THE INTEGRATED PLANNING AND MONITORING POLICY

PURPOSE	To regulate the Group's planning and monitoring system, which includes the establishment of planning and monitoring processes, the definition of the parties involved in the processes and their responsibilities, the establishment of deadlines and frequency for the preparation of key planning and monitoring documents, content requirements and recommendations, and management and supervision measures.
SCOPE OF APPLICATION	To all Group companies.

1. Terms and abbreviations used

1.1. The following terms or abbreviations are used in this Policy with the meanings specified:

Budget	A document containing short-term (1 year) profit (loss), balance sheet, cash flow forecasts, and investment plans.
Function and / or Functional area action plan	A document prepared as needed to implement the management of a function and / or functional area within the Group, which sets out the management / development objectives of the relevant function and/or functional area, measures, and whose main (strategic) actions are integrated into the EPSO-G, subsidiaries, lower tier subsidiaries business plans and/or annual employee targets.
Long-term financial plan (LFP)	A document covering profit (loss), balance sheet, cash flow forecasts, and investment plans for the strategy implementation period.
Annual Company objectives	A document setting out the most important objectives of the Company for the relevant year.
Risk management plan	A document specifying the additional measures planned to be applied in managing the risks faced by the Company. The document also specifies the persons responsible for the implementation of individual management measures, deadlines, and other information.
Strategy	A document covering the Company's mission, vision, strategic directions, objectives, analysis of environmental factors, and projected financial and other performance indicators over a long-term period of 5-10 years.
Stakeholders	The institution exercising the rights and obligations of EPSO-G shareholders is the Ministry of Energy of the Republic of Lithuania, while the functions of the state-owned enterprise management coordination center are performed by the Governance Coordination Centre (GCC), also the National Energy Regulatory Council and others.
Action Plan	A document setting out measures for the implementation of strategic objectives in the medium term (3 years).

The policy also uses terms as defined in Annex 1 to the EPSO-G Corporate Governance Policy, " List of Group level documents“.

2. Group Planning System

The Group Planning System consists of the following key planning documents:

2.1. Strategy;
2.2. Long-term financial plan (LFP);
2.3. Function and/or functional area activity plans (when prepared);
2.4. Action plan;
2.5. Annual objectives of the Company;
2.6 Budget;
2.7. Risk management plan.

Planning documents are prepared consistently and / or in parallel at the Group's companies.

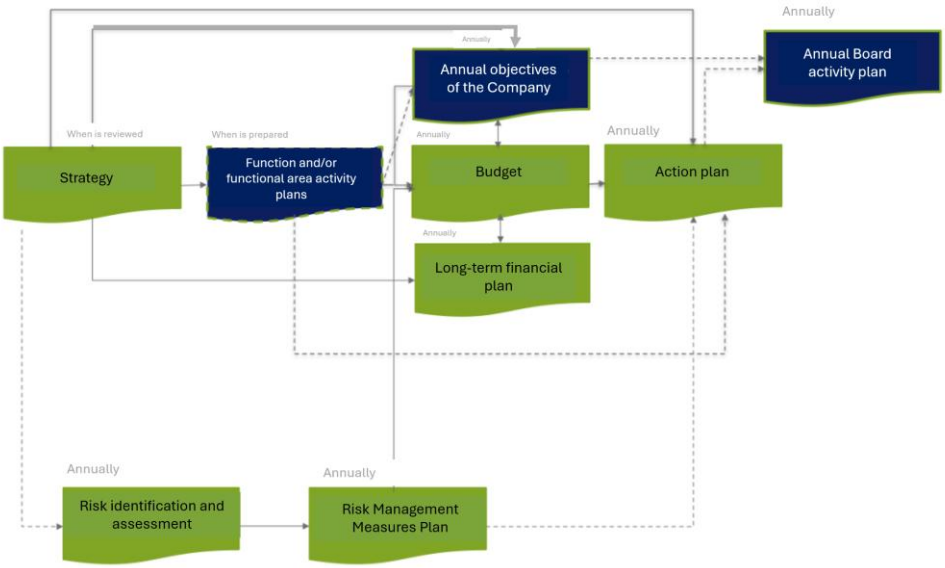
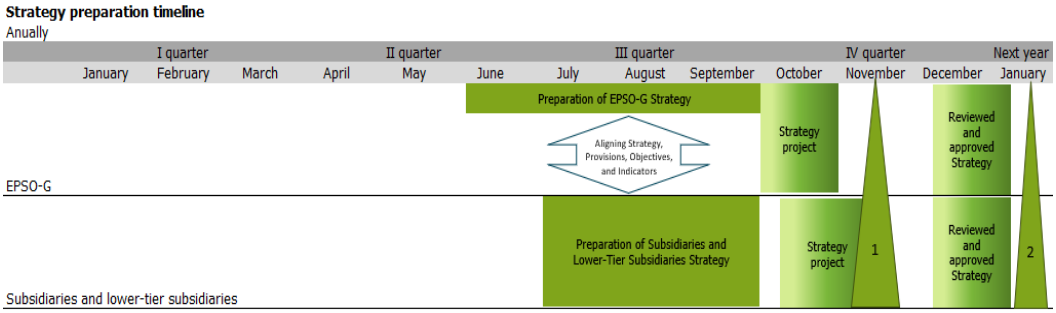


