



PART OF PZU GROUP

ANNUAL MANAGEMENT AND SUSTAINABILITY REPORT *

for the Period from 1 January
to 31 December 2023

* Including Social Responsibility Report

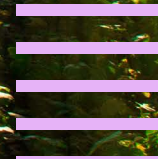


TABLE OF CONTENTS



Letter from the General Manager	3
About the Report	4
1. General Information	5
1.1. About the Company	5
1.2. Overview of the Market	6
1.3. Financial results	8
2. Sustainability within the Company	9
2.1. Sustainability Strategy	9
2.2. Management of Sustainability	11
2.3. Stakeholder Involvement	12
2.4. Sustainability Risks and Management	13
2.5. Material Topics.....	14
2.6. EU Taxonomy	15
3. Social responsibility	16
3.1. Employee welfare	17
3.2. Employee Development and Competency Improvement	21
3.3. Education of Employees and the Public on Safety and Sustainability	23
3.4. Promotion of a Responsible Approach and Cooperation with Non-Governmental Organisations	24
3.5. Ensuring Human Rights and Equal Opportunities, Promotion of Diversity and Inclusion	24
3.6. Excellence in Claims Handling	25
3.7. Comprehensive Insurance Cover.....	26
4. Environmental	28
4.1. Climate Change, Consumption of Energy and of Other Resources	29
4.2. Promotion of the Circular Economy	32
4.3. Development of Insurance Products and Offers to Promote Sustainable Development	32
4.4. Sustainable Investments	32
5. Governance	33
5.1. Responsibility in the Supply Chain	34
5.2. Cyber and Data Security	34
5.3. Responsible Management	35
GRI Content Index	36

LETTER FROM THE GENERAL MANAGER

In 2023, we achieved exceptional sales and profitability results. For the first time in Lithuania's history, we have exceeded EUR 300 million in written premiums. In the private customer segment, sales growth was strongest in motor, home and personal insurance products. In the commercial segment, the highest growth was recorded in property, health, motor third party liability and motor insurance.

In 2023, there was an upward pressure on prices, especially in the construction sector as well as in the pricing of car parts and service work. We have managed these challenges through the discipline of insurance risk assessment and enhanced cost control. As the frequency of motor claims has recovered since the COVID-19 pandemic, the average payout for virtually all types of insurance has risen, due to the so-called claims inflation factor. But despite this, our financial performance has remained consistently strong.

Another challenge for 2023 was the rising interest rates and a falling stock market, therefore we invested cautiously and diversified our investments. Our solvency ratio for 2023 has remained at a relatively high level, so the company's customers can feel secure.

In 2023, our team was particularly focused on the quality of customer service, improving and developing our existing applications and tools to be the most innovative on the market and to meet the needs of our customers. At the same time, we have been looking for solutions to make insurance services more convenient, quicker and simpler, and to settle out claims even faster and more neatly. In 2023, we introduced a mobile application where customers can conveniently register their health insurance claims. The vital digitisation decisions we have taken and implemented, the steady growth of premiums for health insurance and other products, and

the close cooperation within the organisation have contributed to the consistent growth of our results. Although we faced new challenges in August with record storms and damages worth millions, this did not prevent us from providing high quality claims settling and compensation services, while doing our utmost to ensure the safety of our customers and their assets. Future priorities include further digitisation of processes and even better management of the growing amount of data for the benefit of customers and the organisation.

We apply the principles of sustainable and safe living in our operations and internal organisational culture. Together, we are building a modern and responsible organisation that fosters communion with partners and customers who support sustainability. We have developed three sustainable insurance propositions for customers purchasing home, Casco and business property insurance, and included ESG evaluation criteria in the selection of suppliers. We plan to continue to develop our insurance products in a way that encourages customers to make more sustainable choices and reduce their risks. 100% of the electricity we buy is generated from green energy sources, and in 2023 we signed a purchase agreement to acquire part of a solar power plant in a remote solar park. In 2024, we plan to start using a power plant that will generate up to a third of our electricity needs. We also make efficient use of office space for hybrid working and invest part of our investment portfolio in green securities.

We focus on safety education and awareness-raising. For the 24th consecutive September, we provided free insurance to 340,000 Lithuanian schoolchildren as part of the "Protect Me" campaign. We donated Lithuanian Red Cross first aid lectures to 1,000 people in different regions of the country and took part in the First



Kęstutis Šerpytis, General Manager and Chairperson of the Board

Aid Festival. We are constantly discussing the need to protect ourselves and our assets in various media channels and communicating such information to our customers. We will continue to talk about security with all stakeholders and run campaigns to educate the public on security.

We achieve these and other goals thanks to our dedicated, motivated and professional staff. We work together in a sustainable way by measuring success not only in terms of financial indicators but also in terms of ESG indicators. All our employees contributed 6,780 hours of volunteering, exceeding our 2-year target in one year. We focus on employee health and education – we received the "Workplace of the Year 2023" award at the National Responsible Business Awards. Investing in the well-being of our employees and nurturing talent will continue to be one of our priority areas.

In this Sustainability Report, you will find more information on our main achievements and targets in each area. We will continue to honour our commitments and engage with our stakeholders in order to develop our activities sustainably.

ABOUT THE REPORT

This Annual Management and Sustainability Report of Lietuvos draudimas AB (hereinafter referred to as the Company) (hereinafter referred to as the Sustainability Report), as well as the Solvency and Financial Position Report, is provided for the period from 1 January to 31 December 2023, covers all of our business activities, and is prepared annually. The information in the Sustainability Report covers the activities of Lietuvos draudimas AB in both Lithuania and Estonia. The Sustainability Report is an overview of our performance and achievements in the environmental, social and governance (ESG) areas. The report contains the most recent and up-to-date data available at the time of publication. This report also complies with the requirements of the Social Responsibility Report of the Republic of Lithuania and takes into account the European Commission's Guidelines on Non-Financial Reporting and the Bank of Lithuania's Recommendations on the Disclosure of Sustainability Related Information.

The report is the first to be produced with reference to the Global Reporting Initiative (GRI) standards, the latest version 2021. Disclosures are made on a materiality basis and reflect the Company's progress in implementing the principles of the United Nations Global Compact (UNGC) as well as our contribution to the Sustainable Development Goals (hereinafter referred to as SDG). The report includes a list of ESG indicators that measure the impact and progress of our activities.

The Annual Management Report of Lietuvos draudimas AB, together with the Sustainability Report, is first submitted to members of the Board of Directors and department directors for review and comment. It is then approved by the Board of Directors and finally submitted to the meeting of shareholders for approval. As required by law, the external independent auditor reviews the Annual Management Report but does not audit it.

Our previous Corporate Social Responsibility Report, together with our 2022 Annual Management Report, and other information on our sustainability management and activities can be found on the ld.lt website under the section "[Sustainability](#)".

Stakeholders' views are important to us and we welcome your feedback and questions about this report and our sustainability activities at tvarumas@ld.lt

GRI 2-2

GRI 2-3

GRI 2-4

GRI 2-5

GRI 2-14



1. GENERAL INFORMATION

1.1. ABOUT THE COMPANY

We are the largest and longest-established non-life insurance company in the Baltics – we celebrated our centenary in 2021. We are part of PZU SA, one of the largest insurance groups in Central and Eastern Europe. Our core business is the provision of motor, third party liability, property and personal lines insurance services to private and commercial customers in Lithuania and Estonia. We remain a very strong leader in terms of market share in Lithuania. In 2023, our market share was 30%, which means that every third person in Lithuania chooses us as their insurer. Meanwhile, our market share in Estonia in 2023 was 15%, where we were the fourth largest insurance company by market share. We stand out among all insurers operating in Lithuania and Estonia with a very secure capital position while maintaining a high and stable solvency ratio.

93% of Lithuanians are familiar with the Lietuvos draudimas AB brand, while 66% of Estonians recognise our brand.

(Brand Study 2023)

We have the widest service network of any insurance company operating in Lithuania. We have nearly 100 branches across the country, located in cities and towns both large and small, as well as an online store. We have four branches and an online store in Estonia. We have a professional customer service centre and an electronic self-service website where customers can conveniently register claims and handle other insurance-related services.

Year after year, we are valued by the Lithuanian population as the most trusted brand in the insurance sector. We are not only regarded in the insurance sector as the best insurance experts, but we are also recognised by our customers as the most objective in assessing claims, handling them simply and smoothly, and settling them quickly. And that is very important to us as insurance is a promise that once the need for help arises, you will get it quickly.

MISSION AND VALUES

Mission

We work to ensure that your future is secure and peaceful.

Values

Lietuvos draudimas AB is guided by three values in its activities:

- Desire to win for the benefit of customers, employees and shareholders
- Freedom to act, enabling curiosity and leadership in market innovation
- Cooperation based on a transparent, fair and effective partnership

CUSTOMERS AND THEIR EXPERIENCE

At the end of 2023, we had 663,953 unique customers in Lithuania (627,250 natural persons, 36,703 legal entities) and 651,739 customers in 2022. In the Estonian branch, we had 195,041 unique customers at the end of 2023, of which 168,494 were natural persons and 26,547 legal entities, and 188,375 unique customers in 2022.

In order to improve our services and points of contact with customers, we have been using Net Promoter Score since 2010, which allows us to listen to and take into account our customers' views.

In 2023, the **Net Promoter Score in Lithuania was 72%** (75% in 2022), while in the Estonian branch it reached 64% (51% in 2022).

In 2023, the fastest growth in the number of private customers was in transport, home and personal insurance products. In the legal segment, the highest growth was recorded in health and property insurance.

SHAREHOLDERS AND STRUCTURE

Lietuvos draudimas AB is owned by the Polish insurance company Powszechny Zakład Ubezpieczeń Spółka Akcyjna (hereinafter referred to as PZU SA, PZU, PZU Group), which held 100% of the shares in Lietuvos draudimas AB in 2023. Our head office is located at J. Basanavičiaus st. 10, Vilnius.

We did not acquire, dispose any shares during 2023 and as at 31 December 2023 we did not have our own shares. In 2023, we set up two subsidiaries: UAB B10 biurai, UAB B10 apartamentai. We have a branch in Estonia, registered under the name Lietuvos Draudimas AB Eesti filiaal (legal entity code – 12831829, registered office address: Parnu mnt. 141, Tallinn, Estonia).

ASSOCIATIONS

We cooperate with the following associations and organisations:

- **Lithuanian/Estonian Insurers Association**

An organisation which aims to formulate a common policy for non-life insurance companies, to coordinate members' activities, to represent members' interests and to present non-life insurance companies' services and relevant information to the public in a clear and simple way.

- **Lithuanian/Estonian Motor Insurers' Bureau**

An organisation of insurance companies authorised to carry out compulsory motor third-party liability insurance. Membership in the organisation is compulsory.

- **Lithuanian/Estonian Association of HR Professionals**

A public organisation of HR professionals dedicated to raising the level and effectiveness of HR management. We consult and share best practices with the association.



- **Lithuanian Red Cross**

A humanitarian aid agency working to protect human life and dignity, alleviate human suffering and provide assistance to people in distress in Lithuania and abroad. We organise first aid training together with the Red Cross.

- **Estonian Taxpayers Association**

The Estonian Taxpayers Association protects the interests of all taxpayers and provides them with advice and education. It ensures that tax laws are fair and understandable, that the tax burden is optimal, that administrations act fairly and professionally, and that taxpayers' money is used for its intended purpose.

