



Title of the normative internal legal act	The Group Risk Management Policy
Title of the process	Risk Management
Process owner (unit)	Group Business Resilience
Approving company	AB "Ignitis grupė"
Approving person/body	Management Board of AB "Ignitis grupė"
Date of entry into force	From the date of approval

1. PURPOSE AND SCOPE

1.1. The Group Risk Management Policy (hereinafter – the Policy) establishes the main Risk Management terminology, principles, goals, uniform Risk Management Framework applied within the Group and the responsibilities of the parties involved.

1.2. It shall apply to the Group Companies to the extent it does not violate the provisions of the European Union's Third Energy Package.

2. TERMINOLOGY

2.1. **Group** – AB "Ignitis grupė" and the legal entities it controls directly or indirectly.

2.2. **Group's Risk Appetite** – Ignitis group Management Board determined Risk's level, which the Group is prepared to accept to achieve its Goals. The Group's risk appetite determined in accordance with the Group's core purpose, strategy and values, is established by the approval of the Group's risk management policy by the Management Board of Ignitis Group.

2.3. **Opportunity** – an uncertainty situation, which may have a positive impact on the Group.

2.4. **Ignitis Group (HLD)** – AB "Ignitis grupė", legal entity code: 301844044.

2.5. **Company** – directly or indirectly controlled legal entity by the Ignitis Group.

2.6. **Function** – a key business support unit, established by the decision of the Management Board of Ignitis Group by appointing the Head of Function and, if necessary, the Head(s) of functional area(s). A Function may include several Functional Areas.

2.7. **Head of Function** – an employee of Ignitis Group who leads the respective Function at the Group level.

2.8. **Risk** – a potential event, an uncertain situation which could have an impact on the achievement of the Goals.

2.9. **Risk Level** – an indicator that identifies the significance (likelihood and impact) of the Risk and allows to compare Risks with each other.

2.10. **Key risk indicator (Indicator)** – a quantitative or qualitative indicator allowing to identify Risk tendency in advance (increase, decrease or stability).

2.11. **Risk Owner** – a person or entity who is responsible and authorised for Risk Management.

2.12. **Risk Management Partner** – an employee of the Compliance and Enterprise Risk Management functional area under the Group Business Resilience Function who was appointed to coordinate Risk Management within a Company and/or Function.

2.13. **Risk Management** – coordinated actions to direct and control the organisation in consideration of the Risk.

2.14. **Risk Management Framework** – the set of components that form the foundations and organizational measures for the creation, implementation, monitoring, review, and continuous improvement of the entire Group's Risk Management.

2.15. **Risk Management Monitoring (Monitoring)** – a periodic process carried out after every quarter of the year, during which the following are being performed: reassessment of the Risks, Measures statuses update, summary of the latest values of Indicators, identification of Risk increasing, decreasing and/or neutral Signals, approval of Substantial changes of Risk Management and submission of Monitoring reports to the Group's and Companies' supervisory and management bodies.

2.16. **Response to Risk strategy (Response strategy)** – a response to a Risk by accepting, mitigating, transferring, or avoiding it.

2.17. **Measures implementing the Response Strategy (Measures)** – specific measures by which the Response Strategy is implemented.

2.18. **Substantial changes of Risk management** – a new Risk registration; an existing Risk elimination; changing the Risk level from 'exceeding the Risk appetite' to 'within the Risk appetite' and vice versa; determination or changing: the Response strategy, Measure(s), Indicators and their thresholds of the Risk that exceeds the Group's Risk Appetite.

2.19. **Goals** – goals of various levels relevant to the Group (Group/Company long-term strategies, strategic, annual goals, goals of Functions, Functional areas, projects, products, processes, etc.).

3. GENERAL PROVISIONS

3.1. This Policy establishes a uniform Risk Management Framework within the Group and is prepared based on the best market practices and international Risk Management standards, including the guidance of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and ISO 31000:2018 (Risk management — Guidelines) standard.

