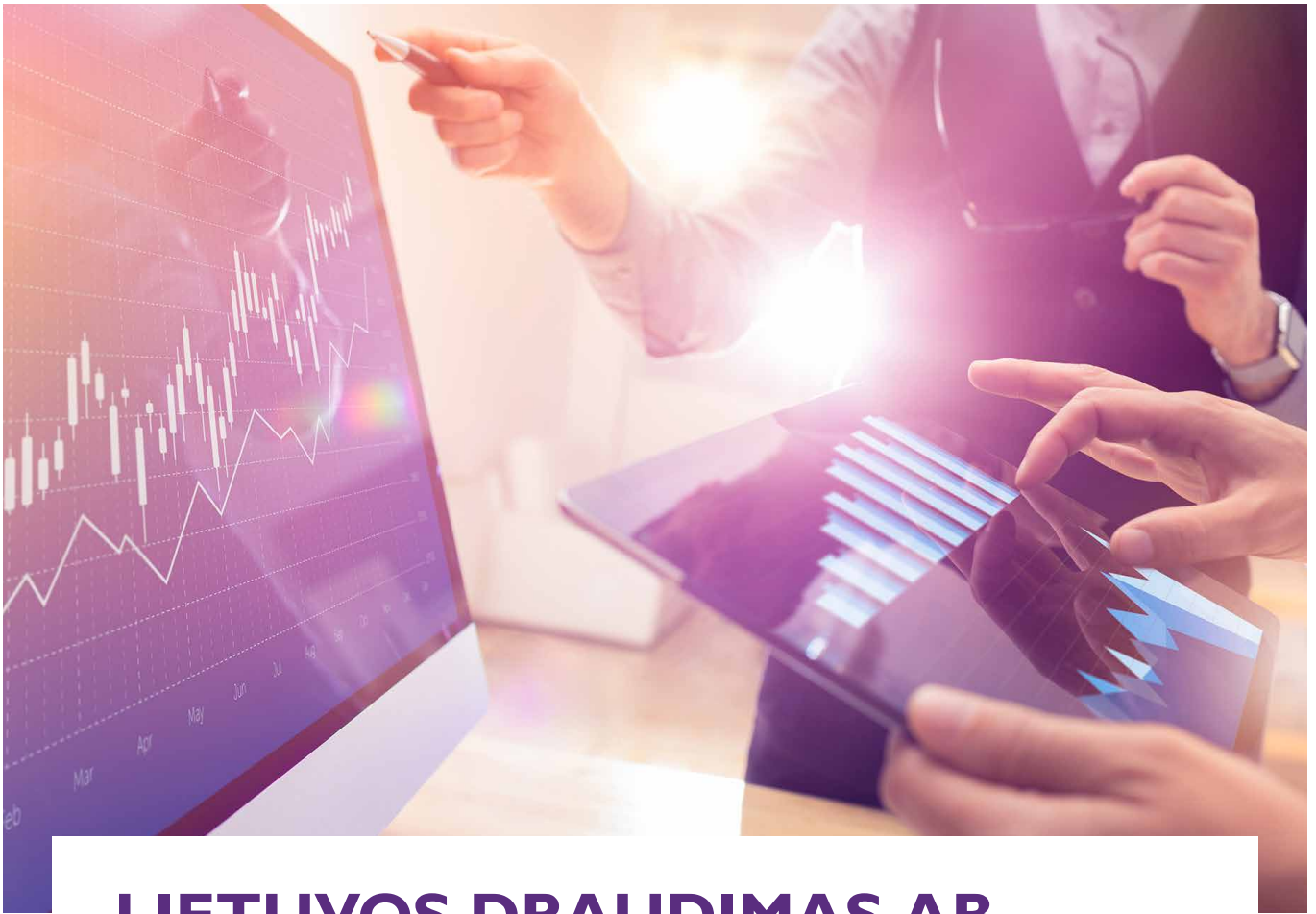


# 2020 ANNUAL MANAGEMENT REPORT





# LIETUVOS DRAUDIMAS AB

# ANNUAL MANAGEMENT REPORT

## for the year ended 31 December 2020

### OVERVIEW OF THE MARKET

The declaration of pandemic and impositions of restrictions on some activities or areas have had a negative impact on the non-life insurance market. In comparison with 2019, the Lithuanian non-life insurance market growth slightly decreased in 2020. According to the Bank of Lithuania, the non-life insurance market of the country, including the branches of foreign insurance companies doing business in Lithuania, reached EUR 664 million in insurance premiums written for 2020, which is 1.6% less than in 2019.

6.8 million contracts were concluded in 2020 in the Lithuanian non-life insurance market, which is 8.2% less than in 2019. There were 4.9 million valid non-life insurance contracts at the end of 2020, which is 2% more than in 2019. The largest part of those insurance contracts accounted for compulsory motor third party liability insurance policies (MTPL), comprising 45% of all the contracts, which is slightly more than in 2019.

According to written premiums, the MTPL remained the largest non-life insurance type, generating EUR 237 million in premiums in 2020, which is 36% of all non-life insurance market premiums. In the business insurance segment, the MTPL decrease was somewhat greater, falling by 8.6%, while in the resident insurance segment, this insurance type fall was somewhat slower, with the premiums decrease of 8.3% in 2020.

The second largest insurance type by the premiums written was the terrain vehicle Casco insurance. The Casco insurance premiums written in 2020 accounted for the same number (23%) of all the non-life insurance market premiums as in 2019, although the share of contracts is significantly more moderate, comprising 6%. In the resident insurance segment, the terrain vehicle insurance growth in 2020 remained positive, exceeding 7%, while the growth of the Casco insurance premiums written in the business segment decreased by nearly 7%.

