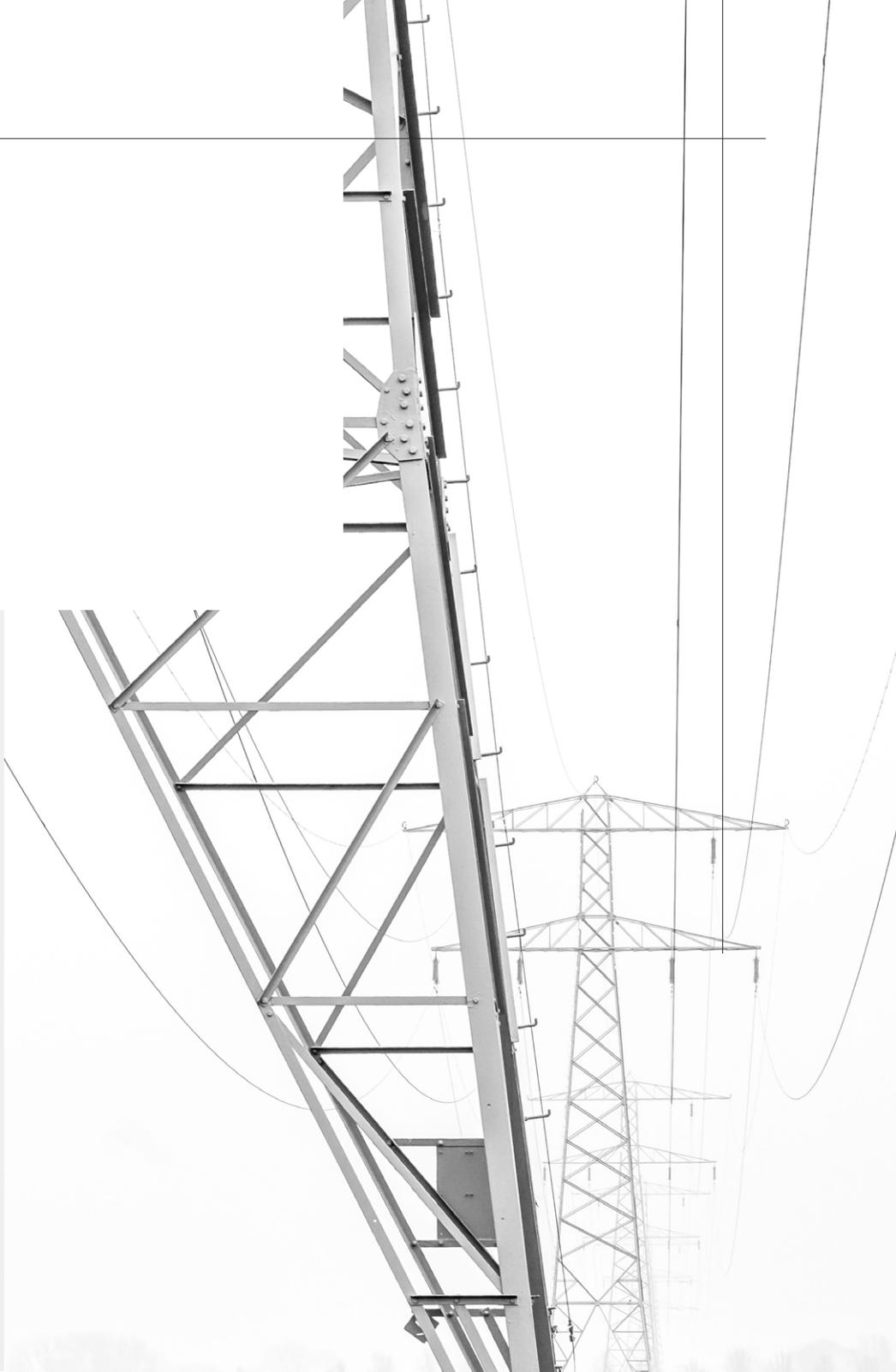


---

# Governance report

---

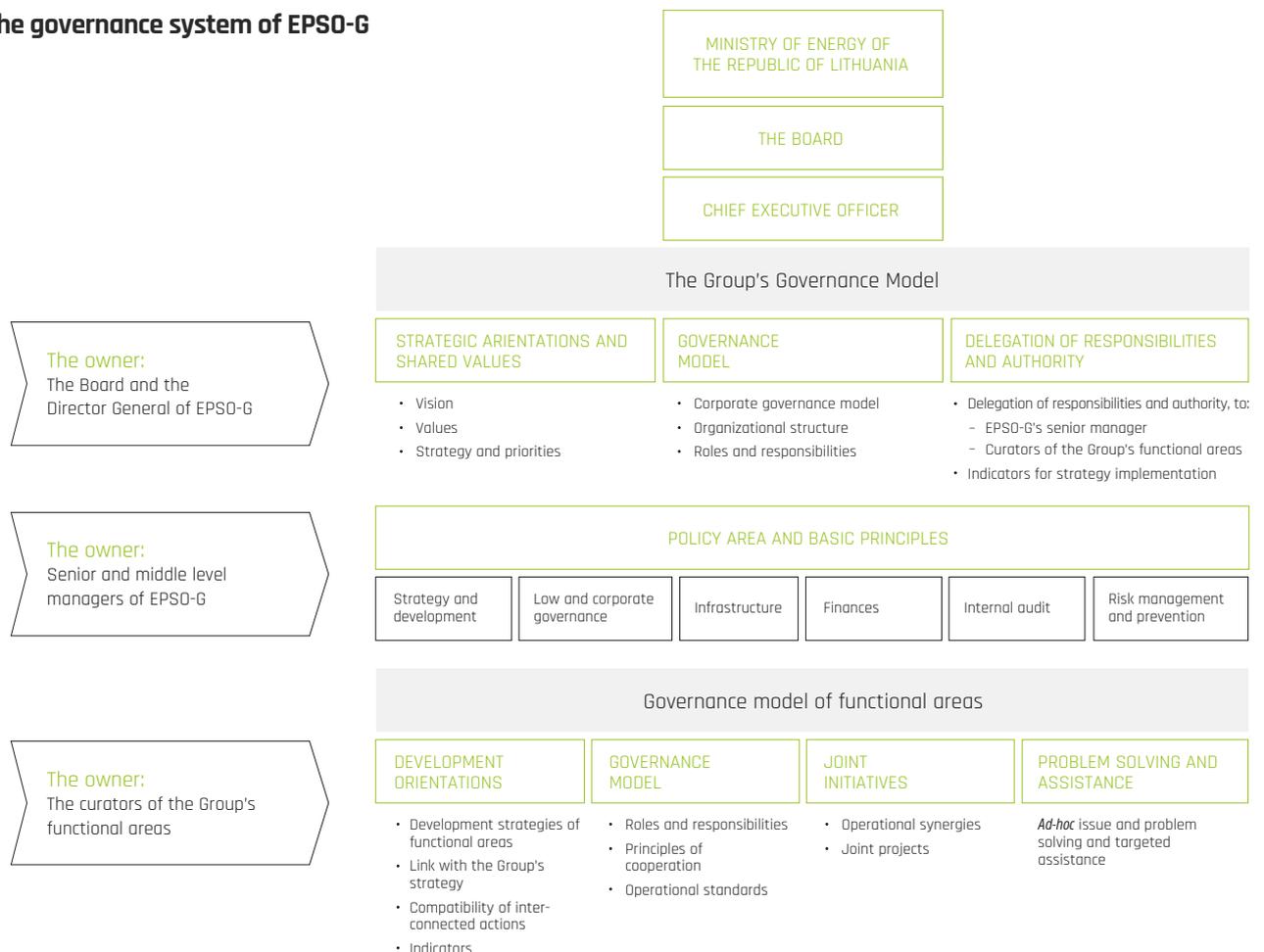


# Governance report

In 2020, corporate governance of the holding company EPSO-G was carried out in accordance with the Corporate Governance Guidelines of EPSO-G Group companies adopted by the decision of the sole shareholder of 24 April 2018. They establish the

common corporate governance principles, which are applicable to the entire EPSO-G Group companies, the management organizing model, the structure of management, the systems of accountability and performance supervision and control.

## The governance system of EPSO-G



The holding company EPSO-G adhered to the following key corporate governance principles:

- Operational transparency;
- Separation of state ownership and regulatory functions;
- Certainty and sustainability of objectives;
- Proper realization of the shareholders' rights;
- Compliance with the legislative requirements and best practice standards;
- Operational efficiency, sustainability and competitiveness;
- Responsibility and accountability of the management and supervisory bodies to the shareholders.

EPSO-G observes good governance practices outlined in the recommendations of good governance published by the Organization for Economic Cooperation and Development (OECD), the recommendations of the United Nations and NASDAQ Baltic stock exchange, other internationally recognized standards and the recommendations of good governance, the main objective of which is to ensure that the state-owned enterprises are managed in efficient and transparent manner.

In an effort to purposefully build trust in ongoing strategic projects and extremely focus on transparency and accountability, EPSO-G Group companies was rated for the most progressive

governance of the subsidiaries, and the joint governance quality has been rated A+. This was evidenced by the Good Governance Index of State-Owned Enterprises (SOE) 2019/2020 published by the Public Enterprise Governance Coordination Centre (GCC). GCC's Good Governance Index is the most comprehensive tool for evaluating the quality of management of all SOEs. The index consists of three main assessment dimensions: transparency, collegial bodies and strategic planning and implementation.

