EPSOG

Strategy 2030

We enable sustainable and efficient energy exchange

BALT POOL · GET Baltic · Amber Grid · Litgrid · tetas · ENERGY CELLS

The implementation of the targets laid down in this document may be affected by changing legal requirements, the results of the studies, costs/benefits and other results of analyses. The volume of investments and financial forecasts are estimated based on the information currently available to the company, however, the decision-making may vary in the future depending on changed external circumstances that do not depend on the actions of the group companies. The strategy is reviewed annually and updated as necessary.

This document sets out some forward-looking statements and indicators that are expected to be achieved in the coming years. Such statements and indicators are mainly based on current opinions, expectations and assumptions regarding future events and trends affecting the operations of the ESPO-G Group. Forward-looking statements include information about the Group's potential or expected results of operations, business strategies, contractual relationships, competitive position, operating conditions, potential growth opportunities, the impact of future regulation, the effects of competition, and so on. Although the Group believes that the estimates and projections made in the forward-looking statements are reasonable, they include known and unknown risks, uncertainties and other significant factors beyond the Group's control that may cause its actual results, performance or achievements to differ materially from those expected. As a result, one should not rely on forward-looking statements, and EPSO-G does not warrant that the foreseeable events and circumstances discussed in this document will occur and, as a result, the Group's results may differ materially from those in the forward-looking statements. Except as required by law, the Group is not obligated to update or correct any forward-looking statements, future events after this announcement and the disclosure of this document.

EPSOG
ENERGY EVOLUTION

01. EPSO-G Group

EPSO-G Group's activities

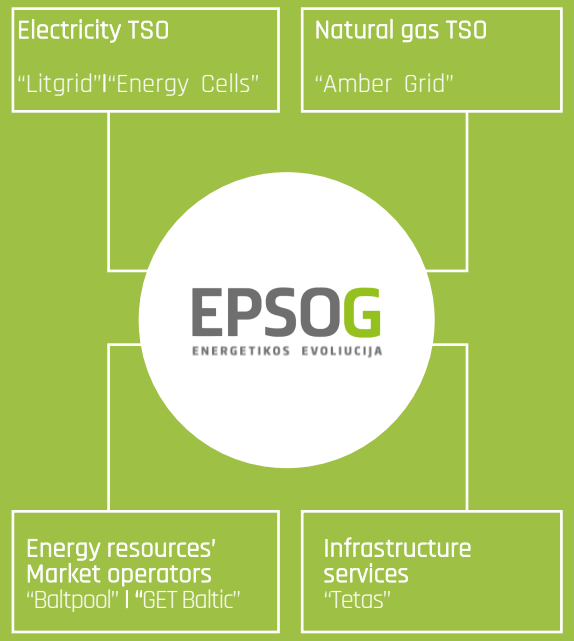
Litgrid

"Litgrid", an electricity transmission operator which is a part of the EPSO-G Group ensures reliable electricity transmission and balance, manages and operates high-voltage electricity transmission networks and direct current connections to "LitPol Link" and "NordBalt", ensures the development of transmission network and electricity market, coordinates electricity flows and supports the stable operation of the country's energy system, is responsible for the smooth integration of renewable energy sources. Furthermore, "Litgrid" is implementing strategic electricity projects in preparation for synchronous interconnection with the Continental European Networks (hereinafter referred to as "CEN") and related asynchronous work with the IPS/UPS (*Interconnected Power System / Unified Power System*), i.e. zone where Lithuanian electricity system is currently operating synchronously. Information on the board of "Litgrid" and the structure of its management is provided on the website www.litgrid.eu, section "Management".

Amber Grid

"Amber Grid" is the natural gas transmission system operator which belongs to the Group and manages natural gas flows in the gas transmission system, ensures reliable transmission of natural gas (transportation of natural gas through high pressure pipelines) to system users, operation, maintenance and development of natural gas infrastructure. The transmission system operated by this company consists of the main gas pipelines, gas compression stations, gas metering and distribution stations. "Amber Grid" implements strategic projects for Gas Interconnection Poland-Lithuania (GIPL) and increasing the capacity of the gas transmission interconnection between Lithuania and Latvia, serves large (power plants, district heating plants, industrial companies) and medium-sized Lithuanian business enterprises and natural gas supply companies, to which it renders natural gas transmission and gas flow balancing services in the transmission system. Furthermore, the company is actively preparing for the integration of biomethane, it will develop technical and organisational measures for the integration of hydrogen into the gas network. Information on the board of "Amber Grid" and its management is provided on the website www.ambergrid.lt, section "About us".

EPSO-G Group's activities



"Baltpool" is an operator of energy and timber trading exchange, which organises trading, i.e. provides a level playing field for all market participants to purchase biofuels and timber under competitive conditions, thus ensuring maximum benefits for customers and return to the state. The company is also the administrator of public service obligations' (hereinafter referred to as PSO) funds, it performs the functions of collection, distribution and administration of PSO funds (appointed according to Resolution No. 1338 of 7 November 2012 of the Lithuanian Government). PSO fund administration activities by "Baltpool" are considered a special obligation. Since 1 January 2018, "Baltpool" is the administrator of the electronic timber trading system (appointed by decision No. 1092 of 20 December 2017 of the Government of the Republic of Lithuania). Information on the board and the management is provided on website www.baltpool.eu, section "About "Baltpool"".

"GET Baltic", the indirectly controlled company of the Group, administrates the electronic trading system of short-term and long-term natural gas products in trading platforms in Lithuania, Latvia, Estonia and Finland. The company is seeking to contribute to increase in liquidity, competitiveness and transparency of the wholesale gas market of the Baltic States and Finland. Information on the board and the management of „GET Baltic" is provided on website, www.getbaltic.com, section "About us".

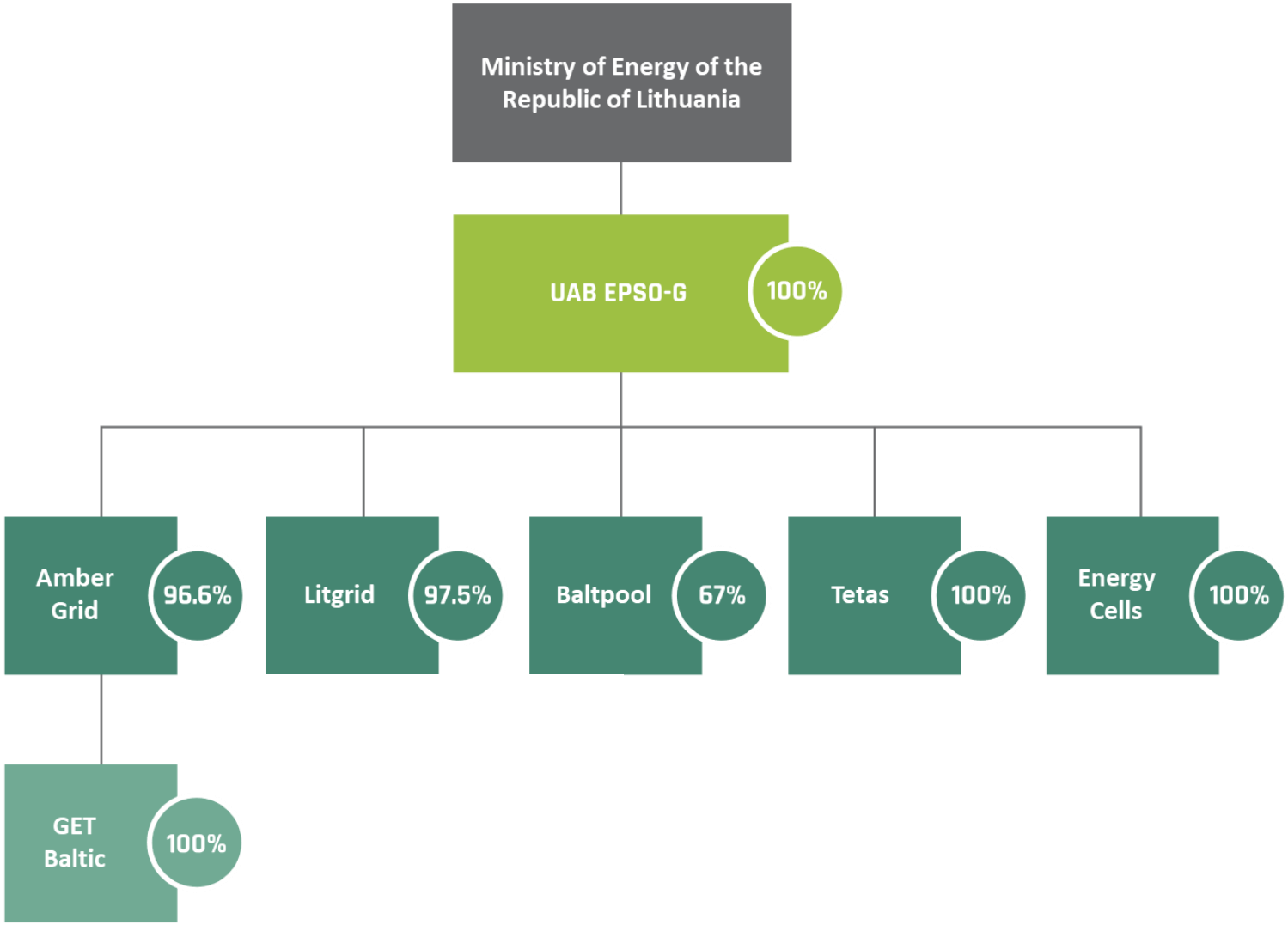
"Tetas" is a part of the group that provides design, repair and maintenance services for transformer substations and distribution stations, as well as the services of installation and operation of renewable energy power plants. The company employs up to 400 employees and is one the largest contracting companies in Lithuania. Information on the board and the structure of management is provided on website www.tetas.lt, section "About us".

"Energy Cells" is a special-purpose company fully owned by EPSO-G and registered in the Centre of Registers on 26 January 2021. According to the approved concept of the project ensuring national security interests, the function of the company "Energy Cells" is to install energy storage devices with total power and capacity of at least 200 megawatts. They will serve as a primary reserve ensuring reliable, stable, and user-friendly operation of the Lithuanian power system until the synchronisation with the continental European networks and, in the future, integration of rapidly growing renewable energy sources.

