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ŽEMAITIJOS PIENAS, AB
SOCIAL RESPONSIBILITY REPORT

Reporting period:
1 January 2021 – 31 December 2021

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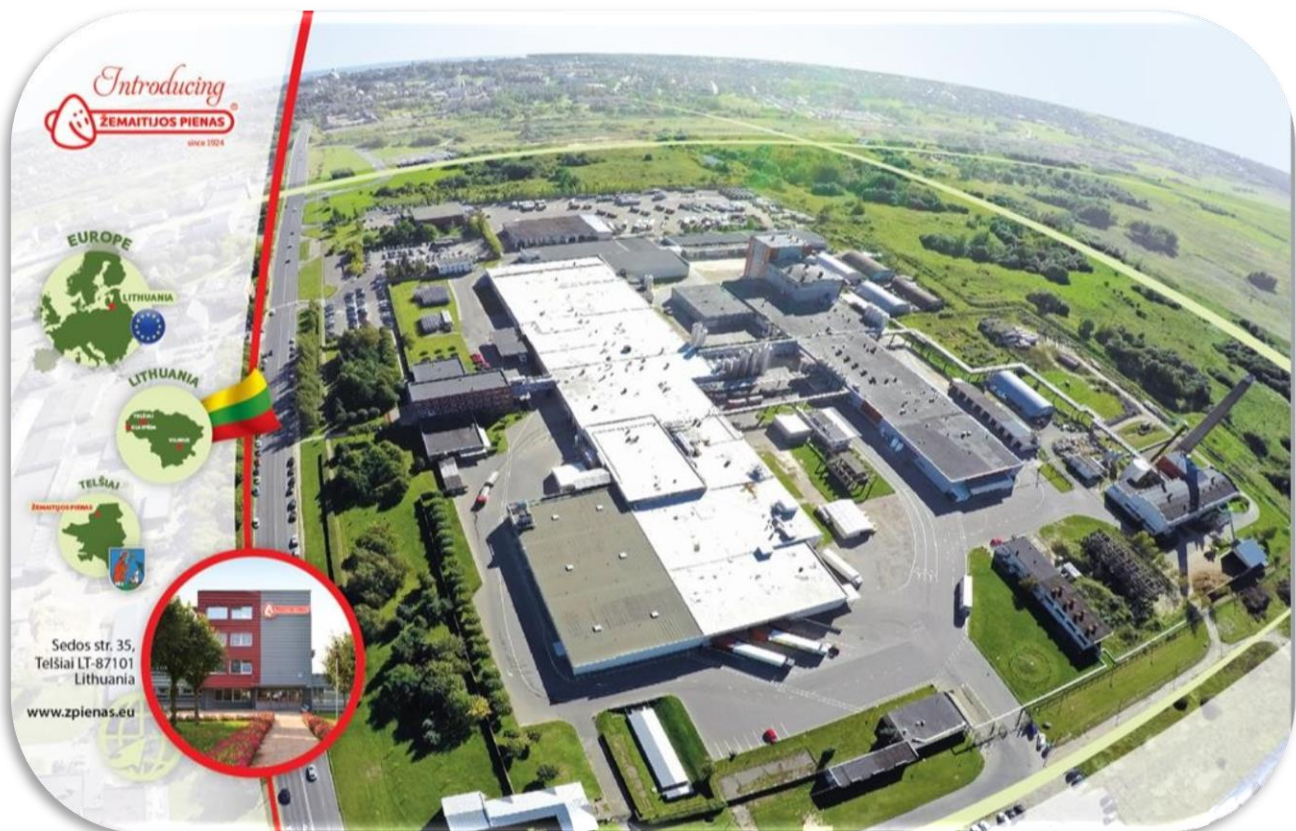
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ŽEMAITIJOS PIENAS, AB

SOCIAL RESPONSIBILITY REPORT

This social responsibility (SR) report provides an overview of the social and environmental protection activities implemented or planned to be implemented by ŽEMAITIJOS PIENAS, AB, a public limited liability company (*Lith. akcinė bendrovė (AB)*) registered in the Republic of Lithuania and having its head office at Sedos Str. 35, Telšiai, Lithuania (hereinafter ‘the Company’), along with an assessment of the results already achieved, thus, informing the Company’s stakeholders (consumers, employees, partners, suppliers, investors, authorities, non-governmental organisations, civic society and other entities) about its responsible business practices. This report is prepared not only because it is mandatory according to the Law on Company Financial Statements of the Republic of Lithuania, which implements the EU Directive 2014/95/EU, but also the Company’s understanding that social responsibility reporting promotes innovation and learning, which helps companies grow their business, increase the value of their organisation and strengthen their image as an employer.

The report has been prepared according to the Global Reporting Initiative (GRI) and non-financial reporting guidelines. This is the fifth social responsibility report prepared by ŽEMAITIJOS PIENAS, AB, and, although being a separate document, it is related to the Company’s annual report and is published in accordance with the procedure established by the legal acts.



Word from the CEO



The origins of ŽEMAITIJOS PIENAS, AB date back to 1924, when the Telšiai Dairy was established. Thus, we are approaching the anniversary of the Company that will soon be marking its 100th year of operation. We say 'thank you' for the longevity, the extensive experience in the production and sale of high-quality dairy products and the Company's reputation to our employees, their families, our customers, business partners, the community around us and the environment in which we operate. We are continually implementing advanced production technologies for the consumers, our customers and partners, striving to ensure high quality and responsibly contribute to their well-being by supporting social initiatives. We value long-term

partnerships and the development of a sustainable business model.

In 2021, we invested in the equipment renewal and modernisation in individual production units, optimised and perfected production processes to improve the working conditions of our employees and to ensure the production capacity that enables us to fully supply Lithuanian consumers with products favoured by them, as well as to focus on export countries, ensuring compliance with the requirements of the international standards governing food safety and quality.

Striving to ensure sustainable production, we optimise the amount of wrapping and packaging materials used for our output, and focus on packaging made from recycled raw materials. We strive to follow the principle of "circular production", and we are looking for solutions concerning the recycling and further use of secondary raw materials and waste.

As the COVID-19 pandemic continues, we are focusing on the development of products oriented towards a biological and functional value, which strengthens the human immune system through the prism of food.

Our constant goal is the best quality, therefore, we steadily consult with the leaders of the dairy sector around the world and invest in the latest technologies. We expand the variety of our products, increase the competence of our employees and take care of social and environmental protection issues. We believe that the sustainable growth of the Company is only possible through constantly taking care of the well-being of our employees, the community and the environment around us in cooperation with our customers and other stakeholders based on innovation and pursuing sustainable development.

CEO



Robertas Pažemeckas

About the Company

ŽEMAITIJOS PIENAS, AB has its structural subdivisions with warehouses and transport in Vilnius, Kaunas and Panevėžys.

