



**KLAIPĖDOS NAFTA**  
S T O C K C O M P A N Y

**CORPORATE SOCIAL  
RESPONSIBILITY  
REPORT 2015**



Klaipėda  
May, 2016

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## FOREWORD BY THE HEAD OF SC KLAIPĖDOS NAFTA

2015 was a significant and important year for SC Klaipėdos Nafta – full of important works, which brought good results and ambitious future plans. The reached financial results were the best throughout the Company's existence. We also ensured efficiency of regulated activities and profitability of commercial activities and proved that we are able to professionally integrate new activities into Lithuania's energy system, timely respond to the market changes and, by competing on the free market, earn revenue and increase the Company's value. Our activity indicators and management policy made us closer to Europe's most advanced energy companies. We also become one of the most modern energy enterprises in Lithuania.

2015 was also the year of important achievements and evaluations in the area of Corporate social responsibility. The Company's sustainable growth cannot be imagined without proper execution of the social responsibility policy. The Company acts in observance of the highest business ethics standards and Corporate social responsibility principles. By contributing to resolution of most relevant social issues, the Company reaches to keep its reliable social partner's status in Lithuania's seaport.

Last year we gave an impulse for commencement of new phase of cooperation between science and business in Klaipėda region by signing the letter of intent for development of a liquefied natural gas cluster, which will ensure closer cooperation for better use of the economic potential of LNG. The cluster development initiative is supported by the Ministry of Energy and the Ministry of Education and Science of the Republic of Lithuania.

Our last year's attempts were also recognized by awards. In autumn of 2015 SC Klaipėdos Nafta was given an award by Lithuanian Police Commissioner General for our activities in the area of crime prevention and close cooperation in

implementation of preventive projects. An especially important recognition was achieved at the end of the year – at the annual Baltic Market Awards, carried out by Baltic stock exchanges, belonging to Nasdaq Group, the Company took the first place in the category "The Most Visible Improvement over the Year".

In 2015 the Company was also awarded for the sustainability of its business. During the 5th "Transport Week" event, held in Gdansk, which is the biggest platform of communication within the transport field, SC Klaipėdos Nafta was recognized as a company, setting trends in its region by way of courage, advanced ideas, solutions and projects, influencing the market standards and nurturing the entire region's growth and development in the area of transport and logistics. SC Klaipėdos Nafta was awarded the certificate, by which the LNG terminal's project, implemented by the Company, was recognized among the 8 most important transport sector's projects in the Baltic region.

I believe that the works, performed in 2015, will be a solid foundation, which will provide for further development of a modern, open, growing, community based, transparent and socially responsible Company.



SC Klaipėdos Nafta  
General Manager  
Mantas Bartuška

## SCOPE OF THE REPORT

The Corporate social responsibility of SC Klaipėdos Nafta (hereinafter - CSR) is based by its voluntariness in reaching economic, social and environment protection goals, taking into consideration all concerned parties' interests (see the Figure below). The companies, operating in observance of the CSR principles and reaching for sustainability and efficiency of their activities, not only observe the applicable laws, international

norms and ethics standards, but also nurture respect for human being, society and nature. The principal document, i.e. the Corporate social responsibility report, is prepared for all the concerned parties in order to provide transparent and comprehensive information on the Company's achievements by applying the principles of the Global Agreement.

<b>Concerned parties:</b>	<b>Business partners;</b>
	<b>Investors;</b>
	<b>Employees and trade unions;</b>
	<b>Media representatives;</b>
	<b>Social partners;</b>
	<b>Residents and local communities;</b>
	<b>Others: political decision makers, scientific research institutions, municipalities.</b>

This Corporate social responsibility report (hereinafter referred to as the Report) provides the information on the social responsibility activities, performed by SC Klaipėdos Nafta in 2015, as well as environment protection activities and relations with the employees and the society. The Report describes the strategic directions, activities and changes in the area of social responsibility within the Company, which occurred in 2015.

The Report was prepared in accordance with the Global Reporting Initiative (GRI) guidelines, which help to evaluate activities against economic,

environment protection, personnel, human rights, society and market indicators. Referring to the said criteria, the Report provides the information on the Company's socially responsible activities.

This is the Company's first Corporate social responsibility Report. In the future the Company will prepare the Report on the annual basis. The Report is published on the Company's website at [www.oil.lt](http://www.oil.lt), as well as on Nasdaq Baltic's website. The employees also have the possibility to read the Report on the Company's intranet.

## CHARACTER OF PRINCIPAL ACTIVITIES AND INFORMATION ABOUT THE COMPANY

### About the Company

SC Klaipėdos Nafta is a company, operating in Lithuania's energy sector, controlling oil and LNG terminals in Klaipėda, developing small scale LNG activities and providing long-term oil products storage services at the fuel base, located in Subačius (Kupiškis district).

The beginning of Company's activities can be traced back to the oil terminal in Klaipėda. Oil export and transshipment base has operated in the current Company's territory for over 50 years. Oil products (mostly fuel oil) were transported to Klaipėda from nearby oil refineries in Russia and other countries. After Lithuania regained its independence, a decision was made to continue the activities of the oil terminal which at that time required a substantial reconstruction. Stock Company Klaipėdos Nafta was founded in 1994. The Company was assigned to be the designated contractor to carry out the reconstruction and later became the operator of the new terminal. Nowadays Stock Company Klaipėdos Nafta oil terminal is one of the most modern oil terminals in Europe.

On 12 June 2012 the Lithuanian Parliament approved the law on LNG terminal that regulates main principles and requirements for installation, activity and operation of the LNG terminal. SC Klaipėdos Nafta was assigned to implement the project. After a two and a half year development process, the LNG terminal was launched on 27 November 2014 and the Company became the operator of the terminal.

In 2012, as a result of decree approved by Government of The Republic of Lithuania, the infrastructure of the Subačius fuel base (hereinafter – SFB) was transferred from Lithuanian oil products agency to SC Klaipėdos Nafta ownership. Long term oil product storage services are provided in SFB tank farm which most of capacity being allocated to the storage of national mandatory reserve of oil products.

The Company not only performs stable and reliable terminals' operation, but also attempts to adapt to the changing market and continuously searches for new development possibilities and new value adding projects. By using the LNG

terminal's potential, starting with 2017 the Company will commence performing small scale LNG activities.

### The Company's mission, vision and values

The **mission** of SC Klaipėdos Nafta is to ensure reliable and effective supply of LNG and transshipment of oil products.

The Company's **vision** – a reliable operator of oil and LNG terminals that add value through implemented projects and balanced expansion.

#### Values of the Company:

- ✓ **Proactivity.** The Company seeks to identify market needs and business enlargement opportunities by adapting: creating new or modifying provided services accordingly.
- ✓ **Professionalism and reliability.** SC Klaipėdos nafta operates oil and LNG terminals according to the highest professional standards, fast and efficiently. Internal processes and procedures for oil transshipment and LNG regasification are constantly enhanced, the quality of cargo is accurately monitored.
- ✓ **Transparency.** The Company seeks to comply with regulations for listed enterprises issued by NASDAQ Vilnius, it is managed by the best corporate governance principles and provides important Company information to the society and investors comprehensively and timely.
- ✓ **Social responsibility.** The Company is guided to sustainable business growth principles that include corporate social responsibility and environmental protection initiatives. Therefore the Company invests in additional activities employing technologies that are increasing economic benefits to investors and are environment-friendly. The Company participates in various social projects.

### The Company’s management structure

72.32% of the Company’s stock is owned by the State, represented by the Ministry of Energy of the Republic of Lithuania, 10.24% - by Concern Achema Group, the remaining 17.44% - by other smaller shareholders. SC Klaipėdos Nafta is listed on the Nasdaq Baltic Stock Exchange since 1996.

The Company’s highest managing body is the General Meeting of Shareholders (Figure 1), which is responsible for appointing the members into the Supervisory Board, which, in turn, is responsible for supervising the activities of the Company’s board and election of the Audit Committee as an advisory body for supervision of the activities. The Supervisory Board also elects and approves the Board of the Company, which consists of 5 members (in 2015 the authorizations were executed by 4 members, including 2 independent members).

