



CORPORATE GOVERNANCE REPORT  
2017

# CORPORATE GOVERNANCE REPORT SUMMARY

AB Amber Grid, a public company (hereinafter referred to as the ‘Company’), acting in accordance with Article 22(3) of the Republic of Lithuania Law on Securities and Clause 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on NASDAQ OMX Vilnius (hereinafter referred to as the ‘Governance Code’) as well as its specific provisions or recommendations. In case of non-compliance with the Governance Code or some of its provisions or recommendations, such specific provisions or recommendations must be indicated together with the reasons for such non-compliance.

## CHARACTERISTICS OF THE COMPANY

The Company is a Lithuanian natural gas transmission system operator responsible for the transmission of natural gas (its transportation through high-pressure pipelines) to system users and for the operation, maintenance and development of the natural gas infrastructure. The Company was registered on 25 June 2013. The Company has been performing the functions of a transmission system operator since 1 August 2013 upon separation of the natural gas transmission operations, together with all the allocated assets, rights and obligations, from AB Lietuvos Dujos.

### THE COMPANY PROVIDES THE FOLLOWING SERVICES TO THE SYSTEM USERS AND OTHER GAS MARKET PARTICIPANTS:

- Transmission of natural gas in the territory of Lithuania;
- Natural gas flows’ balancing in the transmission system;
- Administration of funds intended for the compensation for the costs of installation of the liquefied natural gas (LNG) terminal, its infrastructure and connection as well as the relevant fixed operating costs as well as reasonable costs of the designated supplier of the requisite quantity of LNG.

The gas transmission system operated by the Company consists of main gas transmission pipelines, a dispatch control centre, gas compressor stations, gas distribution stations, gas pipeline anti-corrosion protection equipment, data transmission and communication systems, and other assets allocated to the transmission system. The Company’s gas transmission system is interconnected with the systems of the Republic of Latvia, Republic of Belarus, the Kaliningrad Region of the Russian Federation, and the Klaipėda LNG terminal. The length of the pipelines is 2,113 km, with the diameter varying between 100 mm and 1,220 mm. The design pressure of the larger part of the transmission system is 54 bar. There are 69 gas distribution stations and gas metering stations.

The authorised capital of the Company amounts to EUR 51,730,929.06. The authorised capital has been divided into 178,382,514 ordinary registered shares of EUR 0.29 par value.

For more detailed information about the Company please visit its website [www.ambergrid.lt](http://www.ambergrid.lt).

## OWNERSHIP STRUCTURE

As of 31 December 2017, 1,525 Lithuanian and foreign natural and legal persons were shareholders of the Company, one of them - UAB EPSO-G holding the controlling (96.58 %) block of shares (hereinafter referred to as the ‘Parent Company’ or ‘UAB EPSO-G’). The remaining shares (3.42 %) are listed on the Secondary List of NASDAQ Vilnius Baltic (ticker symbol: AMG1L).

UAB EPSO-G, the majority shareholder of the Company, is wholly owned (100%) by the Ministry of Energy of the Republic of Lithuania (Figure 1). UAB EPSO-G holds the controlling block of shares of AB Litgrid, the Lithuanian electricity transmission system operator, as well.



Figure 1. Legal entities controlling shares of AB Amber Grid

## MANAGEMENT BODIES OF THE COMPANY

The structure of corporate management bodies (Figure 2) has been set in the Articles of Association of the Company and consists of the general



meeting of shareholders, the Board, and the head of the Company (Director General) as the single-handed management body. The Company has not formed a Supervisory Council.

According to the Articles of Association of the Company, having regard to the fact that the Company forms part of a Group and the Supervisory Council of the Parent Company exercises supervision over the internal control system and risks on a Group level, the general meeting of shareholders and the Board of the Company may take proposals and opinions of the Parent Company's Supervisory Council into consideration. The remit of the Audit Committee formed in the Parent Company covers all companies of the Group including the Company.

According to the Articles of Association of the Company, the Board consists of 5 (five) members elected for the term of office of three years according to a procedure laid down in the Republic of Lithuania Law on Companies (the 'Law on Companies'). The members of the Board elect the chairperson from among themselves. The Board Members may be re-elected for another term of office. The Director General is elected, recalled and dismissed by the Board.

