

APPROVED  
by the decision of the Board of UAB Ignitis grupė of 9 December 2019 (minutes of the meeting No PR\_2019-63)

## GROUP OF COMPANIES OF UAB IGNITIS GRUPĖ

### REMUNERATION POLICY

In response to the shareholder expectation to pursue sustainable, socially responsible development, in creating a modern, globally competitive company, and in implementing the strategy of the Group of Companies of UAB Ignitis grupė, the main vision of which is to become a globally competitive energy company creating value for Lithuania, we aim to attract and retain competent, fast-learning, technologically advanced, globally-minded and innovative employees.

We are guided by the following values in our activities: responsibility, openness, development and partnership. We reward the employees of the Group of Companies for their work after evaluating the results of work and the value created.

**Purpose:** to establish unanimously fair, clear and transparent principles of the remuneration of the employees of the Group of Companies of UAB Ignitis grupė for their work and the employee remuneration system based thereon.

**Scope:** applies to all companies of the Group of Companies of UAB Ignitis grupė.

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#### 1. Notions and abbreviations used in the Remuneration Policy

1.1. The notions and/or abbreviations used in this Remuneration Policy have the following meanings:

<b>Remuneration Policy</b>	The Remuneration Policy of the Group of UAB Ignitis grupė; this document.
<b>Standard for determining and paying</b>	The internal document of the Group approved by the Head of People and Culture function of UAB Ignitis grupė, that elaborates the provisions of the Remuneration Policy and that applies to the entire Group.

<b>employee remuneration</b>	
<b>Remuneration strip</b>	The minimum and maximum limits of FRC determined for each level of Posts.
<b>Median value of the remuneration market</b>	It means that 50% of companies participating in the remuneration market research pay less and 50% of them pay more than the Median value of the remuneration market for the similar job functions and responsibilities.
<b>Top level executive (TLE)</b>	The notion is understood as defined in the Human Resources Management Policy of the Group.
<b>Employee</b>	A person working for a company under an employment contract or other relevant arrangement to formalize an employment relationship and/or other document.
<b>Expatriate</b>	An employee expatriated to work abroad to implement strategic business development projects of the Group.
<b>PEIC</b>	Posts operating in the environment of intense competition, the list of which is approved by the Board of UAB Ignitis grupė.
<b>Company</b>	A company of UAB Ignitis grupė, including subsidiaries of UAB Ignitis grupė subsidiaries.
<b>Group</b>	UAB Ignitis grupė and its directly and indirectly controlled legal entities all together.
<b>UAB Ignitis grupė</b>	UAB Ignitis grupė (legal entity code 301844044, registered office address Žveju str. 14, 09310 Vilnius).
<b>Variable remuneration component (VRC)</b>	A remuneration component that is paid for the agreed and measurable results of employee performance appraisal.
<b>Non-financial remuneration</b>	It is an element of overall promotion of employee effort, engagement and loyalty, that is not paid in the form of money, but has material value and is aimed at increasing the attractiveness of the employer, promotion of continuous staff development, by giving the employees the flexibility to choose the benefits that best suit their individual needs and have a clearly defined financial expression.
<b>Additional benefits</b>	A set of financial and non-financial measures aimed at additional retention and motivation of the Employees.
<b>Guidelines of additional benefits</b>	The Group document that regulates the provisions of providing Additional benefits to the Employees.
<b>Sales posts (SPs)</b>	Posts which, according to description of posts, the set sales targets, which form an essential part of all objectives, and according to the market remuneration research are attributable to the family of sales posts.
<b>Level of post</b>	The relative estimate of the post which represents the relative value of the post within the Group.
<b>Map of the levels of posts</b>	Posts of the Group Employees that are grouped into levels based on the value and weight created by the activity of the post.
<b>Fixed remuneration component (FRC)</b>	The basic employee remuneration set out in the employment contract.
<b>NRC</b>	Nomination and Remuneration Committee of the Supervisory Board of UAB Ignitis grupė.

<b>Supervisory Board</b>	Supervisory Board of UAB Ignitis grupė.
<b>Manager</b>	The employee of the Group who heads the people and has the Employees who are directly subordinate to him/her.
<b>Guidelines for Executives Remuneration</b>	The internal legal act approved by the Supervisory Board of UAB Ignitis grupė, that describes the general principles of remuneration of Corporate Executives and of working Corporate Executives (members of the Board).
<b>Payment for the activity of the Board member (PBM)</b>	The remuneration approved by the Supervisory Board of UAB Ignitis grupė for the activities in the management and/or supervisory bodies of the Group or in their committees.
<b>Performance evaluation</b>	Evaluation of the achievement of agreed Employee objectives/indicators.

