

Title of the Normative Internal Legal Act	Remuneration Policy of AB “Ignitis grupė” group of companies
The title of the process	Human and Culture Management - Remuneration
Process owner (unit)	People and Culture
Approving company	AB “Ignitis grupė”
Body/position of the approving person	General Meeting of Shareholders of AB “Ignitis grupė”
Date of entry into force	Approved by the Resolution of the Annual General Meeting of Shareholders of AB “Ignitis grupė” on 30 March 2023 (Updated by the Resolution of the Annual General Meeting of Shareholders of AB “Ignitis grupė” on [27 March 2024])

REMUNERATION POLICY OF AB “IGNITIS GRUPĖ” GROUP OF COMPANIES

AB “Ignitis grupė” group of companies (the Group) applies a remuneration policy in order to maintain employee motivation and respond to shareholders’ expectations for sustainable, socially responsible development by creating a modern, international, competitive energy Group.

The remuneration policy aims to attract and retain competent, fast-learning, technologically advanced, globally minded and creative employees.

The Supervisory Board of AB “Ignitis grupė” is a collegial supervisory body elected by the General Meeting of Shareholders. For the effective performance of the Supervisory Board’s functions and responsibilities in the field of remuneration, the Supervisory Board has set up a Nomination and Remuneration Committee to assess and make proposals on the Group’s long-term remuneration policy, to monitor the compliance of the Group’s remuneration policy with international practice and recommendations of good governance practice and to make appropriate proposals for the improvement of the remuneration policy. The Supervisory Board and the Nomination and Remuneration Committee ensure the proper functioning of the system for the prevention of conflicts of interest when making decisions on the remuneration system.

1. PURPOSE AND SCOPE OF APPLICATION

- 1.1. **Purpose:** to establish unanimously fair, clear and transparent principles of remuneration for the employees of AB “Ignitis grupė” group of companies and an employee remuneration system based on them.
- 1.2. **Scope of application:** applies to all Employees and all companies of AB “Ignitis grupė” group of companies.

2. TERMS AND ABBREVIATIONS

Abbreviations

Remuneration Policy – remuneration policy of AB “Ignitis grupė” group of companies; this document.

LTI – a long-term incentive, variable part of remuneration paid for achieving long-term objectives.

STI – a short-term incentive, variable part of remuneration paid for the agreed and measurable short-term (usually annual) results based on the Employee’s performance evaluation.

FBS – fixed base salary.

Terms

Parent Company – AB “Ignitis grupė”.

Employees with Strategic Responsibilities – Employees who have strategic responsibilities and/or make a significant impact on the Group’s performance.

Employee – a person who has an employment relationship with the Parent Company or the Company, including all executives, unless otherwise specified in the Remuneration Policy.

Group – the Parent Company and its subsidiaries (including lower-tier subsidiaries as well as subsidiaries with their registered offices abroad) in which the Parent Company directly and/or indirectly holds the majority of the votes or may directly or indirectly exercise a decisive influence, as defined in Article 5 of the Law on Companies of the Republic of Lithuania.

NRC – Nomination and Remuneration Committee of the Supervisory Board of the Parent Company.

SB – Supervisory Board of the Parent Company.

Company – a Group company, except for the Parent Company.

Collegial Body – a collegial management body – the Management Board/ the Board, and/or a collegial supervisory body – the Supervisory Board, as specified in the Parent Company’s and/or Companies’ founding documents.

Key Executives – Employees holding the position of members of the Parent Company’s Management Board, as well as CEOs of AB “Energijos skirstymo operatorius”, UAB “Ignitis”, AB “Ignitis gamyba” and UAB “Ignitis renewables”.

Variable Remuneration – a part of remuneration that is paid for the achievement of agreed and measurable short-term and long-term results. For the sake of clarity, Variable Remuneration is designed to reward Employees’ performance, as provided for in Article 142(1)(2) of the Labour Code of Republic of Lithuania.

Managers with Strategic Responsibilities – managers who have the Group’s long-term (longer than one year) strategic and/or critically important objectives. The list of Managers with Strategic Responsibilities within the Group shall be approved by the decision of the Management Board of the Parent Company.