The third largest insurance type is property insurance, accounting for 16% of all insurance premiums. Property insurance was not negatively affected by the pandemic as the motor insurance, maintaining a moderate growth in 2020 and growing at a stable pace, with premiums increase of 8%.

According to the insurance premiums written, these three types of insurance – MTPL, Casco and property insurance – comprised nearly 77% of the entire non-life insurance market in Lithuania.

In 2020, the premiums written by Lietuvos draudimas AB in the non-life insurance products decreased more than the market both in Lithuania and Estonia. Nonetheless, the Company maintains its leading position in Lithuania, with its position secured among the top four largest non-life insurance companies in Estonia.

### LITHUANIAN MARKET

In 2020, the contracts concluded by Lietuvos draudimas AB amounted to 2 million, which is nearly 10% less than in 2019, insurance premiums written decreased by 3.4%. In 2020, the total premiums written by the Company in the Lithuanian market amounted to EUR 197 million. According to the country's market share held, Lietuvos draudimas AB remains a strong market leader, holding 29.6% of the entire market at the end of 2020.

The resident insurance market premiums amounted to EUR 308 million in 2020. In the resident insurance segment, the premiums decreased by 1.4% as compared to 2019, with Lietuvos draudimas AB decline comprising correspondingly 3.1%. The decline in the Company's corporate customer segment was slightly greater than in the residential segment. The amount of business insurance premiums written by Lietuvos draudimas AB decreased by 4% in 2020, while the market declined at the rate of 1.8%.

In 2020, the market growth was largely determined by the health insurance, the premium amount of which increased by more than 14% in comparison with 2019. The health insurance market share held by Lietuvos draudimas AB had the largest increase among all the insurers offering this service – from 11.8 to 15.2%.

### ESTONIAN MARKET

The number of non-life insurance premiums written by the Lietuvos draudimas AB Estonian branch in 2020 was 10% lower than in 2019 – amounting to a total of EUR 56 million. According to the data of the Estonian Department of Statistics, Lietuvos draudimas AB branch negative growth in 2020 was somewhat higher than the market, with its market share in Estonia amounting to 14.7%. Lietuvos draudimas AB Estonian branch ended fourth according to the premiums in the Estonia non-life insurance market.

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## FINANCIAL RESULTS OF THE COMPANY

Non-life insurance premiums written in 2020 by Lietuvos draudimas AB together with its Estonian branch amounted to EUR 253 million and, compared to the EUR 267 million of premiums written in 2019, dropped by 5.2%.

Lietuvos draudimas AB demonstrated profitable performance in both its markets. The net profit of Lietuvos draudimas AB in 2020, including the result of the Estonian branch, amounting to EUR 25.7, compared to EUR 21.5 million in 2019. The Company's operations were profitable in both the non-life insurance activities and investment portfolio management in 2020.

The Company earned EUR 27.6 million from direct non-life insurance activities in 2020 (EUR 21.4 million in 2019). The successful result in the non-life insurance segment and stable profits were determined by the lower incurred claims, improving results of some business segments and decreasing operating expense. Continuous fixed cost control in the Company and focus on operating efficiency prevented the increase of the expense indicators despite the decline in premiums written, resulting in the improvement of the Company's profitability.



The Company continued its conservative investment policy in 2020, concentrating its investments in the European government debt securities. The profits from investment activities of Lietuvos draudimas AB together with the Estonian branch comprised EUR 2.7 million, as compared to EUR 3.9 million in profits from investment activities in 2019.

The sum of claims settled with the Company's customers decreased by 5.7 % comparing to previous year. In 2020, the Company together with the Estonian branch settled non-life insurance claims for the amount of EUR 130.3 million (EUR 138.1 million in 2019).

Corporate income tax expense of Lietuvos draudimas AB increased by 13% in 2020 and amounted to EUR 3.5 million (EUR 3.1 million in 2019).

## SHAREHOLDERS AND STRUCTURE

Lietuvos draudimas AB belongs to the Polish, Central and Eastern Europe insurance group Powszechny Zakład Ubezpieczeń Spółka Akcyjna (PZU SA), which held 100% of Lietuvos draudimas AB shares

In 2020, the Company acquired, disposed and, as at 31 December 2020, held no own shares. In 2019 and as at

31 December 2020, Lietuvos draudimas AB did not have subsidiaries.

The Company has a branch in Estonia, which operates under a registered name of Lietuvos Draudimas AB Eesti filiaal. Company code 12831829, head office address Parnu mt. 141, Tallinn, Estonia.



## COMPANY'S STRATEGY

In 2020, Lietuvos draudimas presented a new strategy Restart, according to which it will operate in 2020-2022. The strategy is focused on successful growth in order to maintain the position of the market leader and stable financial results: consistent profitability, ambitious combined insurance indicator and efficient cost management.

## THE COMPANY'S CUSTOMERS AND THEIR EXPERIENCE

At the end of 2020, Lietuvos draudimas AB had 588,155 unique customers, of which, 558,712 are natural and 29,443 are legal customers. In 2019, the Company had 586,204 customers.

Seeking improvement of the services and contact points with the customers, since 2010, Lietuvos draudimas AB has been using the Net Promoter Score system. This system helps to listen to customers and consider their opinion. At the end of 2020, the Net Promoter Score indicator

amounted to 74.4% (72.9% in 2019). In addition, in 2020, the Company significantly improved the NPS indicator for claims administration, which amounted to 70% (58.5% in 2019).

During 2020, the number of private customers grew the fastest in the residential property product, while it decreased only in the compulsory insurance product. In the segment of legal customers, the highest growth was recorded in commercial transport (CASCO).

