

Suppliers' Code of Ethics Monitoring Report

2023

The report was finalized in September 2023





[Ignitis Group \(Group\) Supplier Code of Ethics \(SCE\)](#) defines the standards of business conduct and practices in the areas of environmental protection, social responsibility, business ethics and governance, which are expected to be followed by all suppliers of the Group and their business partners involved in their supply chains.

To see how suppliers are doing in meeting these standards, an assessment of suppliers' compliance with the SCE was conducted in 2023. Suppliers were invited to fill in an online SCE Compliance Monitoring questionnaire, thereby contributing to the Group's culture of resource efficiency and social welfare. SCE compliance assessment also included the planning of improvement actions in which the Group will strive to strengthen sustainable cooperation with suppliers.

The sample of suppliers invited to participate in the assessment and their response rate

Suppliers with the most significant contracts in terms of value with the Group were selected for the assessment. The total value of their contracts across the Group amounted to **95%**. The final sample of suppliers selected for the SCE assessment also used a random selection criterion and aimed to ensure that the most significant suppliers of all Group companies were included in the final sample.

A total of **58%** of the suppliers invited to take part in the assessment responded to the SCE Compliance Monitoring questionnaire.

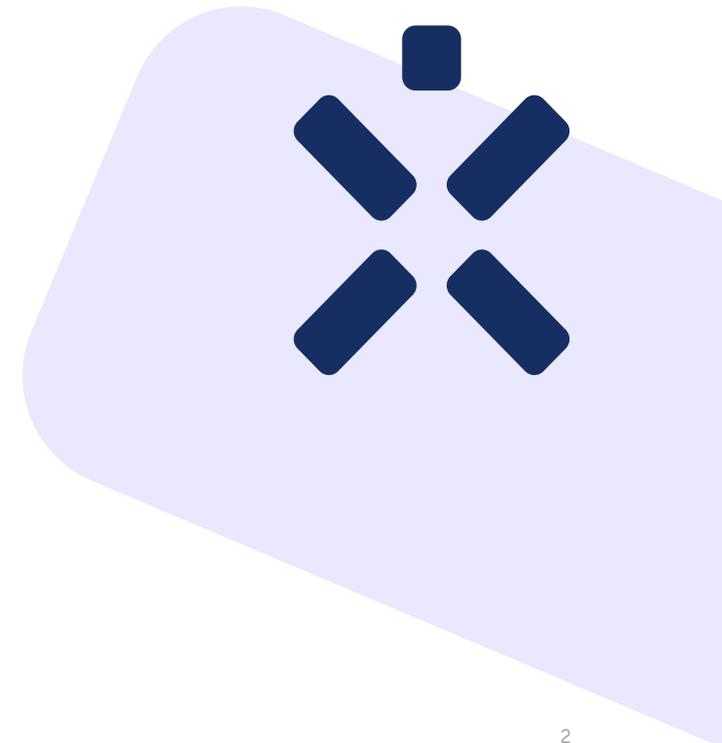
SCE areas selected for the assessment

Suppliers were invited to share their applicable business practices in all the areas defined by the SCE – environment,

social responsibility, business ethics and governance. This year, the analysis of social responsibility was the main focus, with 68% of the questionnaire items dedicated to an in-depth assessment of this area, 21% to the environmental area and 11% to business ethics and governance.

