



Normative internal legal act	Group Internal Control Policy
Title of the process	Internal Control Management
Approving company	AB "Ignitis grupė"
Owner – unit	Group Business Resilience
Approving person/body	Management Board of AB "Ignitis grupė"
Date of approval, decision No.	XX/XX/2024 by decision No. XX
Date of entry into force	Coincides with the date of approval

GROUP INTERNAL CONTROL POLICY

1. PURPOSE AND SCOPE OF APPLICATION

1.1. The purpose of the Policy is to establish and maintain an effective and standardised Group internal control and management system that would help achieve the objectives of the Internal Control Management System set out in this Policy at the Group level.

1.2. It applies to all companies of the Group 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 DEFINITIONS

2.1. **Audit Committee** shall mean the Audit Committee of AB "Ignitis grupė".

2.2. **Parent Company** shall mean AB "Ignitis grupė", legal entity code: 301844044.

2.3. **Function** shall mean 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.

2.4. **Functional Area** shall mean a part of a Function which covers individual matters of activities and the operation of which is organised at the Group level.

2.5. **Head of Function** shall mean an employee of the Group who is in charge of the respective Function at the Group level.

2.6. **Group** shall mean AB "Ignitis grupė" and the legal entities it controls directly or indirectly.

2.7. **Company** shall mean a Group company directly controlled by the Parent Company, a subsidiary of the Parent Company.

2.8. **Supervising Management Board Member** shall mean a member of the Management Board of the Parent Company who is responsible for and supervises the Group's core activities/business segment and/or Function assigned to him/her.

2.9. **Policy** shall mean the Group Internal Control Policy; this document.

2.10. **Process Map** shall mean a list (structure) of all processes within the Group and/or a Company, wherein processes are divided into five hierarchical levels (activity, area, process group, process and sub-process) and the responsible units and/or positions are specified.

2.11. **Risk Management and Sustainability Committee (RMSC)** shall mean the Risk Management and Sustainability Committee of Parent Company's Supervisory Board.

2.12. **Objectives** shall mean objectives of different levels that are relevant to the Group (long-term strategies, strategic and annual objectives of the Group or a Company, objectives of the Functions, Functional Areas, projects, products, processes, etc.).

2.13. **Internal Audit** shall mean a structural unit within the Parent Company's internal audit function, reporting to the Parent Company's Supervisory Board.

2.14. **Internal Control** shall mean control measures put in place by the Group's employees to ensure the legality, cost-effectiveness, efficiency, effectiveness, and transparency of the Group's activities, the implementation of the strategy and operational plans, the protection of assets, the reliability and completeness of information and reports, compliance with contractual and other obligations to third parties, including the management of all associated risk factors.

2.15. **Internal Control Partner** shall mean an employee in the Group Business Resilience function, appointed to be responsible for coordinating the Internal Control process within the Group, Company and/or Function.

2.16. **Internal Control Monitoring** shall mean the ongoing and periodic assessment of the Internal Controls in place within the Group, Company, Function, which includes evaluating Internal Controls, identifying their deficiencies and developing improvement plans.

2.17. **Internal Control Management System** shall mean all the controls and procedures established within the Group to achieve the objectives set out in paragraph 4.1 of the Policy.

3. GENERAL PROVISIONS

3.1. The Policy has been prepared in accordance with the guidelines of the international COSO (the Committee of Sponsoring Organizations of the Treadway Commission) Internal Control – Integrated Framework Guidance in order to comply with the best market practices and apply them in the Group’s activities.

3.2. The Group’s management and supervisory bodies shall ensure compliance with the provisions of the Policy and the integration of the Internal Control Management System in all the Group’s activities.

3.3. The Policy has been aligned with the Guidelines for Corporate Governance of the State-Owned Group of Energy Companies approved by 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 Governance Policy.

4. OBJECTIVES AND MODEL OF THE INTERNAL CONTROL MANAGEMENT SYSTEM

4.1. The main objectives of the Internal Control Management System:

- 4.1.1. to comply with the requirements of the laws and regulations governing the Group’s activities, including the Group’s internal legal acts;
- 4.1.2. to ensure that all necessary Internal Controls are in place to manage and mitigate identified significant risks;
- 4.1.3. to evaluate and strengthen Internal Controls at the Group, Company and Function level by identifying their weaknesses and inefficiencies and remedying them. To ensure the Internal Control Management System is integrated into the Group’s core processes;
- 4.1.4. to carry out the Group’s activities in accordance with the principle of reliable financial management in an economic, efficient and effective manner;
- 4.1.5. to protect the Group’s assets (including information assets), other resources and activities, and ensure that the Objectives are achieved efficiently and effectively.

