

 <b>LIETUVOS GELEŽINKELIAI</b>	Risk management and compliance
Compliance management policy	

APP APPROVED

by decision of the Board of AB Lietuvos geležinkeliai  
of May 21<sup>st</sup>, 2024 No. SPR-VL(LTG)-14/2024

## COMPLIANCE MANAGEMENT POLICY

 <b>LIETUVOS GELEŽINKELIAI</b>	Risk management and compliance
Compliance management policy	

## Contents

<b>1. Introduction.....</b>	<b>3</b>
<b>2. Definitions .....</b>	<b>3</b>
<b>3. General provisions .....</b>	<b>Error! Bookmark not defined.</b>
<b>4. Principles for ensuring compliance.....</b>	<b>4</b>
<b>5. Compliance management model, scope and key processes.....</b>	<b>5</b>
<b>6. Final provisions .....</b>	<b>8</b>

 <b>LIETUVOS GELEŽINKELIAI</b>	Risk management and compliance
Compliance management policy	

## 1. Introduction

- 1.1. The Compliance management policy (hereinafter the "Policy") sets out the LTG Company group's unified compliance management model, principles and responsibilities.
- 1.2. The Policy has been developed in accordance with the best practices of Compliance management, international standards for Compliance management (ISO 37301:2021) and in accordance with European Union and national legislation.
- 1.3. The implementation and application of the policy is defined in detailed internal regulations (methodologies and processes) approved by the LTG Director of Business resilience.
- 1.4. LTG Group's internal documents relating to Compliance Management shall not contradict the provisions of the Policy and shall be updated in accordance with the Policy as necessary.
- 1.5. Compliance management is a cyclical, autonomous activity that is independent from other functions. Business units, LTG corporate functions and/or activities or their managers shall not instruct or otherwise influence the Compliance manager or other employees centrally performing the Compliance function. The integration of the Compliance management function with other functions may be implemented, provided that it does not create a conflict of interest and does not undermine the effectiveness of Compliance management.
- 1.6. The policy is binding on all LTG Company group companies. LTG Company group companies registered and operating in jurisdictions other than the Republic of Lithuania shall implement the Policy by adopting and applying independent methodologies. Compliance in LTG Company group companies operating outside Lithuania may be ensured through the use of consultants from the relevant country.
- 1.7. With respect to an LTG group company acting as a public railway infrastructure manager, the provisions of this Policy shall apply and be applied to the extent that they do not conflict with the principles of autonomy, independence, financial transparency, prohibition of cross-subsidisation of activities or other operating conditions of the public railway infrastructure manager as regulated by law.

## 2. Definitions

2.1. The following terms and abbreviations are used in this Policy:

Concept / Abbreviation	Definition / Explanation
<b>AB "Lietuvos geležinkeliai" Company group (LTG Company group)</b>	A group of companies consisting of LTG and legal entities under direct or indirect control of LTG
<b>Compliance</b>	The set of legal and organisational measures in place within the LTG Company group to ensure that the LTG Company group's activities comply with the requirements of national and European Union legislation, i.e. external legislation
<b>Compliance manager</b>	Risk management and compliance employee responsible for organising and monitoring compliance
<b>LTG</b>	AB „Lietuvos geležinkeliai“


 <b>LIETUVOS GELEŽINKELIAI</b>	Risk management and compliance
Compliance management policy	

Concept / Abbreviation	Definition / Explanation
<b>LTG strategy</b>	A business planning document defining the overall direction of development of the LTG Group, setting out performance objectives and deliverables for a period of at least 5 years
<b>Non-compliance</b>	An act or omission that violates or threatens to violate the Requirements, which may result in disruption of the Business unit's or LTG's corporate functions and/or activities, adverse effects on the health and safety of employees or on the environment, adverse financial consequences, Reputational risk, or damage to the LTG Company group and/or the Business unit
<b>Regulatory level</b>	Regulation of the corporate functions and/or processes of Business units and LTG is based on a specific institutional level
<b>Requirements</b>	External, i.e. national and European Union legislation regulating Business process activities at each of the Regulatory levels
<b>Reputational risk</b>	Negative public perception, which the LTG Company group and/or Business unit may encounter due to the LTG, Business unit violation of Requirements and/or the activities of the LTG and/or Business unit.
<b>Business unit</b>	A company belonging to the AB "Lietuvos geležinkeliai" group of companies, except LTG
<b>Business process</b>	The LTG corporate function and/or activity or Business unit process to which the identified Requirements apply
<b>Business process manager</b>	Employee responsible for Compliance with identified Business Process Requirements

### 3. General provisions

- 3.1. The **purpose of Compliance Management** is to consistently apply processes based on common principles across the LTG Company Group that enable a rapid and thorough assessment of compliance with the Requirements and to prevent Non-compliance risks.
- 3.2. **Compliance management objectives:**
  - 3.2.1. Establish and ensure an effective Compliance management mechanism that contributes to strengthening business resilience and other LTG Company group strategic objectives
  - 3.2.2. In a changing organisational environment, maintain the integrity and implementation of Compliance management processes across all LTG Company group companies;
  - 3.2.3. Increase the level of Compliance management maturity in the organisation by fostering a culture of Compliance management, encouraging greater employee and manager involvement and ownership, promoting compliance with the Requirements and the prevention of Non-compliances, and ensuring that Non-compliances are identified in a timely manner and managed effectively.