1.2. OVERVIEW OF THE MARKET

OVERVIEW OF THE LITHUANIAN MARKET

According to the data of the Bank of Lithuania, the country's non-life insurance market (including branches of foreign insurance companies operating in the country) reached EUR 1.1 billion of insurance premiums written for 2023. **Strong growth was observed in all major lines of insurance, with total written premiums growing by 21.5% compared to 2022.**

Compulsory third-party liability insurance remained the largest type of non-life insurance, generating EUR 336 million in written premiums in 2023, accounting for 31% of the total non-life insurance market premiums. The growth in premiums written in the residential segment was 13.8%, while in the business segment this type of insurance grew by 22.8%.

Land vehicles Casco insurance with EUR 251 million written premiums in 2023 accounted for 23% of the total non-life insurance market. In the residential segment, this type of insurance grew by 20.6%, while in the business segment the growth of written premiums was 22.5%.

Property insurance accounted for EUR 236 million of premiums written and 22% of total non-life premiums. Premiums written for personal property insurance grew by 17.5%, while in the business segment this type of insurance grew by 48.8%.

Together, these three main types of insurance – compulsory motor

third party liability, Casco and property insurance – accounted for the majority (76%) of the Lithuanian non-life insurance market in terms of written premiums. Supplementary voluntary health insurance also contributed significantly to the growth of the market, with EUR 100 million of premiums written in 2023, which is 32.3% more than in 2022.

We have written EUR 329 million in premiums in the Lithuanian market in 2023 – 23.2% more than in 2022. The amount of premiums written in the residential segment grew by 13.3% and by 36.6% in the business segment.

We maintain our leading position in the Lithuanian non-life insurance market, growing faster than the market for the third consecutive year, with **a market share of 30.3%**.

OVERVIEW OF THE ESTONIAN

The Estonian non-life insurance market in 2023 has written EUR 554.5 million in premiums, an increase of 17.6% or EUR 83.1 million compared to 2022. The Estonian branch of Lietuvos draudimas AB has written EUR 84.4 million in premiums, which grew by 18.7% compared to 2022, thus exceeding the market growth by 1.1 p.p.

The market share of the Estonian branch of Lietuvos draudimas AB has **increased to 15.2%** and we are the fourth largest insurance company in this market.

The market growth was mainly driven by Casco insurance, which grew by 17.6% or EUR 26.7 million, and compulsory motor third party liability insurance, which grew by 20.9% or EUR 21.6 million. Private property insurance also grew significantly by 18.8% or EUR 15.6 million while business property insurance increased by 19.7% or EUR 10 million.

In December 2023, there were 14 companies operating in the country's non-life insurance sector (including 6 branches of foreign insurance companies). Among them, the 4 largest companies accounted for around 67% of the Estonian non-life insurance market. The Estonian branch of Balcia Insurance SE's non-life insurance business started operating since November 2023.



1.3. FINANCIAL RESULTS

Non-life insurance premiums written in 2023 by Lietuvos draudimas AB together with its Estonian branch amounted to EUR 414.8 million and, compared to the EUR 337.7 million of premiums written in 2022, **achieved a 22.8% growth**. We have successfully grown in both our Lithuanian and Estonian markets.

We were profitable in both our markets. The net profit, including the result of the Estonian branch, amounts to EUR 33.5 million in 2023 (EUR 21.6 million in 2022). Our operations were profitable in both the non-life insurance activities and investment portfolio management in 2023.

The result of our insurance service in 2023 was EUR 36.4 million (EUR 24.7 million in 2022). The successful performance of our non-life business and stable profits were driven by continued growth in insurance income, which is a consequence of the increasing volume of our business. Our control of non-current costs and claims costs, efficiency-enhancing actions and rigorous risk-assessment discipline also contribute to maintaining profitability.

In 2023, we continued our conservative investment policy, concentrating our investments in European government debt securities and safe securities of strong companies.

2023 was also a successful year for us in terms of investment activity. We generated a profit of EUR 5.3 million from investment activities together with the Estonian branch, compared to a profit of EUR 0.8 million from investment activities in 2022.

The amount of claims paid out to customers is growing every year. Together with the Estonian branch, **we settled non-life insurance claims of our customers for EUR 216.1 million in 2023, an increase of 25% compared to the previous year** (EUR 173.0 million in 2022).

In 2023, our income tax expense amounted to EUR 4.5 million (EUR 3.0 million in 2022).

Detailed financial information on our activities can be found in the Solvency and Financial Position Report of 2023 and the Financial Statements at [ld.lt](#).



2. SUSTAINABILITY WITHIN THE COMPANY

2.1. SUSTAINABILITY STRATEGY

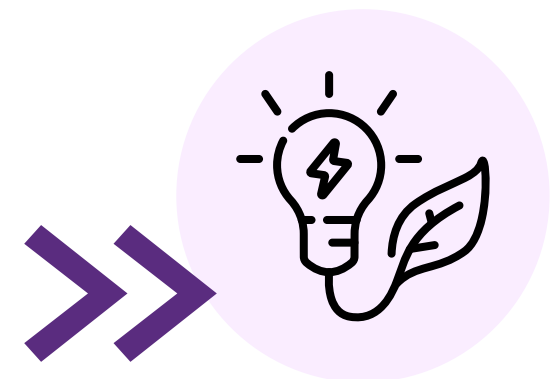
For more than 100 years, we have dutifully taken responsibility for the well-being and safety of our employees and customers. We are entering the new century with sustainability at the forefront of our environmental, social responsibility and governance priorities. In 2022, we have carefully planned and identified concrete actions that we will take in 2023 – 2024 to be even more proactive on sustainability.



Our sustainability principles and commitments are outlined in the Company's strategy and policies and we follow internationally recognised standards:

- We integrate the economic, environmental and social aspects of our activities into our business processes.
- Our strategy incorporates the relevant United Nations Sustainable Development Goals (SDGs).
- We are guided by the 10 principles of the Global Compact in the areas of human rights, employee rights, the environmental protection and anti-corruption.
- We promote the rational and sustainable management and use of resources.
- We are contributing to Europe's Green Deal as well as the Paris Agreement:
 - **We only use "green" electricity** (based on certificates of origin for renewable energy sources from suppliers with whom we have direct contracts). In 2023, we developed and evaluated the ESG actions of suppliers in the procurement process in the Lithuanian division, and we plan to apply this process in the Estonian division in the coming year.

- We strive to ensure that **by 2040 the activity of our key partners and subcontractors is carbon neutral.**
- We strive to ensure that **by 2050 the activities of all insurance customers and investments are carbon neutral, in accordance with the European undertakings.**



	<p>Trusted Partner in green transformation</p> <p>We support the development of a low-emission economy, contributing to sustainable transformation</p>	<p>Better quality of life</p> <p>We encourage communities to adopt a sustainable and safe lifestyle</p>	<p>Responsible organisation</p> <p>We build a modern organisation, which is managed responsibly</p>
<p>Our ambitions</p>	<ul style="list-style-type: none"> Development of insurance offers that support climate and energy transformation. Introduction of green plant services, use of renewable energy and promotion of the environmentally sound management of used spare parts. Green organisation that bases its decisions and management on the principle of sustainability. 	<ul style="list-style-type: none"> Support for education of road participants about safety of children on roads. Inspire others to take action to make communities safer. Trusted partner for financial literacy and sustainable lifestyles. 	<ul style="list-style-type: none"> Employer promoting responsible leadership and responsible attitudes among employees.
<p>For sustainable development, we focus on</p>			

2.2. MANAGEMENT OF SUSTAINABILITY

We have developed a Sustainability Strategy in 2022 and set sustainability targets for 2023 – 2024. We review the Company's strategy every two to three years, and at the time of the next review of the strategy, we intend to integrate environmental, social and governance (ESG) factors into the overall strategy. Monitoring of the sustainability targets is carried out on a quarterly basis during the meetings of the Board of Directors. Sustainability objectives have become an important part of the strategy of Lietuvos draudimas AB, some of which have been included in the company's non-financial objectives on which bonuses for employees depend.

The principles for the implementation of the Sustainability Strategy and for cooperation are set out in the Sustainability Policy. The Sustainability Policy sets out the key principles for responsible business conduct, taking into account environmental, social and governance factors. The Policy applies to all areas of the Company's organisation where sustainability-related risks are generated. In addition, we have complementary policies that provide guidance on the implementation of the principles of sustainability in areas such as the environment, human rights, prevention of corruption and others.

Sustainability management is integrated into the responsibilities of different divisions. The Supervisory Board makes proposals on the strategy and objectives of the ESG on an as-needed basis or at least once a year. The Internal Audit Division audits compliance with internal procedures and legislation on an as-needed basis and/or as part of an overall audit plan. The Board of Directors is responsible for approving and overseeing the strategy and policies. The implementation of the sustainability programmes is coordinated by a designated responsible project manager. Sustainability targets, achievements and other initiatives are regularly discussed by the members of the Sustainability Working Group and the working groups formed to pursue the sustainability objectives. The group holds regular meetings/discussions to discuss various sustainability initiatives, which are

GRI 2-12 GRI 2-13 GRI 2-16 GRI 2-17
GRI 2-25 GRI 2-26



disseminated within the Company to make employees aware of sustainability topics and opportunities to contribute to such initiatives. A dedicated Board member attends working group meetings and contributes to the implementation of initiatives. Each department is responsible for the implementation of their assigned sustainability initiatives, which are delegated according to departmental responsibilities. Every year, we review the monitored indicators, adjust the limits and set new ones if necessary. Sustainability indicators are monitored on a quarterly/annual basis, depending on the indicator. The risk function is responsible for monitoring the performance of the indicators, while the compliance function is responsible for monitoring the implementation of the internal control plan. The Company's Board of Directors is informed on a quarterly basis about the performance of the indicators. Depending on the area, sustainability issues are/may also be addressed and discussed in the Capital Management, Investment and Insurance Product Committees.

The Board of Directors may be informed of critical issues related to the sustainability of the Company during regular meetings of the Board of Directors and informal weekly meetings between the Board of Directors and the General Manager. No critical problems of particular concern were recorded in 2023.

In order to implement our Sustainability Strategy, we educate management and employees on sustainability issues. In 2023, we organised Sustainability Month, featuring presentations by experts

in various fields, raising the sustainability challenge and inviting colleagues to share their sustainability achievements. We have focused on communicating the ESG objectives and progress to employees.

In 2023, we developed Sustainability Policy and, in line with the activities of our shareholder PZU SA, we updated our Environmental Protection Policy, which aims to minimise our impact on the environment and to provide our division with a coherent framework within which to measure and record their environmental impact. The Human Rights Policy was also updated (with equal opportunities, violence and harassment prevention programmes)

INFORMATION ON VIOLATIONS

Reports of potential sustainability violations or suggestions can be made through the internal whistleblowing channel or by e-mailing tvarumas@ld.lt. Anonymous reports of violations of the law, fraud and ethics can be made both by our employees and by members of the public by filling in an online form at ld.lt or pzu.ee.

Details of our governance structure are set out in the Solvency and Financial Condition Report available on ld.lt.

2.3. STAKEHOLDER INVOLVEMENT

Close and high quality dialogue with stakeholders is crucial for the implementation of our operational strategy. We have identified our stakeholders by analysing the parties we involve in our activities, those who are relevant and have a significant impact on our activities, and those who are likely to have a significant impact on the implementation of our strategy. We have an interest and a responsibility to ensure ongoing and meaningful cooperation, to enable all stakeholders to access information about our Company and to provide suggestions for improving our performance. We promote ethical, transparent and honest engagement with customers, employees, shareholders, suppliers, communities, media and other stakeholders based on sustainability principles. The Company participates in sustainability events, conferences and discussions, and shares its sustainability best practices with the media, partners and suppliers.

