

Remuneration Policy for Members of the Governing Bodies and Committees

POL019 Version: 5

Scope of activity	Develop and manage human resources
Process group	Motivate and retain
Process owner	Chief Corporate Affairs Officer
Process Manager	Legal & Compliance Division
Organizer	Head of Legal and Compliance Division
Review	Every 4 years
Scope of application	Applicable only for KN

1. Key Objectives and Principles

- 1.1. The purpose of the KN Remuneration Policy is to establish consistent and transparent remuneration principles for the CEO of AB “KN Energies” and for the members of the Board and its committees for the period 2024–2050, in alignment with the Company’s long-term strategy. These principles are designed to foster active engagement in the achievement of the Company’s strategic objectives. The Policy is focused on sustainable organizational value growth and results-driven strategic decision-making.
- 1.2. KN Remuneration Policy is based on the following principles:
 - **Transparency and openness** – the remuneration policy must be clear, publicly accessible, and easy to understand. The key elements of remuneration, together with the rationale for their determination, must be disclosed in a manner that ensures the trust of shareholders, investors, and the public.
 - **Long-term value creation** – remuneration must encourage responsible, risk-aware decision-making that supports the Company’s long-term stability and value growth.
 - **Proportionality** – remuneration must correspond to the scope of governance and oversight responsibilities, the complexity of the decisions taken, and their impact on the Company’s strategic outcomes, thereby ensuring proportionate motivation.
 - **Compliance** – the determination of the remuneration of the CEO, the Board members and members of the committees of KN must comply with the laws of the Republic of Lithuania governing the procedures for determining remuneration for the CEO’s, Board members and committee members of state-owned enterprises.

2. Determination of Remuneration for the KN Board, its Committees, and the CEO

2.1. Determination of Remuneration for the KN Board and its Committees

- 2.1.1. The remuneration of a KN Board member is determined by the General Meeting of Shareholders. The remuneration amounts of KN Board and committee members, calculated based on the Company’s CEO’s monthly remuneration for the previous calendar year as applicable at the time the remuneration is determined. This amount is specified in the KN Board and Committee Member Activity Agreement, which is approved by the General Meeting of Shareholders.
- 2.1.2. The remuneration of a KN Board member is set at the time of appointment for the 4 (full four-year) term of the Board, except in the cases specified in paragraph 2.1.4 of this Remuneration Policy.

- 2.1.3. If individual Board members are elected to serve the remainder of the acting Board's term, their remuneration is set at the same level as that of the other acting Board members.
- 2.1.4. The remuneration of KN Board members is reviewed once during the entire term – no earlier than at the regular mid-term General Meeting of Shareholders – and only if the remuneration established at mid-term no longer complies with the requirements set out in the Description. Decision on the remuneration of KN Board members is taken by the General Meeting of Shareholders.
- 2.1.5. The remuneration of KN Committee members is determined by this KN Remuneration Policy.
- 2.1.6. The remuneration of KN Committee members is reviewed once during the entire term – no earlier than after the regular General Meeting of Shareholders referred to in paragraph 2.1.4 – and only if the remuneration no longer meets the amount specified in paragraph 4.1 of this Policy. In such cases, the remuneration is recalculated to align with paragraph 4.1; no separate decision is adopted for such adjustment.
- 2.1.7. If, under applicable legislation, decisions regarding the formation of committees fall within the competence of the General Meeting of Shareholders, the remuneration for KN Committee members is determined by the General Meeting of Shareholders, and the remuneration review rules provided in paragraph 2.1.4 apply.
- 2.1.8. If the performance of Board or Committee duties requires the incurrence of reasonable expenses, KN will cover or reimburse such expenses, provided they were discussed with KN in advance and all supporting documents are submitted.
- 2.1.9. Each KN Board and Committee member may be allocated funds for competence development when the training is directly related to the performance of their duties and enhances their ability to fulfil such functions. These funds may not be used for training aimed at acquiring qualifications or meeting requirements necessary for candidacy or appointment. The annual allocation may not exceed the fixed monthly remuneration specified for the respective member in paragraph 4.1.
- 2.1.10. If KN Board and/or Committee member resigns, or is removed, or ceases to hold office on any other grounds, no payments or compensation are made in connection with the termination of the Board and/or Committee Member Activity Agreement. In such cases, the member is remunerated only for the actual time spent performing Board and/or Committee duties.

2.2. **Determination of Remuneration for KN CEO**

- 2.2.1. The remuneration of KN CEO (fixed remuneration, variable remuneration, and bonus) is determined and reviewed by KN Board. The established remuneration is specified in the CEO's employment contract.
- 2.2.2. KN aims to provide the CEO with competitive remuneration; therefore, the RNC analyses remuneration levels paid by the largest companies in the local and regional labor markets, both within comparable sectors and across other sectors (entire market), with similar capital structure size, international activity scale, and business profile.
- 2.2.3. Once per year, KN Board reviews whether the CEO's fixed remuneration remains aligned with the market level for the respective position. The aim is to ensure that the CEO's remuneration is not lower than the market median for an equivalent role. Taking into account the complexity and scope of KN's activities, as well as the qualification requirements and competencies required for CEO, the procedure set out in sub-paragraphs 1.1–1.6 of the Resolution is not applied when determining the remuneration of the CEO of KN.
- 2.2.4. KN CEO may be granted an expatriate or attraction package.
- 2.2.5. Upon expiry of the CEO's employment contract, removal from office by KN Board, or termination of the employment contract on any grounds established by law, the decision on the CEO's severance payment –

if higher than the amount provided for in the Labor Code—is taken by the KN Board. In determining the severance amount, factors such as the CEO’s performance results, length of service at KN, significance of the circumstances leading to termination, commercial risks, potential negative impact of competition on KN, and other relevant factors are considered.

