/TRANSLATION FROM LITHUANIAN/

EPSO-G

Name:	EPSO-G group of companies Corporate Governance Policy
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CORPORATE GOVERNANCE POLICY

PURPOSE:	To establish common principles for the corporate governance of the Group to ensure transparent, efficient, coordinated, high-quality and effective operation of the Group.
SCOPE OF APPLICATION:	To all companies of the Group.

1. Terms and abbreviations

1.1. Terms or abbreviations used in this Policy have the following meanings:

Associated Company	a legal entity (other than an association or other union of legal entities) in which a company of the Group owns 50% or less of the shares (stocks, interest) and (or) over which another company of the Group seeks to exercise influence, but which is not considered to be a Subsidiary or a Lower Tier Subsidiary. Associated companies are not considered to be companies of the Group.
Function	The specific activity or a group of activities organised at the Group level, approved by a decision of the GMC (or by the Head of EPSO-G if no GMC is formed). A function may cover several functional areas.
Functional Area	A part of a Function covering individual operational issues, organised at the Group level, approved by a decision of the GMC (or the Head of EPSO-G if there is no GMC).
Functions / Functional Area Operating Model	Organization of activities taking into account the accountability (subordination) of the Employees of the Function / Functional Area to the Manager of the Function / Functional Area. Functions/Functional area activities can be organized (i) in a decentralized matrix manner using solid line, dotted line or mixed line, or (ii) centralised.
Functions / Functional Area Manager	An employee of EPSO-G whose job includes organising the activities of the relevant Function/Functional Area in accordance with the established operating model of the Function/Functional Area.
Group Management Committee or GMC	A collegial body formed by a decision of EPSO-G Management Board, with competences defined by the Corporate Governance Guidelines, Articles of Association of EPSO-G and this Policy.
Group Level Documents	Key documents of the Group, which aim to establish uniform standards for the companies of the Group and to regulate the governance of the Group.
Corporate Governance Guidelines	Guidelines for corporate governance of the EPSO-G, UAB Group of companies, approved by the Ministry of Energy.
GMS	General Meeting of Shareholders.
Business Line	The activities of a company of the Group from which the company may derive income or incur expenses in the production of products or the provision of services, the risks and performance (financial and non-financial) of which it is reasonable to distinguish from the other activities of the company.

1.2. The Policy also uses the terms as defined in Annex 1 “List of terms used in the Group level documents”.

2. Group Governance System

2.1. By exercising its control functions, EPSO-G organises the governance of the companies of the Group in such a way as to coordinate the activities of the Group through the management of the companies of the Group and the supervision, monitoring and management control of their activities, while at the same time ensuring the sharing of knowledge and best practices,

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in order to realise the synergies between the companies of the Group and to foster cooperation to achieve the objectives set for the companies of the Group.

2.2. The governance of the Group is organised, inter alia, on the basis of the principle of priority of common interest of the Group, ensuring the implementation of the principle of autonomy of the companies of the Group. The principle of autonomy of the companies of the Group means that, without prejudice to the provisions of this Policy, each company of the Group shall act independently as a legal entity in order to achieve the objectives set out in the Articles of Association of the relevant company of the Group.

2.3. The governance model of the Group is implemented on the basis of two main governance mechanisms: (i) corporate governance and (ii) functional governance.

2.4. Corporate governance is implemented by, among other things:

2.4.1. EPSO-G exercising its rights as a shareholder in relation to the Subsidiaries (and, accordingly, exercising the rights of the Subsidiaries as shareholders in the Lower Tier Subsidiaries);

2.4.2. members of collegial bodies in the performance of their assigned functions in the collegial bodies of the companies in the Group;

2.4.3. a decision of the EPSO-G Board to set up a Group Management Committee with responsibilities;

2.4.4. approving the Group-level documents such as policies, key operational guidelines of companies of the Group, procedures, etc., and supervising their implementation;

2.4.5. establishing an integrated system of planning and monitoring documents for the Group, setting out the responsibilities of the parties involved and deadlines, and developing common objectives.