Involvement of independent specialists and experts into the Company’s management and supervisory bodies both provides external expert competence and ensures a greater transparency of the Company’s activities.

The list of members of the Company’s collegiate management bodies and heads of administration is provided below:

Members of the Company’s Supervisory Board:

- ✓ Agnė Amelija Petravičienė – Chairperson of the Supervisory Board
- ✓ Romas Švedas – Member of the Supervisory Board (independent member)

- ✓ Eimantas Kiudulas – Member of the Supervisory Board (independent member)

Members of the Company’s Audit Committee:

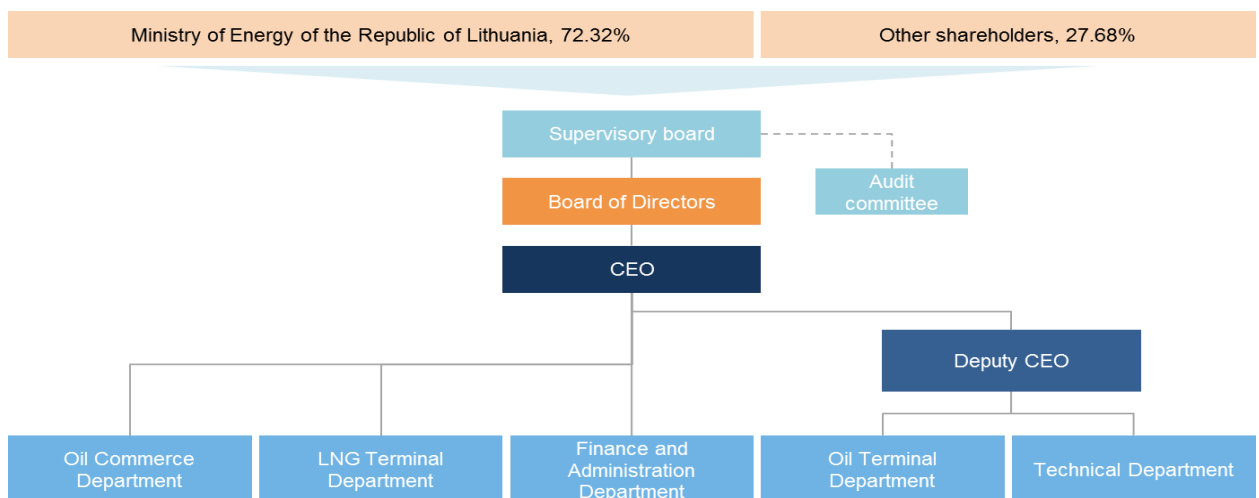
- ✓ Linas Sasnauskas – Chairman of the Audit Committee (independent member)
- ✓ Eimantas Kiudulas – Member of the Audit Committee (independent member)
- ✓ Kasparas Žebrauskas – Member of the Audit Committee (independent member)

Members of the Board of the Company:

- ✓ Rytis Ambrazevičius – Member of the Board (independent member)
- ✓ Mindaugas Jusius – Member of the Board (independent member)
- ✓ Dainius Bražiūnas – Member of the Board
- ✓ Mantas Bartuška – Member of the Board, the Company’s General Manager (CEO)

Heads of the Company’s management:

- ✓ Mantas Bartuška – General Manager (CEO)
- ✓ Osvaldas Sabaliauskas – Deputy General Manager
- ✓ Marius Pulkauninkas – Director of Finance and Administration Department
- ✓ Gediminas Vitkauskas – Director of Department of Oil Products Terminal
- ✓ Tadas Matulionis – Director of Liquefied Natural Gas Terminal Department
- ✓ Genadijus Andrejevas – Director of Technical Department
- ✓ Darius Šilenskis – Director of Department of Oil Commerce



Picture1. Organizational and management structure of the Company

## THE COMPANY'S FINANCIAL INDICATORS

As mentioned before the activity of SC Klaipėdos Nafta is divided into the separate activity units (segments): Oil terminal (KNF), Subacius fuel storage facility (SFB), the Liquefied Natural Gas

Terminal (LNGT) and LNG small scale activity under development - NGR (natural gas reload). Importance of each segment over Company's financial results is provided herein:

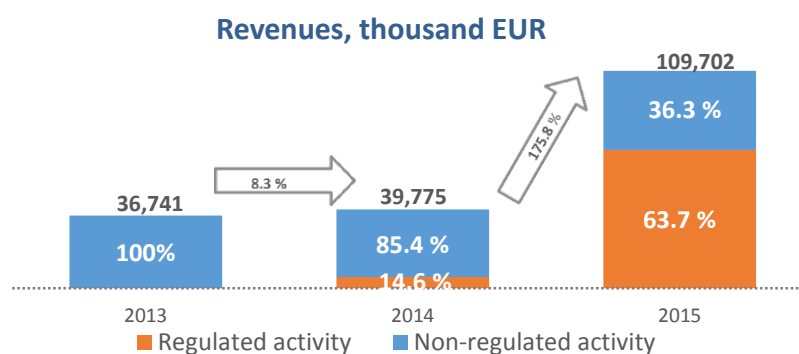
In EUR thousand	January-December		Change in per cent
	2015	2014	
<b>Sales revenue in total</b>	<b>109,702</b>	<b>39,775</b>	<b>175.8%</b>
KNF	37,259	31,815	17.1%
SFB	2,561	2,167	18.2%
LNGT	69,882	5,793	1,106.3%
LNG small scale	-	-	-
<b>Net profit in total</b>	<b>22,036</b>	<b>9,257</b>	<b>138.1%</b>
KNF	14,515	10,096	43.8%
SFB	906	698	29.8%
LNGT	6,982	(1,519)	559.6%
LNG small scale	(367)	(18)	-1,938.9%
<b>EBITDA in total</b>	<b>37,136</b>	<b>16,628</b>	<b>123.3%</b>
KNF	22,533	16,557	36.1%
SFB	1,839	1,497	22.8%
LNGT	13,166	(1,408)	1,035.1%
LNG small scale	(402)	(18)	-2,133.3%

### The Company's revenues

The Company's revenues of year 2015 comprise EUR 109.702 thousand. Comparing with year 2014, the revenues has increased 2.8 times. Operation of the LNG terminal has commenced on 27 November 2014 therefore the main share of the increased revenues were those, received from the operation of liquefied natural gas terminal (LNGT), i.e. the revenues from regulated activities, which, in 2015 amounted to EUR 69.882 thousand and in 2014 – to EUR 5.793 million. The revenues from the LNG terminal's activities in 2015 included the following: i) the actual calculated security supplement for 2015; ii) the LNGT funds, collected in 2013, intended, in the procedure, prescribed by the applicable legal acts, for compensation of the continuous costs of the LNG terminal for 2015, and iii) the interests and forfeits, accrued due to delayed payment

received of the LNG security supplement. The LNG activities and profits are regulated. During the last year the actual security supplement tariff was EUR 3 million higher than planned (due to higher than forecasted consumption of natural gas). Additionally, the revenues were higher than planned due to the interests and forfeits, which, in accordance with the applicable legal acts, are recognized as regulated activity revenues.

The revenues received from provision of oil products loading services also increased. Compared to 2014, it grew by 17.1 per cent or by EUR 5,444 thousand. The increase resulted from 15.6 per cent bigger volume of oil products loading services. The revenues received from the services of reloading oil products grew by EUR 5,004 thousand and the revenues from other loading related services grew by EUR 440 thousand.



## The Company's costs

During 2015 the Company incurred costs, amounting to EUR 85,402 thousand, i.e. 2.8 times more than in 2014. The major part of costs (EUR 61,838 thousand) were the costs of lease and operation of the floating storage and re-gasification unit Independence (totally EUR 50,415 thousand), as well as work remuneration, depreciation and quays' lease costs. The depreciation of the LNG terminal property in 2015 amounted to EUR 5,270 thousand. In 2015 the main categories of costs of the Company's oil products terminal

remained the same. The depreciation costs grew to a certain degree and the oil terminal work remuneration and relating costs reduced by 4.9 per cent or by EUR 323 thousand. The Company continuously searches for the ways to optimize its activities and attempts to optimize its processes and ensure efficient activities. The result of the processes is reduction of work remuneration costs.