## "IT MAKES A DIFFERENCE WHERE TO ACQUIRE INSURANCE" – A VALUE STRATEGY FOR PRIVATE CUSTOMERS

Lietuvos draudimas AB continued the value strategy for private clients prepared in 2015, thus further improving and expanding the range of products with added value for clients.

### COMPULSORY CONSUMER INSURANCE

Added value was created by the new generation compulsory insurance against civil liability in respect of the use

of motor vehicles (MTPL) for clients. In 2020, Lietuvos draudimas introduced an even wider range of technical assistance coverage to MTPL customers. This exclusive service comprises a package of 10 value options in the market.

The technical roadside assistance insurance, provided with the compulsory insurance, is valid whenever the driver fails to start the car, in case he or she runs out of fuel, whenever a vehicle needs transportation to a repair shop or a parking

lot after a road accident, whenever a driver locks his or her keys inside the car, is trapped in the snow or mud, or in case the driver just needs a consultation over a phone. The assistance service is provided on a 24/7 basis, covering the entire territory of Lithuania. The time between the call for assistance and response is up to an hour within city limits. In the spring of 2020, this service was supplemented by the following values: vehicle transportation in the event of mix of fuels and in case of a health problem of the driver; as well as a taxi service from the place of event.

The technical roadside assistance provided by Lietuvos draudimas AB to its customers was requested nearly 17,000 times in 2020. Technical assistance services were used by both Company's Casco customers and all of the Company's mandatory civil liability insurance clients. The most popular service remains the transportation of vehicles.

### **CASCO INSURANCE**

In 2020, the company introduced to the market an updated CASCO product. The unique feature of this product is even better conditions for a replacement vehicle in Lithuania and the expanded values of technical assistance: the product terms and conditions have been updated, pricing has been improved, and a more flexible choice of insurance options has been included.

### **HOME INSURANCE**

Like every year, in 2020, the existing terms and conditions of the insurance applicable to clients were supplemented with the values allowing to maintain relevance of the coverage, meet their needs and allow the clients to feel the Company's care.

In 2020, two value options were presented to new customers: "Home" and "Home Plus", in which we increased the amounts of third-party liability, added personal third-party free of charge and offered an extended insurance coverage. In order to encourage non-insured residents to take out home insurance, the Company organised a communication campaign "Extended home insurance" and offered a 15-month housing coverage for a 12-month price.

### **PERSONAL INSURANCE**

Lietuvos draudimas started the year 2020 with a campaign for customers "Two insurances as gifts" and paid great attention to personal insurance sales in the family segment. All new clients with family personal insurance were given two additional insurances free of charge: personal third-party liability and medical expenses.

In response to the pandemic, in 2020, the company offered private customers the opportunity to acquire a Personal Insurance product with a current COVID-19 risk.

### **PERSONAL THIRD-PARTY LIABILITY INSURANCE**

In the summer of 2020, Lietuvos draudimas introduced a new product – personal third-party liability insurance. Until this year, customers could purchase similar insurance cover next to another insurance, i.e., when buying a home insurance, they could also choose the PTPL coverage, which, however, was not as extensive as the new product. In 2020, customers were offered a separate product with higher sums insured and expanded coverage territory, which can be purchased as protection against financial losses when damage is caused to third parties.

The most common situations: careless behaviour of children resulting in damage of property, damage caused by animals, and accidents involving non-motorised vehicles (bicycles, scooters, segway).

### **SCHOOL PUPILS' INSURANCE PROGRAMME**

During the pandemic, the majority of pupils studied remotely. In order to contribute to education in the country, the company has modified its Primary School Pupils Insurance programme, it has been offering since 2018. In 2020, the programme was extended to the School Pupils Insurance programme, which:

- Received over 20,000 registrations and nearly 18,000 children have been covered under the School Pupils Insurance (for the amount of EUR 5,000) against traffic accidents.
- More e-learning environments have been donated.
- Additional attention was granted to teachers – for the registration of a class, each teacher was given the Personal Third-Party Liability Insurance for a year as a gift.

By means of this programme, the Company aims to reduce the expenses of parents at the start of the school year, enhance the feeling of security in the family and provide modern learning aids to children. The programme is implemented in cooperation with the partner E-mokykla (E-school).



## CUSTOMER SERVICE

The global pandemic that began in 2020 stimulated an even more efficient development of remote customer service systems, while it was important to make service at the points of sale as safe as possible.

The Company manages the largest sales network and has customer service departments in different Lithuanian cities. In 2020, safe customer service points were installed in all Lietuvos draudimas branches: table partitions and disinfectants. The sales network staff were provided with face masks, shields, gloves, and were trained to properly disinfect the customer service area. All COVID-19 safety requirements specified in the laws of the Republic of Lithuania have been implemented in the company's offices and customer service points: maintaining a required distance, flow regulation and ventilation of premises.

### SELF-SERVICE WEBSITE DEVELOPMENT

In 2020, the Company focused even more attention on customer service in electronic space. To contribute to containing the pandemic, the company informed its customers and encouraged them to opt for distance service. On the website of Lietuvos draudimas, the customers can purchase the necessary products, view all available contracts, and conveniently pay their invoices.

A number of improvements have been implemented to the self-service this year:

- An option is now available to customers to pay for services in a more flexible way in instalments by an

automatic debit, using the services of 3 large banks.

- The project of the new claims administration system "My Claims" has been completed. In the self-service Savas LD, this system provides Lietuvos draudimas customers with the opportunity to conveniently and securely provide information about an event or register a claim, while the claims administration staff can serve customers quickly and efficiently. This space now also features an innovative calculator (Auda Smart) that automatically calculates the insurance benefit, which customers can see on their phones. If everything is acceptable, the customer will receive the payment in a bank account within two or three days. "My Claims" is an innovative and effective solution that provides the opportunity to create an even better customer experience.