## 2. General provisions

- 2.1. The Remuneration System of the Group, in accordance with the guidelines provided by the NRC, is formed with the following principles in mind, that apply all together:
  - 2.1.1. of internal justice – equal pay is paid for the same or equivalent (creating equal value) work;
  - 2.1.2. of external competitiveness - a remuneration that is competitive in respect of the labour market of the country in which the Employees are employed;
  - 2.1.3. of clarity – it must be clear to each Employee how his/her remuneration is determined, and which results of the Employee performance, competences and qualification determine the level of the remuneration;
  - 2.1.4. of transparency – in order for the Employees and the public to know that remuneration in the Group is determined on the basis of objective and transparent criteria, this Remuneration Policy is available publicly;
  - 2.1.5. of flexibility – when it is necessary to hire or retain an Employee of strategic importance to the Company, the Group must have a possibility to take a decision to apply exceptions from this Remuneration Policy, without breaching the other principles described in this Clause and the Guidelines of Executives Remuneration.
- 2.2. In order to have a possibility to attract and retain high level professionals for the management of the Group, while taking into account the financial capabilities of the Group, the determining of the remuneration of the Employees of the Companies of the Group is guided by the median value of remuneration market of the country in which a specific company operates.
- 2.3. The Remuneration Policy is approved by the Board of UAB Ignitis grupė.
- 2.4. The Remuneration Policy applies to all Employees of the Group.
- 2.5. The Remuneration Policy at the level of the Group is regulated in the following documents:
  - 2.5.1. in the Guidelines of Executives Remuneration approved by the Supervisory Board of UAB Ignitis grupė;
  - 2.5.2. in this Remuneration Policy approved by the Board of UAB Ignitis grupė;
  - 2.5.3. in the Standard for determining and paying remuneration for the Employees, approved by the Head of People and Culture function of UAB Ignitis grupė, that elaborates the implementation of the Remuneration Policy;
  - 2.5.4. in the Guidelines of Additional Benefits approved by the Head of People and Culture function of UAB Ignitis grupė;
  - 2.5.5. in other internal legal acts of the Companies of the Group that regulate the specifics of the remuneration system of the specific Company, only if they are necessary. Such legal acts cannot be contrary to the provisions of this Remuneration Policy, of the Standard for determining and paying remuneration for the Employees, and of the

Guidelines of Executives Remuneration. Prior to approval, these documents must be harmonized with the Head of People and Culture function of UAB Ignitis grupė.

- 2.6. This Remuneration Policy is publicly available on the website of the Group (and, when publicizing the Policy, the Companies, when necessary provide the link to the document of the Group).

### **3. Concept of remuneration**

- 3.1. Remuneration in the Group consists of **Financial and non-financial** remuneration.

- 3.2. **The financial remuneration is:**

- 3.2.1. FRC;
- 3.2.2. VRC;
- 3.2.3. additional payment for overtime work, work on weekends and holidays or at night, and other allowances under the Labour Code;
- 3.2.4. PBM, to whom it is paid;
- 3.2.5. additional financial incentive under the internal legal acts that elaborate the Remuneration Policy can be paid for the exclusive performance of the Employees that exceeds the agreed objectives: for participating in initiatives not related to the job functions of the Employee, extraordinary results in implementing the strategic priorities of the Group, value behaviours, cooperation, value creation within the Group, in other cases where this is provided for in the Collective Agreements of the Companies of the Group. Additional financial incentive is awarded at the initiative and discretion of the employer, and is not a guaranteed part of the remuneration package.
- 3.2.6. Additional benefits (financial) which are aimed to promote employee motivation and loyalty, to help reconcile work and rest, to achieve better performance and to increase the attractiveness of the employer. The additional benefits granted to the Employees are described in detail in the Guidelines of Additional Benefits.

- 3.3. **Non-financial remuneration is:**

- 3.3.1. Additional benefits (non-financial) that are described in detail in the Guidelines of Additional Benefits;
- 3.3.2. Emotional remuneration that aims to promote employee satisfaction with the organization while maintaining an excellent reputation, transparency of operation, social responsibility, by opening opportunities for self-realization, career, etc.

### **4. Classification of posts**

- 4.1. The Map (Matrix) of the Levels of Posts, that is drawn up in the Group, and in which all posts of the Companies of the Group are divided into the levels of Posts, based on the objective Methodology for evaluating posts of external companies that carry out evaluations of remuneration, forms the basis of the Remuneration System.
- 4.2. The level of post is determined after having assessed the following criteria:
  - 4.2.1. knowledge – qualification, experience, expertise and education required for the post;
  - 4.2.2. problem solving – complexity of decisions taken, problems analysed by the post;
  - 4.2.3. responsibility – influence of the tasks carried out by the post on the performance of the Group.
- 4.3. Levels of the post are reviewed according to the need once the functions and responsibility of the post change. The review is organized by the People and Culture Department of UAB Ignitis grupė.
- 4.4. An external remuneration research company is used for the evaluation of posts, and/or the Committee for the Posts Evaluation, whose members are the certified employees of the Companies of the Group who are specially prepared for this purpose.
- 4.5. The Map of the Levels of Posts is approved by the Head of People and Culture Function of UAB Ignitis grupė and it is mandatory for all Companies of the Group.

