	Strategy and Operational Efficiency of AB LIETUVOS GELEŽINKELIAI
Sustainability Policy	No P/FN5.4/LG/1 Version 01

APPROVED by:
*the decision of the Board of AB "Lietuvos
geležinkeliai" of 29 April 2022
protocol No. SPR-VL(LTG)-10/2022*

SUSTAINABILITY POLICY



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1. INTRODUCTION

1.1. The global transport system and supply chains are undergoing major changes due to a rapidly changing demographic, social, macroeconomic, and geopolitical environment. The goal to become the world's first carbon-neutral continent by 2050 is of paramount importance for the European Commission, which requires major changes in the transport sector in aiming to become more environmentally neutral and fully sustainable. Rail is the transport of the future, and its importance in Europe will only increase with the changing concept of mobility, with the fossil fuel era ending and giving way to clean electric traction and other renewable energy sources. Fostering sustainable practices will help organisations to create a competitive advantage in the transport sector and will encourage different stakeholders to choose more sustainable transport modes. For these reasons, the corporate group of AB Lietuvos Geležinkeliai (hereinafter: LTG Group), the backbone of whose activities is formed from a number of areas, such as environmental protection, social partnership, responsible governance, economic progress and generating benefits for the State, aims to pro-actively contribute to building a more sustainable future.

1.2. The Sustainability Policy of the public limited liability company Lietuvos Geležinkeliai (hereinafter: the Sustainability Policy) is a document which aims to set out the goals and targets of LTG Group's sustainability activities, sustainability principles and priorities, and the management model, as well as to define the key activities related to sustainability and a procedure for their performance. This Policy provides the priorities for the relevant areas of sustainability where LTG Group causes the greatest impact on the environment and seeks to create the greatest value.

1.3. The implementation of the priorities and principles of sustainability activities as embedded in the Policy provisions may be also elaborated in other internal regulations of the companies within LTG Group.

1.4. The Sustainability Policy applies to the entire LTG Group to ensure a common understanding of sustainability and to develop a sustainable culture.

1.5. All employees of LTG Group shall read this Sustainability Policy and observe it in their professional activity.

1.6. The goals of the Sustainability Policy are directly linked to the Strategy of LTG Group.


1.7. Considering a significant contribution and impact of LTG Group's activities at national level, the Sustainability Policy seeks to contribute not only to sustainable organisation of LTG Group's activities, but also to the country's progress on sustainability issues.

1.8. With regard to a company within LTG Group responsible for performing the functions of public railway infrastructure manager the provisions of this Policy are effective and apply in so far as they are not contrary to the legislation which sets out the requirements for impartiality of the management and financial transparency of the infrastructure manager, allocation of public railway infrastructure capacity, as well as the requirements for calculation and payment of the charge for the minimum access package.


2. TERMS

2.1. The terms and abbreviations used in this Policy.

Term	Definition
Corporate Group of AB Lietuvos Geležinkeliai (LTG Group)	A group of companies consisting of LTG and legal entities under direct or indirect control of LTG: AB LTG Cargo, UAB LTG Link, AB LTG Infra, UAB Geležinkelio Tiesimo Centras, as well as other legal entities in which LTG is a participant.

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Term	Definition
RES	Renewable energy sources.
ESG	The environmental, social and governance dimensions of sustainability.
Sustainable Development Goals, SDGs	The United Nations adopted the global goals to be completed by the year 2030. The Agenda lays out 17 Sustainable Development Goals (SDGs) to address peace, prosperity and comprehensive well-being for the planet and humankind, now and into the future, and calls for building partnerships to implement them.
Sustainability	General concepts to define a mode of development based on a balance of environmental prosperity, social well-being and economic growth. The concept encompasses the principles of sustainable development and use of scarce resources to meet the needs of the present without compromising the ability of future generations to meet their own needs.
Communication from the Commission concerning Corporate Social Responsibility	Communication from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 25 October 2011 'A renewed EU Strategy on Corporate Social Responsibility (CSR) 2011-2014', which seeks to present a modern understanding of corporate social responsibility.
Corporate function	LTG Group's activities at executive level (key functions, corporate functions, and internal audit).
LTG	AB Lietuvos Geležinkeliai.
Board of LTG	The Board of AB Lietuvos Geležinkeliai.
Paris Agreement	Paris Agreement on climate change ((ES) 2016/1841, ratified on October 5 th , 2016) – an agreement of countries to strengthen the global response to the threat of climate change. It aims to limit the increase in the global average temperature and pursuing efforts to limit global temperature rise to 1.5°C.
Whistleblowing Hotline	Communication channels to report cases that may be potentially fraudulent, corrupt, or otherwise criminal within LTG Group. The Whistleblowing Hotline is administered by LTG Business Security.
Policy	A document containing the guidelines for corporate governance, principles, long- and short-term goals set in the context of the strategy of LTG or Business Unit, regulatory framework norms, business model and the standards governing the management systems of LTG Group.