3.2. The Policy is harmonised with the Guidelines for the Corporate Governance of State-Owned Energy Groups approved by the Order No 1K-205 of the Minister of Finance of the Republic of Lithuania of 7 June 2013, including all subsequent amendments and supplements, and the Group Corporate Governance Policy.

4. THE GROUP'S RISK STRUCTURE AND RISK MANAGEMENT GOALS

4.1. The Group is operating in a dynamic energy sector, where faces various internal and external factors and effects that can affect the achievement of the Goals. According to their nature, risks in the Group are classified to operational (arising in daily Companies' business), strategic (which may have significant effect on achieving strategic goals), financial (arising from the company's financial assets and/or financial obligations) or legal (arising from the legal environment).




4.2. Risks may arise within the activities of separate Group's Companies, Functions or could be systemic risks, which are relevant to several or more Group's Companies.

4.3. The main Risk Management goals are the following:

- 4.3.1. to ensure that, when making decisions, working towards the Goals the Group's values: responsibility, partnership, openness and growth, are being followed;
- 4.3.2. to eliminate or mitigate as much as possible the impact of Risks on different term's Goals;
- 4.3.3. to protect the interests of customers, stakeholders and the public;
- 4.3.4. to ensure that accurate information is being provided to decision-makers, shareholders and other stakeholders in a timely manner;
- 4.3.5. to protect the Group's reputation and ensure reliability;
- 4.3.6. to ensure the stability and sustainability of all activities of the Group.

5. RISK MANAGEMENT PRINCIPLES

To achieve the Risk Management goals, the following unified Group Risk Management principles have been established:

The main principles of Risk Management		
 INTEGRITY	 EFFECTIVENESS	 MATURE CULTURE
Implemented through:		
<ul style="list-style-type: none"> • Involving Risk Management into all activities of the Group • Linking Risks with Goals • Ensuring the compliance with legislation, reporting standards and the best global practices • Complex assessments of the impact the risks have on reputation, finance, compliance, people's health and safety 	<ul style="list-style-type: none"> • Proactive, dynamic and structured processes • Clear sharing of responsibility and accountability • Identifying the Opportunities in uncertainty situations • Including stakeholders into continuous improvement of the Risk Management Framework • Applying advanced technologies, tools 	<ul style="list-style-type: none"> • Risk assessment and reporting based on openness and trust • Decision-making based on Risk assessments and compliance with the Group's values

