

APPROVED BY  
Order No. of the Minister of Energy of  
the Republic of Lithuania  
of 2025

**LETTER  
ON THE OBJECTIVES PURSUED AND EXPECTATIONS SET BY THE STATE FOR  
AB “KN ENERGIES”**

This letter on the objectives pursued and expectations set by the State (hereinafter referred to as the “Letter”) presents the expectations of the shareholder of AB “KN Energies” (hereinafter referred to as the “Company”) – the State (hereinafter referred to as the “Shareholder”), represented by the Ministry of Energy of the Republic of Lithuania, with regard to the directions, principles, objectives and priorities of the activities of the Company and its subsidiaries (hereinafter referred to as the “Group”).

The Letter sets out the Shareholder’s expectations for the short and medium term and guidelines for expectations of the Company’s long-term development. It should serve as a basis for the preparation and review of the Company’s and individual Group companies’ strategies, as well as for the preparation of their annual business plans. The Letter should be considered in the context of the National Energy Independence Strategy and other legal acts shaping the state policy in the field of energy, as well as the legal acts of the Republic of Lithuania regulating the activities of state-owned companies. The provisions of the present Letter also apply to activities of the Group.

The Letter is not intended to limit or extend the rights or obligations of the Shareholder, the Company, the individual companies of the Group or their governing bodies. First and foremost, the Company and its governing bodies must comply with applicable law, the Articles of Association of the Group companies, the decisions taken by the shareholders, good corporate governance practice and take responsibility for own decisions. In fulfilling the Shareholder’s expectations set out in the Letter, the Company, and its governing bodies must comply with the principles of reasonableness, transparency, efficiency, and rational asset management.

**THE GROUP’S AREAS OF ACTIVITY AND FUNCTIONS**

The Company is an operator of liquid energy products (hereinafter referred to as “LEP”) and liquefied natural gas (hereinafter referred to as “LNG”) terminals.

Activities of the Company that are of public interest:

- Management of terminals of LEP, including oil and oil products, biofuels and petrochemicals. The Company operates LEP handling and storage terminals in the Port of Klaipėda and in Subačius (Kupiškis district). At the Subačius terminal, the Company provides long-term storage services of State’s fuel reserves. At the Klaipėda terminal, the Company ensures the possibility of importing LEP into the Lithuanian market.



- Management and ownership of LNG terminal in Klaipėda.

The Company is subject to the Law on the Protection of Objects of Importance to Ensuring National Security of the Republic of Lithuania, under which the Company is included in the list of Category II enterprises of importance to ensuring national security, while the liquid energy products terminals in Klaipėda and Subačius operated by the Company are included in the list of facilities and property of importance to ensuring national security.

The Company also carries out commercial activities, such as provision of LEP, including oil products handling, storage, blending and other related services, expands the range of services at the Klaipėda LNG terminal by promoting efficient use of infrastructure and increasing cargo volumes, participates in LNG terminal and related infrastructure construction and operations projects in other countries – providing consultations, offering LNG terminal and/or related infrastructure operations and maintenance services, and investing in these projects.

## **OBJECTIVES AND PERFORMANCE EXPECTATIONS OF THE GROUP**

### **Ensuring Lithuania's energy security**

The Company must ensure the long-term operation of the Klaipėda LNG terminal until 2044, as well as the smooth utilization of the LNG terminal.

The Company must make every effort to ensure the physical and cyber protection of the objects managed by the Company that are important for national security. The Company must assess potential hybrid and military threats and in cooperation with the relevant government agencies and authorities, to implement measures for the comprehensive protection of the Company's assets and ensure preparedness for the deployment of security measures, as well as for conducting joint response exercises with the relevant government authorities.

The Klaipėda LNG terminal was built in implementation of the objectives and goals of the national energy policy as set out in the National Energy Independence Strategy. In allocating the long-term and short-term capacities of the LNG terminal, the Company must take into account not only the national needs for natural gas supply and national security but maintain the attractiveness of services to market participants.

The Company must ensure the smooth operation of terminals and maintain reliable infrastructure that meets the highest safety standards. In conducting commercial activities at the terminals, the Company must take into account national security needs and ensure appropriate conditions for the long-term storage of the state's oil products reserves and/or other strategic special-purpose fuel reserves at its SEP terminals. If necessary, it must also ensure the timely expansion of oil product storage and handling capacities.