The stakeholders we have identified and the main themes and forms of dialogue with them are listed in the table below.



Table 1. Stakeholders, themes and forms of dialogue

Stakeholders	Themes / Expectations	Forms of dialogue
Customers	<ul style="list-style-type: none"> Fast and high quality service Products to meet their needs Convenient use of the company's sales and communication channels Education on safety and sustainability 	<ul style="list-style-type: none"> Customer service (call centre, service points, partner sales channels) Digital channels (website, self-service, application, social networks, newsletters, SMS messages) Customer research (brand research, Net Promoter Score (NPS)) Advertising, media, events Plain language when communicating with customers Reporting channel – for complaints and improvements Customer complaint management procedure
Employees	<ul style="list-style-type: none"> Comfortable, safe working conditions, transparency, workload balance Competitive salary Development of skills, career opportunities Corporate social responsibility 	<ul style="list-style-type: none"> Employee engagement survey and possible actions to improve its results Clear, achievable targets – annual, quarterly, monthly Internal, team meetings, 121 meetings LD lunch, roadshow of the executives Meetings with experts in various fields Private Facebook group for employees Internal intranet Internal events Topical presentations Reporting channel to inform about detected violations
Shareholder	<ul style="list-style-type: none"> Running of a smooth and profitable organisation Achievement of business, social, environmental and governance objectives 	<ul style="list-style-type: none"> Meetings of shareholders Periodic reports
Suppliers	<ul style="list-style-type: none"> Transparent supplier selection procedure Favourable purchasing terms, prompt settlement, long-term contracts, performance of obligations 	<ul style="list-style-type: none"> Regular and periodic meetings, negotiations, discussions Frequent cooperation on topical issues
Regulatory (public) authorities	<ul style="list-style-type: none"> Compliance with legislation and provision of correct information 	<ul style="list-style-type: none"> Annual ORSA (Own Risk and Solvency Assessment) report, which also analyses sustainability management Annual Monitoring Report Solvency and Financial Position Report (submitted to the Bank of Lithuania and made public) Individual e-mail enquiries and meetings
Society	<ul style="list-style-type: none"> Openness, transparency, access to information Security education 	<ul style="list-style-type: none"> Publicly available environmental protection, sustainability policies Annual Social Responsibility Report and Solvency and Financial Reports Measurement – Brand research Customer complaint management procedure

2.4. SUSTAINABILITY RISKS AND MANAGEMENT

Monitoring sustainability risks is a regular process, including improving the effectiveness of risk management tools to ensure that risks remain properly managed and controlled. Sustainability risks are managed like other risks within the framework of the Risk Management Strategy. Sustainability risk management is embedded in all aspects of our business: human resources management, investments, insurance, procurement, etc. This is defined in various internal documents such as: Sustainability Policy, PZU Group Green Standard, Environmental Protection Policy, Human Rights and Equal Opportunities Policy, Market Risk

Management Policy, Insurance Product Supervision and Management Policy, Procurement Procedure, etc. We monitor various sustainability key risk indicators (called KRIs) defined in the Risk Appetite document. Where significant sustainability risks arise, they can be identified in Risk Maps, which assess the impact and likelihood of the relevant risks and measures. The table below lists the main sustainability risks and measures to manage them. These risks have been taken into account in the definition of our key sustainability themes and corresponding ESG targets.

Table 2. Sustainability risks and their management measures

Risk	Risk management measures		
SOCIAL	Workforce shortages, substitutability, talent attraction and rising labour costs	<ul style="list-style-type: none"> Regular remuneration reviews Regular monitoring of employee turnover Retention bonus plan 	<ul style="list-style-type: none"> Additional benefits Hybrid working model Training programmes
	Risk of failure to provide a safe and healthy working environment, including human rights violations (discrimination on grounds of race, sex, religion, etc.)	<ul style="list-style-type: none"> Employee well-being programme "I feel good" Employee NPS survey Human Rights Policy (with equal opportunities and violence and harassment prevention programmes), training 	<ul style="list-style-type: none"> Ability to report violations anonymously Investigation of violations Physical security policy and procedure, evacuation training
	Provision of the correct information to customers	<ul style="list-style-type: none"> Reputation and external communication policy (including social networks) Regular review and updating of documents Training and certification of insurance consultants 	<ul style="list-style-type: none"> Insurance risk advice (clarification of needs) Expert communication on insurance products, risks, security Compliance with legislation and ethics in communications
	Delivery of products that meet customers' expectations and needs	<ul style="list-style-type: none"> Continuous product review and adaptation to environmental changes Brand research 	
ENVIRONMENTAL	Climate change and the resulting increase in the number of claims, their changing nature, customer needs and legal frameworks	<ul style="list-style-type: none"> Ongoing analysis of claims patterns, application of preventive measures, operational actions including tariffs and formulations Sufficient and appropriate reinsurance limit 	<ul style="list-style-type: none"> Climate monitoring, flood mapping and inclusion in risk appetite Tailoring of insurance products
	Risks related to direct environmental impacts	<ul style="list-style-type: none"> Waste sorting Economical use of stationery (implementation of paper reduction projects) Use of energy from renewable sources Efficient use of space for hybrid working 	<ul style="list-style-type: none"> Shared electric vehicles and other transport might be bought more environmentally friendly Implemented ISO 14001 environmental management system, training of employees CO2 reduction target has been set (Scope 1 and 2)
	Risks related to indirect environmental impacts	<ul style="list-style-type: none"> Environmentally focused investments Integration of the sustainability survey into the choice of suppliers 	
GOVERNANCE	Risk of disclosure or mismanagement of personal data, breaches of system stability and cybersecurity	<ul style="list-style-type: none"> Legal framework for the protection of personal data, training AUP policy, training Information and cyber security policy, training 	<ul style="list-style-type: none"> Cybersecurity testing Development of cyber security recovery plans and testing of cyber security recovery
	Regulatory non-compliance risk (including sanctions requirements) and reputational risk	<ul style="list-style-type: none"> Monitoring of new and evolving legislative developments Recording and monitoring of non-conformities (Operational Risk Management Policy) 	<ul style="list-style-type: none"> Adapting of systems to meet the requirements of international sanctions
	Risk of conflict of interest, inadequate anti-corruption enforcement	<ul style="list-style-type: none"> Anonymous messaging channels (internal, external) Policy: Anti-corruption programme of Lietuvos draudimas AB, training 	<ul style="list-style-type: none"> Policy on the alignment of private interests, training

Detailed information on the risk management framework is provided in the Solvency and Financial Condition Report 2023, which is published on [ld.lt](#).

2.5. MATERIAL TOPICS

We have started to organise our sustainability work more consciously and have identified key material topics, see table below. We have identified material topics by taking the following steps:

- We reviewed international trends and best practices in the insurance sector, drawing on the experience of PZU SA and recommendations of international organisations.
- We have assessed current sustainability activities and the positive and negative impacts on the environment and society. During the working sessions, we reviewed and evaluated topics of relevance to us with the employees responsible for the relevant areas.

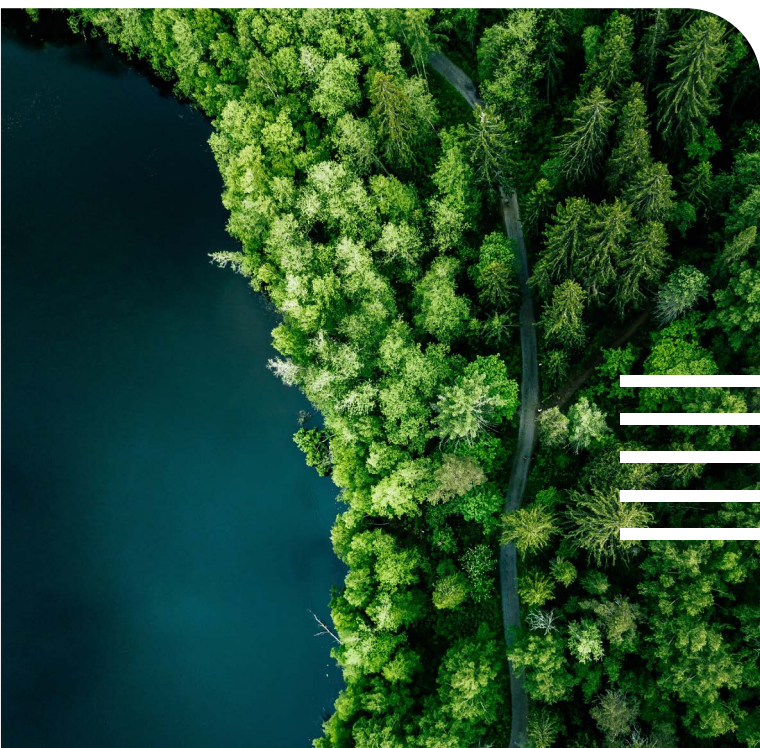
In 2024, we plan to carry out an additional assessment in order to identify key sustainability themes, based on the principle of double materiality and involving stakeholders.

Table 3. Material topics and directions

Topic	Description and direction	
ENVIRONMENTAL PROTECTION	Climate change and energy consumption	Reduction of CO2 emissions, energy consumption and switching to renewable energy sources.
	Promotion of the circular economy	Proper waste management, encouraging business partners (e.g. vehicle service stations) and customers to reduce, recycle and properly recover waste.
	Creation of insurance products that promote sustainable development	Special offers for environmentally friendly customers (e.g. those with energy-efficient homes, vehicles with lower CO2 emissions, etc.).
	Sustainable investments	Investments in green securities.
SOCIAL GOVERNANCE	Employee welfare	Taking care of employees' physical and psychological health, ensuring equal pay, a safe workplace and improving work-life balance.
	Staff development and competency improvement	Provision of opportunities for employees to improve and develop their skills.
	Education on safety and sustainability	Implementation of social initiatives to raise awareness on sustainability and security (e.g. first aid, safety of children on the road, asset protection).
	Responsible attitude and cooperation	Encouraging of employees to volunteer and contribute to social initiatives.
	Human rights	Human rights and equal opportunities are guaranteed and equal and non-discriminatory treatment is promoted.
	Excellence in claims handling	Reliable and fast claims management, transparency.
GOVERNANCE	Comprehensive insurance	Comprehensive and high-quality insurance cover against natural risks, health problems and accidents.
	Responsible management	Compliance with the law, transparency, prevention of corruption, high ethical and governance standards, fair competition, financial stability.
	Responsibility in the supply chain	Suppliers of goods and services are chosen taking into consideration the impact on the environment, human rights and communities, as well as the transparency of their operations.
	Cyber and data protection	Data privacy and security are ensured, and information is collected and managed responsibly.

