



## REMUNERATION POLICY OF PUBLIC LIMITED LIABILITY COMPANY "KAUNO ENERGIJA"

### 1. Objectives and application of the remuneration policy

1.1. The Remuneration Policy for "Kauno Energija" AB (referred to hereafter as "the Company") has been crafted with careful consideration of the Company's business strategy, long-term objectives, and interests. It recognizes the pivotal role played by the Company's management team, comprising the Chief Executive Officer, Board of Directors, and Supervisory Board members (referred to collectively as "the Management team"), in driving the Company's performance. By aligning with their expectations and the Company's financial capacity, this policy aims to appreciate and reward their contributions towards the Company's sustained success.

1.2. The Remuneration Policy aims to:

1.2.1. Effectively evaluate the competence and individual contributions of the Management team members to the Company's operations and achievements;

1.2.2. Enhance transparency and accountability of the Management team members within the Company, providing shareholders, potential investors, and stakeholders with a comprehensive and reliable overview of the remuneration granted to each Management team member;

1.2.3. Eliminate conflicts of interest and ensure the diligent adherence to the principles outlined in this Remuneration Policy.

1.3. This policy is applicable to all members of the Management team.

### 2. Procedures for developing, adopting, and amending remuneration policies:

2.1. The Remuneration Policy undergoes submission to the General Meeting of Shareholders for approval at least every four years, and whenever significant changes are made to the Policy.

2.2. The draft Remuneration Policy or any amendments are drafted by the Company's Chief Executive Officer. Shareholders holding more than 1/10 of the votes, along with the Company's Management Board and Supervisory Board, have the authority to propose changes to the Remuneration Policy.

2.3. Any changes to the Remuneration Policy must be approved by the General Meeting of Shareholders in accordance with legal procedures.

2.4. Where members of the Management team also hold shares in the Company and attend a General Meeting of Shareholders where approval of the Remuneration Policy (or its amendments) is on the agenda, this information must be disclosed prior to the commencement of the consideration of this issue.

2.5. Once the Remuneration Policy is ratified, the remuneration for Management team members is disbursed according to the approved Remuneration Policy and other relevant regulations.

2.6. If the proposed Remuneration Policy fails to receive approval from the General Meeting of Shareholders, the Company shall compensate Management team members based on the decisions made by relevant bodies prior to the Policy's consideration. However, these decisions remain unchanged until the Remuneration Policy is approved.

2.7. If the Remuneration Policy receives approval but proposed changes (the new Remuneration Policy) are not endorsed at the Company's General Meeting of Shareholders, the Company shall continue to compensate Management team members according to the existing approved Remuneration Policy. A revised policy will be presented for approval at the subsequent General Meeting of Shareholders.

2.8. The Company retains the discretion to deviate from the Remuneration Policy if such deviation is deemed necessary to safeguard the Company's long-term interests and operation on a going concern basis. Any such deviations will be promptly announced in the same manner

as the Remuneration Policy itself is made public. If circumstances prevent the application of the Remuneration Policy for more than 6 months, the Chief Executive Officer will review the Policy in the light of the altered conditions, draft a revised version, and seek approval at the General Meeting of Shareholders in accordance with legal requirements.

2.9. Following approval at the General Meeting of Shareholders, the Remuneration Policy (including any amendments or additions) will be promptly published on the Company's website [www.kaunoenergija.lt](http://www.kaunoenergija.lt), alongside the date of approval and voting outcomes.

2.10. The Chief Executive Officer is responsible for developing the Remuneration Policy, while the Company's Board oversees its ongoing review and the implementation of its provisions.

2.11. If there's a modification to the Remuneration Policy, the Board will present, along with the changes, to the Company's General Meeting of Shareholders:

(i) A detailed description and explanations of the significant alterations made to the Remuneration Policy.

(ii) If the change to the Remuneration Policy has been previously discussed by the General Meeting of Shareholders but wasn't approved, an explanation outlining the rationale behind the decision made in the General Meeting.

