the transparency principle of the Global Compact, on 1 September 2011 the company was included in the official trading list of NASDAQ OMX Vilnius Securities Exchange. This is a very important step in order to establish new contacts and maintain the current relations with investors and business partners. By publishing our reports and other information, we enable the interested parties to familiarise themselves with the company's operations, financial results, and notices of material events.

## Information on Securities Trading in Regulated Markets

- Shares of the company are traded in a regulated market: since 1 September 2011, the shares are listed in the official trading list of NASDAQ OMX Vilnius Securities Exchange.



## Shareholders and shares

- Authorised capital: LTL 635,083,615
- Par value per share: LTL 1.00
- Value of assets managed by the company: LTL 3.1 bn
- Visagino atominė elektrinė UAB is the majority shareholder of Lietuvos energija, AB: it controls 96.13% of shares in the company. The remaining 3.87% of the shares are held by minority shareholders.

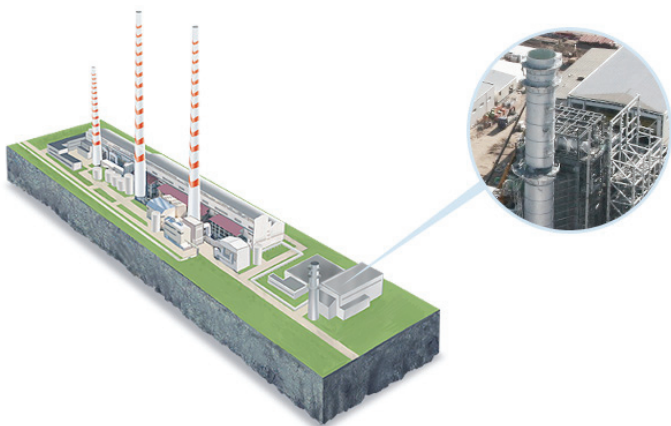
## Operations

- Lietuvos energija, AB generates electricity at three power plants operated by it: the Lithuanian Power Plant, the Kruonis Hydro Pumped Storage Plant, and the Kaunas Hydroelectric Power Plant.
- The company sells electric power and provides the power balancing service to LESTO, a public supplier, and independent suppliers operating in the Lithuanian market. Each market participant must ensure that the amount of electricity generated and/or purchased by it coincides, on an hourly basis, with the amounts that are consumed and/or sold. This is achieved through trading in the balancing power with the transmission system operator (TSO) at the end of every month.
- Lietuvos energija, AB purchases electricity from other suppliers and power-generating companies under contracts. It also engages in the electricity export/import operations via the Lithuanian and Estonian electricity exchanges.
- The Lithuanian Power Plant produces heat energy for residents and enterprises in the Elektrėnai region.

## Lithuanian Power Plant

The main power plant in the Lithuanian energy system, with the largest production capacities in the country (1800 MW).

In 2011, 1.1 TWh of electricity was generated at the plant. Its production capacities are being increased: a combined-cycle unit will be put into operation in the autumn of 2012. The efficiency of the 455 MW unit will be about 60%. The unit will be capable of generating the amount of electricity meeting ~ 20 to 25 % of domestic demand. Gas consumption will be 30 % lower compared with the currently operating units of the plant, leading to reductions in pollutants' emissions.



## Kaunas Hydroelectric Power Plant

This is the largest power plant using renewable energy resources in Lithuania. It ensures the balancing of the power system capacities and the control of the operating conditions.

It is one of the power plants in the Lithuanian energy system the operation of which will be triggered in case of a general system failure.

Last year, the Kaunas HE generated 385.8 m kWh (0,39 TWh) of electricity from renewable energy sources, or over 35 % of the total amount of green energy generated in Lithuania.

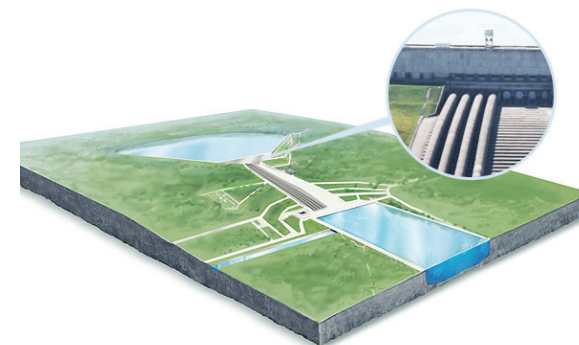


## Kruonis Hydro Pumped Storage Plant

The Kruonis HPSP represents a reserve link in the power system that effectively controls unevenness of daily loads.

