



## REMUNERATION POLICY FOR THE EXECUTIVE AND MEMBERS OF THE BOARD

### Introduction

When determining the remuneration for the management bodies, the guiding principle that the size of remuneration and its payment arrangements should promote the creation of long-term and sustainable value of the Company and the whole EPSO-G UAB corporate group is followed; moreover, it should correspond to the workload of separate Company bodies and their members; conform to the relevant position in the market as much as possible, i.e. be competitive in comparison with remunerations offered in the labour market for professionals of their areas; guarantee the compensation for the assumed responsibility; ensure the independence of independent board members; encourage the attraction of professionals of their area for the governance of the Company.

While establishing the remuneration for activities performed in the Company bodies, it should be taken into consideration that the Company has strategic significance to the national security which determines the fact that Company bodies tackle difficult issues related to the strategic goals, perform activities significant to the whole society, and govern infrastructure and assets of great value. Specialists of the highest level are required to reach these strategic goals, as these specialists shall ensure proper activities of the Company and effectively work towards the established goals; thus, as a means to attract specialists of their areas to take up positions in the Company bodies, a competitive remuneration shall be established that corresponds to the established market conditions and sector's practices.

When hiring the Company executive, the general conditions for recruitment and remuneration determination are considered additionally. During the process of determining the remuneration for the Company executive, it is intended that his/her remuneration would significantly depend on the successful strategy of the Company and the implementation of its goals.

Since the Company is a subsidiary of the state-owned enterprise EPSO-G UAB, the remuneration conditions regulated by the legislation and recommendations of Public Enterprise Governance Coordination Centre are taken into account.

**Aim:** To establish general, clear, and transparent principles of the remuneration for the executive and board members as well as a remuneration system based on those principles, the usage of which would ensure effective management of operating costs and at the same time would create incentive for the Company executive and board members to contribute to the mission, vision, values, and goal implementation of the Company.

**Scope of application:** By following this Policy, competent Company bodies make respective decisions concerning the size of remuneration for the Company executive and board members, the annual budget of board activities as well as the additional expenses of the board dedicated to the assurance of its activities.

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## 2. General Provisions

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| <b>Remuneration Policy or Policy</b>           | This Remuneration Policy for Amber Grid AB executive and board members with all its annexes, amendments, and supplements (if any).                               |
| <b>NRC</b>                                     | The Nomination and Remuneration Committee operating on the scale of the Corporate Group  |
| <b>Company</b>                                 | Amber Grid AB  |
| <b>Company Executive</b>                       | Chief Executive Officer  |
| <b>EPSO-G</b>                                  | The governance Company EPSO-G UAB of the Corporate Group   |
| <b>Corporate Group</b>                         | The corporate group controlled by EPSO-G constituted of EPSO-G and companies that are directly or indirectly controlled by it.                                   |
| <b>Fixed Part of the Remuneration (FPR)</b>    | The main remuneration of the Company Executive established in the contract of employment; paid each month.   |
| <b>Variable Part of the Remuneration (VPR)</b> | Part of the remuneration paid together with the FPR for the Company Executive based on the activity assessment results of the Company Executive.                 |
| <b>Remuneration Threshold</b>                  | Minimum and maximum limits of the Fixed Part of the Remuneration established for the Company Executive.  |
| <b>Position Level</b>                          | A relative unit by which the position of the Company Executive is assessed, and which reveals its comparative weight with other similar positions in the market. |
| <b>GMS</b>                                     | General meeting of shareholders  |

- 2.1. The project of the Policy is prepared by the Company Executive. According to the NRC recommendation, the Company board analyses and assesses the Policy project and with all their comments and proposals submit it for the GMS approval. The GMS confirms the edited version of the Policy at least once in 4 years. Whilst changing the Policy, all remuneration reports that have been approved after the last GMS voting for the Policy are provided.
- 2.2. Each year, a report on remuneration paid under this Policy is prepared. The Company Executive is responsible for the preparation of this report. During the Company board meeting in which the annual report of the Company is approved, the Company board confirm the remuneration report (this report can be a part of the annual report). The report which is approved by the Company board can be submitted to the GMS that decides if it should assent to the remuneration report. The GMS assent does not exclude the board from liability of the made decision. The Company Executive ensures that the Remuneration Policy report shall be published on the website of the Company.
- 2.3. EPSO-G Nomination and Remuneration Committee operating on the scale of the Corporate Group:
  - 2.3.1. assesses the remuneration size and remuneration structure of Company Executive and board members;
  - 2.3.2. provides a recommendation to the Company board on the Policy project;
  - 2.3.3. is responsible for the explanation (if any questions arise) of the Policy provisions, submission of recommendations on the Policy implementation and operation, as well as the assessment and supervision of the Policy efficiency;
  - 2.3.4. supervises how the Company is complying with the existing provisions concerning the publication of information related to remuneration.
- 2.4. The Company shall publish this Policy on its website. Together with the Policy, the GMS is announced in which this Policy, voting results, and GMS date are approved as established in the Law on Companies of the Republic of Lithuania.
- 2.5. The Group's remuneration, performance appraisal and training policy approved by the Company applies to the Company's management to the extent that this Policy does not provide otherwise.