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Term	Definition
Stakeholders	Parties who favourably or adversely affect or are affected by business activities of LTG Group. The core stakeholders of LTG Group are employees, customers, society and communities, shareholders, business partners and suppliers, government representatives, the Board, the media, international organisations, creditors, etc.
Target	A long-, medium- or short-term objective outlined in planning documents, indicating the expected result to be achieved throughout the implementation of the planning document.
Transformation portfolio	Strategic projects designed to address long- and short-term strategic goals and objectives of LTG Group, including aspects such as operational excellence, passenger / freight transportation, business development, digitalisation, financial stability, and corporate governance.
Activities	A set of processes that further define the scope of a unit and corporate function.
Business unit	A company which is a member of the Corporate Group of AB Lietuvos Geležinkeliai.
Green Paper	The European Commission's Corporate Governance Framework covering the corporate social responsibility and outlining the core issues on good corporate governance in the EU.
Green Deal	The initiatives set out by the European Commission in its Communication (COM/2019/640, 11.12.2019) with the overarching aim of making the European Union (EU) climate neutral in 2050.

3. GENERAL PROVISIONS

3.1. Mission and vision of sustainability activities

3.1.1. The mission is to ensure compliance with the sustainability principles and values making decisions in LTG Group.

3.1.2. The vision is the future of LTG Group based on sustainability culture.

3.2. Long- and short-term sustainability goals



3.2.1. Long-term goal of sustainability activities:

3.2.1.1. Build a sustainability culture and practices of LTG Group facilitating to create and implement the long-term strategy of LTG Group and enhance attractiveness of LTG Group for all the stakeholders.

3.2.2. Short-term goals of sustainability management:

3.2.2.1. Develop and enforce a sustainability management model of LTG Group to ensure the implementation of activities in the priority areas of sustainability, in line with best sustainability practices and standards, as well as the European Union and Lithuanian legislation;

3.2.2.2. Implement the sustainability priorities outlined in the Sustainability Policy at the level

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of LTG Group and integrate them into the Strategy of LTG Group and other documents of LTG Group;

3.2.2.3. Establish a monitoring and reporting framework for sustainability performance indicators and submit annual sustainability report based on this framework as well as best practices and standards;

3.2.2.4. Assess periodically the impact of LTG Group on environmental, economic, and social factors through conducting a materiality analysis and, if necessary, prepare an update of the priorities for sustainability activities, taking account of the expectations of all stakeholders and the latest available scientific information.

3.2.2.5. Contribute to building the reputation of LTG Group as a fully sustainable organisation through the use and consistent implementation of the sustainability principles and priorities. Also ensure that the principles of operating sustainability are reflected in when developing and updating of the functional strategies of LTG Group (e.g., such as Communications, Security (Environmental, Cyber Security, etc.) and HR strategies) as well as other relevant documents.

3.2.2.6. Conduct a stakeholder management plan and communicate the importance of sustainability principles inside and outside LTG Group.

3.2.2.7. Increase the sustainability related competencies of employees and their involvement in sustainability-related activities.

4. PRINCIPLES OF SUSTAINABILITY ACTIVITIES

4.1. The Sustainability Policy is based on the operating principles set out in the United Nations Global Compact, the resolutions of the Paris Agreement, the provisions of the European Union's strategic documents (the Communication from the Commission concerning Corporate Social Responsibility, the Green Paper), and the recommendations from the Governance Coordination Centre established by the Government of the Republic of Lithuania to ensure the implementation of the International Labour Organisation Declaration of Fundamental Principles and Rights at Work and the good governance principles of state-owned enterprises, as well as on other recommendations on sustainability.