### 4. Principles for ensuring compliance

 <b>LIETUVOS GELEŽINKELIAI</b>	Risk management and compliance
Compliance management policy	

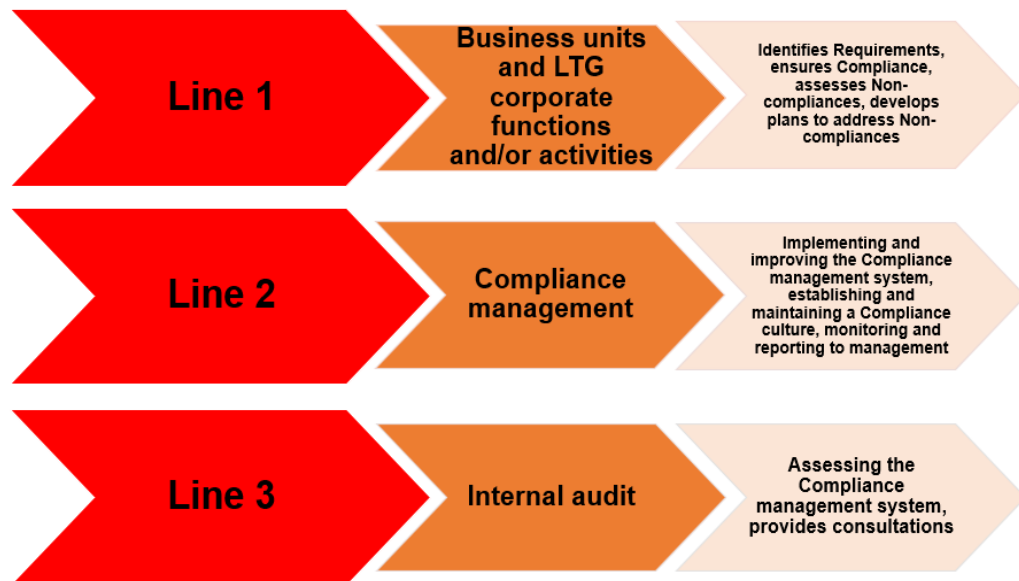
- 4.1. Compliance management in the LTG Company Group is based on the following principles:
- 4.1.1. **Accountability** - compliance of functions and actions is ensured by every LTG Company group employee in their day-to-day activities;
- 4.1.2. **Consistency** - Compliance management is a complex, ongoing and integral part of all LTG Company group processes and must be carried out on a continuous basis;
- 4.1.3. **Integrity principle** - Compliance management is a unified part of the day-to-day operations, related to the risk management and internal audit functions, and is inseparable from other processes in place in the Business units and LTG's corporate functions and/or activities, and is based on the LTG Company group's operational policies and other documents governing internal processes and the LTG Company group values;
- 4.1.4. **Risk-based approach** - Compliance management is organised in such a way that the resources allocated to ensure Compliance in a particular Business process are adequate to the arising Non-compliances and are directed towards their prevention and/or elimination;
- 4.1.5. **Principle of legality, fairness and transparency** - in order to improve Compliance management, information on Non-compliances and the reasons for their occurrence is continuously monitored, collected and disclosed to all participants in the Compliance management processes, in accordance with their respective functions.

## 5. Compliance management model, scope and key processes

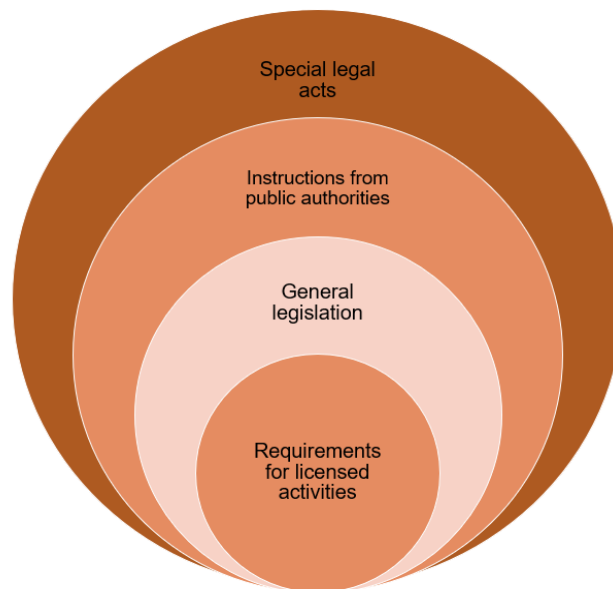
### 5.1. Compliance management model and scope