The plant balances electricity production and consumption, levels out any unevenness in the power system, and controls voltage and frequency.

Capacity of the power plant is 900 MW. It generated 0.534 TWh of electricity in 2011.



## Business Philosophy

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### Mission

*Mission of Lietuvos energija, AB: to provide reliable, effective, diversified energy solutions to meet the present and future needs of customers.*

### Vision

*A national power-generating company ensuring security of power supply and operating efficiently in the integrated European market for electricity.*

### Objectives

*Strategic objectives* of Lietuvos energija, AB: increase value of the company, provide high-quality services to customers, diversify power generation by using local and renewable energy resources, increase efficiency of operations, and create new organisational culture.

The company seeks to attain these objectives relying on such fundamental values as **respect, responsible behaviour, professionalism, cooperation and initiative**.

**Mutual respect** in communication and joint work is our fundamental value and the main guideline for further constructive collaboration. We show respect for our colleagues and respect the environment and people surrounding us. Respect is closely related to responsible and transparent activities. We assume **responsibility** for our decisions, works and results. All employees in Lietuvos energija, AB seek to ensure that each task is understood, evaluated and carried out in a **professional** way. We believe that efficiency of the company's operations relies on **collaboration**, listening to others, and discussions as well as on joint working out of solutions in case of difficulties.

We collaborate with the local community (the Child Care Home, schools, the Elektrėnai Centre for Community Initiatives) and within the company (mini social campaigns, the Committee on Initiatives). Our initiatives are aimed at the accomplishment of our common goals.

## 02 Social Responsibility Areas



As a responsible member of society and an employer, Lietuvos energija AB contributes to social welfare not just by guaranteeing stable generation, import and export of electricity. We believe that successful and purposeful activities of the company are impossible without supporting the environment in which they take place. Due to its specificity, our work is closely related to physical environment and local community. Therefore, while working in the Elektrėnai town, it is important for the company to maintain strong and sincere contacts with our employees and to establish friendly ties with the local community based on collaboration initiatives.

The company has selected three areas of social responsibility taking account of the specificity of its operations and the target groups. Each area is focussed on different stakeholders and their needs. We train professionals and enable them to develop their skills. We are concerned about the welfare of members of local community. We protect the environment in which we work and we are committed to promoting the sparing use of energy resources and production facilities.

# Economic Responsibility

*By implementing the **economic responsibility** measures, one of the main items of the company's operating strategy – to employ only specialists with the highest qualifications – is secured.*



By implementing the **economic responsibility** measures, one of the main items of the company's operating strategy – to employ only specialists with the highest qualifications – is secured. We are proud of our team of competent staff and consider them the company's greatest asset. We encourage them to develop by organising training in various forms. Employees of the company are sent to skills improvement courses to acquire new knowledge or to develop the skills that they already have.

The company is elaborating a model of competences, on the basis of which the employees' skills will be developed and their skills will be improved. The employees are encouraged to take part in skills improvement courses and conferences. During formal training, the employees refresh the technical knowledge necessary for their job functions and receive the mandatory qualifications certificates. 84 specialists and blue-collar workers from production units and 92 administration staff and managers took part in the formal training in 2011.

During informal training, the employees improve their skills, familiarise themselves with innovations and best practices in the energy sector; team-working, collaboration and change management skills are developed. Familiarisation with global best practices is another useful and highly significant opportunity for improving one's qualifications. In 2011, the company's management and specialists learnt best practices and acquired useful experience at energy companies of Lithuania, Latvia, Estonia, Poland, Belgium and Spain. They took part in advanced training events, workshops and meetings with responsible employees of foreign companies.

