

AB "Žemaitijos pienas"
Reporting period: 1 January 2017 – 31 December 2017

CORPORATE SOCIAL RESPONSIBILITY REPORT

AB „Žemaitijos pienas”: A Social Responsibility Report 2017

This Social Responsibility Report covers social and environmental protection activity performed and planned by AB „Žemaitijos pienas”, evaluating results achieved and thus informing the stakeholders of the Company (consumers, employees, partners, suppliers, investors, authorities, non-governmental institutions and civil society) about responsible practice of the business. Not only the Republic of Lithuania Financial Accounting Law, where EU Directive 2014/95/EU is implemented, obligates to draw up this Report, but also understanding at the Company that social responsibility accounting promotes innovations and learning, which assists companies in growing their business and augmenting the value of their organizations.

The Report has been prepared taking into account the recommendation guidelines of the Global Reporting Initiative (GRI).

The Social Responsibility Report written by AB „Žemaitijos pienas“ has been prepared for the first time and it is a separate document, still related to Annual Financial Statement of the Company.

1. A Word from the Head of the Company



As we have gained almost one hundred years' long experience in the field of production and sales, we perceive very well that good results of the Company are determined not only by new production technologies and quality of our products, but also by the employees of the Company, members of their families, clients, partners and the community within which we are acting.

We want to ensure quality to our consumers and contribute responsibly to their welfare by supporting social initiatives, we appreciate long-term partnerships and sustainable development of the business.

Namely because of this through implementation of our decisions regarding development of the Company we coordinate the following processes

responsibly:

- we choose in good faith raw materials, partners and suppliers, do not tolerate corruption; accordingly, in good faith we fulfil our obligations towards business partners and state institutions;
- we ensure the quality of the products while acting in accordance with the highest standards, community values and ensure environmentally friendly production process, we implement projects for electricity and other resources saving so that the environment will be preserved even better;
- we appreciate our employees and their contribution to the success of our business; therefore, we implement on a regular basis all actions in order to improve working conditions and increase safety at work. We believe that strength of an organization lies in the knowledge and professionalism, therefore, we encourage our employees to improve their qualification through training;
- we, by ourselves, create and support social initiatives of the communities;
- also, we seek to educate our young generation to be responsible: we accept young people for summer practice and target studies, assign nominal scholarships to the brightest students to pay for their studies.

I invite all of you to be responsible community members and act in accordance with social responsibility provisions – ensure environment protection, safe and honest working conditions for the employees, support initiatives of the communities. I believe that all this is an integral part not only of our business but also of an individual success of every community member.

Director General

A handwritten signature in blue ink, which appears to read "R. Pažemeckas".

Robertas Pažemeckas



2. About AB „Žemaitijos pienas“

AB „Žemaitijos pienas“ is a public limited liability company registered in the Republic of Lithuania, the office address is Sedos str. 35, Telšiai, Lithuania (hereinafter – the Company).

The Company has its structural divisions with warehouses and vehicles in Vilnius, Kaunas, Klaipėda and Panevėžys.

The consolidated group of AB „Žemaitijos pienas“ companies consists of the parent company AB „Žemaitijos pienas“ and its subsidiary ABF „Šilutės Rambynas“.

Since 1997, the ordinary registered shares of the Company are listed in the Nasdaq Vilnius stock-exchange among Baltic market's additional list of securities trade.

AB „Žemaitijos pienas“ is a Company having old dairy production traditions that produces dairy products in Lithuania, cherishing classical recipes of dairy production and technologies, promoting recovery and consumption of heritage and cultural products reflecting a hundred year old history, as well as seeking innovations, through creation and offering of new and unusual products to consumers.

AB „Žemaitijos pienas“ made its first steps in that distant 1924, when Telšiai dairy was founded. At that time the capacity of that dairy used to be valued as of great size. That dairy, which in 1984 started its activity in new premises, performed its activity successfully until opening of cheese factory, the biggest in the Baltics, and its privatization. AB „Žemaitijos pienas“ as a public limited liability company was registered on 23 June 1993 at the board of Telšiai district, while on 16 October 1998 it was re-registered with the Ministry of Economy of the Republic of Lithuania.

Excellent work is the Company's business card, which undeniably testifies to the credibility and solidity of the Company in establishing itself in the market of this country with its products, as well as promoting the land of Žemaitija (Samogitia) and Lithuania in the world. At present, over 1200 employees, professional and creative, are working at the Company whose solid contribution, optimism and wisdom allow the Company to achieve ambitious goals and cope with new challenges in the international and Lithuanian markets.