In 2020, the Company registered an overall growth of self-service Savas LD logins – the customers have successfully logged in to self-service more than 922,000 times (251,000 times in 2019).

### COLLABORATION WITH AGGREGATORS

Taking into account the needs and security of customers when purchasing services remotely, in 2020, Lietuvos draudimas AB started cooperation with aggregators. Starting in April, the Company's customers were able to receive the Compulsory Insurance (MTPL) offers on edrauda.lt and draudimas.lt online platforms, and from November, also at Perlas terminals.

## CORPORATE CUSTOMER PRODUCTS

The most significant aspect of Lietuvos draudimas business strategy in 2020 was to help the country's businesses overcome the challenges caused by the pandemic. In April 2020, in response to the situation, Lietuvos draudimas introduced insurance for business against the COVID-19 virus. It was developed together with the country's largest insurance broker company Aon Baltic and invited businesses to insure their employees. As the second wave of coronavirus approaches, the company has adapted the proposed coverage, extending it to allow each resident to be covered with Personal Insurance that includes COVID-19 risk, while legal clients can conclude Employee Insurance contracts that include this risk; those with Health Insurance coverage can be reimbursed for COVID-19-related tests or services.

The companies unable to provide their employees with remote work opportunities were the ones to acquire this insurance. During the entire year, the offer of Lietuvos draudimas AB was used by more than 300 Lithuanian companies, which insured over 50,000 of country's employ-

ees. At the end of 2020, the company estimated that it had already paid more than EUR 44 thousand to the employees to insured by these companies.

As health coverage becomes more relevant, in 2020, Lietuvos draudimas AB continued expanding the number of insured persons and increased its market share in health insurance products by offering a complex of additional actions, which allowed to expand the penetration of this segment and stimulated companies, which previously did



not have this insurance, to acquire this product. According to the 2020 data, the health insurance market share held by Lietuvos draudimas AB had the largest increase among all the insurers offering this service – from 11.8% to 15.2%.

Contributing to emotional stability and health, the Company organised online lectures on health topics for its Health Insurance customers.

Assessing the situation in the country and the importance of remote services, the Company also included the payment for remote medical consultations in the package of expenses covered by the Health Insurance, and started cooperation with Mano Daktaras (My Doctor), where it created very convenient conditions for its Health Insurance clients to register with a specialist by using this electronic system or get an online consultation.

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## INNOVATIONS

The ambition of Lietuvos draudimas AB is to implement innovations in the insurance market, thus streamlining the activities of the company's employees and improving customer experience.

### INNOVATIVE SALES SYSTEM

In 2020, the company completed an important stage of the new sales system – all products for private customers were installed and launched in a faster and more efficient sales system goLD developed by the company. goLD is an innovative, informative and intuitive sales system developed inside the Company. In the long run, this system will replace the existing sales systems used and allow to create a modern, even simpler and more convenient insurance product sales process.

The functions of the system make the daily work of Lietuvos draudimas AB consultants, intermediaries, brokers and service partners simpler, faster and more efficient. The system allows you to create an offer for a customer in just a few steps, i.e., by entering the basic information about the client, an offer is generated with the help of several clicks, and the submitted offer can be converted into an insurance contract by a single click. The new sales management system clearly provides the seller with all relevant information about the customer: insurance, ending contracts, upcoming payments, etc. This step allows the Company's sales team and brokers cooperating with Lietuvos draudimas AB to execute sales faster and more efficiently, and provide the customer with a more innovative insurance service purchasing experience.

### HACKATHON

The company involves its employees in the development of innovations. This year, for the first time in the company history, a remote data analytics hackathon (datathon) aimed at assessing the risk of a pandemic was held at the company. For a period of 24 hours, employees focused on a specific area of business – claims fraud investigation. Two prototypes of tools based on artificial intelligence have been developed, and their application will make a significant contribution to a faster and simpler fraud detection in the future.



Hackathon is a 24-hours-long event of a specific format that takes place without any breaks and brings together teams that create early-stage products. The teams include the Company's programmers and representatives of other business areas; the prototype ideas created by the team are presented after 24 hours of work.

### WORKING WITH AGILE

The Information Technologies and Operation Department of Lietuvos draudimas AB has been operating according to the Agile methodology and applying SCRUM practice for several years. This world-popular method helps to be more flexible and react faster to the ever-changing situations. The aim of the SCRUM is to increase operating capacity and reduce time consumption in order to adapt to the rapidly changing environment, be closer to business. The SCRUM practice reduces the risk of large changes by splitting them into smaller parts called experiments. Furthermore, the SCRUM practice allows the Company to see the results of implementing a change or an innovation in a shorter period of time, in order to feel the benefit or to change solutions faster.

### ACTIVITIES OF THE ESTONIAN BRANCH

The Estonian branch has focused its attention on developing self-service platform. In March a self-service portal to customers was opened. People can see and update their contact details, review and download insurance policies, see invoices and pay these and also order and download green card. The self-service platform development continues also in 2021, which will allow the Estonian branch to be even more modern and transparent, and be a unique service provider.

## CLAIM INDEMNIFICATION IN LITHUANIA

During the year 2020, the number of cases of claims registered in Lithuania increased by 9.37% compared to 2019 and reached a total of 215.6 thousand claims. The largest part of claims handled by the Company in Lithuania in 2020 were health claims – 47.0% and transport claims – 28.6%.