4.2. The Group’s Internal Control Management System is based on the ‘Three Lines Model’ published by the Institute of Internal Auditors, which defines how the different lines of activities and responsibilities interact effectively and in a coordinated manner to ensure the effectiveness of the Internal Control Management System and the assignment of responsibilities (see Figure 1).

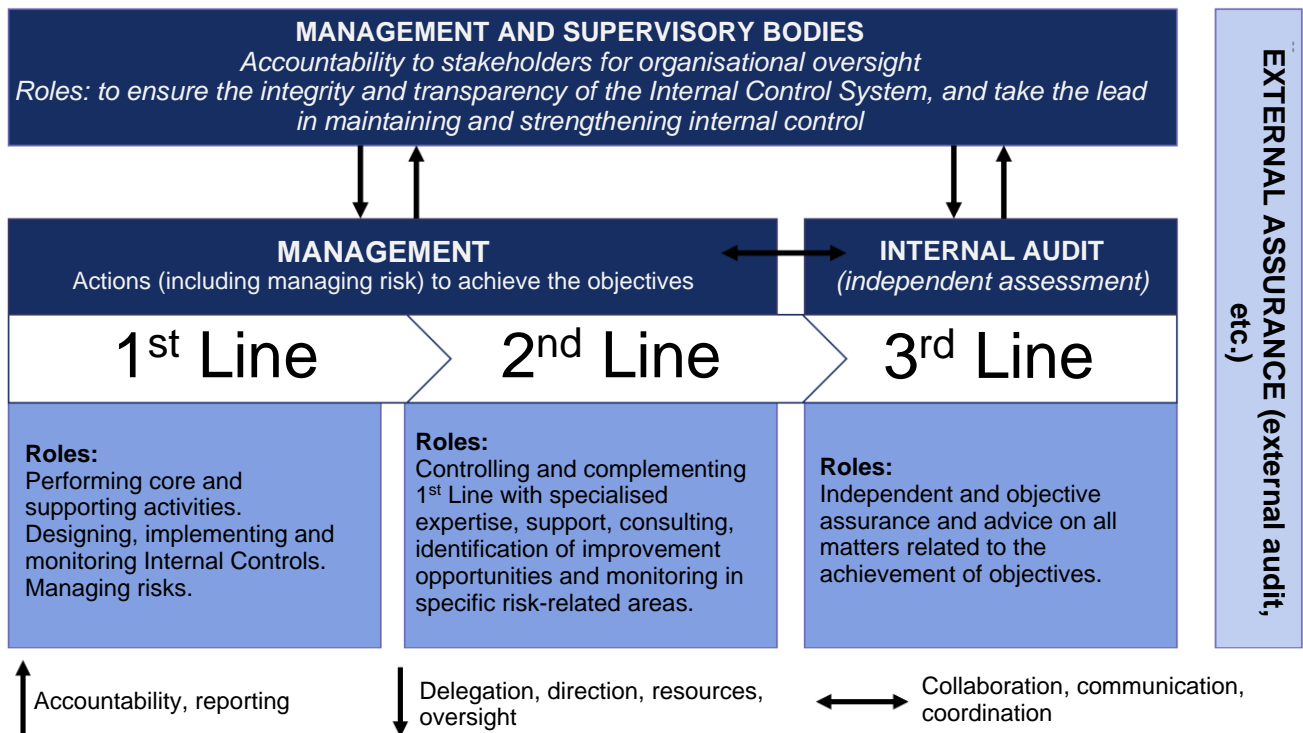


Figure 1. Model of the Group’s Internal Control Management System

4.3. **1st Line** functions are directly related to the Group’s core and supporting activities and are performed by all Group employees assigned to these activities.

4.4. **2nd Line** functions include controlling and providing additional expertise and support to employees performing the 1st Line functions. In addition, 2nd Line functions include monitoring, consulting, guidance, verification, analysis and risk management coordination. These functions within the Group are carried out by employees working in the following areas:

- 4.4.1. Compliance;
- 4.4.2. Risk Management;
- 4.4.3. Internal Control;
- 4.4.4. Business Continuity;
- 4.4.5. Corporate Security;
- 4.4.6. Financial Control, Planning and Analysis;
- 4.4.7. Digital Security;
- 4.4.8. Sustainability;
- 4.4.9. Occupational Health and Safety, and Environmental Protection.