6. THE GROUP'S RISK APPETITE

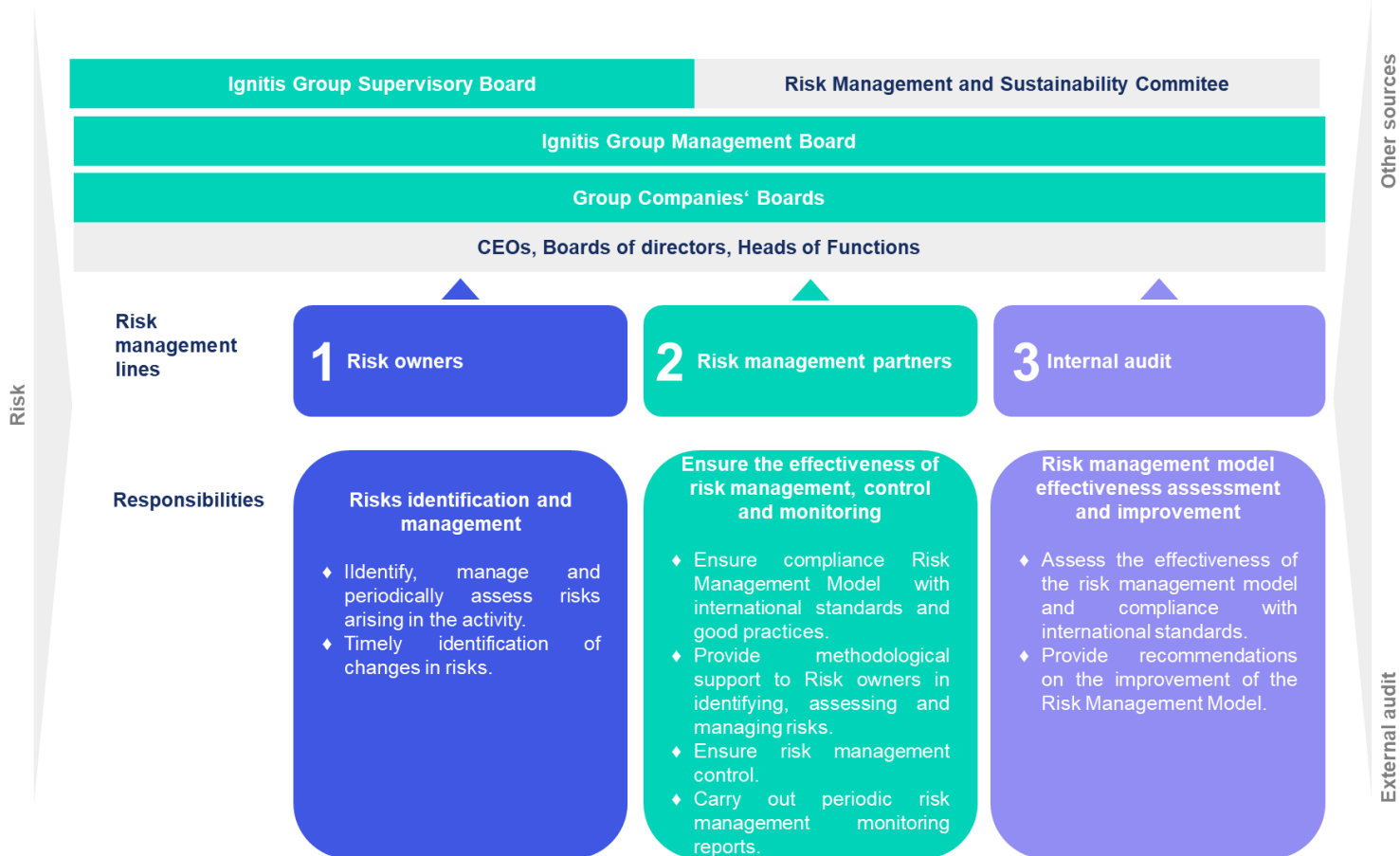
6.1. To achieve its Goals, the Group identifies and assesses the following risks: operational, strategic, financial, and legal. Risks can be assessed as low, medium, high, or very high level based on the likelihood and impact of risks (to human health and lives, finances, compliance, and reputation). The Group's risk appetite includes low and medium level risks, i.e., risk's level, that the Group can accept to achieve the Goals. Low-level risks and medium-level risks can be accepted or managed (depending on the nature of the risk, sources of risk, other factors), high and very high-level risks must be managed (by establishing risk management plans).

6.2. The Group is determined to achieve its Goals in a sustainable manner, therefore it pays special attention to and mitigates risks related to health and safety, corruption, climate change and environmental protection, cyber threats, non-compliance with legal requirements (such as the European Union's Third Energy Package, Money Laundering and Terrorist Financing prevention requirements, the General Data Protection Regulation, the Market Abuse Regulation, the Regulation on Wholesale Energy Market Integrity and Transparency, the European Market Infrastructure Regulation, etc.), partnership relations that would have any links with countries unfriendly to Lithuania, and etc.

6.3. All Group Companies and Functions undertake to follow these Group's Risk Appetite provisions, while pursuing their own and the Group's Goals and making any operational decisions.