2.5. Functional governance is implemented by, inter alia:

2.5.1. Function/Functional Area Managers performing the management function of their respective business areas at the Group level, through the formulation of individual Function/Functional Area objectives aimed at achieving the strategic objectives of the Group, monitoring of Function/Functional Area indicators, etc.;

2.5.2. Aligning the optimal administrative (linear) organisational structures within the companies of the Group, in accordance with the guidelines established by EPSO-G, to enable the proper organisation of a Function or Functional Area, in accordance with the Functional/Functional Area Operating Model approved by the GMC;

2.5.3. Function/Functional Area Managers cooperating with both Business Lines and each other to make the most effective decisions for the Group, or by centralising the organisation of a Function or Functional Area.

3. The role of EPSO-G and its bodies in the Group, key responsibilities

3.1. EPSO-G bodies perform their functions at the Group level:

EPSO-G body	Principle role at the Group level[1]
Board	- is responsible for the organisational and systemic development and management of activities of the companies of the Group within the scope and limits of its competence; - formulates general corporate governance policy of the Group, ensures the appropriate selection of the corporate governance model of the Group companies; - approves the most important Group-level documents: guidelines, policies, codes, etc.; - approves the strategy of the Group and analyses information on its

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	implementation, and monitors the action plan for the implementation of the strategy of the Group; - ensures continuous supervision and control over the management of key strategic and nationally important projects entrusted to or carried out by the companies of the Group.
Audit Committee	- is responsible for supervising the preparation and auditing of financial statements of Group companies; - is responsible for ensuring the independence and objectivity of auditors and audit firms of the companies of the Group and for monitoring the services they provide; - is responsible for monitoring the effectiveness of internal control, risk and compliance management and internal audit functions and business processes of the companies of the Group.
Remuneration and Nomination Committee	- assists in the selection of candidates for the management bodies of all companies of the Group, and makes recommendations on the appointment of the selected members of the management bodies of companies of the Group; - analyses and summarises the results of the performance evaluation of the collegial management bodies of companies of the Group, the AC, and makes proposals for improving their performance; - makes recommendations on the remuneration policy, performance appraisal policy and recruitment policy of the Group, and proposes criteria for the performance appraisal of managers of the Group.
Other committees of the Board	In order to ensure an effective internal control system and Group-wide management of operational risks, the Board of EPSO-G, by its decision, shall have the right to form other committees (permanent and ad hoc), which shall be responsible for examining and making proposals and recommendations to the EPSO-G Board and (or) other corporate bodies of EPSO-G and companies of the Group in respect of the areas and matters within the competence of such committees.
Manager	- organises, controls and, within the limits set by legislation, ensures the implementation of the strategy of the Group, including the approval of the action plan for the implementation of the strategy of the Group and the monitoring of its implementation; - within the limits of its responsibilities, monitors the activities of the Subsidiaries and submits its proposals and opinions to the EPSO-G Board on the organisation and development of activities of the Group; - within the limits of its powers, takes measures to ensure that the recommendations, guidelines, policies, codes and other documents approved by the EPSO-G Board with regard to the activities and functioning of the Group are implemented in the companies of the Group.

[1] The Policy summarises the competences of the bodies for information purposes. The detailed competences of the bodies are set out in the Articles of Association, Rules of Procedure, etc., which are to be used as a guide for determining the roles and responsibilities of a particular body.

The Group Management Committee (see Chapter 6 for details)	- ensures the proper management of the Functions and Functional Areas and Business Lines; - decides on the creation of Functions or Functional Areas, the operational model of a Function/Functional Area, the abolition of a Function/Functional Area, and the results; - ensures the initiation, supervision and implementation of organisational changes at the Group level.
Internal Audit Unit	- performs centralised Group-wide internal audit (conducting internal audits and monitoring the implementation of recommendations); - provides advisory services to the companies of the Group.

