



/Translation from Lithuanian/

TECHNICAL SPECIFICATION (TS)

1. TERMS AND ABBREVIATIONS

- 1.1. **The Buyer** is SC KN Energies.
- 1.2. **The Supplier** – the economic operator – shall mean a natural person, a private legal person, a public legal person, other organisations and divisions thereof or a group of such persons the Buyer enters into a Contract with.
- 1.3. **The Contract** shall mean the Contract concluded between the Supplier and the Buyer with regard to the Procurement object.
- 1.4. **The Procurement object** shall mean Services.

2. PROCUREMENT OBJECT

Insurance brokerage and consulting services (hereinafter referred to as the Procurement Object).

The Procurement object shall not be divided into lots.

2.1. CURRENT SITUATION

SC KN Energies (hereinafter referred to as KN) is looking for an insurance broker and consulting service provider to provide services to KN and its current subsidiaries (hereinafter referred to as Services). KN does not currently have such a service contract.

The aim is to purchase a high-quality insurance service program that meets the risks and responsibilities of KN as an operator of oil and liquefied natural gas terminals in Lithuania and other countries, as well as its creation and maintenance. The current KN insurance coverage includes:

- 1) Third-party civil liability insurance for operations in Lithuania and Germany;
- 2) Environmental liability insurance for operations in Lithuania and Germany;
- 3) Property damage and business interruption insurance for property in Lithuania;
- 4) Insurance for liquefied natural gas (LNG) cargo;
- 5) Employer's civil liability insurance for activities in Lithuania;
- 6) Civil liability insurance for managers (worldwide);
- 7) Employee health insurance (approximately 390 employees in Lithuania);
- 8) Vehicle insurance (approximately 70 vehicles in Lithuania, insured on the same day);
- 9) Port operator civil liability insurance for operations in Brazil;
- 10) Environmental liability insurance for operations in Brazil.

3. REQUIREMENTS FOR THE PROCUREMENT OBJECT

3.1. Green criteria applied to the procurement object

The Buyer seeks to ensure that its and the Supplier's actions have as little impact on the environment as possible, therefore:

- 3.1.1. During the public procurement and contract performance, communication between the Supplier and the Buyer will be conducted exclusively through electronic means (CVP IS tools, phone, email, etc.);
- 3.1.2. All documentation related to the performance of the Contract shall be submitted to the Buyer and Supplier via electronic means (CVP IS tools, e-mail, etc.);
- 3.1.3. The Contract will be signed only by electronic means (electronic signature);
- 3.1.4. The Supplier undertakes to reduce paper consumption, refrain from unnecessary copying and printing of documents, and if office supplies are used, they must be made from recycled raw materials or suitable for recycling;
- 3.1.5. If printing is necessary, the Supplier undertakes to use recycled paper that meets the green procurement requirements approved by Order No. D1-508 of the Minister of the Environment of the Republic of Lithuania on June 28, 2011 "On the Approval of the Procedure for the Application of Environmental Protection Criteria in Green Procurement" (hereinafter referred to as the Procedure);
- 3.1.6. The supplier undertakes to sort the waste generated during the provision of services and to transfer waste suitable for recycling or reuse to a waste manager authorized to manage such waste, and to dispose of waste that is not suitable for recycling or reuse in specially designated places.

- 3.1.7. If the goods/materials/raw materials used by the Supplier during the provision of the Services must be supplied or transferred in secondary packaging, they must comply with the minimum environmental protection criteria established for packaging, unless this is contrary to hygiene standards: packaging must be considered recyclable packaging in accordance with the provisions of the Law on Environmental Pollution Tax of the Republic of Lithuania.
- 3.1.8. The Supplier undertakes to ensure that the Supplier's specialists providing services choose non-polluting means of transport that meet the green procurement requirements approved in the Description when traveling to the place of service provision;
- 3.1.9. The Supplier undertakes to ensure that the optimal route is chosen for the Supplier's specialists to travel to the place of service provision;
- 3.1.10. The Supplier undertakes to ensure that the specialist closest to the intended place of service provision is offered to provide the services;
- 3.1.11. The Supplier undertakes to ensure that its actions do not pollute the environment or pose a health hazard, thus complying with the environmental principle set out in point 4.4.4 of the Description.

The services being purchased are of an intangible nature, not related to the creation of a tangible object, and their provision is not expected to have a significant negative impact on the environment, create a source of pollution, or generate waste.

3.2. Requirements for compliance with national security interests

The supplier's tender will be rejected if at least one of the following conditions is met (Article 58(4)⁽¹⁾ of the Public Procurement Law).