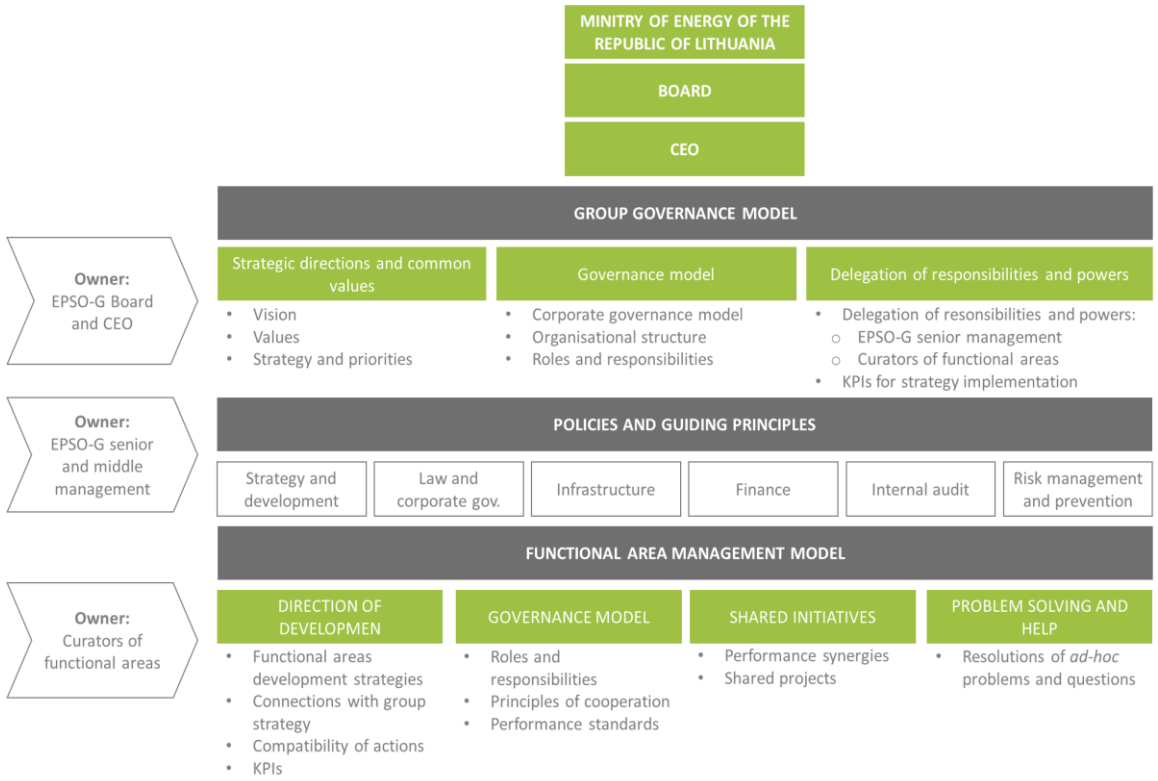
Structure of EPSO-G Group

100% state-owned group of energy transmission and exchange companies

EPSO-G consists of 7 companies: a holding company, five subsidiaries and one indirectly controlled company. We own 97.5% of the shares of the electricity transmission operator "Litgrid", 96.6% of shares of gas transmission system operator "Amber Grid". After in January 2016 we acquired 67% of shares of "Baltpool", we also became the direct manager of the energy resource exchange operator, since late November 2019 we directly own 100% of shares of the contracting company "Tetas" and on 26 January 2021 we established a special-purpose company "Energy Cells".



EPSO-G Group's governance model



- The Group's corporate governance model and main functions are established in "The Guidelines for the corporate governance of the group of the state-owned companies of energy-sector" approved by the Order No 1-212 of the Minister of Energy of the Republic of Lithuania of 7 September 2015 (new version on 24 April 2018 by the decision of the sole shareholder of EPSO-G).
- Following the approved Corporate Governance Guidelines, the implementation of the provisions of the new version provides for new governance principles that grant EPSO-G and the boards of the listed companies with supervisory functions. Implementing the above-mentioned changes in the corporate governance model, in 2019 new board of the EPSO-G was approved where Gediminas Almantas, an independent member, was approved as a Chairman of the Board and where three independent members out of five work as well as boards of the indirectly controlled subsidiaries. Relevant information on the redistribution of responsibilities of the governing bodies, their structure and composition is provided on the EPSO-G website www.epsog.lt. Relevant and detailed information on the collegial management and supervisory bodies is also provided annually in the EPSO-G annual report.
- The holding company EPSO-G employs a **functional leadership** management approach that focuses on: 1. operational efficiency, shared resources and centralised services; 2. allocated resources and enhanced competencies for key, long-term activities, e.g. strategy development, investment management and innovation; 3. defining the policies of the group of companies, standardisation of the core processes of the group; 4. promotion of the sharing of the good practices among the subsidiaries and supporting initiatives to improve performance.
- Group governance principles: 1. In the governance of the Group we follow *the principle of proportionality* – in order to ensure a balance between the supervision of the Managing Company and the responsibility of the local subsidiary, to implement as many corporate documents as necessary to ensure transparent, efficient, coordinated and high-quality operations. 2. *The principles of trust and responsibility* are important in order not to duplicate the work performed, to follow the strategic direction. When being trusted by colleagues, we must take responsibility for the quality of we work we do and strive for the best possible results we can achieve. By trusting each other and taking responsibility, we aim to avoid micromanagement, increase autonomy and thus to achieve better results.

ELECTRICITY TSO infrastructure (1)

Before 2030

"Litgrid" network infrastructure will change due to the implementation of the project for **synchronisation with CEN (2025), in the future – also due to the development of offshore wind farms (OWF) (planned 1400 MW).**

KEY NETWORK ELEMENTS / POWER	IN 2020	BEFORE 2030
High-voltage overhead lines, km	6,981	7,377
High-voltage cable lines, km	241	531*
Transformer stations, switchyards, converter stations, units	237	258*
Power of converter station, MW	1200 (500(LitPol Link)+700(NordBalt))	1400* (700(NordBalt)+700 (Harmony Link))

*Preliminary - new network elements influenced by the synchronisation project have been added to the current situation.

ELECTRICITY TRANSMISSION NETWORK MANAGED BY "LITGRID":

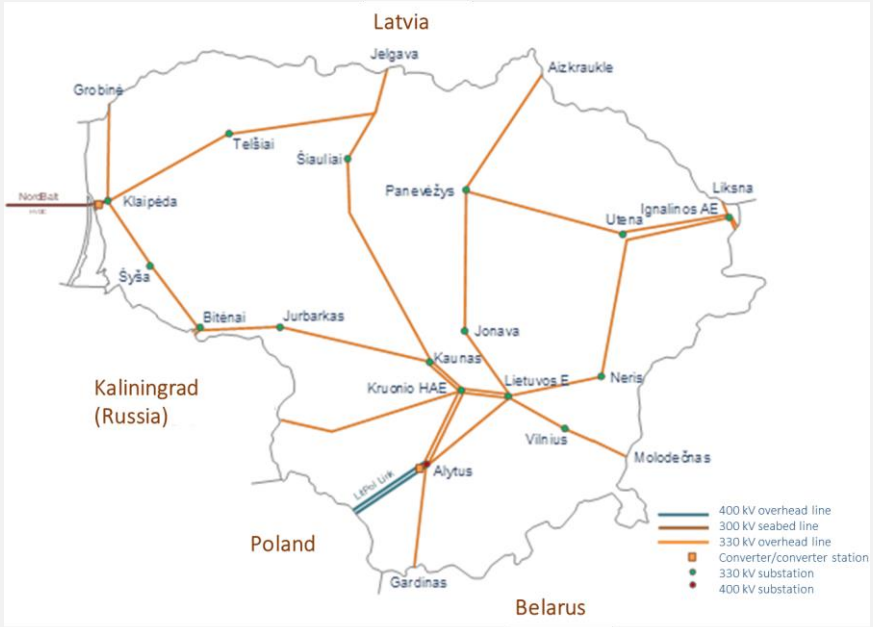
- Electricity transmission network consists of 400–110 kV transformer substations connected by high-voltage electric power transmission lines, two converter stations and direct current submarine power cable to Sweden.
- "Litgrid" network is well integrated with the electricity systems of neighbouring countries (Poland, Sweden, Latvia, Belarus, Russia (Kaliningrad)).
- "Litgrid" network is well developed, fully meets Lithuania's current electricity consumption needs (~2000 MW of capacity), however, when assessing the economic growth potential, network integration with CEN, RES integration, the implementation of NEIS strategy, further network development and continuous modernisation are required.

ELECTRICITY TSO infrastructure (2)

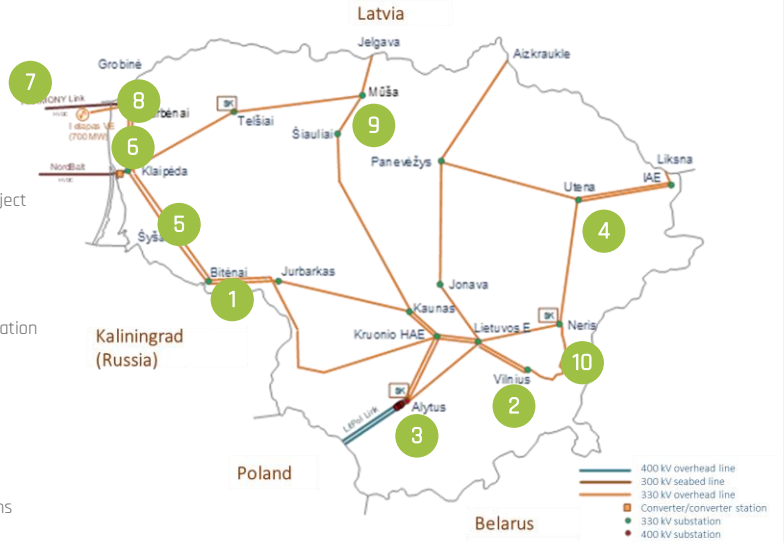
Before 2030

"Litgrid" network infrastructure will change due to the implementation of the project for synchronisation with CEN (2025), in the future – also due to the development of offshore wind farms (OWF) (planned 1400 MW).

"Litgrid" network in 2020



"Litgrid" network before 2030



PROJECTS, REQUIRED FOR SYNCHRONISATION:

1 – Expansion of 330 kV Bitėnai TS and construction of 110 kV ETL Pagėgiai-Bitėnai (project completed)

2 – Reconstruction of Lithuanian E-Vilnius 330 kV OL (into a double-circuit line, project completed)
3 – Expansion of "LinkPol" link (installation of autotransformers)
4 – Grid optimisation in North-Eastern Lithuania and preparation for synchronous operation with the continental European energy system
5 – Construction of 330 kV ETL Bitėnai-Kruonis HPSP
6 – Construction of 330 kV ETL Darbėnai-Bitėnai
7 – Construction of "Harmony Link" link
8 – Construction of 330 kV "Darbėnai" switchyard
9 – Construction 330 kV "Mūša" switchyard
10 – Construction of 330 kV ETL Vilnius-Neris
SK – Implementation of synchronous condensers in Alytus, Neris and Telšiai substations

GAS TSO infrastructure (1)

In the future, the infrastructure will mainly change due to GIPL project, new GMS (named "Santaka") on the Lithuanian-Polish border (at Lazdijai), as well as due to increased capacity of interconnection between LT-LV (ELLI project). Technological change will be also determined by the development of hydrogen technologies in Lithuania.