## Plans

*The company aims to **purposefully develop its employees** and increase their skills, therefore, in both 2011 and 2012 the employees were encouraged to take part in skills improvement courses and conferences.*

The company is determined to develop its talented employees in 2012. The programme involves the selection of motivated and loyal employees determined to develop in their profession. These people will be provided with special training in the course of the programme. Implementation of the programme on the development of top and medium-level managers will be continued; launched in 2011, the programme aims to improve management and leadership skills. Mandatory formal training of the production units' staff is also very important. It involves training and re-certification of employees, upon which qualifications certificates are issued (or renewed). It is estimated that 180 production staff will undergo such mandatory training in 2012. The reorganisation completed on 1 August 2011, whereby Lietuvos energija AB and Lietuvos elektrinė AB were merged, has had a significant impact upon the human resources policy of Lietuvos energija, AB.

The attitudes of the employees of the two companies toward the changes as well as the companies' organisational culture were very different. Therefore, formation of the new common organisational culture became the key challenge in the area of human resources management. The company focuses attention on the strengthening of internal communication and collaboration, development of competences, and increasing employees' motivation and efficiency of work.

In order to increase the efficiency and transparency of operations, it has been decided to outsource the repair functions in Lietuvos elektrinė AB and Kruonis HPSP relying upon successful experience of other countries. Since 18 July 2011, the repairs of the two plants are entrusted to Kauno energetikos remontas UAB which was selected in a tendering procedure.

Through cooperation of employers, employees and trade unions functioning in the company, workers of the repair units of Lietuvos elektrinė AB and Kruonis HPSP were invited to work with Kauno energetikos remontas UAB. Very favourable employment conditions were offered to them: the workers could retain their service record and the accrued annual leave, and the same pay was guaranteed during one year from signature of the employment contract. Furthermore, Lietuvos energija, AB undertook to settle up with the employees in the event of Kauno energetikos

remontas UAB failure to fulfil its financial obligations to them. Kauno energetikos remontas UAB committed itself not to transfer the employee to another job and not to dismiss him/her. 15 employees used the opportunity offered to them. Other repair workers of Lietuvos elektrinė AB and Kruonis HPSP terminated labour relations with the company by mutual agreement and received severance pay according to the provisions of the Labour Code of the Republic of Lithuania.

Plans

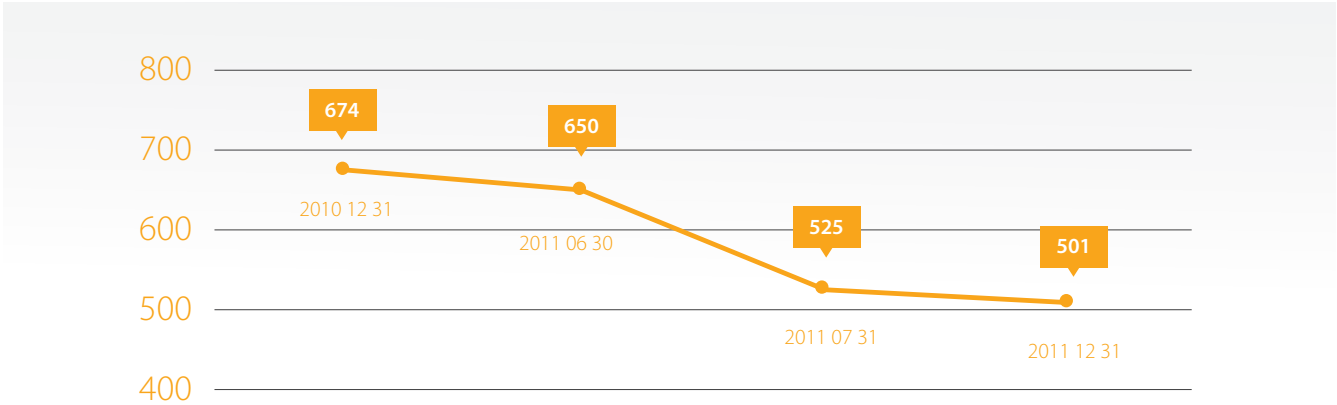


Fig. 1. Number of employees prior to and after reorganisation

As of the end of 2011, the company employed 501 people (including employees on child care leave) including specialists and medium-level managers 56%, blue-collar workers 42%, and top management 2%.