In terms of the transparency dimension, EPSO-G received the highest rating A+, by identifying areas for improvement in future sustainability practices.

The highest possible rating A+ was also awarded for the work of collegial bodies, the process of selection of their members, competence, and engagement and compliance of the functions of the collegial bodies with the principles of good governance.

EPSO-G's strategic planning and implementation received the highest rating A+. Financial sustainability was rated A resulting from the Group's level of indebtedness due to the financial obligation to pay Ignitis Grupė for Litgrid's shares.

In preparation of the action plan for 2021, the holding company EPSO-G will proceed with further implementation of measures and improvement of the governance quality in line with GCC recommendations.

## 1. The Articles of Association of EPSO-G

In 2020, the Articles of Association did not change - as of 31 December 2020, the updated version of the Articles of Association of the holding company EPSO-G registered on 1 August 2018 with the Register of Legal Entities was in force; it consolidated the enhanced responsibility of the Board by assigning a supervisory function to it. The current corporate governance model ensures the effectiveness of EPSO-G Group's organizational and management structure and compliance with the highest standards of governance.

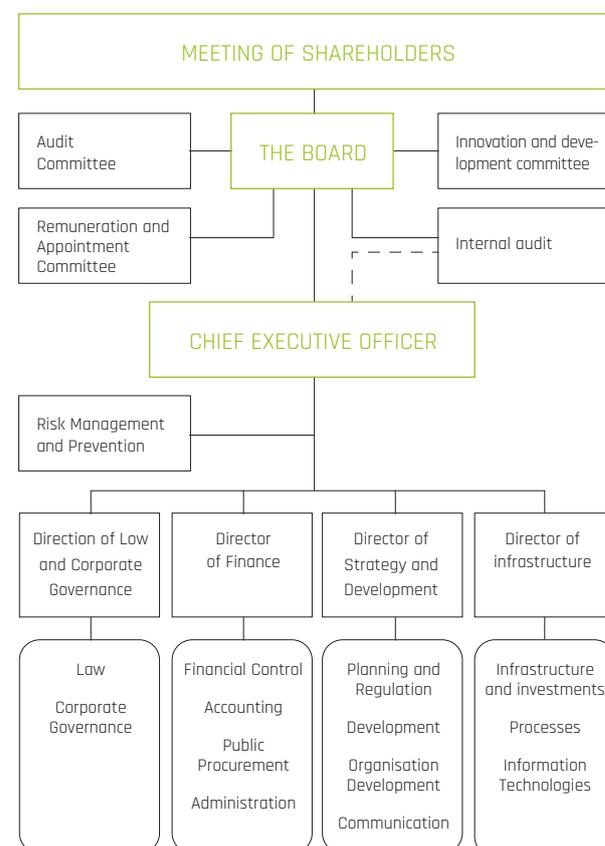
The Articles of Association of EPSO-G are available at: [www.epsog.lt](http://www.epsog.lt), in the menu item Corporate Governance.

The Articles of Association of EPSO-G can be amended by the decision of the General Meeting of Shareholders adopted by at least 2/3 of all votes attached to the shares of the shareholders participating in the General Meeting of Shareholders save for statutory exceptions.