KEY NETWORK ELEM. / CAPACITY	IN 2020	BEFORE 2030
Main gas pipelines (MP), km	2,115	2,280*
Gas distribution stations (GDS), units	65	65*
Gas metering stations (GMS), units	3	4
Gas compressor stations (GCS), units	2	2
Capacity at exit points, GWh/day	>381.8**	>502.7**

* Preliminary.
** Capacities in LT internal exit points depend on various parameters, flow scenarios. It is estimated that > 200 GWh/day (fully meets the needs of LT demand).

The transmission system operated by "Amber Grid" consists of:

- MP (of which ~65% - laid earlier than 25 years ago, the oldest was laid in 1961, the largest diameter is 1,220 mm, max. design pressure is 54 bar, ~79 % are applied for internal diagnostics, in 2020 it is planned to increase the application up to 80%);
- GDS (~15 – of new construction), GMS (2 of them – of 1994 and 2005 construction);
- GCS (1974 and 2010)
- And pipeline equipment of protection against corrosion, data transmission and communication systems.

~802 km of MP is a part of the high-pressure gas transmission network (Local Network) which transmits gas only to Lithuanian customers, the remaining part (~1.311 km) is used by both LT and customers and those transporting gas through cross-border connections and from LNG.

GAS TSO infrastructure (2)

In the future, the infrastructure will mainly change due to GIPL project, new GMS (named "Santaka") on the Lithuanian-Polish border (at Lazdijai), as well as due to increased capacity of interconnection between LT-LV (ELLI project). Technological change will be also determined by the development of hydrogen technologies in Lithuania.

"Amber Grid" system in 2020 m.

"Amber Grid" System before 2030

(including GIPL and increased capacity of gas interconnection between LT-LV)

Reliability of gas and electricity transmission infrastructure services

The networks operated by natural gas and electricity transmission network operators – due to their level of development, continuous modernisation, professional and up-to date maintenance meeting highest standards – ensure high reliability of energy transmission for network users and customers.

RELIABILITY INDICATOR	RELIABILITY INDICATORS ESTABLISHED BY NERC[1]	ACTUAL INDICATORS 2018–2020
Number of unplanned interruptions due to operator's fault (gas TSO)	2018–2020: **0**	2018 / 2019 / 2020: **0 / 0 / 0**
Duration of unplanned interruptions due to operator's fault, hours and minutes (gas TSO)	2018–2020: **0**	2018 / 2019 / 2020: **0 / 0 / 0**
AIT – average power interruption time, minutes (electricity TSO)	2018–2020: **0.29 min.**	2018 / 2019 / 2020: **0.04 / 1.10 / 0.209 min.** (identified with TSO responsibility; 2019 – occasional deviations[2])
ENS – the amount of energy not supplied via transmission network, MWh (electricity TSO)	2018–2020: **6.3 MWh**	2018 / 2019 / 2020 m.: **0.95 / 32.34 / 6.21 MWh** (identified with TSO responsibility; 2019 m. – occasional deviations[2])

[1] Critical values of indicators are determined on the basis of the requirements established by NERC to natural gas TSO and electricity TSO.

[2] According to NERC report 2019 to EC (2020), in 2019, indicators of short-term interruptions exceeded those set by NERC and in 2015-2018, those indicators were significantly lower than set by NERC.

Although there are few incidents and relatively high reliability of networks operated by gas and electricity transmission system operators and the networks are being upgraded or new networks are installed, they are still ageing (e.g. in case of natural gas transmission system, approximately 65% of pipelines were laid more than 25 years ago). Therefore, maintaining these high reliability indicators will require resources in the future too: significant investments (including investments in advanced network operation and

diagnostic technologies), in the areas of high-level expertise and asset management (as well as continuous improvement of employee competencies) and efficiency of business processes in rapidly changing energy environment.

Systems operated by exchanges

"Baltpool" with internal resources have developed a unique biofuel trading system (IT platform) with integrated functionalities of trading organisation and execution of transactions. "Baltpool" not only provides the services of auction organisation but also regulates the relations between market participants – provides the coordination services of biofuel supply schedules, the quantity and quality of biofuels delivered as well as pre-trial dispute resolution services. "Baltpool" has also developed timber trading and heat auction systems as well as an auction system to implement a long-term capacity mechanism in the electricity sector. **In order to maintain the attractiveness of the platform, "Baltpool" has to develop sustainability-related system functionalities** and expand the system by introducing new products (such as waste timber). Depending on the selected development model, when expanding abroad, "Baltpool" itself or together with a partner administrate trading through a platform adapted to the needs of a specific market or provides access to the system for a fixed fee under a licensing (currently this model is applied in Finland). In June 2021, 465 participants were registered in all the countries where "Baltpool" operates (LT, LV, EE, FI, DK, SE, PL).

"GET Baltic" administrates electronic trading system for short-term and long-term (monthly) trading of natural gas products in trading platforms in Lithuania, the common Latvian-Estonian trading zone and Finland. The company uses the **electronic trading system (ETS) on the basis of a licence,** which was created in GENERIS platform and was developed in 2012 having regard to the needs of "GET Baltic" and wholesale natural gas market participants. ETS maintenance, servicing and development services are provided to the Company by "Hansen Technologies", a Finnish company of IT services that has developed an exchange trading system. In order for the Company to expand the range of services and products, it is necessary to improve the system and its functionality. With a view to not limiting the improvement of business processes, the expansion of trade functions and product range and to adapt to the future needs of market participants, changes to the ETS system are being considered in the future. In June 2021, there were 95 participants registered in the "Get Baltic" exchange operating in LT, LV, EE and Fi.

"GET Baltic" also offers other wholesale services to wholesale market participants. The Company, together with external suppliers, has developed and administers the Inside Information Platform, the REMIT Data Reporting Portal and the Secondary Capacity Trading Platform. These platforms are owned by "GET Baltic".

Value created by EPSO-G Group – exchange platform

Levels of exchange platform:

- Technical level – efficient transmission networks;
- Commercial level – mature market;
- Value level – sustainable energy.

The activity of the EPSO-G Group is understood as a platform business model with the following essential features:

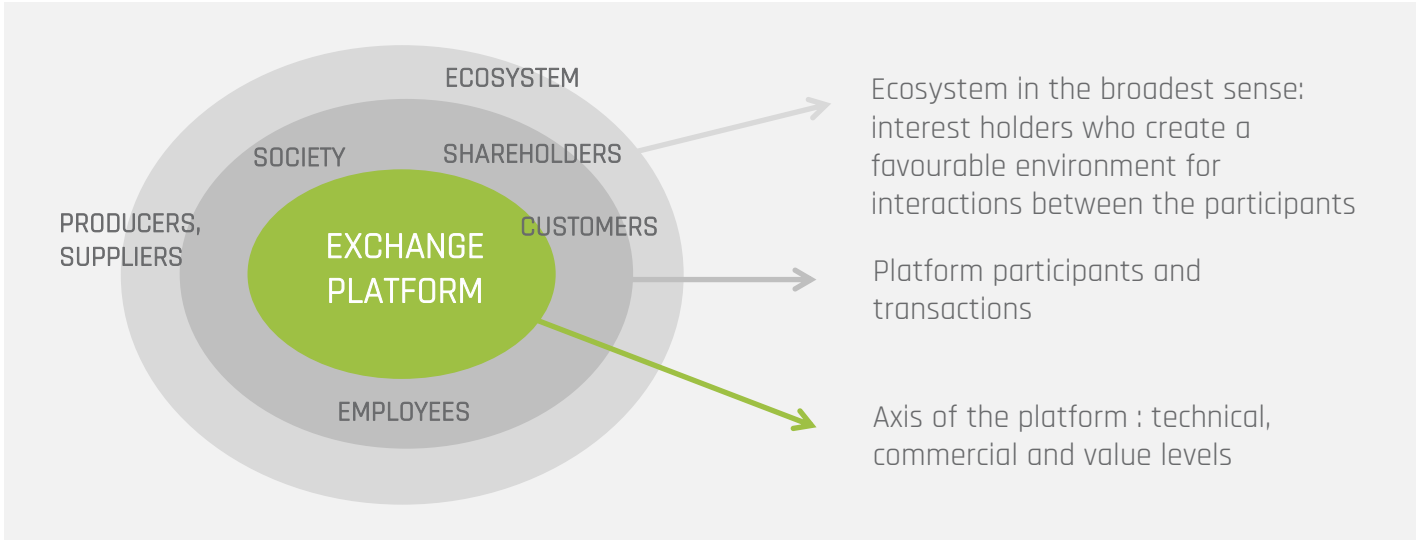
I. enabling value-creating interactions between suppliers and customers,
II. an open, participatory infrastructure for those interactions;
III. common rules*.

Our activity creates a sustainable, transparent ecosystem based on uniform standards, facilitating the exchange between **producers/suppliers and customers** and creating value **for the society** through the empowerment of sustainable energy choices and contribution to the country's competitiveness.

We enable and encourage platform participants to freely exchange energy, choose between the production or consumption of climate-neutral energy and obtain it at a competitive price whenever needed.

Our competitive advantage is the structure of the Group. When working together, we can effectively implement cross-sectoral measures for RES integration, exploit synergies and create a greater value for customers.

*Parker, Van Alstyne, Choudary "Platform revolution", 2016.



Impact of public expectations on EPSO-G's strategy formation

- Society is becoming extremely demanding on climate impact issues and sustainability standards for companies in the energy sector are becoming higher
- Public expectations are emphasised on the agendas of decision-makers – EU as well as on sour shareholder's and national agendas
- Accordingly, we are developing a long-term strategy for EPSO-G, responding to public expectations and further responsibly developing the energy of the future, enabling energy exchange and ensuring the security and integrity of the energy system.
- Expectations by EPSO-G shareholder:

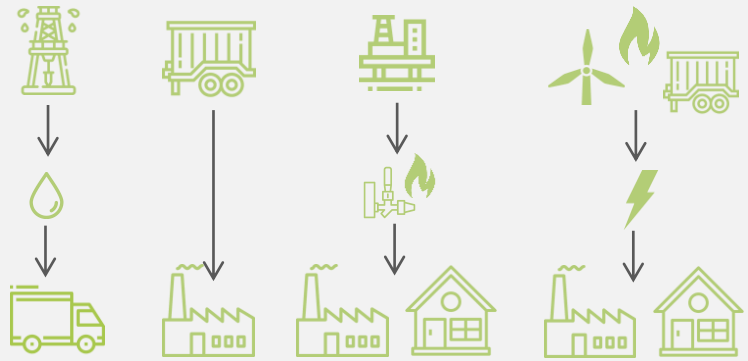
  - Ensuring Lithuania's energy independence
  - Transforming energy and energy networks enabling the necessary changes for the implementation of EU's "Green Deal" initiatives and NEIS targets
  - Ensuring value for shareholders
  - Ensuring the good governance practice and operational and investment efficiency

Transformation: key change in energy system

EPSO-G, as a group of transmission system and energy exchange operators, has a key role to ensure a smooth and reliable Lithuania's transition to the energy system integrating high volumes of RES, enabling decarbonisation of the sector, initiating system interconnection projects and facilitating climate-neutral energy exchanges.