The group of companies of ŽEMAITIJOS PIENAS, AB consists of ŽEMAITIJOS PIENAS, AB, the parent company, and Šilutės Rambynas, ABF, a subsidiary.

As of 1997, the Company's ordinary registered shares have been included into the Baltic Secondary Trading List of Nasdaq Vilnius stock exchange market.

ŽEMAITIJOS PIENAS, AB is a Lithuanian dairy company with long dairy processing traditions who cherishes classic dairy production recipes and technology, promotes the revival and consumption of heritage and cultural products with a century-old history, as well as strives for innovation, developing and offering new and unusual products for its consumers.

The beginnings of ŽEMAITIJOS PIENAS, AB date back to 1924 when the Telšiai Dairy was established. At the time, the dairy's capacity was regarded as truly high. In 1984, the Company moved to new premises and was carrying out its activities successfully up to the opening and privatisation of Telšiai Cheese Factory, which was the largest in the Baltic States.

Impeccable work and quality are the Company's flag, which undoubtedly signifies that ŽEMAITIJOS PIENAS, AB is a reliable and solid company, established in the local market and promoting Samogitia and Lithuania all over the world. Currently the Company employs over 1200 professional and creative employees, whose substantial contribution, optimism and wisdom enables the Company to seek ambitious goals and overcome new challenges both in local and international markets.

With years of work experience and unique recipes, the Company can offer its consumers a wide range of products, known for their excellent taste and high quality. Today the Company produces over 200 dairy products that consumers know and like, including DOBILAS organic dairy products and the exclusive vitamin D-enriched SAULUTĖ fresh

dairy product group, helping to maintain the normal functioning of the immune system. The products of the MAGIJA brand have earned consumers' trust and astonishing popularity since the very beginning. Buyers also love GERMANTO semi-hard cheese, a wide range of RAMBYNAS brand products, and PIK-NIK mozzarella-type cheese strings.

DŽIUGAS hard cheese is the pride of both the Company and Lithuania, earning as many as 78 highest awards for quality at numerous Lithuanian and international exhibitions.



The cheese of the DŽIUGAS brand produced by the Company has been granted the Protected Geographical Indication (PGI) status by the European Commission, connecting the status with the Telšiai region. For a product to earn the Protected Geographical Indication status, it is necessary to prove the product's relations with a specific geographic region and difference from similar products produced in other places.

It should be noted that the Company uses only high-quality ingredients not only for the production of the existing range but also in the development of new products, while maintaining high requirements for the quality. In 2021, the Company invested in the renewal and modernisation of the equipment of individual production units in order to optimise production processes and to ensure the efficiency of management of risk factors related to food safety in the manufactured products.

The Company is proud of its milk, kefir, yoghurt, sour cream, cream, cottage cheese and glazed curd cheese bars, as well as butter, natural and seasoned mixtures of spreadable fats and many other products favoured by consumers. The Company also promotes national culinary heritage. The production of certain products of the Company is based on traditional technology and uses only traditional raw materials and additives, which grants these products of unique taste certificates of the Lithuanian Culinary Heritage Fund and the special Fund mark.

Taking into account the needs of consumers, ŽEMAITIJOS PIENAS, AB makes efforts to promote a healthy diet and therefore develops products that not only are pleasing to the palate and fill the stomach, but also help maintain a good digestive system: the Actifeel product line - yoghurts with functional fibres free of added sugar was developed to that end. The Company also plans to develop and manufacture a product line that will be technologically and functionally adapted to the group of consumers who are allergic (to proteins) or have certain milk components (lactose) intolerance.

As of the end of 2016, all inspections concerning the compliance with international food safety standards have been carried out without prior coordination, i.e., all audits are carried out under the unannounced audit programme, which guarantees the reliability and transparency of the audits. The Company is continually improving and perfecting the integrated quality and food safety management system that meets the requirements of the BRC and FSSC (ISO 22000, ISO/TS 22002-1) international standards. In 2021, 41 product was certified additionally according to the KOSHER certification, which proves that the food products are of high quality, suitable for human health and reliable. In order to meet the requirements of export trade networks, it is planned to continue certifications according to the available schemes for the coming year, to expand the scope of the BRC certification and undergo additional certification according to the requirements of IFS (International Food Standard).

Even in the context of the Covid-19 global pandemic, the Company continued certifications according to established schemes by performing risk assessments remotely. The general conclusion of the audits is that ŽEMAITIJOS PIENAS, AB complies with the requirements of the above-mentioned international food safety standards that are recognised by the Global Food Safety Initiative (GFSI).

Vision, Mission, Values

In order to achieve a leading position in the Lithuanian dairy market, the priority of ŽEMAITIJOS PIENAS, AB is not only to produce high-quality, healthy and safe products that would become a benchmark of exceptional taste for consumers, thus developing consumers' habit of choosing goods only with the ŽEMAITIJOS PIENAS brand. The company integrates key performance indicators (KPIs) related to sustainability principles such as environmental, social and personnel, human rights, anti-corruption and bribery.

We keep striving to satisfy our clients' expectations and look for new markets, establishing there not only through our excellent products, services and different types of development but also by attracting specialists who would represent the Company's interests while cooperating with our clients, as well as market and social partners in a professional way.



Environmental Protection

According to the criteria established by the Rules for the Issue, Renewal and Revocation of Integrated Pollution Prevention and Control Permits, ŽEMAITIJOS PIENAS, AB is attributed to companies using equipment that requires special permits issued according to the said rules. Already back in 2006, the Company was issued an Integrated Pollution Prevention and Control Permit that does not expire but is modified in the event of relevant changes. One of the priority directions of sustainability is the impact on the environment. The Company constantly monitors its performance indicators, plans and implements the latest technologies that would reduce production and operating inputs and energy costs, conserve natural resources and improve the Company's environmental condition in every way.

Being socially responsible and taking care of the environment and its preservation, the Company invests in energy saving, improvement of business management processes, and tries to allocate funds to other activities as much as possible.

ŽEMAITIJOS PIENAS, AB also uses all kinds of measures to preserve natural resources and rationalise their use. We all know that natural resources determine the

economic development of a country. Countries that save natural resources have much greater opportunities to develop their production, trade and social sphere. The Company does not lag behind the global trends in the sustainability of packaging, therefore, the amount of prepacking and packaging materials used is being optimised, and the following was achieved within 2021:

- Changing the construction of the corrugated cardboard boxes facilitated the packaging of the products and, at the same time, eliminated the use of the adhesive tape. The changes were made in order to reduce the amount of corrugated cardboard used, as well as to meet the requirements of retail networks' shelves;
- Possibilities were assessed and actions taken to reduce the amount of plastic for product packaging;
- Tests aimed at replacing multi-component plastics (Code: 7OTHER) with one-component plastics that are easier to recycle were conducted and are being continued;
- Packaging containing PVC was abandoned and replaced according to the main packaging used;
- After evaluating the logistics features relating to product packaging, corrugated cardboard boxes made of 100% recycled cardboard are used for this purpose;
- Tests aimed at reducing the amount of wrapping/packaging materials for internal use are conducted.