### 3. Constituent Parts of the Remuneration of the Company Executive and Principles of their Determination

- 3.1. Two key parts constitute the remuneration of the Company Executive: the fixed part and the variable part.
- 3.2. **The Fixed Part of the Remuneration (FPR)** is the remuneration established in the contract of employment, which is paid every month; it constitutes the biggest and the most significant part of the remuneration for the Company Executive that is approved by the Company board.
- 3.3. The basis for establishing the Fixed Part of the Remuneration is the Position Level of the Company Executive, approved by the Company Board. Remuneration Thresholds are approved together with the Position Level. For the purpose of assessing and determining the Position Level of the Company Executive, the Corporate Group shall select a method that is acknowledged in the international practices and widely applied in the Lithuanian market.
- 3.4. The starting point of the remuneration and the specific remuneration of the Company Executive are established by assessing both general corporate executive remuneration level of similar size and/or remuneration level of corporate executives of companies with strategic significance to the state as well as assessing the recommendations of the Government of the Republic of Lithuania on the remuneration for executive employees of state-managed companies. FPR of the Executive of the Company may be changed by the decision of the Board, taking into account the experience, competence and performance of the Executive of the Company.
- 3.5. **The Variable Part of the Remuneration (VPR)** is determined in order to encourage the Company Executive to aim for the best annual results by implementing strategic and long-term goals. The maximum allowed VPR is equal to 30% of annual FPS amount. Specific and maximum VPR size for the Company Executive is established by the Company board.
- 3.6. The Variable Part of the Remuneration is allocated once a year and paid when the Company board assent to the audited financial results of the Company and they are approved by the GMS of the Company as well as made public.
- 3.7. The Variable Part of the Remuneration is paid in accordance with achieved annual goals of the Company, established by the board, that reflect the implementation of the strategy. VPR is paid following the remuneration, performance appraisal and training policy of EPSO-G UAB Corporate Group after assessing the fulfilment of annual goals of the Company which are considered to be the goals of the Executive and when the general value of the compliance with annual goals is  $\geq 70\%$ . If the financial results of the Company are seen as unsatisfactory, the board can decide against the payment of the VPR.
- 3.8. The goals of the Company Executive shall be formulated in the manner that:
  - 3.8.1. the established goals would reflect the main and most significant results of the Company;
  - 3.8.2. it would be clear what exactly and until when he/she has to achieve;
  - 3.8.3. they would be measurable and would have indicators based on which, by discussing and assessing their fulfilment, it would be possible to evaluate the level of their achievement most accurately;
  - 3.8.4. qualitative and complex goals aiming for as precise as possible and more objective assessment could be split into separate stages by clearly indicating expectations, deadlines, etc. related to them.
- 3.9. The achievement of each goal is evaluated by a specific percentage. Achievement of a specific goal is assessed proportionally to the achievement of quantitative and/or qualitative indicators established for the accomplishment of this goal. By assessing the achievement of goals, additional facts can be taken into account: (a) time needed to reach the goal; (b) resources; (c) scope of the implemented works, (d) impact of circumstances to the implementation of the goal, etc. The achievement of the goals is assessed at the end of the year, during the annual activity discussion interview the following year, as a percentage between 0 and 100%, where 0 means that the goal has not been reached at all and 100% means that the goal has been fully reached.
- 3.10. If working relations with the Company Executive are terminated before the end of the period for which the VPR or FPR is calculated and the annual results of the Company are not yet approved, the VPR is paid proportionally to the period for which the VPR is calculated, when the general value of annual goal

by the Resolution of the General Meeting of Shareholders of Amber Grid AB of 23/06/2022

achievement by the Corporate Executive is  $\geq 70\%$  based on the tentative Company goal achievement indicators when the employment is terminated.