In 2020, 73% of all claims were settled by the Company within a month, 27.8% – within 5 days, and 7.7% of claims – on the day of reporting. The pandemic brought a new approach to claim inspections. The Company administered more claims from photos of damaged property, vehicles and insured items provided by customers.

In addition to the losses due to the pandemic, in 2020, the country was devastated by several major storms. During the year 2020, the Company's clients were compensated with EUR 4.23 million for claims caused by storms and other natural disasters. During 12-14 March 2020, the storms sweeping across the country caused damages amounting to EUR 1.6 million. Vilnius and Kaunas are the cities that suffered the most damages.

In 2020, the settlement and indemnification of the largest claim (EUR 0.140 million euros) to a legal person due to the theft that occurred in 2016, during which the devices stored in the customer's warehouse – transformers – have been stolen.

The largest damages incurred in 2020 have been indemnified to a private client – EUR 0.180 million for a burnt down residential house – the second storey and roof have burnt down completely, and the first storey was heavily flooded with water.

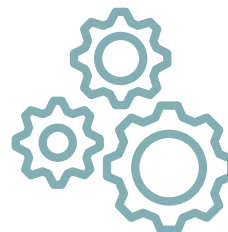
The largest damage that was incurred and settled in 2020 was with a legal client – EUR 0.146 million for driving into an automatic vehicle identification device.

Compared to 2019, the Company identified 7.8% less fraudulent cases (769 in 2020), while their value (amounts unpaid) reaching EUR 1.492 million, or 15.1% less than in 2019. The most frequent types of fraud according to the identified number of fraud cases: increased value of damages – 29%, falsification of circumstances of the event – 26%, attempting to receive indemnification by purchasing insurance after the event – 13%. Even though according to the statistics, falsification of circumstances amounts to only 26%, these cases are of a higher value as the falsification of circumstances comprises 35% of value of all identified fraudulent actions in 2020 (comprising 30% in 2019). The largest revealed fraud of 2019, when the event circumstances were attempted to be tampered with, amounted to EUR 73.8 thousand.

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## CLAIM INDEMNIFICATION IN ESTONIA

Lietuvos draudimas AB Estonian branch registered 27,118 claims in 2020, which is 17% less than in 2019, which is due to imposed moving restrictions during the virus impacting positively motor claims frequency. The largest share of claims in the Estonian branch were transport claims, comprising 67.5% of all the claims, private property claims – 17.8% and travel insurance claims – 8.1%.



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## HUMAN RESOURCES

Year 2020 was a year of great changes in the organisation of work. For the reasons of the safety of its employees, Lietuvos draudimas AB has relocated all its activities to remote operation – after the start of quarantine in the spring, 97% of the company's employees worked remotely. Due to the country's security requirements, some employees (mainly at points of sale) returned to the office during the year, while complying with security requirements and regulating customer flows. Most employees continued working remotely throughout the year.

Despite the difficult conditions in the country's labour market, Lietuvos draudimas managed to maintain stable indicators. The total turnover of the Company's employees

usually ranges between 15% and 11%. In 2020, the turnover rate was 13.5%. Comparing the Company's turnover indicator with the market data, it has been observed that the turnover in the Lithuanian labour market in 2020 was higher and amounted to 22%, in the insurance sector – 19%.

In 2020, Lietuvos draudimas AB together with the Estonian branch employed 1,266 specialists (including all approved positions). Compared to the previous year, the total number of employees in 2019 was 1,300 (1,342 in 2018). The average aggregate working time of Lietuvos draudimas AB employees is 10 years, average age – 42 years. This indicator is stable and has not changed for the past 6 years.



## EMPLOYEE INVOLVEMENT

The involvement survey of Lietuvos draudimas AB is used as a tool allowing to objectively measure the Company's success in creating a culture of trust and involvement, assess the strategic coherence, motivation and relations, as well as implementation of objectives. Lietuvos draudimas AB does its best for the employees to be proud of working at the Company, to recommend it to their friends and acquaintances, and to become true ambassadors of the Company. In such a way, by creating the conditions for the Company's employees to become its ambassadors, the employer earns a competitive advantage in the fight for the best employees available on the labour market.

Lietuvos draudimas AB monitors and analyses the involvement of its employees since 2000 and initiates actions that promote employee involvement. In 2020, the survey was conducted taking into account the changed situation of work organisation, remote work, and employer behaviour during the pandemic. The survey was conducted by the company Kantar TNS, which compared the results with the survey data of the Lithuanian population. 90% of the Company employees took part in the survey, the involvement of which was measured by Kantar TNS on the basis of the following basic criteria:

- General satisfaction
- Recommendation
- Re-employment

- Motivation of colleagues
- Company activity and success

The survey demonstrated that the involvement index of Lietuvos draudimas employees is 69, which is 28 points higher than the Lithuanian average. In addition, based on this survey, the Company assessed the possibility of continuing the mixed work model in the future, i.e., maintaining a balance between remote and office work. The vast majority (75% of the Company's employees) stated that they would choose to work 3 or more days remotely: 3 days – 33%, 4 days – 17%, all 5 days – 25%. 4% of employees would like to work from home one day a week.

The survey assessed both the success of decision-making and effectiveness, comparing the work before and during the pandemic.

- We rated decision-making and work organisation with very high score of 9.2 (out of 10) points, and it did not change when comparing assessments before and during the pandemic.
- We also rated effectiveness of personal performance, own team performance and performance of other teams with a high score of 8.8, 9.0 and 8.8 points respectively. During the pandemic, these assessments varied only slightly (-0.2 p.p.).



