

## **REMUNERATION POLICY OF AB "INTER RAO Lietuva"**

### **1. General provisions**

- 1.1. This Remuneration Policy (hereinafter – the **Policy**) of AB "INTER RAO Lietuva" (hereinafter – the **Company**) is prepared in accordance with the requirements of the Law on Companies of the Republic of Lithuania and Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies.
- 1.2. The Policy establishes principles of remuneration of the General Director, Board and Supervisory Council members of the Company, remuneration structure and forms, principles for allocation of additional benefits, payment procedure, and other terms followed by the Company while determining and paying the remuneration.
- 1.3. The Policy is consistent with a strategy, long-term goals and interests of the Company, which are publicly available at the website of the Company <https://interrao.lt/en/about-us/strategy/vision-and-mission/>. Key performance and control indicators (**KPIs** as described in section 2.5 of this Policy), under which the annual bonus of the General Director is determined, are linked to the fulfillment of the strategy, long-term goals and interests of the Company.
- 1.4. The Policy shall apply to the General Director, the Board and Supervisory Council members of the Company. The Policy shall not establish and shall not change any regulatory legal acts, or internal legal acts of the Company, or any individual agreements which govern the conclusion, election, functions, duties, responsibilities and other matters in relation to the management and supervisory bodies and/or their members.

### **2. Remuneration of the General Director**

- 2.1. The remuneration of the General Director shall consist of: (i) the fixed monthly salary, (ii) bonus, and (iii) other benefits. No deferred payments mechanisms shall be applied to the remuneration of the General Director.

#### **Fixed monthly salary**

- 2.2. The fixed monthly salary of the General Director shall be established by the Board. The fixed monthly salary is paid regardless any discriminatory grounds and is set considering the General Director's competence, experience and responsibilities.

#### **Bonus**

- 2.3. Bonus of the General Director shall be established by the Board. The bonus of the General Director shall consist of: i) annual bonus; and ii) individual bonus.
- 2.4. Annual bonus (if applicable) shall be set to meet the Company's business strategy, short term and long-term goals, as well as to avoid conflict of interest.
- 2.5. The annual bonus is based on the Company achieving its key performance indicators and management performance indicators (KPIs), subject to the achievement of control indicators (CIs) as set annually by the Board. The implementation of KPIs and achievement of KPs is determined by the Board:
- 2.6. Examples of KPI's which may be amended by a decision of the Board:

#### *Performance indicators*

- 2.6.1. the volume of electricity sales compared to the planned value of the indicator approved by the Board for a particular year;

- 2.6.2. the limit of relatively fixed costs compared to the planned value of the indicator approved by the Board for a particular year;
- 2.6.3. the level of payment for electricity in terms of electricity sales in the retail market (%) compared to the planned value of the indicator approved by the Board for a particular year;
- 2.6.4. profit margin compared to the planned value of the indicator approved by the Board for a particular year;
- 2.7. The annual bonus may not exceed 100% of the annual fixed salary of the General Director.
- 2.8. Individual bonus may be established by the Board and may be paid to the General Director monthly. The individual bonus may not exceed 25% of the monthly fixed salary of the General Director.

#### **Other benefits**

- 2.9. The General Director has access to several work-related benefits, including:
  - 2.9.1. Company's car;
  - 2.9.2. health insurance;
  - 2.9.3. other benefits applicable to the Company's employees mandatory under the Labour Code of the Republic of Lithuania.
- 2.10. No deferment of the remuneration or possibility for the Company to reclaim variable remuneration of the General Director of the Company is foreseen shall apply unless the Company and the Company's General Director agree otherwise.

#### **Essential terms and conditions of the contract between the Company and the General Director**

- 2.11. The essential terms and conditions of the contract between the Company and the General Director:
  - 2.11.1. the employment contract with the General Director shall be concluded in accordance with the procedure established by the Law on Companies, the Labour Code of the Republic of Lithuania, and the Company's Articles of Association;
  - 2.11.2. the employment contract with the General Director shall typically be concluded for an indefinite period, except in cases when the General Director, has been recruited to temporarily act as the General Director until the appointment of the permanent General Director as well as in other cases when the conclusion of a temporary employment contract is agreed on by the General Director and the Board;
  - 2.11.3. the employment contract of the General Director shall expire/terminate in accordance with the grounds for expiration/termination of the employment contract established in the Labour Code, Law on Companies or other laws of the Republic of Lithuania. When the employment contract of the General Director is terminated on the general grounds established in the Labour Code of the Republic of Lithuania (including the termination of the employment contract with the General Director on the ground for revocation), the notice periods and severance pays established in the Labour Code of the Republic of Lithuania shall apply.
  - 2.11.4. No additional pensions or early retirement conditions shall be agreed in the employment contract with the General Director and shall not be applied.
  - 2.11.5. No special notice periods or severance pays other than those established in legal acts shall be agreed in the employment contract with the General Director and shall not be applied.

### **3. Remuneration of the Board and Supervisory Council members**

- 3.1. Members of the Board or Supervisory Council do not receive a salary or any other financial remuneration for their position in the Board or Supervisory Board.

### **4. Process of decision-making related to the Policy**

- 4.1. The Policy shall be executed, implemented and supervised in accordance with the Law on Companies and the Law on Financial Statements of Entities of the Republic of Lithuania, the Articles of Association of the Company and the rules and methods established in this Policy as well as the recommendations set out in the Best Practice for Warsaw Stock Exchange (GPW) Listed Companies, including, but not limited to drawing-up, auditing, approving and publishing remuneration reports.

- 4.2. The Policy shall be prepared by the General Director and shall be reviewed by the Board and Supervisory Board of the Company every 4 years and submitted for approval for the General Meeting of Shareholders.
- 4.3. When an amendment to the Policy is proposed but the General Meeting of Shareholders does not approve the new Policy, the remuneration shall be paid to the General Director, members of the Board and the Supervisory Council in accordance with the currently effective Policy, and the proposed new Remuneration Policy shall be submitted for approval at the next General Meeting of Shareholders.
- 4.4. The Policy and its amendment shall be published on the Company's website immediately after their approval by the General Meeting of Shareholders, with an additional indication of the date of the General Meeting of Shareholders and voting results. This data shall be made public and may be made available free of charge throughout the period of application of the Policy. The General Director shall be responsible for the publication of the Policy and amendments hereto.

## **5. Avoidance and management of conflicts of interest**

- 5.1. In drawing-up, evaluating and initiating changes to the Policy as well as when implementing and supervising the Policy the General Director, members of the Board and members of the Supervisory Council of the Company must avoid actual or potential conflicts of interest between them and the Company. In the event of the occurrence of any circumstances that may cause a conflict of interest between a member of a management or supervisory body and the Company, the member of the respective body must immediately inform the Company and the body of which he/she is a member in writing and/or withdraw from voting in accordance with the procedure established in the laws of the Republic of Lithuania.
- 5.2. In order to avoid any conflict of interest, when the General Director of the Company is a member of the Board and Board is voting on the setting the remuneration or any part of the remuneration of the General Director, the approving the Methodology, the assessment of the KPIs performance of the General Director, the General Director must abstain from such a voting procedure.

## **6. Closing provisions**

- 6.1. This Policy enters into force once approved by a decision of General Meeting of Shareholders unless the decision of the General Meeting of Shareholders prescribes a different date of the Policy coming into force.
- 6.2. The Policy is available on the website of the Company [www.interrao.lt](http://www.interrao.lt).