3. Objectives of KN (CEO’s)

- 3.1. KN objectives (CEO’s) align with the KN annual objectives approved by the KN Board, and the achievement of these objectives serves as the basis for determining the CEO’s variable remuneration.
- 3.2. The achievement of the established objectives is assessed based on the results attained. The KN Board determines the level of achievement of the CEO’s objectives.
- 3.3. KN does not apply remuneration deferral mechanisms or variable remuneration recover arrangements.
- 3.4. For exceptional contribution and performance by KN CEO, KN Board may award an additional one-off bonus. Such a bonus may be granted after the end of the financial year and following the approval of the financial statements.

4. KN Board, Committees and CEO Remuneration Structure

4.1. Structure of Remuneration for the KN Board, Committees, and the CEO:

Subject	Remuneration Element	Principles for Determining Remuneration	Remuneration Amount
Chairperson of the Board (independent)	Fixed remuneration	A fixed remuneration is paid for the activities of the Chairperson of the Board	Not less than 1/3 of KN CEO’s average salary
Board Member (independent)	Fixed remuneration	A fixed remuneration is paid for the activities of an independent Board member	Not less than 1/4 of KN CEO’s average salary
Board Member (civil servant)	Fixed remuneration	A fixed remuneration is paid for the activities of a Board member who is a civil servant	Not less than 1/5 of KN CEO’s average salary
Chairperson of the Committee (independent Board member)	Fixed remuneration	A fixed remuneration is paid for the activities of a Committee Chairperson who is an independent Board member	1/12 of KN CEO’s average salary
Chairperson of the Committee (external independent committee member)	Fixed remuneration	A fixed remuneration is paid for the activities of a Committee Chairperson who is an external independent committee member	1/6 of KN CEO’s average salary

Committee Member (independent Board member)	Fixed remuneration	A fixed remuneration is paid for the activities of a Committee member who is an independent Board member	1/15 of KN CEO's average salary
Committee Member (Board member – civil servant)	No remuneration	Civil servants are not remunerated for participation in Committee work	No remuneration
Committee Member (external independent committee member)	Fixed remuneration	A fixed remuneration is paid for participation in Committee activities	1/8 of KN CEO's average salary

4.2. KN CEO Remuneration Structure:

Subject	Remuneration Element	Principles for Determining Remuneration	Remuneration Amount
KN CEO (sole management body)	Fixed remuneration	A monthly base salary determined in accordance with applicable legislation and the remuneration-setting principles	Determined by the KN Board
	Variable remuneration	Based on performance indicators set for the CEO related to the achievement of KN objectives and/or the completion of tasks assigned to the CEO in relation to KN's internal administration	May not exceed 30% of the monthly base salary paid to the CEO in the preceding financial year. Determined by the KN Board
	Bonus	May be awarded for exceptional contribution by the CEO to achieving KN objectives or for delivering outstanding results	May not exceed four (4) monthly base salaries. Determined by the KN Board

5. Final provisions

- 5.1. KN Remuneration Policy is reviewed regularly by decision of the KN General Meeting of Shareholders, at least once every four (4) years.
- 5.2. The RNC and the KN Board participate in the review of the KN Remuneration Policy and in submitting proposals. When making decisions or providing recommendations on remuneration matters, they ensure the proper functioning of the conflict-of-interest prevention system.
- 5.3. The provisions of the KN Remuneration Policy are applied in accordance with the requirements of the LoC, the Labor Code, and other applicable legislation.
- 5.4. When amending the KN Remuneration Policy, all essential changes must be described and explained. If an amended Remuneration Policy has been considered by the KN General Meeting of Shareholders but not approved, the reasons must be indicated in the decision of the General Meeting of Shareholders.

6. Concepts and Abbreviations

- 6.1. **LoC** – Law on Companies of the Republic of Lithuania.
- 6.2. **Description** – Resolution No. 1092 of the Government of the Republic of Lithuania of 14 October 2015 "On the Approval of the Description of the Procedure for the Payment of Remuneration to the Members of the Collegial Bodies of State-Owned Enterprises and Municipality-Owned Enterprises".
- 6.3. **RNC** – Remuneration and Nomination Committee.
- 6.4. **The Labor Code** – the Labor Code of the Republic of Lithuania.
- 6.5. **KN** – AB "KN Energies".
- 6.6. **KN Remuneration Policy** – Remuneration Policy for Members of the Governing Bodies and Committees.
- 6.7. **Committees** – committees formed by the Board of AB KN Energies or by the Shareholder.
- 6.8. **Average salary** – the Company's CEO's average monthly base remuneration, consisting of a fixed component, a variable component, and a bonus. Other components of remuneration provided for in Article 139 of the Labor Code shall not be included when calculating this amount.
- 6.9. **Resolution** – Resolution No. 1341 of 23 August 2002 of the Government of the Republic of Lithuania, "On the Remuneration of Managers of State-Owned Enterprises."