Our working experience accumulated throughout many years and our unique recipes today allow the Company to provide the consumers with wide assortment of products featuring excellent taste and high quality. These days, the Company produces over 200 new dairy products and those that have been already liked by consumers, including the group of ecological dairy products, DOBILAS. Products of MAGIJA trademark earned consumer trust since their very first introduction in the market and have gained astonishing popularity. Buyers

like fermented and melted cheeses, as well as PIK-NIK, tearable sausages made from unripened cheese, only one such type product made in Lithuania.

Hard cheese DŽIUGAS, which is the pride of the Company and Lithuania, was awarded the highest degree prizes in many Lithuanian and international shows. Consumers like our milk, kefir, yogurt, sour cream, cream, curds and glazed curd cheeses as well as natural butter or butters with tasty additives and many other products. Our culinary heritage is cherished as well. Some products of the Company are manufactured from traditional raw materials and additives only in accordance with traditional technologies, therefore, these exceptional taste products have been awarded certificates of the Foundation for Culinary Heritage of Lithuania and marked by a special mark of the Foundation.

The Company, in order to remain competitive in the markets of raw milk purchase and dairy products sales, invests on a regular basis into updating of production equipment, implementing up-to-date technologies. In 2015, the Company implemented and commenced the use of new technologies and a line of milk treatment of high productivity. The Company invests each year into energy saving, improvement in business management processes and makes every effort to allocate as much as possible funds to other activities of the Company.

At the beginning of 2016, the management of the Company re-organized the activity of the Quality Division, while at the end of that year adopted a decision that all inspections regarding compliance with the international food safety standards will be conducted not aligning in advance the time of such inspections, which means that all audits will be conducted under not announced auditing model chosen.

In 2016, the Company signed the agreement with the National Paying Agency for the allocation of support under the measure of the programme for the Lithuanian rural development for 2014-2020 "Investment in Tangible Assets" activity field "Support for Investments in the Processing, Marketing and (or) development of Agricultural Products". The Company through acquisition of new equipment seeks to reduce pollution and use energy resources more effectively.

Vision and Mission

In order to achieve leadership in Lithuanian dairy products market, AB „Žemaitijos pienas“ presents its priority – to produce high quality, healthy and safe products only, which would become a standard for taste to even the most whimsical buyers, thus training the habit of consumers to buy products of „Žemaitijos pienas“ brand.

We constantly seek not to miss client's expectations, search for new markets, penetrate into the market not only with the excellent products, services and other type development, but also to attract specialists that could professionally represent the interests of the Company when communicating with the clients and partners in the market.

Values

We mention hereby several basic values that are distinguished and exceptionally appreciated at the Company:

- Planning the work and time;
- Fulfilment of promises given and obligations assumed;
- Honesty;
- Saying the truth;
- Ability to work in a team;
- Desire to learn and improve one's qualification;

- Desire to do more, better and more rationally;
- Ability to execute the agreed works in time and duly;
- Direct communication.

Structure of the Management

There are two management bodies at the Company – the Board and Head of the Company. The Board consists of seven members, who are elected for not more than four years by the Supervisory Council. Their mandate is unlimited. The chairman of the Board is elected by its members from among the Board members.

A supervisory body is acting at the Company as well – the Supervisory Council, which consists of three members elected during General Meeting of the shareholders for four years. The Supervisory Council is advised by the Audit Committee of the Company.

3. Employees

In 2017, the Company employed 1163 people, which is 4.23% less than in 2016 (1214 employees). As we can see from the Chart below (see Chart No. 2), the majority of the employees consisted of men, the number of whom was 639 (673 in 2016). 524 women were working at the Company in 2017 (541 in 2016).