## INTERNAL CAREER

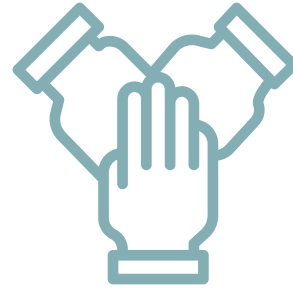
Lietuvos draudimas AB pays a lot of attention to the internal career of its employees and promotes growth of its employees inside of the Company. In 2020, 59% of vacancies were filled by internal candidates (in 2019 – 56%). In 2020, 74 employees made internal vertical or horizontal careers (in 2019 – 75). 7 people became managers from specialists (3 in 2019), and 4 managers became managers in the next level/in another field (4 in 2019).

In 2020, a new works council of 11 members was elected and started its activities at Lietuvos draudimas AB; one of the members was delegated to the employees' labour union of Lietuvos draudimas AB. 2 employees of the Company are delegated members of the Labour Disputes Commission under the State Labour Inspectorate, representing both the employer's and trade union's interests.

The company is a member of the Human Resource Management Professionals Association (PVPA) participating actively in the activities and events of this organisation. One of the Company's employees is a lecturer of the HR Standard Programme organised by the PVPA.

## HR ACTIVITIES IN THE ESTONIAN BRANCH

In 2019, the Estonian branch participated in a long-term programme organised by the Ministry of Social Affairs of Estonia “Family friendly employer”. This programme is designed to support the balance between work and leisure. In 2020 Estonian branch was awarded with silver label. Also, the tradition to announce and award the best employee of the year was continued.



## ADDITIONAL BENEFITS

In 2020, when the issue of health care became even more relevant than usual, upon an adequate evaluation and completion of a trial period, Lietuvos draudimas AB insured all employees with the Health Insurance. The Company also continued the added benefit of health days, i.e., a leave for improvement of health in the case of mild and short-term health problems. Such health days are provided to all employees, up to 4 days per year in cases where the employee does not seek help at a health care institution and recovers at home.

In order to improve the work and rest balance, in 2018, the Company introduced and continues the added benefit of an additional leave: employees employed for more than two years who produce good and efficient results are granted 5 additional calendar days per calendar year. The employees can use these days as they see fit, for example, to extend their leave by a week or take separate days off and work five weeks of four working days.

## ACHIEVEMENTS AND AWARDS

In 2020, Lietuvos draudimas was awarded the 3rd place price of the PR Impact Awards for internal communication actions when transferring all employees to work remotely. The Company ensures and prioritises the rapid, efficient and transparent dissemination of information within the company, which has had a significant impact on the implementation of the new work model and maintaining the emotional stability of employees during the pandemic. The main criteria on the basis of which the company assessed the effectiveness of internal communication were:

- impact in creating an emotionally safe environment, which employees rated with a score of 9.36 points (out of 10).
- trust in the employer – 96% of employees stated that their trust in the employer increased (44%) or remained unchanged (51%) during the pandemic.





## SOCIAL RESPONSIBILITY: CREATING A SAFER WORLD

Lietuvos draudimas AB acts as a socially responsible member of the society and employer. The Company seeks to provide the best insurance offers and ideal customer service to its clients, and seeks ways of making the provided offers and services to be beneficial to the public. Therefore, it actively initiates and develops social responsibility projects.

Lietuvos draudimas AB activities are governed by the social responsibility strategy 2018-2020 of the Company's shareholder PZU Group and devotes special attention to social responsibility in business. Pursuant to this strategy, the growth of all companies of PZU GROUP must be compatible with environmental protection and depend on sustainable use of resources. PZU group of companies seeks responsible management of its capital: financial, human, environmental and social.

Acting as a socially responsible company, Lietuvos draudimas AB devotes all its efforts to the following areas conforming to the shareholders' social responsibility strategy:

- "Create a safe world" (initiative aimed at road safety and public security promotion);
- Support to the projects promoting financial education of young people and/or public financial integration;
- "Creating communities" (initiative aimed at strengthening communities, especially on a regional level), conforming to the support, charity and social responsibility area of the strategy.

Lietuvos draudimas AB is also a participant of the Global Compact since 2008 and seeks to integrate

the ten principles of the Compact as a part of its everyday organisation's culture and everyday work. The Global Compact principles, which the Company uses as its guide, are:

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights in their area of influence.
- **Principle 2:** Make sure that businesses are not complicit in human rights abuses.
- **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- **Principle 4:** Businesses should seek elimination of all forms of forced and compulsory labour.
- **Principle 5:** Businesses should seek effective abolition of child labour.

- **Principle 6:** Businesses should seek elimination of discrimination in respect of employment and occupation.
- **Principle 7:** Businesses should support a precautionary approach to environmental challenges.
- **Principle 8:** Businesses should undertake initiatives to promote greater environmental responsibility.
- **Principle 9:** Businesses should encourage the development and diffusion of environmentally friendly technologies.
- **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

The Company, as a socially responsible part of the public, acts according to the above-mentioned principles.

### HEALTH SYSTEM SUPPORT

Lietuvos draudimas AB responded to the situation in the country due to the pandemic and provided aid to the health system. The aid for the amount of EUR 30,000 was provided by means of essential medical supplies to the largest hospital in the country – Kaunas Clinics, and EUR 20,000 was allocated to a private fund for the fight against coronavirus – Support Fund for Health Care Institutions.

It was decided to provide support to Kaunas Clinics after learning that at the onset of the fight against coronavirus, the institution lacked the necessary equipment – medical masks, respirators, etc. Lietuvos draudimas AB made a purchase of this equipment – more than 15,000 medical masks and more than 2,000 respirators were handed over to this medical institution.