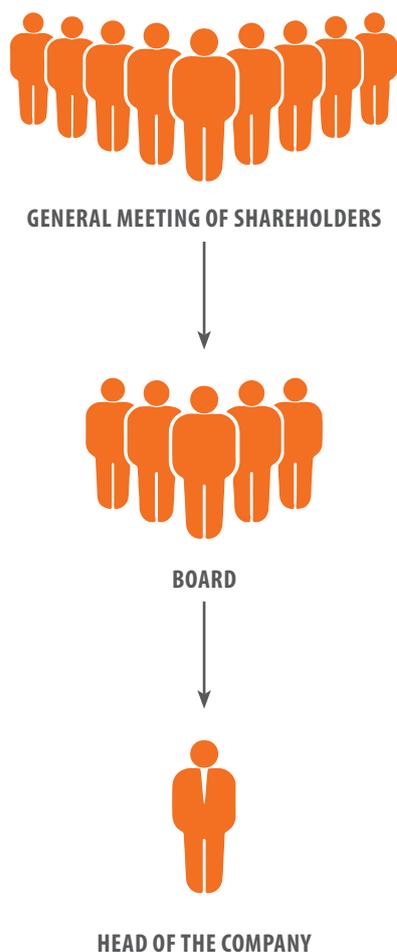


Figure 2. Management Bodies of Amber Grid AB

## CORPORATE MANAGEMENT PRINCIPLES

The main principles of management of the Company are set out in the Civil Code of the Republic of Lithuania, the Law on Companies and the Articles of Association of the Company. The general meeting of shareholders decides on matters related to amendments to the Articles of Association, increase/decrease in the authorised capital, share conversion etc., elects the Board and the auditor, approves annual financial statements, allocates profit, decides on key transactions etc. The Director General is a single-handed management body of the Company who organises the Company's activities and concludes transactions for the Company. The remit of the management bodies is described in detail in the Articles of Association.

Requirements for the Company's management are also set in resolutions of the Government of the Republic of Lithuania dealing with the governance of state-owned or state-controlled companies, to the extent to which such resolutions apply to companies of EPSO-G group, and in the Governance Code, to the extent to which the Company's Articles of Association do not state otherwise.

Following the policy of integral planning and monitoring by companies' group UAB EPSO-G that is applied in full in the company, the Corporate Strategy of the Company has been prepared for the period of 5-10 years, and the period of the s Strategy has to be the same as the period of the strategy of the parent company. Currently, the Corporate Strategy of the Company has been prepared for the period of 5 years until 2022. The attainment of the strategic objectives set in this document is ensured by the operations, control and risk management systems in place at the Company. The corporate strategy is approved and its implementation is monitored by the Board. By the end of current year, the Board prepares (updates) and approves an operating plan for the period of 3 years. The Company has a system of monthly supervision for the implementation of the strategy, linked to the system of remuneration to the Company's administration.

Activities of the gas transmission system operator are regulated by a national regulatory authority - the National Commission on Energy Control and Prices, from which the Company has to obtain agreements on the Ten-Year Transmission System Network Development Plan, the service provision rules, and the service price ceilings.

The strategy and the operating plan of the Company are implemented and the activities of its administration are organised by the Director General of the Company. Top management of the Company consists of the Director General, Finance Director, Technical Director, Sales Director, and Legal and Administration Director. The Company's management structure is published on the Company's website. The work of the administration is governed by the Regulations of the Administration, the job description of the Director General, and the Operations Management Guidelines approved by the Board.

The principles of good management practice, the policy of the management of the state-owned companies have been established in the corporate management. The Board of the Company approves the guidelines of the activity, the implementation of the latter has to be assured by the Administration of the Company: the guidelines of corporate management,



transparency, social responsibility, remuneration, evaluation of activity, accounting, dividends, internal audit, risk management, interests management, security of information, planning and monitoring, project management, technological asset, transport, support, hiring of personnel. Corruption prevention policy, purchase, insurance, security, etc.

The Company's internal control systems are supported by its organisational structure, governance culture, and best governance practices adopted, together with the process management being implemented. Notably, the Company's activities are supervised by the UAB EPSO-G's Supervisory Council, with the Remuneration and Nomination Committee and the Audit Committee providing recommendations, proposals and conclusions concerning important issues of the Company's activities. The internal control system is initiated by the Board of the Company and implemented by the administration, supported by UAB EPSO-G's Audit Committee, external independent auditors, divisions servicing the core activities, the Safety Manager, and heads of all divisions. Procedures and policies in place at the Company ensure the reliability of financial accounting and reporting, compliance of the Company's operations, efficiency of activities, and attainment of operating objectives.

The Company has completed implementation of the risk management system comprising the risk identification, analysis and assessment, planning of control measures, drawing up and implementation of a risk management action plan, and monitoring and supervision of the risk management process. A risk management methodology has been formulated in accordance with ISO 31000:2009 and based on internal documents of the Company. The methodology also includes the management of security risks according to ISO/IEC 27005:2011 'Information technology - Security techniques - Information security risk' and NIST Special Publication 800-30 Revision 1 'Guide for Conducting Risk Assessments'.

The Company has the environmental protection management system in place in accordance with ISO 14001:2015 as well as the occupational health and safety management system in accordance with OHSAS 18001:2007.

By Order No 1-212 of 7 September 2015, the Minister of Energy of the Republic of Lithuania approved the Corporate Governance Guidelines for the Group of State-Owned Energy Sector Companies (the 'Guidelines').

They establish the uniform principles of corporate governance applied to EPSO-G Group, define the purpose, operating objectives, governance organisation model and governance structure of the Group, and describe the system of accountability, supervision and control. The Guidelines are aimed at supporting and further improving the procedures and policies of the best governance practices applied in the Company's governance.

## BEST GOVERNANCE PRACTICES OF EPSO-G GROUP

Upon approval of the Guidelines by the Minister of Energy, the Parent Company controlling EPSO-G Group is improving governance practices on both company and Group level having regard to the recommendations set out in the Governance Code and implementing recommendations for the improvement of state-controlled' companies governance issued by international organisations such as OECD.