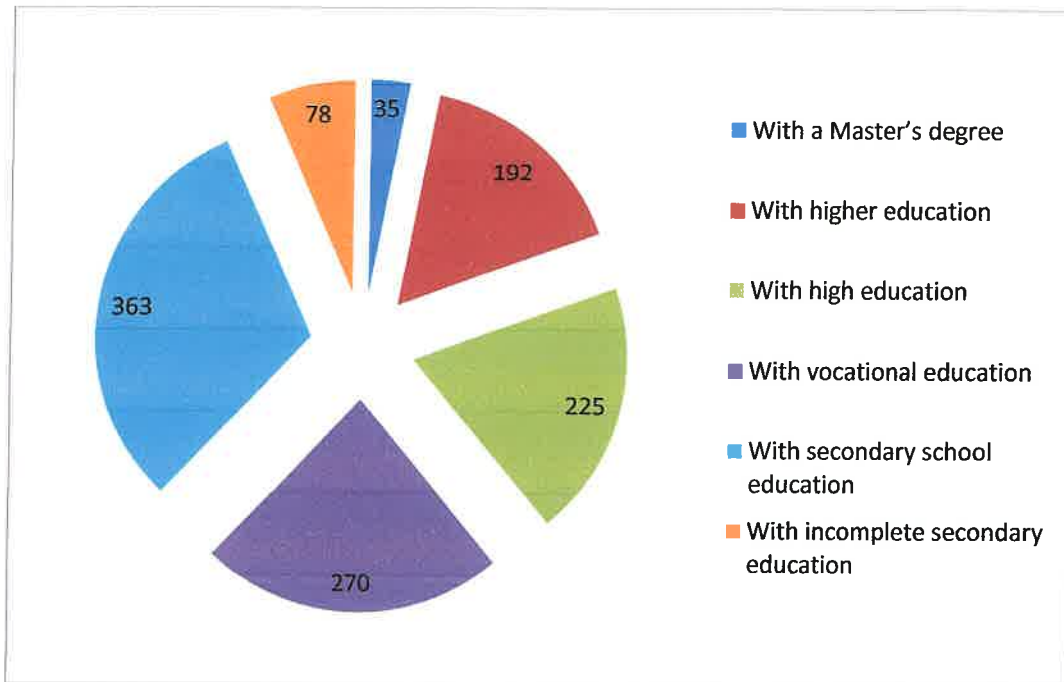
In 2017, 9 disabled people were working at AB „Žemaitijos pienas” (6 in 2016) (see Chart No.3).

The Company is acting actively implementing diversity policy in human resources, which concerns not only gender or disability issues, but that of age as well. In 2017, at AB „Žemaitijos pienas” 7 employees were younger than 21 years of age and 8 employees were aged over 65 (see Chart No.4).

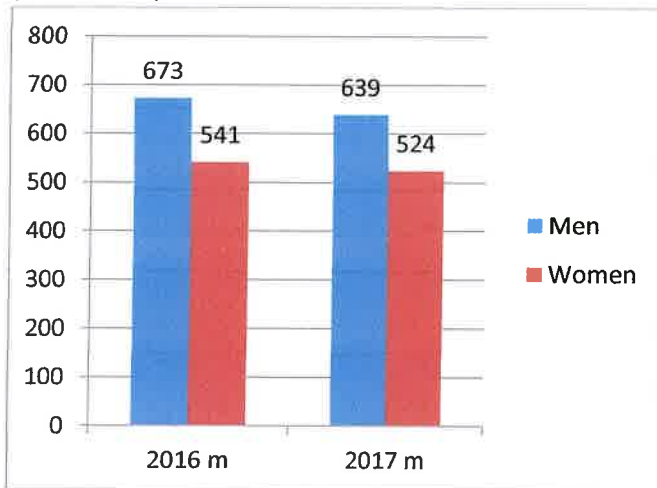
In 2017, the average age of the employees was 43 years.

Reviewing the education acquired by the employees of AB „Žemaitijos pienas” in 2017 (see Chart No. 1), we can state that the majority of the employees have secondary school education (363 employees), lesser number was with vocational education (270 employees). And the least number was that of employees having a Master's degree (35 employees).

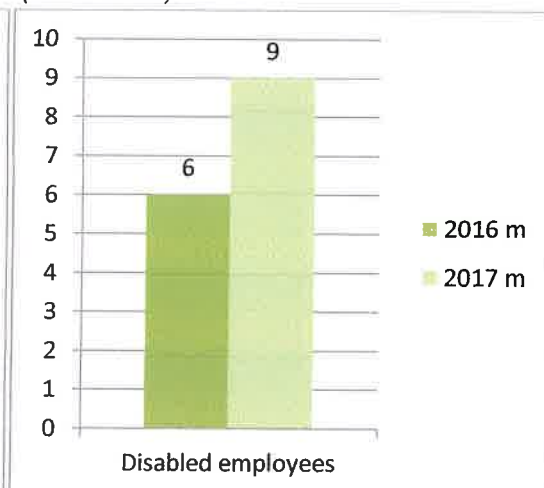
*Employee grouping by education
(Chart No. 1)*