## 2. Supervisory and management structure of EPSO-G

The management, supervisory and organisational structure of EPSO-G ensures an optimal organization of activities, accountability, process efficiency and responsibility:

### Supervisory and management structure of EPSO-G



EPSO-G Group's corporate governance documentation system consists of the following:

- Corporate Governance Guidelines of EPSO-G Group companies;
- Articles of Association of the holding company EPSO-G and its subsidiaries;
- Corporate Governance Policy;
- Rules of Procedures of the Board of EPSO-G;
- Regulations of the Audit Committee of EPSO-G;

- Regulations of the Remuneration and Nomination Committee;
- Regulations of the Innovation and Development Committee;
- Approved corporate governance documents of the Group companies;
- Documents of the Group companies approved on the basis of corporate governance documents.

All the above documents are available at the website of the holding company EPSO-G: [www.epsog.lt](http://www.epsog.lt).

### 3. General Meeting of Shareholders of EPSO-G

The rights and obligations of the sole shareholder of the holding company EPSO-G are implemented by the Ministry of Energy of the Republic of Lithuania.

The sole shareholder of EPSO-G:

- Adopts decisions on strategic issues of operational activities;
- Approves key operational guidelines (guidelines for corporate governance, collegiate body remuneration, etc.).

#### In 2020, EPSO-G's sole shareholder took the following decisions:

DATE	KEY DECISIONS
6 February 2020	Approved the new wording of the Articles of Association of TETAS UAB.
30 April 2020	Approved the set of EPSO-G's consolidated and company's financial statements 2019. Approved the decision on profit distribution. Approved the new wording of the Regulations of the Audit Committee of EPSO-G UAB.
10 September 2020	The audit firm PricewaterhouseCoopers UAB was selected to perform the audit of the set of EPSO-G's consolidated and company's financial statements 2020-2021, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and the consolidated annual report.
22 October 2020	Took the decision to elect the members of the Audit Committee of EPSO-G UAB: (i) Mr. Gediminas Šiušas - to the position of an independent member of the Company's Audit Committee; (ii) Mr. Robertas Vyšniauskas - to the position of an independent member of the Company's Audit Committee from the members of the Board who are considered independent; and (iii) Mr. Gediminas Karalius - to the position of a member of the Company's Audit Committee from the members of the Board nominated by the sole shareholder.

### 4. The Board of EPSO-G

According to the current version of the Articles of Association of EPSO-G, the Board consists of 5 (five) members appointed by the sole shareholder of EPSO-G for a term of 4 (four) years with regard to the recommendations of the Remuneration and Nomination Committee.

The continuous term of office of a member of the Board shall not exceed 2 (two) consecutive terms, i.e. no more than 8 (eight) consecutive years. Members of the Board are elected in accordance with The Selection Description of a List of Candida-

tes to the Board of the State or Municipal Enterprise and the Candidates to the Board of the State or Municipal Enterprise for the Selection of a Collegial Supervisory or Management Body Elected by the General Meeting of Shareholders, approved by the Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015.

On 29 March 2019, the members of the EPSO-G Board elected Mr. Gediminas Almantas as a Chairman of the Board.

### The Board of EPSO-G:

- Forms a common corporate governance policy of the Group companies;
- Is responsible for the organizational and systematic development and management of the Group within the scope of its competence;
- Carries out the monitoring of the implementation of the activities of the Group companies, their strategies, operational objectives and plans, the documents approved by the Board and other decisions in the Group companies;
- Carries out the supervision and control of the management of the strategic projects carried out by the Group companies that are included in the national energy strategy, the projects of particular national interest, the economic projects of great state importance.
- Performs supervisory functions as provided for in the Law on Companies of the Republic of Lithuania.

During the reporting period, 22 (twenty-two) meetings of the Board were held, in 3 (three) of which decisions were adopted by a written vote. Ten decisions were taken by written vote. During the reporting year, seven strategic sessions and one cooperation session were arranged.

### The composition of the Board of EPSO-G as of 31 December 2020:



**Gediminas Almantas**  
Independent member, Chairman



**Robertas Vyšniauskas**  
Independent member



**Tomas Tumėnas**  
Independent member



**Gediminas Karalius**  
Member



**Dainius Bražiūnas**  
Member

**„During the reporting period, 22 meetings of the Board were held, in 3 of which decisions were adopted by a written vote.“**

**The composition of the Board of EPSO-G as of 31 December 2020:**

FULL NAME	POSITION HELD	TERM OF OFFICE	OTHER POSITIONS	EDUCATION
Gediminas Almantas	Independent member, Chairman	From 20 March 2019	Member of the Board of SE Oro Navigacija, Chairman of the Audit Committee	Master's degrees in Law from Vilnius University and the University of Bern, Switzerland;  Industrial PhD fellow, Business Negotiation Ethics at Copenhagen Business School.
Dainius Bražiūnas	Member	From 20 March 2019	Ministry of Energy of the Republic of Lithuania, Head of the Energy Security Group; the member of the Board of Klaipėdos nafta AB	Vilnius Gediminas Technical University, Bachelor of Energy Sciences.
Gediminas Karalius	Member	From 20 March 2019	Ministry of Energy of the Republic of Lithuania;  Senior Advisor of Energy Security Group;	Mykolas Romeris University, Master of EU Law;  ISM University of Management and Economics, Master of Science in Management and Business Administration.
Tomas Tumėnas	Independent member	From 11 November 2019	CFO of Limedika UAB and the member of the Boards of the National Pharmacy Group and Linas Agro Group AB	Vilnius University, Master of Science in Financial Management;  Aalborg University, Economics of International Business;  Manchester Business School, Master of Science in Financial Management.
Robertas Vyšniauskas	Independent member	From 20 March 2019	CEO and the member of the Board of Valstybės investicinis kapitalas UAB; the member of the Board of Vilniaus vystymo kompanija UAB	Mykolas Romeris University, Master of EU Law.