GRI 3-1

GRI 3-2



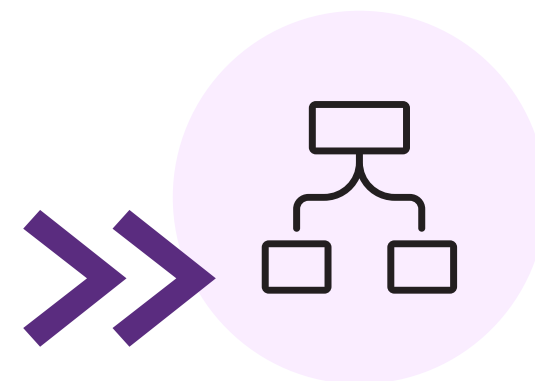
2.6. EU TAXONOMY

The European Union's Taxonomy Regulation (EU) 2020/852 and its implementing legislation provide a framework for classifying sustainable economic activities and investments. It defines activities that are considered to make a significant contribution to the achievement of environmental objectives and is designed to channel private investment into environmentally sustainable activities that contribute to the implementation of the European Green Deal. Insurance and reinsurance companies have been obliged to review their products and business models and to determine the extent to which their activities are environmentally sustainable. For the first two years of the EU Taxonomy, i.e. 2021 and 2022, only the EU Taxonomy's criteria for selecting eligible economic activities were applied. Reporting for 2023 and onwards requires the reporting of activities aligned with the technical screening criteria. In this context, we have taken the following steps:

- 2020 – we have identified which of our product lines are eligible for EU Taxonomy requirements. We have assessed whether the premiums are potentially taxonomic by selecting products that are specified in the Regulation and protect against at least one climate-related risk. We have started providing this information to the shareholder PZU SA, which publishes the consolidated information in its Non-Financial Report.
- 2023 – we have identified which of the activities covered by the EU Taxonomy are aligned with the criteria for sustainable activities. PZU SA has developed guidelines for the interpretation of the EU Taxonomy of Insurance and Reinsurance Activities. The purpose of the Guidelines is to ensure a uniform understanding of the EU Taxonomy across the PZU SA Group, so that the specified economic activities are presented consistently. Based on the group's recommendations, we carried out an analysis to assess:
 - whether the activity makes a significant contribution to one of the six environmental objectives (substantial contribution to climate change adaptation);
 - whether there is no significant harm to other environmental objectives (do no significant harm criteria);
 - whether activities meet minimum safeguards of social responsibility.




Premiums for product lines that are or not eligible and aligned with the EU Taxonomy criteria are reported to the shareholder, who publishes the Group's consolidated information in its [non-financial statement](#).

In 2024, we have set ourselves the goal of improving at least one of our products to meet the EU Taxonomy requirements, by providing additional incentives for our customers to reduce their risks, and by providing guidance to our customers on climate risks and preventive measures.



3. SOCIAL RESPONSIBILITY



Target	Result of 2023	Link to the SDGs
60% of employees covered by the well-being program (jointly all the employees in 2021-2024, without employees on long-term leaves)	2022 – 80%	
1 million recipients of 18-65 years to be reached with social activities and education in the area of safety and sustainable activities per 2023-2024 in total	1 million	
Assigning 6 400 hours of employee volunteerism from 2023-2024 in total	6,780 hours	

KEY ACHIEVEMENTS:

- **Workplace of the Year 2023** (National Responsible Business Awards)
- **Protect Me** – for the 24th consecutive September, we provided free insurance for 340,000 Lithuanian schoolchildren
- **I Can Help** – we donated 1,000 first aid trainings
- We launched a **health insurance mobile application** and continued to improve the self-service portal

3.1. EMPLOYEE WELFARE

We have a long-standing commitment to employee well-being. As a result of our long-standing work in this area, we have received the “Workplace of the Year 2023” award for a working environment that meets the expectations of employees. This recognition was received at the “National Responsible Business Awards” organised by the Ministry of Social Security and Labour of the Republic of Lithuania. We have been recognised for a working environment that responds to the very diverse needs of our employees. For carrying out the hybrid working model and flexible working arrangements, for opportunity to have up to 182 days of workation in Europe, and for the new B10 office for 400 colleagues, which has been set up to meet their expressed needs. For additional benefits and social guarantees that go beyond what the law provides (e.g. extended parental days, extra holidays, health days, vaccinations, health insurance, etc.). For various incentives (e.g. bonuses, premiums, training, events, wellness programmes). For the periodic Voice of LD surveys, which make it possible to listen to employees’ needs and create better working conditions. For introducing sustainability principles into the organisation and for active volunteering in the selected areas – be it support for Ukraine, seniors, children or nature.

The “I Feel Good” employee well-being programme also contributes to the well-being of employees, which has been running for the past three years and promotes the mental and physical health of employees within the organisation.

EMPLOYEE ENGAGEMENT

Employee engagement and feeling is one of the priority areas we focus on at Company level. It is important for us to give employees the space to voice their opinions, experiences and share their suggestions. It involves employees in the process of decision-making and allows us to improve and create a working environment where we feel safe, listened to and motivated to do our best. To this end, we carry out two surveys: the Voice of LD employee opinion survey and a new employee survey.

The Voice of LD survey consists of two parts – the eNPS measurement and questions on employee well-being, a psychologically and physically safe and healthy working environment, internal culture, growth opportunities, learning, managerial performance, feedback and one-to-one interviews. The survey also provides the opportuni-

ty to express personal views in an open commentary format, which allows the employees to add their own insights on other topics of interest to them. We are pleased that this format is working well, with more than 90% of all employees who passed their probationary period taking part in the survey. The results of the Voice of LD are discussed at both management and employee levels. Discussions are held at those same levels about achievements, areas to improve and how that could be done. The discussions result in concrete action plans to sustain the good results and focus on areas for improvement. We carry out this survey twice a year to see how we are doing.

We pay special attention to new employees – it is important to us whether and how well our newcomers integrate into the Company. The new employee survey consists of questions about how they feel after their first months with the Company, whether they have received enough attention and feedback from their supervisors, whether they have had an assigned buddy (a teammate who is responsible for their successful induction into the team and the Company) who has helped them to integrate into the Company and to minimise stress, whether their job responsibilities and roles have been clarified, and how they feel about the additional benefits provided by the company. All these questions not only allow us to assess the newcomer’s feelings and motivation, but also the quality of our induction process.



NUMBER OF EMPLOYEES AND BREAKDOWN

On 31 December 2023, Lietuvos draudimas AB had 904 employees (901 on 31 December 2022). The average length of service is 10.3 years and the average age of employees is 42 years (41 years in 2022 and 42 years in 2016-2021). In 2023, the employee turnover rate was 17.4% (15.4% in 2022) and voluntary turnover was 12.5% (11% in 2022). In 2023, the Estonian branch had 157 employees (157 in 2022), with an average total working time of 7 years and an average age of 45 years. The following tables provide a detailed breakdown of employee numbers, recruitment and turnover rates.



Table 4. Number of employees by type of employment contract

		2023			2022		
		Total	Female	Male	Total	Female	Male
LITHUANIA							
Total		904	694	210	901	688	213
By age	up to 30 years old	141	102	39	171	127	44
	30-50 years old	538	408	130	503	370	133
	50 years old and higher	225	184	41	227	191	36
By type of employment contract	Permanent employment contracts	822	616	206	812	604	208
	Fixed-term employment contracts	82	78	4	89	84	5
	Full-time employees ¹	897	689	208	896	684	212
	Part-time employees ¹	7	5	2	5	4	1
ESTONIA							
Total		157	114	43	157	111	46
By age	lki 30 m.	9	7	2	12	8	4
	30–50 m.	96	67	29	96	66	30
	50 m. ir daugiau	52	40	12	49	37	12
By type of employment contract	Neterminuotos darbo sutartys	157	114	43	157	111	46
	Terminuotos darbo sutartys	0	0	0	0	0	0
	Dirbantys visu etatu ¹	154	112	42	152	110	42
	Dirbantys ne visu etatu ¹	3	2	1	5	1	4

¹ Full-time employees are those who work full-time (40 hours per week) and part-time employees are those who work part-time (less than 40 hours per week).

Table 5. Employee turnover

		All employees	Newly recruited employees		Turnover of employees	
			Units	Rate in each category, %	Units	Rate in each category, %
LITHUANIA						
All employees, of which:		904	164	18 %	156	17 %
By gender	Male	210	25	12 %	30	14 %
	Female	694	139	20 %	126	18 %
By age	up to 30 years old	141	57	40 %	64	45 %
	30-50 years old	538	102	19 %	77	14 %
	50 years old and higher	225	5	2 %	15	7 %
ESTONIA						
All employees, of which:		157	22	14 %	14	9 %
By gender	Male	43	3	7 %	6	14 %
	Female	114	19	17 %	8	7 %
By age	up to 30 years old	9	3	33 %	5	56 %
	30-50 years old	96	16	17 %	8	8 %
	50 years old and higher	52	3	6 %	1	2 %

COLLECTIVE AGREEMENTS AND INFORMATION FOR EMPLOYEES

The Company has a collective agreement with the Lithuanian trade union association Lietuvos draudimas AB, which was approved by a conference of employees and applies to all employees of the Company. It provides employees with more opportunities, benefits,

advantages and social guarantees than those provided for by law. There are no collective agreements in the Estonian branch.

We have an active 11-member Works Council, of which one member is a delegate from the Company's trade union association. In 2023, we elected a new group of Works Council. Two representatives of the Company are delegated members of the Labour Dispute Committee of the Republic of Lithuania in Vilnius, one is from the Trade Unions and the other – from the Employers' Organisation.

We hold regular meetings with trade unions and Works Councils. They cover topical employment issues, consultations on changes in organisational structure, remuneration, working time, health and safety as well as other matters. In accordance with established procedures, in 2023, new versions of the Work Rules Procedure, the Remuneration Policy and the Employee Performance Appraisal Procedure were coordinated with the Works Council, and an annual report on average salaries by gender and position level was submitted.

Employees are informed of important changes within the timeframes set out in the Labour Code and the Collective Agreement, i.e. at least five business days in advance during internal meetings, via the intranet and e-mails, newsletters, events and other internal channels. The Company holds periodic meetings (with virtual connectivity) to discuss ongoing strategic projects and other topical issues (LD lunch). All Company employees are invited to attend. If it is not a matter of common concern, meetings are held with employees from individual divisions. Once a year, the Company's Board of Directors also organises regional road-shows with employees to provide them with the most relevant information and to initiate discussion on issues of concern to them. Evaluations of these meetings show that this format is useful, informative and provides an opportunity for dialogue with employees.

ADDITIONAL BENEFITS

Flexible working hours: Flexible working hours are available with the agreement of the supervisor, with a choice of commencement of work (within the interval from 7:00 to 9:00) and end of work (within the interval from 16:00 to 18:00), as well as the length of working time. This allows employees to flexibly combine work and private life commitments. If needed, opportunities are provided for employees to work part-time in order to combine work with studies and/or family needs.

Hybrid working model: We follow a hybrid working model where 50% of the time we work from the office and 50% of the time we work remotely. Hybrid working provides the possibility to flexibly

GRI 401-1

GRI 402-1

GRI 2-30

GRI 403-6

choose the workplace in the office or at home, according to the specifics of the work to be done, balancing work and personal time, and taking into account the needs of employees in situations of illness and family needs. We have developed guidelines on hybrid working, which set out the principles of hybrid working with a view to achieving equity for all employees.

Workations: We have adopted workations in order to improve the balance between work and rest. Up to 182 days of workation can be arranged in EU countries, Schengen and/or NATO member countries in Europe. In 2021, 28 employees took advantage of this benefit (243 days), in 2022 – 58 employees (835 days), and 62 employees (1,066 days) in 2023. Employees find that workations help combine work and leisure to properly rest and get back to work more efficiently and creatively.