ENERGY SYSTEM TODAY:

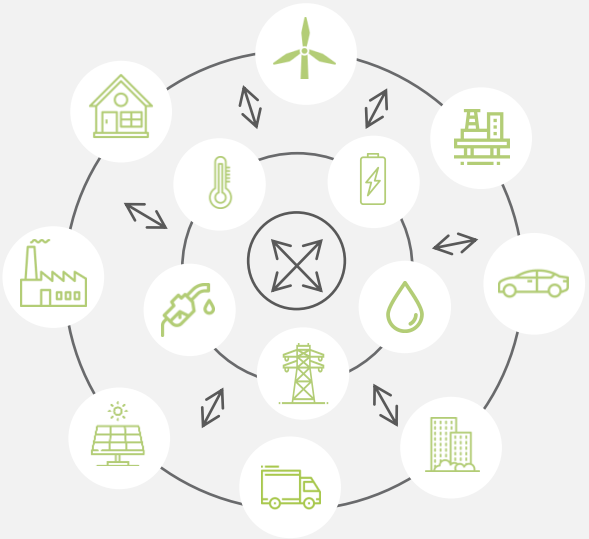
Linear (vertical) and not always efficient one-way energy flows that cannot ensure a financially efficient transition to climate-neutral economy.



FROM → TO ↓

FUTURE OF THE EU INTEGRATED ENERGY SYSTEM:

Flexible energy flows between consumers and producers, reducing inefficient use of resources. It is important to create new links between different sectors and to take advantage of technological progress in developing a circular energy system.



Source of schemes: EC communication "Powering a climate-neutral economy: An EU Strategy for Energy System Integration"

02 OUR MISSION, VISION, VALUES, AND OBJECTIVES

Mission

To enable sustainable and efficient energy exchange

SOCIETY

To promote climate-neutral energy choices for the long-term economic competitiveness of Lithuania

WE COMMIT TO

SHAREHOLDERS

To ensure a balanced and integrated energy exchange system

EACH OTHER

To build an open and progressive team living the energy future

PRODUCERS/SUPPLIERS

Develop a credible and transparent platform,

where it is easy and fast to enable energy products on a liquid market

CUSTOMERS

providing a wide range of energy options at competitive prices

EPSOG
ENERGY EVOLUTION

Key stakeholders in the mission

STAKEHOLDER	HOW WE DEFINE IT	WHY THIS GROUP IS IMPORTANT
Society	We think of society in the broadest sense; when we talk about the Group's commitments, the impact of its activities and decarbonisation, we think of the country's population, businesses and a clean environment.	The mission of EPSO-G group: to ensure the implementation of the strategic energy objectives of Lithuania assigned to the group, safe operation of energy transmission systems, to enable benefiting from the possibilities of the effectively operating infrastructure and energy exchanges, and to contribute to the welfare of the society.
Shareholder	The State, whose interests are represented and expectations formulated by the Ministry of Energy of the Republic of Lithuania	The expectations of the public are reflected in the agenda of our shareholder – close cooperation is essential to ensure the formation of a coherent and long-term vision for the energy sector and the smooth implementation of initiatives and projects of national and regional importance.
Producers and suppliers*	Segments: energy producers, suppliers, prosumers	Energy producers and suppliers are the platform participants ensuring the supply.
Costumers*	Public supplier, suppliers, heat producers, industrial users	The Group's companies operate in the B2B area. This is the demand-shaping group of platform participants.
Employees	All employees of the Group	Experienced, competent and value-driven professional employees represent an essential prerequisite for implementing objectives and vision.

*In Group's companies, segmentation of producers, suppliers and costumers is based on the specifics of companies.

Vision

we will enable security, integration, and transformation of the Lithuanian energy sector

DIRECTIONS FOR ACHIEVING THE VISION BY 2030

SOCIETY

a targeted reduction in the environmental impact of activities and energy systems adapted to the decarbonisation of the energy sector

PRODUCERS/SUPPLIERS

a developed liquid regional market and infrastructure attractive for investment in energy production

EACH OTHER

recognised as future energy leaders in the region

SHAREHOLDERS

integrated development of Lithuania's energy system

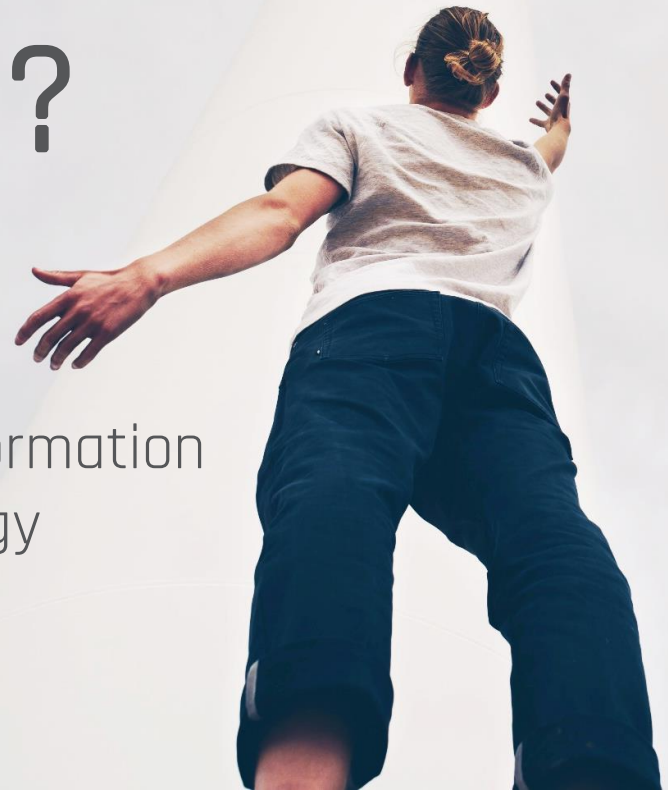
CUSTOMERS

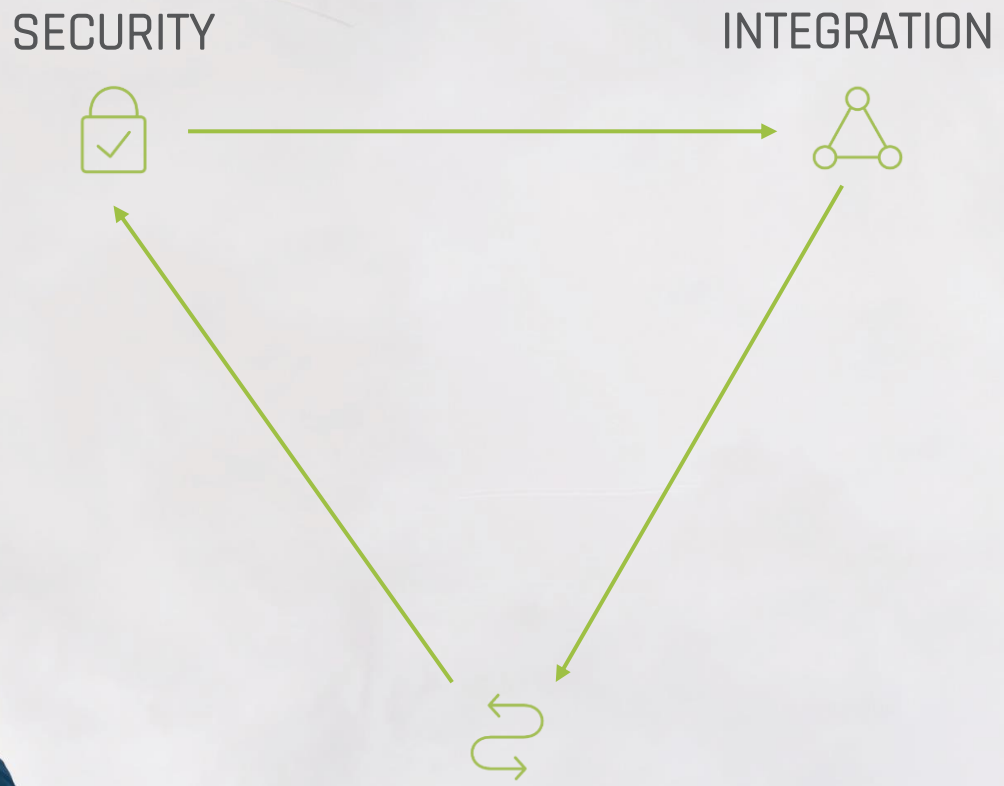
created customer-focused organisation that creates new opportunities

EPSOG
ENERGY EVOLUTION

How we will change and change ourselves?

EPSO-G's vision – we will enable security, integration and transformation of the Lithuanian energy sector.





EPSO-G's strategic objectives for 2021–2030 (I)

STAKEHOLDER	STRATEGIC PERFORMANCE INDICATOR	CURRENT VALUE 2020	CURRENT VALUE 2021***	INDICATOR TARGET VALUES 2022	2023	2024	...	2030
Costumers	Customer satisfaction index	No data	Results of the GCSI index of individual Group companies≥75	≥80	≥80	≥80		≥80 (among market leaders)
	AIT - average interruption time, min** (electricity TSO)	0,21	0,11	≤0,93	≤0,93	≤0,93		≤0,93
	ENS – energy not supplied (the amount of electricity not supplied through the transmission grid) MWh** (electricity TSO)	6,2	3,4	≤27,25	≤27,25	≤27,25		≤27,25
	Difference in wholesale natural gas prices, % days per year when the LT exchange price is no higher than EUR 1 compared to the Dutch TTF index	28%	46%	about 35%	about 40%	about 40%		about 90%
	Wholesale electricity price differential* LT vs. LV / SE4 / PL price zones, Eur/MWh *("-" - the differential is negative, i.e. the price in LT is lower*)	-0,01 / 8,19 / -12,62	1,7 / 9,9 / 3,4	≦ 2 / ≦ 8 / ≦ 2	≦ 2 / ≦ 8 / ≦ 2	≦ 2 / ≦ 8 / ≦ 2		≦ 2 / ≦ 2 / ≦ 2
Producers/ suppliers	Number of unplanned interruptions due to operator's fault** (gas TSO)	0	0	0	0	0		0
	Duration of unplanned interruptions due to operator's fault, hrs and mins** (gas TSO)	0	0	0	0	0		0
	Delivering strategic projects on time and to the agreed scope	Reconstruction of 330 kV overhead line Lithuanian power plant – Vilnius	GIPL implemented	200 MW battery	Isolated test of Baltic power systems	Installation of new synchronous compensators		Based on project portfolio

