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Governance Policy of AB “Ignitis grupė” group of companies
 Legal
 Group Legal Function
 AB “Ignitis grupė”
 Management Board of AB “Ignitis grupė”
 1 October 2024

GOVERNANCE POLICY OF AB “IGNITIS GRUPĖ” GROUP OF COMPANIES

1. PURPOSES AND SCOPE

- 1.1. Purposes:**
- 1.1.1. to establish common, clear and transparent principles for managing AB “Ignitis grupė” group of companies;
 - 1.1.2. to ensure the integration of the companies of AB “Ignitis grupė” group of companies into one organisation;
 - 1.1.3. quick and efficient decision-making;
 - 1.1.4. effective and efficient management of competences within AB “Ignitis grupė” group of companies.
- 1.2. Scope:** applies to all companies of AB “Ignitis grupė” group of companies to the extent compatible with the requirements of the legislation of the European Union, the Republic of Lithuania and other countries where the companies are incorporated and operating, the Articles of Association of Group Companies and/or shareholder agreements, including requirements for the independence of the electricity and natural gas distribution system operator, the unbundling of energy activities, fair trade, etc., while taking into account the exceptions set out in this Policy.

2. TERMS AND ABBREVIATIONS

Term or abbreviation	Explanation
Collegial Body	A collegial management body (Management Board/Board) and/or supervisory body (Supervisory Board), Audit Committee, Risk Management and Sustainability Committee, Nomination and Remuneration Committee as specified in the documents of incorporation of a Group Company. Also, an Executive Committee operating in the Group Companies.
Core Activity/Business Segment	Business segments outlined in the Group’s strategy and strategic plan.
Corporate Governance	The totality of management and supervisory bodies that ensures proper representation of shareholders, alignment of stakeholder interests, proper separation of the Group’s management and supervisory functions and compliance with legal requirements.
Corporate Governance Guidelines, Guidelines	Guidelines for Corporate Governance of the State-Owned Group of Energy Companies approved by the Minister of Finance of the Republic of Lithuania.
Directly Controlled Company	A subsidiary of AB “Ignitis grupė”.
Employee	A person working at a Group Company under an employment contract.
Function/Functional Management	An activity or a group of activities organised at the Group level to achieve effective management and synergy of the competences that enable the Group’s Core Activities. A Function may include several Functional Areas.
Functional Area	A part of a Function which covers individual matters of activities and the operation of which is organised at the Group level.
Governance Policy, Policy	Governance Policy of AB “Ignitis grupė” group of companies; this document.
Group	AB “Ignitis grupė” and the legal entities it controls directly or indirectly.

Group Company	A company of AB "Ignitis grupė" group of companies, including the Parent Company.
Head of Function	An employee in charge of a respective Function at the Group level.
Head of Functional Area	An employee in charge of a respective Functional Area at the Group level.
Head of Unit	An employee in charge of a structural unit at a Group Company (administrative manager).
Indirectly Controlled Company	A lower-tier subsidiary of a subsidiary of AB "Ignitis grupė".
Matrix/Matrix Management	A method of management where an Employee has at least 2 managers and where he/she is accountable (reports) to at least one of the managers directly (solid line) and to another indirectly (dotted line).
OECD	Organisation for Economic Cooperation and Development.
Organisational Structure	The arrangement of units at a Group Company and their management chain with reporting lines.
Supervising Management Board Member	A member of the Management Board of the Parent Company who is responsible for and supervises the Group's Core Activity/Business Segment and/or Function assigned to him/her.
Parent Company	AB "Ignitis grupė".

3. GROUP GOVERNANCE SYSTEM

- 3.1. The Group governance system has been developed on the basis of the most advanced international and national practices, following the G20/OECD Principles of Corporate Governance, the OECD Guidelines on Corporate Governance of State-Owned Enterprises and the recommendations published by the OECD while having regard to the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius and the Rules of the London Stock Exchange.
- 3.2. The Group Corporate Governance model is being implemented in accordance with the Corporate Governance Guidelines and Letter of Expectations approved by the Ministry of Finance of the Republic of Lithuania as the authority exercising the rights of the Parent Company's majority shareholder, the Republic of Lithuania.
- 3.3. In exercising its patronage functions, the Parent Company shall organise the Group governance system in a way to be able to coordinate the activities of the Group by supervising and monitoring the activities and controlling their management while ensuring that knowledge and best practices are shared in order to realise synergies between the Group Companies and promote cooperation in pursuit of the goals set for the Group Companies.
- 3.4. The Group Corporate Governance, Core Activities/Business Segments, Functional and Matrix Management described in this Policy comprise the *Group Governance System* (Annex 1 to the Policy).