4. Principles governing the work of the collegial management (supervisory) bodies of the Group

4.1. The collegial management (supervisory) bodies of the Group shall contribute to the governance of the Group, without prejudice to mandatory legal requirements, the interests of the relevant company of the Group or the interests of the shareholders of other companies of the Group, by ensuring:

4.1.1. cooperation between the collegial management (supervisory) bodies of the Group. The members of the collegial body shall seek to participate actively in the strategy and cooperation sessions organised by EPSO-G and in other Group-wide events;

4.1.2. the accountability of the collegial management (supervisory) bodies as required by legislation. The members of the collegial body of a Group company report on their activities and inform about the decisions taken;

4.1.3. safeguarding the interests of the Group. The members of the collegial body shall seek to achieve the objectives of the respective company of the Group in the common interests of the Group, in order to ensure the implementation of the unified strategy of the Group and of the directions, principles, objectives and priorities of the activities set out in the Letter of the Minister of Energy of the Republic of Lithuania on the Objectives Set and Expectations Raised by the State for EPSO-G.

4.2. In addition to the corporate governance principles set out in the Corporate Governance Guidelines, the collegial management (supervisory) bodies of the Group are guided by the principle of autonomy and separation of powers, which means that the bodies of each company of the Group act independently within the scope of their competence, as set out in the Articles of Association of the respective company of the Group, assuming responsibility for making the decisions that fall within their competences, irrespective of whether or not the respective areas of activity are regulated by the Group level or by any other corporate governance documents.

4.3. Subject to legal requirements, EPSO-G or employees of other companies of the Group may be appointed as members of the collegial management (supervisory) bodies of companies of the Group. No remuneration is paid to the Employees of EPSO-G and companies of the Group for serving on the collegial management (supervisory) body. In the context of EPSO-G control role, the members of the management (supervisory) body nominated by EPSO-G will, among other things, regularly monitor the key performance indicators of the company of the Group and communicate them to EPSO-G representatives and, where appropriate, to EPSO-G Management Board, and will participate in the discussions of the performance indicators of the company of the Group, organised by the representatives of EPSO-G.

5. Participation in the governance of Associated Companies

5.1. The companies of the Group may participate in the governance of Associated Companies. If the number of shares or contractual obligations allows, the employees of EPSO-G or companies of the Group may be nominated to the management (supervisory) bodies of the Associated Companies. No remuneration is paid to such members for the performance of these functions.

5.2. If the exercise of the functions of the management (supervisory) body requires the incurrence of expenses (e.g. travel, accommodation, transport, meals during the trip, etc.) as assessed by the company of the Group that nominated the representative, the company of the Group shall bear or

reimburse the expenses actually incurred, which have been discussed in advance and, in accordance with the procedures and terms laid down in internal legal acts, have been agreed upon with the company of the Group, on the basis of the documents submitted to justify these expenses.

6. Group Management Committee

6.1. The Group Management Committee is made up of at least 5 members nominated by the head of EPSO-G. The members of the Group Management Committee are appointed and dismissed by the EPSO-G Management Board. The EPSO-G Management Board may decide to approve the composition of the GMC by providing for the post/position in respect of which the employee is appointed as a member of the GMC.

6.2. The work of the GMC is organised and its meetings are chaired by the Head of EPSO-G. The GMC may take decisions and is deemed to have been held when at least half of its members are present. A decision is deemed to have been made when a majority of the members of the GMC vote in favour of it. If the votes are equally divided, the chair of the GMC has the casting vote.

6.3. The members of the GMC who are managers of companies of the Group shall have a veto right, i.e. if at least one of the managers of companies of the Group votes against the issue under consideration, the voting and counting rules set out in Clause 6.2 of this Policy shall not apply and no decision shall be taken.

6.4. The GMC makes decisions on:

6.4.1. Operation of Functions and Functional Areas at the Group level, i.e.:

(i) establishes/abolishes Functions and Functional Areas;

(ii) determines the operating model of the Functions and Functional Areas (operating in a decentralised way: solid, dotted or mixed lines of accountability, or operating in a centralised way);

(iii) approves the objectives, indicators and evaluates the results of the Function or Functional Area. In setting targets/indicators, the GMC may set measures for their implementation;

(iv) approves the budget of the Function or Functional Area, and provides other necessary resources or tools, if relevant to the chosen operating model of the Function/Functional Area;

(v) decides on other issues directly related to the management of Functions or Functional Areas at the Group level.

