EPSO-G

Remuneration, performance management, and development policy for employees of the EPSO-G group of companies **Owner** Group Organization Development and Culture Department	**Approves** EPSO-G board **Publicity** Announced publicly	**Approved by** 28/10/2025 **Document No.** VLD-25-17

EMPLOYEE REMUNERATION, PERFORMANCE MANAGEMENT AND DEVELOPMENT POLICY

OBJECTIVE:	Establish clear and transparent principles for Group employees: - remuneration, performance assessment, and a remuneration system for employees based on these principles; - training, qualification improvement, and professional development.
SCOPE OF APPLICATION:	For all Group companies.

1. Terms and abbreviations used

1.1. The terms and abbreviations used in this policy have the following meanings:

Salary ranges	Minimum and maximum monthly salary limits are set for each position level.
Top-level managers	The Head of the Company and the Head of a structural unit directly subordinate to the Head of the Company, who has several subordinate structural units and/or coordinates several functions, and whose management level is approved by a decision of the Company's board (if no board is formed, by the Head of the Company). A top-level manager may have subordinate structural units at different levels and/or subordinate employees at different management levels.
Employee objectives	Individual goals and targets to be achieved within a specified period of time are set for the employee during a performance review meeting between the employee and their immediate supervisor, defining what activities, initiatives, and tasks the employee will perform in addition to their daily (routine) functions and/or what performance indicators they will strive to achieve in performing their daily functions in order to create maximum value in pursuit of the Company's and the Group's overall performance results.
Employee performance assessment	Assessment of employee goal achievement, performance quality, competencies, and adherence to values, during which the direct supervisor provides
Financial remuneration	The monetary part of the remuneration system, including direct and indirect forms of remuneration.
Financial incentives	Remuneration paid to employees at the employer's initiative and discretion, depending on the Company's results and the results of the employee's performance appraisal.
Calibration	Management sessions aimed at assessing employee performance (effectiveness), quality of work, and ethical behaviour as accurately and objectively as possible.
Competences	An employee's knowledge, abilities, skills, and experience, which are manifested through specific work behaviours.
Essential positions	Positions that have the most direct impact on the continuity of the Company's operations, the implementation of its strategy, and the

	creation of value, which require skills that are unique to the Company, acquired over time, difficult to replace, and hard to find in the labour market.
Monthly remuneration	The basic remuneration of an employee, as specified in the employment contract, paid on a monthly basis.
Non-financial remuneration	The part of the remuneration system that does not have a monetary expression and includes indirect forms of remuneration.
Succession planning	Targeted succession planning for key positions and managers, training existing employees and planning measures outside the Company.
Additional benefits	Financial and non-financial measures to enhance employee motivation, well-being, and engagement.
Position level	A relative measure that assesses a position based on its complexity, scope of responsibility, required knowledge, competencies, and impact on results. It shows the relative value and weight of a position within the Company and the Group and allows for comparison between positions.
Position group	Positions that involve performing the same or equivalent work.
Position structure	All positions in the Company, with their established position levels, constitute the Company's position structure. The position structures of all Group companies constitute the Group's position structure. The Company and Group job structures are collectively referred to as the Position structure.
Category of positions	Similar and/or related positions with a specific function that requires similar activities, knowledge, and education, but differs in terms of the level of responsibility, knowledge, and decision-making.
First-level managers	Managers of the lowest-level structural units (groups) of the company, directly subordinate to top-level managers or middle-level managers.
Development	All forms of employee training and education aimed at improving employee qualifications and competencies necessary for employees to improve their daily performance and achieve set goals and/or implement the Succession plan.
Middle-level managers	Managers of the Company's structural units, except for top-level and primary-level managers, whose management level is approved by a decision of the Company's manager. A middle-level manager may have subordinate structural units at different levels and/or subordinate employees at different management levels.

1.2. The policy also uses terms as defined in Annex No. 1 to the Group's Corporate Governance Policy, "List of Terms Used in Group-Level Documents," the Labour Code of the Republic of Lithuania, and other legal acts.

