

**APPROVED**

by the Decision No STP\_2019-12  
of the Supervisory Board of UAB  
Ignitis grupė of 22 November  
2019

**GUIDELINES FOR EXECUTIVES REMUNERATION OF THE GROUP OF COMPANIES OF  
UAB IGNITIS GRUPĖ**

- Purpose:** to establish general principles of remuneration for the Executives of the Group of Companies of UAB Ignitis grupė, to define the basic provisions to be followed by the companies of the Group of Companies of UAB Ignitis grupė in their activities when determining the remuneration of the Executives.
- Scope:** applies to the companies of the Group of Companies of UAB Ignitis grupė.

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**1. NOTIONS AND ABBREVIATIONS USED**

1.1.	<b>Remuneration Guidelines</b>	These Guidelines for Executives Remuneration of the Group of Companies of UAB Ignitis grupė (this document).
1.2.	<b>Remuneration interval</b>	Interval between the minimum and maximum value of Remuneration, i.e. the percentage amount below and above the median value that is determined in the Remuneration Policy or in the Implementation Guidelines.
1.3.	<b>Remuneration</b>	All remuneration in monetary terms awarded to an employee (FRC, VRC, PBM) (Total cash).
1.4.	<b>Median value of the remuneration market</b>	It is a value that divides the distribution of market remuneration into two equal parts. It means that 50% of companies participating in the remuneration market research pay less and 50% of them pay more than the Median value of the remuneration market for the similar job functions and responsibilities.
1.5.	<b>Group</b>	UAB Ignitis grupė and its directly and indirectly controlled legal entities.
1.6.	<b>Company of the Group or a Company</b>	Legal entity either directly or indirectly belonging to the Group.
1.7.	<b>External competitiveness</b>	The ability of the company of the Group to compete in the remuneration market, the ability to react quickly to changes in the market and maintain its position.
1.8.	<b>Executive or Employee</b>	The top level executive working in the company of the Group under the employment contract: a) CEO of UAB Ignitis grupė;

		<ul style="list-style-type: none"> <li>b) Members of the Board of UAB Ignitis grupė who simultaneously occupy the posts of the managers of the structural units (executive board);</li> <li>c) CEOs of other companies of the Group;</li> <li>d) Members of the Board of other companies of the Group who simultaneously occupy the posts of the managers of the structural units (executive board);</li> <li>e) CEOs-Members of Boards of the companies of the Group that operate abroad (where there is a one-tier system of governing bodies in a foreign country).</li> </ul>
1.9.	<b>Variable remuneration component (VRC)</b>	The remuneration that is paid for performance, i.e. for a particular post or Employee for meeting the set objectives or indicators, is determined in percentage of FRC or other basis of calculation. It is determined for the Executives to 20% of the annual FRC.
1.10.	<b>Fixed remuneration component (FRC)</b>	Remuneration which is determined by the employment contract, taking into account the level of the post and the level of competence of the employee (compliance with the requirements for the post).
1.11.	<b>Level of post</b>	The relative value of a post which is determined taking into account the knowledge required for the post, its level of problem solving and responsibility.
1.12.	<b>Payment for the activity of the Board member (PBM)</b>	The remuneration for activities in the management or supervisory body or its committee, which is approved by the decision of the Supervisory Board of UAB Ignitis grupė and determined in the contracts of the Employees who are members of the Company's management or supervisory bodies or their committees on the performance of these activities, and which is specified in Annex No 1 to the Guidelines.
1.13	<b>Principle of internal justice</b>	The principle according to which the remuneration for the employees of the Group is determined depending on the level of the post. Unanimous remuneration intervals are determined for the posts of equal value.

## 2. GENERAL PROVISIONS

- 2.1. In accordance with the Guidelines for Corporate Governance of State-owned group of energy companies approved by the Order No 1K-215 of the Minister of Finance of the Republic of Lithuania of 1 June 2017, the unanimous Guidelines for Executives Remuneration are established in the Group of Companies.
- 2.2. The provisions of the Remuneration Guidelines and the Remuneration Policy elaborating them form an integrated part of the remuneration system of the companies of the Group and apply to the downstream subsidiaries through the subsidiaries. Exceptions from these Remuneration Guidelines may be made to the companies of the Group operating abroad by decision of the Supervisory Board of UAB Ignitis grupė, with the approval of the Nomination and Remuneration Committee of UAB Ignitis grupė.
- 2.3. The Remuneration Guidelines are used to form the Remuneration Policy within the Group, subject to the principles of internal justice and external competitiveness.

In order to have a possibility to attract high level professionals for the management of the companies of the Group, the formation of the Remuneration Policy, taking into account the financial capabilities of the Group, is guided by the median value of the remuneration market in the country where the company of the Group operates.