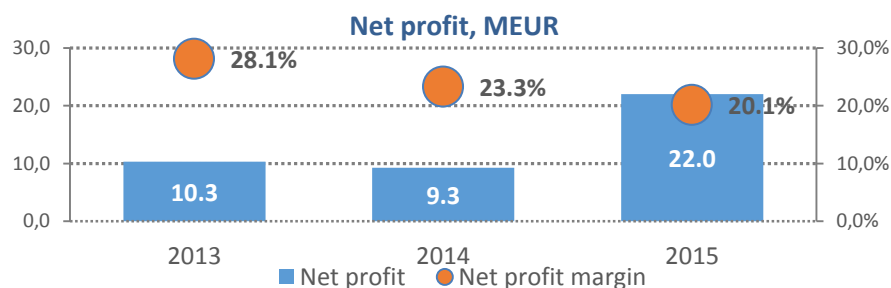
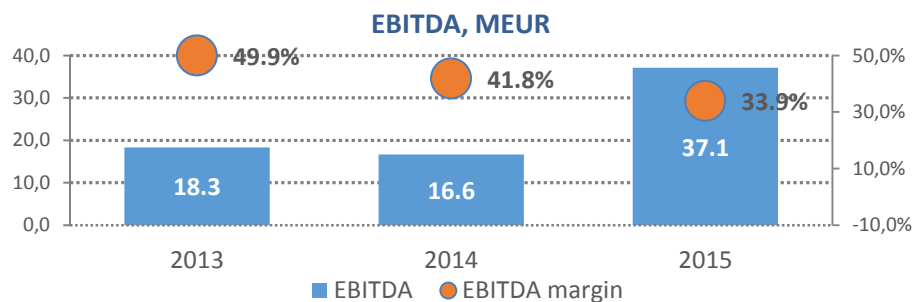
The listing of the major expenses is presented below:

	2015		Change in Percent
	2015	2014	
KNF depreciation costs	6,686	6,667	0.3%
KNF employees related costs	6,281	6,604	-4.9%
KNF variable costs (gas, electricity, rail roads)	5,662	6,184	-8.4%
Other KNF production and administrative costs	2,978	2,308	29.0%
SFB costs	1,585	1,496	5.9%
FSRU leasing and FSRU related costs	50,415	4,457	1,031.1%
LNGT depreciation costs	5,240	56	9,257.1%
LNGT employees related costs	2,503	1,642	52.4%
Other LNGT costs	3,650	1,098	232.4%
LNG small scale costs	402	-	-
<b>Total operating and administrative costs</b>	<b>85,402</b>	<b>30,511</b>	<b>179.9%</b>

## The Company's profitability indicators

The Company's profitability indicators also grew. The net profit reached EUR 22,036 thousand, i.e. 2.4 times higher than in 2014. The EBITDA reached EUR 37,136 thousand, i.e. 2.2 times higher than in 2014. The net profit margin

reduced from 23.3 per cent (in 2014) down to 20.1 per cent (in 2015). In 2015 the EBITDA margin reached 33.9 per cent (41.8 per cent in 2014).





## STRATEGIC PRINCIPLES OF THE COMPANY'S SOCIAL RESPONSIBILITY

The Company acts in observance of highest business ethics standards and social responsibility principles. The Company aims at keeping the

status of a reliable social partner beyond Lithuania's seaport by contributing to resolving the relevant social issues, faced by the society.

Taking care of employees' health, wellbeing and motivation

Keeping open relations with local communities

Development of different social initiatives and projects

Nurturing a public-spirited society through educational campaigns

The Company's social responsibility is divided into the following separate areas:

- ✓ Taking care of employees' health, wellbeing and motivation, as well as development of their professional competence (for more details, see Working practice and relation with employees);
- ✓ Keeping open relations with local communities, where the Company operates, as well as openness to other concerned parties and the society;
- ✓ Development of different social initiatives and projects in local communities and nationwide;

- ✓ Nurturing a public-spirited society (through educational campaigns), which would care for Lithuania's energy future and harmonious development (through use of LNG as environment friendly fuel).

The social responsibility and support measures are important in order keep good partnership relations with local communities and the society on the nationwide level. It is very important for state controlled companies to emphasize their social importance, the initiative is referred to as the "common good". In addition, the tasks, formulated for state controlled companies, become examples for nurturing the country's principal values.

## ENVIRONMENT PROTECTION

Environment protection is one of the priority areas of activities in terms of the Company's social responsibility. Funds are allocated for implementation of environment protection measures in close cooperation with Lithuanian and international companies, in order to implement all environment protection requirements, raised for both the oil terminal and for the liquefied natural gas terminal.

The Company performs its activities in observance of legal acts, regulating environment protection, fire safety, occupational safety and health, as well as the requirements, established in the Integrated pollution prevention and control (IPPC) licence, issued by Klaipėda Regional Environmental Protection Department, in order to avoid negative effect on the environment and ensure compliance of the equipment, used by the Company, with the applicable requirements.

Both when planning new activities and when operating the existing oil products and liquefied natural gas terminals and Subačius fuel base, the Company acts in observance of the essential environment protection principles, established in the National Environment Protection Strategy (Resolution No. XII-1626 "On the Approval of the National Environment Protection Strategy" of the Parliament of the Republic of Lithuania of 16-04-2015).

The directions of the Company's environment protection projects:

- ✓ The Company continuously implements environment protection measures (reducing the ecology risks): fire safety, environment pollution control and other systems.
- ✓ The Company spares natural resources, performs environment protection campaigns and takes care of natural heritage.
- ✓ The Company contributes to development of the market of LNG as environment friendly and safe fuel in Lithuania and the Baltic Region.

The Company' environment protection activities can be structured in accordance with certain principles.

### 1. The principle of partnership and information

The Company commits itself to make public authorities and the public aware of future projects as soon as possible so that the interested parties could get access, at an early stage of project development, to the planned activities and measures, which are intended to be implemented in order to ensure environmental and public health protection. The interested parties are given opportunities to provide comments and proposals on future projects. For example, more than once and at an early project implementation stage of LNG distribution station, public authorities, responsible for environmental protection, public health protection, fire safety, and executive institutions of self-government have been presented with design solutions for LNG distribution station; potential harmful effects on the environment and human health have been discussed as well as their reduction and compensation measures, which would be implemented at the stages of construction works and operation. From the very beginning of the implementation of LNG distribution station project the Company has been providing the society with an opportunity to get familiar with prospective economic activities, to make comments and proposals relating to such activities. Mass media has been the means of informing the public about prospective economic activities. Local newspapers of Klaipėda city, regional newspapers have published some articles on LNG distribution station; articles have been also published on a number of websites. The Company prepared Reports on LNG usage possibilities and infrastructure, which were communicated to the public on television. On 24-26 July 2015, during one of Klaipėda's biggest events, i.e. the Sea Festival, the Company erected the information tent, where the LNG distribution station project was on display, the film "LNG – Environment Friendly Fuel" was shown and flyers with information about the LNG station were distributed.

It is noted that the Company takes and implements constructive proposals relating to

prospective projects put forward by public authorities, communicates and cooperates with public authorities and the general public as well.

## 2. Principle of ecological effectiveness

The purpose of this principle is to consume less energy and other natural resources for the same volume of services. During 2015, the company renewed a part of its heat exchange system. After upgrading a part of the heat exchanger system, the time for unloading a railroad train will reduce by approximately 1 hour, thus saving 9 tons of steam and 5.9 MWh of thermal energy. With the renewed part of heat exchangers system, the procedures for unloading a set of rail wagons will take shorter time on average and will save thermal energy. This renewal of a part of heat exchangers will enable implementation of the principle of pollution prevention as reduced need for vapour in the boiler room will result in decreased amount of gas combustion, thus a smaller amount of nitrogen oxides and carbon monoxides will be emitted into the atmosphere. Shorter time for unloading a set of rail wagons will reduce emissions of air pollutants, namely, volatile organic compounds (hereinafter referred to as VOC).