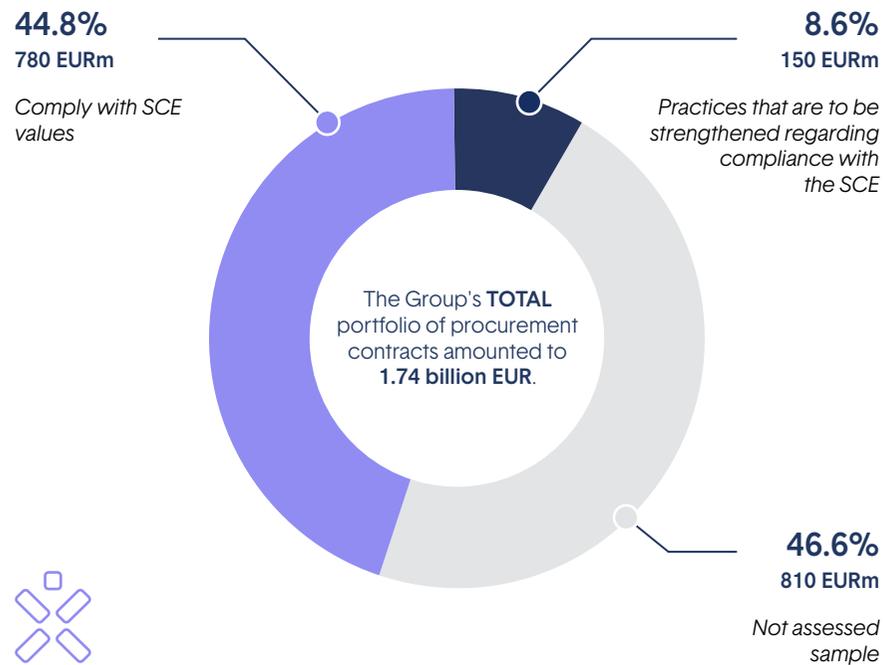
Assessment results

The assessment of suppliers' compliance with SCE revealed that as many as **87%** of the suppliers participating in the assessment apply lofty standards and practices in their company's activities in the fields of social, environmental, and business ethics, thus demonstrating their support for the Group's Supplier Code of Ethics and the values enshrined therein. This result reflects the contribution of the Group's suppliers involved in the supply chain to creating a more sustainable future, integrating and applying sustainable business practices in their operations.



Overview of the Group's portfolio – managed procurement contracts*

Considering the proportion of suppliers that uphold the values and standards of SCE and those whose practices need to be strengthened with regard to SCE, it is highly likely that a proportion of the suppliers in the non-assessed sample (non-selected, non-responsive suppliers) are also adhering to the SCE values and standards. It can therefore be concluded that the Group's portfolio of managed procurement contracts is dominated by suppliers whose values are aligned with the Group's sustainability preferences.



* SCE was published in August 2021. The requirement to comply with SCE is included in the procurement contract (s). The Group also has an expectation that all business partners involved in the Group's supply chain will comply with the SCE.

Overview of SCE compliance assessment results

Area	Overview of results	Comments
Social responsibility 	Suppliers that comply with social and labour law requirements in their business activities and have no infringements in the listed areas . 	Social and labour law obligations, as set out in European Union and national law, include obligations in the areas of employment relations and conditions, occupational safety and health, social security and social protection for workers, the representation of workers' and employers' interests and the collective defence of those interests and collective decisions, equality of opportunity between women and men in the labour market, and so on.
	Suppliers that have an approved normative legal act regulating the safe organisation of works in the company. 	Approved health and safety instructions and rules on safe work practices, established an occupational health and safety office and committee, etc.
	Suppliers promoting the well-being of their employees by providing them with additional benefits . 	This includes extra paid holidays, additional employee benefits, occupational accident and sickness insurance, the option to save for retirement, flexible working, etc.
	Suppliers ensuring equal opportunities for employees in the workplace by having an approved policy defining equal opportunities for employees . 	Remuneration is determined without discrimination on the grounds of gender, nationality, language, origin, social status, beliefs, the selection process ensures equality of opportunity for individuals, rules of conduct are defined and adopted, and equal pay is paid for the same or equivalent work, employees are educated on equal opportunities, there is a designated contact person in the workplace to whom employees can safely report a problem related to a violation of equal opportunities at work, an employee survey is carried out to analyse the situation of equality and the lack of it in the organisation, etc. <u>Additional comment:</u> Article 26 of the Labour Code of the Republic of Lithuania provides the obligation of an employer with an average number of employees of more than fifty to adopt and publish, in the usual manner in the workplace, measures for the implementation of the policy of equal opportunities for employees and for the monitoring of the implementation of the principles of equal opportunities. The Group will strive to ensure that suppliers involved in its supply chain comply with this national requirement.
	Suppliers with an established policy defining the rights and dignity of workers in their operations. 	Employee remuneration is based on clear criteria, employees are upskilled, creative initiatives and awareness are encouraged, personal responsibility for the quality of their work is fostered, employees are rewarded fairly for the work they do, etc.
	Suppliers that foster a learning culture and provide additional learning opportunities for employees. 	This includes opportunities for staff to participate in external conferences, training, seminars, to develop an individual annual competency plan, to receive an individual learning basket once a year, and to participate in Talent Competency Groups, where experts in the field share their knowledge and experience, etc.
	Suppliers with an approved policy outlining the prevention of abuse and harassment of employees . 	Rules of conduct for staff have been defined and adopted, procedures for reporting and dealing with reports of abuse and harassment have been established, and specific measures have been laid down to help staff members who have been subjected to abuse and/or harassment, etc. <u>Additional comment:</u> Article 30 of the Labour Code of the Republic of Lithuania provides for the obligation of an employer with an average number of employees of more than fifty to adopt and publish a policy on the prevention of abuse and harassment in the usual manner in the workplace. The Group will strive to ensure that suppliers involved in its supply chain comply with this national requirement.
	Suppliers with an ISO 45001 certified occupational health and safety management system . 	It was identified that 45% of suppliers apply an occupational health and safety management system and (or) its measures in their operations. A significant part of these suppliers apply a certified occupational health and safety management system.