Monitored indicators that are not directly affected by EPSO-G

* Price differences between trade zones are estimated on the basis of the annual "day-ahead" prices minus the annual price of the Lithuanian trade zone from the annual price of the respective neighboring trade zone. 2020 prices are calculated according to the published prices of ENTSO-E (https://transparency.entsoe.eu/transmission-domain/r2/dayAheadPrices/show).
** The values of the Reliability Indicators for Transmission Services shall be accompanied by the critical values of the indicators set by the NERC, which shall not be exceeded.
*** Preliminary data

EPSO-G ENERGY EVOLUTION

EPSO-G's strategic objectives for 2021–2030 (II)

STAKEHOLDER	STRATEGIC PERFORMANCE INDICATOR	CURRENT VALUE 2020	CURRENT VALUE 2021***	INDICATOR TARGET VALUES 2022	2023	2024	...	2030
Shareholder	ROE, %	18,8	15,6	Average level for the period ≥ 6				
	Net debt/EBITDA ratio	4,9	2,8	Value in the end of the period < 5				
	Actual OPEX (net of tax costs) (Eur/year) / OPEX (net of tax costs) (Eur/year) of transmission service determined by NERC, %*	Gas TSO: 79 % Electricity TSO: 93 %	Gas TSO: 91 % Electricity TSO: 103 %	≤ 100 %	≤ 100 %	≤ 100 %		≤ 100 %
	Actual TOTEX (without new construction) (Eur/year) / actual energy transmitted** (MWh/year), EUR/MWh (gas TSO)*	0,32	0,29	≤ 0,70	≤ 0,55	≤ 0,55		≤ 0,45
	Actual TOTEX (without new construction) (Eur/year) / actual energy transmitted** (MWh/year), EUR/MWh (electricity TSO)*	3,48	2,46	≤ 2,65	≤ 2,85	≤ 2,85		≤ 2,80
	Actual CAPEX (Eur/year) / planned CAPEX (Eur/year), %*	Gas TSO: 70 %**** Electricity TSO: 75 %	Gas TSO: 87 % Electricity TSO: 90 %	90-100 %	90-100 %	90-100 %		90-100 %
	Cross-sectoral systems integration projects, (cumulative) number	0	0	0	1	1		5
Society	Environmental impact of operations (CO_2,, CH4 emissions, etc.)	No data	No data	The indicator will be set based on GHG inventories and environmental impacts assessment results	The indicator will be set based on GHG inventories and environmental impacts assessment results	The indicator will be set based on GHG inventories and environmental impacts assessment results		Environmental impact Of the Group's activities 2/3<2019
	RES volume growth on the platform: in the electricity sector, the number of cases in which the supply of RES-generated electricity to transmission grids is restricted due to breaches of the terms and conditions set out in the legislation and in the connection contracts.	0	0	0	0	0		0
	RES volume growth on the platform: capacity created in the gas system to integrate RES gas (with guarantees of origin), TWh	0	0	0	0,05	0,1		0,95 TWh
To each other	Survey assessment of employees, producers, suppliers and costumers (%)	No data	No data	Methodology selected, baseline set	At least 1% p.p.>2021	At least 2% p.p.>2021		70
	Percentage of Group revenue from non-regulated activities and foreign markets	10,6	10,5	Value in the end of the period ≥ 25				

*If OPEX, TOTEX indicators fall within the target values due to TSO actions / works - the KPI is considered not to have been reached. If the CAPEX ratio is less than 90% due to efficiency savings and / or the outcome of procurement, the KPI is considered to have been reached.

** In the case of a gas TSO, the amount transmitted through all discharge points, in the case of an electricity TSO, the total amount of electricity supplied to the grid.

*** Preliminary data

EPSO-G Group's values

We believe that the new strategy will build on the organisational culture developed by EPSO-G and the values we already follow. In defining these values, the focus is on ensuring that the values are not just stated but understood by every employee in the EPSO-G Group.

Professionalism

- ✓ I do my job better than expected
- ✓ I have no hidden intentions and I do what I say
- ✓ I keep my promises

Cooperation

- ✓ I express myself and respect the position expressed by others
- ✓ I communicate clearly and understandably
- ✓ I help others achieve the result

ME

Progress

- ✓ I am looking for new ideas and implementing them
- ✓ I take the initiative and learn from my mistakes
- ✓ I am constantly building and sharing my skills

EPSOG
ENERGY EVOLUTION

03 IMPLEMENTATION OF THE STRATEGY

Justification of the vision

Group's vision

we will enable security, integration, and transformation of the Lithuanian energy sector

Summarising the results of our analysis of the EPSO-G Group's internal and external environment, we assess the strengths that can be realised by benefiting from the opportunities offered by the external environment and by managing or minimising the impact of potential threats, and we see that emerging opportunities can counteract weaknesses: →

- In terms of the **energy security dimension**, one of the most important tasks for the Group is to complete the synchronisation of the electricity grids with the EU, to integrate the gas transmission infrastructure and the energy markets with Western Europe, and, in cooperation with the competent authorities, to prevent the direct and indirect import of the electricity produced at the unsafe Astravets Nuclear Power Plant into the EU market.
- In the context of the National Energy Independence Strategy (NEIS) and National Energy and Climate Action Plan (NECAP) objectives, it is relevant for the Group to focus on enabling the decarbonisation of the energy sector - preparing for large-scale integration of RES, including the adaptation of the gas system to transport hydrogen, preparing for the **integration of up to 5 GW of onshore RES and offshore wind**, and the development of guarantee of origin schemes. We also see the need for the Group **to contribute to decarbonisation objectives by reducing the environmental impact of its activities.** As the environmental impact of the Group's activities has not been measured so far, it is relevant to carry out a GHG audit and to assess possible mitigation measures. We assess that the rapid development of green technologies in some EU markets, including the Baltic Sea region, offers opportunities for *know-how*, **to adapt energy systems to the decarbonisation of the energy sector**, while EU and national climate neutrality targets provide an appropriate environment **for achieving a targeted reduction in the environmental impact of activities.**
- The coherent EU energy policy and the rapid development of innovation markets, with the expansion of cross-sectoral solutions such as P2G, P2H, provide useful tools to contribute to the **integrated development of the Lithuanian energy system.**
- Well-developed electricity and gas networks within the country, ensuring reliable and secure operation of transmission systems, and developed infrastructure interconnections with neighbouring countries create favourable conditions for increasing electricity and gas transmission flows, **and thus for developing a liquid regional market and an attractive infrastructure for investment in energy production.** Taking advantages of these opportunities will create the preconditions for a more efficient use of the available capacities of the electricity and gas transmission systems and, together with the adaptation of the transmission systems to RES, will help to reduce the likelihood of risks related to a decline in the level of consumption in the natural gas sector.
- We believe that we need to take advantage of the opportunities offered by the regionalisation of transmission services and to build up competences in the field of the adaptation of energy systems to green technologies, as well as to increase the maturity of digitalisation and automation in companies, **thus transforming them into a costumer-oriented organisation that creates new opportunities.**
- The Group's highly qualified and experienced employees, as well as the knowledge and experience gained in the management and implementation of national, international and EU-funded projects, create the prerequisites to take advantage of opportunities to build competences in the new green technologies and to smoothly implement the objectives related to the adaptation of the energy sector to decarbonisation, as well as to strengthen the position of the exchanges in foreign markets. Accordingly, we are making it a priority for our employees in 2030 **to become the recognised energy leaders of the future in the region.**

EPSO-G
ENERGY EVOLUTION

IMPLEMENTATION OF THE GROUP'S STRATEGY

Mission:
commitments to stakeholders →

- To society
- To shareholders
- To each other
- To producers/suppliers
- We enable sustainable and efficient energy exchange
- To costumers

Vision →

We will enable security, integration, transformation of the Lithuanian energy sector

Strategic directions →

- A liquid regional market and infrastructure attractive for investment in production
- A targeted reduction in the environmental impact of activities and energy systems adapted to the decarbonisation of the energy sector
- Integrated development of Lithuania's energy system
- Recognised as future energy leaders in the region
- Created costumer-focused organisation that creates new opportunities

Strategic objectives for 2030
10-year roadmap for implementing the key strategy
by stakeholders →

KPI	KPI	KPI	KPI	KPI
Roadmap for the implementation of the priority of producers/suppliers (each year)	Roadmap for the implementation of the society priority (each year)	Roadmap for the implementation of the shareholders priority (each year)	Roadmap for the implementation of each other priority (each year)	Roadmap for the implementation of the costumers priority (each year)

3 year strategic action plan →

Specific short-term measures contributing to the implementation of the strategy

Value level →

- Professionalism
- Cooperation
- Progress

ENERGY EVOLUTION

I. CUSTOMERS. Direction 2030

Costumer-focused organisation that develops new opportunities

- **We will become a customer service organisation** that implements and improves customer service standards and customer experience management. We will strive for a high platform Customer Satisfaction Rate (CSR), which we consider a strategic KPI.
- **We will aim to create a common Polish-Lithuanian-Latvian-Estonian-Finnish natural gas transmission tariff area** by 2025 to ensure competitive natural gas prices. The consistent expansion of the commercial exploitation of the GIPL point is also expected to bring significant benefits to Lithuania and the whole Eastern Baltic region.
- **We will create a wide range of opportunities for the trading of energy certificates of origin**, taking into account the needs of costumers to choose the energy they consume, including that produced from RES. We will aim to have an efficient and reliable system for biomethane trading between Poland-Lithuania-Latvia-Estonia-Finland in 2022, and for a trading system for biogas and biofuel certificates of origin by 2023.
- **We will open up meaningful data to the market** and **put significant focus on digitisation maturity** and automation solutions.
- The value created by the Group's services and **the increased choice of sources** (e.g. regional integration of the gas market through the GIPL), suppliers, and services (e.g. adaptation of the gas transmission system for hydrogen transport, trading of energy certificates of origin, preparation of the electricity infrastructure for the electrification of the railways, and acceleration of the interconnection of the electricity consumers' systems), will contribute to the well-being of the population, to the development of a climate-neutral energy system, and thus to the improvement of the country's economic competitiveness through competitive energy prices.