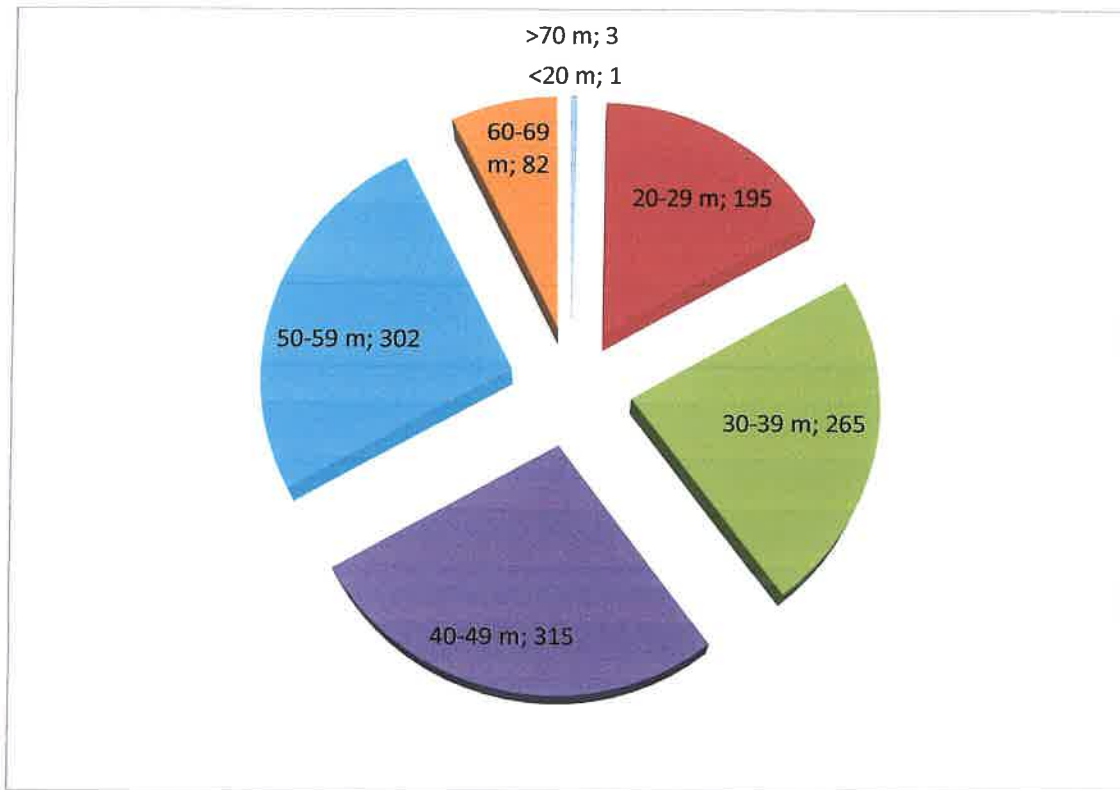
Number of employees by gender in 2017
(Chart No. 2)



Disabled employees in 2016 and 2017
(Chart No. 3)



Number of employees by age in 2017
(Chart No. 4)



Safety and Health of the Employees

The Company not only takes care about safety and health of the employees during work time, but also it insures all employees against accidents in non-working hours.

All employees of AB „Žemaitijos pienas“ must check their health condition before commencing the work at the Company and receive certificates of work with food hygiene.

To ensure safety at work and health management, at the Company has been established the Employee Safety and Health Service, which consists of specialists of employee safety at work and health as well as occupational health specialists. The Service acts in accordance with the Regulations of Employee Health and Safety at Work, approved by the Director General of the Company, job descriptions prepared for each job and legal acts valid in the Republic of Lithuania.

AB „Žemaitijos pienas“ appoints to work only trained and certified Company's employees in the sphere of employee health and safety at work, who, if needed, are responsible for instructing the employees of another company, who came to execute other works (getting familiarized) with general requirements at workplace (with potential dangers and risk factors) and performs permanent control over observation of requirements of work, fire protection, environment protection and others.

In 2017, 72 cases were registered at the Company when requirements of legal acts of employee safety and health were not observed. The majority of violations were related to exploitation of working equipment (25 cases), use of personal protective equipment (18 cases), working premises or workplace (11 cases and work with chemicals (5 cases).

For the following year, AB „Žemaitijos pienas“ sets great objectives in order to improve the situation. In the Table below, it is indicated, what are basic objectives of the Company in the sphere of employee safety and what measures are intended to implement to achieve them.

Seq. No..	Title of the objective	How it is going to be realized	
1	0 (zero) accidents at work.	Training of employees and managers of units, information provision about accidents, communication using visual aids.	
2	Registration and investigation of incidents (events not causing harm to employee health.) Not more than 2 incidents per month (in total 24 incidents).	Communication to the employees about benefit of investigation of messages about incidents.	
3	Active contribution to improvement in working conditions of the employees: -reduction in the extent to which heavy objects are hoisted by hand (automation of lifting of sacks with flour, slabs of cheese, boxes of butter etc.) -reduction in noise impact on the employees	Evaluation of ergonomic factors in the workplaces, choosing suitable working tools, choosing suitable and of high quality personal protective equipment.	
4	Permanent control of adherence to legal acts of employee safety and health.	Security personnel involving (capturing breach episodes by video surveillance cameras), further training in order to notice the breaches.	
5	Reduction in employee morbidity.	Application of health maintaining measures (informative leaflets, communication through visual aids, swimming-pool project, safety and health week, wellness festival).	