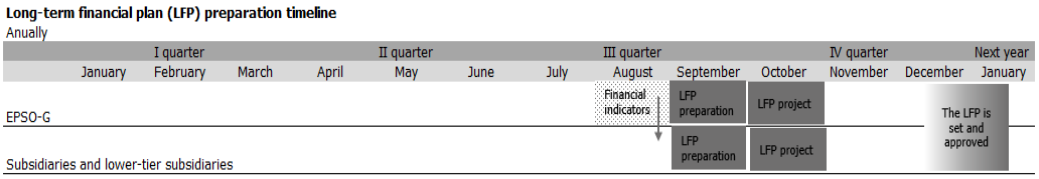
Figure 1. Order for preparing key business planning documents

- First, the Strategy is prepared / updated.
- Risk identification and assessment are carried out in parallel with the preparation / updating of the Strategy.
- After the Strategy has been prepared / updated / updated (or the main strategic directions have been set), the Function and / or Functional Area Activity Plans are updated, and the Company's Action Plan is prepared.
- In parallel with the preparation of the Action Plan, a Risk Management Plan is prepared in the Company.
- In parallel with the Risk Management Plan and the Action Plan, a draft of the Company's annual objectives, Budget, and LFP are prepared.
- Once the Budget and Annual Company objectives have been approved (i.e., once the actions and measures for the coming year have been finalized), other planning documents are reviewed and, if necessary, updated to ensure consistency of information across all documents.
- Considering the deadlines for the implementation of the measures set out in the Action Plan and the Annual Company objectives and the expected results, an annual board activity plan is prepared and approved by the board, which includes presentations and / or decision-making on issues within the competence of the board.

The head of the Group's planning and monitoring function specifies, in the Integrated Planning and Monitoring Procedure, the principles of consistency for the main operational planning documents referred to in point 2 of this policy, as well as requirements for content and review, deadlines, links with Stakeholders, and other aspects, taking into account the principles and requirements set out in this policy.

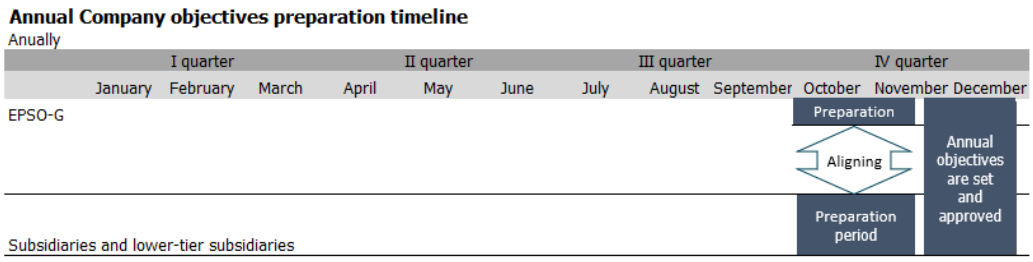
3. Key operational planning documents and monitoring of their implementation