4.2. In its activities LTG Group takes account of the environmental, social, governance and economic aspects to achieve sustainable value creation, which is realised by striking a balance between financial and non-financial returns and in view of the needs of Stakeholders.



4.3. LTG Group seeks an open and active cooperation, based on mutual communication, trust and integrity, with all Stakeholders who have also set sustainability standards and adhere to the principles of sustainability in their activities. In its cooperation with the Stakeholders LTG Group tries to take account of their expectations and suggestions for sustainable development and is guided by the values adopted by the Group.

4.4. LTG Group commits to a regular review of LTG Group's environmental, economic, and social impacts and priorities, taking account of stakeholder expectations and the latest available scientific information. Moreover, based on good practices and recommendations, LTG Group is committed to regularly improve its performance and compliance with sustainability standards.

4.5. **The key principles of implementation of sustainability activities within LTG Group:**

4.5.1. **Initiative.** The need to adapt to rapidly changing circumstances is recognised, therefore priorities, initiatives, and projects in sustainability are continuously identified and/or updated, taking account of the priorities set out in the Policy, in order to ensure a continued and sustainable growth of LTG Group.

4.5.2. **Promotion of engagement.** All initiatives and actions to address the sustainability

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priorities aim to involve the necessary external and internal stakeholders and seek their active participation.

4.5.3. **Timely implementation.** Adequate and necessary resources are allocated, and the attention of all stakeholders is ensured for the implementation of sustainability activities, within the scope of both the Transformation Portfolio and other projects or activity areas at the level of LTG Group companies.

4.5.4. **Regular monitoring and improvement.** Continuous monitoring of the implementation of sustainability activities is performed and ways to improve sustainability performance are continuously sought. Business partners and suppliers are monitored for compliance with sustainability principles.

4.5.5. **Responsibility and accountability.** To ensure the implementation of and accountability for the sustainability priorities and related targets, based on the Sustainability Management Model, periodic reports on sustainability action and/or progress are provided in a timely manner to the stakeholders, describing LTG Group's sustainability performance results, ongoing initiatives, action plans and progress on sustainability.

4.5.6. **Transparency and public communication.** Data and information on LTG Group's progress on sustainability is publicly disclosed in accordance with globally recognised standards and in formats and ways designed for a broad range of stakeholders both inside and outside LTG Group.

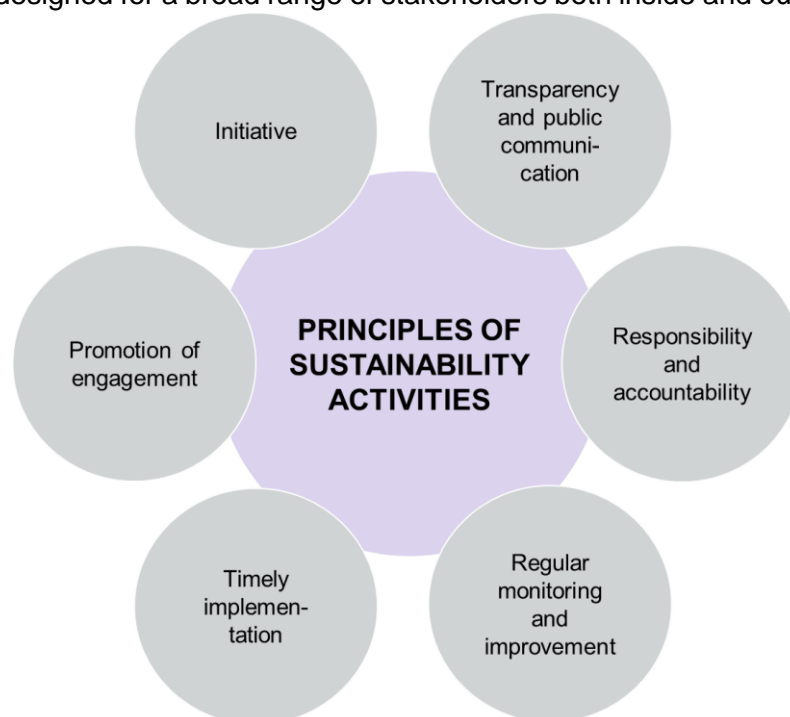



Figure 1. The principles of sustainability activities within LTG Group.

