

APPROVED  
By the decision of the  
General Meeting of Shareholders  
of 2020-04-30

**REMUNERATION POLICY  
OF THE PUBLIC LIMITED LIABILITY COMPANY  
KAUNO ENERGIJA**

**1. Purpose and scope of Remuneration Policy**

1.1. Remuneration Policy (hereinafter – Remuneration Policy) of the public limited liability company Kauno Energija (hereinafter – Company) was prepared taking into account the Company’s business strategy, long-term goals and interests and that in the long term implementation thereof and the success of the Company are greatly contributed by the Company’s management - the General Manager and members of the Management Board (hereinafter - Executives), whose remuneration is one of the main means available to reconcile the interests of the Company and the Executives, and to evaluate their activities and motivate them considering their expectations and the Company's financial capabilities. No remuneration is paid to the members of the Supervisory Board.

1.2. Remuneration Policy is prepared in order to:

1.2.1. to properly assess the competence of Executives and their personal contribution to the Company's activities and results achieved;

1.2.2. enhance Company’s transparency and accountability of the Executives and enable shareholders, potential investors and stakeholders to have a complete and reliable view of the remuneration of each Executive;

1.2.3. avoid conflicts of interest and ensure proper implementation of the principles set out in this Remuneration Policy.

1.3. Remuneration Policy shall be applicable to the Executives and Members of the Supervisory Board.

**2. The procedure for the preparation, adoption and amendment of the Remuneration Policy**

2.1. The Remuneration Policy is concluded for a period of four years and is valid until the Annual General Meeting of Shareholders of the Company shall be held on the fourths year.

2.2. The draft Remuneration Policy (amendment thereto) is prepared by the General Manager of the Company. Shareholders who’s held shares carry more than 1/10 of the votes, the Management Board and the Supervisory Board of the Company shall be entitled to initiate changes in the Remuneration Policy.

2.3. The Remuneration Policy (amendments thereto) shall be approved by the General Meeting of Shareholders of the Company according to the laws.

2.4. Where Executives (any of them) are also shareholders of the Company (representing the shareholders) attending the General Meeting of Shareholders where the issue of approval of the Remuneration Policy (amendments thereto) is discussed, this information shall be disclosed before the consideration of the said issue.

2.5. Upon approval of the Remuneration Policy, the remuneration of the Company’s Executives shall be paid in accordance with the Remuneration Policy approved by the General Meeting of Shareholders of the Company and other detailing regulatory acts.

2.6. If the General Meeting of Shareholders does not approve the proposed Remuneration Policy, the Company shall pay the remuneration to the Executives in accordance with the decisions of the relevant bodies granting the remuneration before the consideration of the Remuneration Policy, but such decisions cannot be changed until the Remuneration Policy is approved.

2.7. If the Remuneration Policy is approved and the changes to the Remuneration Policy proposed at the Company's General Meeting of Shareholders (new Remuneration Policy) are not approved, the Company shall continue to pay remuneration to Executives in accordance with the existing approved Remuneration Policy and submit the revised policy to the next General Meeting of Shareholders of the Company.

2.8. The Company may deviate from the Remuneration Policy if such deviation from the Remuneration Policy is necessary to ensure the Company's long-term interests and business continuity. Such deviations shall be immediately announced in the same manner as the Remuneration Policy itself. If the Company is unable to apply the Remuneration Policy for more than 6 months, the General Manager of the Company shall review the Remuneration Policy taking into account the changed conditions, prepare the draft revised policy, initiate its' approval in the General Meeting of Shareholders of the Company according to the laws.

2.9. The Remuneration Policy (any amendments or supplements thereto) together with the date and voting results of the General Meeting of Shareholders approving the Remuneration Policy shall be made public on the Company's website [www.kaunoenergija.lt](http://www.kaunoenergija.lt) without delay after the approval of the Remuneration Policy at the General Meeting of Shareholders.

2.10. The General Manager of the Company is responsible for the preparation of the Remuneration Policy. The Management Board of the Company shall be responsible for the ongoing review of the Remuneration Policy and implementation of its provisions.

2.11. When amending the Remuneration Policy, the Management Board along with the amendments shall submit to the General Meeting of Shareholders (i) descriptions and explanations of significant changes in the Remuneration Policy; (ii) if the Remuneration Policy being amended has already been discussed at the General Meeting of Shareholders but not approved, - the arguments specified in the resolution of the General Meeting of Shareholders; and (iii) all remuneration reports approved after the last vote on the Remuneration Policy of the Company's General Meeting.

