

Normative internal legal act	Policy on Related Party Transactions of the Group
Title of the process	Related party transactions
Process owner (unit)	UAB "Ignitis grupės paslaugų centras" Corporate Law
Approving company	AB "Ignitis grupė"
Approving person/body	Supervisory Board of AB "Ignitis grupė"
Date of entry into force	2023-06-16 (STP_2023-11)

POLICY ON RELATED PARTY TRANSACTIONS OF THE GROUP

1. PURPOSE AND SCOPE

- 1.1. The Policy on Related Party Transactions of the Group (hereinafter referred to as the Policy) is intended to protect the interests of AB "Ignitis grupė" (hereinafter referred to as the Parent Company) and its shareholders in order to assess potential conflicts of interest and avoid any possible negative consequences of entering into related party transactions.
- 1.2. The Policy sets out the principles and procedures for identifying related parties and for assessing, approving and disclosing related party transactions.
- 1.3. The Policy shall apply to the Parent Company and subsidiaries of the Parent Company (including lower-tier subsidiaries) (hereinafter referred to as a Group Company).
- 1.4. The Policy shall not apply to the transactions of the Parent Company:
 - 1.4.1. which are offered to all shareholders of the Parent Company on the same terms;
 - 1.4.2. regarding the remuneration of the CEO and members of the Management Board or the Supervisory Board of the Parent Company;
 - 1.4.3. which are entered into with a Group Company in which the Parent Company owns all the shares.

2. TERMS

- 2.1. **Audit Committee** shall mean the Audit Committee of the Parent Company which operates on a Group-wide basis.
- 2.2. **Close Family Member** shall have the meaning as defined in IAS 24: family members of a person who may influence the person or who may be influenced by the person in transactions with the entity; they may be: (i) that person's children and spouse or partner; (ii) children of that person's spouse or partner; and (iii) dependents of that person or of that person's spouse or partner.
- 2.3. **Arm's Length Principle** shall mean the principle under which the prices of related party transactions must not differ from a fair market value, taking into account all terms and conditions of a transaction that have a significant effect on the price, and the profits earned or income received from controlled transactions must not differ from the profits that can be earned or the income that can be received from a transaction carried out at a fair market value. The arm's length principle is based on the comparison of the terms and conditions of a related party transaction with a comparable transaction or transactions.
- 2.4. **Key Management Personnel** shall mean members of the Parent Company's Supervisory Board and its committees, members of the Parent Company's Audit Committee, members of the Parent Company's Management Board, employees reporting directly to the CEO of the Parent Company.
- 2.5. **Material Transaction** shall mean a related party transaction regarding the investment, acquisition, transfer, lease, pledge and mortgage of assets, surety or guarantee for the fulfilment of obligations where the amount of a transaction or the aggregate amount of such transactions during the financial year exceeds 1/10 of the asset value shown in the most recent balance sheet of the Parent Company, if, in accordance with the provisions of Section 5 of the Policy, it:
 - 1) is entered into under unusual market conditions and/or
 - 2) is not attributed to ordinary economic activities.
- 2.6. **Related Party** shall mean a natural person or a legal entity as defined in IAS 24 and, taking into consideration the shareholder structure and status of the Parent Company, it shall mean the following in this Policy:
 - 1) a Group Company;
 - 2) Key Management Personnel;

- 3) a Close Family Member of Key Management Personnel;
- 4) an entity which is controlled (for example, more than 50 percent of shares are owned, shareholders' agreements are concluded, etc.) by Key Management Personnel or their Close Family Members;
- 5) state-owned enterprises and their subsidiaries (including lower-tier subsidiaries);
- 6) the Ministry of Finance of the Republic of Lithuania and institutions which fall within the remit of the Minister of Finance.