Strategy:	
Period:	The Strategy is typically prepared for a period of 5 to 10 years. The periods of the group and company strategies coincide. However, in exceptional circumstances and with the agreement of EPSO-G, the period of the company strategy may differ from that of the group strategy.
Review:	The Group / Company Strategy may be updated annually. When initiating an update of the Group Strategy, an update of all Company Strategies is also initiated as necessary.
Basic timeline for Strategy development:	
Consistency:	The Group's values are the same for all Group companies. The Group ensures the consistency of the Group and Company strategies. All companies follow the strategic directions and objectives set out in the Group Strategy, adapting them to the specific nature of each company's activities, and contribute to the achievement of the strategic indicators identified in the Group Strategy to the extent agreed with EPSO-G.
Content:	The content of the Group and subsidiaries Strategies complies with the Strategic Planning and Strategic Management Guidelines prepared by the Ministry of Economy and Innovation of the Republic of Lithuania and other relevant GCC recommendations related to the preparation of strategies. The company's Strategy is considered equivalent to the GCC's term for a strategic action plan. Lower-tier subsidiaries and, in exceptional cases, subsidiaries may prepare a simplified content strategy-business plan, the scope of which is agreed separately with EPSO-G.
Monitoring:	The implementation of the Group and Company Strategies is monitored on a quarterly basis through the monitoring of the implementation of the Action Plan and strategic performance indicators. The annual report on the implementation of the Group Strategy, as well as the reports on the implementation of the strategies of the subsidiaries and lower-tier subsidiaries, are prepared after the end of the year. They are then submitted for approval to the EPSO-G and the Company's Board, respectively, at the meeting where the decision to convene the regular general meeting of shareholders is made. The form of the annual report on the implementation of the Strategy is determined by EPSO-G, taking into account the recommendations of the GCC.

Long-term financial plan:	
Period:	The LFP is part of the Strategy, and its period coincides with the period of the Strategy.
Review:	The LFP is updated annually.
Basic timeline for preparing the long-term financial plan:	
Compatibility:	EPSO-G provides guidelines for the preparation of financial indicators for the LFP to the subsidiaries and lower-tier subsidiaries
Content/process:	The main principles, form, and monitoring provisions of the long-term financial plan are set out in the Integrated Planning and Monitoring Procedure Description.

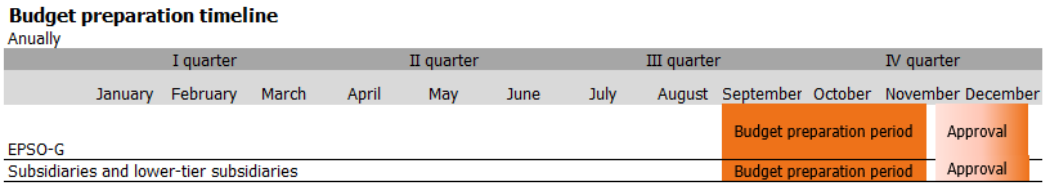
Function and/or Functional area activity plans:	
Content / process:	The period, content, review requirements, deadlines, links with stakeholders, and other aspects of the function and / or functional area activity plans are set out in the Integrated Planning and Monitoring Procedure Description.

Action plan:	
Content / process:	The period, content, review requirements, deadlines, links with stakeholders, and other aspects of the Action plans are set out in the Integrated Planning and Monitoring Procedure Description.