2. Remuneration principles and remuneration system

2.1. The objectives of the Group's remuneration system are as follows:

2.1.1. to create motivating incentives and conditions to encourage employees to achieve better performance results, contribute more actively to the achievement of the Company's and the Group's objectives, and do more than is formally required in the performance of their duties;

2.1.2. to encourage employees to improve (streamline) their activities and create innovative, non-standard solutions;

2.1.3. to attract and retain qualified and competent employees;

2.1.4. to ensure equal pay for equal work or work of equal value, applying the principles of equal opportunities and non-discrimination and based on objective criteria. It is established that, without prejudice to the principle of equal pay for equal work or work of equal value, the remuneration of employees performing equal work or work of equal value may differ in cases where this is justified by objective and transparent criteria such as the quality and results of work, experience, knowledge, skills or competences, and value-based behaviour.

2.2. The remuneration system for employees of the Group companies consists of Financial and Non-financial remuneration. The Financial remuneration consists of (i) Monthly remuneration; (ii) bonuses established in the Labour Code of the Republic of Lithuania, internal company regulations, and collective agreements; (iii) financial incentives; (iv) project-based incentives; (v) Incentives for results of particular importance (vi) Incentives for the implementation of innovations; (vii) Additional benefits of a financial nature. Non-financial remuneration consists of additional non-financial benefits provided to employees (e.g., flexible working hours, the possibility of remote work, etc.) and recognition and emotional rewards, which consist of targeted actions by the employer to promote employee well-being, empowerment, engagement, and organizational transparency.

2.3. The basis of the remuneration system is the Position structure. The level of the position is determined by assessing the following criteria: (i) education, special knowledge, competence, qualifications, and experience required for the position (including the ability to effectively plan and organize one's own and others' work, the ability to communicate and cooperate effectively with interested parties); (ii) the complexity/complexity of the decisions made in the position; (iii) the responsibility and authority of the position to make independent decisions and the extent and nature of the impact on the Group, the Company or part thereof.

2.4. The Group uses a method that's recognized internationally and widely used in the Lithuanian market to assess and determine job levels. The Group selects and applies a uniform job level assessment method throughout the Group, therefore the Group operates a uniform job level system. Position evaluations are calibrated across the Group, ensuring organizational fairness and consistency.

2.5. The levels of Positions of the Company's top-level managers (except for the Head of the Company) are approved by the Company's board (if no board is formed, by the Head of the Company), and those of other employees by the Head of the Company. The position level of the company's manager is approved by the Company's board (if no board is formed, then by the body electing the company's manager). Before approving the Position levels of the Head of the Company and/or other top-level managers by the Company's board (or, if no board is formed, by the body electing the Head of the Company), a recommendation from Remuneration and Appointments Committee must be obtained regarding the job levels of these employees. Regular consolidated reporting on other Group employees' job levels is submitted to the Remuneration and Appointments Committee to ensure Group-wide alignment and consistency.

2.6. Remuneration ranges (minimum and maximum Monthly remuneration limits) are set for each Position level. Remuneration limits are set in accordance with good remuneration management practices, ensuring internal fairness and external competitiveness. Remuneration scales are reviewed annually, taking into account the data of an independent wage survey and market trends, as well as the recommendations of the Government of the Republic of Lithuania on the

remuneration of managers of state-owned enterprises. The Group applies uniform remuneration scales, which are approved by the parent company's board.

2.7. Remuneration scales are published in the Company's and/or Group's internal information system and are available to all employees of the Group's companies.

2.8. In order to determine the Monthly remuneration of an employee and assess the competitiveness of the total monetary remuneration paid to the employee in the market, the Group selects wage survey data and a comparative market – the market of all companies operating in Lithuania. Taking into account the specific characteristics of each Group company, a different comparative market for remuneration may be selected.

2.9. The reference point for determining the remuneration range for each Position level is the average base salary (median) for that specific job level among all companies operating in Lithuania participating in the remuneration market survey (median) of all companies participating in the market survey, with the Group's adjusted median being determined if necessary. The remuneration range is set at 80–120% of the reference point.