3. PRINCIPLES OF THE REMUNERATION POLICY

3.1. Key principles of the Remuneration Policy:

Internal fairness	The Group ensures that similar or same value-creating work is remunerated equally throughout the organisation. The remuneration system is based on the Group’s job structure, which consists of jobs divided into job levels.
External competitiveness	Employees are entitled to receive a competitive salary based on their function, responsibilities, market conditions and geography.
Clarity	The Group aims that all Employees are informed about how their performance, competences and qualification impact their remuneration package as well as on what basis it is set.
Transparency	The Group believes in transparency and shares its objective remuneration criteria with its employees. The job structure and salary ranges are posted on the Parent Company’s intranet and are available to all Employees.
Equal opportunities and non-discrimination	Decisions on remuneration must be made in accordance with the provisions set out in the Remuneration Policy, its implementing legislation and the Policy of Equal Opportunities and Diversity in force in the Group.

- 3.2. The Group aims to create a high performing organisational culture that achieves its objectives, therefore, the remuneration system aims to promote pay-for-performance behaviours related to the achievement of the objectives set for the Group, teams, and Employees.
- 3.3. The Remuneration Policy shall be detailed in the internal legal acts of the Group and/or the Parent Company and/or a Company, which must not contradict this Remuneration Policy.
- 3.4. The Group aims to pay all Employees a competitive salary of a respective market, including the market of a specific function. Due to market differences and dynamics, a different policy line and/or compensation element or its size can be introduced for a specific function or business line.
- 3.5. The Management Board of the Parent Company may introduce specialised remuneration systems for individual groups of Employees, positions or Employees employed in a foreign country that require a different system for determining objectives as well as determining and/or awarding STI and LTI in order to achieve specific and critically important performance results according to market or business needs. Key Executives, CEOs of Companies and members of executive committees

of Companies (if any) are excluded from these specialised systems. The elements of remuneration and the specifics of their application to Key Executives are specified in Section 7 of this Remuneration Policy.

- 3.6. The deferral of Variable Remuneration is not used in the Group. The Parent Company and Companies (in the case of the members of the Management Board of the Parent Company – with the approval of the SB) have the possibility not to pay, reduce or require the return of STI or tranches of the LTI in part or in full from an Employee who commits unlawful acts whilst achieving set objectives or in cases such as the restatement of accounts or the submission of erroneous data (malus and claw-back). The “good leaver” and “bad leaver” conditions are applied to the payment of Variable Remuneration. The Supervisory Board shall set the conditions for the Parent Company’s Management Board, and the Management Board of the Parent Company shall set the conditions for other Employees.
- 3.7. The provisions of the Remuneration Policy shall be interpreted and applied in such a way that the SB has discretion to make and/or control substantive decisions related to the remuneration of the Management Board of the Parent Company. When deciding on matters related to the remuneration of the Management Board of the Parent Company, the SB shall be guided by the Remuneration Policy and shall take into account the opinion of the NRC.
- 3.8. This Remuneration Policy shall be published on the Parent Company’s website.

4. OBJECTIVES

4.1. Short-term annual objectives for Employees, except those specified in paragraph 4.2, are set on the basis of a mixture of objectives – the Group’s, the Group’s/function’s, a Company’s and team/individual objectives. Based on market practices and/or the competitiveness of specific fields, semi-annual or quarterly objectives may be set for specific Employee groups.

4.2. The short-term objectives of the CEO and members of the Management Board of the Parent Company are the same as the annual objectives of the Group approved by the SB. Short-term objectives usually support achievement of LTI objectives. STI objectives are public and may be accessed on the Group’s [website \(link\)](#) and usually cover such areas as:

4.3. The Group’s long-term objectives for Key Executives are set by the decision of the SB based on the Parent [Company’s strategic plan \(link\)](#). Long-term objectives are not the same as short-term objectives. Overlapping should not be considered if they are focused on distinct time horizons or targets. LTI objectives usually cover such areas as:

Types of Short-term performance objectives (example)	Types of Long-term performance objectives (example)
Financial targets	TSR (total shareholder return) performance
Strategic projects or their key milestones	Financial targets and/or return on capital employed
Sustainability targets	Growing business and/or increasing efficiency
Service quality (if applicable)	Sustainability targets

Detailed information on STI and LTI objectives, targets and weightings is disclosed in the remuneration report and on the Parent Company’s website on annual basis.