### **Transformation and international development**



Implementation of the Company's long-term strategy must ensure the Company's consistent growth and competitiveness in a low-carbon economy, in line with economic transformation of the European Union's Green Deal. The aforementioned strategy should plan the next 10 years in detail, and the period until 2050 should include priority areas, business development goals and key performance indicators pursued by the Company. In considering the directions of the Company's development and growth, the strategy and activities of the Company must pay particular attention to:

- the diversification of activities, efficient use of infrastructure, and timely response to market changes in order to seize emerging opportunities;
- the exploration of business development opportunities in the value chains of H<sub>2</sub> and liquid organic hydrogen carriers (LOHC) such as synthetic methane, synthetic methanol, synthetic ammonium, sustainable and high value-added petrochemicals, in the value chains of decarbonisation of the energy sector and industry (e.g. temporary storage of CO<sub>2</sub>);
- the international expansion of LNG terminal operations and maintenance services, increasing the shareholder return generated by international development, including targeted capital investments in international LNG terminal projects;
- the analysis of which activity(ies) would generate the highest return from the use of the exclusive value area managed by the Company in the Port of Klaipėda and in Subačius (Kupiškis district);
- increasing returns to shareholders, development of non-regulated activities and maximisation of returns from non-regulated activities;
- the business development opportunities to provide energy storage and electricity system flexibility services;
- the exploitation of opportunities provided by artificial intelligence and digitalisation to further improve the Company's competitiveness, operational efficiency, work and technical safety culture;
- the environmental protection, reduction of greenhouse gas emissions, and cost-benefit analysis-based energy supply from renewables-based energy generation sources. Investments in reducing emissions must be economically sound.

The Company needs to participate in the transformation of Lithuania's energy sector as Lithuania moves towards green energy and seeks to position itself in clean energy value chains. To achieve this goal, the Company needs to both leverage its existing competences in logistics, infrastructure operation, infrastructure project implementation, as well as consistently and purposefully grow the Company's competences in the field of climate neutral energy.



The Company must continue to strive to exploit its potential – the unique experience and knowledge gained in the installation and operation of the Klaipėda LNG terminal – and to expand the Company's activities by participating in LNG terminal projects being developed in other countries, whether as an investor, infrastructure operator, consultant or in other forms, and by identifying new potential business niches. These activities are expected to represent a significant part of the Company's revenues in the long term. The Company needs to maximise the returns generated to shareholders from international development.

### **Customer satisfaction expectations**

The Company must foster a customer-oriented culture, where sufficient attention is given to customer needs throughout the entire customer lifecycle — by understanding and assessing customer requirements, providing exceptional customer service, building strong relationships with clients, and using customer feedback to improve products and services. The Shareholder expects that in order to achieve these goals, the Company will conduct regular measurements of quality indicators and customer satisfaction with the services provided and ensure the reduction of bureaucratic obstacles.

### **Financial expectations**

The Company's operating profitability must not be less than the target set by the Government. The Company should focus on the level of best commercial practices when consulting with the Governance Coordination Centre of State-Owned Enterprises on the level of the Company's performance indicators.

The Company must maintain a consistent dividend policy and the level of dividends paid by the Company must not be lower than the level set by the Government. The Company should plan, as part of the implementation of the Company's long-term strategy, an annual dividend level of at least EUR 12 million from 2030.

The Company must ensure maximum value for shareholders when entering into LEP handling contracts with Klaipėda LEP terminal customers. The LNG reloading station operated by the Company must be profitable.

The Company must ensure the consistent and sustainable development of the Company's non-regulated activities through the development of existing and new revenue-generating activities and the acquisition of the necessary competences. The Company's investments must be based on cost-benefit analyses, solutions that enhance the Company's competitiveness, and the implementation of the national energy strategic objectives within the Company's area of activity. The Company's investments must be made in a financially disciplined manner, with project returns in line with the risks assumed and project debt levels in line with market practice. Investments outside Lithuania should be subject to a proper assessment of the country's market risk and an appropriate return on capital. The Company's governing bodies should ensure that the Company's capital structure is optimal.