### HEALTH SYSTEM SUPPORT OF LIETUVOS DRAUDIMAS AB ESTONIAN BRANCH

During the difficult state of emergency, Estonian branch contributed to ensuring that the ambulance, hospitals and alarm centre staff across Estonia remained healthy. Donation of primary protection means was done to hospitals located in crises hotspots in the amount of EUR 3,880.

### PROTECT ME

In 2020, Lietuvos draudimas AB continued implementation of the children's road safety action "Protect me", organising it for the 21st time. This is one of the long living social responsibility initiatives in Lithuania. It was first initiated in 2000 by Lietuvos draudimas AB together with the Vilnius City Municipality in Vilnius, which in the long-run spread across Lithuania. In 2020, the "Protect me" initiative, the Company insured every pedestrian schoolchild in Lithuania in the month of September for the amount of EUR 5,000. According to the data of the Ministry of Education and Science, in 2020, approximately 320 thousand schoolchildren were studying in the schools of Lithuania. In the event a pedestrian schoolchild is involved in a traffic accident, his or her parents or guardians must report it to Lietuvos draudimas AB by calling 1828 and receive their insurance benefit.

During 20 years of implementation of the "Protect me" initiative, this project succeeded in drawing the public's attention to the safety of children who return to schools after summer holidays, and encouraging to take care of these children with utmost responsibility.

### MENTORSHIP IN THE LITHUANIAN JUNIOR ACHIEVEMENT PROGRAMME

In 2019, Lietuvos draudimas AB renewed its long-term partnership with Junior Achievement Lithuania and continued this initiative in 2020. Junior Achievement Lithuania is an NGO organising economics and business education programmes for Lithuanian school children. One of the objectives of this organisation is the Student Teaching Community Programme, where high school students together with their economics teachers and mentors learn to create business enterprises. Lietuvos draudimas AB contributed to this programme. In cooperation with Junior Achievement Lithuania, the Company built a team of 10 mentors for the country's youth. The managers of the Company's departments dedicate their time and help students to develop their first businesses by offering consultations, mentor advice and facilitate practical opportunities.

After the implementation of distance learning in the country in the spring of 2020, 10 mentors of Lietuvos draudimas AB continued to work with students remotely. At the end of academic year 2020, one of the teams mentored by the managers of Lietuvos draudimas AB ended in the top ten at the closing event of the Junior Achievement Lithuanian programme. At the same event, the Company established its nomination – the Most Innovative Young Student Company.

### INSURING THE ONLY FOUND ORIGINAL COPY OF THE LITHUANIAN INDEPENDENCE ACT

Lietuvos draudimas AB continued to provide coverage of the Lithuanian Council's Decision of 16 February 1918 proclaiming the Independence of Lithuania, brought from the Political Archive of the Federal Ministry of the Interior, Building and Community of Germany.

The Company has provided extensive insurance coverage for this single found original copy of the Independence Act, which has become the symbol of Lithuania's 100th anniversary. This insurance coverage ensures its all-round safety during transporting, safekeeping and exposition as well as insurance of the place of exposition, in case the document, the area of exposition or visitors sustain damage due to a sudden and unexpected event. It is not common in archive practice that original documents leave the storage facilities for a longer period of time, therefore, particularly high safety standards are applied to their protection.

## ENVIRONMENTAL PROTECTION

Although the impact on nature and environmental pollution from the companies working in the same field as Lietuvos draudimas AB is minimal, we always search for ways for efficient consumption of resources we use every day and contribute to a more cherished environment. Therefore, since 2011, Lietuvos draudimas AB is using energy from renewable energy sources as a part of its energy consumption. This is confirmed by the Powered by Green certificate. The Company strives to recycle as large a portion of secondary raw materials as possible, and choose more efficient means of transportation and more economical ways to travel for work assignments. The Company also seeks to apply the sustainable business principles in cooperation with its partners.

The Company consumed 1,493 MW of electricity in 2020. In 2019, power consumption amounted to 1,661 MW, which is 3.77% less. The energy consumption of the Estonian branch amounted to 93 MW.

In 2020, the energy consumption for heating of premises comprised 5,880 GJ, and, as compared to 2019, decreased by 4.95%.

The amount of paper used by Lietuvos draudimas for printing amounted to 11.74 tons in 2020, and compared to last year's indicator, decreased by 31.69%.

In the course of the year 2020, in all its divisions in Lithuania, the Company used 5,902.40 m<sup>3</sup> of water, which is by 40.6% less than in the previous year. The natural gas consumption in the said period amounted to 29.9 thousand m<sup>3</sup>, comprising a 4.42% decrease.

The vehicles used by the Company employees travelled a total of 5,599 million km. The most travelling, i.e. 4,413 million km, was made by diesel cars, 1,078 million km – by petrol cars, and 107.4 thousand km – powered by gas. The Company employees travelled 1.2 thousand km by taxis for the needs of the Company. In 2020, during the business trips, employees flew 25,173 thousand km.

In 2020, Lietuvos draudimas AB removed 793.71 m<sup>3</sup> of waste, which is 13.9% less than in 2019. The Company also contributed to the recycling of waste – in the course of the year, its employees separated and recycled 1.27 tons of paper.

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## ENVIRONMENTAL PROTECTION IN THE ESTONIAN BRANCH

The energy consumption of the Estonian branch amounted to 42 MW, in 2019 it was 93 MW. The heating energy consumption of the Estonian branch amounted to 873 GJ, decreasing 13.6% compared to 2019 (1,010 GJ). The water consumption of the Estonian branch amounted to 336 m<sup>3</sup> in 2020, decreasing by 62% compared to 2019, caused by COVID-19 as offices were closed some months and most of employees worked from home offices in 2020.

The Estonian branch managed to decrease paper consumption from 0.97 t to 0.8 t of paper in 2020.