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5. SUSTAINABILITY PRIORITIES

5.1. In this document LTG Group outlines its priorities for each area of ESG to ensure sustainable business activities of LTG Group and to minimise their negative impact on the environment, and therefore concentrates its efforts in the areas where it may have the greatest impact and where actions allow achieving the best results in a resource efficient manner.

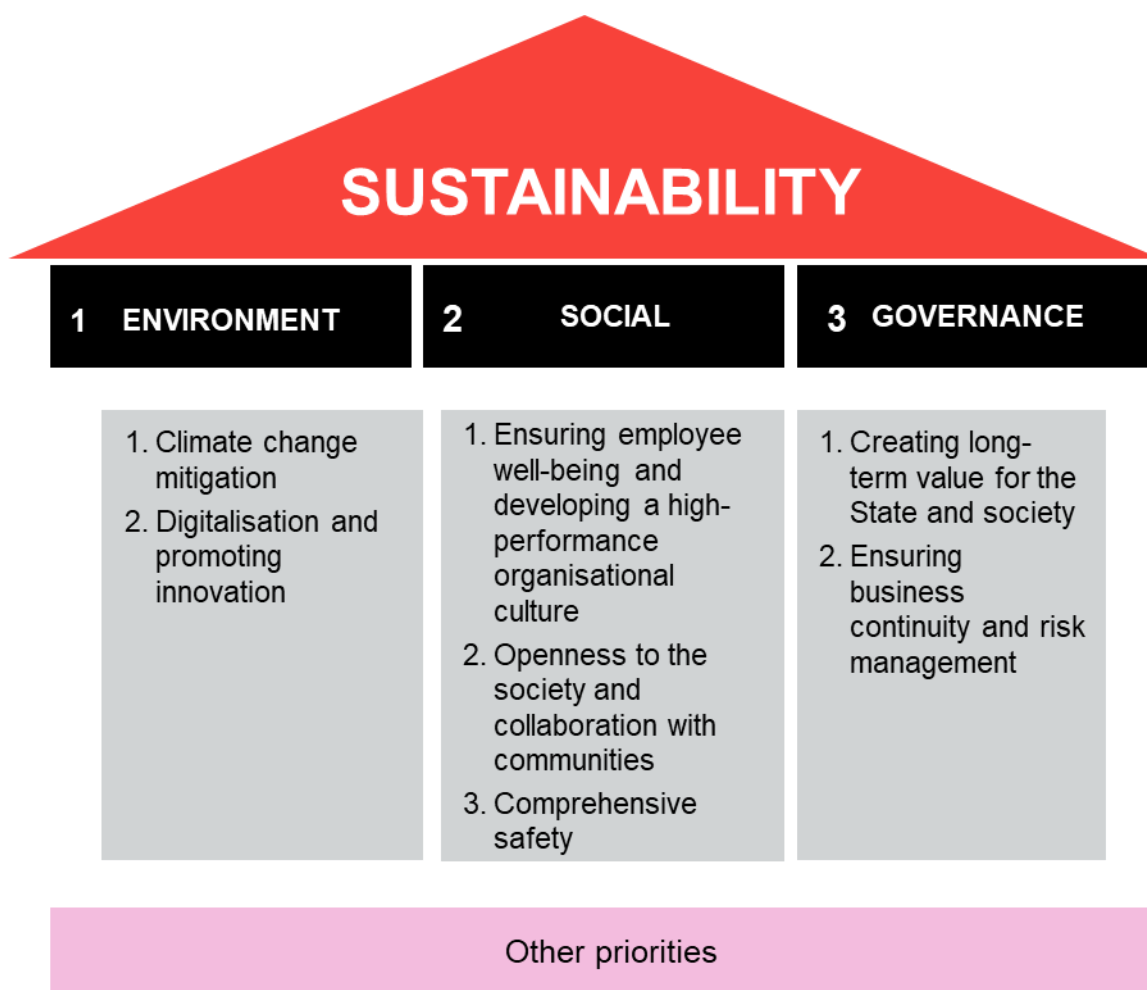




Figure 2. Sustainability priorities of LTG Group

5.2. Through implementation of its strategic goals and sustainability management priorities, LTG Group aims to make a direct contribution to the Sustainable Development Goals (hereinafter: SDGs), with particular emphasis on the priorities of good health and well-being, decent work and economic growth, industry, innovation and infrastructure, sustainable cities and communities, responsible consumption and production, and climate change mitigation. In addition, other activities and priorities of LTG Group aim to contribute to the implementation of SDGs such as clean water and sanitation, affordable and clean energy and life on land.