- 2.7. **Fair Market Value** shall mean the amount for which an asset could be exchanged or, in a direct transaction, a liability settled between independent willing buyers and sellers.
- 2.8. **IAS 24** shall mean the International Accounting Standard 24 *Related Party Disclosures*, approved by Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

3. GENERAL PROVISIONS

- 3.1. Where there is an intention to enter into a transaction, it must be identified in accordance with Section 4 of the Policy whether the transaction is with a related party. The exception set out in sub-paragraph 1.4.3 of the Policy must also be assessed.
- 3.2. Where it is identified that a transaction shall be entered into with a related party and that the exception set out in sub-paragraph 1.4.3 of the Policy does not apply, it must be assessed in accordance with Section 5 of the Policy whether the transaction is material. The CEO of the Parent Company (or a person authorised by him/her) must obtain a written opinion of the Audit Committee and agreement of the Parent Company's Supervisory Board, as set out in Section 6 of the Policy, before entering into a material transaction with a related party on behalf of the Parent Company.
- 3.3. Material related party transactions of the Parent Company or a Group Company shall be disclosed as set out in Section 8 of the Policy.
- 3.4. If material terms and conditions of a material related party transaction are changed, such a change shall be deemed to be a material related party transaction which shall be subject to the procedure for assessing and approving material transactions as set out in Section 6 of this Policy.
- 3.5. The procedure for assessing and approving material transactions as set out in Section 6 of the Policy shall not apply to a material transaction between a Group Company and a related party of the Parent Company.

4. IDENTIFICATION OF RELATED PARTIES

- 4.1. The Group's Corporate Security shall prepare and, in the event of a change in related parties or their data, immediately update the List of Related Parties, which shall contain the data of related parties.
- 4.2. The List of Related Parties must be compiled and stored in the Parent Company's document management system and must be accessible to the employees of the Parent Company and Group Companies responsible for entering into contracts, who must review the List of Related Parties each time before initiating the conclusion and signing of contracts and who must follow this Policy when they determine that a transaction is with a related party.
- 4.3. The following persons must inform the CEO of the Parent Company about the intention to enter into the Parent Company's or a Group Company's material transaction with a related party:
 - 4.3.1. the CEO of a Group Company shall inform (according to the List of Related Parties and other available information) about the intention to enter into a material transaction;
 - 4.3.2. a related party with which the Parent Company plans to enter into a transaction shall inform about the reasons why it could be considered to be a related party.

- 4.4. If it is determined that a transaction is intended to be entered into with a related party and the exception set out in sub-paragraph 1.4.3 of the Policy does not apply, the actions specified in paragraphs 3.2 and 3.3 of the Policy shall be applied.
- 4.5. The Group's Corporate Security shall ensure the proper functioning of the Parent Company's system for the prevention of public and private conflicts of interest in accordance with the requirements of the Parent Company's internal legal acts which regulate the prevention and management of conflicts of interest.

5. ASSESSMENT OF THE MATERIALITY OF A TRANSACTION

- 5.1. In determining whether a transaction meets the conditions of a material transaction, the following shall be assessed:
 - 5.1.1. whether a transaction is entered into regarding the investment, acquisition, transfer, lease, pledge and mortgage of assets, surety or guarantee for the fulfilment of obligations; and
 - 5.1.2. whether the amount of a transaction or the aggregate amount of transactions during the financial year exceeds 1/10 of the asset value shown in the most recent balance sheet of the Parent Company; and
 - 5.1.3. whether a transaction is entered into under unusual market conditions and/or is not attributed to ordinary economic activities of the Parent Company.
- 5.2. The owner of a transaction shall assess whether the transaction is of the type of a transaction specified in sub-paragraph 5.1.1 of the Policy.
- 5.3. The aggregate amount of transactions referred to in sub-paragraph 5.1.2 of the Policy shall be understood as the sum of the values of transactions which are entered into with the same related party during the financial year.
- 5.4. Transactions which are entered into in accordance with the procedures set out in internal legal acts shall be deemed to be entered into **under normal market conditions** if they meet at least one of the following criteria:
 - 5.4.1. transactions are entered into in accordance with Public Procurement procedures when a Public Procurement is announced publicly;
 - 5.4.2. transactions are entered into in accordance with Public Procurement procedures when a Public Procurement was not announced publicly and a specific supplier was approached, but agreement regarding a particular procurement method was obtained from an authorised institution;
 - 5.4.3. transactions which, in accordance with the legal acts of the Republic of Lithuania, are not entered into through Public Procurement when a procurement was announced publicly or more than one supplier was approached;
 - 5.4.4. transactions entered into regarding the acquisition or lease of land, existing buildings or other immovable property or regarding the acquisition of rights to this property, which are announced publicly or are not announced publicly, but at least three suppliers are approached;
 - 5.4.5. transactions of companies operating in the field of energy regarding energy or fuel needed to produce electricity and heat energy, which are announced publicly or are not announced publicly, but at least three suppliers are approached;
 - 5.4.6. transactions regarding the investment, acquisition, transfer, lease, pledge and mortgage of assets, surety or guarantee for the fulfilment of obligations where fees for the subject-matter of a relevant transaction are set by a state institution;
 - 5.4.7. in cases other than those specified in sub-paragraphs 5.4.1–5.4.6, a person initiating the conclusion of a transaction of the Parent Company or a Group Company shall ensure that documents substantiating the price of the transaction (e.g. surveys, comparative, market analyses, calculations, estimates, forecasts, etc.) are prepared and, if necessary, submitted prior to the conclusion of the transaction. Documents substantiating the price of the transaction must comply with the arm's length principle, choosing at least one of the pricing methods specified in paragraph 5.5 of the Policy.