Additional days off:

- Five additional days of leave per calendar year in Lithuania. This additional benefit is available to employees who have been working for more than two years, after they have used their annual leave days. In Estonia, we provide 7 additional days from the commencement of work. We encourage employees to maintain a balance between work and leisure, and a good sense of well-being, which is why we make sure our employees take extra time to relax.
- Four days of wellness for Lithuanian employees, which can be used to recover from an illness at home without having to go to the doctors in order to receive a certificate of for sickness absence. Employees feel emotionally safer when they know they will be taken care of in case of health emergencies.
- Three days of paid special-purpose leave in Lithuania and one extra day in Estonia for family funerals.
- Paid days on the occasion of an employee's marriage and/or the wedding of his/her children, where only unpaid days are granted under the Labour Code of the Republic of Lithuania.
- Employees are given a full day off for the start of the school year, whereas only 0.5 working days are granted under the Labour Code of the Republic of Lithuania.
- Two days per calendar year are provided to employees of the Lithuanian branch for volunteering activities. We encourage team volunteering.

Health and employee insurance: The Company also contributes to the well-being of its employees by providing health and accident insurance. Employees are covered by a health insurance, which allows them to have a health examination at any institution that is convenient for them, with reimbursement of part of the cost of the health insurance, as well as reimbursement of the purchase of other medical services or goods (medicines, supplements, optical aids, etc.), and access to individual counselling with psychologists. In addition, all employees are covered by accident insurance from their first day of work. The health insurance that comes into force after the probationary period remains in force while employees are on parental leave. We also offer free flu vaccinations for employees and discounts for family members.

“I Feel Good” programme: In line with PZU SA's overall sustainability strategy, we started to implement the employee well-being programme “I Feel Good” from autumn 2021. In 2023, we implemented the following activities in the “I Feel Good” programme:

- Lectures for all employees: getting to know different generations and working together in our organisation, fostering a culture of feedback, lectures on how to recognise sources of inspiration and tension in the company, how to resolve conflict situations and build relationships together; how to work in a hybrid way and how to create an effective and emotionally supportive work environment. All these lectures are designed to help us get to know each other better; to recognise stressful situations and to have the inner resources to deal with them when they arise. Lectures on volunteering and the meaning of volunteering were also held.
- LD Hike, which attracted more than 200 employees, took place in the Kaunas Lagoon Regional Park. Step challenges are in our Company's DNA, which is why we support them not only by participating in #Walk15 challenges, but also by organising internal company hikes. Physical activity contributes significantly to emotional health, therefore, we encourage such activities Company-wide.
- LD's internal festival “I Feel Good”, where we talked about what is important for us to feel good in the Company. Together we





took part in various sports activities, gong therapy, drawing therapy, a wellness challenge, and got to know each other interactively through the Company values.

- Managers talks with employees about their emotions in one-to-one meetings.
- Useful links, videos, readings, smart applications and recordings of lectures are regularly shared on the intranet in the "I Feel Good" section.

Through all these activities, we aim to ensure that employees are not only aware how to maintain their well-being, but can also apply this knowledge in their daily work. We foster an environment of mutual trust, which is why this year we have paid particular attention to fostering a culture of feedback. We also talked a lot about the emotional intelligence of the manager, how to build and maintain relationships with employees, how to have quality one-to-one conversations with employees, and how to discuss what is important to the employee, how they feel, the difficult situations they face, and how the manager can help them to deal with such situations.

Events: We also encourage our employees through various events. We organise and/or fund various cultural, sporting and/or tourist activities and events: "LD Leaders Conference", "PKD Professional League", "VKD Champions Club", "ŽingsniuOK" initiative, "Itynės", quizzes, tournaments, hikes, various team building events, etc.

3.2. EMPLOYEE DEVELOPMENT AND COMPETENCY IMPROVEMENT

Training is a key part of our work culture and development, with 100% of the Company's workforce receiving training during the year. In Lithuania all employees have mandatory training in the eLDa e-learning system, as well as professional and generic competency training, managers are trained in the LD Managers Club, the LD HUB programme for change and project leaders, and all employees have the opportunity to participate in the "I Feel Good" lectures.

GRI 404-2

GRI 404-1

Employee development is organised in accordance with the Employee Training and Development Procedure. The Company provides equal opportunities for all employees to improve their qualifications, professional development, retraining and practical work experience in accordance with transparent and clear criteria.

Employee development and education actions are discussed with the manager during the performance review process and in periodic one-to-one interviews. Upon agreeing on what competences are lacking in order to achieve the set objectives, employees are able to expand their competences in their current role or by planning a vertical/horizontal career. Depending not only on individual but also on organisational needs, training courses are organised to enhance specific competences, such as the LD HUB programme intended to develop competences in change and project leadership, and the LD Managers Club the aim of which is to enhance managerial competences.

Quality attention from managers to employees is very important, which is why this year we have focused on continuing management development for middle managers by bringing them together in the LD Managers Club. In this club, we focused on the emotional intelligence of a manager, ways to build and maintain a quality and sustainable relationship with employees, ways to maintain a positive demanding attitude, ways to provide the feedback needed for employee development, and what it takes to have meaningful and effective one-to-one conversations with employees.

Table 6. Average annual training hours per employee, hrs.

	2023	
	Lithuania	Estonia
Total:	56	27
Managers	67	36
Non-managers	55	35

INTERNAL CAREER

We care about our employees' careers and growth opportunities. We value the knowledge and competences of our employees and want to give them every opportunity to develop new ones and realise their full potential. At Lietuvos draudimas AB, 51% of vacancies in 2023 were filled by internal candidates (55% in 2022). In 2023, 76 employees made internal vertical or horizontal careers (95 in 2022) and 6 specialists became managers (5 in 2022). In the Estonian branch, 24% of vacancies in 2023 were filled by internal candidates (including temporary employees converted to permanent positions).

Specific and timely feedback is one of the best and most proven tools for employee development. We aim to make it clear to every employee what is expected of them, the meaning of what they do and how they contribute to the achievement of common goals. This is ensured by the employee performance review process. Even before the performance review interviews begin, calibration sessions are held at managerial level to receive and provide feedback on the performance, results and behaviour of employees in the division. This helps to ensure a fair and equitable review process.

Every year, we conduct semi-annual and annual performance reviews with each employee. This format is designed to discuss achievements and to help employees understand what they are doing well and where they need to improve. This is done by discussing the goal, value, career and development dimensions. We also focus on the career part: the employee can indicate how he/she plans his/her career and let the manager help him/her with the career planning steps. The performance review system also includes a feedback form where we can share praise and comments with colleagues.

We use the Voice of LD survey to find out what employees think about their internal careers, asking them to evaluate the internal career opportunities at Lietuvos draudimas and to comment on why they think so. We also start working on internal career issues from the very first steps in the Company, i.e. we organise New-

comers' Days, during which they get to know more about Lietuvos draudimas, the divisions and their functions, as well as the heads of those divisions.

REMUNERATION POLICY

The remuneration system has been in place at the Company for more than a decade and is based on the world-renowned Korn Ferry Job Evaluation Methodology and the Lithuanian General Compensation Survey data. This ensures its swift and smooth implementation and maintains its relevance and objectivity regardless of the gender of the employee.

Our remuneration structure is governed and determined by the Company's Remuneration Policy. The Company's Remuneration Policy is in line with our business strategy and objectives. Remuneration takes into account the experience, competence, knowledge and skills of the employees performing the relevant functions.

Each position is given a weighting which determines its salary. The grade of a position is determined by assessing the level of knowl-

edge and competences required by the position, the complexity of the problems that must be solved and the level of responsibility. Employees working in the same position (a position of equal weight), irrespective of gender, are subject to the same remuneration scale. We monitor equal pay through reports, analysis and annual submission to the Works Council of Lietuvos Draudimas AB. As a result, employee representatives are also involved in the process of implementing the remuneration system. On their initiative, in both 2022 and 2023, information-consultation procedures were organised on the implementation of the Remuneration Policy and the review of employee remuneration, an annual report on average remuneration by gender and grade level was submitted annually to the Works Council of the Lietuvos Draudimas AB, the provisions of the Rules of Procedure, the Remuneration Policy, and the Performance Appraisal Policy were harmonised in accordance with the established procedures, and surveys were organised for the employees, including the remuneration-related issues.

For more information on the Company's Remuneration Policy, please refer to the Solvency and Financial Position Report available at [ld.lt](https://www.ld.lt).



3.3. EDUCATION OF EMPLOYEES AND THE PUBLIC ON SAFETY AND SUSTAINABILITY

“PROTECT ME” INITIATIVE

“Protect Me” is our initiative on safety of children on roads, launched in 2000, which insures all Lithuanian schoolchildren.

The “Protect Me” campaign encourages the country’s drivers to be extra attentive on the road and to pay special attention to the youngest road users, who are returning to the city streets after the summer holidays. We provide free road accident insurance for all Lithuanian schoolchildren. The insurance applies throughout September for pupils travelling on foot or by bicycle. The sum insured is EUR 5,000.

A toothbrush can protect children from accidents on the road. Based on research by psychologists, we developed a fun way to teach children the rules of road safety last year and continued this process in 2023. Scientific evidence shows that children find it easier to learn new skills when they relate them to what they already know. That is why we have created a song that reminds people to brush their teeth and teaches them about road safety.

“I CAN HELP” PROJECT

The idea of the “I Can Help” project was born six years ago, with the ambitious goal of ensuring that everyone in Lithuania knows how to provide first aid. It is important for the people of Lithuania to be able to decide quickly what and how should be done if a sudden need to help someone nearby arises. That is why, for more than six years, we have been working towards the great goal of a first aid-literate Lithuania! In cooperation with our close partners from the Lithuanian Red Cross, from the first days of June we invited Lithuanian residents to register and attend first aid lectures in Vilnius, Kaunas, Klaipėda, Šiauliai, Panevėžys, Rokiškis, Raseiniai and Tauragė.

We also share educational material on choking, bleeding and initial resuscitation on our website Id.lt. We support public events to raise awareness about first aid training and work closely with the Lithuanian Red Cross.



This year, during the first aid campaign, **we gave away as many as 1,000** free first aid lectures and reminded people of the rhythm of the Lithuanian folk song, which can help save lives in the future.



PUBLIC EDUCATION ON SECURITY AND SUSTAINABILITY

Last year, we continued our proactive communication to customers and the public on a wide range of insurance topics. Taking into account the main lines of insurance, i.e. home, transport, health and personal, travel, business, we provided information in the form of press releases and advice/expert commentary on how to protect your assets and health, and what to do in the event of a claim. We also responded to the media's demand for topical commentary on damage caused by natural disasters or seasonal challenges to people's property. In total, we issued more than 70 press releases last year. The most covered topics in proactive communication were home and motor third party liability insurance as well as related claims.

3.4. PROMOTION OF A RESPONSIBLE APPROACH AND COOPERATION WITH NON-GOVERNMENTAL ORGANISATIONS

VOLUNTEERING INITIATIVE "I WANT TO HELP"

We have been supporting employee volunteering for many years and each employee in Lithuania is given two days of paid leave per year to volunteer. Historically, employees have always been most active in this regard on December. However, in 2023, we have put a strong emphasis on year-round volunteering initiatives, and in December we gave an extra volunteering day to employees who had already used two days. This change has allowed us not only to reach more organisations in need, but also to expose employees to a wider range of volunteering opportunities. Volunteering is one of ESG's goals, but we are not only working towards our KPIs, but we also see how important it is for our employees to do meaningful work, and how much value there is not only for those we help, but for us too. We encourage volunteering in teams and have or-

ganised corporate volunteering which let us see how good deeds bring us closer together as employees.