- 5.1.1. The LTG Company group develops and implements a semi-centralised and standardised Compliance management model, ensuring compliance uniformly at all Regulatory levels in a specific Business process, function or other level.
- 5.1.2. The Compliance management system ensures compliance with the Requirements, as well as the identification and management of Non-compliances arising in the course of business and which may have a direct negative impact on the achievement of the objectives of the LTG's operational strategy. In the LTG Company group, compliance management responsibilities are allocated according to the Three Lines Model. (Figure 1), which implies that:
- In Line 1, Compliance management activities are carried out by managers and employees of Business units and LTG corporate functions and/or activities, who identify Requirements for Business processes, ensure Compliance, assess and manage Non-compliances, and develop plans for their resolution. The Managers of LTG Company group companies and LTG corporate functions/activities are responsible for the proper functioning of Line 1.
  - In Line 2, the Compliance management activities are performed by the Compliance management function, which develops and improves the overall system, performs coordination and control activities, provides consultation and education on methodological and expert Compliance management issues to Business units and LTG corporate functions and/or activities operating at the 1st level of Compliance management, develops and maintains the Compliance culture in the LTG Company group companies, and prepares the Compliance management reports for the top management;
  - Line 3 is run by LTG Internal audit, which carries out an independent assessment of the effectiveness of Levels 1 and 2 of the Compliance management System, and provides comments and recommendations for improvements to the Compliance management system.

<b>LTG</b> <b>LIETUVOS GELEŽINKELIAI</b>	Risk management and compliance
Compliance management policy	



5.1.3. Compliance management within the LTG Group is carried out by ensuring the Requirements at the following Regulatory levels:



5.1.4. Regulatory levels include the following official documents of legal significance:

- Special legislation refers to national and European Union legislation that individually regulates the activities of LTG, Business units, Corporate functions and/or activities, e.g. Railway Transport Code of the Republic of Lithuania;
- Instructions from public authorities - resolutions, instructions, orders, etc. issued by controlling or other public authorities (e.g. ministries, the government);
- General legislation - general operational requirements applicable to the LTG Group, e.g. Labour Code of the Republic of Lithuania, Law on Occupational Safety and Health of the Republic of Lithuania;

 <b>LIETUVOS GELEŽINKELIAI</b>	Risk management and compliance
Compliance management policy	

- Requirements for licensed activities - the conditions and procedures laid down by law for the licensed activities of a Business unit (e.g. carriage of passengers and freight by rail).

## 5.2. Compliance management processes

5.2.1. The Compliance management system consists of the following main groups of processes, which form the Compliance culture and consist of individual processes:



### 5.2.1.1. Assigning responsibilities to staff:

- Business units and LTG corporate functions and/or activities appoint Business process managers;
- Internal documents (employee job descriptions, management decisions or other clearly understood form of document) shall set out the responsibilities and roles of the Business process managers for the implementation of the Requirements and for the assurance of Compliance.


### 5.2.1.2. Identifying and monitoring changes in Requirements:

- Business process managers shall identify the Requirements applicable to the Business process at each of the Regulatory levels with sufficient precision;
- Business process managers shall provide the Compliance manager with a list of the Requirements assigned to the Business process and inform him of changes to the list and shall monitor new Requirements and changes to existing Requirements.

### 5.2.1.3. Compliance monitoring:

- Business process managers initiate and develop, update and improve policies, methodologies, procedures and other internal documents implementing the Requirements;
- The Compliance Manager monitors compliance with the Requirements across Business units and LTG corporate functions and/or activities and assesses the status of Compliance (Compliant / Partially compliant / Non-compliant).

### 5.2.1.4. Identifying and managing Non-compliances:

 <b>LIETUVOS GELEŽINKELIAI</b>	Risk management and compliance
Compliance management policy	

- Under the coordination of the Compliance manager, the Business process managers shall identify Non-compliances or risks of Non-compliances in Business units and LTG corporate functions and/or activities, analyse their possible causes and consequences, and ensure that the identified Non-compliances are resolved/corrected in a timely and appropriate manner;
- Business process managers shall, in accordance with the procedures set out in the Compliance management methodology and process standards, develop and submit to the Compliance manager Non-conformity management plans for Business units and LTG Corporate functions and/or activities, which shall specify the specific measures to be taken to manage the identified Non-conformities, the personnel implementing them and the timelines for implementation;
- The Compliance manager shall monitor the actions taken in Business units and LTG corporate functions and/or activities on the implementation of Non-compliance management and assess the state of Compliance.

5.2.1.5. **Accountability for Compliance management activities:**

- The Compliance manager reports regularly to the LTG and Business unit management boards in accordance with the Compliance management methodology and Process standards.

## 6. Final provisions

- 6.1. The Policy and its amendments are approved by the LTG Board.
- 6.2. The review and updating of the Policy is initiated and coordinated by the Risk and Compliance Management function.
- 6.3. The Policy shall be reviewed at least once a year in the event of material changes to LTG's long-term strategy, changes in the LTG Group's organisational management structure, operational functions, or changes in the requirements of applicable legislation.
- 6.4. The Policy shall apply to the extent that it does not conflict with applicable law.