79% of the employees are men and 21% are women. Educational attainment of the employees: 36% of the employees - higher, 16% - college, and 48% - vocational.

Structure of employees by educational attainment	Higher	College	Secondary/ vocational secondary	Total
Total number of Lietuvos energija, AB employees as of 31-12-2011	183	83	243	501

Plans

In 2011, the majority of the company's employees were people aged 35 to 54, with a 10 or more years' record of service with the company. These are highly qualified and experienced specialists forming the core teams at the company's production units, where knowledge and experience are of vital importance.

22% of the employees were in the 25-34 age group, with a record of service up to 10 years (Fig. 2 and 3). The majority of such employees work in the Administration and the Wholesale Electricity Trade Division.

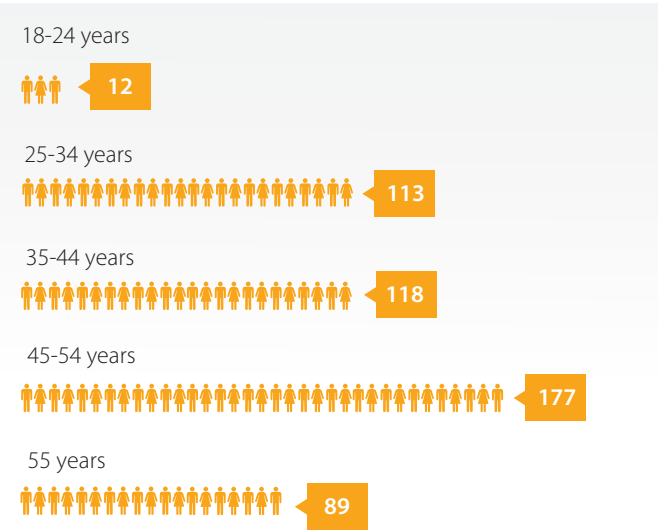
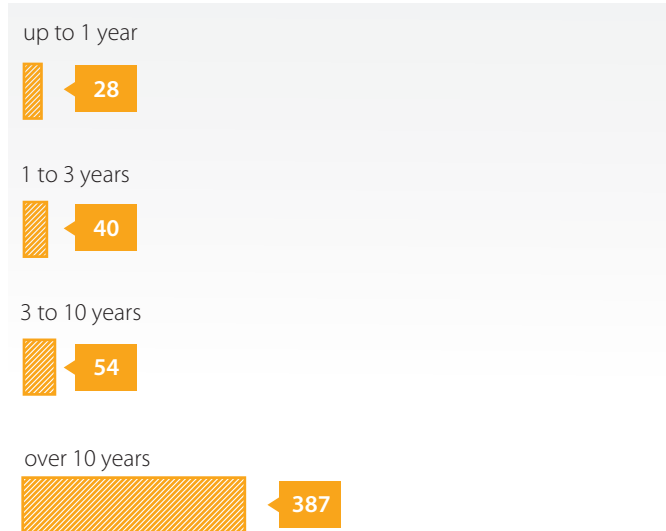


Fig. 2. Employees' structure by age



Employees' structure by service record

# Ethical Responsibility

*We are sensitive to the needs of and are concerned about our employees, their families and the community.*

## Employees



We seek to ensure that the company's employees – our greatest asset – feel safe at work, timely receive the relevant information, and take an active part in the social initiatives.

Every year, commemoration of most important holidays is arranged jointly with employees and support for community events is provided. The company is concerned about the employees' leisure time and opportunities for self-expression: the employees' initiatives to organise cultural activities and to form trade unions are supported. The company implements projects on assistance for socially vulnerable groups (e. g., we organised a Christmas party for the children from the Child Care Home, distributed free safety reflectors, organised children's excursions in the power plant).

The activities carried out in the ethical responsibility area bring the company closer to its employees and the neighbouring communities.

Following the principles of the Global Compact, the company's management actively collaborates with the trade unions: regular meetings are held, at which the company's strategic plans and development projects are presented to the trade union representatives, human resources policy issues are resolved, and projects related to the company's organisational structure are planned.