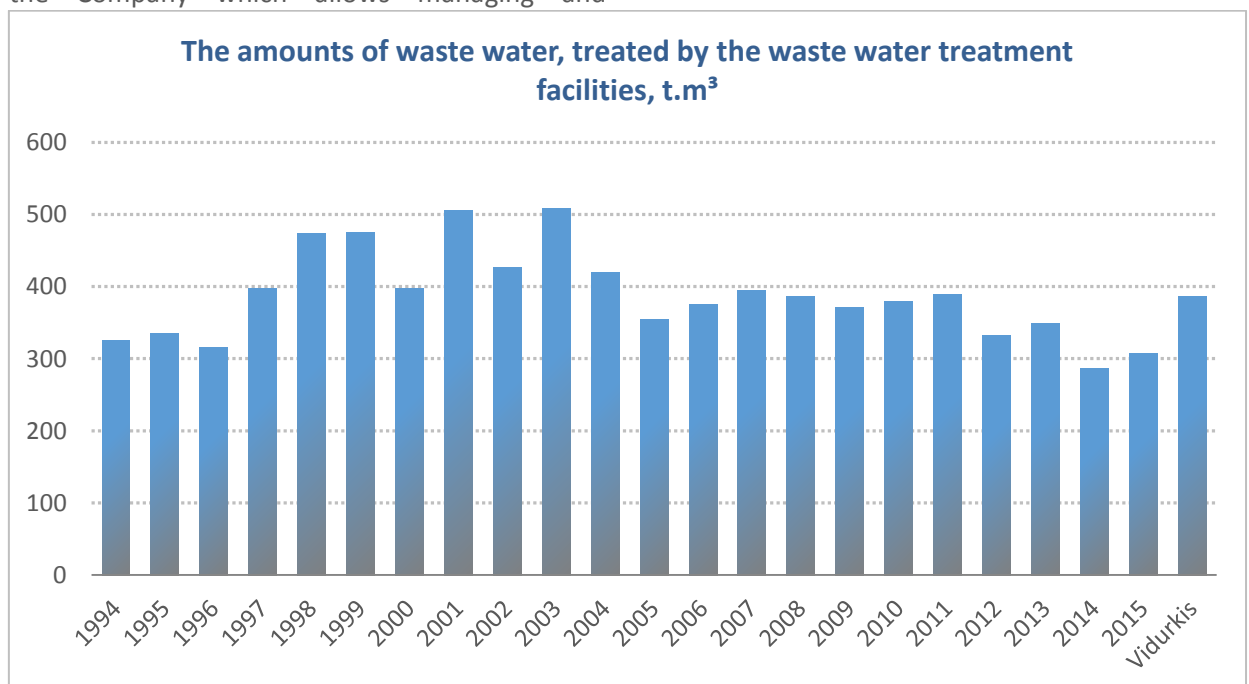
In order to decrease volume of consumed paper, improve procedures of document management and reduce costs, the Electronic documents management system (DocLogix) was installed in the Company which allows managing and

archiving all documents in electronic way. This measure enables the Company to achieve significant paper savings.

## 3. Principle of pollution prevention

A number of environment protection measures have been implemented in the Company in order to reduce environmental pollution:

- ✓ The Company has its own wastewater treatment plants which are capable of cleaning industrial and surface sewage of oil product terminal up to an approved normative limit; afterwards, the purified wastewater is discharged into the natural environment – the Curonian Lagoon. The Company's wastewater treatment plants within the territory of Klaipėda State Seaport serve as a seaport reception facilities which receive bilge water (water polluted with oil products) from vessels. During 2015, about 50 vessels/tankers discharged their bilge water into the Company's wastewater treatment plants; this amount constituted 51.5 percent of the total volume of hazardous waste received and treated by the Company. Part of this hazardous waste has been recovered, i.e. waste polluted with oil products turned into a product – liquid fuel mixture. More information on the waste water treatment facilities is provided in chapter *Cleaning equipment*.



- ✓ Prevention of waste accumulation is conducted in the Company. Waste is collected separately from secondary raw materials suitable for processing. In 2015 oil product terminal, as a waste manager, handled 11.96 t of hazardous waste (bilge water, water polluted with oil products), and 2.1 t of biologically treated sludge. While conducting its activities, the Company transferred 173 t of separated waste and 344.4 t of secondary raw materials (340 t of scrap metal and 4.4 t of paper) from oil production and liquefied natural gas terminals to other companies for further handling. In 2015 The Subačius storage facility accumulated 6.6 t of waste which was transferred to waste managers.
- ✓ VOC recovery unit with an efficiency of about 95 percent is in operation while stevedoring services, namely, discharge of light oil products from rail wagons into containers, are being provided at oil product terminal. When discharging gasoline from containers into a tanker, VOC vapour combustion unit with an efficiency of about 95 percent is in operation. Implementation of minimization measures for air pollution allows the Company to reduce its annual emission of VOC by about 125 t. Oil product terminal has over 70 percent of containers, used for storage/loading of oil products, with pontoons which help to reduce VOC release into the atmosphere.
- ✓ Reconstruction of waste water treatment facilities at Subačius fuel base was commenced in the second half of 2014 and completed in 2015: new and more efficient equipment, waste water metering devices, compliant with the applicable requirements and the necessary pipes were installed. The investment is going to ensure that the water, spilt into the environment, will be properly cleaned from oil products and other pollutants. For this investment the Company receives support from the Lithuanian Environmental Investment Fund in accordance with the water protection funding direction. The total price of the entire project is about EUR 130 thousand.
- ✓ The Company performs monitoring of air pollutants emitted from stationary sources, also monitoring of impact on environment including observations of underground water, ambient air and surface water (the Curonian

Lagoon). According to the analysis based on monitoring data of impact on ambient air quality and impact on surface water, the Company has not exceeded the permissible limit of pollution value, in addition monitoring results of impact on underground water show that “historical” pollution of soil and underground water with oil products has actually been decreasing within the territory of the Company.

- ✓ In 2015 the Company’s operating costs for environmental protection amounted to EUR 828.3 thousand. Additionally, during 2015, EUR 29,3 thousand were allocated for different environment protection studies (studies of polluting materials, etc.).

#### 4. Principle of responsibility (“the pollutant pays”)

This principle is implemented each year by paying a tax into the public purse for environment pollution from stationary and mobile sources of pollution. The Company pays an annual tax of about EUR 7 thousand to the public purse for environment pollution from oil terminal. Since 2015, the Company has been compensating the expenditures related to environment pollution tax incurred by LNG floating storage and which are directly paid into the public purse by the vessel owner, i.e. Hoegh LNG. Part of the money paid into the public purse is allocated for ongoing environment protection measures in municipalities where the Company carries out its activities. In 2015, the amount paid as environment pollution tax was EUR 137.6 thousand.

The Company carries out its activities in accordance with the requirements of Environment Protection Agency provided for in environment protection licenses which were granted to oil product terminal and the Subačius fuel storage facility. The Company has approved safety management policy, the main purpose of which is to ensure rational utilization of natural resources, and implementation of pollution minimization measures set in the environment protection licenses.

#### Fire safety

In order to avoid accidents/incidents, which may result in pollution of the environment, the Company has implemented automatic fire

detection and extinguishing and computer based loading process management systems, as well as EU standard compliant air, soil and water pollution protection technologies. For fire detection in technological locations of the terminal, the Company installed temperature, fire and smoke sensors, as well as fire hazard alarm buttons. All signals, received from the stationary fire extinguishing system, are collected by the equipment to the control console in the central operator room, where the oil products loading manager, upon locating the fire source, organizes the fire extinguishing works and switches on the stationary fire extinguishing equipment.