5.3. LTG Group contributes to the implementation of the European Green Deal and the Paris Agreement by committing to reduce CO₂ emissions to net-zero by the year 2050. In aiming to progressively reduce CO₂ and particulate matter emissions, the target is set to reduce overall CO₂

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emissions from rail transport by 30% by 2030 and to reduce specific CO₂ emissions from freight and passenger transport by 50% compared to 2005.

5.3.1. LTG Group is committed to the Global Compact principles in the areas of human rights, labour, the elimination of discrimination, environment, the development of environmentally friendly technologies and anti-corruption.

5.4. **Environmental priorities:**

5.4.1. **Reducing the climate impact** is one of the essential priorities that LTG Group seeks to fulfil by way of demonstrating environmental leadership. Reducing CO₂ emissions, increasing energy efficiency and the use of energy from renewable energy sources (hereinafter: RES), as well as developing a circular economy are the key business objectives in managing the drivers of climate change. The aim is to gradually reduce energy consumption across LTG Group, particularly in freight and passenger transport, by introducing more energy-efficient and greener solutions. It is also aimed to maximise the share of energy consumption coming from RES and to promote the transition to RES in heat generation. In addition, to mitigate the impact of climate change, the aim is to adapt and offer infrastructure and other measures to make the most efficient use of the advantages offered by intermodality, while the stakeholders are encouraged to choose more sustainable modes of transport, in particular rail transport.



5.4.2. **Digitalisation and promoting innovation** Ongoing digital transformation across LTG Group, which allows for a more efficient use of LTG Group's resources, reduces waste and emissions and contributes directly to protecting the environment and reducing pollution. Digitalisation also provides a broader opportunity to enter new areas of activity, to increase and diversify revenue streams, and makes a significant contribution to improving productivity and efficiency. The aim is to ensure seamless service delivery, essential business processes and staff competences, and to enable the development of an innovation ecosystem, particularly in terms of environmental protection and circular economy. A systematic approach is taken to implementing the digital transformation across LTG Group, following global best practice and allowing for testing innovative solutions in business activities of LTG Group.

5.4.3. LTG Group pursues other environmental objectives and/or priorities, such as ensuring ambient air quality, reducing noise and vibration from the operation of railways, waste management, water protection and wastewater treatment, biodiversity conservation and management of contaminated sites, which are set out in the Environmental Strategy of LTG Group, as well as other action plans and documents.

5.5. **Social priorities:**

5.5.1. **Ensuring employee well-being and developing a high-performance organisational culture.** Particular attention is paid to ensuring the well-being and functional competences of employees, as well as to developing human capital and encouraging employees to get involved in the activities carried out by LTG Group. The aim is to develop an effective social dialogue with employees and to create more comfortable working conditions by introducing advanced technological solutions and providing employees with necessary tools and benefits. Leadership is encouraged among employees and managers and the importance of digital competences is actively promoted for both current and potential employees through educational initiatives in cooperation with social and educational partners. A high-performance organisational culture is shaped and supported, the aim is to create LTG Group's values-based behaviour of employees in day-to-day activities, to increase employee engagement and loyalty, and to develop integrity and respect for people.

5.5.2. **Openness to the society and collaboration with communities.** LTG Group considers it a high priority to proactively and timely inform and involve communities and public

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interest groups in the activities of LTG Group, sustainability, transparency, and other initiatives, as well as implementing the legitimate expectations of communities. LTG Group undertakes to periodically educate and inform the public about rail and sustainable transport activities, ongoing and future projects, and actively develops a mutual dialogue. Accountability in all its forms to all Stakeholders is continuously strengthened, with the aim to publish all relevant information in the most appropriate ways and formats, based on a culture of openness and transparency within the company.