2nd Line functions may also be assigned to employees in other areas if their activities fall within the scope of 2nd Line responsibilities.

4.5. Group structural units and individual employees may have responsibilities covering both 1st Line and 2nd Line functions.

4.6. **3rd Line** functions include providing independent and objective assurance and advice on the adequacy and effectiveness of the Group’s governance and risk management and are performed by the Parent Company’s internal audit structural unit – Group Internal Audit. Internal Audit performs these functions independently of 1st Line and 2nd Line and the management.

5. ELEMENTS OF THE INTERNAL CONTROL MANAGEMENT SYSTEM

5.1. The Group has a uniform Internal Control Management System consisting of 5 elements and the principles that elaborate on these elements (see Figure 2 and Figure 3):

- 5.1.1. Control environment;
- 5.1.2. Risk assessment;
- 5.1.3. Control activities;
- 5.1.4. Monitoring;
- 5.1.5. Information and communication.

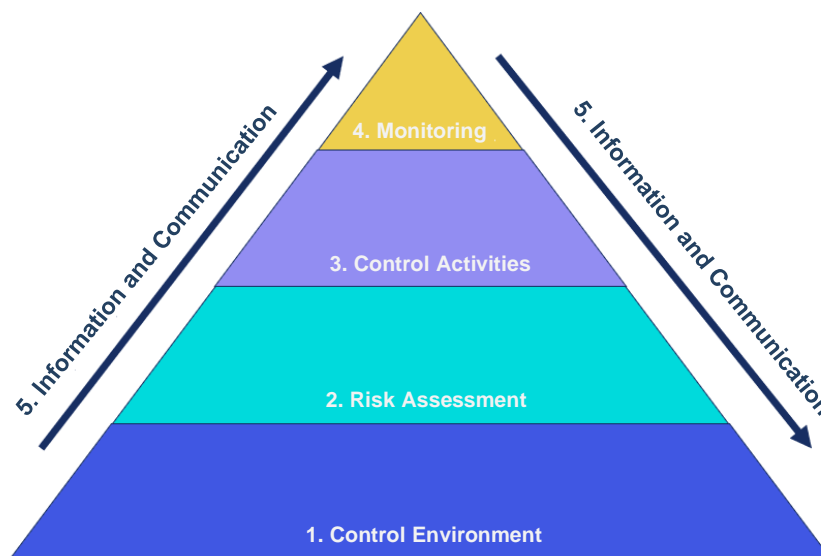


Figure 2. Elements of the Group’s Internal Control Management System

Elements of the Internal Control Management System	Principles
1. Control Environment	1. Committing to integrity and ethical values; 2. Overseeing the management and supervisory bodies when designing and implementing the Internal Control System; 3. Establishing structure, powers, accountability and responsibility, and assigning responsibilities;

	4. Attracting, developing and retaining competent employees; 5. Employee responsibility for Internal Control;
2. Risk Assessment	6. Setting clear objectives; 7. Identifying and analysing risks; 8. Assessing the potential of fraud; 9. Identifying and assessing changes that could significantly affect the Internal Control Management System;
3. Control Activities	10. Selecting and developing control measures that contribute to reducing risks to acceptable levels; 11. Selecting and developing technology controls; 12. Implementing control measures through internal legal acts (policies, standards, processes, rules, etc.) that define what is expected and how it is to be implemented;
4. Monitoring	13. Conducting (self-)assessment and monitoring; 14. Identifying, communicating and eliminating internal control deficiencies;
5. Information and Communication	15. Using high-quality and relevant information when making decisions; 16. Ensuring proper internal communication; 17. Ensuring proper external communication;

Figure 3. Principles detailing the elements of the Group's Internal Control Management System

5.2. **Control Environment** is “the tone at the top” and consists of a set of standards, processes, requirements, etc. that provide the basis for the implementation of Internal Controls across the Group. It is the basis for achieving strategic objectives, reliable and transparent financial reporting, efficient and effective operations, compliance with legal requirements, and the protection of available resources. A good control environment exists if:

- 5.2.1. communication and provision of information are ensured, and conduct is in line with the established values;
- 5.2.2. both horizontal and vertical provision and reporting of information have been established;
- 5.2.3. there is coherence between all levels of management, and responsibilities are shared;
- 5.2.4. competencies are ensured and consolidated;
- 5.2.5. informed decisions are made and properly coordinated.