The Company is well aware of the fact that, in case of lack of responsibility, Company's activities could cause a lot of damage to the nature and that only a complex application of the economic, legal, technical and biological measures can ensure a rational use of natural resources now and in the future. Therefore, the effect on the environment is controlled according to coordinated monitoring programmes. Company development and technology updates are subject to environmental impact assessments to ensure that the Company's development is in line with the established environmental protection standards, as well as the monitoring of the production waste, biofuel quality and other factors that could affect our environment is carried out. The Company is continually updating its vehicle park in order to reduce air pollution from mobile sources. To reduce pollution from stationary sources, the Company uses the best production technologies available.

The waste is managed according to environmental requirements via the GPAIS environmental data storage e-system (product packaging waste information system), and the Company also submits (forms) quarterly waste accumulation accounting reports and accounting reports on the released/imported packaging waste. Hazardous and non-hazardous waste is stored, managed and sorted out in the area in a way to prevent its negative effect on the environment, and their storage locations are marked appropriately.

The Company cooperates with Green Genius, UAB who recycles the end-of-life organic and industrial waste generated in the Company's operations at the biogas power plant of Green Genius, converting it into renewable source of heat and electricity and into fertilizers. In this way, the Company contributes to creating a cleaner environment, implementing the principles of the circular economy and tackling climate change.

ŽEMAITIJOS PIENAS, AB sorts packaging waste at the place where the waste is generated, pressing it, and preparing for recycling. The Company also separates the

packaging waste that is not suitable for recycling, which is transferred systematically to collectors and processors of such waste. Packaging plays an important role in the production process of ŽEMAITIJOS PIENAS, AB. The products are packed into glass, PET, plastic, paper, combined, wooden and other packaging. For the purpose of efficient packaging waste management, in 2021, the Company cooperated with Gamtos ateitis, VŠĮ, which took care of collecting and recycling the packaging. For the revenue received from ŽEMAITIJOS PIENAS, AB for the submitted documents proving that the waste was processed, Gamtos ateitis, VŠĮ has undertaken to educate the society on the issues of waste management, as well as to contribute to the development of the infrastructure for collecting packaging from the consumers, i.e., to supply residents with appropriate containers for sorting waste.

The Company strives to be as sustainable as possible, so it is constantly implementing investment projects to introduce new modern technologies enabling to use renewable energy resources more efficiently, reduce emissions to the environment or apply other environmental protection measures.

ŽEMAITIJOS PIENAS, AB is constantly conducting research and expanding in the search for new, eco-friendly operation models. In 2018, a new version of the AXAPTA business management system was introduced, which helps us conduct the accounting, prepare and submit reports and data to other systems even more accurately.

In the course of 2021, the Company was implementing investments planned for 2021-2022 and aimed at production development, which contributed to increasing the Company's competitiveness, raising the level of automation and technical support, as well as improving the quality of products, employee working conditions and occupational safety. Apart from that, measures enabling to reduce waste pollution and ensure sustainable management of environmental protection requirements were implemented.

In order to reduce its greenhouse gas emissions, the Company seeks to avoid the use of equipment using Freon gas or to purchase equipment that uses a more environmentally friendly R-32 refrigerant with a lower carbon footprint. In the first half of 2021, the Company acquired its first fully electric commercial vehicles. The goal is by 2025 to replace 50% of all cars used by the Company with semi-electric (hybrid) and fully electric cars.

2021 the task of the sustainability specialist was to involve all structural divisions of the Company in sustainability project activities, where each division carries out environmental monitoring, at the same time integrating all procedures related to environmental safety in the Company by preparing the Sustainability Strategy, which is assessed and approved by the Company's Board members.

The Company measures wastewater pollution in each subdivision individually which allows to control, analyse and take preventive action against the entry of polluted wastewater into the released wastewater flow, it has allowed to improve general communication between the subdivisions and identify the areas that require more investments or organisational measures for solving problems.

The Company has been actively implementing and promoting the use of renewable resources. ŽEMAITIJOS PIENAS, AB has a 10MW biofuel boiler room that uses renewable energy resources – wood chips (SM2), instead of natural gas. In 2021, 14,845 MWh of gas

was used, which is 2.25 percent less than in the previous year. The Company consumed 4,595,357 toe of biofuel in 2021, which means that, compared to 2020, the use of biofuel increased by 9.93 percent.

As of 2017, the Company uses electricity from renewable energy sources for its production processes. In 2021, the quantities of natural milk processed by the Company increased by 2.5%, milk powder production increased by 11.00% and cheese production by 9.76% compared to the respective data of 2020. Higher production volumes resulted in higher electricity consumption in the Company. In 2021, consumption of electricity totalled 22,422MWh, which means 3.91% more than in 2020, while water consumption equalled 911,659 m³, which marks an increase by 3.69% compared to 2020.