Training and Qualification Improvement

The Company seeks to create and develop long-term relations with the employees, even more so, because situation on the labour market is not satisfactory – there is a lack of high qualification employees; therefore, the employees are encouraged constantly to improve their professional qualification. The employees of the Company have a possibility to improve their knowledge and skills during seminars and courses. The programmes have been prepared, in accordance with which specialists are trained and attested, as well as production workers, apparatus operators, operators, locksmiths, brigadiers and foremen. AB „Žemaitijos pienas“ provides its employees with internal and outsourced training, which are held by external contractors or employees of the Company responsible for training. For the next year, it is planned to expand possibilities of training and implement an electronic training platform.

The training is provided to employees of all units, starting with the lowest positions and up to the highest. In 2017, AB „Žemaitijos pienas“ management improved their competencies in different training sessions for managers.

Great attention is paid to the knowledge of foreign languages. Foreign languages are taught and appropriate material delivered to the employees during the courses held by the Company. Also, the training sessions above are conducted in other forms of learning and improvement, among which a method is used when employees brush their knowledge up abroad.

Social dialogue

In order to improve the welfare of the employees even further, several novelties were introduced at the Company in 2017.

Upon initiative of the Company, the Labour Council has been established, which consists of 11 employees of the Company. This Council will seek to ensure rights and interests of the employees of the Company. In order to ensure functionality of the Council, it is planned to hold labour law training for the members of the Council.

Since 2017, AB „Žemaitijos pienas“ the positions of employee training and welfare manager and training managers have been introduced. These employees maintain a social dialogue between the Company's employees and management and contribute markedly to improvement in the working conditions. As an example, a fact can be presented that upon desire of employees of the production unit, after dialogue with the management, regular small breaks were introduced.

System of proposals KAIZEN, a part of the modern LEAN system is operating at the Company. Through this system, the employees may submit their proposals, and, if the management has approved, these proposals are immediately implemented. A management system of complaints, proposals, observations is being implemented at the Company, the

properties of which are as follows: (i) independence; (ii) accessibility; (iii) clarity; (iv) provision a p a victim with a possibility to get information.

Material Welfare Package for the Employees

AB „Žemaitijos pienas“ especially appreciates its employees, therefore, the employees get not only a competitive salary in compliance with requirements of legal acts and labour market conditions, but also material assistance is provided to them, one-time benefits are paid as well as additional promotional payments. In 2017, the average general salary at the Company was EUR 1006.

The Company is planning to approve a clear and accessible to an employee salary payment policy, which will include explanation of component parts of the salary, criteria, on the basis of which salary payment system will be based, clear assessment criteria and a link between the pay and activity results.

The Company also provided financial help in the case of death of a family member, in the case of harsh financial situation, marriage, launching the studies or graduating and in some other cases. In the case of serious disease with which an employee has become sick, an allowance can be paid to him/her. Long-term employees are appreciated at the Company especially, therefore, the amount of such benefit frequently depends on uninterrupted working time at the Company.

When holiday days are approaching, on the basis of Board decision and acting in accordance with the approved procedure, frequently the employees are awarded one-time payments at the end of the year if good results have been achieved by the entire Company. The children of the employees enjoy annual Christmas festival around the Christmas tree. In the name of the Company, children get various presents. Cherishing family values and seeking meaningful vacations of employees, together with their families, once a year a promotional payment can be paid for good working results.

Human Rights

The Company has obligated itself strongly to respect and defend human rights, defined in the Universal Declaration of the Human Rights, approved by the General Assembly and performs this acting in accordance with conventions, related to human rights and to which the Republic of Lithuanian has joined itself.

AB „Žemaitijos pienas“ executes policies of equal possibilities, the policy of intolerance against bullying. It respects privacy of the employees. The Company performs not only the necessary actions, but much more; we can present as an example the provisions embedded in the Rules of Procedure for creation of a positive working environment. The Company assures equal possibilities for employees irrespective of their race, nationality, gender, political or religious outlook or other properties. It assesses the employees by their work results and loyalty to the Company only.

In the case of a production company, the necessity arises to ensure not only not taking Company's production for their own purposes by employees or other persons, but other type tangible assets of the Company as well, therefore, a security service is operating at the Company that acts in accordance with the Rules of Procedure, the Law on Person and Property Safety of the Republic of Lithuania, other valid legal acts, determining possibilities and limits of physical violence and use of special means against a person.