2.10. The Monthly remuneration of employees is in all cases determined within the limits of the remuneration scale for the relevant position level, except in exceptional cases, which must be justified. Exceeding the upper limit is possible only in justified exceptional cases, after consultation with the Company's Board, when the lower limit is not sought – after consultation with the Head of the Company.

2.11. The monthly salary may vary within the salary range for the position, depending on the employee's skills (including social and emotional skills), qualifications (competencies), experience, knowledge, responsibility, and level of autonomy in performing the duties assigned to the position, as well as performance results.

2.12. In certain exceptional cases, when determining the monthly remuneration for individual positions, Categories of positions and/or employees due to their exceptional or essential importance to the Company or Group's operations and in order to attract and retain such employees in the Company or Group, reasonable exceptions to this policy may be made only with the approval of the Company's board.

2.13. If a significant proportion of the positions in the Company's or Group's position structure belong to a particular position family whose remuneration differs significantly from the general market, the market remuneration level for that position family may be taken into account. Additional remuneration market information from other sources, a different remuneration benchmark market, etc. may be used to assess the competitiveness of remuneration.

2.14. Employees are guaranteed the right to information (the right to know) about: (i) their own salary (annual and hourly) and (ii) the average salary (annual and hourly) according to the employee's gender in the same job group to which their position belongs, if there are at least 3 (three) employees of the relevant gender in that group. This information shall be provided in writing, at the request of the employee, ensuring the protection of personal data *(note: clause 2.14 shall enter into force from 08/06/2026).*

2.15. The Monthly remuneration of company executives is determined by the Company's board (or, if no board has been formed, by the body responsible for electing the company's executive).

2.16. The Monthly remuneration of top-level managers (except for the Head of the Company) is determined by the Head of the Company in consultation with the Company's board (if no board is formed, with the EPSO-G Group's Head of Organizational Development and Culture).

2.17. Financial incentives may be paid at the employer's initiative and discretion, taking into account the achievement of the Company's objectives, financial results, and the Company's financial capabilities. If the Company has the opportunity to grant Financial Incentives to employees, the Employee's performance evaluation shall be assessed against the following standard criteria: (i) results of the assessment of the employee's achievement of objectives, (ii) assessment of the employee's values and behaviour, (iii) results of the assessment of the quality of the employee's work. If the Company's financial results are unsatisfactory or if less than 80% of the Company's targets are achieved, the financial incentive shall not be paid. Due to objective and reasonable circumstances, the Company's board may decide to reduce the minimum threshold for the achievement of the Company's targets set for the Financial incentive, after assessing the impact of these circumstances on the Company's operations. The performance of employees of Group Companies operating in a competitive environment may be assessed and financial incentives may be awarded in accordance with the Employee Performance Assessment and Financial Incentive Criteria, which enable market performance and are consistent with policy objectives, such as (including, but not limited to) income level, profitability, timely implementation of projects, and compliance with the set budget. Employee performance evaluations and Financial incentives may be carried out at different intervals, depending on the nature of the employee's work and responsibilities.

2.18. Financial incentives are awarded to the Head of the Company by the Company's board (if no board is formed, by the body electing the Head of the Company) and to other Company employees by the Head of the Company.

2.19. Financial incentives, if granted, shall be paid for the previous calendar year after the Company's board approves the audited financial results of the Company and they are confirmed by the Company's General Meeting of Shareholders, except for the exceptions set out in clause 2.17 of this Policy regarding Financial incentives for employees of Group companies operating in a competitive environment.

2.20. The Company's board (or, if no such board has been formed, the body responsible for electing the Company's director) may award bonuses for particularly significant results to the Company's director, while the Company's director may award bonuses to other Company employees.

2.21. In order to achieve continuous progress, separate measures to promote innovation may be established within the Group. They can be awarded for the implementation of innovative ideas and the creativity of employees in proposing innovative ideas. The budget for such measures is formed together with the Company's annual budget. The Head of the Company and other Top-level managers, as well as employees of the Group-wide innovation function in all Companies, are not eligible for this type of incentive.