Additionally, for liquidation of fire and accidents, the Company has fire personnel at the oil terminal – each shift has two firefighters jetty operators, provided with two fully equipped firetrucks. Their principal function is, together with the working shift and under supervision by the oil products loading manager, to extinguish fire using the stationary fire extinguishing system before the arrival of the state fire forces to take over the control of the fire extinguishing works.

In 2014-2015 SC Klaipėdos Nafta invested into the upgrading and modernization of mobile fire extinguishing equipment of the Subačius fuel base. The investment is related with implementation of measures of technical supply to the Company's fire personnel at the SFB, for the purpose of ensuring the observance of the requirements by the Fire and Rescue Department. At present the fire safety at the SFB is taken care of by the Company's fire personnel. The total amount of investment into the fire extinguishing equipment at the SFB will reach about EUR 377 thousand (a part of investment is foreseen for 2016).

Management of extreme situations, as well as fire safety and territory security systems are compliant with the requirements, provided by fire safety, occupational safety, civil safety, environment safety and seaport managing authorities of the Republic of Lithuania. Almost every year the security risks of the Company's terminals and SFB are assessed by competent specialists. The Company's management responsibly assess the provided recommendations and draw up risk reduction plans, which are included into investment plans.

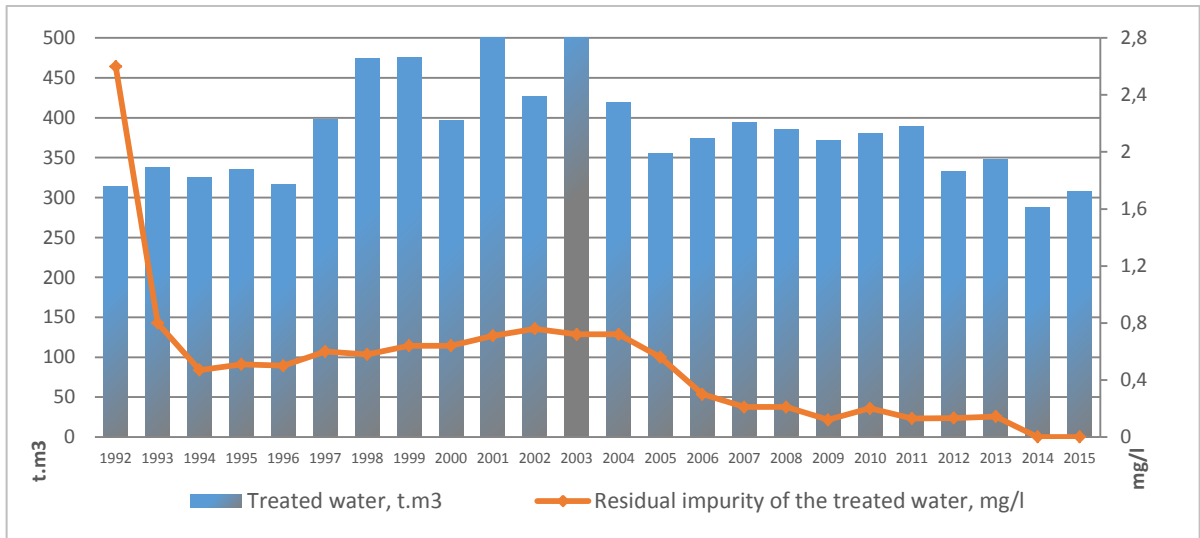
Each year the Company, being a risk object of level II, is assessed by the Commission, led by officers of the Fire and Rescue Department under the Ministry of Interior of the Republic of Lithuania.

### Waste water treatment plants

In 1996-1998, when performing the reconstruction of SC Klaipėdos Nafta, the Company implemented new waste water treatment plants, consisting of primary treatment equipment (PTE), used for treating the most polluted waste water (from oil products spillage trestles) and mechanical treatment equipment (MTE). All of the Company's rain water, production and drainage water is pumped into buffer capacitors, where it precipitates, i.e. the oil products get on top and the water sets in at the bottom. Afterwards the waste water is cleaned by mechanical treatment equipment, by using flotation. Additionally, the treatment equipment accepts the tank vessels' water, polluted with oil products and ballast water, which is treated together with the Company's waste water.

In 2000, after constructing the light oil products park, the Company commenced loading more light oil products, i.e. petroleum, diesel and aviation fuel. The amount of light oil products, impossible to treat mechanically, grew in the waste water. The Company searched for more advanced ways to treat the waste water, which resulted in the choice of biological waste water treatment facilities with a biosorption treatment system. In October 2005 biological treatment facilities (BTF) were implemented. The BTF include 4 biosorbers, the total capacity of the system is 160 m<sup>3</sup>/h.

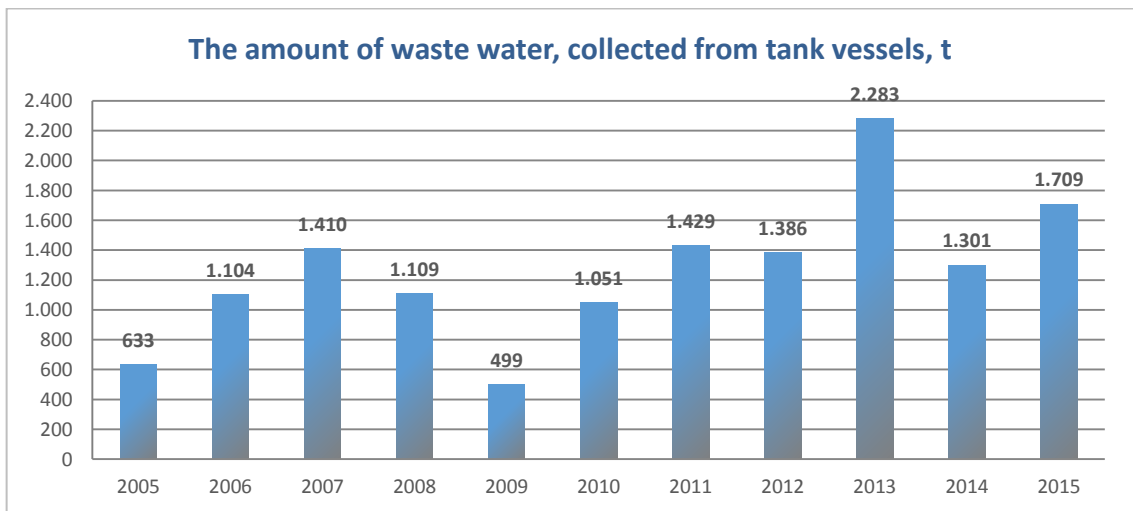
Upon commencing the operation of the BTF, the waste water treatment quality improved significantly, as shown by the diagrams below. The pollution of the waste water, fed into the biosorbers, by common oil products, gradually reduces although the amount of treated waste water continuously grows. The biosorption system ensures a sufficiently high quality of the waste water, spilt into the natural environment. Since 2006 the indicator of impurity of treated waste water improved almost two times. The treated waste water was compliant with the requirements, provided by the Waste Water Treatment Regulations by the Ministry of Environment of the Republic of Lithuania.



The laboratory of the waste water treatment division continuously controls the waste water, received for treatment and the treated water. The laboratory holds Licence No. 1012423, issued 13-03-2013 by the Environmental Protection Agency, to perform measurements and analysis of pollutants, exhausted into the environment by pollution sources and the pollutants, found in environment elements. The Licence permits the laboratory to measure and analyse 16 parameters of waste and surface water and 5 parameters of

soil, sillage and bottom sediments. Thus, since the date of receipt of the Licence the indicators of the treated waste water, spilt into the Curonian Lagoon, improved significantly.

Oil products are collected from the polluted water, received from tank vessels and other customers. The received oil products are dehumidified and provided for further use. 1.709 tons of oil products were collected during 2015.



## WORKING PRACTICE, RELATIONS WITH EMPLOYEES

### Personnel’s policy principles

The Company’s main asset is its employees who are the most important link to the Company’s achievement of goals. Company’s personnel policy is focused on the development of teamwork, the optimal use of work resources, training of competent staff, and development of the Company’s culture that creates added value.