In 2023, our employees contributed **6,780 hours of volunteering.**

3.5. ENSURING HUMAN RIGHTS AND EQUAL OPPORTUNITIES, PROMOTION OF DIVERSITY AND INCLUSION

We uphold the human rights principles set out in the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the ILO Core Conventions on Labour Rights and the OECD Guidelines for Multinational Enterprises. We respect and uphold the right to equal opportunities and non-discriminatory treatment, the right to human security, children's rights, freedom of association and the right to collective bargaining. We make sure employees have a safe and healthy workplace, are paid fair wages, are free from bribes and our products are not used for human rights abuses. We are committed to ensuring that our activities are free from any violation of human rights.

Since 2010, we have a well-established and effectively implemented Human Rights Policy. Since 2018, in accordance with the requirements of the Labour Code of the Republic of Lithuania, this Policy has been supplemented by the Gender Equality Implementation Programme, and since 1 November 2022, after consultations with the Works Council of Lietuvos draudimas AB, it has been supplemented by a new Violence and Harassment Prevention Programme. All employees are briefed on this Policy and the above-mentioned programmes digitally upon acknowledgement of receipt of infor-

mation by signature. Periodic training and knowledge testing are provided to employees on this subject.

Since 2015, we have a well-established and successful Whistleblowing Procedure, with a variety of reporting methods and channels available, both internally and externally via our website. Responsible persons within the Company are appointed to investigate reports received and, if necessary, an investigation committee is set up. Personalised cases of violations are made public to prevent their recurrence in the future. We provide the following opportunities for employees to report or otherwise speak to their employer if their emotional health is at risk:

- They are encouraged to discuss it in person, through their immediate supervisor and/or higher level managers;
- Anonymously by filling in the Voice of LD Voice survey;
- By reporting violations of the law to the Company's responsible persons, either in writing, by e-mail, or through the Company's internal/external website channel;
- By contacting the HR Business Partner of a specific department;
- By contacting the assigned buddy.

We do not tolerate unethical behaviour in the work environment, which occur in the working environment only sporadically, and informal conversations with employees are usually sufficient. In 2023, two reports were received and investigated in which the Commission found no signs of violence and harassment at work. However, this experience has led to practical recommendations to ensure a smoother investigation process. We have not received any complaints about unequal pay or other working conditions. The Company has also never had any cases of violations of labour law and/or any labour disputes arising from discrimination or violence and harassment.

In 2020, the State Labour Inspectorate of the Republic of Lithuania carried out scheduled inspections of financial institutions in relation to the disparity between men's and women's remuneration and other terms and conditions of employment, and it has been exceptionally noted that our Company has an effective [practice](#) of implementation of the Policy of Equal Opportunities.

Table 7. Workforce diversity in 2023

	Board of Directors	Top level managers	Middle level managers	Other employees
LITHUANIA				
All employees	8	5	92	799
Female	13 %	60 %	60 %	79 %
Male	88 %	40 %	40 %	21 %
Up to 30 years old	0 %	0 %	2 %	17 %
30-50 years old	63 %	40 %	84 %	57 %
50 years old and higher	38 %	60 %	14 %	26 %
ESTONIA				
All employees	1	12	16	128
Female	0 %	50 %	69 %	76 %
Male	100 %	50 %	31 %	24 %
Up to 30 years old	0 %	0 %	0 %	7 %
30-50 years old	0 %	83 %	63 %	60 %
50 years old and higher	100 %	17 %	38 %	33 %

3.6. EXCELLENCE IN CLAIMS HANDLING

IMPROVEMENT OF THE CUSTOMER EXPERIENCE OF RECORDING AND CALCULATING CLAIMS

In 2023, we continued to develop our self-service capabilities in Lithuania – in addition to the existing automatic claims registration for all major insurance products, we created a personal insurance claims calculator and upgraded the entire personal insurance claims registration process. We have also renewed the process of registering and administering Casco insurance claims and set up an automated payment process for health insurance costs. These innovations allow customers to register and manage claims at their convenience. This ensures the security of both the information provided and the personal data. In addition, the customer's claims management on the self-service website speeds up the claims management process by putting all the customer's information in one place, showing the status of the situation, the documents and photographs provided, and making it easy to exchange additional information. Automated processes for small claims management are in place for all products (property, transport, personal). In Estonia, we have fully automated the vehicle windscreen claims process and handled more than 500 claims in Q4 2023. For business customers, we have expanded our self-service platform so that business customers and partners could report claims.

IMPACT OF INNOVATION ON CLAIMS MANAGEMENT

By the end of 2023, around 80% of private customers in Lithuania and 61% in Estonia were already actively using the new claims registration options on the self-service website. In Lithuania, as many as 70% of customers did not need direct contact with a claims expert to receive a payout of a claim. Automated processes are particularly convenient for customers in the case of mass claims, such as storms, hail, etc., as the information is presented in a straightforward way and minor damages can be adjusted very quickly. Given our increased risk of natural disasters, we intend to expand these and other innovations in 2024.

CONTROL OF CLAIMS

The number of claims registered in Lithuania in 2023 grew by 17% in units compared to 2022, with a total of 461,957 claims registered. The largest share of claims settled by us in Lithuania in 2023 was for health claims which amounted to 64%, followed by transport claims – 17%, property claims – 14% and personal injury claims – 5%. In Estonia, the number of claims registered per unit increased by 5% compared to 2022, with a total of 40,181 claims registered. Motor third party liability claims accounted for the largest share of settled claims – 54%, while property damage accounted for 14% and personal injury claims accounted for 22%.

REGULATION OF CLAIMS IN LARGE-SCALE INCIDENTS

In order to manage the damage caused by large-scale disasters in an expeditious and rational manner, we have prepared a specific procedure describing a model for the organisation of work during large-scale incidents, including natural disasters.

In 2023, we recorded 11 large-scale incidents, the same number as in 2022, but the number of claims differs: in 2022 the total number of large-scale incident claims was 7,600, while in 2023 – 10,000. In 2023, we recorded the largest large-scale incident in our history in Lithuania, caused by the forces of nature, such as wind, rain, storm, hail. At the time of the incident, some 7,200 claims were registered, with payouts amounting to EUR 10.7 million. Our digitisation solutions have facilitated the claims registration and administration process. Customers could conveniently register their claims via our self-service portal and a short telephone number. In order to ensure that all affected customers have time to register their claims, we have not imposed a limit on the number of days to register a claim. As many as 49% of claims were administered in the first five days. Digitalised claims management has helped customers settle claims much faster and more efficiently. During large-scale incidents, we also inform our customers in the media, through our own channels, about the scale of the incident, as well as provide information on how to protect themselves and their property during storms.

3.7. COMPREHENSIVE INSURANCE COVER

We strive to provide our customers with comprehensive and high-quality insurance cover – for natural risks, health problems and accidents – tailored to their changing needs and expectations. We are constantly reviewing and updating our products, creating special offers for our customers and educating them on security issues. As well, we are constantly improving our customer service system and raising the qualifications of insurance consultants. We are committed to introducing customers to the insurance service and helping them assess their risks.

IMPROVEMENT OF THE WAYS TO MEET THE NEEDS OF PRIVATE CUSTOMERS

Health insurance	Development of our health insurance product is our strategic direction. In 2022, we introduced private health insurance with unlimited outpatient services in Lithuania, and in 2023 we continued product development and expansion. We offer a large selection of services and a network of more than 600 partners across Lithuania. Insured persons can use services offered by both state and private institutions.
Compulsory driver's third-party liability insurance	We have improved and expanded the customer experience of product management on self-service and e-commerce sites, and focused on delivering quality value to customers. For Ukrainian citizens arriving in Lithuania by car, we offered a 50% discount on compulsory third-party liability insurance for drivers.
Casco insurance	We continued our product improvement strategy focused on customer experience and value enhancement, and the rules for providing the service in Lithuania were updated. In Estonia, we have improved our Casco insurance with flexible windscreen protection.
Home insurance	As we do every year, we have reviewed our home insurance product and offered both new and renewing customers a product that better suits their needs. In response to the rising prices of goods and services, we have offered new customers a fixed insurance price for a period of three years, with no long-term commitment from the customer.
Personal insurance	We have focused on product quality and a strategy to deliver value to existing customers. The "My Little One" programme was also continued, offering free insurance for babies up to 11 months of age.
Travel insurance	In response to the needs of travellers and different country requirements and restrictions, we have extended the availability of a travel insurance product with an optional COVID-19 risk for 2023.

BUSINESS CUSTOMERS

A survey of small and medium-sized businesses in Lithuania in 2023, commissioned by us, revealed that the most pressing risks for these businesses are related to employees and market challenges. In more detail, these include the cost of wage growth, mistakes made by employees and concerns about their health and well-being. Market-related risks include increasing competition, declining demand for goods and services, and changes in the regulatory business environment. In 2023, the needs of business customers also responded to the general trend, with businesses looking for ways to improve the physical and psychological health of their employees, and people valued these steps taken by employers. With health protection remaining an important aspect, in 2023 we continued to increase the number of people covered by health insurance and to increase our market share for this product, by offering a set of complementary actions that helped us to increase the penetration of this segment and to increase the uptake of health insurance by companies that previously did not have this cover.

INSURANCE PROTECTION CONSULTATIONS

In 2023, we continued our insurance protection consultations in Lithuania. The purpose of the consultation is to discuss the customer's insurance risks and assess their security in order to help them better understand the risks and choose protection measures. Consultations are conducted remotely by video, and if the customer is unable to connect, they are welcome to visit the offices. Consultations create the conditions for high quality customer service, where we can provide all the information to the customer in one place. Using a questionnaire, the customer receives a detailed explanation of what insurance cover they have and where they are insecure. We create an opportunity for the customer to assess for themselves what their need is and whether it fits their actual situation. Insights and recommendations are provided in this context. This is another opportunity to show individual attention to the customer, to build trust, to listen to their needs and to offer the best solution. In 2023, 140,000 customers took part in insurance protection consultations.

SELF-SERVICE PORTAL

2023 was another year of intense digitisation, which allowed our customers to create an even better experience in our self-service, handling their insurance remotely 24/7. Seeing the growing habits of our customers to handle their insurance matters on their own, this year we focused on e-servicing by further improving our self-service system and increasing the range of services that can be purchased in the online store. The number of successful self-service connections in Lithuania in 2023 increased by 42% compared to 2022.

During 2023, we have devoted a significant part of our IT resources to improving the customer experience on the self-service website and have made the following changes:

In Lithuania:

- Business customer registration and login
- Establishment of the roles and rights of business customer representatives
- Expansion of online banking connections
- Approval of process for personal insurance forms
- Administration of payment cards
- Automatic upload of offers to the self-service system

In Estonia:

- Machine learning solution for Health Insurance Payment File Recognition on self-service platform
- SEB online store was launched for SEB bankas customers

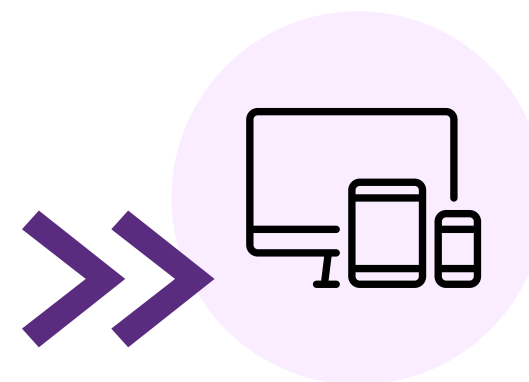
All of these actions have led to a significant increase in the share of active self-service customers. In Lithuania, 73% of active private customers (61% in 2022) and 56% of business customers (28% in 2022) used self-service in 2023. In Estonia, 50% of customers used self-service.