2.22. In order to motivate employees implementing projects that are important for the implementation of the Company's and/or Group's strategy and whose implementation period exceeds 12 (twelve) months, project incentives may be established. The project incentive budget is formed together with the Company's annual budget and is determined in more detail by the decision of the Company's manager at the project planning stage or at a later stage, and is paid out upon successful completion of the entire project or a significant stage thereof. Project incentives cannot be awarded to Company directors and other top-level managers.

2.23. The Company's funds planned to be allocated for Financial incentives, project incentives, incentives for the implementation of innovations, and incentives for results of particular importance must be provided for in the Company's annual budget.

2.24. Summary information on the funds planned to be used for Financial incentives is submitted to the company's board for approval. The decision to grant Financial incentives in accordance with the

provisions of this policy shall be made by the Head of the Company after consulting with the Company's board.

2.25. Decisions on project incentives, incentives for innovation implementation, and incentives for results of exceptional importance shall be made by the Company's management within the limits of the approved budget, in accordance with the provisions of this policy. Once a year, the Company's board is provided with summary information on the funds paid out for project promotion, innovation promotion, and promotion for results of particular importance for the previous year.

2.26. In order to ensure transparency, proportionality, and internal organizational fairness within the Group, only one form of incentive (financial incentive, project incentive, incentive for innovation, incentive for results of particular importance) may be awarded to an employee for the same achievement or result. Incentives should not be duplicated by applying several incentive measures for the same reason.

2.27. Financial incentives, project incentives, incentives for innovation, and incentives for results of particular importance may not be awarded or may be reduced in one (or more) of the following circumstances: if the employee violates work discipline, fails to comply with values-based behavior, fails to achieve the agreed employee goals, demonstrates inappropriate cooperation, responsibility, or professional ethics, or causes damage to the Company's property and/or reputation. In the circumstances described above, the relevant situation(s) must be discussed with the employee, providing constructive feedback.

2.28. Employees are granted additional benefits as defined in the Companies' collective agreements and/or the Company's internal regulations.

2.29. Additional benefits and Non-financial remuneration are calibrated at Group level and determined in a manner that ensures organizational fairness and consistency across the Group.

2.30. Companies do not enter into advance agreements on the amount of severance pay, except for the Head of the Company. The amounts of payments related to the termination of employment relationships are determined in accordance with the mandatory minimum amounts of such payments established in labor law and collective agreements, except in exceptional cases where, for objective reasons, it is agreed to apply payments other than those provided for in the legislation. The Company's board must be informed about such (higher) payments and the grounds for them at its next meeting.

3. Setting individual employee goals and evaluating employee performance

3.1. The setting of individual employee goals and the employee performance evaluation process within the Group are carried out in accordance with the following principles:

3.1.1. **The principle of alignment** – the objectives of the EPSO-G manual are cascaded to the managers of the Group's companies, and the latter – to the top-level managers, middle-level managers, First-level managers, and employees, maintaining close links with the strategic objectives of the Group and the specific Company so that the actions of all employees are directed towards the achievement of strategic objectives.

3.1.2. **The principle of smart goals** – goals are formulated in such a way that they reflect continuous progress and value creation and are specific, measurable, achievable, relevant, and time-bound, and are periodically evaluated and reviewed to ensure their relevance and continuous improvement (S.M.A.R.T.E.R. - Specific-Measurable-Attainable-Realistic-Timely-Evaluated-Reviewed).

3.1.3. **The principle of value-based goal pursuit** – goals must be pursued by ensuring that every action is based on value-based behaviour.

3.1.4. **The principle of mutual awareness of expectations** – employees are interested in and aware of the results expected of them by the Company, and the Company is interested in and aware of the expectations of its employees. It is mutually agreed what goals employees commit to achieving, what they are responsible for, and how the Company will seek to meet employee expectations.

3.1.5. **Principle of impartiality** – all stages, criteria, and procedures of performance evaluation are applied to all employees in an equally demanding, open, and impartial manner.

3.1.6. **Principle of mutual respect** – open, mutually respectful, and trust-based relationships between managers and employees are encouraged.