(iii) Any Remuneration Report endorsed subsequent to the Company's most recent vote on the Remuneration Policy at the General Meeting of Shareholders.

### **3. Remuneration Structure for Management team Members**

3.1. The Chief Executive Officer's compensation package includes a fixed monthly salary, a variable component, and a bonus.

3.2. The monthly salary and the variable component of the Chief Executive Officer's monthly remuneration are determined by the Company's Board. This decision is made in accordance with the outlined procedure for setting the Chief Executive Officer's salary, approved by the Board. The procedure takes into account regulatory acts governing Chief Executive Officer's compensation, as established by either the Mayor or the Director of Administration of Kaunas City.

3.3. Furthermore, the Chief Executive Officer of the Company may, upon resolution by the Board, receive a bonus from the Company's profits for demonstrating excellent performance and fulfilling duties effectively. This occurs following the conclusion of the financial year, approval of the audited financial statements, and considering the Chief Executive Officer's contributions to achieving the Company's strategic objectives, workload, and operational results.

3.4. The Chief Executive Officer of the Company is employed for a specified term as outlined in the legislation of the Republic of Lithuania. There are no provisions in the employment contract for additional pensions or early retirement conditions, and the terms of contract termination and related payments align with those mandated by current legislation.

3.5. The Company does not delay remuneration payments and does not employ the option to retrieve variable compensation.

3.6. Members of the Company's Management Board and Supervisory Board operate under standard operating agreements, which are ratified by a resolution of the Company's General Meeting of Shareholders. These agreements are specific to municipally controlled companies' Management and Supervisory Boards, detailing the remuneration for both Management Board and Supervisory Board members. Members of the Company's Management Board and Supervisory Board receive a fixed monthly payment for their roles within the company, without any additional variable component. They are elected for a service term outlined in the company's Articles of Association.

3.7. Additionally, management team members do not receive any indirect benefit from the Company nor are they offered participation in stock option programs

### **4. Remuneration report**

4.1. Following the close of the financial year, the Company will compile a remuneration report outlining the compensation received by the members of the Management team, encompassing all bonuses not specified in the Remuneration Policy, for the preceding financial year. This report will be presented to the Ordinary General Meeting of the Company.

4.2. The Remuneration Report will furnish details on the compensation of each member of the Management team, including:

4.2.1. The total compensation segmented by component, delineating fixed and variable portions;

an explanation of how the overall compensation aligns with the approved Remuneration Policy, including its contribution to the Company's long-term performance, and detailing the application of performance criteria;

4.2.2. Annual alterations in compensation, the Company's performance, and average compensation, calculated based on the full-time equivalent of the Company's non-director employees, for at least the previous five financial years, facilitating comparison.

4.2.3. Any deviations from the implementation of the Remuneration Policy.

4.3. Shareholders attending the Ordinary General Meeting of Shareholders where the remuneration report is presented have the right to offer comments. In the subsequent remuneration report, the Company will outline how it has considered the shareholders' comments.

4.4. To ensure accessibility for shareholders, as well as potential investors and other interested parties, the Company will publish the remuneration report on its website [www.kaunoenergija.lt](http://www.kaunoenergija.lt). following the General Meeting.

4.5. The Company refrains from incorporating any special categories of personal data in the Remuneration Report, as defined in Article (14) 9(1) of Regulation (EU) 2016/679 of the European Parliament and of the Council, pertaining to specific members of the Management team, or personal data that discloses the marital status of specific Management team members. Personal data of the Management team members, included in the Remuneration Report, is processed by the Company with the aim of enhancing transparency regarding Management team members' remuneration. This is intended to bolster the accountability of Management team members and improve shareholders' oversight of their remuneration.

4.6. The Company will retain the personal data of Management team members featured in the Remuneration Report for a maximum of ten years from the report's publication date. After the expiration of this ten-year period, all personal data will be removed from the remuneration report, and the Company will cease publishing the full remuneration report.

## **5. Final provisions**

5.1. Any alterations to mandatory legislative provisions will be implemented promptly, without waiting for amendments to the Remuneration Policy