The Estonian branch owns no company vehicles.



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## GENERAL DATA PROTECTION REGULATION

Implementing the General Data Protection Regulation (GDPR), which came into force on 25 May 2018, Lietuvos draudimas AB act consistently ensuring high level of data protection, i.e., regularly reviewing and updating its internal procedures regulating processing of personal data to ensure that they conform to the current provisions of the legal framework (laws and requirements set forth by the State Data Protection Inspectorate) and relevant interpretation of the court rulings.

In 2020, the Privacy Policy of Lietuvos draudimas AB and the Procedure for Legal Protection of Personal Data of Lietuvos draudimas AB regulating the basic principles of personal data protection, the Procedure for Identifying and Investigating Personal Data Security Violations and the Procedure for Assessing the Impact on Personal Data Protection have been updated, and all the company's employees

have been familiarised therewith. The employees of the Lietuvos draudimas AB annually broaden their knowledge in the field of protection of personal data by taking the assessment test compulsory to all employees.

Seeking to ensure protection of personal data and all information related to secure and convenient provision of insurance-related information to clients, the self-service portal Savas LD of Lietuvos draudimas AB is being expanded with additional functions introduced annually.

In 2020, the representative of Lietuvos draudimas AB continued participation in the GDPR working group organised by a non-life insurance association, one of the purposes of which is to prepare the Code of Conduct of the insurance sector together with the selected law firm. Upon approval of the Code by the State Data Protection Inspectorate, it will be used as an additional measure allowing to ensure that the activities of Lietuvos draudimas AB conform to the GDPR requirements.

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## CORRUPTION PREVENTION

Lietuvos draudimas AB takes a strict stance in its corruption and bribery prevention policy, which is binding for all Company employees and applies to all its activities. Lietuvos draudimas AB employees have no right to give, offer or accept any type of bribes or “process acceleration payments”, as well as any inappropriate gifts or offerings. This commitment applies not only in interactions with the state officials but also with any natural or legal persons.

Lietuvos draudimas AB internal company intranet webpage has published the rules and advice list on how and when employees can give or take presents or other services without violating the anti-corruption legal acts. The Company has determined that employees who might encounter bribing and corruption in their activities should have access to anti-corruption policy implementation relevant training.

The Company's team members must immediately inform the law enforcement officials or their own management regarding any attempts of bribing. The Company has undertaken the obligation to combat bribery and corruption according to the legal acts in force in Lithuania, codes of conducts, and according to the best practice, which is disclosed in the Company's Corruption and Bribery Prevention Policy.

Lietuvos draudimas AB community also joins the fight against corruption, as well as adherence to the supporting principle, which prohibits to support and allocate funds to political parties, military organisations, organisations representing any single religion and persons who seek individual support.

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## HUMAN RIGHTS

Acting as a socially responsible company, Lietuvos draudimas AB supports the human rights principles proclaimed in the Universal Declaration of Human Rights, the ILO Labour Core Conventions, and is a signatory of the UN Global Compact. The Company undertakes to ensure to prevent any human rights violations in its activities.

Lietuvos draudimas AB respects and upholds the right to equal opportunities and non-discriminatory behaviour; the right to security of persons, children's rights, freedom of association and the right to collective bargaining. In its activities, the Company ensures that no forced labour is used in its activities, that a safe and healthy workplace is provided to the employees, and that the employees are paid a fair wage, that no bribes are paid and the Company's products are not used to abuse human rights.



## THE COMPANY CONTINUES CONSTRUCTION OF THE NEW OFFICE AND RESIDENTIAL COMPLEX

In autumn of 2019, Lietuvos draudimas AB obtained the construction permit for construction of the administrative and residential complex on the land parcel on J. Basanavičiaus St. 10 in Vilnius held in its management. The construction of the complex was commenced on 2 January 2020. The complex construction will be ensured by the contractor selected in procurement procedure – Panevėžio statybos trestas UAB. The authors of the complex project are the team of architects from the Lithuanian and Danish companies Archinova and PLH Arkitekter A/S.

This complex of administrative and residential buildings for presented to the public in the summer of 2018. The project has been reviewed and approved by all competent authorities and the construction permit has already been issued. The complex will comprise the administrative premises with an area of 3,600 sq.m and residential premises with an area of 2,000 sq.m, including the underground parking lots. All the employees of Lietuvos draudimas headquarters will be moved to the largest building of the complex. This building will feature 300 workstations provided with day light illumination, modern meeting rooms and break areas. The office complex and building with modern studio apartments will be built next to this building, which will be all joined by an inner yard with the stair terraces. All the premises will be arranged autonomously and provided with separate drive-ins, entrances and car parking spaces. The buildings will



feature the optimal microclimate from renewable energy sources, which will conform to efficiency class A+. Part of the underground parking spaces will be used for the public needs in accordance with the contract concluded with the Vilnius City Municipality.

The construction of the complex is expected to be completed in 2022. Lietuvos draudimas AB investment into the project will amount to EUR 18.5 million.

The site under development is managed by Lietuvos draudimas AB according to the land use agreement concluded with the National Land Service under the Ministry of Agriculture. Its development with construction of administrative, commercial and residential buildings was approved in the detailed plan of the land parcel in 2007 by the Vilnius City Municipality.

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## BEING A LEADER, CREATING VALUE FOR EMPLOYEES, CLIENTS AND SHAREHOLDERS

The Company seeks ensured leadership on the market and growth, as well as profitable activities. It provides exceptional customer service and seeks to maintain a high level of employee involvement.

A handwritten signature in black ink, appearing to be 'R. Geleževičius', written over a horizontal line.

Raimondas Geleževičius  
Acting Chief Executive Officer

26 March 2021