The control environment can help mitigate risks, but it does not by itself identify, eliminate or prevent significant deviations.

5.3. The purpose of the **risk assessment** element is to help achieve the stated operational Objectives in an efficient and effective manner. This element is implemented through the risk management process. Risk management and the Internal Control Management System are closely linked as risk management involves not only identifying and assessing risks but also designing control measures to manage those risks while monitoring the application and effectiveness thereof.

5.4. **Control Activities** are measures/actions (usually provided for in internal legal acts) to manage/reduce risks to an acceptable level. In order to be effective, control activities must be:

- 5.4.1. appropriate (i.e. the required control procedure is in the right place and is proportionate to the risks involved);
- 5.4.2. implemented continuously in the manner prescribed;
- 5.4.3. reasonable (the costs of applying controls must not exceed the benefits);
- 5.4.4. helpful in achieving control objectives.

Control activities include various control measures of a preventive, corrective or detective nature: granting authorisations and permits; controlling access to resources (including documents); separating functions (authorisation, task performance and inspection); reviewing performance and result; carrying out inspections, etc.

5.5. **Monitoring** is periodic or ongoing monitoring/inspections/assessments designed to ensure that the elements and principles of the Internal Control Management System are in place and functioning as intended. Monitoring is carried out through routine activities and separate inspections/assessments or a combination of both.

5.6. **Information and Communication** ensure the functioning of the other elements of the Internal Control Management System. Information and communication ensure that:

- 5.6.1. The information prepared, received, provided (internally and externally) and made public by the Group is relevant, complete, reliable and correct. Decisions are based on quality, timely,

relevant and accurate information. Information is made available at all levels (vertical, horizontal, appropriate level), including to third parties.

5.6.2. Appropriate communication tools are used to provide information.

6. INTERNAL CONTROL MANAGEMENT PROCESS

6.1. The Group's Internal Control Management Process consists of the following main steps (see Figure 4):

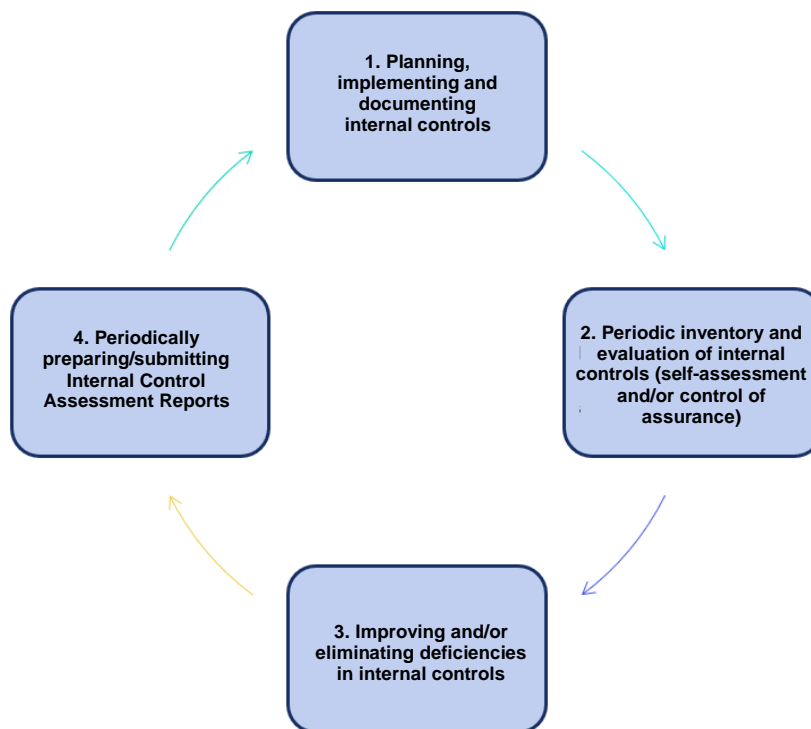


Figure 4. Internal Control Management Process

6.2. The Internal Control Management Process is organised and coordinated by Internal Control Partners.

6.3. Planning, implementation and documentation phase of Internal Controls:

6.3.1. Each Group Company and Function shall identify the need for Internal Control when identifying and/or assessing risks or designing, developing and reviewing its business processes.