- 5.5. When preparing documents which substantiate the price of a transaction and/or when determining the price in line with the arm's length principle, the Parent Company or a Group Company may choose one of the following pricing methods, whichever is the most appropriate, taking into account the characteristics of the transaction, the reliability of available data, the reasonableness of assumptions and forecasts, and the degree of similarity of the transactions used for comparison:
 - 5.5.1. The comparable uncontrolled price method assesses whether the price of a transaction between related parties is in line with the arm's length principle, taking into account the price paid for similar transactions between unrelated parties in similar circumstances.
 - 5.5.2. Where the resale price method is used, the arm's length price shall be determined by deducting a gross margin on a comparable uncontrolled transaction from the price of the resale of the subject-matter of a related party transaction to an unrelated party. A gross margin on a transaction is the difference between the resale price and the cost of acquisition, reflecting the costs directly related to the resale and a certain profit earned.
 - 5.5.3. Where the cost plus method is used, the arm's length price shall be determined by calculating direct and indirect costs incurred in the transaction for the supply of goods or services and adding a mark-up which is in line with the arm's length principle.
 - 5.5.4. The profit-split method shall be used in cases where activities of two or more related parties are closely related and it would be difficult to assess transactions separately. Under this method, profits from transactions between related parties shall be split between the counterparties as if they were split between unrelated parties. Similarly, this method shall be applied to split the losses incurred between related parties if such losses were split between unrelated parties as well.
 - 5.5.5. The transaction net margin method assesses whether a net margin on a related party transaction is in line with the arm's length principle. A net margin on a transaction is a share of the net profit of the transaction that should be earned based on certain indicators related to transaction costs, sales revenue or return on assets.
 - 5.5.6. Where related parties provide each other with low value-added services (services of an administrative, supportive, ancillary nature that create little added value when no unique, valuable intangible assets are used or created and a service provider does not assume significant risks and does not create them), the pricing of these services may be determined by using the cost plus method or the transaction net margin method in a simplified way, i.e. by applying a mark-up of 5 percent to the cost base related to the provision of such services, which does not need to be justified.
- 5.6. If, in the case specified in sub-paragraph 5.4.7 of the Policy, no documents substantiating the price of a transaction are prepared or the pricing of a transaction does not comply with at least one of the methods listed in paragraph 5.5, a transaction shall be deemed to be entered into under unusual market conditions.
- 5.7. Transactions are attributed to **ordinary economic activities** if the subject-matter of a transaction falls within the object of activities of the Parent Company and, in case a transaction is entered into between the Parent Company and a Group Company, it falls within the object of activities defined in the Articles of Association of at least one of them. Also, transactions are attributed to ordinary economic activities by assessing the criteria of continuity, recurrence, necessity of transactions, reliability of the main activity, and other criteria. The Management Board of the Parent Company may approve a list of transactions which are entered into in the ordinary course of business.

