

Corporate Governance Policy

POLXXX Version: 1

Scope of activity	12. Manage external relationships
Process group	12.1. Build investor relationships
Process owner	Chief Corporate Affairs Officer
Process Manager	Head of Legal and Compliance
Organizer	Legal & Compliance Division
Review	Every 3 years
Scope of application	Applies to all companies in the KN group.

1. Key Principles

- 1.1. The purpose of the Corporate Governance Policy is to establish the company's corporate governance principles, structure and allocation of responsibilities, as well as to regulate the relationships between the company, as the parent company of the corporate group, and its controlled, subsidiary and other companies whose shares or ownership interests it directly or indirectly holds, ensuring transparent, responsible and efficient governance of the company and the group, protection of shareholder rights, alignment of stakeholder interests and long-term value creation.
- 1.2. The corporate governance of KN Group is based on the following principles:
 - **Good Governance** – KN applies advanced and recognized corporate governance practices, complies with legal requirements and recommendations, ensures transparency and strengthens trust-based relationships with stakeholders.
 - **Long-Term Value Creation for Shareholders** – KN makes decisions aimed at sustainable growth and long-term returns, balancing short-term results, strategic objectives and the interests of all shareholders while ensuring equal treatment.
 - **Separation of Duties** – within the KN Group, a clear distinction is made between strategic management, oversight and day-to-day operations in order to ensure control, prevention and transparency.
 - **Centralised Governance in the Group** – strategic decisions, key rules and control functions are centralised within KN in order to achieve unified and transparent management across KN Group. KN group companies operate in accordance with the established guidelines of KN.

2. KN Group Corporate Governance Structure and Responsibilities of the Bodies

- 2.1. In implementing the principle of centralised management, KN also performs the role of a parent company in addition to its direct activities. KN sets strategic objectives and supervisory mechanisms for Group companies, while KN Group companies retain responsibility for day-to-day operations and operational decisions.
- 2.2. The corporate governance structure model in KN consists of:
 - 2.2.1. General Meeting of Shareholders

- KN body, which decides on fundamental matters, with exclusive competence established in the LoC, legal acts and the Articles of Association of KN.
- The State retains a controlling stake. In exercising its ownership functions, the State acts as a responsible shareholder by clearly separating policy-making from company management, applying transparent procedures for selecting board members, and setting clear goals (returns, efficiency, sustainability).

2.2.2. Board

- A collegial body responsible for KN's strategic management, implementation of functions established in applicable legal acts and Articles of Association and exercise of supervisory functions.
- It supervises strategy implementation and ensures that KN's activities are focused on long-term value creation, financial sustainability and responsible risk management.
- Not less than 4 (four) of the members of the Board are independent members. 2 (two) of members delegated by the State are selected on the basis of professional competence and experience in order to complement the totality of the competences of the Board.
- To ensure strategic continuity and effective management, efforts are made to maintain the consistency of the terms of office, so that some of the members of the Board continue their work from the previous term, combining the advantages of new approaches with experience. The aim is that the same independent member is not elected for more than two consecutive terms.
- The Board forms an Audit Committee, which is an advisory body to the Board, acting at group level within the limits of its competences. The Audit Committee oversees financial and sustainability reporting, internal control (including but not limited to conflict-of-interest management), risk management and internal audit, as well as makes recommendations on matters of its competence.
- The Board forms the Remuneration and Nomination Committee, which is an advisory body to the Board, acting at group level within the limits of its competences. The Remuneration and Nomination Committee provides recommendations on the remuneration policy applicable to KN, the criteria for evaluating managers' performance, the implementation of succession and talent programme, and other issues related to the implementation of the remuneration and personnel strategy.
- When forming committees, priority is given to appointing members of the Board, ensuring that a majority of the members of the Audit Committee and the Remuneration and Nomination Committee are independent. Other committees may also be formed, which may operate on a permanent or *ad hoc* basis (e.g. to resolve specific issues, manage, supervise or coordinate strategic projects, etc.).
- The competences, rights and duties of the Board are set out in the LoC, Articles of Association of KN, Rules of Procedure of the Board and other external and internal legal acts regulating the activities of the Board.

2.2.3. Chief Executive Officer

- A single-person management body responsible for KN day-to-day activities, representation and performance of other functions, as set out in the LoC, Articles of Association of KN and other external and internal legal acts regulating the activities of KN.
- Organises, controls and ensures the implementation of the strategy within the limits established by legal acts.

- The CEO of KN is accountable to the Board. In order to ensure effective management of KN, the Board conducts an evaluation of the CEO's performance at least once per year.

2.3. The Model of Corporate Governance Structure in KN Group Companies consists of:

- General Meeting of Shareholders. A body within a group company that resolves fundamental matters, the exclusive competence of which is established by legal acts and the Articles of Association of the respective company.
- CEO of KN Group company. A single-person management body responsible for the day-to-day organisation of the company's activities and decision-making within the limits of the competences assigned to it, representation in relations with third parties and the performance of other duties established by legal acts and the Articles of Association of the respective company.
- Supervisory Committees are set up to supervise the activities of the companies of KN Group. The Supervisory Committee is composed of at least three representatives of KN, acting exclusively on an advisory basis, providing insights, consultations and recommendations to the CEO of KN Group company, aimed at strengthening the consistency of the group's governance, the transparency of decisions and the transparent accountability of the companies. The activities of the Supervisory Committees are focused on the implementation of the principles of supervision and good governance at the group level, without altering the functions assigned to the management bodies of companies in legal acts and Articles of Association. Supervisory Committees are not formed for KN group companies that do not carry out activities. In KN Group companies, collegial management bodies are generally not formed.