Area	Overview of results	Comments
Environmental protection 	Suppliers with an ISO 14001 certified environmental management system. 	It was identified that 65.2% of suppliers apply an environmental management system and (or) its measures in their operations. A significant part of these suppliers apply a certified environmental management system.
	Suppliers contributing to the reduction of greenhouse emissions through their business activities. 	Initiatives to save resources are in place, elements of the circular economy model are being applied, investments are being made in repairing and refurbishing equipment and (or) items when they break down, targets are being set for more efficient use of transport, and recycling is being used in the production of goods, services and/or works, etc. Additional comment: while the Group has set a strategic goal of achieving a zero-emission balance by 2050, it is aware of the critical importance of engaging its suppliers in its supply chain, of reducing emissions from their activities and of contributing to the transition towards a climate-neutral ecosystem in the region. The Group will seek to increase its engagement with suppliers to educate them on the subject of greenhouse emissions, their calculation methodologies, etc.
Business ethics and governance 	Suppliers creating a corruption-resistant environment in the company. 	No gifts or hospitality of any kind are tolerated, disclosure of information and public transparency of activities are ensured, an anti-corruption policy and (or) other equivalent document has been adopted, employees are educated on anti-corruption issues at least once a year, an anti-corruption management system is in place in accordance with the requirements of the ISO 37001 standard, or any other anticorruption management standards based on the relevant European or international standards, etc.
	Suppliers collaborating with suppliers in their supply chain. 	Approved code of ethics for suppliers and (or) other equivalent document, events and training for suppliers are organised, certain requirements are imposed for suppliers during the procurement procedures, etc.

Areas for improvement

Based on the results of the supplier assessment and with a view towards developing sustainable practices in the Group's supply chain, a number of improvement actions have been planned to further continue the education of suppliers on sustainability topics, the Group's individual communication with suppliers, monitoring and other actions accordingly.



2023 – 2024 Improvement Action Plan for the implementation

Direction of the improvement action plan	Improvement action	Objective of the improvement action
1. Violations in the field of environmental protection	1.1 Continue to monitor the remediation of suppliers with environmental violations (organising individual meetings with the supplier if necessary, individually communicating the Ignitis Group's position to the supplier regarding compliance with the Ignitis Group Supplier Code of Ethics, etc.).	1.1.1 Increase cooperation with Ignitis Group suppliers that have environmental aspects to be strengthened to help them to comply with the Ignitis Group Supplier Code of Ethics in the future.
2. Equal opportunities policy	2.1 Familiarisation of suppliers residing in Lithuania with the amendment to Article 26 of the Labour Code of the Republic of Lithuania, which came into force on 1 August 2022, introducing the obligation of an employer with an average number of employees of more than fifty to adopt and publish, in the usual manner in the workplace, measures for the implementation of the policy of implementation of equal opportunities for employees and for the monitoring of the implementation of the principles of equal opportunities (if necessary, individual communication of Ignitis Group to the supplier is carried out, etc.). 2.2 Update the Ignitis Group Supplier Code of Ethics by including a new requirement for suppliers to ensure equal opportunities for employees in the workplace.	2.1.1 Increase the number of Ignitis Group suppliers that ensure equal opportunities for their employees in the workplace.
3. Abuse and harassment prevention policy	3.1 Familiarisation of suppliers residing in Lithuania with the amendment to Article 30 of the Labour Code of the Republic of Lithuania, effective as of 1 November 2022, which imposes an obligation on an employer with an average number of employees of more than fifty to adopt and publish a policy on the prevention of abuse and harassment in the usual ways in the workplace (if necessary, individual communication of Ignitis Group to the supplier is carried out, etc.). 3.2 Update the Ignitis Group Supplier Code of Ethics by including a reference to the Ignitis Group's Abuse and Harassment Prevention Policy.	3.1.1 Increase the number of Ignitis Group suppliers implementing abuse and harassment prevention measures in the workplace.
4. Occupational accidents at work	4.1 Monitor suppliers with occupational accidents (if required, individual communication from Ignitis Group to the supplier is carried out, etc.). 4.2 Introducing suppliers to the actions and measures taken by the Ignitis Group to help educate employees in the field of occupational health and safety.	4.1.1 Increase the number of suppliers of the Ignitis Group without occupational accidents.
5. Greenhouse gases	5.1 Providing suppliers with information on the concept of greenhouse gases, calculation features (e.g., spreadsheets, methodologies), measures that would contribute to reducing greenhouse gases in the supplier's operations, etc.	5.1.1 Increase the number of Ignitis Group suppliers contributing to the reduction of greenhouse gases in their own operations.
6. Occupational health and safety management system	6.1 Introducing suppliers to the process of applying an occupational health and safety management system (e.g., ISO 45001) and (or) tools (covering the benefits of applying the systems and (or) tools for the supplier itself, the value created for the company and the employees, the certification process, etc.).	6.1.1 Increase the number of Ignitis Group suppliers applying occupational health and safety management measures in their operations.
7. Collaboration with suppliers in the supply chain	7.1 Encouraging suppliers to share sustainability related information within their supply chain (if needed, individual communication from Ignitis Group to the supplier is carried out, etc.).	7.1.1 Increase the number of Ignitis Group suppliers cooperating with their suppliers on sustainability aspects.