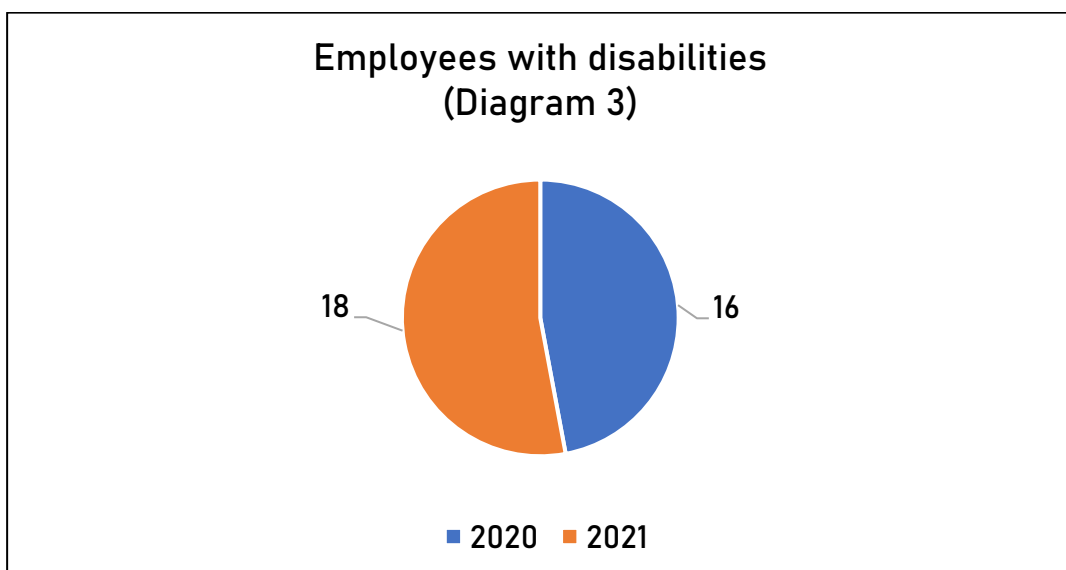
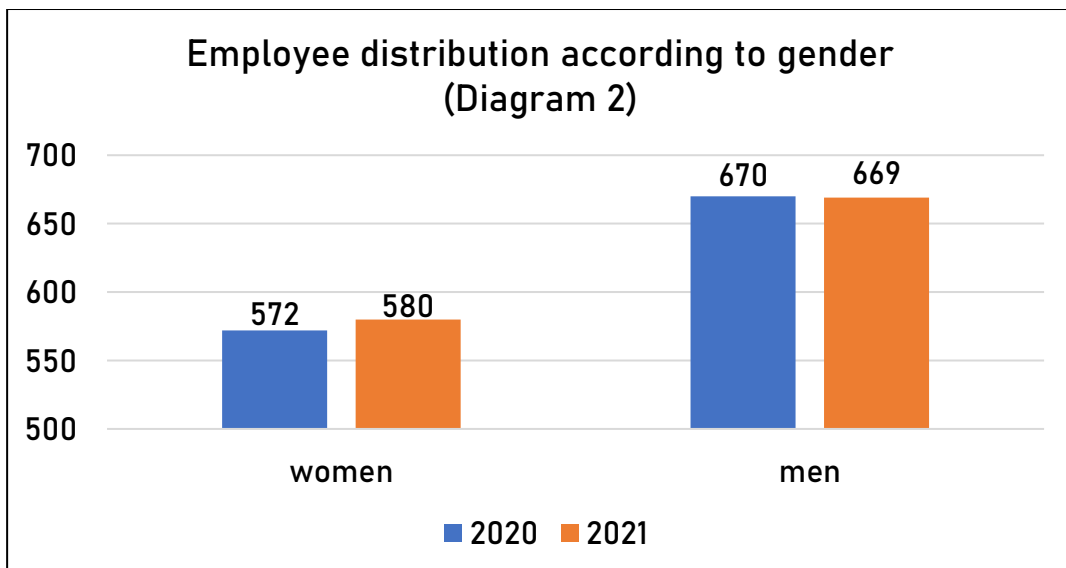
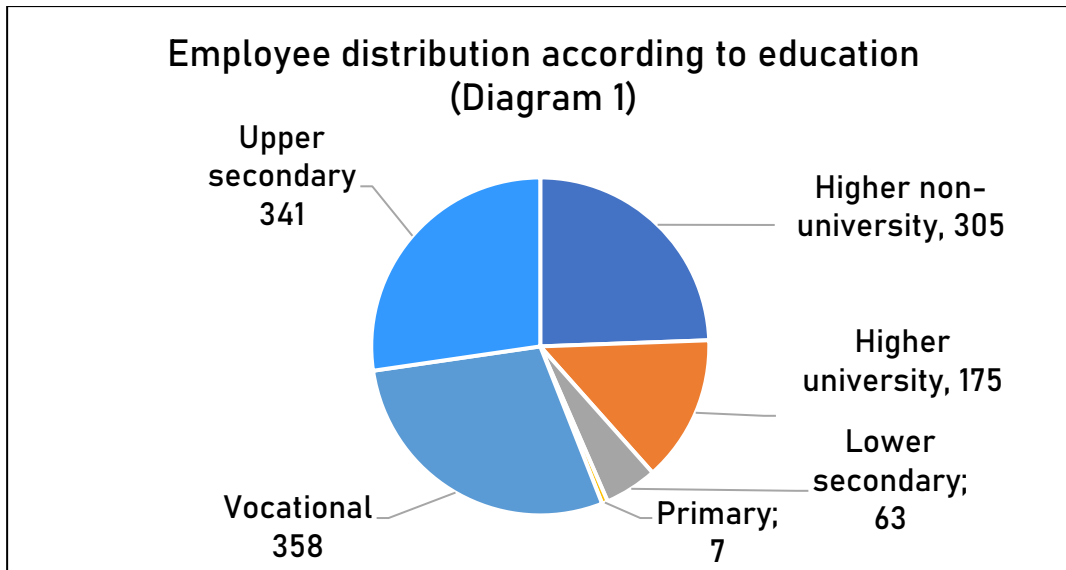
The Company respects and observes the laws of the Republic of Lithuania related to environmental protection and pays all compulsory pollution taxes on time. When selecting suppliers, ŽEMAITIJOS PIENAS, AB takes into consideration supplier application of environmental protection strategies and compliance with environmental protection requirements, as well as requests guarantees concerning the appropriate treatment of the transferred waste.

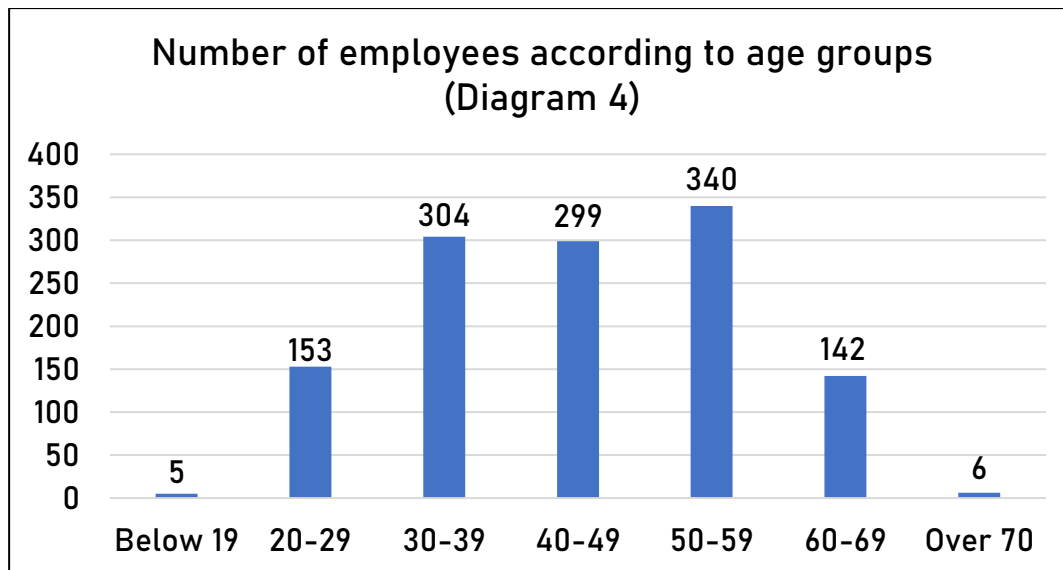
In the future, ŽEMAITIJOS PIENAS, AB will continue to make every effort to become more and more environmentally friendly. We expect to be able to use even more energy from renewable sources in our activities and to reduce greenhouse gas (GHG) emissions.