**„During the reporting year, seven strategic sessions and one cooperation session were arranged.“**

## Attendance and key decisions of the Board meetings in 2020:

● Present      ○ Absent

MEETING DATE	GEDIMINAS ALMANTAS	DAINIUS BRAŽIŪNAS	GEDIMINAS KARALIUS	TOMAS TUMĖNAS	ROBERTAS VYŠNIAUSKAS
January 9	●	●	●	●	●
February 7	●	●	●	●	●
February 28	●	●	●	●	●
March 19	●	●	●	●	●
March 26	●	●	●	●	●
March 27	●	●	●	●	●
April 17	●	●	●	●	●
May 22	●	○	●	●	●
May 29	●	●	●	●	●
June 4	●	●	●	●	●
June 16	●	●	●	●	●
June 26	●	●	○	●	●
July 28	●	●	●	●	●
August 28	●	●	●	●	●
September 25	●	●	●	●	●
October 21	●	●	●	●	●
November 4	●	●	●	●	●
November 20	●	●	●	●	●
November 25	●	●	●	●	●
November 30	●	●	●	●	●
December 10	●	●	●	●	●
December 21	●	●	●	●	●

## Key decisions of the Board 2020:

<b>2020-01</b>	<b>09</b>	The report on the implementation of operational objectives for 2019 approved by the CEO of EPSO-G; the descriptions of the requirements for the selection of independent Board members for the Boards of EPSO-G Group companies Amber Grid, LITGRID and BALTPPOOL approved; EPSO-G Group's business strategy for 2017-2025 approved.		
<b>2020-02</b>	<b>07</b>	The new wording of EPSO-G Group's Dividend Policy approved; the objectives of the CEO of EPSO-G for 2020 approved; a new version of EPSO-G's risk management methodology approved.		<b>28</b> An updated list of posts and organizational structure of EPSO-G approved; the report on the achievement of objectives of 2019 by the EPSO-G Internal Audit Head approved.
<b>2020-03</b>	<b>19</b>	<b>26</b>	<b>27</b>	
	Decisions to supplement the agenda of Amber Grid, LITGRID ordinary general shareholders made.	Candidates for Amber Grid, LITGRID and BALTPPOOL Board members nominated.	Current debt obligations discussed; the regulations and activity plan of Innovation and Development Committee of EPSO-G for 2020 approved; EPSO-G Group's Compliance Management Policy approved.	
<b>2020-04</b>	<b>17</b>	An updated list of posts and organizational structure of EPSO-G approved; the report on the implementation of EPSO-G Group's business strategy for 2017-2025 approved; the voting at Ordinary Shareholders' Meetings of the subsidiaries resolved; the Company's and consolidated annual report and the Company's and consolidated annual financial statements, profit distribution project approved, and the Ordinary General Meeting of Shareholders initiated.		
<b>2020-05</b>	<b>22</b>	Voting at the Ordinary General Meeting of Shareholders of LITGRID resolved.		<b>29</b> The essential terms of the overdraft agreement approved; the new composition of EPSO-G's Innovation and Development Committee approved; the group-level risk list of EPSO-G for 2020 approved.
<b>2020-06</b>	<b>04</b>	<b>16</b>	<b>26</b>	
	Current debt obligations discussed.	Decisions on initiating the selection of TETAS Board members made and the description of the requirements for the selection of an independent Board member approved.	Voting at Extraordinary General Meetings of the subsidiaries resolved; the regulations of the Remuneration and Nomination Committee of EPSO-G approved; the member of the Board of TETAS elected to the position of a member of the Board in the field of information technology competence.	
<b>2020-07</b>	<b>28</b>	The selection of an independent member of the Audit Committee initiated.		
<b>2020-08</b>	<b>28</b>	The member of the Board of TETAS to the position of a member of the Board in the field of strategic management elected; essential terms for EPSO-G and TETAS lending and borrowing using the Group's pool account service agreed upon.		
<b>2020-09</b>	<b>25</b>	A new version of EPSO-G Group's Transparency and Communication Policy approved; an Extraordinary General Meeting of Shareholders was initiated to elect the members of the Audit Committee.		
<b>2020-10</b>	<b>21</b>	Voting at the Extraordinary General Meeting of Shareholders of LITGRID resolved.		
<b>2020-11</b>	<b>04</b>	<b>20</b>	<b>25</b>	<b>30</b>
	A new version of Integrated Planning and Monitoring Policy of the Group approved.	EPSO-G Group's strategy project for 2030 approved.	The participation in the activities of the Lithuanian Hydrogen Platform resolved.	A new version of EPSO-G's Compliance Management Policy and Compliance Management Methodology approved; the activity plans of the Audit and Remuneration and Nomination Committees approved.
<b>2020-12</b>	<b>10</b>	<b>21</b>	The list of posts and organizational structure of EPSO-G, and senior and middle management post levels updated and approved; the list of EPSO-G's priority areas that will be subject to the compliance management process approved; the activity plans of the EPSO-G Board and the Innovation and Development Committee approved.	
	EPSO-G's operating budget for 2021 approved.			

## 5. Remuneration and Nomination Committee of EPSO-G (RNC)

Under the current Articles of Association of EPSO-G, the Remuneration and Nomination Committee shall be composed of at least 3 (three) members appointed by the Board for a period of up to 4 (four) years by a reasoned decision. The nomination of members of the Remuneration and Nomination Committee ensures that this Committee has at least 1 (one) independent member. The continuous term of office of a member of the Remuneration and Nomination Committee shall not exceed two consecutive terms of office.

In 2020, Mr. Gediminas Almantas, Mr. Dainius Bražiūnas and the Chair Mrs. Jolita Lauciuvienė served on the Remuneration and Nomination Committee.

### The Remuneration and Nomination Committee of EPSO-G:

- Assists in carrying out the selections of candidates to the members of the bodies in all companies of the Group;
- Provides the companies of the Group with recommendations regarding the nomination of the members of the management bodies, entry into contracts with them and setting remuneration;
- Provides recommendations regarding the documents of the corporate governance of the Group of remuneration of the employees of the collegiate bodies, the companies of the Group, assessment of their activities;
- Provides recommendations on the Group's collegial bodies, management, executives and planning system of substitutions of critical positions.

16 (sixteen) meetings of the Remuneration and Nomination Committees were held in 2020.

### The composition of the Remuneration and Nomination Committee of EPSO-G as of 31 December 2020



**Jolita Lauciuvienė**  
Independent member, Chair



**Gediminas Almantas**  
Independent member



**Dainius Bražiūnas**  
Member

FULL NAME	POSITION HELD	TERM OF OFFICE	OTHER POSITIONS	EDUCATION
Jolita Lauciuvienė	Independent member, Chair	From 20 May 2019	Personalo vertė verslui UAB, Director	Vilnius University, Master of Economics; Lithuanian University of Educational Sciences, Bachelor of Psychological Sciences.
Dainius Bražiūnas	Member	From 29 March 2019	Ministry of Energy of the Republic of Lithuania, Head of the Energy Security Group; the member of the Board of Klaipėdos nafta AB	Vilnius Gediminas Technical University, Bachelor of Energy Sciences.
Gediminas Almantas	Independent member	From 29 March 2019	Member of the Board of SE Oro Navigacija; Chairman of the Audit Committee	Master's degrees in Law from Vilnius University and the University of Bern, Switzerland;  Industrial PhD fellow, Business Negotiation Ethics at Copenhagen Business School.