### **3. The structure of Executives' remuneration**

3.1. The fixed remuneration is paid to the General Manager of the Company. A fixed remuneration is a monthly salary based on an employment contract. The salary of the General Manager consists of an officary salary (fixed part of the monthly salary) determined after the end of the financial year and after approval of the financial statements by the General Meeting of Shareholders and a supplement to the officary salary (variable part of the monthly salary), determined every calendar quarter. Similarly, the General Manager of the Company may be awarded a bonus for good working results and performance of duties from the profit of the Company after the end of the financial year and after approval of the audited financial statements. The salary of the General Manager of the Company shall be determined and a bonus shall be granted by the decision of the Management Board of the Company, which is adopted in accordance with the Description of the General Manager's Remuneration Procedure approved by the Management Board of the Company, taking into consideration the normative acts regulating the General Manager's remuneration adopted by the Director of Kaunas City Municipality Administration, as well as the assessment of the contribution of the General Manager to the implementation of the Company's strategic objectives, workload and results of the Company's activities.

3.2. The members of the Management Board of the Company may be paid up with annual bonuses, which shall be granted by the decision of the General Meeting of Shareholders of the Company in

accordance with the procedure established by legal acts and appointment thereof shall be disclosed in the consolidated annual report of the Company.

3.3. The Company shall not apply deferral of the remuneration payment and shall not use the opportunity to reclaim variable part of the remuneration.

3.4. Standard contracts of activities of a member of the Management Board of the Company, approved by the decision of the General Meeting of Shareholders of the Company, specifying the remuneration of the member of the Management Board, are concluded with the members of the Management Board of the Company. Members of the Management Board are paid a specific remuneration for their activities on the Management Board of the Company, no variable part of the remuneration is paid. The members of the Management Board are elected for the term of office provided in the Statutes of the Company.

3.5. Executives does not receive any indirect benefit from the Company, nor they are granted stock options to the Company.

#### **4. Remuneration report**

4.1. Upon the end of the financial year, the Company prepares a remuneration report detailing the remuneration of the Executives, including any bonuses of any kind not provided for in the Remuneration Policy, granted for the last financial year. Remuneration report is presented to the Company's Annual General Meeting of Shareholders.

4.2. The remuneration report shall contain the following information regarding each individual Executives's remuneration:

4.2.1. the total remuneration split out by component, the relative proportion of fixed and variable remuneration, an explanation how the total remuneration complies with the adopted Remuneration Policy, including how it contributes to the long-term performance of the Company, and information on how the performance criteria were applied;

4.2.2. the annual change of remuneration, Company's performance and average remuneration on a full-time equivalent basis of employees of the Company, if there are any other employees other than directors, over at least the five most recent financial years, presented together in a manner which permits comparison;

4.2.3. information on any deviations from the implementation of the Remuneration Policy.

4.3. Shareholders attending the Annual General Meeting of Shareholders to which the remuneration report is submitted shall have the right to submit their comment. The Company shall explain in the following remuneration report how the comments submitted by the shareholders has been considered.

4.4. In order to provide shareholders with easy access to the remuneration report and potential investors and stakeholders to access the remuneration information of the Executives, the Company's remuneration report shall be made publicly available on the Company's website at [www.kaunoenergija.lt](http://www.kaunoenergija.lt) after the General Meeting.

4.5. The Company does not include in the remuneration report special categories of personal data of individual Executive (within the meaning of Article 9(1) of Regulation (EU) 2016/679 of the European Parliament and of the Council) or personal data which refer to the family situation of individual Executive. The Company shall process the personal data of Executives included in the remuneration report for the purpose of increasing corporate transparency as regards Executives' remuneration with the view to enhancing Executives' accountability and shareholders oversight over Executives' remuneration.

4.6. The Company shall keep the personal data of the Executives' included in the remuneration report for a maximum of ten years from the date of publication of the remuneration report. After the expiry

of the ten-year period, the Company shall remove all personal data from the remuneration report and shall no longer publish the entire remuneration report.

## **5. Final provisions**

5.1. Changes to the mandatory provisions of the legislation are followed immediately without waiting for the Remuneration policy to be changed.