HEALTH INSURANCE APPLICATION

Seeing the growing number of customers with health insurance and wanting to further improve the experience of these customers, we have invested in the development of a health insurance application in Lithuania in 2022 and 2023. Customers started using the new application in February 2023. In 2023, the number of active users of the application reached the 27.5 thousand. The application allows customers to quickly and conveniently see the conditions, limits and balances of their existing health insurance. Customers can also apply for reimbursement and view their entire health insurance usage history.








GOLD – A MODERN SALES SYSTEM

In 2023, we continued the development of our goLD sales system, focusing on the integration of corporate liability products. The system has been complemented by three more business-specific products, enabling our sales team and our partners to execute sales faster and more efficiently. It gives the customer a more innovative insurance buying experience and the employee a modern, easy-to-use tool.



4. ENVIRONMENTAL



Target	Result of 2023	Link to the SDGs
LITHUANIA		
Reduce CO2 emissions by more than 10% compared to 2019	over 50%	 
Contribute not less than 1% of total UW result yearly by supporting green/ sustainable insurance products, offers, segments or technologies seeking energy and climate transformation till 2024	0.6%	 
Increase in the current exposure to investments in support of climate and energy transformation by 5% of total investment portfolio by 2024	6.3%	 
ESTONIA		
Increase the number of vehicle windscreens repaired to at least 11%	12.3%	

KEY ACHIEVEMENTS:

- 100% of our energy comes from green electricity
- We have created three special insurance offers for customers who protect nature
- We have moved to our new headquarters

4.1. CLIMATE CHANGE, CONSUMPTION OF ENERGY AND OF OTHER RESOURCES

While companies like ours in the service sector have a relatively low impact on nature and pollution, we are constantly looking for ways to save the resources we use on a daily basis and make an even greater contribution to the environment. We support a low-carbon economy and contribute to the movement towards sustainable business. The table below shows the energy consumption of our Company.

Our employees drove a total of 1.97 million km in 2023 (1.7 million km in 2022). Diesel cars account for the largest share of the 1.45 million kilometres driven (1.13 million km in 2022), while petrol cars account for 517,000 km. In 2023, employees flew 319,000 km and travelled 5,700 km by train on business trips. Estonian employees drove 24,000 km in rented transport in 2023.

Our main document for managing environmental impacts is our internal Environmental Policy. We have also implemented ISO 14001 in 2022 with external consultants, and had an audit and certification for the new headquarters in 2023. The Environmental Management Certificate helps us to better identify and systematically manage our environmental impacts. All employees are made aware of the Policy and standards and have to take a knowledge test. Compliance with the requirements of the Environmental Management System in accordance with the LST EN ISO 14001:2015 standard and the procedures of our Company's Environmental Management System related to our operations are included in the mandatory requirements of all employees' job descriptions.

Table 8. Energy consumption

	Units	Lithuania		Estonia	
		2022	2023	2022	2023
Electricity	MWh	1 399	1 158	150	145
Energy for space heating/cooling	GJ	4 474	4 574	158	160
Water	kub.m	3 395	2 862	501	542
Natural gas	kub.m	27 000	24 241	19 822	18 500
Fuel (petrol, diesel)	t	154	176	-*	-*

* In Estonia, we do not own our own cars, we use taxis for work trips and no fuel information is collected.

PAPER CONSUMPTION

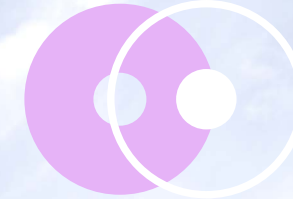
For several years in a row, we have implemented various initiatives to reduce paper consumption in the Company. In 2023, we continued to reduce paper consumption in customer service. 80% of customers in Lithuania and 96% in Estonia are served in a paperless way. We have taken the decision to print documents for customers only in exceptional cases – we encourage everything to be done via the self-service portal. We are also promoting digital claims management by inviting customers to register claims via the self-service platform and submit documents/photographs digitally. We do not use paper and, in most cases, we carry out property damage inspections remotely. We also use paper made from recycled paper and reuse it.

In 2023, we adopted a project to digitise the Personnel Department in Lithuania, moving fully to electronic employment contracts and other electronic employee documents and/or records. This will significantly reduce the amount of paper used in the HR administration process, save time, reduce the likelihood of human error in the processing of data, and improve the employee experience in the labour relations management process. The personnel management and document digitisation project foresees that in 2024, all employees will be re-contracted and will continue to have only electronic employment contracts and related documents.

We also contributed to recycling by recycling 0.508 tonnes of small household appliances and 1.72 tonnes of paper per year.

Table 9. Paper consumption

	Units	Lithuania		Estonia	
		Quantity in 2022	Quantity in 2023	Quantity in 2022	Quantity in 2023
Paper	t	2,95	1,5	1,06	0,7



CO₂ EMISSIONS

Our first CO₂ emissions reference (“base”) year was 2019. CO₂ emission reductions were measured relative to the first year of the accounting period – pre-COVID-19. Reductions in CO₂ emissions (Scope 1 and Scope 2) have been achieved thanks to the successful implementation of fuel saving and energy efficiency initiatives, with savings of more than 50% in 2023 compared to 2019. Detailed information on the valuation and calculation of the issues is provided in the [Non-Financial Report](#) of PZU SA Group.

Key Areas and Measures to Reduce CO₂ Emissions:

- We have reduced the size of the Company’s car fleet and are renewing it with electric and hybrid vehicles. We have changed our Company procedures and increased the purchase limits for hybrid and electric vehicles. We also have electric scooters in three of our offices that employees can use for short trips.
- The principles of hybrid working are being implemented to optimise the network of administrative and sales offices to make working more convenient and energy efficient. In total, we have renovated 52 of our offices: 8 offices, including headquarters, were renovated in 2023, 13 in 2022, 26 in 2021, 5 in 2020 and 10 in 2019.
- We use LED lighting, we buy 100% green energy, and we have signed an agreement to buy part of a remote solar park, which is expected to generate up to 30% of our electricity needs. We plan to start using electricity from this park in 2024.



NEW OFFICE COMPLEX OF LIETUVOS DRAUDIMAS OPENED IN VILNIUS OLD TOWN

In autumn 2023, we opened the doors of the new office complex B10 in the Old Town of the capital. It is a four-building complex comprising two office buildings and two residential buildings. The total area of the building complex is about 10.8 thousand sq. m and the project investment exceeded EUR 20 million. It was decided to build a new office complex by filling in and redeveloping an undeveloped land plot next to our old office building on Jono Basanavičiaus street.

Architects’ office Archinova, in collaboration with architectural studio PLH Arkitekter A/S from Denmark, has come up with a project that harmoniously integrates into the environment of the Old Town and fulfils the street, complementing the historic former Pohulianka Block.

FOCUS ON EMPLOYEE COMFORT AND SUSTAINABILITY

The idea of the B10 complex was conceived before the pandemic in 2018 in order to reflect one of the Company’s core values – cooperation. The Company’s new building has been designed to meet the different needs of its employees.

Each of the 5 floors has 500 sq. m of workspace, surrounding the core of each floor – the common areas with lifts. We estimate that the building can accommodate around 200 people at a time. The new premises have been designed in line with the findings of employee surveys, focus groups and testing. We have focused on ergonomic workplaces: height-adjustable desks, ergonomic chairs, soundproof walls and ceilings, video screens with safety guards, and booths for individual interviews. To avoid monotony, alternative workspaces have been set up, such as armchairs with comfortable computer tables, leisure areas and showers, making it easier to get to work by bicycle.

Sustainability and the promotion of sustainable travel have also been a major focus in the construction of the new complex. The facades of the buildings use durable and natural materials, as well as convenient storage space for employees’ bicycles and scooters, and charging stations for electric vehi-



cles. The buildings are designed to provide an optimal microclimate with energy from renewable sources, and comply with thermal conductivity class A+.

The courtyard of the complex is open not only to employees but also to the public. The unique stepped courtyard design features a plant oasis with a modern underground capillary irrigation system to provide the necessary moisture.

DISCOVERED ARCHAEOLOGICAL FINDS

During the preparation for the construction of the complex, an archaeological site was discovered – the remains of buildings dating from the late 16th – early 17th century. It is a vestige of the Baroque period – an outbuilding with a well-preserved stone floor, which may have been used for living quarters above. The period of the structure suggests that it was built by the Dominican monks who owned the site at the time. This archaeological discovery from the Baroque period adds significantly to the knowledge of the Vilnius suburb behind the Trakai Gate and the Vilnius monastic holdings in this area.

This discovery can be seen every day not only by our employees, customers and guests, but also by all passers-by on Jono Basanavičiaus street. The Baroque architectural treasure is modernly housed in the lobby of the administrative building, which is also visible through the stained-glass windows from Jono Basanavičiaus street.



4.2. PROMOTION OF THE CIRCULAR ECONOMY

We are involved in green energy transition initiatives. We want all our key partners to be carbon neutral in their operations by 2040, and we expect all our customers and investments to have a zero carbon footprint by 2050.

Although we do not generate a lot of waste in our operations, in transport claims management we aim to work only with partners (vehicle service stations) that:

- properly dispose of end-of-life parts;
- collect the damaged parts for reuse on the secondary market;
- auction off vehicles that are beyond repair.

In Estonia, we have set a target to increase the number of car windscreens repaired to at least 11%. In 2023, we had 12.3% of such cars. We are trying to increase the repair of windscreen chips and cracks rather than replacing the entire windscreen. Customers have two options: they can choose to repair chips or cracks, in which case they do not have to pay a deduction, or they can choose to replace the whole glass, in which case they will be charged a deduction.

4.3. DEVELOPMENT OF INSURANCE PRODUCTS AND OFFERS TO PROMOTE SUSTAINABLE DEVELOPMENT

One of the Company's strategic goals is to encourage customers to choose sustainable, environmentally friendly solutions. We believe we can best do this through our insurance service, offering exceptional conditions to customers who protect nature.

In 2022, we have set a target to allocate 1% UW result to the development of green, sustainable insurance products, offers, segments or to support green technologies.

At the beginning of 2023, we have analysed in detail international and other sectoral experiences, existing solutions and developed insurance offers for customers who care about nature:

- Business Property Policy holders can insure a solar power plant at the same address for EUR 1;
- up to 50% discount on Casco for electric vehicles;
- 0 EUR deductible for the forces of nature for new customers who have a home with an energy efficiency class of A+ and A++ and/or a solar power plant.

We also offer discounts for customers with fire protection systems. If a worn-out building is reconstructed, reinforced and made more climate-resilient, the customer is offered better terms, i.e. to insure at replacement cost instead of residual value. Property insurance for residents also includes coverage for environmentally friendly solutions such as solar power plants and panels, as well as electric vehicle charging stations. The Casco cover includes towing the electric vehicle to the charging station.

In business property insurance, we cover wind turbines and solar power plants. For certain risks (e.g. snow pressure), we encourage our customers to maintain their property (e.g. regularly clear snow from the roof), and in case of non-maintenance, the risk is not covered. For customers with good risk management, we apply lower premiums/deductibles. We do not make offers to customers whose risk management is not acceptable. We also carry out inspections to assess potential threats and make recommendations on how to improve the protection of the property in case of fire, natural forces and other risks.

4.4. SUSTAINABLE INVESTMENTS

We only invest in assets and investment instruments of which the risks we can identify, monitor, assess, manage and control. The funds are invested subject to limits set by the Company (quality, diversification, liquidity) as well as Risk Appetite Limits (risk capital requirements, total solvency ratio).