- 3.11. Remuneration by providing the Company Executive with the shares of the Company is not applicable.
- 3.12. By ensuring good practices of social responsibility and transparency, the Company regularly makes information about the average remuneration of the Company Executive, including VPR, public, as it is indicated in the policy of transparency and communication of activities of EPSO-G Corporate Group.

#### **4. Remuneration Paid to the Members of the Company Board**

- 4.1. Remuneration for activities in the Board of the Company may be paid only to such members of the Board of the Company who comply with the legislation in force in the Republic of Lithuania and the Guidelines for Determining Remuneration for Activities in the Bodies of EPSO-G UAB and EPSO-G UAB criteria. Remuneration is paid in accordance with the principles set out in the Remuneration Guidelines and the relevant decision of the Company's General Meeting of Shareholders, which determines the amount of remuneration for work on the Board.
- 4.2. Remuneration is paid only for the activities in the Company board, i.e. if the member of the board resigns from his/her position, if the term is over or if the member is suspended from his/her position, no benefits are paid; nevertheless, the member of the board is paid the remuneration that is proportional to the time of his/her duties if the member of the board resigns from his/her position, his/her term ends, or he/she is suspended from his/her duties before the end of the respective month for which the remuneration should be paid to the board member.
- 4.3. In the case, when a member of the Company board is selected as the member and/or chairman of Group's Innovation and Development Committee or the member of the Company board is suspended/resigns from the position of a member/chairman of the Group's Innovation and Development Committee, the remuneration of such member of the Company board is changed without a separate decision from the Company's GMS in accordance with the remuneration sizes for members of the Company board established in this Policy that depend on the position of the Company board members in the Group's Innovation and Development Committee or the position of the chairman of the Company board.
- 4.4. 10% from the general activity budget approved by the Company board is allocated to additional expenses of the Company for the assurance of board activities. Budget for ensuring the Company board activities are employed when organising collective training and cooperation sessions for the members of the board, or when collective events of the board are organised in some other forms and knowledge as well as good practices are exchanged. The budget allocated for the collective training of the Company board members is not used for individual training sessions of separate members of the Company board.
- 4.5. The Company board accounts for its activities by submitting an annual report of its activities, information on made decisions, and assessment of annual activities (can be a part of the annual report) to a regular GMS.
- 4.6. Fixed remuneration and paid to the members of the Company board, does not depend on financial or non-financial results of the activities. No variable part of remuneration or other benefits are paid to the members of the Company board. Remuneration by providing the members of the Company board with the shares of the Company is not applicable.

#### **5. Contracts Drawn up with the Company Executive and Board Members**

##### *Contract of employment concluded with the Company Executive*

- 5.1. As established in the Law on Companies of the Republic of Lithuania, a fixed-term contract of employment is concluded with the Company Executive for the term of 5 years. The same person cannot be the Company Executive for longer than 2 terms in a row.
- 5.2. Conditions of the contract of employment, formulated together with the Company Executive, taking into account the recommendation of the NRC operating on the scale of the Corporate Group, are approved by the Company board.
- 5.3. Contract of employment with the Company Executive can be revoked without no warning by suspending the Company Executive from his/her duties under the Law on Companies of the Republic of Lithuania. In the case of the termination of the employment contract, under the decision of the board, a benefit

can be paid to the Company Executive, except for cases, when the suspension of the Company Executive has been determined by their wrongful actions or the contract of employment is terminated on the initiative of the Company Executive without providing any important reasons. Size of the benefit is determined by the contract of employment of the Company Executive, subject to recommendations of NRC which might be provided separately or by approving a standard form of contract of employment. The amount of the severance grant is determined in the manager's employment contract, taking into account the ASK's recommendation, which may be submitted separately or by approving a standard form of employment contract with the manager.

- 5.4. In the contract of employment of the Company Executive, no agreements on a supplementary pension or early retirement are not negotiated.

*Contracts concluded with the Company board members*

- 5.5. Before starting their positions in the board, contracts on the activities on the board are drawn up with the Company board members in which their rights, obligations, and liabilities are established. Standard conditions of the contracts with board members are approved by the GMS.
- 5.6. A board member can resign from his/her position before the end of the term if he/she informs the Company in writing about his/her resignation at least 14 days in advance. A board member can also be suspended from the position of the board member by a GMS decision. If the board member resigns, as well as in those cases when a board member is suspended from his/her position, the settlement with the member of the board is made as established in Point 4.2 of the Policy in question.
- 5.7. In the contracts of employment of the Company board members, agreements on supplementary pensions or early retirement are not negotiated.