4. GROUP CORPORATE GOVERNANCE

- 4.1. The governance structure of the Parent Company's and the Group Companies' bodies and the Corporate Governance principles described in this Policy comprise the Group Corporate Governance.
- 4.2. The Group Corporate Governance is oriented towards the implementation of business goals of the Group Companies and is based on creating a value chain across the Core Activities/Business Segments and Functions.
- 4.3. The Corporate Governance principles applied in the Group are the following:

4.3.1. Protection and equality of shareholders' interests	Opportunities to exercise property and non-property rights arising from shareholdings and the interests of all shareholders shall be ensured. All shareholders shall have equal opportunities to receive information and/or documents in accordance with the scope and procedures set out in laws and other legal acts.
4.3.2. Openness and transparency	Timely and accurate disclosure of information about the Group shall be ensured.
4.3.3. Prioritising the Group's interest	The Group's governance shall be based on prioritising the Group's interest while also ensuring the autonomy of the Group Companies,

	which means that, without prejudice to the provisions of the Policy, each Group Company shall act autonomously as a legal entity in pursuing the objectives set out in the Articles of Association of the Group Company.
4.3.4. Integrity	The Group's governance shall be based on integrated Corporate Governance, Functional and Matrix Management models, the interaction of which shall ensure proper management and coordination of the Group's activities, cooperation and sharing of best practices within the Group with a focus on achieving the Group's strategic goals.
4.3.5. Result-oriented	Goals shall be set systematically and aligned between the Parent Company, the Group Companies, Functions and Employees.
4.3.6. Stakeholder management	Stakeholders that may influence the Group's activities or may be affected by its actions shall be identified and managed. Stakeholder expectations and rights arising from agreements or legal regulations shall be recognised, and active cooperation in creating sustainable added value shall be promoted.
4.3.7. Responsibility and accountability of management and supervisory bodies	The proper performance of the functions of Collegial Bodies and their accountability to shareholders shall be ensured.
4.3.8. Effective and efficient internal control and risk management	The Group governance system shall aim to maintain the effectiveness and efficiency of internal control, risk management and compliance systems as well as ensure that the Internal Audit Function is sufficient for the size of the Group and the scope of the activities it carries out.

4.4. **The Corporate Governance structure of the Parent Company** comprises the General Meeting of Shareholders, a two-tier governance system, which includes the Parent Company's Management Board and Supervisory Board, Audit Committee, Risk Management and Sustainability Committee, Nomination and Remuneration Committee, CEO of the Parent Company (Figure 1):