The foundations for the practical implementation of these Guidelines were laid when the Ministry of Energy as an EPSO-G UAB's shareholder approved, on 17 December 2015, EPSO-G UAB as a parent company controlling the Group as well as the amended Articles of Association of the company (the 'EPSO-G Articles of Association'). This has led to the formation of new bodies of EPSO-G UAB: the Supervisory Council, the Audit Committee, and the Remuneration and Nomination Committee, which also perform certain supervision and control functions on the Group level. It should be noted that EPSO-G Articles of Association provide for a change in the governance model on the Group level. The Articles of Association of the Company have been amended accordingly, with the new version registered on 26 April 2016.

## RIGHTS OF THE COMPANY'S SHAREHOLDERS

Rights of the shareholders of the Company are defined in the Law on Companies and other legal acts.

## STRUCTURED DISCLOSURE TABLE

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<b>PRINCIPLE I: BASIC PROVISIONS</b>		
<b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	According to the need the Board of the Company might review (update) and approve the Corporate Strategy of the Company (the Corporate Strategy has been prepared for the period of 5-10 years; currently it has been prepared for 5 year period). On an annual basis the Company updates the implementation plan of the Corporate Strategy, the plan is being prepared for the period of 3 years. Apart from that the Corporate Strategy and implementation plan approved by the Board of the Company, the Company prepares and publishes, in accordance with the Republic of Lithuania Law on Natural Gas, a ten-year network development plan of a natural gas transmission system operator. The Company updates its operating strategy and development plans depending on market situation and changes in the regulatory environment. The corporate strategy sets out the targets of augmenting shareholders' equity and measures to achieve them. The operating strategy and the ten-year network development plan are published on the Company's website <i>www.ambergrid.it</i> .
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The activities of the governing bodies of the Company are focused on the implementation of the strategic objectives provided for by the Company's strategy and the compliance with the regulatory environment in view of the need to increase shareholders' equity.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	This recommendation is implemented by the Board and the Director General of the Company. No Supervisory Council is formed at the Company; the shareholders' interests are represented by the Board of the Company and at its meetings, which are regularly convened, information on the Company's operations is provided. The Parent Company has formed the Supervisory Council the activities of which cover the whole Group and which may submit proposals and feedback to the Company's Board and the general meeting of shareholders.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company seeks to secure the interests of all persons related to the Company's operations. The publicity of the Company's operations and the regulatory environment provide conditions for stakeholders to participate in the governance of the Company in the manner prescribed by law and in accordance with the Company's Articles of Association and internal regulations. Interests of all persons related to the Company's operations are also secured by the operating strategy, guidelines and procedures approved by management bodies of the Company.

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<b>PRINCIPLE II: THE CORPORATE GOVERNANCE FRAMEWORK</b>		
<b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</b>		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – the general meeting of shareholders and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	<p>The governing bodies of the Company include the general meeting of shareholders, the Board, and the Director General. A Supervisory Council is not formed at the Company. However, a supervisory council is formed by the Parent Company – UAB EPSO-G, which performs the functions of a body exercising supervision over all the companies in the Group.</p> <p>The Director General of the Company is accountable to the Board.</p> <p>The allocation of competences and responsibilities among the management bodies of the Company is set forth in the Articles of Association of the Company, the regulations of the Board, the Director General's employment contract as well as the Republic of Lithuania Law on Companies.</p>
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance.	Taip	<p>The Board of the Company is responsible for strategic management of the Company and adopts key decisions with regard to Company management as provided for in the Articles of Association of the Company, appoints the Director General of the Company, analyses and assesses information on the Company's operations. The remit of the Board is defined in the Articles of Association of the Company.</p>
A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	No	<p>A Supervisory Council is not formed at the Company. However, a supervisory council is formed by the Parent Company – UAB EPSO-G, which performs the functions of a body exercising supervision over all the companies in the Group.</p>
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i. e. the supervisory council. In such a case, the supervisory council is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	<p>The Board is the collegial body of the Company, and a Supervisory Council is not formed at the Company. However, a supervisory council is formed by the Parent Company – UAB EPSO-G, which performs the functions of a body exercising supervision over all the companies in the Group.</p>
2.4. The collegial supervisory body to be elected by the general meeting of shareholders should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i. e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. <sup>1</sup>	No	<p>The Board - the collegial body of the Company is formed and operates seeking to comply, to the largest extent possible, with the provisions set out in Principles III and IV of the Code (the implementation of these principles is described below).</p>

<sup>1</sup> Provisions of Principles III and IV are more applicable to those instances when the general meeting of shareholders elects the supervisory council, i. e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case if the company forms the board and not the supervisory council, most of the recommendations set out in Principles III and IV become relevant and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory council (e. g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, Item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; Item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; Item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.



PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. <sup>2</sup>	Yes	The Board of the Company consists of 5 members. It is ensured, in the election of the Board Members, that at least one of them is an independent member, with the independence determined according to the criteria set out in the Code and in applicable legal acts. Two Board Members are delegated from among the Company's management and two by the Parent Company.
2.6. Non-executive directors or members of the supervisory council should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The Board of the Company is elected by the general meeting of shareholders for the term of office of 4 (four) years. A Board Member may serve for no longer than 2 (two) uninterrupted terms of office in succession, i. e. no more than 8 (eight) years in succession. A Board Member may be recalled according to a procedure prescribed by the Law on Companies.
2.7. Chairman of the collegial body elected by the general meeting of shareholders may be a person whose current or past office is not an obstacle to exercise independent and impartial supervision. Should a company decide to form the board rather than a supervisory council, it is recommended that the chairman of the board and chief executive officer of the company should be different persons. A former chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general meeting of shareholders. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	According to the Articles of Association of the Company, the Board Members elect the chairperson from among themselves. The Chairperson of the Board may serve for no longer than 4 (four) years in succession, i. e. one term of office. The Chairperson of the Board may not be one of the Company's representatives delegated to the Board.  The Chairperson of the Board and the Director General is not the same person; and the Chairperson of the Board had not worked as the Director General before.

### PRINCIPLE III: THE ORDER OF THE FORMATION OF A COLLEGIAL BODY TO BE ELECTED BY A GENERAL MEETING OF SHAREHOLDERS

**The order of the formation a collegial body to be elected by a general meeting of shareholders should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies<sup>3</sup>.**

3.1. The mechanism of the formation of a collegial body to be elected by a general meeting of shareholders (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	In accordance with the Company's Articles of Association, a collegial governing body of the Company – the Board – shall be elected by the General Meeting of Shareholders. Out of five members of the Board, one is an independent member and two are delegated by the Parent Company.  The Board is supervised by the Supervisory Council of the Parent Company consisting of 5 (five) members – natural persons, out of whom 2 (two) must be independent members, with their independence determined according to the criteria set out in the Procedure for the Exercise of Property and Non-Property Rights of the State in State-Owned Enterprises, the Code and other applicable legal acts.
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<sup>2</sup> The terms *Executive Director* and *Non-Executive Director* are used in cases when a company has only one collegial body.

<sup>3</sup> It should be noted that in the case where the board is a collegiate body elected by the general meeting of shareholders, the board should oversee the work of the single-handed management body (the chief executive officer) only, and not all the management bodies of the company. This also applies to item 3.1.



PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>3.2. First names and surnames of the candidates to become members of a collegial body, information about their education, qualifications, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general meeting of shareholders so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this Item 3.2. on its members and disclose this in the company's annual report.</p>	Yes	<p>In accordance with the Company's Articles of Association, the general meeting of shareholders must be furnished with the Declaration of Interests of each candidate for the position of a Board Member as well as with information on his/her qualifications and suitability for the office. Should any new circumstances occur that could potentially give rise to a conflict of interests between a Board Member and the Company, the Board Member must notify the Company and the Board in writing immediately.</p> <p>Information about the members of the Board is posted on the Company's website <i>www.ambergrid.lt</i>.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	Yes	<p>The Company posts information on the composition of the Board and the positions held by the Board Members in the Company's annual report and on the Company's website. Information on the members of the Board was also presented at the General Meeting of Shareholders.</p>
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	Yes	<p>The composition of the Company's Board was determined with a view to maintaining a proper balance of qualifications possessed by its members, having regard to the Company's structure and nature of its activities; the composition of the Board is subject to periodical evaluations having regard to procedures applicable to state-owned enterprises.</p> <p>Parent Company has formed an Audit Committee which, according to the Articles of Association of the Company, operates also as the Company's Audit Committee, and the Remuneration and Nominations Committee, which assists the Board and the General Meeting of Shareholders to select candidates for the positions of the Board Members and the Director General. Both committees have been formed according to the recommendations of the Code and in accordance with the Company's Articles of Association.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organisation and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	Yes	<p>At least once in a year, the Board carries out a self-assessment and a needs analysis in order to identify competences required for the attainment of the Company's aims, and reports the results to the General Meeting of Shareholders and the Company.</p>



PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>	No	Please refer to Comment under Item 2.5.
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <p>1) He/she is not an executive director or member of the board (if a collegial body elected by the general meeting of shareholders is the supervisory council) of the company or any associated company and has not been such during the last five years;</p> <p>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</p> <p>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</p> <p>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1(1));</p>	Taip	The Board has one independent member who meets the criteria for independence set in the Governance Code.

<sup>4</sup> The Code does not provide for a specific of independent members in a collegial body. In governance codes of many other countries, a fixed rate is set (e. g. at least 1/3 or 1/2 of the members of the collegial body must be independent members). However, having regard to the novelty of the institution of an independent member in Lithuania and potential issues in finding and electing a specific number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance

<sup>5</sup> Notably, in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few majority shareholders. However, even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.



PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organisation receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the past three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general meeting of shareholders is the supervisory council) is non-executive director or member of the supervisory council, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for more than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general meeting of shareholders is the supervisory council) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>		
<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	Not applicable	Please refer to Comment under Item 3.7.
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	Yes	An independent member of the Board was elected by decision of the General Meeting of Shareholders. Information on the independence of the member of the Board is publicly disclosed.

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Yes	Please refer to Comment under Item 3.7. The Board Member submits the Declaration of Independence and updates it as necessary.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds <sup>6</sup> . The general meeting of shareholders should approve the amount of such remuneration.	Yes	For the work in the Board, the independent member of the Board is remunerated from the Company's funds, with the amount of the remuneration approved by the General Meeting of Shareholders.