AB „Žemaitijos pienas“ not only performs its activity responsibly, but also it responsibly chooses business partners and suppliers. The Company pays special attention to the strategy

of social responsibility of potential partners. In all cases, when signing an agreement of collaboration, the Company seeks to sign an Annex to the agreements, which would ensure adherence to the principles of social responsibility.

AB „Žemaitijos pienas“, in order to perform its activity, does not use children labour and chooses only those goods, whose production does not require exploitation of children.

Career Possibilities for the Young

AB „Žemaitijos pienas“ seeks to educate the talents of young generation, therefore, it accepts young people for paid summer practice and target study practice, while several hundreds or even thousands of euros nominal scholarships are allocated to the brightest students to pay for their studies.

In order to reduce the scope of emigration from regions, the employees of the Company frequently hold presentations at regional schools thus looking for potential workforce. Of course, AB „Žemaitijos pienas“ participates in the „Talents for Lithuania“ programme and successfully attracts the young people who graduated from schools abroad.

In order to assist young professionals in establishing themselves in the labour market, the Company participates in career fairs, such as held by Kaunas University of Technology „WANTed“; collaborates with Šiauliai and Vilnius University, Klaipėda college.

AB „Žemaitijos pienas“ has set a goal to perform even further its activity, ensuring respect towards human rights and appreciating its employees. We hope to achieve good results from the Labour Council, which is formed for assurance of employee rights and interests and soon is starting its activity. We will further seek to perform actively the policy of human resources diversity and attract new talents. The Company intends even further to make every effort in order to remain one of the most desirable employers in Telšiai region.





4. Environment Protection

AB „Žemaitijos pienas”, a company producing and selling dairy products, on the basis of criteria embedded in the Rules on Pollution Integrated Prevention and Control Permits Issuing, Amendment and Validity Annulment is assigned to the companies that in order to perform their activity uses facilities, for which a special permit is necessary to be issued on the basis of the Rules above. In 2006, the Company was given a Pollution Integrated Prevention and Control permit, the validity term of which is unlimited, still, due to changes is to be corrected. The Company does not affect negatively the environment, the extent of effect of which must be reduced under immediately taken actions, still the Company on a regular basis monitors its performance indicators, plans and implements the newest technologies, that would allow reducing the costs of production and activity and energy consumption, in all ways improve the environmental condition of the Company. At any time, we are ready to solve environmental problems together with the public.

The Company improves constantly the integrated quality and food safety management system, which complies with the requirements of the international standards BRC, ISO 9001, ISO 22000, FSSC (ISO 22000, ISO/TS 22002-1) and IFS.

The Company through employing different measures, seeks to preserve and rationally use the natural resources to the maximum extent possible. As is known, natural resources determine economic development of countries. The states that preserve natural wealth have much greater possibilities to develop production, trade and social sphere. The Company perceives very well that its activity can do considerable harm to nature, and only complex use of economic, legal, technical and biological measures can guarantee the rational use of natural resources at present and in the future. Therefore, the impact on nature is controlled in accordance with the harmonised monitoring programmes. Under conditions of the Company expansion or due to updating the equipment or technologies, assessment of impact on the environment is conducted, ensuring that development of the Company does not exceed permissible environmental protection norms. Also, industrial waste water is monitored, and biofuel quality and other factors that could influence the surrounding environment. The Company renews on a regular basis its vehicle pool in order to reduce air pollution from the mobile pollution sources. In order to ensure reduction of pollution from stationary pollution sources, the Company uses the best available production methods.

The waste is managed in compliance with the established requirements, annual waste production accounting reports are submitted through the electronic environment protection data collection system. On the territory, hazardous and non-hazardous waste is warehoused and managed in a manner allowing avoiding adverse effects on the environment. It is sorted and locations for their storage are appropriately marked. The waste is transported timely to the companies, recycling and removing the waste. AB „Žemaitijos pienas“ executes sorting of

packaging at the place of waste generation, presses the waste and prepares for recycling. Also, separates packaging waste from those unsuitable for recycling still suitable for energy production and systematically hands over it to the collectors and recycling specialists.

In the production process of AB „Žemaitijos pienas“, an important role is played by packaging. Production is packaged into glass, PET, plastic, paper, combined, wooden and other type packaging. In order to ensure effective managing of packaging, the Company in 2017 was collaborating with the Public Enterprise „Pakuočių tvarkymo organizacija“ (PTO), which used to take care of packaging collection and recycling. The Public Enterprise „PTO“ for the funds received from AB „Žemaitijos pienas“, on the basis of documents confirming that the waste has been handled, has undertaken to educate the public, contribute to development of infrastructure of packaging collection from consumers (to provide the residents with waste sorting containers).