Annual Company objectives	
Period:	The Company's annual objectives are set for a period of one year.
Frequency:	The Company's annual objectives are set for each calendar year.
Basic timeline for setting the Company's annual objectives:	
Consistency and cascading of objectives:	In order to ensure the consistency of the Company's annual targets at the Group level and the smooth cascading of targets, EPSO-G's annual objectives are approved first. When approving the Group's objectives, the EPSO-G Board discusses and sets out

	guidelines/expectations for cascading, including additional topics or indicators to be reflected in the annual objectives of the Group's companies, and formulates recommendations for the boards of the Group's companies. The annual objectives of subsidiaries and lower-tier subsidiaries are formulated taking into account the Group's objectives relevant to the Company's activities in order to ensure or contribute to the achievement of the relevant Group objectives to the extent provided for in the Company's annual objectives. The Company's Annual objectives are cascaded down to the divisions and to the annual targets of employees. The heads of the Group's functions and / or functional areas coordinate the annual targets of the employees assigned to the subsidiaries and lower-tier subsidiaries functions in the relevant area before approving them.
Principles of setting objectives:	**The principle of alignment of objectives with the Group and Company Strategy**. Annual objectives are formulated by considering the Shareholder's Letter of Expectations and the Group and Company Strategies, focusing the targets on the achievement of the most important interim or final milestones and results for the relevant year. **The principle of integrity of the Group's and Companies' objectives.** When formulating annual objectives, the functions and responsibilities of EPSO-G, subsidiaries and lower-tier subsidiaries, as well as the type of proposed annual objective (individual, consolidated, or related to strategic projects and projects managed according to the self-governing team model) must be considered. The annual EPSO-G objectives reflect the Group's priority themes to ensure the implementation of the Group's strategy and are focused on activities that create value at the Group level. It is recommended that the EPSO-G and subsidiaries and lower-tier subsidiaries set identical objectives and key indicators related to the implementation of strategic projects, providing additional indicators in accordance with the functions and responsibilities of the respective Company, if necessary. In planning documents detailing the actions to ensure the achievement of project objectives (in the Action plans of the EPSO-G and the relevant subsidiaries or lower-tier subsidiaries), actions and indicators must be provided for taking into account the role of the EPSO-G and the relevant subsidiaries or lower-tier subsidiaries, respectively, in controlling or implementing the planned project objectives. When cascading the Companies' consolidated and other objectives not related to project implementation, the consistency of the wording of the objectives and indicators must be ensured to achieve an objective assessment of the objectives by the EPSO-G and the Company's boards. **Principle of proportionality of objectives.** The weight of a cascaded objective in the Company's objectives must not be less than in the EPSO-G objectives. In the case of an individual objective, the weight of a cascade objective in the Company's objectives must be at least 1/3 greater than in the Group's objectives. **Principle of smarter goals.** Objectives are formulated in such a way as to reflect continuous progress and value creation and to be Specific, Measurable, Achievable, Relevant, and Time-bound, as well as continuously Evaluated and regularly Reviewed (S.M.A.T.E.R). **Principle of continuity of objectives.** Depending on the nature of the project or measure, it is recommended that objectives and interim guidelines be formulated in a

	manner that ensures measures or projects lasting more than one year are implemented within the planned timeframe. When approving an objective for a given year, the board must be provided with a schedule of the most important milestones for the following years, outlining the critical path for implementing the measure or project. **Principle of significance of objectives.** To avoid fragmentation of objectives, it is desirable that no more than 5 annual objectives be set for the Company and that each individual indicator be given a weight of not less than 10%. **Principle of relevance of objectives.** Progress in achieving annual objectives is monitored at the end of each quarter, while annual objectives may be revised if circumstances change significantly. If the objective cannot be achieved by the set date or to the set extent for objective reasons, the Company's management may submit a reasonable proposal to the Board for consideration regarding the revision of interim guidelines or the modification or narrowing of the scope of the objective, as well as a reasoned proposal for the postponement of the deadline.

Budget:	
Period:	The budget is prepared for a period of one year.
Review:	The budget is prepared annually.
Principle Budget preparation timeline:	
Compatibility:	Subsidiaries and lower-tier subsidiaries Budgets are submitted to EPSO-G, which prepares a consolidated budget for monitoring purposes.
Budget preparation principles:	The main principles, form, deadlines, and monitoring provisions for Budget preparation are set out in the Integrated Planning and Monitoring Procedure Description.

Risk management plan:	
Content/process:	The principles for preparing the Company's Risk Management Plan are set out in the Group's Risk Management Policy and other related documents.