4.4. The achievement of the set short- and long-term objectives are assessed in terms of the percentage of their achievement. A minimum threshold for the achievement of a specific target is 70%, and therefore if the target is achieved at a lower percentage, the target shall be assessed as not achieved (0 (zero) percent). Overachievement of set targets is not paid additionally.

5. REMUNERATION STRUCTURE AND MAIN PRINCIPLES

5.1. The following overview summarises the remuneration elements that are used in the Group as well as their performance criteria and parameters. All remuneration elements are paid for different and not overlapping targets:

				Eligibility
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Type	Element	Description	Performance criteria and parameters	Key Executives	Managers with Strategic Responsibilities	Other Employees
Fixed Remuneration	Fixed base salary (FBS)	<ul style="list-style-type: none"> - Determined in the employment contract - Paid on a monthly basis in cash - Determined based on the job level, role and position of an individual employee, including professional experience, seniority, education, responsibility, job complexity, local market conditions, etc. - As a general rule, the FBS should not exceed the maximum level of the salary range - An annual review of the FBS within the Group is not guaranteed. 	-	+	+	+
Variable Remuneration	STI	<ul style="list-style-type: none"> - Performance-based - Set on annual / semi-annual / quarterly basis and paid in cash 	- For meeting specific and measurable targets set for an individual position / team / Company / function / Group	+	+	+
	LTI	<ul style="list-style-type: none"> - Performance-based - Rolling four-year performance period to serve as a long-term incentive for sustainable business performance - Paid in cash after the end of each strategic period of 4 years (on a rolling basis) 	<ul style="list-style-type: none"> - For meeting specific and measurable four-year strategic period objectives - LTI is paid only after the entire strategic period ends 	+	+	-
		<ul style="list-style-type: none"> - Paid for the development of strategic and/or critically important long-term projects and/or strategic objectives not shorter than 2 years - Paid in cash (lump sum) after the end of the project / strategic period upon achievement of targets 	<ul style="list-style-type: none"> - Criteria for and objectives of the implementation of long-term projects / objectives and targets shall be determined and approved by the Management Board of the Parent Company 	-	+	-
Other rewards	Discretionary bonus	<ul style="list-style-type: none"> - Provided at the initiative and discretion of the employer - Is not a guaranteed part of the remuneration package - Cannot exceed an Employee's 3 monthly salaries per annum 	- Paid for extraordinary results or for managing the Group's strategic initiatives, etc.	-	-	+
	Expatriate's / attraction package	<ul style="list-style-type: none"> - Reimbursement of additional expenses related to the relocation of an Employee from one country to another due to their job functions - Can be used to attract talents from foreign countries 	-	+	+	+
	Benefits	<ul style="list-style-type: none"> - Financial and non-financial measures - Designed to promote Employee motivation and loyalty 	- Detailed in the Group's internal rules or collective agreements	+	+	+
Other	Severance payments	<ul style="list-style-type: none"> - Paid at the time of termination of the employment contract 	- Paid in accordance with the procedure established by the Labour Code, collective agreements or a relevant legal act of a foreign state	+	+	+

	Non-compete compensation (if concluded)	<ul style="list-style-type: none"> - Set in the agreement - Usually paid after the termination of the employment contract - As a general rule, non-compete clause is activated at the discretion of the employer 	- Non-compete terms and conditions for the CEO and members of the Management Board of the Parent Company shall be determined by the SB	+	+	+
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6. COMPOSITION OF VARIABLE REMUNERATION

6.1. Target size of Variable Remuneration:

		Key Executives	Managers with Strategic Responsibilities	Employees with Strategic Responsibilities	Other Employees
Amount of variable remuneration	STI	20%	20%	20%	10%
	LTI	40%	up to 30%	-	-