The Company and its personnel, being responsible to each other and to the society, apart from the Collective Agreement and the internal working procedures, act in observance of the following:

- Personnel’s policy;
- Code of ethics;
- Employees’ activities assessment and rewarding procedure;
- New employees’ adaptation organization procedure;
- Internal training organization procedure;
- Human resources reserve policy.

### Personnel

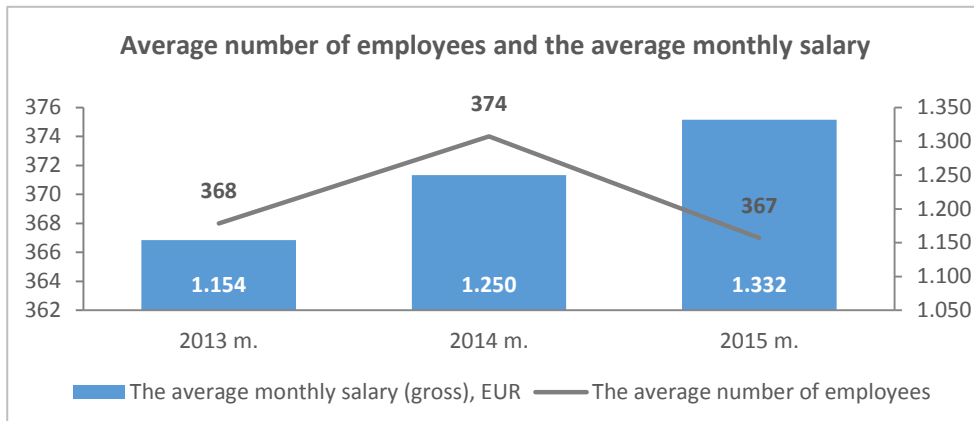
As of the end of 2015 the Company had 371 employees.

Employees of the Company according to categories:

Employee category	Average number of employees
	2015
Managers <sup>1)</sup>	36
Specialists	140
Workers	191
<b>Total</b>	<b>367</b>

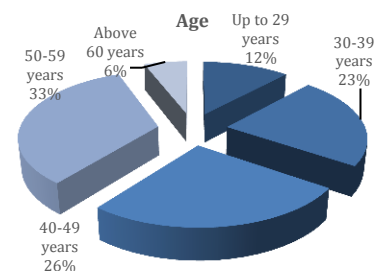
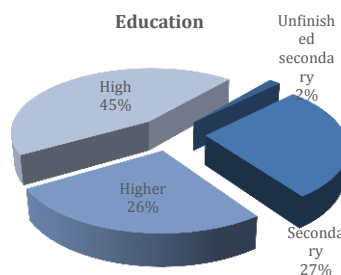
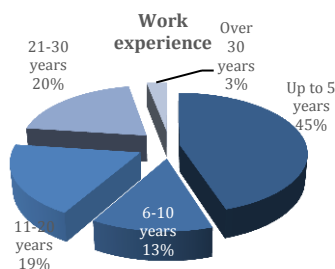
1) The Company’s managers include: General Manager, Deputy Manager, Heads of Departments and their deputy.

The average number of employees in 2015 (total number 367) has a decrease by 7 employees or 1.9 per cent compared with 2014 (374). The employees’ number reduction is related with organizational changes of the Company’s with a purpose for optimization of operating costs.



As at 31 December 2015 in the Company were employed 75 per cent of males and 25 per cent of females. The average ages of the Company’s employees – 45 years. In terms of education the structure of the Company’s employees was as follows: 45 per cent had higher education,

26 per cent – advanced post-secondary education, 27 per cent – secondary or special secondary education. The details of the personnel’s age, experience and education are provided on the chart below.



For the last four years the Company conducts personnel surveys in order to determine the level of employee satisfaction with the work environment and the Company and the level of engagement as well as to improve relevant areas and working conditions of employees. The personnel surveys in 2015 revealed that 70.64 per cent of employees are satisfied with their work environment, Company and its culture. The overall average employee satisfaction index in Lithuanian manufacturing companies is about 50-55 per cent. The research results showed that people highly value the management, Company and its culture. Involved Company's personnel in 2015 amounted to 59.80 per cent.

### Payroll system

The Company seeks to create an efficient and fair compensation system which aims to attract, retain and motivate employees whose skills and work results will help the Company to successfully develop its mission and achieve business objectives.

The Company has implemented the employees' activities assessment and rewarding procedure. The employees' activities assessment is one of the most important ways of efficient management, helping to reach the organization's goals and create positive relations between the managers and their subordinates and providing the possibility to plan the employees' careers and increase their motivation. All of the Company's employees without exception are assessed in accordance with the specially prepared questionnaire.

The annual interview provides the possibility to assess how the employee reached the set goals and to establish new goals and shapes the feedback culture between the manager and the subordinate employee. During the interview the managers and employees discuss the competence development, training and career possibilities. In 2015 48 per cent of the Company's employees (managers and specialists) participated in the annual interviews.

The Company reaches to pay fair work remuneration, corresponding to the market conditions, each employee's competences and the value, brought by the employee to the Company. Since the Company's business activities

are related with increased risk factors and the specifics of activities require experienced and highly qualified employees, the Company focuses on work remuneration to a certain extent higher than the average market salary. In order for the employees to remain motivated and be active in assisting the Company to reach its goals, the employees are paid variable part of the salary, which depends on the achievement of both individual goals, set for the specific employee and the overall goals of the Company.

### Trade Unions

The Company has one trade union, of which 27 per cent of all of the Company's personnel are members. The trade union periodically arranges meetings with the Company's management, during which relevant issues, relating with the Collective Agreement, are discussed. Such meetings are usually held two times per year.

### Collective Agreement

The Collective Agreement is concluded between the Employer (the Company) and the Employees; it establishes conditions applicable to work, payment for work, time for work and rest, personnel training, health and safety and other social and economic guarantees. The main purpose of the Agreement is to form proper conditions for the development of economic and business activity and ensure the standards of working conditions higher than required by the legal acts of the Republic of Lithuania.

The Collective Agreement provided the following additional social guarantees for employees:

- ✓ An annual one-time allowance equal to 2.5 MM is paid before the 1 September to an employee having three or more children under the age of 18;
- ✓ Funeral allowance is paid to the employees of the Company after the death of a family member (spouse, parent, child, adopted child);
- ✓ A one-time funeral allowance is paid to the family of a deceased employee;
- ✓ A one-time allowance equal to 2 MM is paid to an employee for the birth of a child on a day of his/her birth;



- ✓ Anniversary allowances equal to 1 MM are paid to the employees of the Company on anniversary occasions (50th, 60th, 70th anniversaries);
- ✓ Other allowances are paid based the decisions of Administration in the following cases: employee's difficult material situation, the employee suffered losses due to natural disasters, fire, flood, etc.
- ✓ Employees, who reach their age of retirement and retire, gets bigger retirement compensation as requires the national Labour code.

SC Klaipėdos Nafta supports cultural, sport and tourist activities of its employees, different events and other social activities which could be attended by all employees of the Company without any limitations or discrimination. Within the 2015 year 68 employees has used these social benefits.

### Development of competencies

The Company continually organizes the following instruction, job qualification and other trainings for employees:

- ✓ The experts of the Occupational Safety and Health Department and the Fire Safety and Environmental Protection Department of the Company conduct Introductory Occupational Safety and Health, Fire Safety and Civil Protection Instructions for new recruits. Heads of Divisions of the Company instruct their employees on-site at least once per year.
- ✓ External personnel carrying out works at the territory of the Company shall be acquainted (instructed) with the requirements on Occupational Safety and Health, Fire Safety and Civil Protection Instructions applicable at the terminals. In 2015 the Company instructed a total of 765 external employees.
- ✓ In accordance with the requirements of the regulatory acts of the Republic of Lithuania, the Company makes lists of mandatory certificates in respect of each post along with the terms for recertification done on a periodic basis; in addition, the Company accordingly organizes timely training for employees and certification for works to be safely performed. Periodical trainings

(exercises), intended to the development of emergency response practical skills, are continually conducted at the Company. In 2015 the Company organized 22 such trainings. A total number of 223 employees were trained and/or certified.