Employees

On 31 December 2021, ŽEMAITIJOS PIENAS, AB had 1,249 employees. The ratio of men to women in 2021 was roughly equal: about 54 percent (669 employees) of men (670 men in 2020) to 46 percent (580 employees) of women (572 women in 2020). In 2021, the Company had 18 persons with disabilities employed (16 employees with disabilities worked for the Company in 2020).

The Company is implementing the Human Resources Policy actively and responsibly, prevents discrimination of employees on any grounds and integrates employees from all age groups into the labour process (See Diagrams 1 and 4). For the summer period, the Company hired temporarily 100 young and inexperienced persons, aged 15-22, able to integrate into the Company processes easily. They are eager to get to know the specifics of work and learn from the experienced employees of the Company. It is quite often that young persons, having worked with the Company during their summer holidays, return to the Company to continue their careers after finishing studies.





Occupational Safety and Health

The Occupational Safety and Health Service, consisting of employee safety and health specialists, and occupational health specialists, has been established in the Company to implement occupational safety and health measures. The specialists of the said service participate in conferences, seminars and trainings every year to improve their qualification.

All structural subdivisions and departments of the Company have employees/subdivision managers trained on occupational safety and health, who are responsible for the employee safety and health, and fire safety in their subdivisions. These employees conduct ongoing risk assessment, violation control, employee instructing and perform other functions to ensure occupational safety and health.

In view of the 2021 The company and its group companies managed to control the circumstances of the Covid-19 pandemic by mitigating the impact of risks to an acceptable level. The Company's management is constantly reviewing and updating its risk management strategy and measures to manage the risks of the Covid-19 pandemic to employees, business partners, society and the environment.

The Company continually strives to ensure that all employees of ŽEMAITIJOS PIENAS, AB are trained and instructed in occupational safety and health issues. All newly recruited workers, prior to starting fulfilling their job functions, are trained in occupational safety and health, fire safety, first aid provision and familiarise themselves with the preventive measures concerning the management of the Covid-19 virus. Also, all persons to be employed by ŽEMAITIJOS PIENAS, AB undergo health checks in a health care institution and hygiene training for work that relates to handling of food products.

In controlling the virus, measures have been taken to ensure that the employees who are subject to mandatory testing in accordance with the legal acts of the Republic of Lithuania experience as little inconvenience as possible. ŽEMAITIJOS PIENAS, AB has a personal health care institution's license issued by the State Health Care Accreditation Agency under the Ministry of Health. The Company has the opportunity to perform employee testing independently in its medical offices: to conduct rapid serological tests of antibodies and SARS-CoV-2 antigen tests, to enter the test orders and results into the

information system for Electronic Health Services and Collaboration Infrastructure. Nevertheless, the Company encourages the employee vaccination, as this is the only way to control the spread of the disease more easily, reduce the number of serious cases and protect the health system, as well as avoid negative consequences for the economy.

Training and Qualification Improvement

All employees of the Company have the opportunity to improve their knowledge and skills by participating in internal and external trainings/courses/seminars/conferences. In 2021, 1,239 employees participated in internal trainings and 524 in external trainings. The Company conducts knowledge assessments/ certifications for managers, professionals and production staff.



A development programme for the management reserve was conducted in 2021. It consisted of training on the following seven topics: “Priorities of managerial work”, “Organisation of team work”, “Public speaking”, “Planning and management of managerial time”, “Constructive communication of a leader”, and “Professional and personal change management”, as well as included presentation of educational tasks, assessment of knowledge, summary of results and feedback to the management.

At the end of 2020, the Qualification Improvement of Employees of Enterprises at the Workplace contract was signed under the project No. 09.4.3-ESFA-K-827-04-0028 co-financed by the EU Structural Funds. The objective of the project is to ensure continuous maintenance of employee qualification level, professional mobility and the ability to reorient quickly to other activities. The project aims to organise qualification improvement trainings for the Company’s employees at the workplace. 189 employees had trainings in the Company’s production units February to December of 2021. Another 191 employees are planned to undergo training under the project in 2022.

Social Dialogue

One of the priorities of a sustainable company is employees. The Company started microclimate research in 2021, which will continue more. During confidential personal interviews conducted by the Company’s Internal Audit and the employees of the HR Department, the employees express their opinion on the working conditions, managers, colleagues, and other issues relevant to them. The opinion of employees is analysed and, following the analysis, solutions to improve working conditions and the microclimate are implemented.

Each year, the Company devotes part of its investments to reducing hard work and eliminating physical activity. Manual work relating to technological processes is reduced through mechanisation and automation, as well as by shortening the raw material/product transportation distances in the production departments, making use of electric easy-to-operate trolleys.

Robotic and palletizing equipment for product packaging is installed for the packaging of the end product. Where robotization is not possible, vacuum lifts are integrated. Apart from that, attention is paid to the digitization of processes and the graphical representation of information, thus reducing the number of "paper registers" to be filled in by employees.

Risk assessment and prevention

The Company carries out an initial assessment of workplace risks and a continuous assessment of work-related risks before the planned work is performed. The Company also implements a risk assessment system that specifies:

- to strive for the prompt management of internally identified risks related to compliance with laws and regulations in order to maintain the production and supply of quality products, ensure consumer safety, satisfaction and appropriate customer relations;
- to sustain resource efficiency strategies; enable an optimized proactive approach to auditing and compliance identification / recovery processes; promote the monitoring and reporting of functional compliance;
- help improve decision-making, planning and prioritization by assessing opportunities and threats;
- promoting value creation by enabling management to respond quickly, efficiently and effectively to future events that create uncertainty and indicate a significant threat or opportunity.

The purpose of The Risk Management System is to ensure that the priority risks are managed to an acceptable level. The Risk Management System of AB ŽEMAITIJOS PIENAS Group consists of five interrelated components:

1. Management and organizational culture;
2. Strategy and goal setting;
3. Implementation;
4. Revision and amendments;
5. Information, communication and accountability.

These processes help to ensure that social, political and environmental changes will not be adversely affected the Company's ability to meet customer needs and protect employees.

The Company pays considerable attention to one of the sustainability indicators - environmental protection and its risk ratings. The risks identified include high, medium and low significance which indicate the impact that the company would have on its operations.

Material Welfare Package

The Company constantly cares of the employees' material welfare and thus not only pays competitive wages, which meet legal requirements and conditions of the labour

market, but also aims to provide an appropriate material welfare package for those who work well and achieve their goals. To ensure that its employees keep seeking the best results, the Company makes sure to have an employee's wages related to the employee's performance to greatest possible extent. Furthermore, the employees are provided opportunities to earn more (by carrying out additional tasks, taking additional work, offering candidates to job openings, etc.).

The Company provides various additional benefits to the employees, such as leisure activities (swimming pool, wellness hikes, including the participation of employee family members), and takes up initiatives: 'on bike or scooter to work', installing a specially equipped storage place where such transport means can be recharged. Various events are organised for the employees and their family members, as well additional payments and benefits allocated for the occasion of first marriage, in case of a death in the family or a difficult financial situation. Employees can also take loans, have their studies funded and their children hired for a summer job, as well as there are incentive grants for graduating with a Bachelor's or Master's diploma paper, employment anniversaries and personal anniversaries.