### Attendance and key decisions of the Remuneration and Nomination Committee in 2020:

● Present      ○ Absent

MEETING DATE	JOLITA LAUCIUVIENĖ	GEDIMINAS ALMANTAS	DAINIUS BRAŽIŪNAS
January 21	●	●	●
February 12	●	●	●
March 9	●	●	●
March 16	●	●	●
April 1	●	●	●
June 10	●	●	●
June 22	●	●	○
July 24	●	●	○
August 14	●	●	●
September 9	●	●	●
September 22	●	●	●
October 7	●	●	●
October 26	●	●	●
December 2	●	●	●
December 14	●	●	●
December 16	●	●	●

**„16 meetings of the Remuneration and Nomination Committees were held in 2020.“**

## Key decisions of the Remuneration and Nomination Committee 2020:

<b>2020-01</b>	<b>21</b> The description of the selection requirements for the CEO of Amber Grid approved.	
<b>2020-02</b>	<b>12</b> RNC report for 2019 approved.	
<b>2020-03</b>	<b>09</b> Selection for the position of the CEO of Amber Grid performed; the draft remuneration policy for the CEO and members of the Board of LITGRID and Amber Grid approved.	<b>16</b> Recommendations on the composition of the Boards of LITGRID, Amber Grid and BALTPool given; EPSO-G common areas for business improvement in 2020 approved.
<b>2020-04</b>	<b>01</b> Recommendations on the composition of the Board of GET Baltic given; an amended standard form of employment contract for Amber Grid employees approved.	
<b>2020-06</b>	<b>10</b> The new version of the regulations of EPSO-G's Remuneration and Nomination Committee and the approval of the periodic information to EPSO-G's Remuneration and Nomination Committee approved; the updated activity plan of EPSO-G's Remuneration and Nomination Committee for 2020 approved.	<b>22</b> Selection to the position of a member of the Board of TETAS information technology competence field performed.
<b>2020-07</b>	<b>24</b> Ongoing selection for the position of a member of the Board of TETAS in strategic management field.	
<b>2020-08</b>	<b>14</b> Recommendation to the LITGRID's Board on suitable candidate (s) for the post of acting CEO of LITGRID provided.	
<b>2020-09</b>	<b>09</b> The new version of EPSO-G Group's Transparency and Communication Policy approved; recommendations on policies attributed to the Remuneration and Nomination Committee and on the substitution plans of the Group companies given.	
<b>2020-10</b>	<b>07</b> Recommendations on remuneration ranges given; the activity plan of the Remuneration and Nomination Committee for 2021 discussed.	<b>26</b> Selection to the CEO of LITGRID performed.
<b>2020-12</b>	<b>02</b> Recommendations on the organizational structure and post levels of senior management given; the new version of the guidelines for the annual self-assessment of the collegial bodies of EPSO-G Group companies approved.	<b>14-18</b> Selection to the CEO of LITGRID performed.

**„In 2020, Mr. Gediminas Almantas, Mr. Dainius Bražiūnas and the Chair Mrs. Jolita Lauciuvienė served on the Remuneration and Nomination Committee“**

## 6. Audit Committee of EPSO-G (AC)

According to the current version of the Articles of Association of EPSO-G, the Audit Committee shall be composed of at least 3 (three) members appointed by the sole shareholder of EPSO-G for a maximum period of 4 (four) years, subject to the recommendations of the Remuneration and Nomination Committee (if any). The continuous term of office of a member of the Audit Committee shall not exceed 2 (two) consecutive terms. Only an independent member may be elected to chair the Audit Committee.

During the reporting period (i.e. 19 September 2020) a four-year term of office of the Audit Committee ended. Following the selection, with reference to the recommendation of the Remu-

neration and Nomination Committee, as from 22 October 2020 the sole shareholder formed the Audit Committee of the same composition. During the reporting period, the Audit Committee had two independent members, Mr. Gediminas Šiušas and Mr. Robertas Vyšniauskas, as well as Mr. Gediminas Karalius, a member of the EPSO-G Board nominated by the Ministry of Energy.

The Audit Committee periodically (at least once every two years) reviews the Regulations of the Audit Committee and may initiate their updating. During the reporting period, the Audit Committee initiated amendments to the Regulations approved by the Meeting on 30 April 2020.

### The Audit Committee of EPSO-G:

- Carries out the monitoring of the preparation and auditing of the financial statements of the Group companies;
- Is responsible for the ensuring of the observance of the independence and objectivity principles by the auditors of the Group companies and of audit companies;
- Is responsible for the monitoring of effectiveness of the internal control of the Group companies, risk management and internal audit systems, activity processes;
- Is responsible for the control of provision of non-audit services by the auditor of the Group companies and / or audit firm; evaluates the transactions concluded by the Group companies, the shares of which are admitted to trading on a regulated market, with the parties concerned.

20 meetings of the Audit Committees took place during the reporting period.

### The composition of the Audit Committee of EPSO-G and its changes as of 31 December 2020:



**Gediminas Šiušas**  
Independent member, Chairman



**Gediminas Karalius**  
Member



**Robertas Vyšniauskas**  
Independent member

**„20 meetings of the Audit Committees took place during the reporting period.“**

**EPSO-G audito komiteto sudėtis 2020 m. gruodžio 31 d. ir jo pokyčiai per ataskaitinį laikotarpį:**

FULL NAME	POSITION HELD	TERM OF OFFICE	OTHER POSITIONS	EDUCATION
Gediminas Šiušas	Independent member, Chairman	From 12 September 2016 to 12 September 2020 and from 22 October 2020	Western Union Processing Lithuania UAB	Stockholm School of Economics in Riga, Bachelor of Economics and Business Administration; Vilnius University, Bachelor of Management and Business Administration; Vilnius University, Master of Economics.
Gediminas Karalius	Member	From 21 September 2018 to 12 September 2020 and from 20 March 2019	Ministry of Energy of the Republic of Lithuania; Senior Advisor of Energy Security Group	Mykolas Romeris University, Master of EU Law; ISM University of Management and Economics, Master of Science in Management and Business Administration.
Robertas Vyšniauskas	Independent member	From 15 April 2019 to 12 September 2020 and from 22 October 2020	CEO and the member of the Board of Valstybės investicinis kapitalas UAB; the member of the Board of Vilniaus vystymo kompanija UAB	Mykolas Romeris University, Master of EU Law.