The new collective agreement signed by Lietuvos energija, AB and the trade unions on 28 October 2011 is a result of successful negotiations. The collective agreement covers such issues as working and resting time, remuneration for work, fringe benefits, health and safety at work, and social care. Some of the provisions of the collective agreement coincide with those in the Labour Code, whereas others are more favourable to the employees than those in the Labour Code.

***The employees of the company have the opportunity to use the following fringe benefits:***

*Additional annual paid leave based on the length of service record;*

*One-off social benefits;*

*100% pay for the first two days of sickness;*

*Voluntary vaccination against seasonal diseases;*

*Transport to/from work at the company's cost.*

The company pays remuneration to its employees depending on their competences and performance. According to the company's human resources policy, the remuneration and performance evaluation system must be based on the principles of fairness, clarity, universality and comparability. Each employee should be aware of his/her job's place in the matrix of the company's positions, possible career paths, and the link between performance and remuneration. These issues are discussed during the employee's annual interview with the line manager.

As no company can disregard market situation when setting the pay brackets for employees in certain positions, the company monitors and analyses pay levels in the market and compares them with the company's situation in order to attract and retain highly qualified specialists. A new remuneration and performance evaluation system was introduced in Quarter II of 2012. According to the concept of the system, the pay brackets set for specific positions and competence-based pay of employees will be subject to review on an annual basis.

It is very important for us to know whether the employee is feeling good in the company and understands his/her annual objectives clearly; possibilities for improving the employee's working condition are considered. Therefore, constructive and open interviews with relevant line managers are held every year. These dialogues enable us to understand the employee's expectations, to assess performance results, and to adjust the tasks. The issues and possible solutions identified during the interviews allow the company to plan future activities more efficiently.

The company conducts an employee opinion survey on an annual basis in order to learn about the employees' views on such important areas as working environment and organisational culture, dissemination of information, career and development opportunities, remuneration and recognition. During the survey, the employees respond to questions, with full anonymity ensured. Based on analysis of the results, the company draws up an action plan on improving those areas which have received poor evaluation. In the 2011 survey, the employees gave best evaluations to the working environment, work of line managers and cooperation, whereas dissemination of information within the company and the motivation system were rated as the poorest areas. Taking guidance from these results, the company included in its action plan such initiatives as improvement of the internal communication process and implementation of a new remuneration and motivation system. The implementation of the plan was started in 2011: internal communication processes were improved, the intranet page was updated, and employees having no workstations of their own were provided with information terminals. Development of a new remuneration and recognition system was started last year as well.

## Internal Communication

**Intranet.** The new intranet of the company ("LEnetas") became operative in 2011. The latest general information about the company, news from the company's units as well as informal news are published in it. The system, which is based on SharePoint 2010, enables the employees to become involved in the dissemination processes, i. e. to independently publish the unit's news, plan works, replace photos etc.

The in-house *Mūsų energija* ("Our Energy") newspaper is a publication issued on a bi-monthly basis, which reviews the latest events in the past period, important news in the energy sector. Interviews with the company's employees are published, competitions are announced etc.

In 2011, the internal communication processes were improved and special terminals were installed for employees without workstations so that they can connect to the intranet and follow the news.

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## Initiatives Promoting Community Spirit

*Our aim is to involve the employees into social initiatives, offer solutions, and encourage activities*

We believe that fostering of corporate traditions and arranging joint celebrations of holidays enhance the community spirit. An event was organised for the commemoration of the 16th of February and for awarding the best employees of Lietuvos energija, AB for their work and adherence to corporate values. Best employees were also selected at the Christmas party. During Christmas, a show was organised for the children of the employees and each child received a present. Children from the Elektrėnai Child Care Home were also invited to this event.

The company's employees are not indifferent to sport: last year they participated in the spring sports event in Elektrėnai and in the sport competition for families of the energy sector workers in Šventoji. The company is proud of the employees of the Lithuanian Power Plant who spend their leisure time playing in an in-house band and please their colleagues with music at the company's events.

The employees participated actively in the blood donorship campaign, donated books to the Elektrėnai public library, collected and delivered 143 faulty mobile phones for safe recycling. In the autumn, a safety reflectors' campaign was organised, the purpose of which was to secure safety of the Elektrėnai children on the streets and roads.