Human Rights

The Company aims to respect and defend human rights, as described in the Universal Declaration of Human Rights adopted by the United Nations General Assembly, and does this in line with the human rights-related conventions to which the Republic of Lithuania is a member.

ŽEMAITIJOS PIENAS, AB implements policies of equal opportunities and intolerance to harassment, as well as respects and does its best to ensure the employees' rights to privacy. Regarding the latter, the Company has been doing more than is necessary. The provisions concerning the creation of a positive work environment established in the internal ethics rules is just one example. The Company ensures equal opportunities for the employees, regardless of their race, nationality, gender, political or religious attitudes and other qualities. Employees are judged solely based on their performance and dedication to the Company.

To ensure safety of the assets, the Company has established a security department, the operations of which adhere to the Rules of Procedure, the Law on Personal and Property Protection of the Republic of Lithuania, as well as other applicable legal acts that define the possibilities and limitations of using physical coercion and special measures against a person.

ŽEMAITIJOS PIENAS, AB is responsible not only in carrying out its activities but also in choosing business partners and suppliers. The Company pays a special attention to the social responsibility strategies of its potential partners. In all cases when signing cooperation agreements, the Company aims to agree on the adherence to the principles of social responsibility. ŽEMAITIJOS PIENAS, AB does not use child labour in its operations and selects only those goods the production of which does not involve exploitation of children.

Youth Career Opportunities

The Company continually takes care of youth career opportunities and strives to ensure that the long-time employees, who have accumulated a lot of meaningful experience, would share their knowledge with young potential talents. To that end, the Company has developed internal training programmes, which enable the youth, who have the necessary skills but no experience, to acquire the necessary experience through practical training and thus get their dream job. The Company aims to reduce the scale of emigration from regional areas, therefore, HR Department members with the help of employees from other departments often make presentations in regional schools with the purpose of directing pupils on the right career path.

Due to the global pandemic, the Company's presentations in schools were suspended until the situation improves. Nevertheless, prior to tightening the quarantine restrictions, 24 students became acquainted with their future specialty up close during the internship at the Company in 2021. Students who link their future career with ŽEMAITIJOS PIENAS, AB may sign agreements on financing of studies or apply for a nominal scholarship. Seeking to educate the young generation, the Company accepts pupils and students for summer jobs. In 2021, a total of 100 young people made their summer meaningful that way.

A future goal of ŽEMAITIJOS PIENAS, AB is to continue ensuring respect to the human rights and show appropriate appreciation to its employees. The Company also expects good results from its investments into youth, also hoping that the new attracted talents would bring innovation useful to the activities of the Company.

Organisational Culture

ŽEMAITIJOS PIENAS, AB actively implements both long-term and short-term social campaigns. Probably the one lasting the longest is the 'Finish the Second Grade Knowing How to Swim': second-graders from the entire Telšiai district are taught to swim and awareness in the water. The campaign is implemented on the basis of a tripartite cooperation agreement by ŽEMAITIJOS PIENAS, AB, the initiator of the idea, together with Telšiai District Municipality and Ateities Lower Secondary School. Since the beginning of



the campaign until 2019, 3411 pupils learned how to swim at the school's swimming pool. Although we were unable to carry out the campaign in 2020-2021 due to the pandemic and the ongoing renovation of the school's swimming pool, we plan to continue the project in the future.

For the third year in a row, the children of employees of the Company as well as farmers' children had the opportunity to spend the summer in the Balsiai camp located in Balsiai village in Akmenė district municipality. The camping period was 9 days

in June to July. A total of 35 children were staying in the camp (19 children of employees and 16 farmers' children). The children of the Company's employees were aged 12, and the age of the farmers' children ranged 7 to 15 years.

In 2021, the social campaign GROW TOGETHER WITH DŽIUGAS! 2021 - THE YEAR OF WARRIOR DŽIUGAS was organised. The mission of the project was to commemorate the 800th anniversary of the birth of Džiugas, the legendary Samogitian warrior, by carrying out the GROW TOGETHER WITH DŽIUGAS! social project. The Džiugas Name Certificates were issued and one-time cash prizes of 400 euros were paid out for boys born within the 01/05/2021 to 31/12/2021 period whose parents gave their sons the name 'Džiugas' and agreed to participate in the project. As many as forty-four Džiugas Name Certificates were issued in 2021. The recipients of the Džiugas Name Certificates enjoy additional benefits as well: birthday greetings, a first-graders kit in preparation for the school, and, every 5 years, all participants of the Džiugas Name project will be invited to a celebration to commemorate the name of Džiugas.

As every year, ŽEMAITIJOS PIENAS, AB supports Kaltinėnai Parish Elderly Care Home, rendering both financial assistance and donating various products of the Company. In 2020, the value of the support totalled nearly EUR 7,000. The Company also supports Telšiai Bishop Vincentas Borisevičius Priest Seminary, Žemaitė Drama Theatre, Public Institution Žemaitija Tourist Information Centre and other entities. The Telšiai District Municipality Administration was given EUR 5,000 in support for the preparation for the celebration of Christmas. At Christmas and Easter, we send our greetings, carry gifts and at the same time visit our former long-term employees who are currently retired.

Being a socially responsible Company, ŽEMAITIJOS PIENAS, AB additionally insures all employees against accidents at work and out of work.

Corruption and Bribery Prevention

ŽEMAITIJOS PIENAS, AB applies zero tolerance to corruption policy and makes every effort to prevent it at all levels. The Company has set a clear procedure to be followed in cooperation with its partners. The code of ethics for employees obligates the employees to avoid situations that could raise a conflict of interest. The Company's policy on this account strictly prohibits accepting gifts, invitations to meetings, cultural or other events, if such could give rise to mutual obligations. One of the major operation principles of ŽEMAITIJOS PIENAS, AB is to develop honest and transparent collaborative relationships with suppliers, customers and other entities. Nevertheless, the Company's policy forbids its employees to offer the clients, suppliers, partners or other persons any presents that would help maintain the collaboration. This rule does not apply to particularly small-value presents, such as holiday greetings cards and greeting cards on other occasions.

Continuous effort is made to ensure the largest/widest possible circle of suppliers. When purchasing goods and selecting a supplier, the assessment method used by ŽEMAITIJOS PIENAS, AB is based not solely on the criterion of price but also on the criteria of quality and the reliability of the supplier. Before purchasing goods, the suppliers are audited and the decision concerning the purchase of goods or services is only taken after the audit. The purchase of goods and services at ŽEMAITIJOS PIENAS, AB is based on the

principles of equality, non-discrimination, mutual recognition, proportionality and transparency.

