
	AB " Lietuvos geležinkeliai " Business Resilience Director
Policy on sanctions implementation and control	No. P/FN13/LTG/03) Version 02

APPROVED
AB "Lietuvos geležinkeliai" Board
March 22, 2023
Decision No. SPR-VL(LTG)-7/2023

POLICY ON SANCTIONS IMPLEMENTATION AND CONTROL

 LIETUVOS GELEŽINKELIAI	AB " Lietuvos geležinkeliai " Business Resilience Director
Policy on sanctions implementation and control	No. P/FN13/LTG/03) Version 02

1. Introduction

1.1. The Policy on Sanctions implementation and controls (**Policy**) establishes a unified Sanction implementation and control model at Lietuvos geležinkeliai (LTG), as well as its implementation principles in order to ensure compliance with the United Nations Security Council (UN), the European Union (EU) and national sanctions regulations, as well as alignment with the United States of America (USA), and the United Kingdom of Great Britain and Northern Ireland (UK) sanctions regimes. All companies of the LTG group are recommended to adhere to the requirement of this Policy. The Policy is prepared having regard to:


- i) the mandatory UN, EU and national regulation of international sanctions and other restrictive measures,
- ii) the guidelines, interpretations of the responsible supervisory authorities, and the practice of market participants in relation to sanctions implementation,
- iii) the value-based position, and other internal policies of LTG that are also determined by the direction of the foreign and security policy of the Republic of Lithuania,
- iv) the recommendations of competent national authorities and position of financial partners, which the management of LTG took into consideration regarding application of restrictions that are included in other sanctions regimes, particularly: the USA, (the Office of Foreign Assets Control of the U.S. Department of the Treasury, **OFAC**) and the UK. Application of other sanctions regimes shall affect the decisions on partner risk assessment,
- v) the nature and scale of activities, size, controllers of the capital, legal status and form, jurisdiction of the companies of the LTG group,
- vi) the goal of LTG group to ensure that the measures provided for in the regulation of sanctions are effective and efficient,
- vii) the goal of LTG group to identify potential sanctions risks in relation to partners, including but not limited to the risks of indirect control, indirectly benefiting targeted persons, association with state-owned companies and facilitating sanctions evasion,
- viii) the principles of priority of values, reliability of partners and zero risk tolerance, as defined in the LTG group internal documents,
- ix) increase of identified sanctions evasion cases and the possibility of reducing them by applying stricter measures,
- x) the necessity of preventing any reputational risks through association with partners and maintaining high standard of diligence for all areas of LTG group activity.

1.2. The CEO of LTG and the CEOs of all separate LTG group companies are responsible for compliance with and implementation of the Policy. The Director of Business Resilience of LTG ensures the control of compliance with the Policy and continuously improves the unified LTG group system of compliance with sanctions.

1.3. The implementation and application of the Policy is defined in the internal detailing regulation (methodology and processes), which are approved by the LTG Business Resilience Director.

1.4. Internal sanctions implementation and control documents at LTG group companies cannot contradict the provisions of this Policy and, if necessary, must be updated in accordance with this Policy.

1.5. In relation to the company of the LTG group that performs the functions of the public railway infrastructure manager, the provisions of this Policy shall be valid and applicable to the extent that such application adheres with the requirements of impartiality, financial transparency,


 LIETUVOS GELEŽINKELIAI	AB " Lietuvos geležinkeliai " Business Resilience Director
Policy on sanctions implementation and control	No. P/FN13/LTG/03) Version 02

allocation of public railway infrastructure capacity and payment for the minimum access package that are established in applicable legal acts.

2. Definitions

2.1 Definitions and abbreviations used in this Policy have the following meaning

Definition / Abbreviation	Meaning / Explanation
LTG	AB "Lietuvos geležinkeliai".
AB "Lietuvos geležinkeliai" įmonių grupė (LTG group)	A group of companies consisting of LTG, and legal entities directly and indirectly controlled by it.
Function	The highest-level activities of LTG group (main functions, corporate functions and internal audit).
Process	The logical sequence of related actions that uses resources and creates added value as well as results.
Process owner	The head of the operational unit of LTG structural unit, who is responsible for the efficiency and results of a particular process, makes decisions regarding the creation of the process, the implementation of its requirements, the allocation of the necessary resources and continuous improvement. The Process owner ensures that the process meets legal and other requirements, as well as that the process achieves the intended goals and creates added value.
Activity	The totality of processes that define the scope of the Function in more detail.
Operational unit	Company belonging to the LTG group, except LTG.
Board	The Board of LTG.
Policy	Sanctions compliance and control policy
Verification	The totality of actions, which include checks in the lists of sanctioned persons, items, goods and etc., that are conducted by using specific tools, data bases as well as existing natural and legal person screening procedures, and which are used to determine whether individuals, legal entities, as well as goods or their groups, items, etc. are subject to Sanctions.
Sanctions	International and national sanctions and restrictive measures, as well as other sanctions regimes as defined in \ Provision 1.1 of this Policy
Partner of unacceptable or high risk	<p>A person as defined in the Standard of the legal - natural person verification process, the risk of which must be assessed as unacceptable due to the application of direct/indirect sanctions or high according to the criteria detailed in the LTG Methodology of sanctions implementation control</p> <p>Risk of the partner must be assessed in a holistic manner, taking into account all important circumstances, such as links to countries unfriendly to Lithuania, established prohibited activities, suspicions regarding the actual performance of activities, possible participation in sanctions evasion</p>