3.3. DESCRIPTION OF THE PROCUREMENT OBJECT

3.3.1. The supplier will provide consulting services to the buyer on risk, insurance coverage and its renewal, and claims, so the supplier must meet the quality standards applicable to services in this sector (covering a range of local and international insurance service providers, working efficiently, understanding the client's business circumstances, applying high customer service standards, and being able to explain the nuances of the insurance sector to the Company and its management in simple terms.

The service requirements are set out in this specification, which consists of three main parts:

Part A. Risk engineering report on KN facilities (terminals)

The supplier must perform an analysis of all KN facilities located in Lithuania (Klaipėda LNG terminal, Klaipėda oil terminal, Klaipėda LNG reloading station, Subačius oil terminal (hereinafter referred to as KN facilities)). The supplier must prepare a detailed engineering report (reports) on the KN facilities, which would include a detailed assessment of the integrity and security measures of the engineering structures used in the KN facilities, the value of the assets and loss scenarios, identified risk factors, natural hazards and other hazards, and provide risk management recommendations. This task must be performed once during the term of the Contract.

Part B. Insurance program and acquisition and renewal of insurance coverage

Insurance program

The supplier reviews contracts with KN's key customers and suppliers, legal and regulatory requirements applicable to KN's facilities in Lithuania, existing insurance contracts, the current risk engineering report, operating manuals, and other relevant technical documents related to KN's operations, KN's risk management strategy and other related KN internal documents, and prepares an insurance program for KN and its subsidiaries (including a subsidiary in Brazil). The insurance program must include at least the following elements:

- 1.1. A risk matrix grouping, assessing, and describing all identified risk factors (probability, severity of impact, etc.);
- 1.2. A detailed description of the risk mitigation measures available to KN;
- 1.3. Recommendations on appropriate risk tolerance levels for KN;
- 1.4. A detailed risk mitigation plan covering insurance and non-insurance measures. In the case of insurance, several options with different levels of coverage should be offered. These proposals should also specify the main insurance conditions (limits, special conditions, extension of insurance coverage, additional conditions, main exclusions, etc.), as well as the range of insurance premiums for each proposed level of insurance;
- 1.5. Insurance procurement strategy (how insurance procurement should be structured, when insurance procurement should be announced, what the criteria for evaluating insurance services should be, etc.);
- 1.6. Recommendations related to loss reporting, claims handling, and other related issues.
- 1.7. Ensure that the main terms and conditions of insurance policies comply with the main provisions of commercial and public procurement contracts with key customers and suppliers in order to maintain maximum insurance coverage and effectiveness in contracts.

In order to successfully achieve this objective and develop an insurance program that meets KN's expectations, the Supplier shall organize a workshop during which the following will be presented:

- 1.1. a summary of insured risk limits, EML, and risk assessment, including advice on how KN can improve insurance coverage, reduce costs, or better mitigate the negative impact on financial results, and what measures should be taken to achieve this goal
 4. a summary of the assessment of the KN's current insurance coverage and, if necessary, an overview of the recommendations made regarding changes to conditions, provisions, or insurance limits;
 5. present any relevant market trends or risk trends that the KN should be aware of, as well as market options;
 6. provide general advice to the KN on risk issues related to changes in the insurance market and changes in legislation governing insurance coverage that may affect the KN;
- 1.2. provide advice on the terms and conditions of KN's customer/supplier contracts analysis, summary, and overview of recommendations provided
- 1.3. preparation of a seminar report after the seminar, detailing the issues discussed and the recommendations made by the Supplier.

Purchase and annual renewal of insurance coverage

The Supplier must:

- 1.1. Participate in the procurement of insurance services for all KN objects (including repeat procurements if the procurement was unsuccessful or the insurance contract is terminated or not renewed), provide consulting assistance in preparing draft procurement documents in accordance with KN requests, provide an overview of the insurance market, and prepare insurance contracts. The main objective of this action is to ensure that the KN, in order to balance costs and risks, the Buyer receives the best value for insurance services (price-quality ratio). The supplier also informs insurance companies in a timely manner that KN is purchasing insurance and invites insurance companies from local and international markets (KN expects to receive at least 2 offers from different international insurance companies and 2 offers from different local insurance companies, if market conditions allow) to submit offers for insurance services. If the Supplier is unable to invite the required minimum number of insurance companies, it must provide a written explanation of why it was unable to meet this requirement.
- 1.2. Assist in negotiating the terms and conditions of insurance policies, including changes/deficiencies in insurance coverage, exclusions, guarantees, or important limitations with insurance companies.
- 1.3. Participate in meetings (or teleconferences) with KN to discuss issues related to the tender and provide advice.
- 1.4. Respond to questions from insurance service providers received during the procurement process.
- 1.5. Analyze the proposals submitted by insurers and assist in evaluating all insurance proposals received in accordance with the insurance service procurement evaluation criteria.
- 1.6. Provide advice and recommendations on the wording of insurance policies and the interpretation of insurance coverage.
- 1.7. Check the insurance policy documents submitted by insurance companies.