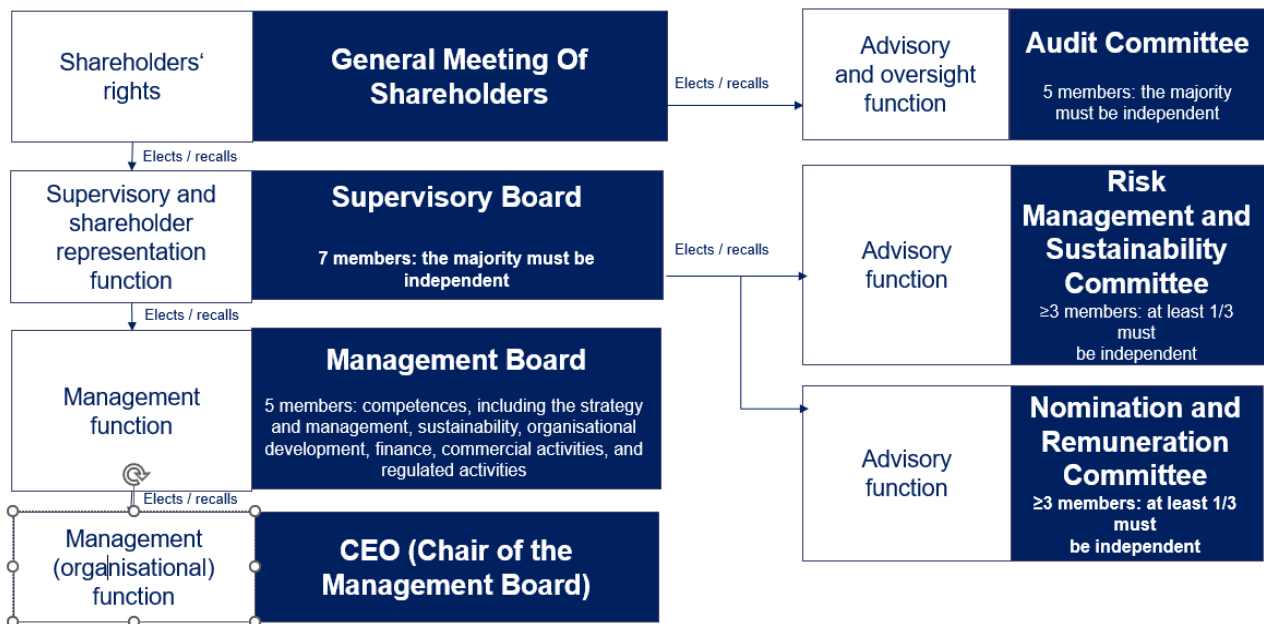


Fig. 1. The Corporate Governance structure of the Parent Company

4.5. The main responsibility areas of the Parent Company's Collegial Bodies are the following:

Parent Company's body	Main responsibilities
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4.5.1. General Meeting of Shareholders	It is the Parent Company's highest decision-making body attended by the shareholders of the Parent Company.
4.5.2. Audit Committee	It monitors the Parent Company's and the Group's consolidated financial reporting process, the effectiveness of the Group Companies' internal control and risk management systems that affect the financial reporting of audited Group Companies and the Parent Company's sustainability reporting, as well as the effectiveness of the internal audit systems and processes. The Audit Committee is also responsible for monitoring the audit of annual financial statements of the Group Companies which are public interest entities and the audit of the Group's consolidated financial statements as well as for monitoring compliance with the principle of independence of auditors of the Group Companies, audit firms and independent assurance service providers.
4.5.3. Supervisory Board	It is responsible for the effective supervision of the Parent Company's management bodies, approval of the Group's strategy and strategic plan, analysis and assessment of the information on the implementation of the business strategy, as well as for the provision of this information to the General Meeting of Shareholders. To perform its functions and responsibilities efficiently, the Supervisory Board of the Parent Company forms committees which address the issues that fall within the competence of the Supervisory Board.
4.5.4. Risk Management and Sustainability Committee	It is responsible for submitting conclusions and/or proposals to the Supervisory Board on the management and internal control system, key risk factors and the status of implementation of risk management measures within the Group; it also supervises sustainability (including impacts, risks and opportunities) management, compliance with business ethics and control of corruption risks, and provides recommendations to the Supervisory Board, if necessary.
4.5.5. Nomination and Remuneration Committee	It is responsible for submitting conclusions and/or proposals to the Supervisory Board on the matters of appointment, removal or incentivisation of members of the supervisory and management bodies of the Group Companies, assessing the performance of the Parent Company's Management Board and its members as well as providing a relevant opinion; also, for developing a common remuneration policy within the Group companies, determining the size and composition of remuneration, incentive principles, etc.
4.5.6. Management Board	It is responsible for implementing key Corporate Governance functions and decision-making. Members of the Management Board of the Parent Company shall ensure, within their competence, that the Parent Company's activities are carried out properly / respective areas are supervised at the Group level and that the Group's strategy and strategic plan are implemented.
4.5.7. Chief Executive Officer (CEO) of the Parent Company	He/she represents the Parent Company and, together with the Management Board, is responsible for managing the Parent Company.