The Company cultivates a culture of competition law. To comply effectively with the rules on competition, the Company has an approved Competition Law Compliance Policy. The main purpose of this policy is to provide guidance to all employees of the Company, its branches and subsidiaries on the basic principles of the competition law and to help comply with those principles. The policy aims to raise awareness of competition rules, to set rules of conduct in relation to competitors, customers and suppliers as well as to establish the guidelines for assessing such conduct. At the same time, the requirements related to the provisions of the Law on the Protection of Whistleblowers are implemented and enforced. To identify any violations being committed, already committed or commenced relating to the Company's rights and interests, the Company introduced an internal procedure of reporting, investigating and informing on violations, and appointed persons responsible for accepting, registering and investigating reports, making decisions and archiving documentation. There were no reported violations in 2021. Compliance and acting in line with legal acts in its activities is important for the Company, as it is a significant part of the Company's business culture.

Šilutės Rambynas, ABF – a subsidiary of ŽEMAITIJOS PIENAS, AB

Šilutės Rambynas, ABF, legal entity code: 277141670, registered office address at Klaipėdos Str. 3, Šilutė district municipality, registration date: 09/12/1992. ŽEMAITIJOS PIENAS, AB manages over 87 percent of shares in Šilutės Rambynas, ABF.

The key activity of the subsidiary is the production of dairy products. The subsidiary also offers rental, transportation, warehousing, milk collection outlet servicing and other services. Being a subsidiary, Šilutės Rambynas, ABF follows the requirements of the operation policy of ŽEMAITIJOS PIENAS, AB regarding environmental protection, observance of social, staff and human rights, and prevention of corruption and bribery. Its goals, operating methods and modes coincide with those of ŽEMAITIJOS PIENAS, AB. The goals and objectives are implemented through cooperation and joint participation in social campaigns, the application of the wellness package, search for and training of new employees and, therefore, the abovementioned issues will not be discussed separately in this report.



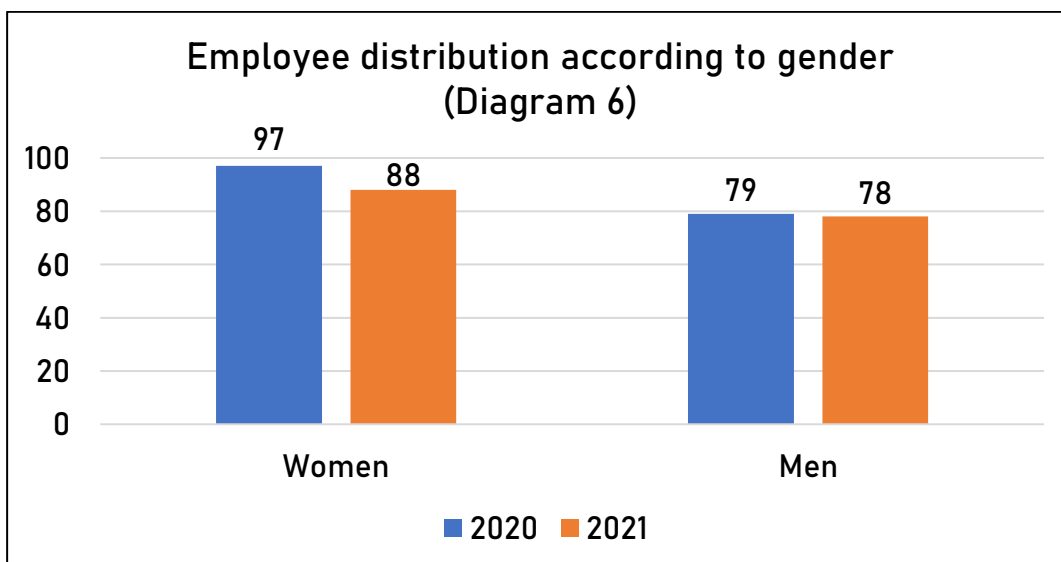
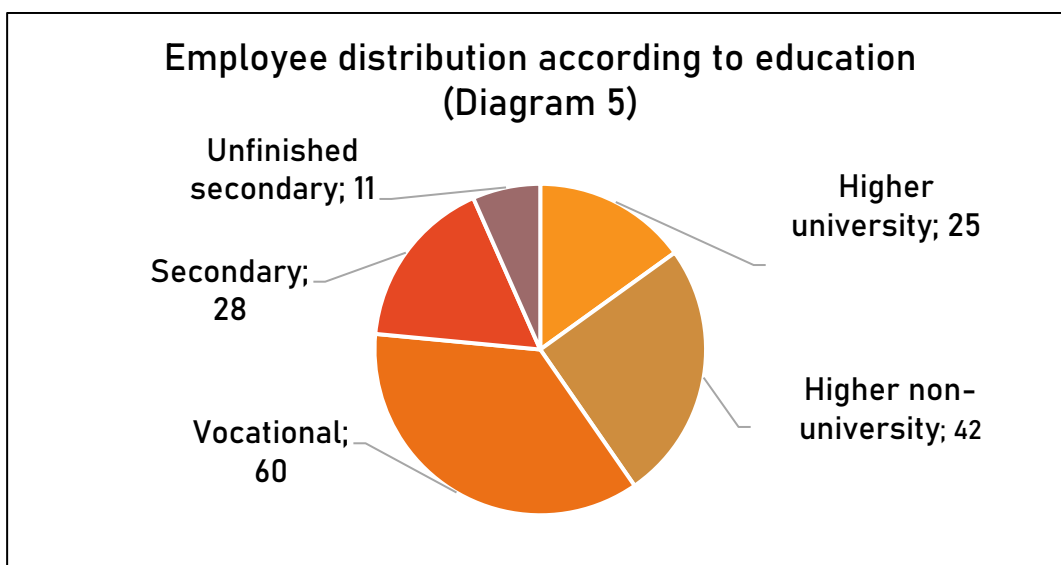
It should be noted that that the consolidated annual report of 2021 reveals and provides a more detailed information and data on Šilutės Rambynas, ABF, which supplements this report, therefore, only staff and environmental protection aspects are discussed in the present report.