## **5. Principles of determining the monetary remuneration strips**

- 5.1. A FRC of the Employees of the Group is limited by Remuneration strips (the minimum and maximum limit), that are determined for each level of the post.
- 5.2. Each year the Group participates in the remuneration market research. The Remuneration strips of the Group are formed taking into account the strips of the remuneration market, by taking the highest remuneration of the CEO of UAB Ignitis grupė determined by the Supervisory Board as the highest point of reference.
- 5.3. The Remuneration strip has the minimum (80%), middle (100%) and maximum (120%) monetary value.
- 5.4. The maximum Remuneration strips cannot be exceeded, except in exceptional cases where it is necessary to retain/hire an Employee of strategic importance to the Group activities.
- 5.5. The remuneration for the Expatriate employees working for the Group companies abroad is determined subject to the financial capabilities of the Company in which the Employee is employed by focusing on the median value of the market in which the Employee is employed. Such Employees may be subject to specific Additional benefits as set forth in the Guidelines of Additional Benefits.
- 5.6. The Remuneration strips of the Heads of the Companies and of the members of the Boards, who simultaneously hold the posts of the Managers of the Structural Units, and the amounts of PBM that apply to them are approved by the Supervisory Board. The Remuneration strips of other posts of the Companies of the Group are approved by the Board of UAB Ignitis grupė, and they are mandatory for all Companies of the Group.

## **6. Determining and review of a fixed remuneration component (FRC)**

- 6.1. A FRC of each employee depends on the level of his/her Post, the competences available to the employee, by evaluating how the Employee fulfils the requirements set for the post. A FRC may vary within the limits of the Remuneration strip, taking into account the Employee's experience, competence and performance. However, usually a FRC cannot exceed the maximum limit of the Remuneration strip.
- 6.2. A FRC of each employee is discussed at least once a year with the Line Manager during a separate discussion that is held after the annual discussions intended to evaluate the Employee performance. A FRC for the Employee can be reviewed depending on:
  - 6.2.1. of the Employee performance - taking into account:
    - 6.2.1.1. achievement of the objectives set for the Employee;
    - 6.2.1.2. compliance of the behaviours of the Employee with the values of the Group;
    - 6.2.1.3. the growth of the Employee competences that are set for his/her post ( a positive evaluation of all three criteria provided for in Clauses 6.2.1.1 through 6.2.1.3 is necessary (compliance with expectations));
  - 6.2.2. the remuneration budget approved in the Company.
- 6.3. During the non-annual review a FRC can be reviewed when, due to structural changes, the job functions of the Employee change, by assigning more functions and responsibilities, or when the Employee is transferred to a higher post.
- 6.4. The list of the PEIC Employees is drawn up on the annual basis according to the criteria set out in the Annex to this Policy. The adjusting remuneration coefficients are determined taking into account the country's remuneration market research of the respective posts or families of posts. The adjusting remuneration coefficients are approved by the Board of UAB Ignitis grupė together with the approval of the Remuneration strips, and they are mandatory for all Companies of the Group.

## **7. Determining a variable remuneration component (VRC)**

- 7.1. A VRC is paid for the Employee performance, i.e. for the achievement of the specific and measurable objectives or indicators determined for a specific post or Employee. The amount of a VRC is determined in percent of a FRC for the period for which a VRC is paid.
- 7.2. The following amounts of a FRC are determined:
  - 7.2.1. an amount of a VRC for the TLE, except for the Managers of Functional Areas working in UAB Ignitis grupės paslaugų centras (as defined in Corporate Governance Policy), is determined as 20 (twenty) percent of their FRC for the period for which a VRC is paid;
  - 7.2.2. an amount of a VRC for other employees is determined as 10 (ten) percent of their FRC for the period for which a VRC is paid.
- 7.3. A VRC is paid once a year, unless the Company has set the payment of a VRC to be made once a quarter.

## **8. Specialized remuneration systems**

- 8.1. In order to ensure the flexibility of the remuneration system and the necessary impact on the achievement of the strategic objectives, when necessary, separate remuneration systems are formed within the Group for the separate groups of the Employees that pursue the strategic objectives, which are subject to different rules for determining a FRC, a VRC and of additional incentive. The following specialized remuneration systems are operated within the Group:
  - 8.1.1. for the Sales posts (PP);
  - 8.1.2. for the posts of the wholesale specialists (WSS);
  - 8.1.3. for the posts of the Renewable Energy Development Project Managers (REM).
- 8.2. The principles of the specialized remuneration systems and the list of the Companies and posts, to which they apply, are set out in the Annex to this Remuneration Policy. The procedures of applying these systems may be approved in the Companies in accordance with the requirements of Clause 2.5.5 of the Remuneration Policy.

## **9. Final provisions**

- 9.1. The People and Culture Department of UAB Ignitis grupė is responsible for the supervision of the implementation of the Remuneration Policy.