5.5.3. Comprehensive safety. The aim is to eliminate accidents in the activities of LTG Group by means of applying sustainable, digitisation and other appropriate and quality measures, as well as organising training programmes. The aim is to preserve functional capacity, health and life of workers at work and to protect workers from actual or potential occupational and personal data protection risks. Priority is given to ensuring traffic safety so that railway users and passengers, as well as infrastructure, rolling stock, freight and luggage, are protected from railway accidents, unauthorised acts of other persons and related consequences; due to that a centralised safety management is in place, audits of elements of the management system and traffic safety inspections are carried out, as well as other measures that meet the highest standards are applied. The protection of objects of importance to ensuring national security and timely identification and management of risk factors that may pose a threat are considered to be an important part of comprehensive security. Therefore, LTG Group aims to ensure transparency of transactions and their conformity to the national security interests, to responsibly manage the critical information systems, to ensure data security through information dissemination and educational, organisational and technical measures to prevent cyber incidents, to ensure business and to implement other innovative and quality measures required by law.

5.5.4. LTG Group pursues other objectives and/or priorities in the social field, such as equal opportunities, workforce diversity, non-discrimination and human rights, protection of LTG Group's assets, as outlined in the LTG HR Strategy, Safety Management Policy, Employee Personal Data Protection Policy, LTG Employee Principles, as well as in action plans and other documents.

5.5.5. LTG Group employees are encouraged not to tolerate misconduct or failure to perform the duties by colleagues and other persons, discrimination, harassment, unlawful acts, especially of a corrupt or other nature indicating criminal offence. Employees are also encouraged to follow the ethical principles and standards set out in the Code of Employee Ethics, to refrain from following unlawful instructions and to report them via Whistleblowing Hotline of LTG Group.

5.6. Governance priorities:

5.6.1. Creating long-term value for the State and society LTG Group aims to be a competitive and growing group which generates sustainable returns for the shareholder and creates long-term value for the society. LTG Group's investments are focused on long-term value creation, sustainable borrowing for strategic projects and the aim is to ensure adequate financial resources, financial ratios required for the lowest cost of borrowing, and stable financing for the ongoing implementation of long-term projects. The aim is to obtain a high investment-grade credit rating, which would contribute to ensuring better conditions of financing the operations. The organisation also uses other financial resources responsibly, including from the EU and other international donors, through the implementation of its strategic commitments and reducing the risk of failure to implement them. Moreover, LTG Group also focuses on the creation of socio-economic value for society: in line with the principles of sustainability, measures are consistently put in place to promote sustainable mobility for citizens, to increase convenience and to encourage the use of more sustainable means of transport, with a continuous effort to minimise the negative impact on environment and society, and to contribute to an increase in the public good and strengthening citizenship.

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5.6.2. **Ensuring business continuity and risk management.** The Group places particular emphasis on the preventive and timely identification and management of risks, and this leads to introducing a unified and standardised risk management framework and processes that are integrated into the core activities and decision-making. The importance of LTG Group's operations to the State and society is understood, therefore complex mechanisms for business continuity (business continuity plans, exercises, testing, etc.) are designed and applied to ensure uninterrupted operations. The focus is put on the organisation-wide capacity to apply risk management practices and good practices are shared with other organisations.

5.6.3. LTG Group also aims to implement other governance activities and objectives, such as ensuring good governance and effective corporate governance, zero tolerance to corruption, fostering transparency, regulatory framework for state-owned enterprises, and fostering a governance structure and remuneration system that is in line with good governance practices, as set out in the Corporate Governance Policy, the Remuneration Policy of Executive-Level Management, the Anti-corruption Policy, the strategies, action plans and other documents.

6. SUSTAINABILITY MODEL

6.1. To ensure the implementation of sustainability priorities and activities LTG Group has adopted a coordination model that defines clear responsibilities and allows decentralisation of activities implemented at the level of corporate functions, structural units and business units.

6.2. Specific policies, strategies and/or action plans are developed in different areas of sustainability, as appropriate. The relevant unit is responsible for the preparation of these documents, while the function of Strategy and Operational Efficiency coordinates the integration of these documents into the Sustainability Policy and/or the Strategy of LTG Group.