6.3.2. Internal Controls must be described in normative internal legal acts, specifying the method, responsibilities, frequency, etc., of the implementation of Internal Controls.

6.3.3. Internal Controls shall be established for the active risks in the Group's risk register and for the processes identified in the Process Map (if applicable).

6.3.4. The need for Internal Control shall be identified and Internal Controls shall be planned while taking into account the following aspects:

6.3.4.1. The objective and purpose of the control:

- to help achieve a performance outcome;
- to strengthen accountability;
- to promote good governance practices;
- to ensure accurate and timely information and reporting;
- to ensure legislative and regulatory compliance;
- to implement the requirements of external auditors.

6.3.4.2. Type of internal control:

- preventive Internal Controls: set up to prevent errors and violations;
- detective Internal Controls: designed to detect errors or violations after they have occurred;
- corrective Internal Controls: designed to take corrective action to address errors and violations after they have been detected.

6.3.4.3. Internal Controls must be implemented first in those areas of activity where the greatest risks are encountered.

6.3.4.4. A specific Internal Control achieves its objective/outcome.

6.3.4.5. The costs of implementing Internal Control do not exceed the benefits of implementing Internal Control.

6.3.4.6. Internal Control is non-excessive and proportionate to the risk.

6.3.4.7. Internal Control can be implemented continuously.

6.3.4.8. Internal Control is continuously improved in response to changing operating conditions.

6.4. Periodic inventory and assessment phase of Internal Controls:

6.4.1. The inventory list of Internal Controls for each Company and Function shall be prepared, updated and an assessment carried out, and the Internal Control Assessment Report shall be prepared once a quarter.

6.4.2. The assessment of Internal Controls shall be carried out as follows:

- Self-assessment: Internal Control Partners shall plan and organise the self-assessment of Internal Controls in the Companies and Functions and develop the questionnaires and assessment methodology.
- Conformity checking: As part of the implementation of the compliance controls, Internal Control Partners and/or Compliance Experts shall plan and carry out inspections or tests of the Internal Controls of the Companies and Functions in order to strengthen and develop Internal Controls and to improve their quality and compliance with best practices. The activities of Internal Control Partners and/or Compliance Experts shall not replace or duplicate the functions performed by the Internal Audit.

6.5. Improvement phase of Internal Controls and/or elimination of deficiencies:

6.5.1. Following an assessment and identification of deficiencies in Internal Controls or the need for improvement, the Companies and Functions shall identify measures to address the deficiencies and improve Internal Controls while developing plans for improving Internal Controls.

6.5.2. Internal Controls that are assessed as ineffective or under development must have improvement actions planned.

6.5.3. The Internal Audit shall monitor the elimination of deficiencies in Internal Controls.

6.6. Preparation and submission phase of the periodic Internal Control Assessment Reports:

6.6.1. Following the assessment of Internal Controls, the Internal Control Monitoring Reports of the Companies and Functions shall be prepared.

6.6.2. After summarising the results of the Internal Control Assessment Reports of the Companies and Functions, the Group Internal Control Assessment Reports shall be prepared.

6.6.3. The reports shall be submitted in accordance with the procedures set out in Annex 1 *Results and Responsibilities of the Internal Control Management System* to this Policy.

6.7. The results and responsibilities of the Group's Internal Control Management System are detailed in Annex 1 *Results and Responsibilities of the Internal Control Management System* to this Policy.

6.8. The Internal Control Management Process shall be described in more detail in the internal normative legal act implementing the Policy.

7. FINAL PROVISIONS

7.1. This Policy shall be approved by the Management Board of the Parent Company.

7.2. The CEOs of a respective Company and the Parent Company shall ensure the proper implementation of the provisions of the Policy in the Companies and the Parent Company, and the Heads of Functions shall ensure the proper implementation thereof in Functions.

7.3. The Head of Group Business Resilience shall be responsible for controlling and monitoring the implementation of the Policy at the Group level and for reviewing and updating, as needed, the provisions of the Policy.

7.4. All employees of the Group shall be introduced to the Policy.

7.5. The Policy without its annexes shall be published on the Parent Company's website.

8. ANNEXES

Annex 1. *Results and Responsibilities of the Internal Control Management System*.

9. RELATED INTERNAL AND OTHER LEGAL ACTS

Guidelines for Corporate Governance

Group Risk Management Policy

Group Governance Policy