EPSOG
ENERGY EVOLUTION

II. PRODUCERS AND SUPPLIERS. Direction 2030

Developed liquid regional market and infrastructure attractive for investment in energy production

- We will ensure the safe, reliable and efficient operation of electricity and natural gas transmission systems.
- We will strive to maintain high reliability of the transmission systems over the next decade and digitise our technological assets.. This is relevant for all participants in the platform – the identified key stakeholders. Accordingly, we consider the transmission reliability indicators set annually by NERC as strategic transmission reliability indicators. In this respect, it is important to improve the long-term planning of system development in order to reduce capacity constraints on the transmission grids, ensuring the efficient implementation of international interconnections, domestic grid development projects and the connection of new generating sources and new customers.
- The NEIS sets an ambitious vision of 45% of final electricity consumption from RES by 2030. Accordingly, taking into account the Group's competences and functions:
  - We will prepare power transmission systems for the integration of up to 5 GW of onshore RES and offshore wind, integrating 700 MW of offshore wind already in 2027.
  - We will implement 200 MW energy storage system project in 2022, with the main objective of ensuring the national security of the electricity system at the start of operation and providing flexibility services at a later stage, after 2025.
- We will focus on the successful completion of the synchronisation programme with the continental European grid in 2025, in line with the strategic objectives of NEIS and NECAP. This will mark a fundamental change in the management of Lithuania's electricity system, with the Baltic countries disconnecting from the Russian-controlled IPS/UPS system and managing their own frequency.
- As part of the synchronisation programme, we will implement the Harmony Link project, a second interconnector with Poland, which will enable higher volumes of electricity trading between the Baltic States and Poland in 2026.
- We will implement the Enhancement of Latvia-Lithuania Interconnection (ELLI) by the end of 2023.
- We will increase the liquidity of markets by expanding the range of services for the gas market towards the status of a developed market, while we will increase the activity and recognition of the biofuel market by introducing additional products (such as waste wood) and functionalities (compliance with the Renewable Energy Directive II) for the target markets in the Baltic Sea region.
- Prior to the synchronisation with the CEN, we will, together with our regional partners, establish a Baltic load-frequency control block and a common balancing services market, which will allow us to provide the necessary load-frequency control services in the most efficient way, ensuring equal and non-discriminatory conditions for all market participants, and from 2028 onwards, we will create a mechanism for the exchange of ancillary services related to the frequency control in the Baltic Sea region, which will allow us to make the maximum use of the interconnections and create a level playing field for the Baltic Sea region market participants.
- We will open up market-relevant data, providing additional opportunities for producers and suppliers, as well as costumers, and increasing the usability of data.
- These projects will contribute to the creation of an attractive infrastructure for investment in energy production and increase market liquidity.

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ENERGY EVOLUTION

III. SOCIETY. Direction 2030

Targeted reduction of the environmental impact of activities and energy systems adapted to the decarbonisation of the energy sector

- **We will enhance geopolitical security** through the successful implementation of the synchronisation programme with continental European grids, which will allow us to disconnect from the Russian-controlled IPS/UPS system.
- We will actively cooperate with other Lithuanian institutions to reach agreements with our regional neighbours to ensure that **electricity from Belarus does not flow directly or indirectly to Lithuania**.
- **We will carry out an environmental impact assessment, including a GHG inventory, of the activities of the EPSO-G Group companies and assess possible mitigation measures**, as the environmental impact of the Group's activities has not been systematically measured so far. To this end, we will carry out a comprehensive assessment of the environmental impact of the Group's activities, define courses of action, and update and expand annually the range of measures to mitigate the Group's climate impact (such as green procurement, RES-powered vehicle fleets).
- **We will develop a dialogue with the regulator** to create an environment enabling climate neutrality solutions.
- We will seek that Group companies play a key role in **enabling a smooth transformation of the Lithuanian energy sector into a green energy system.** Managing the integration of RES while ensuring system stability is an important challenge for which the Group is preparing by identifying priority areas of new competences to be acquired and by preparing for the integration of significant amounts of offshore wind, the development of guarantee of origin systems to facilitate the exchange of energy from RES, and the connection of biomethane and hydrogen producers.
- **We will work towards adapting Lithuania's gas transmission system to hydrogen transportation,** a strategically important and complex task in the context of the EU Hydrogen Strategy and the Energy Systems Integration Strategy. In addition to technical readiness and adaptation of gas quality requirements, it is important to create the regulatory environment for green hydrogen integration and to promote cooperation on hydrogen in the region.

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ENERGY EVOLUTION

IV. TO EACH OTHER. Direction 2030

Recognised as future energy leaders in the region

- EPSO-G Group companies have a large number of highly qualified employees and know-how in large-scale and international projects. By developing a sustainable partnership between employer and employee, **we will strive to give all employees in the Group the opportunity to unlock their potential and to put their knowledge and skills into practice in their professional life.** By combining the knowledge, skills and leadership of individual employees, by continuously exploring, analysing and applying innovations in the energy sector, and by taking advantage of the potential of synergies between the companies, we will **strengthen** and further **mature** our corporate management and energy competences.
- **We will develop a renewed competency model for the EPSO-G Group**, focusing on competency-based leadership, and will set out actions and directions for employee development. **We will deepen competences in the supervision, management and deployment of new technologies** and **adapt corporate structures and incentive systems to foster innovation and the development of future energy solutions, and progressively increase funding for innovation.**
- In view of the development trends in the energy sector and the strong need for experienced energy experts and specialists (especially in engineering), **we will run training programmes for young professionals**, and **will work with universities or other educational institutions** to reach agreements on the necessary positions and the training of future employees
- **We will develop the competences** that will be important for us to achieve our strategic objectives in relation to the implementation of the strategic projects foreseen in the NEIS, decarbonisation, cross-sectoral integration of energy systems, and to remain competitive, with a view to significantly increasing the Group's share of revenues from non-regulated activities and from foreign markets.
- We will look for opportunities to **expand the range of services and geography of our activities, while strengthening the motivation of our employees**, as well as allowing them to adapt their knowledge and competences in international projects.
- By strengthening our employer image and fostering an internal career culture, we will retain and attract the best competences to the Group, and by taking advantage of virtualisation trends, we will seek to attract additional competences from abroad.

EPSO-G
ENERGY EVOLUTION

V. SHAREHOLDERS. Direction 2030

Integrated development of Lithuania's energy system

- **We will create favourable conditions for connecting green energy producers to the infrastructure managed by the Group** – we will prepare a system for mixing biomethane and hydrogen, and we will adapt the electricity transmission system for the further development of offshore and onshore wind and solar energy.
- **We will promote the integration of different sectors to achieve an optimal system balancing.** Together with our partners, we will initiate pilot demonstration projects linking the electricity, gas, heat, industry and transport sectors. Such cross-sectoral cooperation in the energy sector, both inside the country and the Baltic Region, will optimise the use of the available infrastructure, reduce the need for future RES curtailment and increase overall system efficiency.
- In the context of cross-sectoral integration, we will assess the possibility of involving the entire gas value chain in maintaining and increasing sustainable gas consumption and **aim for an evolved gas transmission system to provide energy balancing services.**
- We will ensure the safety and reliability of system operations, **focus on maintenance and quality assurance of contracted works as part of the transformational changes in the sector**.
- **We will implement the P2G pilot project.** In the longer term, the wider use of hydrogen will increase flexibility in the electricity system in the event of surplus RES electricity, as P2G plants, by flexibly using surplus RES electricity, produce hydrogen that can be blended with natural gas or used in other sectors.
- To adapt to the changes, **we will update the Group's corporate model** at the governance level and the Group's corporate governance framework, improving the functional leadership model and deepening the Group's integration.
- The integration of systems and the synergies created will lead to more efficient investments, generating higher and more sustainable financial returns than if the systems were developed separately.
- We will build a 500 km long physical barrier at the Lithuanian-Belarusian border. This project will help to ensure the security and integrity of our country.

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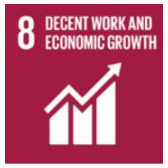
ENERGY EVOLUTION

Sustainable development in the EPSO-G group

Sustainability standards for energy companies are rising. The new approach to energy requires leadership in tackling climate change, regional challenges for energy independence, as well as important issues of energy efficiency and societal benefits. With this in mind, we have set targets in our long-term strategy and set out actions that are directly linked to global efforts to reduce climate change.

At EPSO-G, we see sustainable development as the goal of transforming the energy sector, thus contributing to a climate-friendly economy.

EPSO-G's main directions for sustainable development stem from the activities defined in the long-term strategy, which cover the environmental, social and governance areas.

EPSO-G SUSTAINABILITY DIRECTIONS	THE SUSTAINABLE DEVELOPMENT GOALS TO WHICH WE CONTRIBUTE	OUR MAIN GOALS IN THE FIELD OF SUSTAINABILITY
Enabling climate-neutral energy by reducing the environmental impact of activities	 	• We will perform an GHG audit of the Group's activities and prepare action plans to reduce the environmental impact by 2/3 • We will adapt gas transmission systems for hydrogen transportation • We will create favorable conditions for the connection of green energy producers to the infrastructure managed by the group
Creating an intelligent, sustainable organization	 	• We will adapt company structures and motivation systems to promote innovation • We will provide 0 cases of human rights violations or discrimination • We will provide 0 serious or fatal accidents • We will ensure reliable and safe operation of electricity and gas transmission systems • We aim for a minimum customer satisfaction of 80 on the GCSI index
Transparent and efficient management and development of the energy exchange platform		• We will ensure 0 cases of corruption • We will aim for the Management Coordination Centre's Good Governance Index to be A + • We will integrate sustainability criteria into the requirements for contractors • We will apply green criteria in all our public procurement • Every year, we will ensure that the EPSO-G group achieves the ROE value set by the state.

Innovation as the key to the energy of the future

We are ready to take the lead in laying the foundations for green energy, at the same time striving for greater energy efficiency and benefits for the Lithuanian people and businesses.

We change ourselves first. We change our thinking, our attitude and our innovative solutions.

Through research, demonstration and experimental projects, we will find optimal solutions for RES integration, secure energy transmission, system integration and flexible consumption development.

By 2030, we plan to implement 35 RADICAL AND BREAKTHROUGH INNOVATION PROJECTS.

We will cooperate with partners to support innovation projects, allocate resources for research and innovation, and foster creativity among our employees to find solutions to emerging challenges.

The INNOVATION ECOSYSTEM AND PROJECTS WILL BE FUNDED (as part of the transmission income):

- at least 0.5% in 2025,
- at least 1% in 2030.