3. **Corporate Governance in Group Companies**

3.1. When carrying out its parent-company functions within the KN Group companies, KN:

- establishes the Group's strategic directions and objectives, while the Group companies, acting within their respective areas of activity and competence, contribute to the implementation of KN's strategy by ensuring the achievement of the objectives assigned to them and the delivery of the results.
- ensures that the implementation of KN's strategy is delegated to the Group companies, while maintaining the operational autonomy of the KN Group companies.
- within the scope of competences granted by legal acts and the Articles of Association, establishes and coordinates the principles of the Group's governance, risk and compliance systems, and organises the monitoring of their implementation across the Group. Participation in the governance of Group companies is exercised through shareholder rights and the Group's system of internal policies and procedures, including the activities of the Supervisory Committees. This does not replace the competences assigned to the management bodies of the companies.
- based on applicable legal acts and management service agreements, provides the Group companies with services related to the implementation of the Group's governance system and the application of common standards. The provision of these services is clearly separated from shareholder functions and is carried out without exceeding the competences assigned to management bodies under legal acts and the Articles of Association.

3.2. KN establishes policies, rules and other relevant documents that are generally applicable at the Group level.

- 3.3. KN coordinates the application of Group-approved policies and other documents across the areas of finance, legal affairs, planning and monitoring, human resources, risk management, environmental protection, physical security, fire safety, cybersecurity, occupational health and safety, audit, technology, communications, and other relevant fields, ensuring consistency and alignment with the Group's governance principles.
- 3.4. The governance of KN Group companies is defined in the documents regulating the activities of KN and the Group companies, which set out operational directions, objectives, responsibilities, accountability, control mechanisms, and the principles of consistent and transparent information exchange, in line with applicable confidentiality obligations and internal regulatory requirements.
- 3.5. Despite the management services provided by KN, the KN Group companies independently conduct their day-to-day business operations and are responsible for achieving the objectives assigned to them and for their operational results, for which they remain fully accountable.

4. Corporate Governance Documents

- 4.1. The Articles of Association of the KN Group companies (including KN) define the companies' objectives and set out the functions and roles of the various governance bodies within the organisation. In order to ensure transparent and consistent corporate governance across the Group, KN adopts relevant corporate governance documents that comply with applicable legal acts and the principles established in this Policy.
- 4.2. KN Group companies apply the standards set out in the Group-level policies. Policies and other corporate governance documents are applied within the KN Group according to the following levels:
 - Applied in full – the provisions of the document apply without exception to all Group companies. The decision to apply a document in full is taken by KN.
 - Applied with exceptions – applicable when certain provisions of the document conflict with local legal requirements or cannot be practically implemented due to the nature of the company's activities or business segment. The decision to apply a document with exceptions is taken by the company itself, in coordination with KN.
 - Applied with additional regulation – applicable when further specification of provisions is required due to local legal regulation or the specific nature of the company's activities. The decision to apply a document with additional regulation is taken by the company itself, in coordination with KN.
 - Not applied – the document is not applied due to legal or practical reasons. The decision not to apply a document is taken by KN.
- 4.3. KN ensures that corporate governance documents are applied consistently across all KN Group companies, taking into account local legal requirements and the companies' Articles of Association. Compliance with the documents is systematically monitored by the entity responsible for their implementation and coordinated to ensure clear allocation of responsibilities, transparency and operational accountability across the Group. KN Group companies are responsible for implementing the principles of Group documents in their own activities.
- 4.4. KN corporate governance documents remain valid and applicable regardless of changes in the corporate governance structure. If the body that approved a document is changed or ceases to exist, its functions relating to the approval, amendment or revocation of the documents are transferred to the body or authorised persons to whom the relevant competence is assigned under the new governance structure.

5. Execution of KN's Rights as a Minority Shareholder and as a Participant in an Associate Company

- 5.1. When participating in the capital of other legal entities as a minority shareholder or as a participant in an associate company, KN exercises its shareholder rights responsibly, transparently, and in proportion to its shareholding and the significance of the investment, seeking to protect the value of the investment and to contribute to the long-term success of the respective company.
- 5.2. In cases where KN's shareholding provides significant influence, KN seeks active involvement in the activities of the associate company, including participation in collegial management or supervisory bodies and in shaping strategic decisions. Where the shareholding is smaller, KN exercises its shareholder rights at its discretion, taking into account the nature of the investment and the level of risk.
- 5.3. KN reserves the right to actively express its position in cases where the decisions taken may have an impact on its financial interests, transparency, corporate governance principles or long-term value creation.

6. Concepts and abbreviations

- 6.1. **LoC** – Law on Companies of the Republic of Lithuania.
- 6.2. **KN** – AB "KN Energies".
- 6.3. **KN Group** – all companies of AB „KN Energies“ group (including KN).
- 6.4. **KN Group companies or Companies** – all companies of AB „KN Energies“ group (excluding KN).