- 4.6. The Parent Company's Collegial Bodies are formed and operate in a way to ensure the proper representation of the Republic of Lithuania, as the majority shareholder, other shareholders and stakeholders, as well as the separation of management and supervisory functions. The models of the Corporate Governance structure applied in the Group Companies shall be selected considering the requirements set out in legal acts which are applicable in a relevant jurisdiction and the Guidelines, the Group's interests, shareholder agreements, aspects related to the specifics of the activities of the Group Companies and other significant circumstances.
- 4.7. The following Corporate Governance model, which is presented below in Figure 2, shall apply to Directly Controlled Companies that carry out Core Activities: these Group Companies shall have a collegial management body, the Board, which carries out supervisory functions and includes independent

members, shareholder representatives, a civil servant and, if necessary, an Employee representative. Additionally, the Articles of Association of these Group Companies shall provide that, in order to ensure efficient management of a Group Company, the CEO of a Directly Controlled Company, after obtaining agreement from the Management Board of the Parent Company, forms an Executive Committee, which is assigned to examine and provide an opinion to the CEO of the Directly Controlled Company on the most important areas of the Group Company's activities and matters outlined in the Articles of Association of the Group Company and other legal acts regulating its activities. Each member of the Executive Committee, acting jointly with the other members of the Executive Committee, shall decide on matters falling within the competence of the Executive Committee and shall be responsible for the lawfulness of the decisions of the Executive Committee. The Executive Committee shall make decisions collegially. The main purpose of the Executive Committee's activities is – together with the CEO of a Group Company – to properly organise and carry out the Group's economic and financial activities, make decisions on the matters set out in the Group's Articles of Association, Regulations of the Executive Committee and other internal legal acts of the Parent Company and/or a Group Company and ensure the effective operation of the Group Company and the achievement of the Group Company's goals.

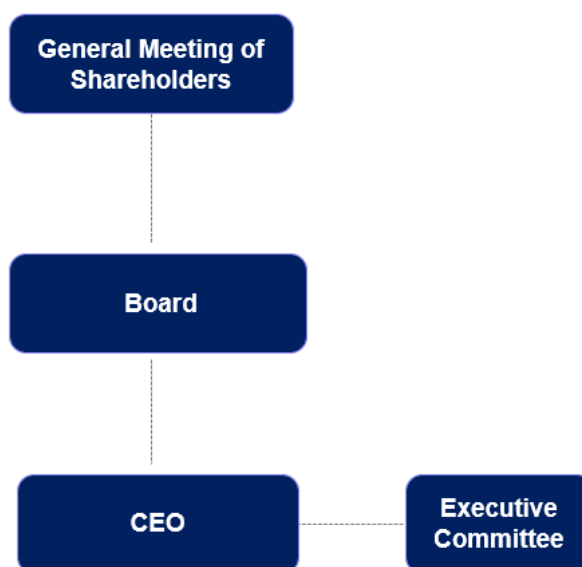


Fig.2. The Corporate Governance model applied to Directly Controlled Companies that carry out Core Activities

- 4.8. The following Corporate Governance models shall apply to other Directly Controlled Companies that carry out non-core activities, support and other activities: i) these Group Companies shall have a collegial management body, the Board, which carries out supervisory functions and includes an independent member(s) and a shareholder representative(s); a separate collegial supervisory body shall not be formed; ii) these Group Companies shall have a sole management body, the CEO, who is assigned the functions of a collegial management body, the Board, while the competences of the General Meeting of Shareholders are expanded. Collegial supervisory or management bodies shall not be formed. This model shall apply when another model is not required for the above-mentioned Group Companies.
- 4.9. The governance structure for Indirectly Controlled Companies shall be developed considering the Group's interests and guidelines, activities of a particular company, holders of shares, legal status, legal requirements in the applicable jurisdiction, shareholder agreements and other aspects. The view is taken that the governance of Indirectly Controlled Companies must be optimal, ensure the implementation of the interests of shareholders and stakeholders and align with best international and national practices in corporate governance.
- 4.10. Directly Controlled Companies and Indirectly Controlled Companies may establish or acquire special purpose vehicles (SPVs). A special purpose vehicle is an Indirectly Controlled Company (i) whose sole shareholder, at the time of its establishment or acquisition, is a Directly Controlled Company or an Indirectly Controlled Company; and (ii) which is established or acquired to carry out a specific project, transaction or activity; and (iii) which has not more than one Employee. Where the governance of the Group Companies and the formation, selection or composition of the Collegial Bodies is subject to legal

requirements under the “comply or explain” rule, special purpose vehicles should be exempted from such requirements, given their specifically narrow scope of activities, due to the need to dynamically change the composition of management or supervisory bodies in such Companies by appointing Employees with expertise as members of the bodies, who are responsible for the implementation of a specific strategic goal set by the sole shareholder of the special purpose vehicle.