6. PROCEDURE FOR ASSESSING AND APPROVING MATERIAL TRANSACTIONS

- 6.1. The CEO of the Parent Company (or a person authorised by him/her) or, in case a transaction is entered into between the Parent Company and a Group Company, the CEO of the Group Company (or a person authorised by him/her) must obtain a written opinion of the Audit Committee and agreement of the Supervisory Board of the Parent Company in accordance

with the procedure set out in this Section of the Policy before entering into a material transaction, as defined in paragraph 2.5 of the Policy, with a related party.

- 6.2. The CEO of the Parent Company (or a person authorised by him/her) or, in case a transaction is entered into between the Parent Company and a Group Company, the CEO of the Group Company (or a person authorised by him/her) must apply to the Audit Committee directly or having regard to the competence of the Parent Company's bodies to approve transactions, as set out in the Articles of Association of the Parent Company or the Group Company and/or in the Policy on the Approval of Group Transactions and Coordination of Decisions, and provide the Audit Committee with the following information related to the material transaction that is intended to be entered into:
 - 6.2.1. the grounds on which the counterparty is considered to be a related party;
 - 6.2.2. the material terms and conditions of the transaction;
 - 6.2.3. the assessment of whether the material terms and conditions of the transaction are in line with normal market conditions;
 - 6.2.4. the assessment of whether the transaction is attributed to ordinary economic activities;
 - 6.2.5. the value of the transaction or the sum of the values of transactions entered into with the same related party during the financial year;
 - 6.2.6. the circumstances and appropriateness of entering into the transaction;
 - 6.2.7. the arguments as to why the transaction is fair and reasonable in respect of the Parent Company and its shareholders that are not considered to be a party to the transaction.
- 6.3. Based on the information provided to the Audit Committee and the assessment of the transaction, the Audit Committee shall prepare and submit a written opinion to the Parent Company no later than within 20 business days from the date on which the information is submitted, which must contain the following information:
 - 6.3.1. whether the transaction is entered into on market terms;
 - 6.3.2. whether the transaction is fair and reasonable in respect of the Parent Company and its shareholders that are not a party to the transaction;
 - 6.3.3. assumptions, criteria and arguments on which the opinion is based.
- 6.4. The CEO of the Parent Company must immediately notify the Parent Company's shareholders of the receipt of the written opinion of the Audit Committee on the Parent Company's website or – if a transaction constitutes inside information of the Parent Company in accordance with the Group's Inside Information Management Guidelines – on exchanges, and must immediately notify the members of the Parent Company's Supervisory Board and the Parent Company's Management Board as well as a related party. It must also be possible to get acquainted with this opinion at the Parent Company's registered office. At a shareholder's written request or the one transmitted by electronic means, the CEO of the Parent Company shall, no later than within 3 days from the date of receipt of the request, deliver a copy of this opinion to the shareholder with a signed acknowledgement of receipt or send it by registered mail or electronic means provided that the security of the information transmitted is ensured and the identity of the shareholder can be established.
- 6.5. The Supervisory Board of the Parent Company must make a decision on agreement or disagreement to a material transaction with a related party no later than within 7 days from the date of receipt of the opinion of the Audit Committee.
- 6.6. A related party shall not take part in the preparation of the opinion on this transaction and shall not vote on the decision regarding this transaction.

7. ASSESSMENT OF TRANSACTIONS WHICH ARE ENTERED INTO UNDER NORMAL MARKET CONDITIONS IN THE ORDINARY COURSE OF BUSINESS

- 7.1. The provisions of this Section shall apply to the Parent Company's and Group Companies' transactions with a related party where the value of a transaction or the aggregate sum of the values of such transactions during the financial year exceeds 1/20 of the asset value shown in