**Attendance of the Audit Committee in 2020:**

● Present      ○ Absent

MEETING DATE	GEDIMINAS ŠIUŠAS	GEDIMINAS KARALIUS	ROBERTAS VYŠNIAUSKAS
January 27	●	●	●
February 24	●	●	●
March 6	●	●	●
March 10	●	○	●
March 23	●	●	●
March 30	●	●	●
April 6	●	●	●
April 16	●	●	●
April 20	●	●	●
May 4	●	●	●
May 18	●	●	●
May 25	●	●	●
June 22	●	●	●
July 27	●	●	●
August 24	●	●	●
October 26	●	●	●
October 29	●	●	●
November 9	●	●	●
November 23	●	●	●
December 7	●	●	●

**Key decisions of the Audit Committee 2020:**

<b>2020-01</b>	<b>27</b>	The risk management plans of EPSO-G and BALTPOOL for 2020 approved; the new wording of the Group's internal audit plan for 2018 - 2020 approved.		
<b>2020-02</b>	<b>24</b>	The risk management plans of Amber Grid, TETAS ir GET Baltic for 2020 approved; the report on the achievement of objectives for 2019 and for 2020 by the Internal Audit Head approved.		
<b>2020-03</b>	<b>06</b>	<b>10</b>	<b>23</b>	<b>30</b>
	The AC opinion on LITGRID's transaction with the related party Baltpool approved.	Opinion on separate and consolidated financial statements of BALTPOOL and GET Baltic for 2019 approved.	Opinion on separate and consolidated financial statements of LITGRID and Amber Grid for 2019 approved.	Opinion on financial statements of TETAS for 2019 approved.
<b>2020-04</b>	<b>06</b>	<b>16</b>	<b>20</b>	
	LITGRID's risk management plan for 2020 approved.	Opinion on separate and consolidated financial statements of EPSO-G for 2019 approved.	An external auditor was allowed to participate in a public procurement performed by one of the Group companies (for non-audit services).	
<b>2020-05</b>	<b>04</b>		<b>18</b>	<b>25</b>
	4 opinions of the AC on LITGRID's transactions with related parties approved; the technical specification for the procurement of financial statement audit services and the minimum qualification requirements for suppliers approved.		An external auditor was allowed to participate in a public procurement performed by one of the Group companies (for non-audit services).	Opinions on LITGRID's transaction with a related party approved; the group-level risk list approved.
<b>2020-06</b>	<b>22</b>	2 opinions of the AC on transactions with related parties approved.		
<b>2020-07</b>	<b>27</b>	After assessing the results of the risk management indicators of Q2 2020 the Audit Committee made recommendations to one of the Group companies regarding the addition of the risk list the plan of management measures.		
<b>2020-08</b>	<b>24</b>	The report on the conclusions of the selection procedures of the Group's external auditor was approved and for the Boards of the Group companies it was recommended to propose to the General Meetings of Shareholders to elect an audit firm PricewaterhouseCoopers UAB to audit the financial statements for 2020-2021.		
<b>2020-10</b>	<b>26</b>		<b>29</b>	
	The Audit Committee of the new term elected Mr. Gediminas Šiušas the Chairman; when implementing the previous recommendations of the Audit Committee, the proposals submitted by one of the Group companies to supplement the risk list and the plan of management measures were approved.		Allowed PricewaterhouseCoopers UAB to provide tax consulting services to the Group companies (specified in the request).	
<b>2020-11</b>	<b>09</b>		<b>23</b>	
	After assessing the results of the risk management indicators of Q3 2020 the Audit Committee made recommendations to one of the Group companies; the Audit Committee with the representatives of PricewaterhouseCoopers UAB discussed the plans of audits for 2020.		Amendments to the Group's Compliance Management Policy and the draft Group's Compliance Management Methodology approved; the risk lists and plans of management measures of Amber Grid and GET Baltic for 2021 approved.	
<b>2020-12</b>	<b>07</b>	The priority areas presented by EPSO-G, LITGRID and Amber Grid subject to the compliance management process approved; the risk lists and plans of management measures of LITGRID, EPSO-G, TETAS and Baltpool 2021 approved; 2 opinions of the AC on LITGRID's intention to enter into transactions with a related party approved.		

## 7. Innovation and Development Committee (IDC)

In line with the Articles of Association of EPSO-G, the EPSO-G Board has the right to set up temporal (ad hoc) or permanent specialized committees tasked with examining and making proposals and recommendations on areas and issues falling within the competence of such committees to the EPSO-G Board or other bodies of the Group or Group companies in order to ensure an effective internal control system and operational risk management at the Group level.

The Innovation and Development Committee is an advisory body to the EPSO-G Board on innovation, development and efficiency. It acts in the same way as the Audit Committee and the Remuneration and Nomination Committee - at the Group level, i.e. may submit conclusions, opinions, recommendations and proposals to the Board of the competent Group company

on issues related to the functions and responsibilities of the Innovation and Development Committee.

The Board approves and amends the regulations and the action plan of the Innovation and Development Committee, and forms tasks for the Committee.

The purpose of forming the Innovation and Development Committee: (i) increasing focus on innovations, search for new activities of the Group, operational efficiency; (ii) synergies of innovative ideas at the Group level and coordination of innovation directions; (iii) greater engagement of independent members of the Board in the activities of the Group, use of their knowledge and experience; (iv) the members of the Innovation and Development Committee shall act as ambassadors for innovation, development and efficiency in the Group companies.