6.4.2. Centralisation of Functions/Functional Areas. Where a decision is taken to centralise a Function or Functional Area, the GMC shall *mutatis mutandis* take the decisions provided for in Clause 6.4.1 of this Policy.

6.4.3. Development and management of business lines at the Group level. When deciding on Business Lines, the GMC shall, *mutatis mutandis*, take the decisions provided for in Clause 6.4.1 of this Policy.

6.5. The Group Management Committee may also consider other issues initiated by the Group Management Committee in order to achieve synergies, co-operation and operational efficiency within the Group in the common interest of the Group.

6.6. If, in accordance with the Articles of Association of a company of the Group or other legal requirements, a decision or approval of the relevant body is required, it must be obtained, notwithstanding that the decision or approval on a particular issue has been taken by the GMC.

6.7. The GMC submits a report on its activities to the EPSO-G Board at least once a quarter.

7. Group level documents

7.1. The Group may adopt the types of Group level documents set out in Annex 2 to this Policy, which shall be consistent with the corporate governance principles of the Group, as well as with the higher-level corporate governance documents of the Group.

7.2. The Group level documents shall apply directly in full in the companies of the Group and shall come into force within 1 month from the date of submission of the document to the company of the Group

at the common e-mail address of the company of the Group (unless otherwise specified in the decision on the entry into force), except in the case of justified decisions of the respective governing bodies of the company of the Group on the application of the corporate documents. Such decisions can include:

7.2.1. application of the Group level document with exceptions, specifying in the decision the exceptions and the period for which the exceptions are granted (temporary or permanent);

7.2.2. application of a Group level document with additional regulation, specifying in the decision the additional requirements, and adopting procedures for compliance, implementation, supervision and control, taking into account the specificities of the company of the Group;

7.2.3. non-application (temporarily or permanently) of a Group-level document, specifying in the decision whether the document will not be applied to the company of the Group at all because of the specific nature of its activities or whether a transitional period is simply required for the application of the document, so that the document or a part of it will not be applied for a specified transitional period. The decision must also clearly state the reasons for not applying the Group Level Document or the need for a transitional period.

7.3. If a decision is made to invalidate the Group Level Document, the decision shall apply to the companies of the Group from the date of the communication of the decision to the company of the Group.

7.4. To ensure a unified and efficient Group governance system, the companies of the Group are encouraged to cooperate in the sharing of *know-how* and are involved in the drafting process of new Group level documents, and are informed of material changes planned to Group level documents, including the decision to invalidate them. The aim should be to ensure that Group level documents are applicable to all companies of the Group without exception, differentiating, where necessary, the applicability of policy provisions to a particular company or companies of the Group within the document itself.

7.5. If necessary, the recommendations of the committees formed by the EPSO-G Board on the draft Group-level document must be obtained before the Group level document is submitted to the EPSO-G Board for approval.

7.6. When approving a Group level document, the owner of the document must be identified (position, unit, Head of Function/Functional Area, etc.). The owner of the Group Level Document is responsible for:

7.6.1. interpreting the provisions (where issues arise) and making recommendations on the implementation of the Group level document to the companies of the Group;

7.6.2. initiating a review of the relevant Group level document and providing an updated document for approval to the relevant body;

7.6.3. coordinating the provisions of the Group Level Document at the Group level when a new Group Level Document is prepared or when material changes are made to the Group Level Document, other than those resulting from changes in legal requirements;

7.6.4. monitoring the implementation of the Group level document (including implementation indicators, if any) within the Group, collecting information on the implementation of the Group level document at the Group level and submitting it to the EPSO-G body that approved the document (if applicable).

7.7. The Group level document must be reviewed periodically by the body that adopted it. It is recommended to specify the periodicity of the review in the Group level document itself. Where there is no specific term for the review of the relevant Group level document, it shall be reviewed at least every 3 years, and at any time in case of changes in external regulation related to the scope of the Group level document, new case law, etc.