CLIMATE NEUTRAL ENERGY

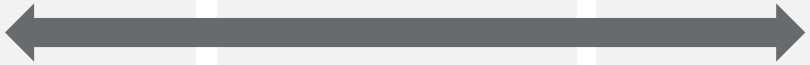
- Energy transmission systems adapted to RES
- Long-term solutions for offshore wind

FLEXIBLE COSTUMERS

- Promoting the market for system services
- P2Gas, P2Heat, V2G and other flexible demand pilot projects

INTEGRATION SYSTEMS

- Inter-system development synergies
- Operational management of systems synergies



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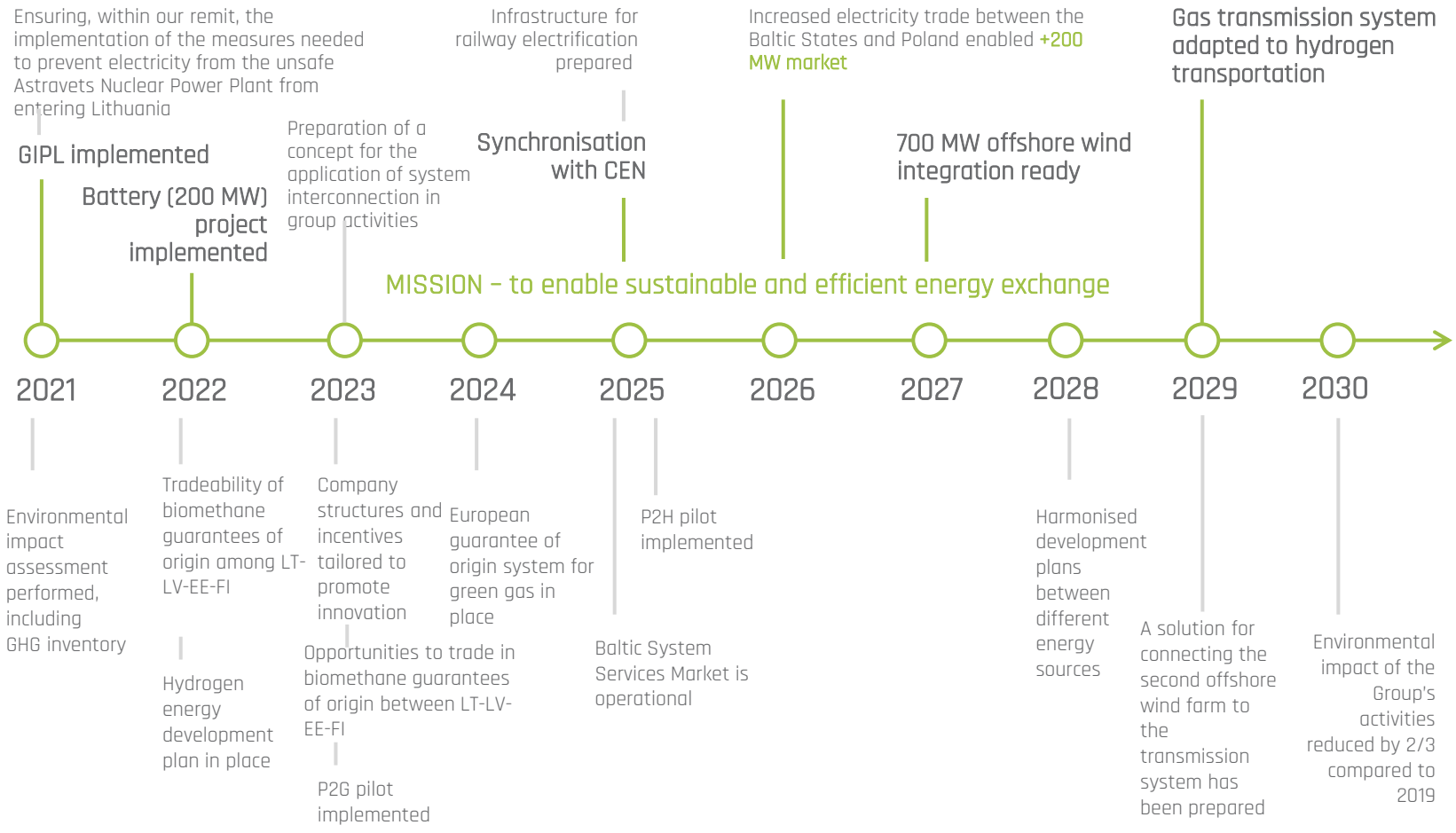
ENERGY EVOLUTION

Key results on the way to 2030

ensuring key energy sector priorities: **SECURITY, INTEGRATION, TRANSFORMATION**



National objectives	2030	2050
Share of RES in final energy consumption	45%	80%
Share of RES in the balance of electricity consumption	45%	100%
Share of RES in transport	15%	50%

We contribute to a climate neutral economy

EU objectives	2030
CO_2 emissions reduced compared to 1990	50–55%
Share of RES in final energy consumption	32%
Increase in energy efficiency	32.5%

Financial roadmap 2030 / Sustainable returns

Investments – approx. EUR 1.6 billion

When financing investments, we aim to assess a wide range of financial instruments and sources, and when financing projects, we look at all possible financing instruments: grants, subsidies, loans from commercial and institutional banks, bond and equity issues, financial engineering instruments from EU funds, etc.

The priority is to minimise the impact of price increases on energy producers and costumers.

net D/EBITDA < 5x

We will ensure the stable financial position of the EPSO-G Group and the implementation of strategic projects.

The size of the investments required for the implementation of strategic projects leads to a particularly high level of debt, which can result in temporary non-compliance with the terms of the borrowing agreements, unfavourable borrowing conditions and non-payment of dividends.

Taking into account future investments and the regulatory environment, the objective is to reduce credit risk and achieve a sustainable capital structure by 2030.

ROE ≥ 6%

Average annual rate of return to achieve an economically sound, coherent and sustainable regulatory environment that ensures stability and optimal return on investment for regulated service providers and the regulated services tariff.

Return to the State – EUR 160 million

Priority – Ensuring the State's return on successful implementation of strategic energy projects.

More than half of the investments are financed by grants, which do not generate a return, nevertheless, we will repay the debt for the acquisition of Litgrid shares within 10 years (2021-2030) and pay dividends in accordance with the Dividend Policy.

The indirect return to the State is the socio-economic benefits – security, reliability, economic competitiveness.

Socio-economic benefits – approx. EUR 4 bn.*

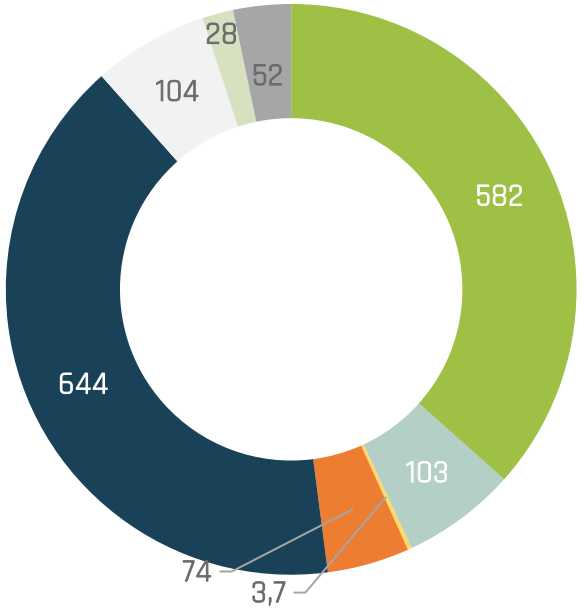
The increase in security of supply due to strategic projects such as synchronisation with the CEN (> EUR 1.3 billion, out of which – EUR ~1 billion due to the avoided 5 day black-out), GIPL (>EUR 1 billion, out of which – EUR >0.8 billion due to the avoided gas black-out), – the implementation of the Electricity TSO Grid Reliability projects (~EUR 1.5 billion) .

*Calculated on the basis of the socio-economic benefit/harm component scores presented in the CPVA Methodology for the preparation of investment projects for which EU structural assistance and/or State budget funding is sought, and the cost-benefit analysis methodologies published by ENTSO-E / ENTSO-G in accordance with Regulation (EU) 347/2013.

EPSO-G ENERGY EVOLUTION

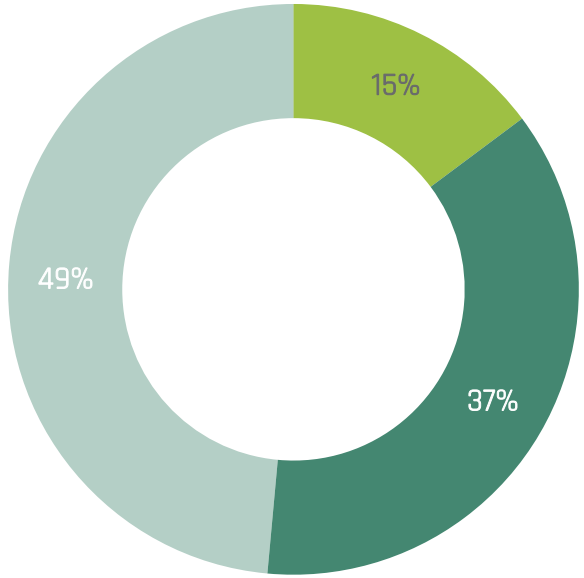
Planned investments in infrastructure – around EUR 1.6 billion

Investments 2022–2030, million EUR



- Synchronisation with CET
- Installation of electricity storage facilities (200 MW)
- Enhancement of gas interconnection capacity between LT and LV (ELLI)
- Investments in hydrogen
- Electricity TSO rehabilitation, modernisation projects
- Gas TSO rehabilitation, modernisation projects

Sources of investment funding, 2022–2030



- Costumers funds, surplus funds
- EU financial support
- Own and borrowed funds

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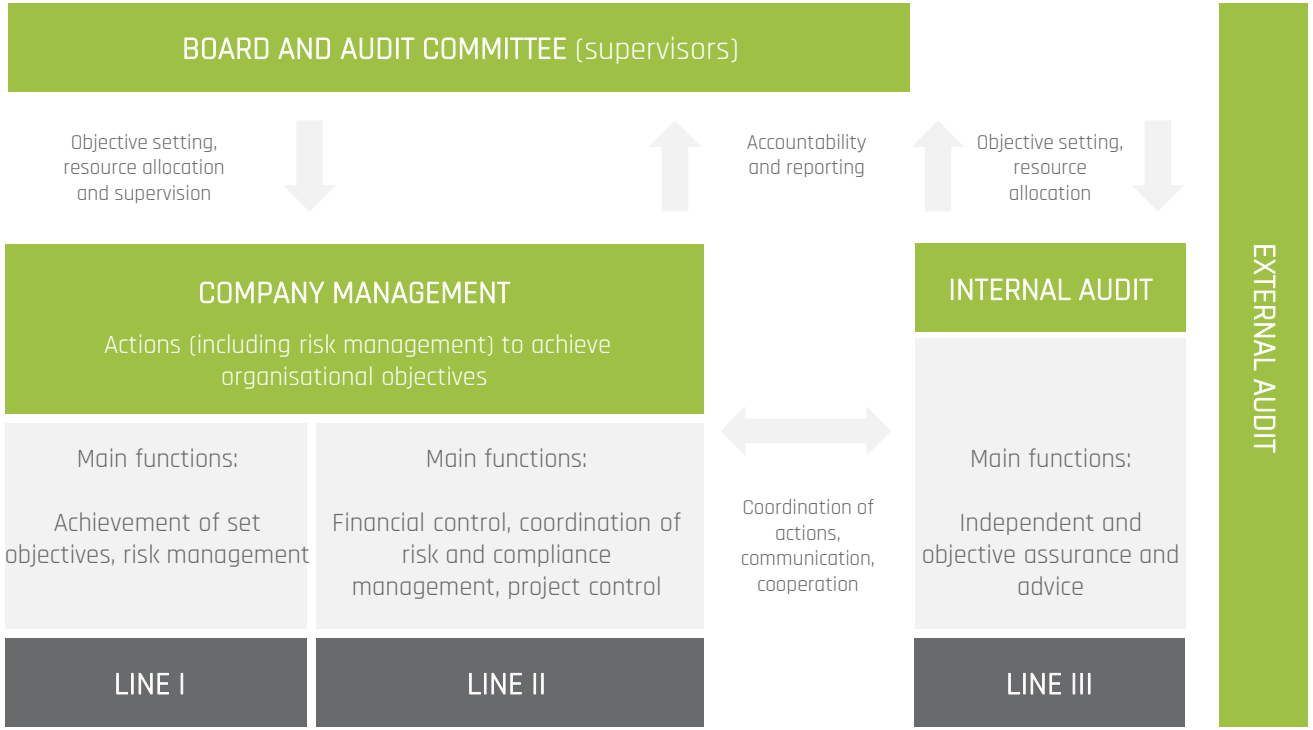
Risks and their management

EPSO-G has consistently held that in the implementation of its business strategy, appropriate risk management is a prerequisite for improving the efficiency of its subsidiaries, the quality of its management, a safe environment for its employees, and for building its stakeholders' trust in the Group.