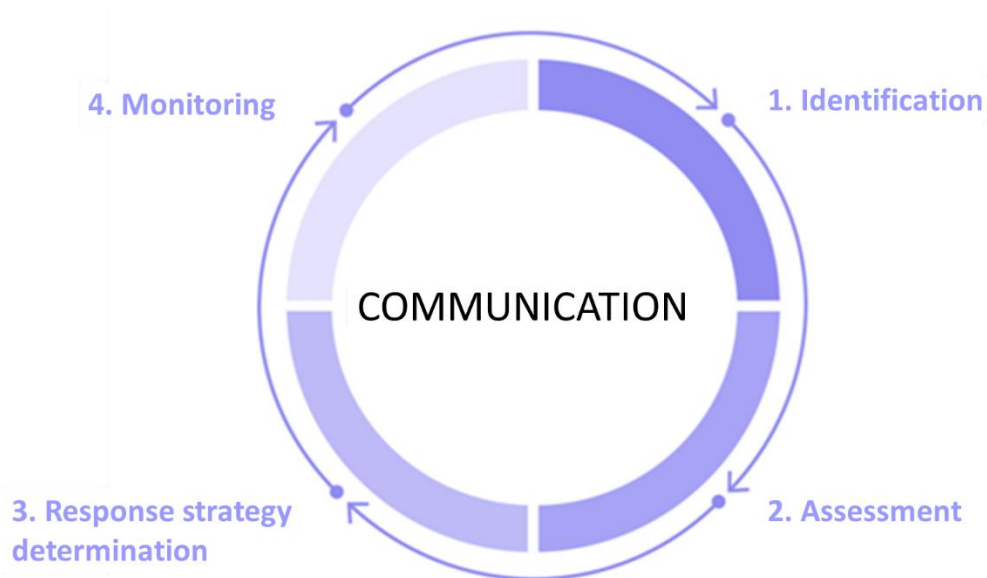
7. RISK MANAGEMENT FRAMEWORK AND PROCESS

The Group ensures clear segregation of Risk Management and control duties by applying the 'Three-lines enterprise risk management framework' (see figure below), where the duties are distributed between management and supervisory bodies, structural units and Functions.



The responsibilities of the parties to the Risk Management process are described in more detail in the annex of this Policy "Matrix of Risk Management Responsibilities".

A uniform Risk Management process is being applied within the Group comprises of four stages: Risk identification, assessment, Response strategy determination and Monitoring.



All Group's employees are responsible for Risks identification. New Risks are being registered immediately after they are identified (during registration Risk is being assessed, Response strategy determined) and approved during the Monitoring stage. During Monitoring stage existing Risks are being re-assessed, statuses of Measures and values of Indicators are renewed, Risks' increasing/ decreasing and neutral alerts are identified, Substantial changes of Risk Management are being approved and Risk management reports are being submitted to Group's and Companies' management and supervisory bodies. During the Group's annual planning process, Functions' and Companies' Risk management plans are being approved in accordance with the procedure established in the Strategic Planning Policy. Risk Management Monitoring process is detailed in the Group's Risk Management Standard and its appendices.

8. IDENTIFYING OPPORTUNITIES

Uncertainty situations may cause not only Risks that have a negative impact on the Group, but Opportunities, that may bring additional benefits to the Group as well. Due to this reason, the Group orients its Risk Management towards both managing the Risks that have a negative impact and identifying the Opportunities in uncertainty situations as well.

9. FINAL PROVISIONS

9.1. The head of the relevant Company or Function shall ensure the implementation of the provisions of the Policy in the Companies and the Functions.

9.2. The Compliance and Enterprise Risk Management functional are of the Group Business Resilience Function prepares normative internal legislation ensuring the uniform implementation of the provisions of the Policy at the Group level.

9.3. The Compliance and Enterprise Risk Management functional of the Group Business Resilience Function shall revise the Policy at least every two years.

9.4. Internal legal acts related to the implementation of the Policy may be adopted in the Companies, Functions or functional areas as necessary. They shall be consulted with the Head of Compliance and Enterprise Risk Management functional area and shall not contradict to this Policy.

9.5. Policy is being published in the Group website and is publicly available.