The supplier must submit an annual insurance renewal report, which must include details of all valid policies, including a summary of the terms and conditions, exclusions, and deductibles, a review of uninsured risks, a price comparison, and discuss other important developments in the insurance market, recommendations for changes or improvements to existing policies and insurance coverage, and provide justification for any additional changes proposed to the current insurance program. The supplier shall also provide recommendations and assistance to KN in renewing insurance policies, as necessary.

Part C. Assistance as needed (for services not related to the tasks listed in Parts A and B)

The supplier must:

- 1.1. Provide KN with services during working hours, responding to all service-related questions and providing solutions. Assistance must be provided by qualified employees who are professionals in their field. As KN is a dynamic organization operating 24 hours a day, 7 days a week, responses to requests for assistance must be quick and concise so that problems can be solved in a timely manner.
- 1.2. Provide assistance to the Buyer in communicating with insurance companies, translating the insurance language of any country into easily understandable terms.
- 1.3. Provide advice and recommendations on insurable losses, including proper reporting to and negotiation with insurers.
- 1.4. Provide ongoing advice on insurance policy coverage and insurable risks.
- 1.5. Provide letters of guarantee or insurance policy amendments at the request of the KN.
- 1.6. Assist in the processing of insurance claims.
- 1.7. Consulting on risk control investigations conducted by insurance companies and, if necessary, preparing reports and recommendations.
- 1.8. Participation in internal KN meetings where specific projects/issues are discussed.
- 1.9. Representing KN's interests in meetings with insurers, claims handlers, and loss adjusters.
- 1.10. Carrying out other KN requests, providing advice on insurance and insured risks.

Service standards

KN requires the Supplier to provide services in accordance with the same or higher standards that KN applies to cyber security (https://www.kn.lt/uploads/files/dir64/dir3/12_0.php) and BDAR (https://www.kn.lt/uploads/files/dir66/dir3/4_0.php). The Supplier is expected to enter into a service agreement with the KN in accordance with best industry practice, which will set out service and quality standards and performance monitoring procedures.

Conflict of interest

The Supplier shall avoid any conflict of interest when concluding and performing the contract. Any actual or potential conflict of interest must be reported to KN in writing as soon as it becomes apparent. In the event of any conflict of interest or potential conflict of interest, KN may, at its discretion, decide on the actions it deems appropriate.

4. SCOPE OF THE PROCUREMENT OBJECT

4.1. Pricing applied:

Fixed rate

- 4.1.1. Part of the service price paid directly to the Supplier: EUR 0.00 for services provided under the contract. The Supplier will receive remuneration in the form of commission under the (re)insurance contracts concluded by KN. The remuneration (commission) paid to the Supplier shall be included in the (re)insurance premiums paid by KN. KN shall not pay the Supplier any other remuneration for the services provided under the contract, except for the preparation of engineering reports. The Supplier's remuneration (commission) for the conclusion of (re)insurance contracts may not exceed 10% and may not be equal to or less than 0% for each contract. The total remuneration (commission) that the Supplier will earn for the conclusion of (re)insurance contracts during the entire term of the contract may not exceed EUR 300,000.00 (three hundred thousand) excluding VAT.
- 4.1.2. The contract price shall be equal to the sum of the Supplier's bid price excluding VAT (for engineering report preparation services) and EUR 300,000.00 excluding VAT (for insurance brokerage and consulting services, which shall be provided in the form of commission remuneration according to the percentage specified by the Supplier).

5. PLACE OF EXECUTION OF CONTRACTUAL OBLIGATIONS

Remotely.

6. PROCEDURE AND TERMS OF SERVICE PROVISION

6.1. Terms of service provision

The term of service provision is 3 (three) years.

The deadline for preparing the risk engineering report is no longer than 3 (three) months from the date of entry into force of the contract.

6.2. Procedure for the execution of orders

By email

7. QUALITY AND REMEDYING DEFICIENCIES

- 7.1. A period of 10 (ten) calendar days shall be set for eliminating deficiencies observed during the performance of the contract from the moment the Buyer sends an email to the Supplier notifying them of the poor quality of the Services.