The EPSO-G Group understands risk management as a structured approach to managing uncertainties by methodically assessing the impact and likelihood of risks and applying appropriate management tools.

The Group manages its risks in accordance with the Group's approved Risk Management Policy and Risk Management Methodology. These documents establish a common risk management framework for the EPSO-G Group, based on common principles and in line with best practice, based on the Committee of Sponsoring Organisations of the Treadway Commission Enterprise Risk Management (COSO ERM), which is used in international practice .



Assessment of key operational risks

1. RISK OF NON-COMPLIANCE WITH REGULATORY REQUIREMENTS FOR KEY ACTIVITIES

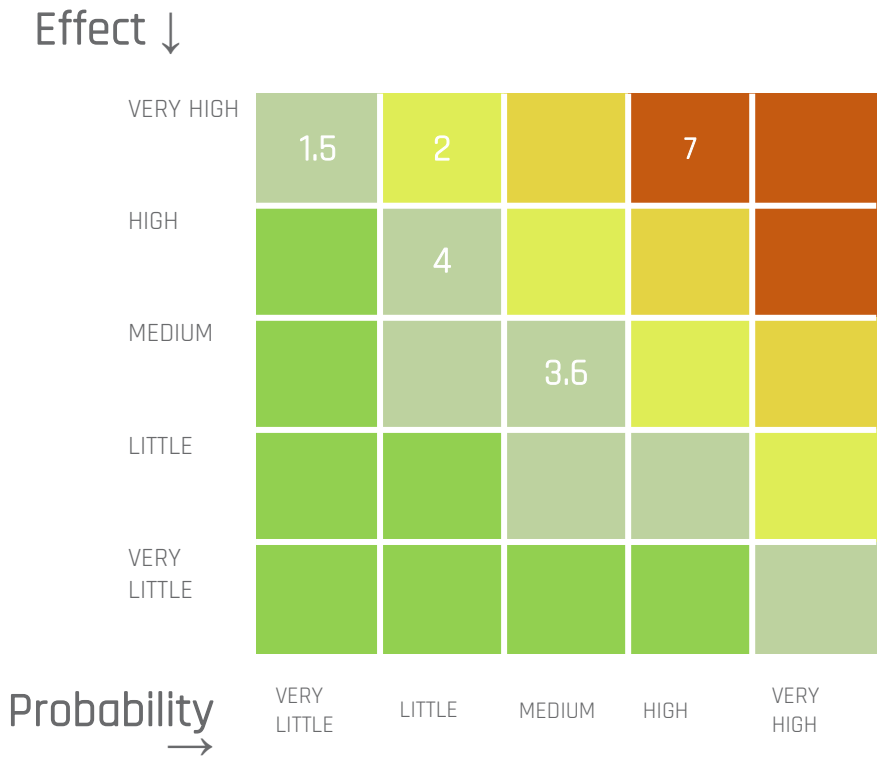
The prices of electricity and natural gas transmission and related services are regulated, with price caps set by NERC. These decisions directly determine the performance of the EPSO-G Group companies and the funds available for necessary operating costs, investments to maintain the reliability of the transmission grid, and the ability to finance strategic projects with own or borrowed funds.

In order to ensure clear and consistent regulation that does not adversely affect performance, the companies actively cooperate with NERC, participate in discussions on projects of amendments to the legislation, and propose improvements to the legislation on the basis of the impact of future decisions and the importance of the companies' long-term, strategic objectives. Proactive cooperation with NERC will also be crucial in the coordination of decisions on the costs of climate neutrality activities.

2. INFORMATION SECURITY (CYBER SECURITY) RISKS

The information and data managed by the EPSO-G Group is of strategic importance to the security of Lithuania, and the loss, unauthorised alteration or disclosure of such information and/or data, damage or interruption of the secure operation of the transmission systems required for the safe operation of the data flow may cause disruption of the operations of the EPSO-G Group companies and cause damage to other natural and legal persons.

In order to prevent cyber incidents, threats to the EPSO-G Group companies' information systems, their physical protection and security management systems are regularly assessed, existing security measures, systems and/or tools are regularly updated and new ones are introduced to comply with the strict requirements of EU and national legislation on information security. EPSO-G Group's employees are also actively involved in cyber security exercises, which provide training on how to manage and respond to cyber incidents targeting critical information systems and networks, and how to ensure the functioning of their services.



EPSO-G ENERGY EVOLUTION

Assessment of key operational risks

3. TECHNOLOGICAL RISK

One of the Group's key functions and responsibilities is to ensure the safe, reliable and efficient operation of natural gas and electricity transmission systems. In order to ensure the reliable operation of transmission systems, the companies are implementing specialised information systems, modern business management systems, continuously updating emergency and technological failure recovery and emergency management plans, business continuity plans, and setting high requirements for contractors. To prevent transmission system failures, systems are continuously monitored, maintenance plans are drawn up accordingly and the necessary new investments in network upgrades are planned in time.

4. BUSINESS TRANSPARENCY RISK

EPSO-G Group companies will carry out large-scale projects as part of the implementation of NEIS. The risk of a lack of transparency in their procurement has been identified as the highest level of risk of corruption. EPSO-G will ensure the transparent and rational procurement of goods, works or services at Group level by monitoring and planning preventive measures against these risks of corruption in public procurement:

- restricting competition between suppliers by imposing disproportionate, excessive qualification requirements;
- non-compliance with the rules governing procurement, in breach of the principles of equality, non-discrimination, mutual recognition, proportionality, transparency;
- inadequate implementation, supervision and control of contracts awarded;
- conflicts of interest between members of companies' management bodies, employees and participants in procurement.

EPSO-G does not tolerate corruption in all areas of its activities and has therefore put in place appropriate measures to reduce the incidence of corruption:

- all cases of potential corruption or fraud are investigated;
- the possibility to report any unethical or illegal behaviour, either confidentially or anonymously;
- selected candidates for appointments to senior management positions and members of governing bodies are appointed or elected only if they meet the requirements of good repute;
- a system for managing conflicts of interest is in place, covering employees, members of the governing bodies and contractors of companies;
- anti-corruption provisions are enshrined in the EPSO-G Group Code of Conduct;
- anti-corruption education is provided in EPSO-G companies;
- regular surveys of employees' perception of corruption;
- a risk management and monitoring system is in place, involving independent members of the collegiate management bodies;
- continuous assessment of the implementation of the anti-corruption policy by EPSO-G Group companies.

EPSOG ENERGY EVOLUTION

Assessment of key operational risks

5. RISK OF NON-COMPLIANCE WITH OCCUPATIONAL SAFETY REQUIREMENTS

The Group's owned companies Litgrid, Amber Grid and Tetas pay close attention to safety at work. Occupational risk assessment work plans are prepared. Workplaces, work tools and technological processes with the highest level of occupational safety risk are identified. Occupational safety days are organised in the departments. Work with customers as safety partners to achieve effective occupational safety control and a higher safety culture. Emphasis is placed on preventive occupational safety inspections.

6. RISK OF LACK OF ADEQUATE SKILLS, TURNOVER, MOTIVATION OF EMPLOYEES

EPSO-G-owned companies are facing a challenging labour market, with intensifying competition for highly skilled professionals. Group companies are improving their succession plans for critical positions, and over the next few years are expected to focus on updating their competency model, improving their employer image, developing their talents, and taking advantage of the virtualisation trend to attract professionals from abroad.

7. RISK OF DELAYS IN THE IMPLEMENTATION OF STRATEGIC PROJECTS

EPSO-G implements complex, large-scale projects, which are included in strategic planning documents at the national level, and which are crucial for the development of Lithuania's energy system, the smooth integration of RES, and the creation of additional opportunities for market participants to choose to consume climate-neutral energy. To this end, the Group has created the position of Project Portfolio Officer (PMO), project management processes and control mechanism are being improved and standardised, automation of reporting is planned in the near future, and a centralised PMO within the Group has been established. A strong focus is placed on the monitoring of strategic projects, with regular monitoring of strategic projects through the Strategic Projects Monitoring Committee (SPMC) and the status of strategic projects being discussed in detail at regular intervals by the EPSO-G Board.

Abbreviations

RES – Renewable Energy Sources

B2B – Business-to-Business x/x

BAU – Business as Usual (reference scenario),

BGMI – Baltic Gas Monthly Index Baltic monthly gas transactions index

BGSI – Baltic Gas Spot Index, Baltic and Finnish natural gas price index

CO_2 – Carbon Dioxide

DHS – District Heating Supply

GMS – Gas Metering Station

GCS – Gas Compressor Station

DSR – Demand Side Response

GDS – Gas Distribution Station

EE – Estonia

EES – Electricity Energy System

ETS – Electronic Trading System

EU – European Union

FI – Finland

FINESTLAT – Finland, Estonia, Latvia (for the gas trading area)

GIPL – Gas Interconnection Poland–Lithuania

ITC – Inter-TSO compensation

CEN– Continental European Networks

kV – Kilovolt

kW – Kilowatt

LRV – Government of the Republic of Lithuania

LV – Latvia

GSP – Gas trunk pipeline

MW – Megawatt

MWh – Megawatt-hour

NECAP – National Energy and Climate Action Plan

NEIS – National Energy Independence Strategy

P2G – Power to Gas

P2H – Power to Heat

PL – Poland

TSO – Transmission System Operator

VAT – Value Added Tax

RAA – Relay Protection and Automation

RED II – Renewable Energy Directive

SE – Sweden

SE4 – The fourth Swedish electricity price zone on the wholesale market

GHG – Greenhouse Gas

LNGT – Liquefied Natural Gas Terminal

IEA – International Energy Agency

tne – Tonne of oil equivalent

TWh – Terawatt hour

UK – United Kingdom

V2G – A system in which plug-in electric vehicles are connected to the electricity grid and participate in demand management, Vehicle to Grid

NERC – National Energy Regulatory Council

VTP - Virtual Trading Point

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