- 4.11. The principles for formation, composition, responsibilities (competence) and other aspects of management and supervisory bodies of the Companies are defined in applicable normative legal acts, the Guidelines, the Articles of Association of the Group Companies, shareholder agreements, the documents governing the activities of the Collegial bodies, or the committees formed by them.

5. FUNCTIONAL AND MATRIX MANAGEMENT

- 5.1. The activities of Functions/Functional Areas shall be organised considering Function/Functional Area management and Employees’ accountability (reporting) to the Head of Function/Functional Area. Accordingly, this means that, if an Employee employed at a Group Company carries out work assigned to a specific Function/Functional Area, his/her activities and accountability shall be organised according to the organising principles described in paragraph 5.3 of this Policy.
- 5.2. Matrix Management enables Functional Management to operate within the Group, allowing the organisation to find synergies, be more flexible and efficient. The Matrix Management system shall apply in the Group in cases where there is a need to define the management of the established Functions and Functional Areas in the Group, obtaining formal powers to involve the Employees of different Group Companies rather than acting at the level of a single Group Company. Matrix Management in the Group means that the Group or part of it applies an organisation management structure where Employees may report to several managers rather than one, i.e., to an Administrative Manager and the Head of Function.
- 5.3. Activities of Functions/Functional Areas may be organised using the following approach:
 - 5.3.1. direct management and accountability (**solid line**). This means that the Head of Function and Functional Area makes key decisions regarding the operation of the Function, the activities of the Employees of the Function and Functional Area and risk management in consultation with or by informing a Group Company (as set out in Annex 2 to this Policy “*Responsibility Assignment Matrix*”);
 - 5.3.2. indirect management and accountability (**dotted line**). This means that Employees within a Function and Functional Area are part of the community of the Function or Functional Area, and the Head of Function and Functional Area ensures that best practices are shared with them. Employees within the Function and Functional Area shall share the most important information about the activities of a Group Company with the Head of Function and Functional Area in accordance with the provisions of the Policy and by ensuring the integrated operation of the Function and Functional Area (as set out in Annex 2 to this Policy “*Responsibility Assignment Matrix*”).
- 5.4. The solid and dotted line Functions, Functional Areas and models of operation in the Group Companies (except for the Group Companies referred to in paragraph 4.10 of the Policy), Supervising Management Board Members and the list of key topics within the scope of responsibility of a Function are described in Annex 3 to this Policy “*List of Functions and Functional Areas and Matrix for Operation*” (hereinafter the “**Matrix**”).
- 5.5. The Group shall apply the following Functional Management principles in its day-to-day activities:

5.5.1. Cooperation	Communication and cooperation between the Group Companies and Functions regarding business directions, goals and responsibilities shall be ensured. Vertical and horizontal exchange of a defined scope of information shall also be ensured while adhering to effective confidentiality obligations and without prejudice to legal requirements for the protection of information from unauthorised disclosure as well as requirements related to the management of inside information.
5.5.2. Responsibility	Responsibility of the Head of Function and Functional Area to implement the operation of the Function and the Functional Area properly in

	accordance with the defined functions and responsibilities within the Group Companies shall be ensured.
5.5.3. Prioritising the Group's interest	The interaction of the Functions and Functional Areas and the Group Companies shall be based on prioritising the Group's interest while also ensuring the autonomy of the Group Companies, which means that, without prejudice to the provisions of the Policy, each Group Company shall act autonomously as a legal entity in pursuing the objectives set out in the Articles of Association of the Group Company.