## We seek to ensure safe working environment for all the employees

On 6 September 2011, the company received the **OHSAS** 18001:2007 / LST 1977:2008 certificate, whereby Bureau Veritas confirms that the organisation's health and safety at work management system was checked and its compliance with the relevant standard was determined.

The health and safety at work management system forms part of the overall management system of the company, which includes the organisational structure, planned activities, allocation of responsibilities, business practices, internal procedures, methods, process management and resources necessary for the implementation, and maintaining and improvement of the HSW policy. The purpose of OHSAS 18001 is to ensure health and safety at work by reducing the probability of accidents at work and the disease prevalence among employees.

In 2011, one minor bodily injury occurred in Lietuvos elektrinė AB, one in Kruonis HPSP, and 0 in Kaunas HE. There were no fatal injuries.

The company has an in-house first aid unit with professional staff; every year free vaccination against flu is offered to the employees.

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## Risk Management and Transparent Business Principles

Lietuvos energija, AB is committed to ensure transparency of its activities. The company has a consistent system, which ensures efficient risk management, control and prevention, in place. Internal audits are conducted on a regular basis; potential threats and relevant solutions are identified. In tendering procedures, transparency and efficient process management are in the focus of attention. A public event was organised for external contractors in order to present the procurement processes being conducted or planned by the company and to answer questions of the contractors.

# Ecological Responsibility

*The company takes part in the environment clean-up campaigns and promotes initiatives on rational use of energy resources and sorting and recycling of waste. The employees are provided with working conditions in accordance with the health and safety at work regulations.*

Lietuvos energija, AB is a large company whose activities are closely related to the environment. Therefore, we believe that we have to take care of the environment in which we live and work. In 2011 the employees participated in the national clean-up campaign under the title "Let's Do It", which involved cleaning of public areas of the Elektrėnai town as well as territories of the power plants. Employees of the Kruonis HPSP and the Kaunas HE plant took part in the campaign as well.

The company encourages its employees to save paper, heat energy and electricity and to recycle – and making a habit of this at home as well. A memo on the saving of energy resources was published and distributed by the company.

In 2011, the Integrated Pollution Prevention and Control (IPPC) Permit was renewed for the **Kruonis HPSP and the Lithuanian Power Plant**. The permit grants the right to the operator to carry out economic activities in the power plants on the defined terms and conditions and establishes the related environmental protection requirements.

Fulfilling our obligation to the Ministry of Environment, we publish, on a regular basis, statistics on pollutants discharged by the Lithuanian Power Plant in the company's website [www.le.lt](http://www.le.lt).



## Environmental Protection

Being a responsible company, Lietuvos energija, AB respects the environment in its operations, sparingly uses natural resources, introduces new environmentally-friendly technologies, complies with the environmental laws and regulations, and implements preventive measures to reduce the adverse impact upon the environment in a professional manner.

Environmental protection issues most relevant to the company include the safe operation of facilities, safe use of substances dangerous to the environment, waste management, ensuring that changes in the water levels in the Kaunas Lagoon and the Nemunas River downstream the Kaunas HPP are within the permissible limits etc.

Iberdrola AB, a Spanish company which is the general contractor in the construction of the combined-cycle unit at the Lithuanian Power Plant, has completed over 95% of construction works by the end of 2011. The new unit will be less polluting to the environment and will use the energy value of fuel for power generation more effectively.

We are glad that the Kaunas HPP rehabilitation and modernisation project was completed successfully. This enables further reductions of the environmental pollution.

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## Waste Management

Waste generated by Lietuvos energija, AB and its divisions is managed by hiring companies licensed to carry out the waste management activities. The main types of hazardous waste include residual liquid fuel ash, insulation materials containing asbestos, oil-contaminated cloth, developers, filter materials, fluorescent lamps, oils, oily water etc.

In 2011, 79.7 t of hazardous waste and 267 t of ferrous metal scrap were collected by the Lithuanian Power Plant for processing. Domestic waste collected in the territory of the company is removed by a special-purpose entity under a contract; approx. 350 m3 of domestic waste was generated in 2011. Paper and cardboard waste is delivered to a recycling company.