## 3. COMPONENTS OF THE EXECUTIVES REMUNERATION AND THE PRINCIPLES OF DETERMINING THEM

- 3.1. The Remuneration Guidelines establish the principles that define the following components of the Remuneration System:
  - 3.1.1. Fixed remuneration component (FRC) - the monthly salary specified in the employment contract;
  - 3.1.2. Variable remuneration component (VRC) – remuneration for implementing objectives/achieving indicators that is determined as a percentage of the FRC or other calculation basis.
- 3.2. Extra is paid for the activities of the Board member (PBM):
  - 3.2.1. to the managers of structural units who simultaneously occupy in that Company the posts of the members of the Board of the Company (executive board) (the rights and obligations of the Board member are defined in the agreement on the activities of the Board member), the amounts of PBM are differentiated taking into account the level of the post (Annex No 1);
  - 3.2.2. if necessary, a specific amount of PBM for the Managers of the companies of the Group operating abroad is determined by the decision of the Board of UAB Ignitis grupė, without prejudice to the principle of internal justice and within the limit set forth in Clause 3.7 of the Remuneration Guidelines.
- 3.3. To ensure the principle of external competitiveness, each year the Group participates in the remuneration market research (at least 2 sources are used), and, based on its data and the principle of internal justice, the levels of Posts are calibrated and intervals of Executives Remuneration are formed which are submitted by the Board of UAB Ignitis grupė to the Nomination and Remuneration Committee and the Supervisory Board of UAB Ignitis grupė for approval (the model form is set out in Annex No 2). The Supervisory Board of UAB Ignitis grupė assesses the compliance of all Reward (i.e. FRC+VRC+PBM) (Total cash) with the median value of the market.
- 3.4. When entering into contracts with new Employees or during the annual Remuneration Review, a specific FRC and VRC of the Executives is determined under the procedure specified in Clause 3.5, in observance of:
  - 3.4.1. approved limits of Remuneration interval (a model form is set out in Annex No 2);
  - 3.4.2. principle of internal justice;
  - 3.4.3. the set level of Posts;
  - 3.4.4. the salary budget (planned salary fund) of the Company;
  - 3.4.5. assessment of competence level of a particular Employee (fulfillment of requirements for the post) which is determined during the Employee's annual performance appraisal process or during the selection process if a new Employee is hired
- 3.5. Within approved intervals Executives FRC are determined:
  - 3.5.1. for the CEO of UAB Ignitis grupė and the working members of the Board (Executive Board) (at the proposal of the CEO of UAB Ignitis grupė) – the Supervisory Board of UAB Ignitis grupė
  - 3.5.2. for the Managers of the Companies of the Group and the working members of the Boards (Executive Board) – the awarding body after having agreed with the Board of UAB Ignitis grupė.
- 3.6. During the review, raising of the FRC of the Employee in the existing level of the Post cannot exceed 20% of the existing FCR of the Employee. If the Employee does not fully meet the requirements for the position to which he/she is being recruited, it is recommended, when hiring a new Employee, to set a lower limit of Remuneration interval, with the possibility to reach within 2 (two) years the middle part of Remuneration interval.
- 3.7. The total Remuneration of executives (FRC+VRC+PBM) cannot exceed the sum of the maximum amounts of PBM specified in Annex No 1, and of the maximum values of Remuneration interval that are specified in Annex No 2 and approved every year by the Supervisory Board of UAB Ignitis grupė. Exceptions at the proposal of the Board of UAB Ignitis grupė can be confirmed by the Supervisory Board of UAB Ignitis grupė, with the approval of the Nomination and Remuneration Committee of UAB Ignitis grupė.

#### **4. PROCEDURE OF PAYMENT OF SEVERANCE PAY TO EXECUTIVES**

4.1. According to the provisions of Article 37(3) and (4) of the Law of the Republic of Lithuania on Companies, the body, having elected the Head of the company, has an absolute right to revoke him/her, i.e. the Head of a company can be revoked at any time, regardless of the presence or absence of his/her fault or other circumstances

4.2. In order to ensure the image of the companies of the Group as of a reliable employer, the Executives are paid a severance pay of up to 4 (four) times their average salary when the employment relationship is terminated at no initiative of the Employee and for no fault of the Employee.

4.3. The decision on the specific amount of the severance pay shall be made by the body revoking the Executive in agreement with the Board of UAB Ignitis grupė.

#### **5. FINAL PROVISIONS**

5.1. The People and Culture Department of UAB Ignitis grupė is responsible for the implementation of the Remuneration Guidelines.

5.2. The companies of the Group implement the Remuneration Guidelines to the maximum extent, by ensuring the compliance with the provisions of the Articles of Association of the Companies, the principles laid down in the Guidelines for Corporate Governance of State-owned group of energy companies, with the provisions of the Labour Code of the Republic of Lithuania, of the Law of the Republic of Lithuania on Legal Protection of Personal Data, of the Law of the Republic of Lithuania on Electricity, and of other legal acts of the Republic of Lithuania in force.

These Remuneration Guidelines apply to the Group of Companies as a whole, without prejudice to the provisions of the European Union Third Energy Package.

5.3. The provisions of the Remuneration Guidelines are reviewed and may be amended by decision of the Supervisory Board of UAB Ignitis grupė.

5.4. Update of and amendments to the Remuneration Guidelines are initiated by the People and Culture Department of UAB Ignitis grupė.