The Shareholder expects that the strategic business plan of the Company will include key financial performance indicators and specialised indicators, as well as non-financial specialised indicators, and that the achievement of these indicators will be ensured.

## **THE GROUP'S OPERATING PRINCIPLES**

### **The Group's corporate governance**

The Group must conduct its business to the highest standards of transparency, governance, ethics and social responsibility. The Company must ensure the effective operation of the Group and the effective management and control of the Group's entities. The Company must ensure that the strategic projects of the Group companies are implemented in a timely and appropriate manner.

The Shareholder expects that the Group will set ambitious annual goals and develop a culture of continuous improvement and high results, aiming to increase the maturity and operational excellence of the organization. The long-term objectives set for the management of the Company and the Group companies must be in line with the Company's long-term objectives and best international practices. These objectives should include ensuring operational safety and reliability, implementing the Company's transformation, improving efficiency, enhancing shareholder return and return on capital, reducing greenhouse gas emissions and protecting the environment, ensuring occupational and technical safety and improving corporate social responsibility and good corporate governance practices. The governing bodies of the Company must set both financial and non-financial expectations for Group companies that the Company would seek to achieve in its subsidiaries.

It is necessary to ensure that the Board of the Company approves and takes responsibility for key decisions and the implementation of the Company's strategy. The Company must ensure that the Group companies have clear, ambitious, and meaningful objectives, that indicators for their evaluation have been formulated and that effective monitoring of their implementation is ensured. The Group must have an effective and competitive reward system in place to provide a framework for achieving its objectives.

The Company must have and maintain the highest level of corporate governance maturity (A+), as attested by the Governance Coordination Centre and the attained level of the Corporate Governance Index. The Company must continue to follow OECD good governance recommendations, NASDAQ requirements and best practices in international corporate governance.

The Company's corporate governance model must be designed to ensure transparent, efficient, coordinated, high-quality and effective operations. The Shareholder expects that, in order to achieve efficiency and follow the need to flatten the corporate governance model, the Company will revise its corporate governance model, will complete all procedures provided for in legal acts in a timely and proper manner and, after the end of the term of office of the current composition



of the Company's Board, all core competences will be concentrated in a single body – the Company's Board.

**Transparency.** The Company must apply the highest standards of transparency and the principles of depoliticised operations in its activities. The Company needs to improve the content of its annual report, strengthen its sustainability and disclosure practices and ensure effective corruption prevention, which means zero tolerance for corruption in all Group companies. The Company must continuously assess the risks of nepotism and cronyism and ensure an effective system for managing conflicts of interest. Group companies must comply with the legal requirements regarding the disclosure of data on Company websites.

**Operational efficiency.** The Company needs to improve operational efficiency by optimising the allocation of available resources, identifying and managing risks, making timely and effective decisions, improving the quality of services provided, ensuring quality management of processes and projects, and improving productivity.

The Company must regularly benchmark its operational excellence and compare the Company's asset management performance with other best managed terminals in Europe in order to objectively assess the Company's strengths and opportunities for improvement. The Company must strengthen cost control discipline, ensure management of growing operating cost by regularly reviewing the cost structure, identifying inefficiencies and applying targeted optimization measures.

The Company must ensure the most cost-effective pricing and capacity booking model for Klaipėda LNG terminal services. The Company must ensure efficient management of the LNG terminal costs and utilization of the LNG terminal capacity. The performance of the LNG terminal must be assessed not only in terms of the return it generates for the Company and its shareholders but also in terms of the overall socio-economic return for the State, citizens, the impact on the natural gas sector and on the assurance of security of natural gas supply in Lithuania and, if relevant, by engaging Lithuanian companies with similar experience.

The Company, following the latest market developments and seeking to make optimal use of the available infrastructure, must expand the range of services and products that it handles and increase the volumes and returns of terminals' activities. In carrying out terminal operations, efforts should be made to efficiently utilize SEP import opportunities through Lithuania and export opportunities to other countries. The profitability of this activity must not be less than that of competing terminals or other similar companies.