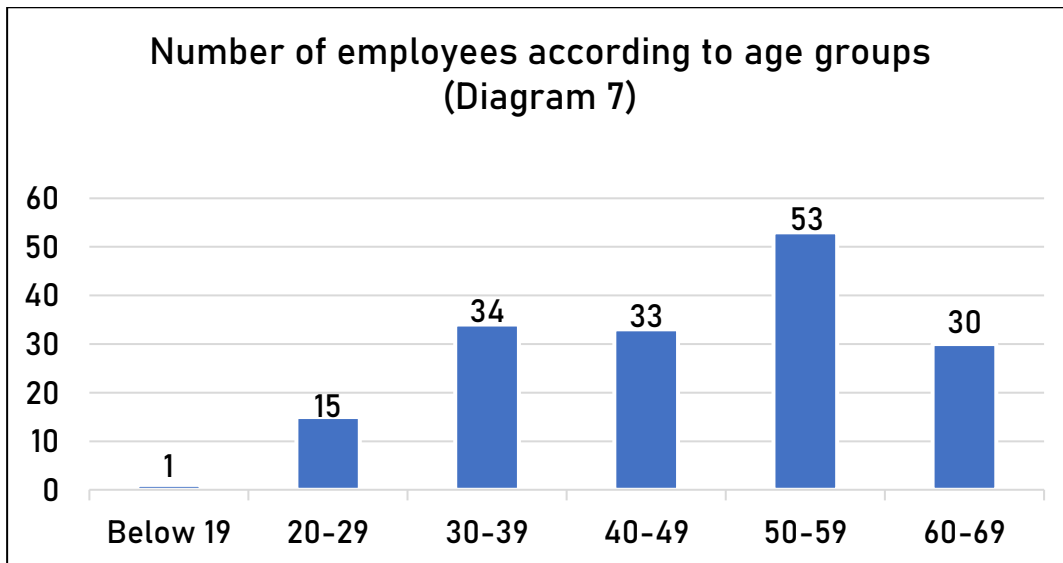
The subsidiary focuses most of its attention on the staff, as they create the greatest value for Šilutės Rambynas, ABF and its shareholders. Continuous effort is made to ensure

that the staff members feel thoroughly safe and satisfied with their working environment, among else, a lot of attention is paid to the improvement of their qualifications by applying the same principles and methods as ŽEMAITIJOS PIENAS, AB.

On 31 December 2021, Šilutės Rambynas, ABF had 166 employees. The ratio of men to women in 2021 was roughly equal: about 47 percent (78 employees) of men (79 men in 2020) to 53 percent (88 employees) of women (97 women in 2020).

The company actively pursues the Human Resources Policy, striving not only to avoid gender discrimination but also to integrate employees of all ages and backgrounds into the workplace. For the summer period, the company hires temporarily young persons who do not have the required work experience but are able to integrate into the company's activities and adapt to ongoing processes easily. Working together with the experienced employees of the company, they acquire experience and familiarise themselves with the specifics of work. It is quite often that young persons, having worked with the company during their summer holidays, return to the company to continue their careers after finishing studies. During the summer of 2021, a total of 9 young workers aged 16-22 were employed (see Diagrams 5, 6 and 7).





Šilutės Rambynas, ABF strives creating and developing long-term relationships with its employees and therefore continually encourages their professional development. The staff of Šilutės Rambynas, ABF are provided with opportunities to improve their knowledge and skills at various seminars and courses. Šilutės Rambynas, ABF has created training programmes for training and certification of specialists, production workers, machinery operators, operators, metalworkers, foremen and assistant foremen.

Being a company that pays great attention to ensuring product quality and safety, Šilutės Rambynas, ABF has the following integrated food safety and quality management systems implemented:

- IFS Food (International Featured Standards): since 2015;
- FSSC 22000: since 2019. This is a food safety certification scheme covering ISO 22000:2005, the applicable technical specification for sector’s essential programmes ISO TS 20002-1:2009 and the additional requirements of FSSC 22000;
- Certified according to HALAL standard requirements: since 2015;
- EkoAgros – certified organic food production: since 2007;
- Pik-Nik cheese string production according to VLOG Ohne Gentechnik Standard (products without GMO): since 2017.

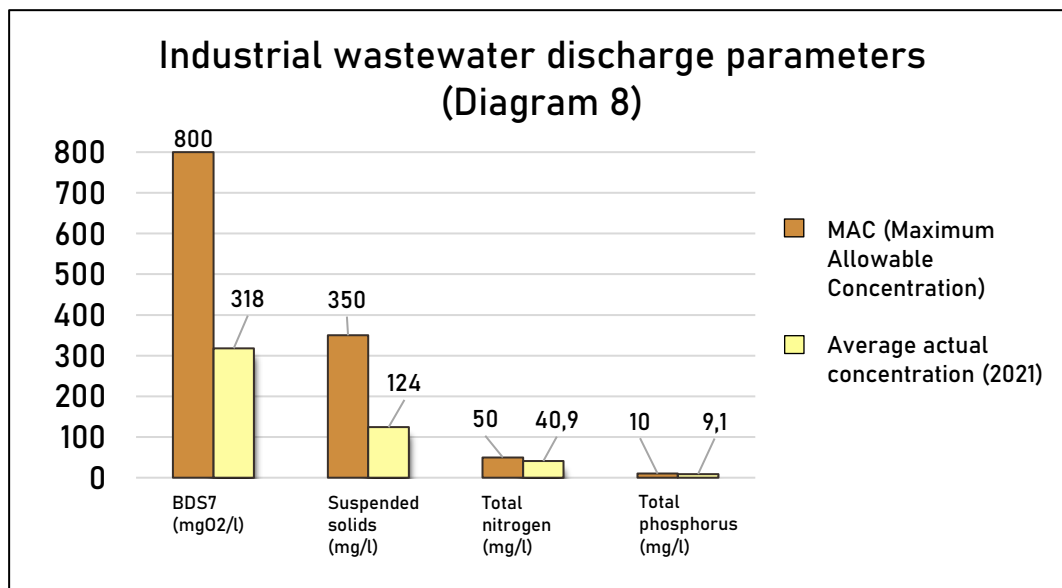
The social audits of NBCUniversal are conducted to assess the company’s compliance with the manufacturer’s code of conduct. Constant and guaranteed product safety and quality at all technological stages of production is the company’s priority. The findings of the independent audits and the highest ratings according to the standards prove that the company’s quality system is properly managed and reliable.

Creating a sustainable and friendly environment is another of the company’s priorities. There is a continuous search for possibilities to reduce the amount of plastic, replace it with environmentally friendly packaging or recyclable packaging. By pursuing the plastic minimisation strategy, the amount of plastic is reduced, and the packaging line with polyolefin-based films that are 100% recyclable has been launched. The company implements investment projects aimed at introducing new modern technologies that allow

it to use renewable energy resources more efficiently, reduce emissions and apply other environmental protection measures:

- Modernisation of the boiler house is carried out due to the change in fuel: oil gas is to be replaced with natural gas;
- After concentrating the whey during the whey processing, the remaining whey water is purified using a membrane system, making it suitable for washing equipment and thus reducing the amounts of water used and wastewater.

The company fully ensures the pollution management of industrial wastewater discharged into the city's sewerage networks: wastewater storage and mixing tanks are installed, which allow to avoid instantaneous pollution and to control the quality of wastewater discharged into the treatment plants of Šilutės Vandeny, UAB. High-concentration industrial wastewater is separated and collected in a separate tank, from which it is transported to biogas producers.



The industrial wastewater management system of Šilutės Rambynas, ABF strictly controls all discharges. The operating system gives its results, which are reflected in the Diagram 8 above. None of the measured parameters exceeds the established maximum allowable concentrations (MAC) established in accordance with the applicable legal regulations.