- ✓ In 2015 the procedure of internal trainings for the employees of production subdivisions was approved, and all the necessary programs, employee trainings and certification are designed under this procedure. 14 internal training programs were approved in 2015 according to which 30 employees were trained and/or certified. Internal trainings as well as periodic certifications are organized for the purposes of acquiring and renewing professional knowledge, learning and testing skills of the Company's specific production technological processes and equipment, and maintaining employees' high professional standards. The general trainings for the development of competencies of employees are performed by sending staff to the seminars and conferences organized by external parties or by organizing internal trainings. The annual employee training plans are made on the basis of the following: Company's strategy, the objectives of human resources development, needs expressed by the staff of subdivisions, needs reflecting in the interviews about annual evaluation of employees as well as in the documents on evaluation given at the end of adaptation period of new-hires. In 2015 two teamwork trainings were organized. One of them was meant to emphasize and show the importance of the Company's processes and personal participation, and to enhance



cooperation. The other was Company-oriented and employees' social responsibility-oriented training. Over 130 executives and experts participated in these teamwork

trainings. In the year of 2015, on average employees had a training/improved their professional skills spending 7,538 working hours (or an average of 2.6 days a year per person for trainings) on training and development, out of which:

- Executives received 1,261 hours (or an average of 4.5 days per person) of training;
- Experts received 4,336 hours (or an average of 3.9 days per person);
- Employees received 1,941 hours (or an average of 1.3 days per person).

Every year the Company prepares human resources reserve educational plans for important and difficult job positions as this is essential in order to ensure the continuation of the Company's activities, and employee training plans are prepared to ensure required qualifications.

### Health of Employees

The Company is one of the few companies in Lithuania that has a licensed health center. It provides the first aid, initial preventive practical and theoretical health support, preventive employees' health care, infection control, control of risk factors for hazards; the center also organizes medical check-up prior to employment and while being in employment. Both employers and employees are advised on health matters. In 2015, 120 employees had medical check-ups, 60 employees participated in the first aid and hygiene awareness training.

Physical medicine and rehabilitation room with modern science approved practice-proven equipment is set in the Company's health center. A range of physiotherapy treatments based on the doctor's referral are provided. Employees are provided with free vaccines against tick-borne encephalitis, typhoid, influenza and other illnesses. In 2015, 195 employees were vaccinated. Ambulatory aid was provided to 406 employees. Each year the Company organizes preventive checks of the employees' eyesight, as well as echoscopic examination of internal organs. In 2015 eyesight of 84 employees was checked and 19 persons underwent echoscopy. In its health center the Company organizes, at its own expense, preventive – rehabilitation treatment to the employees that work in the increased pollution conditions. During 2015 these services were used by 95 employees. No

occupational diseases were diagnosed to the Company's employees.

In 2015 there was 1 (one) light accident at work, which did not result in loss of working capacity by the affected employee.

### Sports activities and other good initiatives

The Company encourages healthy way of life, sports activities and taking care of one's physical health. In 2015 the Company created favourable conditions for its personnel to go in for sports – the employees could choose between aerobics, basketball or football in a rented sports hall. The Company sponsored the team, formed of its employees, which played in the city's basketball league.



On the occasion of the World Animal Day, SC Klaipėdos Nafta, on its territory, arranged an open door day for its employees' pets. In this way the Company, nurturing social responsibility, reaches to encourage its personnel to draw attention to responsible animal nurturing, creates conditions for the employees to spend more time with their pets and acquire useful information.

The socially responsible company has also used the practice, which has been becoming more and more popular in foreign countries, i.e. to allow bringing pets to work for the whole day. Referring to the studies, performed in the US, the pet's presence at the person's workplace reduces stress and tension, has positive effect on blood pressure, increases productivity and creativity.

The Company arranges different traditional and one-time festivities for its employees: summer sports event Spartakiada, the Company's Christmas.

### Integrating new employees

In order to ensure an appropriate process of adaptation of new employees, they undergo the

adaptation programme, during which they are introduced to the Company's employees and learn about the activities, performed by different divisions. The programme is aimed at helping the new employees to learn and adapt to the Company's culture, integrate into the collective, understand the principles and activities and, as soon as possible, start creating value for the Company.

Heads of divisions assign supervisors to new employees. The supervisors are experienced employees, able to provide their knowledge not only in their own area of specialization, but also information about the Company, its traditions and culture. The supervisors are responsible for the training, provided during the adaptation period and provision of information on the achievements to heads of their respective divisions.

### Possibilities of Practice

The Company cooperates with educational institutions and creates conditions for university

and college students to apply their theory knowledge and acquire practical skills. In 2015 7 students from Klaipėda University, Klaipėda State College of Applied Sciences and Klaipėda Tourism School performed practice in the Company.

Practice in the Company was performed not only by students, to whom the practice is obligatory. There were also two persons, who wanted to work in the Company in accordance with the voluntary practice contact, approved by the Description of the procedure for performing voluntary practice, adopted by Order No. A1-13 of the Minister of Social Security and Labour of 13 January 2015. When performing voluntary practice, no salary is paid, but the persons are insured by health insurance and by social insurance against accidents at work and occupational diseases by state funds and the trainees acquire useful experience in the chosen area.

## HUMAN RIGHTS' PROTECTION

The Company performs its activities in observance of the human rights protection principles and ensures that the Company itself is not a part of any human rights violations. The Company stands for fair and transparent work remuneration policy, observes the legal acts, regulating working time and overtime working, respects the employees' right to rest and does not tolerate harassment or abuse of any kind.

The Company stands against any discrimination or forced working. The Company's employees,

independently of their gender, nationality, social or marital status, belonging to any social or political organization or their personal features, are provided equal possibilities to occupy managing positions, take part in decision-making and develop their professional qualifications.

Until 2015 no human rights violations or any relating complaints have been registered. We will reach to further ensure that human rights in the Company are properly protected.

## PUBLIC PROCUREMENT

When planning and performing procurement, executing procurement contracts and establishing the procurement control measures, the Company acts in observance of the Law on Public Procurement of the Republic of Lithuania, the legal acts, implementing the said law, other legal acts and the local acts of the Company. The Company has prepared the public procurement organization and internal control rules, establishing the procedure for organizing and performing internal control in the Company from the planning of procurement till the completion of the procurement contract and evaluation of its results, as well as the responsible persons. When organizing and controlling procurement in the Company, the funds and the employees' working time must be used rationally and the confidentiality and impartiality requirements must be observed.

The procurement procedures in the Company are performed by the Public Procurement Commission (hereinafter referred to as the Commission), formed in accordance with Article 16 of the Law on Public Procurement. Lower value procurement is performed by the Commission or the organizer of procurement. Referring to the volume and character of

procurement, a Commission can be formed for one or several procurements or a permanent Commission is established by Order of the General Manager for a specific period of time.

After completion of the procurement procedures, taking the decision to conclude a procurement contract and forming the Commission, the secretary of the Commission or another appointed member of the Commission provides the information on the winning tender and the intention to conclude the contract on the Company's website and in the Information Supplement to Official Gazette Valstybės Žinios (in case of lower value procurement – only on the Company's website), stating the object of procurement, foreseen contract price, name of the winning participant, the reasons for choosing the participant and, if available, the part of the procurement contract or preliminary contract obligations, for performance of which the winning participant plans to hire third parties as subcontractors.

The Company ensures transparency of its procurements. By acting in accordance with the public procurement procedure, the Company reaches for economic efficiency.

## SOCIETY

### Sponsorship

In its activities the Company follows the principles of business ethics and social responsibility of higher standards. The Company strives to become reliable social partner in Klaipėda and contribute to solving of important social problems.