8. Management of Functions or Functional Areas: key principles and responsibilities

8.1. The operational model of the Function/Functional Area is defined in terms of accountability (subordination),
i.e. who is the final decision-maker (all decisions are made by the consensus of both managers - the Function/Functional Area and the Administrative Manager, but in case of differences of opinion,

the final decision is made by the solid line manager):

8.1.1. Solid line: Function or Functional Area Employees are directly accountable (subordinate) to the Manager of Function/Functional Area and indirectly accountable (subordinate) to the Administrative Manager;

8.1.2. Dotted line: Function or Functional Area Employees are directly accountable (subordinate) to the Administrative Manager and indirectly accountable (subordinate) to the Function / Functional Area Manager;

8.1.3. A Function and a Functional Area may operate under a hybrid model of both solid line and dotted line to the Manager of the Function/Functional Area, where there is a need for different operating models within the same Function or Functional Area, including the possibility of setting a different operating model for each individual company of the Group and (or) Employee;

8.1.4. Centralisation of a Function/Functional Area[2], i.e. where the Manager of the Function/Functional Area has full control of its operation and resources, is the sole manager of the Employees in the Function or Functional Area, and the Employees are employed by one company of the Group.

8.2. Functions and responsibilities of the solid line Function/Functional Area Manager:

8.2.1. is responsible for submitting the objectives and (or) indicators of a Function or Functional Area to the GMC for approval and their implementation, for preparing and implementing the business planning documents of the Function or Functional Area, which may be prepared separately or as an integrated part of the corporate strategy of the Group;

8.2.2. plans and manages the budget and other resources of the Function or Functional Area;

8.2.3. initiates and is responsible for the development and (or) changes to the internal regulatory documents of the Function or Functional Area at the Group level and for their implementation;

8.2.4. sets and evaluates performance and development objectives for the Function or Functional Area;

8.2.5. participates in the review of the remuneration of Employees in the Function or Functional Area;

8.2.6. participates in the selection of Employees in the Function or Functional Area;

8.2.7. manages the risks of the Function or Functional Area;

8.2.8. ensures the communication of the Function or Functional Area with Business Lines and other Functions or Functional Areas and within the Function or Functional Area.

8.3. Functions and responsibilities dotted line Function/Functional Area Manager:

8.3.1. provides recommendations to the companies of the Group on the setting of objectives and (or) indicators for a Function or Functional Area, and on the preparation of planning documents for the Function or Functional Area, which may be prepared separately or as an integrated part of the corporate strategy of the Group;

8.3.2. initiates and monitors the development and (or) changes to the internal regulatory documents of the Function or Functional Area at the Group level and their implementation;

8.3.3. makes recommendations on setting and promoting performance and development objectives for Employees in the Function or Functional Area.

[2] Functions or Functional Areas shall be centralised to the extent that the rights and duties of the governing bodies of the company of the Group as provided for by legislation are not restricted.

8.4. The Manager of a Function/Functional Area is functionally accountable to the GMC, i.e. the Manager of a Function/Functional Area takes ownership and responsibility for the performance of the Function/Functional Area under his/her management to the GMC. The legal responsibility for the results of the implementation of the decisions of the Function/Functional Area Manager in the companies of the Group rests with the managers of the companies of the Group (to the extent defined by legislation), irrespective of the subordination of their Employees to whom they report (to the Manager of the Function/Functional Area or to the head of the specific company or unit of a particular company of the Group).

8.5. Function / Functional Area Manager assumes responsibility, leadership and ownership for its decisions towards the companies of the Group in the performance of its functions.

8.6. The accountability of Employees to the Manager of the Function/Functional Area may be set out in the job description of the Employee concerned or in other internal regulations of the company of the Group.

8.7. This Policy sets out the key roles and responsibilities of the Function/Functional Area Manager, which may be further detailed in the job description of the Function/Functional Area Manager.