### The composition of Innovation and Development Committee and its changes as of 31 December 2020:

FULL NAME	POSITION HELD	TERM OF OFFICE	OTHER POSITIONS	EDUCATION
Sigitas Žutautas	Independent member, Chairperson*	From 29 November 2019	Independent member of the Board of Amber Grid Ab, the Director of Būsto paskolų draudimas UAB	Vilnius University, Bachelor of Economics and Banking, Master of Accounting and Auditing. Baltic Institute of Corporate Governance, studies of a professional board member.
Tomas Tumėnas	Independent member	From 29 November 2019	Independent member of the Board of EPSO-G; CFO of Limedika UAB; the member of the Board of Linas Agro Group AB	Vilnius University, Master of Science in Financial Management; Aalborg University, Economics of International Business; Manchester Business School, Master of Science in Financial Management.
Šarūnas Nedzinskas	Independent member	From 29 November 2019 to 20 April 2020	Independent member of the Board of LITGRID AB	ISM University of Management and Economics, Doctor of Social Sciences, Strategic Management; Vilnius University, Master of Economics.
Tomas Urmanavičius	Member	From 29 November 2019 to 31 May 2020	Finance Control Director of EPSO-G UAB and the member of the Board of BALTPOOL UAB	Vilnius University, Bachelor of Economics; Vrije University of Amsterdam, Master of Financial Management.
Artūras Vilimas	Independent member	From 1 June 2020	Independent member of the Board of LITGRID AB	Kaunas University of Technology (KTU), Engineering Degree
Gediminas Mikaliūnas	Independent member	From 1 June 2020	Independent member of the Board of BALTPOOL UAB, Head of Automation and Transformation of IT Operations at Barclays IT	Baltic Management Institute, Executive MBA programme; Vilnius University, Master of Information Technology

\* The Chairman of the Innovation and Development Committee as from 6 January 2020, re-elected on 17 June 2020.

## Attendance of the Innovation and Development Committee in 2020:

● Present      ○ Absent

MEETING DATE	SIGITAS ŽUTAUTAS	TOMAS TUMĖNAS	ŠARŪNAS NEDZINSKAS	TOMAS URMANAVIČIUS	ARTŪRAS VILIMAS	GEDIMINAS MIKALIŪNAS
January 6	●	●	●	●	-	-
February 5	●	○	●	●	-	-
March 12	●	○	●	●	-	-
June 17	●	●	-	-	●	●
September 9	●	●	-	-	●	○
October 29	●	●	-	-	●	●
December 15	●	●	-	-	●	●

## Key decisions of the Innovation and Development Committee 2020:

<b>2020-01</b>	<b>06</b> The first IDC meeting, during which Mr. Sigitas Žutautas was elected the Chairman, the current situation in the functional area of the Group's innovations discussed.
<b>2020-02</b>	<b>05</b> Joint meeting attended by the Group's innovation curators. The current situation in the field of innovation in the Group companies was discussed.
<b>2020-03</b>	<b>12</b> The issue of solar power plants in LITGRID transmission network objects was discussed. The Committee's activity plan and regulations were approved. The status report of the innovation project portfolio was revised.
<b>2020-06</b>	<b>17</b> The first formal meeting of the newly approved IDC. Mr. Sigitas Žutautas was re-elected Chairman of the Committee. During the meeting, the status of LEAN implementation in the Group companies was discussed, as well as the regulatory environment for energy innovation was reviewed.
<b>2020-09</b>	<b>09</b> The project Installation of Energy Storage Facilities (200 MW) was discussed and the opinion of the IDC on the grounding and need of the project and related risks was formed; the system of innovation promotion in the Group companies was discussed.
<b>2020-10</b>	<b>29</b> The course of the project Installation of Energy Storage Facilities (200 MW) was discussed; the current situation of asset management efficiency of transmission system operators was discussed; the status report of the innovation project portfolio was revised.
<b>2020-12</b>	<b>15</b> The development of the Group companies was reviewed and new opportunities for implementing the new EPSO-G strategy were discussed.

## 8. Chief Executive Officer

The Chief Executive Officer of EPSO-G is appointed by the Board of the Company taking into account the recommendations of the Remuneration and Nomination Committee. The Chief Executive Officer is accountable to the Board.

The current Chief Executive Officer of EPSO-G, Mr. Rolandas Zukas, has held the post since 17 February 2015. In accordance with the Article 371 of the Law of the Republic of Lithuania on Companies, the first five-year term of office of the CEO commenced on 1 January 2018.

### The Chief Executive Officer of EPSO-G:

- Organizes and controls the implementation of the Group's activities strategy;
- Controls the activities of the subsidiaries, makes suggestions and conclusions to the EPSO-G Board regarding the organization of the Group's activities and development thereof;
- Organizes and ensures the monitoring of the implementation of the strategy, long-term (strategic), short-term (tactical) objectives of the subsidiaries, the activities assessment, makes suggestions to the EPSO-G Board regarding the activities improvement;
- Ensures that the Group's corporate governance documents are submitted to the Group companies, and the reports of the implementation of the Group's corporate governance documents are submitted in a timely manner to the Board of EPSO-G.

## 9. Additional information on the Chairman of the Board, the Chief Executive Officer, the Chief financier and the Head of the Internal Audit:

**Mr. Gediminas Almantas (Chairman of the Board)** - Mr. Almantas has been the Chairman of the EPSO-G Board since 30 March 2019. Mr. Almantas is a professional with an extensive experience in business strategy and corporate governance. He is an independent member of the Board of SE Oro Navigacija, the Chairman of the Audit Committee, and the Chairman of the Lithuanian Red Cross Society and the Board of the Open Lithuania Foundation. In 2014-2018, he was the CEO of the Lithuanian Airports, and was engaged in the fields of aviation and law. Mr. Almantas has been on the EPSO-G Board since 2016.

Mr. Almantas holds a Master's degree in Law from Vilnius University and the University of Bern, and Industrial PhD fellow of Business Negotiation Ethics at Copenhagen Business School.

**Mr. Rolandas Zukas (Chief Executive Officer)** - Mr. Rolandas Zukas has been holding the office of the Chief Executive Officer of EPSO-G since 17 February 2015. He worked before as the Department Director of the LNGT terminal of Klaipėdos nafta AB, was the member of the Board and the CEO of Energijos Tiekimas UAB. Mr. Zukas is the member of the Board of the Lithuania's National Energy Association (Lith. NLEA).

Mr. Zukas holds a university degree in the fields of Transport Engineering Economics (Vilnius University, the Bachelor's degree) and Management (ISM, the Master's degree).