First of all, the Company could be named as the major supporter in the region. The funds allocated for support first of all are diverted to support cultural, infrastructural, health and social security projects associated with the region, where the Company conducts its activities. When allocating funds the Company follows the order of funds allocation procedure applied to the distribution of funds for public benefit purposes. The Company supports the following public sectors and activities:

1. environmental protection;
2. health care;
3. education;
4. social protection and labour;
5. preservation of cultural, religious and ethical heritage;
6. informal and civic education;
7. sports;
8. improvement of public policy;
9. other public benefit purposes and selfless activities selected yearly by the Board of the Company.

In 2015 m. the Company allocated EUR 140 thousand.

### Focus on health care

In 2015 SC Klaipėdos Nafta signed a sponsorship agreement with Klaipėda Seamen's Hospital, according to which financial support was provided for procurement of medical equipment, used for early diagnostics of neurological diseases. The equipment is intended for the Strokes treatment centre, where patients from the entire Western Lithuania, who have suffered a stroke, are treated. By focusing on our social direction in cooperation with Klaipėda Seamen's Hospital, we reach to ensure that doctors will use the latest and most advanced medical technologies for patients' treatment.

In 2015 the Company signed the sponsorship agreement with Klaipėda Children's Hospital,

which performs and provides specialized ambulatory-consultancy and stationary health care activities to children of the Western Lithuania (from infants to adolescents). The hospital is the only multi-profile children's hospital in Lithuania. The Company provided financial support for procurement of new medical equipment, i.e. ultrasonic cardiovascular system diagnostics equipment, which will allow for ensuring more efficient treatment of children.

Today's Klaipėda cannot be possibly imagined without the traditional "Run for Hope" marathon, organized by the Klaipėda Friary of Saint Francis of Assisi of Lithuania's Saint Casimirus Province of the Order of Friars Minor. The event is aimed at encouraging people to give moral and spiritual support to those ill with oncologic diseases. The financial support, provided by the Company, is an expression of solidarity, which both assists the community and encourages healthy lifestyle and prevention of diseases.



Phot. Vytautas Petrikas

### Focus on education

On 11 December 2015 the letter of intent on development of a liquefied natural gas (LNG) cluster was signed at Klaipėda University by the heads of Klaipėda University, Klaipėda Science and Technology Park, SC Klaipėdos Nafta and SC Western Shipyard. The cluster will reach for close cooperation for better utilization of the economic potential of LNG, development of scientific research of LNG and preparation of training programmes and LNG specialists at Klaipėda University. SC Klaipėdos Nafta will fund about ten positions in the studies programme, which will be taught at Klaipėda University in the

nearest future, i.e. liquefied natural gas terminals engineering. The LNG market and technologies is a new area in Lithuania therefore efficient cooperation in the area of science and education is one of the goals, established by the Company.

The Company cooperates with the state budget institution Klaipėda County Ieva Simonaitytė Public Library. The goals, raised by the library are to contribute to development of the information society, nurturing the growing generation and promoting reading printed books. Therefore the Company, for the purpose of keeping the said values, contributed to this cultural nurturing initiative by providing the library the support for purchasing and supplementing its fund by new publications (up to 300 pcs.).

### Focus on social security

Klaipėda Children's Home for Infants with Developmental Disorders is home for children and infants, who lost their parents at a very early age and infants, abandoned at birth (the children's age is up to seven years' old). One of the aims of the institution is to create cosy and safe environment for the children, growing up without parents or parental care. The home is located near the territory of the Company and is on the list of institutions, patronized by the Company, which provides assistance already for several years by giving financial support and contributing to improvement of the dwelling and nurturing conditions for the resident children. Last year support was provided for implementation of a sensory room. The Company's support helped the organization to



procure the necessary equipment (water pump, bubble pipe, lighting fibre for light therapy, etc.). socially disadvantaged families" with the aim of providing 60 children the possibility to participate in a cultural and recreational programme by the

For several years in a row the Company has been a sponsor of Lithuanian Association of the Blind and Visually Handicapped. The financial support, provided by the Company, helped the Association to procure two new technological machine-tool benches and employ 15 new visually handicapped employees. Last year, as the result of the Company's support, the production shop was renovated, which resulted in creation of several additional working places for visually handicapped persons.

Klaipėda's nursery-kindergarten Giliukas, by using the support funds, provided by the Company, each year improves the conditions for the children. Giliukas's mission is to nurture healthy and self-confident children, ready for school. Last year the kindergarten had the need to construct a new fence with gates in order to ensure the children's safety. Since one of the principal guidelines of activities of SC Klaipėdos Nafta is strengthening the relations with the local community and giving the priority to the projects, providing support to the projects, implemented closer to the Company's territory, we continued supporting the institution by funding the procurement of creativity encouraging equipment at the kindergarten's playground, thus contributing to improvement of social wellbeing for the children, attending the kindergarten.

### Focus on nurturing the public spirit

The agency "All of Lithuania's Children – Klaipėda Foundation" is located near the territory of SC Klaipėdos Nafta, in Melnragė. The agency, previously known as SOS Children, accepts children, who run away from home and foster homes, as well as children, facing other difficulties. This is an agency, which uses all of its financial and intangible resources for helping disadvantaged children. The support, previously dedicated by the Company, was used for reconstruction of the boiler-room and integration of the Agency's waste water systems into the city's waste water network, as well as for heating the Agency's premises thus improving the children's living conditions. Last year the Agency focused its attempts on encouraging children's activities and arranged the summer camp "Childhood's tales here and now for children from sea coast. The Company provided financial support for the camp.

Klaipėda Children's Leisure Centre (KCLC) is located in Melnragė, close to the territory of the Company. The Centre has six leisure clubs, which provide the children's after-school occupation and informal training. About 1300 children from all around Klaipėda participate in the clubs' activities each year. As one of the Company's activity guidelines is strengthening the relations with the local community, we have contributed to organizing the KCLC's traditional autumn festival "Family Entertainment Port" in Melnragė.

### Focus on culture

The Company contributes to nurturing the city's cultural life and sponsors both traditional city events and closed shows in the city's theatres and arenas.



The Company continued supporting Klaipėda State Music Theatre and contributed to some significant shows. State funding is insufficient for creative activities, therefore the Company supports development of new projects and shows. In 2015 the Company contributed to new shows, presented by the Drama Theatre, which has been under reconstruction for a significant period of time.

The Company is also a sponsor of Klaipėda Castle Jazz Festival, nurturing professional, entertaining and classical musicianship, thus nurturing the audience's aesthetic and musical perception. The festival is a gift to the city's residents and visitors by the local community, business enterprises and other entities. Klaipėdos Nafta has also been a sponsor of the festival for many years.

For many years the Company is also a partner in organizing one of the seaport's largest events – the Sea Festival, which is the most famous event in Klaipėda, attracting more than 0.5 million people from around Lithuania and foreign

countries. The Company is an integral part of the event. This sponsorship project is very important, since the event is organized meticulously and related with sea based topicality, the seaport and its people.

### Focus on sports

The Company is a partner in the state budget institution Klaipėda Football School, which organizes the already traditional international junior football tournament for Klaipėda Mayor's Cup. The Company reaches to contribute to sports nurturing among Klaipėda's youth and provides financial support for the institution, organizing the tournament.

For many years Public Enterprise BC Klaipėda, also known as men's basketball team Nafta-Uni-Akvaservis (previously known as Nafta-Uni-Laivitė) is among the leading teams in Lithuania's National Basketball League. During the last year the basketball club had several aims – to duly represent the city of Klaipėda and participate in the Lithuanian National League Championship. The Company's financial support ensures for the team the conditions to successfully develop its activities and reach the best results.

### Focus on public safety

In 2015 SC Klaipėdos Nafta provided financial support for ensuring public safety: the sponsorship agreement was signed, according to which greater attention is dedicated to safety of residents of Melnragė and Giruliai. The support is dedicated for ensuring more intensive supervision of the said districts by the police, procurement and installation of the new information tent and stands, as well as for implementing other measures. This is the second agreement between SC Klaipėdos Nafta and the seaport's police. On 6 November 2015 the Company was awarded by the Lithuanian Police Commissioner General for its crime prevention activities and close cooperation in implementation of crime prevention projects.