3.1.7. **Principle of responsibility** – employees are responsible for both the achievement of agreed objectives and their implementation in accordance with internal and external legal requirements, while managers are responsible for creating the conditions for employees to achieve these objectives.

3.1.8. **The principle of continuous mutual feedback** – managers and their subordinates provide feedback to each other.

3.2. In the Group, the employee performance assessment process consists of the following parts: (i) assessment of employee competencies; (ii) assessment of the achievement of objectives agreed with employees; (iii) assessment of the quality of employee performance and value-based behaviour; (iv) calibration.

3.3. The assessment of the achievement of the Company's objectives and the performance of the Company's manager is carried out by the board (if it is not formed, by the body electing the Company's manager), while the performance of other employees is assessed by their immediate supervisors.

3.4. In order to ensure internal fairness and transparency within the organisation, annual employee performance appraisal calibration sessions are held, during which managers at the relevant levels discuss the preliminary appraisal results of their subordinates, their distribution and calibrate them between departments. The final decision on the results of the Employee performance evaluation is made by the Head of the Company.

3.5. The results of the Employee performance evaluation are discussed between the immediate supervisor and the employee during the employee performance evaluation interview. At the end of the Employee performance evaluation process, the employee and immediate supervisor agree on the training measures necessary for the employee's improvement and on the improvement of mutual working principles.

4. Evaluation and promotion of company management

4.1. The Company's board (or, if no such board has been formed, the body responsible for appointing the Head of the Company), in accordance with this policy and the remuneration policy for the Head of the Company and collegial bodies (in companies where such a policy has been approved in accordance with applicable law), sets targets for the Head of the Company, assesses their achievement, the activities of the Head of the Company, and decides whether or not to grant a financial incentive.

4.2. At the end of the calendar year, the Company's board evaluates the Head of the Company achievement of objectives, ethical behaviour, and quality of performance. The achievement of

objectives is assessed as a percentage, where 0 means that the objective has not been achieved at all, and 100% or more means that the objective has been fully achieved.

4.3. Taking into account the results of the Company's manager in achieving the objectives, the assessment of ethical behaviour and the quality of performance, the Company's board determines whether the Company's manager's performance during the relevant calendar year (i) exceeded expectations, (ii) met expectations, (iii) partially met expectations; (iv) did not meet expectations.

5. Employee development

5.1. Employee development is conducted in accordance with the following principles:

5.1.1. **Linked** to the Group's and specific Company's strategy, values, Employee performance evaluation, competency model, and Succession planning.

5.1.2. **The 70-20-10 principle**, according to which 70% of education, improvement, and learning activities take place independently, i.e., through the employee's work experience, 20% through communication and cooperation with colleagues and managers with different experiences and competencies, and 10% through structured, targeted training programs.

5.2. The need for employee development in the Group and the Companies is assessed taking into account the strategic directions and objectives of the Group and the Companies, challenges arising in the environment, anticipated technological and organizational changes, emerging new opportunities and activities, competencies and qualifications required for specific tasks, and the results of employee performance evaluations.

5.3. After assessing the development needs of the Group and the specific Company, the areas of development to be focused on are identified, objectives are set, the training budget for achieving these goals is planned, and an annual development plan is drawn up for the Company and, if necessary, the Group, for the following development categories: (i) Group level, (ii) Company level, (iii) Group-wide function level, (iv) Company division/function or functional area level, (v) Employee (individual) level.

5.4. The employee's development needs and objectives are determined by mutual agreement between the employee and their immediate supervisor. The employee is responsible for the implementation and achievement of the development objectives. The employee's immediate supervisor is responsible for creating the appropriate organizational conditions for the employee to achieve the development objectives, and provides advice and consultation during the development process.

6. Final provisions

6.1. In order to make timely decisions on employee recruitment, remuneration setting and payment, the actions provided for in this policy to coordinate remuneration and performance evaluation elements with the Company's board may be carried out by e-mail, without waiting for the next board meeting.

6.2. The provisions of this policy are detailed in the Group's Employee Remuneration and Performance Management Procedures and Employee Development Procedures and/or collective agreements.