In 2011, 5.8 t of hazardous waste and 39.4 t of ferrous metal scrap were collected by the Kaunas HPP for processing. Domestic waste collected in the territory of the company is removed by a special-purpose entity under a contract; approx. 8 m3 of domestic waste was generated. Paper and cardboard waste is delivered to a recycling company.

12.7 t of hazardous waste was collected by the Kruonis HPSP for processing. Domestic waste collected in the territory of the company is removed by a special-purpose entity under a contract; approx. 69 t of domestic waste was generated. Paper and cardboard waste is delivered to a recycling company.

Emissions discharged by the company into the atmosphere amounted to 742,477 t in 2011 compared with 1,107,698 t in 2010, i. e. a 32.97% reduction of the emissions was achieved.

## Wastewater Management

Compliance with the permissible limits of pollution caused by continuous pollution sources (sewage) established in the IPPC permit and the Wastewater Management Regulations is monitored on a regular basis. Maintenance of stormwater and domestic wastewater treatment facilities is carried out regularly (regeneration and change of filters, removal of sludge etc.), with the maintenance services purchased from specialised companies.

Results of the investigations conducted in 2011 show that the maximum permissible/projected/desirable values of surface (storm) water, domestic wastewater, and industrial wastewater pollution as stated in the IPPC permits issued to the Lithuanian Power Plant, Kruonis HPSP and Kaunas HPP were not exceeded.

The Lithuanian Power Plant has installed a metering unit for the control of surface wastewater released into the Strėva River. The readings of the metering unit will be used for the calculation of pollution taxes (based on actual discharged wastewater quantities and actual pollution).

Divisions of Lietuvos energija, AB comply with the requirements for the air, surface water, groundwater and soil pollution monitoring and protection established in the IPPC permits. Calculations of pollution from continuous and mobile pollution sources are made, chemical substances are recorded, and internal audits of chemicals and preparations used and of waste and wastewater generated are conducted on a regular basis.

Rehabilitation of the Kaunas HPP has considerably reduced environmental risks as old oil types used in the hydrolifting equipment was replaced with environmentally-friendly oil and the dam heating system was filled with a non-freezing environmentally-friendly liquid. Safe operation of the hydro turbines is ensured by the new design – no oil is released into the Nemunas River. Litter collection equipment has been installed upstream the hydro units. The efficiency of treatment of mechanical pollutants discharged into the Nemunas River upstream the Kaunas HPP is as high as 90%.

A project on remediation of the contaminated area of the Lithuanian Power Plant (ash collection area) was prepared by SWECO UAB. The implementation of the project will involve the formation of ash piles covered by soil and the installation of a new emergency spillage tank. It is planned that the remediation works will be started in 2012. The project is aimed at protecting soil.

In 2011, a decision was adopted to implement a project on the installation of modern process water treatment facilities, which will reduce the process water losses up to 20%. The installation will be completed by 2014. Protection of waters is the purpose of the project.

Construction of the combined-cycle unit at the Lithuanian Power Plant was continued in 2011. The new unit represents one of the environmental protection measures as, upon its commissioning, the air pollution per production unit will be reduced up to 30%.

The Lithuanian Power Plant implemented an automated air pollution monitoring system for its Boiler 8B. The system, which complies with LST EN 14181, ensures control over the compliance with the limit air pollution values.

## Preventive Measures to Ensure Safe Environment

## New Installations Using Renewable Energy Resources

In June 2011, a solar energy facility was put into operation at the Kruonis HPSP. This is the largest solar energy system in Lithuania. The solar energy collector battery was installed on the roof of the electrode boiler house of the power plant. The new system is both environmentally friendly and economical. In 2011, 37 MWh of heat energy generated by this installation was used for the production of hot water. Now the hot water requirements of the Kruonis HPSP in the warm season are fully met by solar energy.

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*By adhering to the ten principles of the Global Compact, we conduct our activities taking the human rights, the rights of employees, environmental protection and transparency into consideration. These universal guidelines on responsible behaviour represent a clear landmark for Lietuvos energija, AB in the development of socially responsible business in the future.*

*We are committed to be sensitive and attentive to our environment and to continue our social initiatives as well as to develop new ones taking guidance from our corporate values and the principles of the Global Compact.*