- 5.6. The Management Board of the Parent Company shall perform the following functions in relation to the Functions:
- 5.6.1. establish and remove solid and dotted line Functions and Functional Areas;
- 5.6.2. establish the approach for organising the activities of a Function and, if necessary, individual Functional Areas (solid line/dotted line), the relationship of the Head of Function and Functional Area with the Employees of the Function, including those working in Indirectly Controlled Companies that operate abroad;
- 5.6.3. approve the planning documents of Functions as well as analyse and assess performance monitoring documents as per the provisions of the Group Strategic Planning Policy.
- 5.7. A Supervising Management Board Member shall:
- 5.7.1. approve the planning documents of the Functions as well as analyse and assess performance monitoring documents as per the provisions of the Group Strategic Planning Policy;
- 5.7.2. make decisions on the appointment of specific Employees to be in charge of a solid or dotted line Function.
- 5.8. The operation of Functions and/or Functional Areas may be organised by defining the services of a Function and organising their provision to the Group Companies within the agreed scope and quality criteria.
- 5.9. The Head of Function shall be accountable and directly report to the Supervising Management Board Member, regardless of the Group Company in which the Head of Function works.
- 5.10. In all cases, the Head of Functional Area shall report under the solid line principle to the Head of Function which includes that Functional Area, irrespective of whether the Function and/or the Functional Area has a solid or dotted line unless exceptions are set out in this Policy and/or the Matrix. The Head of Function shall decide on the assignment of a particular Employee to be in charge of a solid line or dotted line Functional Area.
- 5.11. If a solid line Function in the Matrix is set to operate as a dotted line Function in a specific Group Company, it means that the Group Company shall be responsible for carrying out the responsibilities of the Function in specific activities of that Group Company (for example, separation of a professional growth topic in the People Growth area where the responsibility for developing unique professional engineering competencies that are required for a single specific Group Company is placed on that Group Company, embedding this in the job descriptions of the Employees of the Group Company).
- 5.12. The functions and responsibilities of the Heads of solid and dotted line Functions/Functional Areas and CEOs of the Group Companies are outlined in Annex 2 to this Policy "*Responsibility Assignment Matrix*". Specific responsibilities of the Heads of Functions and Functional Areas shall be detailed in their job descriptions.
- 5.13. In cases where the positions of both managers (the Head of a solid Function and the Head of Unit at a Group Company) diverge on the decisions related to the Function and/or Functional Area and its activities, the final decision shall be made by the Head of the solid line Function and/or Functional Area. If the Function and/or Functional Area has a dotted line, and the opinions diverge, the final decision shall be made by the Head of Unit at a Group Company.

- 5.14. In cases where the Employees of Functions and/or Functional Areas are employed in an Indirectly Controlled Company, their activities shall be managed through the solid line approach in respect of a Directly Controlled Company, except as set out in the Matrix. Directly Controlled Companies shall approve the matrix for the management of the Functions and Functional Areas in respect of Indirectly Controlled Companies (except for the Group Companies referred to in paragraph 4.10 of the Policy), which must be in line with the principles set out in this Policy and its annexes and must be agreed upon with the Management Board Member Supervising the Directly Controlled Company, the Head of the Group Legal Function as well as the Management Board Members Supervising respective Functions.

8. FINAL PROVISIONS

- 8.1. This Policy shall be approved by the Management Board of the Parent Company.
- 8.2. The Group Legal Function shall be responsible for reviewing and updating, when needed, the provisions of the Policy, as well as for monitoring the implementation of the Policy. The provisions of the Policy shall be reviewed in cases where the Parent Company's Organisational Structure, business functions or responsibilities change, other significant changes occur or there is a need to update the Policy for other reasons, but at least every 2 (two) years.
- 8.3. The CEO of a respective Group Company shall ensure the proper implementation of the provisions of the Policy in the Group Companies, and the Heads of Functions shall ensure the proper implementation thereof in Functions.
- 8.4. The implementation of the provisions of the Policy may be detailed in the internal legal acts implementing the Policy, which shall be approved by the Head of the Group Legal Function.

9. ANNEXES

9.1. Annex 1. *Group Governance System.*

9.2. Annex 2. *Responsibility Assignment Matrix.*

9.3. Annex 3. *List of Functions and Functional Areas and Matrix for Operation.*

10. RELATED INTERNAL AND OTHER LEGAL ACTS:

[Group Strategic Planning Policy](#)

[Corporate Governance Guidelines](#)