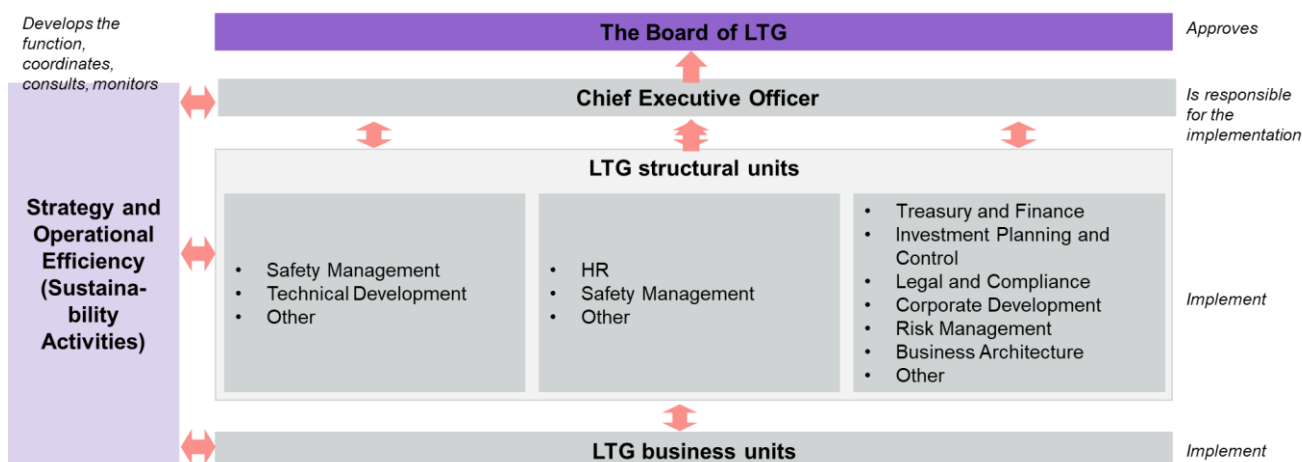


Figure 3. The scheme for LTG Group's sustainability governance model

6.3. The Board of LTG, CEO, structural units and LTG Business Units and the Strategy and Operational Efficiency function take part in sustainability activities.



6.3.1. The Board of LTG:

6.3.1.1. Approves the Sustainability Policy as well as changes thereof;

6.3.1.2. Approves an annual sustainability report;

6.3.1.3. Considers and makes recommendations on the implementation of sustainability priorities, activities, and initiatives as a part of LTG Strategy implementation.

6.3.2. The Chief Executive Officer:

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6.3.2.1. Approves sustainability objectives, activities and initiatives;

6.3.2.2. Together with HR-L1 managers and HR-L2 managers, directly reporting to LTG CEO, is responsible for the implementation of sustainability priorities, objectives, activities, and initiatives.

6.3.3. LTG Structural units and Business Units:

6.3.3.1. Propose and include sustainability goals into strategies, action plans and other relevant documents of the structural units and business units;

6.3.3.2. Implement sustainability initiatives, projects and goals, report and provide data on their implementation.

6.3.4. Strategy and Operational Efficiency (Sustainability Activities) function:

6.3.4.1. Is responsible for the development, coordination and monitoring of sustainability activities within LTG Group (corporate functions, structural units and business units);

6.3.4.2. Forms and submits for approval general sustainability mission and vision, sustainability priorities. Proposes initiation of sustainability projects and its' financing;

6.3.4.3. Controls and ensures the implementation of sustainability goals, priorities and policy as well as their integration into the Strategy of LTG Group;

6.3.4.4. Consults LTG business units and structural units on sustainability issues;

6.3.4.5. Consolidates sustainability data of LTG business units and structural units, designs and maintains the indicator system;

6.3.4.6. Organises and communicates sustainability activities (in cooperation with the Communication);

6.3.4.7. Prepares and submits an annual sustainability report for approval.

6.3.4.8. Assesses the sustainability related risks and proposes measures to manage them (together with Risk Management).

7. FINAL PROVISIONS

7.1. The Sustainability Policy and any amendments thereto are approved by the Board of LTG.

7.2. Any review and update of the Sustainability Policy is initiated and coordinated the Strategy and Operational Efficiency (Sustainability Activities) function.

7.3. The Policy enters into force upon its approval.

7.4. The Sustainability Policy is reviewed at least once a year, also as a result of material changes in the Strategy of LTG Group, changes in the organisational management structure of LTG Group as well as in the event of other strategically important circumstances.

7.5. LTG Group reports publicly at least annually on its sustainability activities and their impact through publication of separate sustainability reports and/or integrated into the annual report, based on best disclosure practices, and recognised international standards. The report is publicly available on the website of LTG Group.

7.6. The Sustainability Policy does not conflict with applicable legislation and documents of LTG Group.

7.7. The Sustainability Policy is publicly available on the website of LTG Group.