#### PRINCIPLE IV: THE DUTIES AND LIABILITIES OF A COLLEGIAL BODY ELECTED BY THE GENERAL MEETING OF SHAREHOLDERS

**The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general meeting of shareholders, and the powers granted to the collegial body should ensure effective monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.**

4.1. The collegial body elected by the general meeting of shareholders (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance. <sup>8</sup>	Yes	According to the Articles of Association of the Company, the Board of the Company approves the Annual Report and analyses and evaluates the annual financial statements and a draft profit allocation statements and submits them, together with the approved Annual Report, to the General Meeting of Shareholders. The Board analyses and evaluates the reports on the results of the Company's economic activities and key financial and operating indicators, submitted by the Director General on an annual basis.
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<sup>6</sup> Notably, currently it is not yet completely clear in what form members of the supervisory council or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory council or the board may be remunerated for their work in the supervisory council or the board by payment of annual bonuses (*tantiemes*) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. So it seems that the Law does not prohibit remuneration to members of the supervisory council and the board work in other forms, besides *tantiemes*, although this possibility is not expressly stated either.

<sup>7</sup> See Footnote 3.

<sup>8</sup> See Footnote 3. In the event the collegial body elected by the general meeting of shareholders is the board, it should provide recommendations to the company's single-handed management body, i.e. the chief executive officer.

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body pass a decision the independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	Yes	<p>According to the information available to the Company, all the Board Members act in good faith for the benefit of the Company, and are guided by the interests of the Company and not by their private interests or by interests of any third parties, and are seeking to maintain independence in decision-making.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half<sup>9</sup> of the meetings of the collegial body in the financial year of the company, shareholders of the company should be notified.</p>	Yes	<p>Agreements on the functions of the Board Member are concluded with all Members of the Board, under which they all, including the independent member, undertake to devote sufficient time for the performance of such functions.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	Yes	<p>The principle of appropriate exercise of the shareholders' rights is binding upon the Board of the Company: the Group's governance system must enable appropriate exercise of property and non-property rights and securing legitimate interests of all the shareholders (majority and minority, domestic and foreign) in terms of both securing the rights and legitimate interests of the State of Lithuania as a shareholder in the Parent Company and subsidiaries and ensuring an equally effective representation of minority shareholders' rights and legitimate interests in those companies of the Group which have minority shareholders.</p>
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	Yes	<p>The Board of the Company considers and approves agreements/contracts concluded with the Company's shareholder/shareholders holding more than 1% of the shares of the Company except for employment contracts and other agreements related to work in the Company as well as agreements containing standard terms and conditions (such as agreements on connection to the gas system, agreements on the natural gas transmission service, capacity bookings and other regulated activity transactions) approved by competent authorities.</p>

<sup>9</sup> Notably, companies can make this requirement more stringent by establishing that shareholders should be informed about a failure to participate in the meetings of the collegial body if, for instance, a member of the collegial body attended less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.



PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies<sup>10</sup>. Members of the collegial body should act and pass decisions without an external influence of persons who have elected them.</p> <p>Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned.</p>	Yes	<p>According to the Articles of Association of the Company, management bodies adopt decisions independently and within their remit conferred on them under the Lithuanian law and the Articles of Association. The bodies of the Company are fully liable for their decisions. In the decision-adoption process, the Company's management bodies must act for the benefit of the Company and its shareholders. The Guidelines establish the principle of the management and supervisory bodies' liability and accountability to the shareholders: the corporate governance system of the Group as well as the governance model selected are aimed at ensuring that management, supervisory and other bodies of all companies in the Group duly and timely perform their duties and functions and use their rights pro-actively while remaining fully accountable to the shareholders and acting in their legitimate interests, and maintaining an appropriate balance between the supervisory and management bodies of the Group.</p> <p>Agreements on the functions of the Board Member are concluded with all Members of the Board, under which they all, including the independent member, are provided with any means required for the performance of the functions.</p> <p>Provision of the Board Members with technical and organisational means required for the work at the Company is also established in the Articles of Association of the Company.</p>
<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees<sup>11</sup>. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	Yes	<p>Please refer to Comments under Items 2.5 and 3.4.</p> <p>The Supervisory Council of the Parent Company forms the Audit Committee and the Remuneration and Nomination Committee under the council.</p> <p>The Audit Committee is formed of at least 3 (three) members ensuring that at least two of them are independent members, and at least one of these is a certified auditor, and the other one appointed from among independent members of the Supervisory Council.</p> <p>The Remuneration and Nomination Committee is formed of at least 3 (three) members ensuring that at least 1 (one) of them is an independent member, and the other 2 (two) members are appointed from among the members of the Supervisory Council, and one of these is an independent member.</p>

<sup>10</sup> In case if the board is a collegial body elected by the general meeting of shareholders, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<sup>11</sup> The Law of the Republic of Lithuania on Audit (*Official Gazette*, 2008, No 82-53233) establishes that an Audit Committee shall be formed in each public interest entity (including but not limited to public companies the securities of which are traded in the regulated market of the Republic of Lithuania and/or any other Member State).



PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>4.8. The key objective of the committees is to increase the efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	Yes	<p>The Audit Committee of the Parent Company performs the functions of the Company's Audit Committee.</p> <p>The Remuneration and Nomination Committee of the Parent Company acts as an advisory body of the Company, the main function of which is to assist in the selection of candidates for the members of the Group's management and supervisory bodies and to formulate the remuneration guidelines for the Group.</p> <p>It should be noted, however, that the Company's bodies adopt decisions independently, within their remit established in the Lithuanian law and the Articles of Association of the Company. In adopting decisions, the Company's bodies must act for the benefit of the Company and its shareholders.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory council, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	Not applicable	Please refer to Comment under Item 4.7.
<p>4.10. Powers of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Powers of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	Not applicable	Please refer to Comment under Item 4.7.

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	Not applicable	Please refer to Comment under Item 4.7.
<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> <li>1) Select and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. The nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>2) Assess, on a regular basis, the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>3) Assess, on a regular basis, the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>4) Devote sufficient attention to succession planning;</li> <li>5) Review the policy of the management bodies for selection and appointment of senior management.</li> </ol> <p>4.12.2. The nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general meeting of shareholders is the supervisory council) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	Not applicable	Please refer to Comment under Item 4.8.

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> <li>1) Make proposals to the collegial body for the policy of remuneration to members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</li> <li>2) Make proposals to the collegial body for remuneration to individual executive directors and members of management bodies in order to ensure that the remuneration is in line with the company's remuneration policy and the individuals' performance assessment. In doing so, the committee should be well informed about the total remuneration received by the executive directors and members of the management bodies from the affiliated companies;</li> <li>3) Ensure that the remuneration to individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;</li> <li>4) Review, on a regular basis, the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</li> <li>5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</li> <li>7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</li> </ol>	Not applicable	Please refer to Comment under Item 4.8.



PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ol style="list-style-type: none"> <li>1) Consider the general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as its consequences.</li> </ol> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and attend the annual general meeting for this purpose.</p>	Yes	Please refer to Comment under Item 4.8
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ol style="list-style-type: none"> <li>1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</li> <li>2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</li> <li>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</li> </ol>	Yes	Please refer to Comment under Item 4.8

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>4) Make to the collegial body recommendations on the selection, appointment, reappointment and removal of the external auditor (to be done by the general meeting of shareholders) and on the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required action in such situations;</p>		
<p>5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principles and guidelines established in Commission Recommendation 2002/590/EC of 16 May 2002, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</p>		
<p>6) Review the efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p>		
<p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose vehicles (organisations) and justification of such operations.</p>		
<p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p>		
<p>4.14.4. Internal and external auditors should be secured with not only an effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p>		

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>4.14.5. The audit committee should be informed of the internal auditor's working programmer and furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the working programme of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p>		
<p>4.14.6. The audit committee should check whether the company complies with the applicable provisions regarding the possibility for employees to report any alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p>		
<p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should carry out a self-assessment. The self-assessment should include evaluation of collegial body's structure, work organisation and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organisation and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	Yes	Please refer to Comment under Item 3.5.

#### PRINCIPLE V: THE WORKING PROCEDURES OF THE COMPANY'S COLLEGIAL BODIES

**The working procedures of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**

<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle V the collegial bodies of supervision and the collegial bodies of management collectively referred to as the 'collegial bodies') should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	Yes	Activities of the Board are governed by the Regulations of the Board. The meetings of the Board are chaired by the Chairman of the Board. The Company provides all the resources necessary for proper organisation of meetings of the Board.
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PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>5.2. It is recommended that meetings of the company's collegial bodies should be convened at appropriate intervals according to the schedule approved in advance. A company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory council should be convened at least once in a quarter, and the company's board should meet at least once a month.<sup>12</sup></p>	Yes	<p>To secure the uninterrupted resolution of the essential Company's governance issues, the meetings of the Board are convened on a regular basis. The Board holds meetings according to a pre-approved schedule of the meetings Board, normally once in a month.</p>
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	Yes	<p>The members of the Board receive information about the meeting being convened, the agenda of the meeting and all materials relevant to the agenda items well in advance in order to leave enough time for a proper preparation for the meeting on all the agenda items and ensure a fruitful discussion, with a view to adopting appropriate decisions.</p>
<p>5.4. In order to co-ordinate activities of the company's collegial bodies and ensure an effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory council, especially where issues concerning removal of the board members, their liability or remuneration are considered.</p>	Not applicable	<p>A Supervisory Council is not formed in the Company.</p>

**PRINCIPLE VI: THE EQUITABLE TREATMENT OF SHAREHOLDERS AND SHAREHOLDER RIGHTS**

**The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**

<p>6.1. It is recommended that the company's capital should consist only of the shares that grant equal rights to voting, ownership, dividend and other rights to all their holders.</p>	Yes	<p>The Company's authorised capital consists of ordinary registered shares which grant equal rights to all the shareholders of the Company.</p>
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<sup>12</sup> The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory council. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory council, i. e. at least once in a quarter.



PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general meeting of shareholders <sup>13</sup> . All shareholders should have equal opportunities for familiarizing themselves with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	The remit of the Company's General Meeting of Shareholders and Board of Directors is governed by the Law on Companies and the Articles of Association of the Company. In accordance with the Company's Articles of Association, decisions on concluding important transactions are taken by the General Meeting of Shareholders.
6.4. Procedures for convening and conducting a general meeting of shareholders should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	Procedures for the convening and conducting the General Meetings of Shareholders are governed by the Law on Companies and the Articles of Association of the Company. Shareholders have equal rights to attend the meeting and exercise their property and non-property rights.
6.5. Where possible, in order to ensure that shareholders living abroad have access to information, it is recommended that documents on the course of the general meeting of shareholders should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to secure the right of foreigners to familiarise with the information, where feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's trade secrets are not revealed.	Yes	The right of shareholders living abroad to access to information is ensured on the Company's website <i>www.ambergrid.lt</i> and through the informational system of the NASDAQ Vilnius Stock Exchange, by publishing in advance, in Lithuanian and English, the date and venue of the General Meeting of Shareholders, the record date of the meeting, the agenda of the meeting and draft resolutions. After the meeting, the resolutions adopted are published in the same manner.
6.6. Shareholders should be provided with the opportunity to vote in the general meeting of shareholders in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The shareholders of the Company may exercise their right to participate in the General Meeting of Shareholders either in person or through a proxy, provided that the proxy holds an appropriate power of attorney or is a party to the agreement on the cession of the voting right. The Company also provides its shareholders with an opportunity to vote in writing in advance.

<sup>13</sup> The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general meeting of shareholders. However, transactions that are important and material for the company's activity should be considered and approved by the general meeting of shareholders. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of Article 34(4) of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.



PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>6.7. With a view to increasing the shareholders' opportunities for attending shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	Not applicable	Considering the ownership structure of the Company and the valid Regulations for Organising the General Meetings of Shareholders, there is no need to implement any additional expensive IT system.

#### PRINCIPLE VII: THE AVOIDANCE OF CONFLICTS OF INTEREST AND THEIR DISCLOSURE

**The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**

<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	Yes	The members of the Board follow the provisions of this recommendation. The Company is not aware of any cases when any personal interests of the Board Members were in conflict with the interests of the Company.
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general meeting of shareholders or any other corporate body authorized by the meeting.</p>	Yes	
<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>	Yes	

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The Regulations of the Board state that the member of the Board or his/her proxy shall abstain from voting when decisions concerning his/her activity in the Board or his/her liability is voted at the meeting of the Board.

#### PRINCIPLE VIII: COMPANY'S REMUNERATION POLICY

**Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**

8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	<p>For the year 2017, the Company has not prepared the Company's remuneration statement in full compliance with the recommendations of this Code. Following the decision of the Company's Board of 31 October 2017, the Company joined the Transparency and Communication Policy of the companies' group EPSO-G, and starting from 2018 it will publish its report for remuneration policy corresponding to the recommendation of this Code. The system of remuneration of the Board Members – Executive Directors including the Director General has been set having regard to the regulation of pay to CEOs of state-controlled companies and in accordance with the Management Remuneration Policy of the Company.</p> <p>Remuneration to an independent member of the Board is fixed by the General Meeting of Shareholders and disclosed in the Annual Report. The amount is set according to the guidelines of the Parent Company.</p>
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	Please refer to Comment under Item 8.1.
<p>8.3. A remuneration statement should include at least the following information:</p> <ol style="list-style-type: none"> <li>1) Explanation of the ration between the variable and non-variable components of directors' remuneration;</li> <li>2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3) An explanation how the choice of performance criteria contributes to the long-term interests of the company;</li> </ol>	No	Please refer to Comment under Item 8.1.

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>4) An explanation of the methods applied in order to determine whether performance criteria have been fulfilled;</p> <p>5) Sufficient information on the periods of deferral of payment of the variable components of remuneration;</p> <p>6) Sufficient information on the link between the remuneration and performance;</p> <p>7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</p> <p>8) Sufficient information on the policy regarding termination payments/service benefits;</p> <p>9) Sufficient information with regard to vesting periods for share-based remuneration under point 8.15 of this Code;</p> <p>10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</p> <p>11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;</p> <p>12) A description of the main characteristics of supplementary pension or early retirement schemes for directors;</p> <p>13) The remuneration statement should not include commercially sensitive information.</p>		
<p>8.4. The remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	Please refer to Comment under Item 8.1.
<p>8.5. The remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <p>1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general meeting of shareholders;</p> <p>2) The remuneration and advantages received from any undertaking belonging to the same group;</p>	No	Please refer to Comment under Item 8.1.

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</p> <p>4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</p> <p>5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</p> <p>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</p> <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <p>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</p> <p>2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</p> <p>3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</p> <p>4) All changes in the terms and conditions of existing share options occurring during the financial year.</p> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</p> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>	Yes	The fixed component is sufficient for the fact that the Company might be able not to pay variable component of remuneration in case the results of the evaluation criteria are not satisfied.
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>		



PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
8.7. Assigning of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Yes	The assignment of the variable component of remuneration to the Executive Directors of the Company depends on the achievement of the measurable targets set in the Annual Operating Plan of the Company.
8.8. Where a variable component of remuneration is assigned, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Yes	Payment of the variable component of the remuneration is deferred until the results are approved.
8.9. Contractual arrangements with executive or Director Generals should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	Please refer to Comment under Item 8.1.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Yes	
8.11. Termination payments/service benefits should not be paid if the office was terminated due to inadequate performance.	Yes	
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	Not applicable	Please refer to Comment under Item 8.1.
8.13. In the case of share-based remuneration, shares should not be vested for at least three years after their award.	Not applicable	The Company does not apply share-based remuneration.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	Please refer to Comment under Item 8.13.