The Company must play an active role in the implementation of energy efficiency targets in Lithuania. The Company must promote a responsible approach to energy efficiency and implement energy efficiency measures in its day-to-day operations. The Shareholder expects the Company to increase digitization and transform itself towards a data-driven organisation that will use and evaluate data to make timely business decisions, and use digitization solutions to improve the Company's operational efficiency and productivity.



**Sustainability.** The environmental, social, and corporate governance (ESG) policies must be approved by the governing bodies of the Company and must be incorporated into the long-term performance objectives of the Group companies. The Company must consistently implement its commitment to reduce net carbon dioxide emissions to zero by 2050, monitor the progress of this implementation, and contribute to the achievement of sustainable development goals that are most impacted by the activities of the Group's companies. The Group's corporate activities must be based on principles that pursue economic, social and environmental objectives, taking into account the interests of all stakeholders (consumers, employees, society, public authorities, etc.) in accordance with the principles of sustainable development, as well as with respect for people, society and nature.

**Innovation.** The Company must strive for synergy and efficiency in its activities, introduce innovations in its activities and seek innovative cross-sectoral solutions in the electricity, transport, and other sectors by utilizing the Company's existing infrastructure and developing new infrastructure. The Company must contribute to the promotion of energy-related innovation in the Lithuanian energy sector. It is expected that the Company will cooperate with scientific and educational institutions and other entities, aiming to find innovative solutions in the areas of its activities that contribute to environmental protection goals and create value for society, the Company and its customers.

**Responsible and value-based activities.** The Company's activities must be guided by the Company's Sustainability policy which shall be approved by the Company's governing bodies. This policy must be based on the highest standards of transparency, governance, ethics, social responsibility and best practices in the area of sustainable development, and must be incorporated into the Group's long-term corporate objectives. The Company should strengthen its employer branding, improve employee satisfaction and engagement rates, introduce and develop systems for employee values, interchangeability of competences and motivation and ensure the safety and physical and emotional health of employees. The Company, in order to properly implement its long-term strategy, must pay greater attention to attracting and retaining talent, as well as to promote the diversity in employee competences and to seek gender equality in management positions and remuneration. The Company should protect and constantly enhance its reputation, ensure effective communication with stakeholders and employ external and internal communication effectively in its operations.

**Development of health and safety culture.** The Company must ensure constant and sustainable development of safety culture within the entire Group. The Company must regularly assess its safety culture in the context of comparable best-managed terminals worldwide. The company must strive to create and maintain an environment that is free from injuries resulting from operational incidents (zero tolerance for occupational safety violations).

**Support and humanitarian aid.** The Company may provide support and humanitarian aid in accordance with the regulation, ensuring credible transparency of this process. Having assessed the insufficient, and in some cases the non-existent, number of new specialists in the field of energy in Lithuania, the Shareholder expects that the Company will contribute to promoting and



utilizing the opportunities created by the Financial Support policy to popularize the energy profession in Lithuania (scholarships granted by energy companies, paid internships in local companies, participation in study or career exhibitions, communication), will cooperate with scientific and educational institutions and other energy companies to attract individuals to study energy-related study programs, as well as to improve the quality of the study programs themselves, will cooperate with Lithuanian scientific and educational institutions of the maritime profession in preparing and training to work on the liquified natural gas storage vessel Independence.

The Company should continue to plan measures of humanitarian aid to Ukraine in the field of energy, which would contribute to the reconstruction of the destroyed energy infrastructure of the country at war and the expansion of the development of renewable energy.

## **ACCOUNTABILITY**

In accordance with good governance practices, the Chairmen of the Company's collegial bodies and the CEO during periodic meetings with the Shareholder should discuss the following matters: key events that occurred during the reporting period, as well as other matters of substantial importance to the continuity of Company's operations.

Reports on the progress of the implementation of strategic projects in the areas overseen by the Shareholder as institution, and on the commitments undertaken in relation to regional cooperation and other related relevant information must be provided to the Shareholder's representatives on a periodic basis or as requested, ensuring confidentiality.

The Shareholder expects that the Company's collegial bodies will continue good corporate governance practices and will carry out an annual assessment of their own performance, and will also agree on further actions to improve the functioning of these bodies.