The Company constantly executes investment projects, during which it implements new, modern technologies allowing more effective use of energy renewable sources, decrease in the quantities of pollutants emitted into the environment and apply other environmental protection measures:

AB „Žemaitijos pienas“ on a regular basis conducts analyses and expands looking for new eco-friendly activity models. At present, a new AXAPTA business management system is being implemented, with the help of which we believe the waste accounting will be facilitated as well as its submission, and the principle of „clicking one button“ will be implemented.

In 2017, AB „Žemaitijos pienas“ invested into the new packaging line Multivac R225, due to which less raw materials will be consumed for packaging and less electrical energy.

Also, in 2017, the Company acquired a new boiler for boiling Stephan UM200, which consumes less energy, and due to this, the work becomes more effective.

In 2017, AB „Žemaitijos pienas“ renewed the packaging line for melted cheese spreads Fillpack WA7060; this also allowed increase in productivity and saving of energy sources.

In order to reduce the greenhouse effect causing gas emission, AB „Žemaitijos pienas“ has taken an initiative, refused equipment based on freon gas and acquired equipment that uses gas types, eco-friendly to the greater extent.

The Company employs an ecologist-engineer, who is responsible for compliance of the Company's activity with the environmental requirements.

The Company implements actively and promotes use of renewable sources. AB „Žemaitijos pienas“ has installed a biofuel boiler room of 10MW power, where instead of natural gas, renewable energy sources are used – wood chips (SM2). In 2017, AB „Žemaitijos pienas“ consumed 1.140.550 m³ gas; which is 53% more than in previous year, still, even 80% less than in 2013, when the Company has not installed a biofuel boiler room yet.

In 2017, the Company consumed 21935.660 t biofuel, which means that to compare with 2016, the consumption decreased 5.7%.

The Company, being a socially responsible one and taking care of the environment and its preservation, buys electrical power, produced using renewable energy sources. In 2017, AB „Žemaitijos pienas“ consumed 19 930 629 kWh electrical energy, which means that to compare with consumption in 2016, the consumption of electrical energy decreased 4%.

If we analyse data related to indirect energy consumption, the biggest energy amount in 2017 was consumed for cheese ripening and warehousing, which was 325 856 kWh.

In 2017, AB „Žemaitijos pienas“ consumed 716.003 m³ water, which is 0,9% more than in 2016.

The Company respects and observes laws of the Republic of Lithuania, related to environment protection, and pays in due time all mandatory pollution taxes.

When choosing the suppliers, AB „Žemaitijos pienas“ takes into consideration how they apply environment protection strategies, whether they meet environment protection requirements, as well as requires guarantees that waste handed over is properly handled.

In the future, AB „Žemaitijos pienas“ will make every effort in order to become increasingly environment friendly company. We hope we will be able to use in our activity more energy obtained from renewable sources and reduce quantity of pollutants emitted to the environment. High hopes are placed on AXAPTA business management system that should facilitate waste accounting and submission.

5. Prevention of Corruption and Bribery

The Company does not tolerate at all any form of corruption and applies different preventive measures against corruption. As an example, we can present that in our Rules of Procedure, the Company has established a clear procedure, to which everybody must adhere when communicating with representatives of outsourcing subjects. In the Employee Ethics Code, there is a provision that the employees must avoid situations that could cause conflicts of interests. The policy of the Company prohibits accepting invitations to meetings, cultural or other type events that could cause mutual obligations between the parties. The employees must immediately notify their immediate supervisors about all doubtful or ambiguous situations.

When choosing the suppliers, and collaborating with them, AB „Žemaitijos pienas“ ensures equal possibilities to the suppliers to acquire reliable information, necessary during collaboration as well as obligates to avoid situations or circumstances, during which a conflict of interests may arise with the suppliers chosen. The policy of the Company prohibits its employees to offer gifts to the clients, suppliers, partners or other persons that would assist in maintaining collaboration. This rule is not to be applied to the souvenirs of exceptionally small value, for example, seasonal postcards or greetings, unless the policy of a client, a supplier, a partner or an enterprise of other person prohibits this.

AB „Žemaitijos pienas“ buys the goods and services in accordance with the principles of equality, non-discrimination, mutual recognition and transparency that are stipulated in the Law on Public Procurement and other legal acts.

In order to reduce the risk of fraud and ensure compliance with requirements of all legal and procedural requirements when performing and participating in public procurement processes, AB „Žemaitijos pienas“ collaborates actively with the Public Procurement Service.

It is worth mentioning that during the Reporting Period, no sanctions or penalties have been imposed, related to corruption activity.

AB „Žemaitijos pienas“, in order to enhance transparency, submits electronic invoices as per the Law on Public Procurement.