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
8.15. After vesting, directors should retain a number of shares, until the end of their term of office, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (non-variable plus the variable components).	Not applicable	Please refer to Comment under Item 8.13.
8.16. Remuneration of non-executive directors and members of the supervisory council should not include share options.	Not applicable	Please refer to Comment under Item 8.1.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and vote on matters regarding directors' remuneration.	Yes	The amount of remuneration to the independent member of the Board is determined by the General Meeting of Shareholders.
	No	In accordance with the Articles of Association of the Company, matters related to the setting of remuneration to the Director General are decided by the Board.
8.18. Without prejudice to the role and organisation of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. The remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	Please refer to Comment under Item 8.1.
8.19. Schemes for share-based remuneration to directors, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made at the annual general meeting of shareholders. In such case shareholders should be informed about all terms of suggested changes and get an explanation about the impact of the suggested changes.	Not applicable	At present the Company does not use such remuneration schemes.
8.20. The following issues should be subject to approval by the annual general meeting of shareholders: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permitted by law;	Not applicable	Such issues were not considered by the General Meeting of Shareholders as this is not provided for by the Articles of Association of the Company. At present the Company does not use such remuneration schemes. Please refer to Comment under Item 8.1 as well.

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<p>5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms.</p> <p>The annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this point to individual directors.</p>		
<p>8.21. If permitted by the national law or the Articles of Association of the company, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	Not applicable	
<p>8.22. Provisions of points 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	Not applicable	
<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Item 8.19, the shareholders must be provided an opportunity to familiarise with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information provided in this item must be posted on the company's website.</p>	Not applicable	Please refer to Comment under Item 8.19.

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
<b>PRINCIPLE IX: THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE</b>		
<b>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the term “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having a certain interest in the company concerned.</b>		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The compliance with this recommendation is ensured by the meticulous supervision and control of the Company’s business activities by the state regulatory authorities and associated consumer organisations.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency etc.		The publicity of the Company’s business activities enables the stakeholders’ participation in the corporate governance in accordance with the procedure established by law and the Company’s Articles of Association and internal regulations. The governing bodies consult the employees on the issues of corporate governance and other important issues; the employees’ participation in the Company’s share capital is not restricted.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
<b>PRINCIPLE X: INFORMATION DISCLOSURE AND TRANSPARENCY</b>		
<b>The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</b>		
<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> <li>1) Financial and operating results of the company;</li> <li>2) Objectives of the company;</li> <li>3) Persons owning or controlling a shareholding in the company;</li> <li>4) Members of the company’s supervisory and management bodies and the chief executive officer of the company and their remuneration;</li> <li>5) Material foreseeable risks;</li> <li>6) The company’s transactions with related parties as well as transactions concluded not as usual business of the company;</li> <li>7) Material issues regarding employees and other stakeholders;</li> <li>8) Governance structures and strategy.</li> </ol> <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to the disclosure of the information specified in this list.</p>	Yes	The information contained in the recommendation is published on the Company’s website <i>www.ambergrid.lt</i> , and through the informational system of the NASDAQ Vilnius Stock Exchange and press releases.



PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in 1) of Item 10.1 is under disclosure.		
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in 4) of Item 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.		
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in 7) of Item 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company discloses information through the information disclosure system applied by the NASDAQ Vilnius Stock Exchange, in Lithuanian and English thus ensuring the provision of information to all stakeholders. Information that may affect the price of securities issued by Company is treated as strictly confidential, therefore, it is not disclosed until it published through the information system according to a procedure prescribed by law.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The Company discloses all the information designated to shareholders and investors simultaneously and in the same scope in Lithuanian and English through the information system of the NASDAQ Vilnius Stock Exchange, and publishes the information in full on the Company's website <i>www.ambergrid.lt</i> . In this way, an unbiased and inexpensive access to information is ensured.

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT APPLICABLE	COMMENTS
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be posted on the company's website. It is also recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website.	Yes	The Company follows this recommendation and information has been placed on the Company's website <a href="http://www.ambergrid.lt">www.ambergrid.lt</a> .

#### PRINCIPLE XI: THE SELECTION OF THE COMPANY'S AUDITOR

**The mechanism of the selection of the company's auditor should ensure independence of the audit firm's conclusion and opinion.**

11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent audit firm in order to provide an external and objective opinion on the company's financial statements.	Yes	An independent audit firm conducts the audit of the Company and its annual financial statements and assesses the conformity of the Annual Report with the financial statements.
11.2. It is recommended that the company's supervisory council and, if it has not been formed, the company's board should propose a candidate audit firm to the general meeting of shareholders.	Yes	A candidate audit firm is proposed to the general meeting of shareholders by the Board.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the audit firm for non-audit services rendered to the company. This information should be also known to the company's supervisory council and, if it has not been formed, the company's board upon their consideration which audit firm to propose for the general meeting of shareholders.	Yes	The audit firm informs the Audit Committee, on an annual basis, about non-audit services provided to the company. Such information is also provided to the Board.

**Amber  
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