8.8. This Policy shall be reviewed at least in 3 years after its adoption.

List of terms used in the Group level documents

Terms used in the corporate governance documents of the Group shall have the following abbreviations and meanings, unless the relevant term is specified in a specific document:

Audit Committee (AC)	An advisory committee formed by the EPSO-G Board to act as the Group-wide audit committee.
Remuneration and Nomination Committee (RNC)	An advisory committee formed by the EPSO-G Board to act as the Group-wide remuneration and nomination committee.
Subsidiary	Subsidiaries directly controlled by EPSO-G.
Employee	An Employee working in any company of the Group.
EPSO-G	EPSO-G, UAB, legal entity code 302826889.
ME or Ministry of Energy	the Ministry of Energy of the Republic of Lithuania.
Group	A group of companies controlled by EPSO-G, consisting of subsidiaries directly and indirectly controlled by EPSO-G and EPSO-G.
Company of the Group, Company	EPSO-G, Subsidiaries and Lower Tier Subsidiaries, or any of these companies separately.
Members of Collegial Bodies (CB)	Members of the Board of the company of the Group, members of the Audit, Remuneration and Nomination and other specialised committees (if any are formed by the Board of EPSO-G), or any of them individually.
RL	Republic of Lithuania.
Structural Unit, Functional Unit or Unit	An organisational unit that has the purpose of ensuring the proper performance of its assigned functions/tasks (areas of competence).
Lower Tier Subsidiary (LTS)	Companies directly or indirectly controlled by the Subsidiaries.
Manager	The single-person management body of the company of the Group, appointed in accordance with the procedure set out in the Law on Companies of the Republic of Lithuania and in the Articles of Association of the company of the Group.
SCC, Management and Coordination Centre	PI Management Coordination Centre, which performs functions related to the implementation of the Policy on the Management of State-Owned Enterprises, as set out in the Law on the Management, Use and Disposal of State and Municipal Assets of the Republic of Lithuania.

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List of Group level documents

The main types of Group-level documents and the bodies that approve them are listed below.

Where there is a need to approve a Group-level document other than those listed below, Legal and Corporate Governance Unit of EPSO-G will advise on the competence of the relevant body to approve it and on other relevant issues.

Document	Body approving the document	Characteristics of the document
Guidelines	EPSO-G GMS or EPSO-G Board	- defines the main aims, objectives and principles of the regulated area; - the guidelines shall be used as a basis for the preparation of other corporate governance (implementing) documents; - all corporate governance documents adopted by the Group shall be applied and interpreted in accordance with the Guidelines.
Policy, code	Unless the adoption of a specific policy falls within the remit of another body, the AC or GMS, the EPSO-G Board sets the principles and, in some cases, the specific rules on the subject;	- prepared in accordance with the content of the guidelines; - additional control measures are established, e.g. the competence to take specific decisions is raised to a higher level; - general policies applicable to the Group may also include provisions that apply only to EPSO-G (usually provisions establishing the specific rules implementing the EPSO-G policy).
Procedure, Rules, Methodology, Description	Manager EPSO-G, Manager of a Function or Functional Area	- a set of specific rules (required actions) that explain how to behave in order to achieve specific objectives set out in the corporate documents of the Group; - adopted to give practical effect to the objectives and requirements set out in the guidelines, policies and codes; - identify the persons, bodies responsible for the proper implementation of the documents/processes; - may establish specific rules for a particular company, taking into account its needs and operational specificities.
List of Functions and Functional Areas, Function or Functional Area Action Plan	GMC or the EPSO-G Manager if no GMC has been formed	- A document implementing the Function/Functional Area operational model in the Group, which sets out plans for the management/development of the relevant Function and/or Functional Area; - sets out the priorities of the Function and/or Functional Area over the strategy period of the Group, defines the objectives and targets, their measurement indicators, and other management issues.
Other Group level documents	The relevant EPSO-G body, taking into account the regulatory scope, complexity and other aspects of the document	Group-level documents other than those discussed in the table below may be adopted on a case-by-case basis.