**Mr. Žydrūnas Augutis (Chief financier)** - with more than 20 years of experience in financial accounting and taxation, Mr. Augutis has been the Chief Financial Officer of EPSO-G since 29 April 2019. Prior to joining EPSO-G, he held the position of the Chief Financial Officer of the subsidiary Litgrid, managed the accounting department of Lietuvos Dujos AB (following the separation of the transmission activities from it, Amber Grid was established). In 2017-2019, Mr. Augutis was a member of the Board of EPSO-G's subsidiary TETAS.

Mr. Augutis holds a Master's degree in Accounting and Auditing from Vilnius University.

**Mrs. Rasa Juodelytė (Head of Internal Audit)** has been the Head of EPSO-G centralized Internal Audit Department since 2 January 2017. Prior to joining this position, for four years she was responsible for the Internal Audit Department's activities at the subsidiary Litgrid; she held the same position while working for the international company of wholesale and retail trade of petroleum products. Mrs. Juodelytė is a member of the Audit and Risk Committee of Ignalina Nuclear Power Plant.

Mrs. Juodelytė holds a Master's degree in Accounting and Audit from Vilnius University.

The CVs of the members of the Board of the Company and its Committees as well as the Chief Executive Officer are published on the website of EPSO-G: [www.epsog.lt](http://www.epsog.lt).

## 10. Operating policies

Good governance practices in EPSO-G Group were implemented during the reporting period through the application and continuous targeted improvement of the operating policies approved by the Board, applicable to all the Group companies.

The operating policies of EPSO-G Group are intended to implement a consistent and effective organizational management system helping the employees in successful implementation of important strategic projects and transparent and effective benefit creation for both the people of the country and the business.

To ensure the efficiency of the operating policies, all companies of the Group annually reports on the progress of implementation of the operating policies to the Board of the holding company EPSO-G.

By implementing the goals set out in the Shareholder's Letter of Expectations, the holding company EPSO-G has established the main principles and, in some cases, the specific rules in these fields at the Group level:

Remuneration, personnel management	Supervision of the Group's activities	Activities, development of the Group	Finance, asset	Transparency, accountability
Remuneration guidelines	Integrated planning and monitoring policy of the Group	Strategy of the Group	Dividend payment policy	Corruption prevention policy
Guidelines of the annual self-assessment of the collegiate bodies' activities	Guidelines of the implementation of the centralised internal audit in the Group	Corporate governance policy	Accounting policy	Policy for support granting
Employee remuneration policy		Project management policy	Treasury and financial risk management policy	Policy of non-audit services purchased from an audit company
Employee performance assessment policy		Risk management policy	Technological assets development and operation policy	Transparency and communication policy
Competence policy		Social responsibility policy	Transport policy	Sensitive information protection policy
		Code of conduct	ITT management politics	Policy of managing interests of members of collegial bodies and employees
		Procurement Policy		Personal data protection policy
		Transactions with related countries policy		
		Compliance Management politics		

**EXPLANATORY NOTES**

- The policy changes made and a new version of Group policy adopted in 2020
- The new Group policy approved in 2020

During the reporting period, one new Compliance Management Policy of the Group was added and three policies were updated:

- Integrated Planning and Monitoring Policy;
- Dividend Payment Policy;
- Transparency and Communication Policy.

The policies or summaries thereof are published on EPSO-G website [www.epsog.it](http://www.epsog.it) in the menu item Operating Policies.

### Functional area governance model

The holding company EPSO-G employs a functional leadership model that, based on international practice, creates the greatest value for the Group companies.

Using the functional leadership model, the holding company EPSO-G:

- Mostly focuses on operational efficiency, shared resources and centralized services;
- Allocates resources and enhances competence for key, long-term value creation activities - strategy development, investment management and innovation;
- Defines the policies of the Group companies, standardizes the core processes of the Group;
- Promotes the sharing of good practices among the patronized companies and supports initiatives to improve performance.

## Effectiveness of the governance model

The effectiveness of the governance model is measured by EPSO-G through an employee engagement survey. Based on the survey results, areas for improvement are identified and the further action plan for the development of the organization is adjusted accordingly.

## 11. Self-assessment and results of the activities of the collegial supervisory and management bodies

With respect to the guidelines prepared by the Remuneration and Appointment Committee, at the beginning of 2021, the governing bodies of the holding company EPSO-G and its subsidiaries carried out the self-assessment of their activities of 2020.

The summarized assessments of the members of each collegial body were discussed during the meeting of each collegial body. The fields of activity to be improved were identified and the directions for improvement of the operational processes were established by drawing up a coherent plan of actions and tasks for the year 2021.

The evaluation of its performance carried out by collegial bodies was coordinated and summarised by the Remuneration and Appointment Committee of EPSO-G.

The Remuneration and Appointment Committee identified the following key areas for improvement for 2021:

- more focus on solving strategic issues in order to optimize the work organization of collegial bodies;
- increased cooperation with the EPSO-G's Board and Committees to respond more effectively to the expectations and needs of a particular collegial body;

## 12. Information on compliance with the Code of Conduct

The holding company EPSO-G complies with the provisions of the Corporate Governance Code of the Companies listed on NASDAQ OMX Vilnius (available at: [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com)). The Code applies to the extent that the Articles of Association of

the Company do not provide otherwise. The Company discloses its compliance with the provisions of the Corporate Governance Code in Annex II to this Annual Report.

## 13. Information on Compliance with Transparency Guidelines

EPSO-G Group companies follows the Resolution No 1052 On the Approval of the Description of the Guidelines for Ensuring Transparency of Activities of State-Owned Enterprises of the Government of the Republic of Lithuania of 14 July 2010 (the "Transparency Guidelines").

The Transparency Guidelines are binding on the holding company EPSO-G, as it is a state-owned enterprise, classified as a large enterprise in accordance with the Law on Corporate Financial Reporting of the Republic of Lithuania.

In order to comply with the Transparency Guidelines within

EPSO-G Group companies, the Group applies the Transparency and Communication Policy that addresses in detail the requirements of the Transparency Guidelines and determines their scope of application for the companies of the Group.

The implementation of the Transparency Guidelines is essentially ensured through the information disclosed in the Annual Report and the disclosure of information on the websites in order to provide information to stakeholders in an accessible and understandable form.

Structured information on compliance with the Transparency Guidelines is provided in Annex I to this Annual Report.

**„The implementation of the Transparency Guidelines is essentially ensured through the information disclosed in the Annual Report and the disclosure of information on the websites in order to provide information to stakeholders in an accessible and understandable form.“**