In the future, it will be sought to adhere to high business ethics standards and ensure absence of corruption incidents, related to the Company.

6. Social Campaigns

AB „Žemaitijos pienas“ participates in social campaigns actively.

Even since the year 2010, the Company has held a campaign „You finish second year at School in Telšiai – you know how to swim!“, while at the end of September 2017, P. Kuizinas, the mayor of Telšiai district municipality, R. Pažemeckas, Director General of AB „Žemaitijos pienas“ and R. Motiejūnienė, director of Telšiai “Ateitis” progymnasium, have signed a long-term collaboration agreement to prolong the implementation of social campaign for the years 2017-2020. In 7 years, in the swimming-pool of “Ateitis” progymnasium, 2494 second year

schoolchildren from Telšiai district has learned to swim and become aware of safe conduct rules in the water. During the social campaign, all schoolchildren from Telšiai district schools have a possibility to complete a 24-hour swimming programme, the length of which reaches up to 3 months. The second-year schoolchildren are grouped and taught the basic swimming skills and how to behave in water. After the training programme completing, demonstrative swimming competition takes place, to attend which the parents of second year schoolchildren are to be invited. It is planned that during the coming three school years the programme of swimming lessons will be completed by another 1191 second year schoolchildren from Telšiai city and Telšiai district. In accordance with the signed Agreement, the Telšiai district municipality undertook to pay for transportation and 50 % of swimming lessons costs, while AB „Žemaitijos pienas“ - the rest 50 % of swimming lessons costs and provide campaign participants with swimming kits.

Another campaign that had been met with interest was a campaign organized by AB „Žemaitijos pienas“ during the „Days of the Capital Vilnius“, the title of which was „Let Us Tear“. In the final stage of the championship that had been held throughout the entire Baltics region, one could win a monetary prize in the amount of EUR 10 000.00. breaking the record of cheese sausage tearing. Participants from Lithuania and Latvia took part in the game. The main prize of the game was awarded to a person who happened to be a student from Lithuania.

Monetary Support

AB „Žemaitijos pienas“ supports on a regular basis regional schools, sports and cultural activities. In 2017, the Company allocated amount of around EUR 60 000 to monetary support, including products.

7. Šilutės Rambynas, ABF – the subsidiary of Žemaitijos pienas, AB

Šilutės Rambynas, ABF, company registration number 277141670, location address: 3 Klaipėdos st., Šilutė District municipality, date of registration: 09/12/1992. Žemaitijos pienas, AB possesses more than 87% of Šilutės Rambynas, ABF shares.

The main activity of the company: production of dairy products. Furthermore, the company provides rental, transportation, warehousing services, services of operation milk buying points and other services. Sales of dairy products, purchase of raw milk are carried out through the principal company, so economical and commercial activities of this company are not significantly independent.

Šilutės Rambynas, ABF, being the subsidiary, observes environment protection, social, personnel, human rights, anti-corruption, anti-bribery requirements for activity policy of Žemaitijos pienas, AB; its goals and modes, forms of operation correspond to operation of the principal company and even objectives are implemented together, e.g. by participating in social campaigns, applying a material welfare package and etc., so these questions have not been discussed in this social report. More detailed information and data that supplements this report were, inter alia, revealed and presented in the consolidated annual report for the year 2017. Thus, only several aspects have been emphasized in this report, i.e. personnel, environment protection issues.

The company turns the most attention to its employees which create the most benefit for the company and its shareholders. The best efforts are applied in order 192 employees working for the company (as of 31/12/2017; this number remains unchanged as compared to 31/12/2016) to feel fully safe and satisfied with their workplace. Much attention, inter alia, is given to their

advanced training by applying the same principles and methods as used by Žemaitijos pienas, AB.

Changes in employees' groups according to education have been presented in the table below:

Education of employees	31/12/2017	31/12/2016
Master's degree	9	9
Higher education	20	21
Vocational training	28	27
Professional education	74	76
Secondary education	35	37
Incomplete secondary education	26	22
Total:	192	192

Over a period of years Šilutės Rambynas, ABF turns great attention to environment protection. The most important objective of the company: to reduce industrial waste and conserve natural resources. These efforts have not escaped attention, so in the year 2017 Šilutės Rambynas, ABF was awarded the Crystal Chimney Award for "The Absolute Environmental Pollution Reduction" in project "Installation of a Whey Concentration Unit in RO+ROP" by the Lithuanian Environmental Investment Fund (LAAIF). Upon implementation of this project the amount of transported whey has been reduced by three times, so the negative impact of transport on environment has also decreased: air pollution has been reduced by 40 tons of pollutants per year (CO, NO₂, SO₂, solid particles). The company has been successfully engaged in industrial wastewater treatment.