7. KEY EXECUTIVES

- 7.1. Once a year, the NRC and the SB shall review and approve the level of alignment of the FBS with the median of the respective market of the Management Board of the Parent Company. The remuneration of the Management Board will change based on the specific responsibilities and the nature of the functions performed and will be reviewed annually by the SB upon a proposal of the NRC. Off-cycle reviews and adjustments may be carried out on request and shall be subject to approval by the SB.
- 7.2. The Group aims to pay competitive remuneration for Key Executives, therefore, the SB and the NRC shall analyse their remuneration against peer group companies: what is paid for the largest companies in the local salary market, and the remuneration paid in the market by regional companies with comparable capitalisation, size, international scope and nature of business.
- 7.3. The Expatriate's / attraction package guidelines for Key Executives shall be set out by the SB.
- 7.4. The decision on the severance payment of Key Executives, if it is higher than provided in the Labour Code or relevant foreign legislation, shall be agreed by the SB. Criteria that should be assessed include Key Executives' performance, length of service in the Group, the significance of circumstances, commercial risks and potential damage to the Group and/or a Company arising from competition, etc. The amount of a severance payment cannot be higher for a Key Executive than his/her 12 (twelve) average monthly salaries.
- 7.5. All remuneration elements which are applied to Key Executives are provided in this Remuneration Policy.

8. DETERMINATION OF THE REMUNERATION OF THE MEMBERS OF THE COLLEGIAL BODIES OF THE PARENT COMPANY AND COMPANIES

8.1. Remuneration for activities in the Collegial Bodies of the Parent Company:

Position in a collegial body	Monthly remuneration, EUR (before taxes)
Independent chair of the Supervisory Board of the Parent Company	4,614
Independent member of the Supervisory Board of the Parent Company	3,466
Civil servant holding the position of a member of the Supervisory Board of the Parent Company	1,733
Chair of the Parent Company's Supervisory Board committees and the Audit Committee (not SB member)	2,208
Independent member of committees of the Parent Company	1,987

- 8.2. Remuneration for activities in the Collegial Bodies of Companies should comply with Lithuanian legal acts applicable to state-owned companies and has to comply with the principle 'higher pay for higher responsibility'.

- 8.3. The remuneration stated in Clause 8.1 shall be determined, at the time of the appointment of the Collegial Body, for the entire term of office of the Collegial Body except in the cases set out in Clause 8.4 of the Remuneration Policy and shall be applicable until the Remuneration Policy is changed by Parent Company's General Meeting of Shareholders. If individual members of a Collegial Body are elected prior to the expiry of the term of office of the existing Collegial Body, the same amount of remuneration shall be determined for them as for the members of the existing Collegial Body.
- 8.4. The remuneration of the members of the collegial bodies of the Parent Company, as set out in Clause 8.1 of the Remuneration Policy, shall be reviewed once during the entire term of office but not earlier than in the mid-term of a Collegial Body during the Annual General Meeting of Shareholders of the Parent Company. Increase is capped at the typical level of FBS increase awarded to other Employees within the Group.
- 8.5. Remuneration for activities in the Collegial Bodies of the Parent Company and Companies shall not depend on the performance results of the Parent Company or a Company.
- 8.6. The remuneration of the members of the Parent Company's SB for participation in the activities of the committees shall be included in their remuneration for the activities in the SB, and they shall not receive additional remuneration for the activities in the committees.
- 8.7. If a member of a Company's Collegial Body resigns or is removed from office or ceases to hold office on other grounds, no benefits or compensations shall be paid due to the termination of the contract for activities in the Collegial Body. In such cases, the member of the Parent Company's or a Company's Collegial Body must be paid remuneration for the time actually spent in the performance of the activities of the member of the Collegial Body.

9. FINAL PROVISIONS

- 9.1. The Remuneration Policy shall take effect from the moment of its approval and shall be approved and amended following the assessment of the general economic situation in the market, the Group's financial performance and changes in the legislation governing the payment of remuneration or shall be periodically reviewed by a decision by the Parent Company's General Meeting of Shareholders.
- 9.2. The provisions of the Remuneration Policy shall be applied taking into account the requirements of the Law on Companies of the Republic of Lithuania, the Labour Code of the Republic of Lithuania (Labour Code) or a relevant legal act of a foreign state, collective agreements as well as other legal acts.
- 9.3. When amending the Remuneration Policy, material changes to the Remuneration Policy must be described and explained. If the amended Remuneration Policy has already been discussed at the Parent Company's General Meeting of Shareholders, but it has not been approved – the arguments must be indicated in the decision of the Parent Company's General Meeting of Shareholders.
- 9.4. The Management Board of the Parent Company shall be responsible for the implementation of the Remuneration Policy.