We aim to invest in companies or collective investment undertakings that promote the application of ESG criteria and standards in their practices, but are not limited to such investments. The sustainable investment process is based on negative screening, limiting investments to sectors or companies involved in undesirable activities, in order to avoid investing in undesirable activities or companies with a particularly bad reputation. This is done by monitoring the media and other outlets that are designed to expose ESG issues, scandals, risks and reputations.

We aim not to invest in company shares or bonds if the company generates income from:





- production or sale of tobacco products (except for retailers specialising in non-tobacco products and alcohol);
- production or sale of distilled alcohol (except for retailers specialising in non-tobacco products and alcohol);
- manufacture or sale of arms and ammunition;
- organisation of gambling;
- pornography.

ESG risk and opportunity analysis is not the only tool for making investment decisions. Investment decisions are also based on an analysis of the issuers of financial instruments and the factors in their environment that affect the value of financial instruments, including sustainability risk. In the investment process, we take such risks into account as we do other risks such as financial, regulatory and legal, as well as at the level of managing the diversification of the entire portfolio of financial instruments.

We have set ourselves the target of increasing our investment in the fight against climate change and the transition to clean energy to 5% of our portfolio by 2024. In 2023, we invested 6.3% of our portfolio in green securities.

5. GOVERNANCE



Target	Result of 2023	Link to the SDGs
LITHUANIA		
30% of key suppliers sustainable according to the green (ESG) assessment in 2024	75%	  
ESTONIA		
Maintain gender parity, with women in leadership positions between 45% and 55%.	59%	

KEY ACHIEVEMENTS:

- We have developed a **Sustainability Policy** for the Company
- We have included sustainability criteria in the **selection of suppliers**
- We have updated our **Human Rights and Environmental Protection Policies**

5.1. RESPONSIBILITY IN THE SUPPLY CHAIN

We ask all our suppliers to confirm that they comply with the provisions of the Code of Corporate Social Responsibility for suppliers of the PZU Group of companies, which requires suppliers to ensure that they comply with the mandatory requirements of the legislation on occupational safety, the prohibition of forced or compulsory labour; the prohibition of child labour; and the fundamental rights of employees (including the prohibition on collective bargaining). [The Code](#) is publicly available on our website. In 2023, we assessed the risks that may arise in the supply chain, but did not identify any significant risks.

In Lithuania, we have integrated a sustainability survey into the selection of suppliers in 2023 and are asking suppliers to fill in a questionnaire we have developed to assess their sustainability level. We ask service suppliers with a contract of more than one year and a purchase amount of more than EUR 100,000 to complete such questionnaires. We have set a target ensuring that the number of such suppliers in 2024 would be 70% while in 2023 we had 75%. In 2024, we plan to start assessing suppliers' compliance with the ESG criteria in the Estonian branch. We use green procurement criteria to ensure that the goods, services and works we buy have the lowest possible environmental impact. It becomes a lever that encourages the business environment and our partners to apply ever higher sustainability standards in their operations.

5.2. CYBER AND DATA SECURITY

PROTECTION OF PERSONAL DATA

As part of the implementation of the General Data Protection Regulation (GDPR), we continuously maintain a high level of data protection, as evidenced by the internal audit carried out in 2022 and the State Data Protection Inspectorate's preventive inspection in 2023 regarding the processing of personal data in the context of the provision of compulsory insurance, which showed that the processing of data in the Company complies with the provisions of the legal regulation.

To ensure a high level of protection of personal data, we regularly review and update our internal procedures governing the processing of personal data and the investigation of personal data breaches, and employees are made aware of these documents and any amendments thereto. Every year, all employees improve their knowledge of personal data protection by attending training courses and taking a knowledge test. Our compliance experts and Data Protection Officer oversee compliance with the

Personal Data Legal Protection Policy and the legal requirements governing the processing of personal data, as well as advise employees on personal data protection compliance issues.

In order to ensure the protection of personal data and all insurance-related information, we have continued to develop the self-service website and introduced additional features aimed at enabling customers to provide information in the most secure and convenient way. In 2023, in Lithuania we abolished the possibility for insurance advisers to send private customers documents attached to a letter to prevent human error and leaks of customer data. Customers with an authenticated login can securely view their documents in the self-service portal savasLD.lt. We have also made changes to the online calculators, so that to calculate the cost of insurance and get an insurance quote, the customer has to identify himself/herself and log into the self-service system. This way, we can always identify the person who sought the offer of insurance, even if the intention is to insure another person or property owned by another person.



GRI 407-1

GRI 408-1

GRI 409-1

GRI 414-1

GRI 308-1

CYBER SECURITY

The Company's operations depend on the proper functioning of its systems. We are committed to ensuring the security of our employees' and customers' data, which is why we pay close attention to cybersecurity:

- We use artificial intelligence tools to help us fight back against cyber-attacks.
- We continuously train our employees and ensure their resilience to cyber-attacks, with a particular focus on the social engineering attack group.
- We apply the cybersecurity criteria set by the Bank of Lithuania to ourselves and our suppliers.
- We conduct ongoing risk assessment and management, regularly assess potential cybersecurity risks and develop risk mitigation plans.
- We scan our networks and systems daily for vulnerabilities and fix them immediately. We work with top foreign companies to carry out regular Pen-tests.
- We continuously train our developers in secure system design and programming, ensuring that cybersecurity is an integral part of system quality.
- We regularly carry out cyber security audits with major multinational companies.
- We collect and analyse cybersecurity data and strive to make decisions based on data rather than beliefs. An interesting fact is that cybersecurity databases are by far the largest of all databases company-wide.
- We are continuously improving our operations to keep up with the world's best cybersecurity practices.

GRI 2-25

GRI 205-1

GRI 205-2

GRI 205-3

GRI 2-27

GRI 206-1

5.3. RESPONSIBLE MANAGEMENT

PREVENTION OF CORRUPTION AND BRIBERY

We have a strict Anti-Corruption and Anti-Bribery Policy that applies to all employees and all their activities. Our employees must not give, offer or accept any bribes or "facilitation payments", inappropriate gifts or gratuities. This obligation applies both to relations with public officials and with natural persons or legal entities.

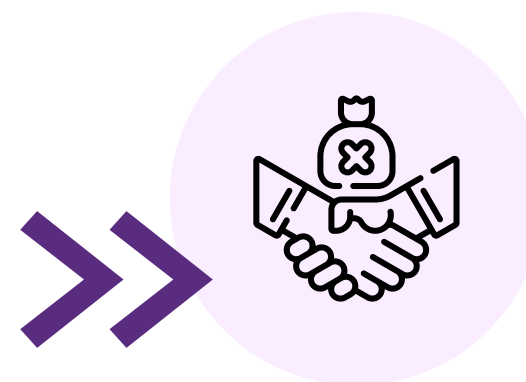
We also require our partners, contractors, suppliers, consultants and other persons associated with the Company to adhere to a strict Anti-Corruption and Anti-Bribery Policy, and they are made aware of the [Anti-Corruption Programme](#) published on the Company's website and undertake to adhere to it. The Company has also published on its intranet website a list of rules and tips on how and when employees can give and receive gifts or other favours in compliance with anti-corruption legislation.

All employees of the Company must receive relevant training on how to implement the provisions of the Anti-Corruption Policy.

The Company's team members must immediately inform the law enforcement officials or their own management regarding any attempts of bribing. We are committed to combating bribery and corruption in accordance with the legislation in force in Lithuania, ethical standards and in accordance with the best practices set out in the Company's Anti-Corruption Programme.

Our community itself also contributes to the fight against corruption by adhering to the Company's rules on donations, which do not allow donations to political parties, military organisations, organisations representing any one religion, or individuals seeking individual support.

In 2023, we had no legal cases or fines against us for competition infringements or non-compliance with legislation.



GRI CONTENT INDEX

Statement of use

Lietuvos draudimas AB has reported the information cited in this GRI content index for the period from 1 January to 31 December 2023 with reference to the GRI Standards.

GRI 1 used

GRI 1: Foundation 2021

GRI Standard	Disclosure	Page
GRI 2: GENERAL INFORMATION 2021		
The organization and its reporting practices		
GRI 2-1	Organizational details	6
GRI 2-2	Entities included in the organization's sustainability reporting	4
GRI 2-3	Reporting period, frequency and contact point	4
GRI 2-4	Restatements of information	4
GRI 2-5	External assurance	4
Activities and workers		
GRI 2-6	Activities, value chain and other business relationships	5-6
GRI 2-7	Employees	18
Governance		
GRI 2-9	Governance structure and composition	Disclosed in the Solvency and Financial Position Report
GRI 2-10	Nomination and selection of the highest governance body	
GRI 2-11	Chair of the highest governance body	
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	11
GRI 2-13	Delegation of responsibility for managing impacts	11
GRI 2-14	Role of the highest governance body in sustainability reporting	4
GRI 2-16	Communication of critical concerns	11
GRI 2-17	Collective knowledge of the highest governance body	11
GRI 2-18	Evaluation of the performance of the highest governance body	Disclosed in the Solvency and Financial Position Report
GRI 2-19	Remuneration policies	
GRI 2-20	Process to determine remuneration	22

Strategy, policies and practices		
GRI 2-22	Statement on sustainable development strategy	9-10
GRI 2-23	Policy commitments	9-10
GRI 2-24	Embedding policy commitments	9-10
GRI 2-25	Processes to remediate negative impacts	11;35
GRI 2-26	Mechanisms for seeking advice and raising concerns	11
GRI 2-27	Compliance with laws and regulations	35
GRI 2-28	Membership associations	6
Stakeholder engagement		
GRI 2-29	Approach to stakeholder engagement	12
GRI 2-30	Collective bargaining agreements	19
GRI 3: MATERIAL TOPICS 2021		
GRI 3-1	Process to determine material topics	14
GRI 3-2	List of material topics	14
GRI 3-3	Management of material topics	13
SOCIAL RESPONSIBILITY		
GRI 401: EMPLOYMENT 2016		
401-1	New employee hires and employee turnover	19
GRI 402: LABOR/MANAGEMENT RELATIONS 2016		
402-1	Minimum notice periods regarding operational changes	19
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018		
403-6	Promotion of worker health	19
GRI 404: TRAINING AND EDUCATION 2016		
404-1	Average hours of training per year per employee	21
404-2	Programs for upgrading employee skills and transition assistance programs	21
404-3	Percentage of employees receiving regular performance and career development reviews	22
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016		
405-1	Diversity of governance bodies and employees	25
GRI 406: NON-DISCRIMINATION 2016		
406-1	Incidents of discrimination and corrective actions taken	24
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	34

GRI 408: CHILD LABOUR 2016		
408-1	Operations and suppliers at significant risk for incidents of child labor	34
GRI 409: FORCED OR COMPULSORY LABOR 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	34
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016		
414-1	New suppliers that were screened using social criteria	34
GOVERNANCE		
GRI 201: ECONOMIC PERFORMANCE 2016		
201-1	Direct economic value generated and distributed	8
GRI 205: ANTI-CORRUPTION 2016		
205-1	Operations assessed for risks related to corruption	35
205-2	Communication and training on anti-corruption policies and procedures	35
205-3	Confirmed incidents of corruption and actions taken	35
GRI 206: ANTI-COMPETITIVE BEHAVIOUR		
206-1	Legal actions for anti-competitive behaviour; antitrust and monopoly practices	35
ENVIRONMENTAL PROTECTION		
GRI 302: ENERGY 2016		
302-1	Energy consumption in the organisation	29
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016		
308-1	New suppliers that were screened using environmental criteria	34