- the most recent balance sheet of the Parent Company if these transactions are entered into under normal market conditions in the ordinary course of business.
- 7.2. Where the value of a transaction or the aggregate sum of the values of such transactions with the same related party exceeds the amount referred to in paragraph 7.1 of the Policy, the owner of a transaction specified in paragraph 7.1 of the Policy must, no later than within 1 month after the end of a quarter of the reporting year, apply to the CFO of the Parent Company (or a person authorised by him/her) and provide him/her with the following information related to the transaction (transactions) that has (have) been entered into:
 - 7.2.1. the grounds on which the counterparty is considered to be a related party;
 - 7.2.2. the material terms and conditions of the transaction;
 - 7.2.3. the assessment of whether the material terms and conditions of the transaction are in line with normal market conditions;
 - 7.2.4. the assessment of whether the transaction is attributed to ordinary economic activities;
 - 7.2.5. the value of the transaction or the sum of the values of transactions entered into with the same related party during the financial year;
 - 7.2.6. the circumstances and appropriateness of entering into the transaction.
 - 7.3. Where the value of a transaction or the aggregate sum of the values of such transactions with the same related party exceeds the amount referred to in paragraph 7.1 of the Policy, the CFO of the Parent Company (or a person authorised by him/her) shall, after assessing the information referred to in paragraph 7.2 of the Policy, provide the Audit Committee with information on the transactions which are specified in paragraph 7.1 of the Policy no later than within 2 months after the end of a quarter of the reporting year.
 - 7.4. Information referred to in paragraph 7.3 of the Policy shall be provided to the Audit Committee in the following order:
 - 7.4.1. information for the first quarter of the year shall be provided by the end of May of the current year;
 - 7.4.2. information for the second quarter of the year shall be provided by the end of August of the current year;
 - 7.4.3. information for the third quarter of the year shall be provided by the end of November of the current year;
 - 7.4.4. information for the fourth quarter of the year shall be provided by the end of February of the following year.
 - 7.5. Information referred to in paragraph 7.2 of the Policy may be provided to the Audit Committee as necessary, regardless of the frequency indicated in paragraph 7.4 of the Policy (e.g., when it is important, for certain reasons, to immediately assess the compliance of a transaction specified in paragraph 7.1 of the Policy with normal market conditions in the ordinary course of business).
 - 7.6. The CFO of the Parent Company (or a person authorised by him/her) and the CFOs of Group Companies (or persons authorised by them) shall be responsible for the monitoring, observation, assessment and analysis of the transactions specified in paragraph 7.1 of the Policy, the systematisation of information as well as the forecasting of the sum of the values of transactions.
 - 7.7. Information on the Parent Company's transactions regarding the investment, acquisition, transfer, lease, pledge and mortgage of assets, surety or guarantee for the fulfilment of obligations where the value of a transaction or the aggregate sum of the values of such transactions with the same related party during the financial year exceeds 1/10 of the asset value shown in the most recent balance sheet of the Parent Company shall be provided in the Parent Company's annual report, which shall specify the parties to the transaction (name, legal form, code and registered office of a legal entity, register in which data on this entity is collected and stored; name, surname, correspondence address of a natural person) and the value of the transaction.

8. DISCLOSURE OF A MATERIAL TRANSACTION WITH A RELATED PARTY

- 8.1. Material transactions with a related party shall be disclosed on the [Parent Company's website](#).
- 8.2. The following information must be provided on the Parent Company's website at the latest when a material transaction with a related party is entered into:
 - 8.2.1. how the Parent Company is related to the counterparty;
 - 8.2.2. the data of the related party (name, legal form, code and registered office of a legal entity, register in which data on this entity is collected and stored; name, surname and correspondence address of a natural person);
 - 8.2.3. the date and value of the transaction;
 - 8.2.4. the subject-matter of the transaction;
 - 8.2.5. other information, assessing whether the transaction is fair and reasonable in respect of the Parent Company and its shareholders that are not parties to the transaction.
- 8.3. The Head of Corporate Communications shall be responsible for the disclosure of a related party transaction on the Parent Company's website. Employees of the Parent Company or a Group Company responsible for entering into these transactions shall be responsible for the content of information which is to be disclosed about a related party transaction and its timely provision to the Head of Corporate Communications.

9. FINAL PROVISIONS

- 9.1. The Head of Corporate Law shall be responsible for the preparation of this Policy and its amendments as well as for the timely initiation of amendments to the Policy.
- 9.2. The Head of Group Legal shall be responsible for the proper implementation and control of the Policy at the Group level. The implementation of the Policy in the Parent Company and Group Companies shall be carried out by the CEOs of the Parent Company and Group Companies or by persons authorised by them.
- 9.3. In the event of any changes in the provisions of laws relevant to this Policy which result in any conflict between the provisions of this Policy and the changed laws, the laws must be followed until the Policy is amended.
- 9.4. The Policy shall be published on the Parent Company's website.