 LIETUVOS GELEŽINKELIAI	AB " Lietuvos geležinkeliai " Business Resilience Director
Policy on sanctions implementation and control	No. P/FN13/LTG/03) Version 02

Definition / Abbreviation	Meaning / Explanation
	schemes, risks of compliance with international sanctions, etc.

3. General provisions

3.1. Mission of this Policy – to support the aims and provisions of the foreign and security policies of the Republic of Lithuania, ensuring the principled and value-based implementation of Sanction requirements in LTG group.

3.2. Vision of this Policy - a unified, transparent and effective system of Sanctions implementation and controls, based on the examples of good practice.

4. Principles for Sanctions implementation and control

4.1. Sanctions compliance and implementation in the LTG group is based on the following principles. All participants in the activities of Sanctions implementation and control shall ensure that the principles are followed both in the implementation of the identified actions and in the preparation, interpretation and application of relevant documents:


4.1.1. **Principle of value priority** – the values of the LTG group and the interests of the national security policy of the Republic of Lithuania are the most important and have priority over business interests. This principle has to be applied when making Sanctions compliance decisions.

4.1.2. **Principle of reliability of partners and zero risk tolerance** – LTG group only cooperates with partners and clients who are reliable and are not considered of unacceptable or high risk for the purposes of this Policy. In cases where the conclusion of partner risk assessment is that the partner is considered as "Unacceptable risk level" or "High risk level", the contract or transaction cannot be concluded or must be discontinued. Where the client or partner provides a contrary conclusion from competent authorities regarding the identified risk criteria, refuting the internal risk assessment, the risk assessment must be repeated.

As a low-risk company, we expect our clients and partners to be aware of the potential impact of UN, EU, US and/or UK Sanctions on their business and to be taking measures to avoid the negative consequences. Therefore, we engage with those clients and partners which respect the Principles of Sanctions implementation and control adopted by LTG, and do not pose a risk for implementation of those principles.

4.1.3. **Principle of responsibility and information reliability** – the Operational units and Functions of the activity must ensure that resources allocated to carry out the delegated actions for the implementation of Sanctions are sufficient and of sufficient quality. All tasks related to the activities of Sanctions implementation and control must be carried out in a timely and competent manner. While carrying out its activities company shall continuously monitor, collect and disclose to all participants in the Sanctions compliance and implementation processes accurate information about relevant risks in accordance with their functions, also, cases of incompliance as well as any possible violations of internal and external requirements and the circumstances/causes of said violations.

4.1.4. **The principle of compliance and traceability** – when carrying out their activities LTG group companies follow requirements of internal and external legal acts, and their interpretations. The aim is to ensure that the activities carried out by the LTG group companies adhere to the requirements of internal and external legal acts not only formally, but also that the content of implementation would be based on the values of the LTG group. It also ensures that all

 LIETUVOS GELEŽINKELIAI	AB " Lietuvos geležinkeliai " Business Resilience Director
Policy on sanctions implementation and control	No. P/FN13/LTG/03) Version 02

actions and decisions regarding the unacceptable or high risk of partners are properly documented, enabling the traceability and control of the actions carried out.

4.1.5. **"Four eye" principle** – in order to avoid errors and manifestations of corruption, all actions and decisions related to the implementation of Sanctions must be verified. Control measures are consistently implemented in the processes of Sanctions implementation in order to ensure that several employees are involved in making decisions and evaluating information.

5. Operating model of Sanction implementation

5.1. The model of Sanction implementation and control of the LTG group is developed by taking into account the examples of good practice of other companies as well as the Framework for OFAC Compliance Commitments. All activities and processes related to the implementation of Sanctions are planned and carried out in accordance with this model.

5.2. In order to ensure an integrated and comprehensive implementation of Sanctions, the model consists of equally important elements of implementation and control (the model is shown in Figure No. 1). Each of the elements includes large blocks of actions, which are detailed in related methodologies and processes. Actions specified in the model shall be implemented by different Functional and Operational Units of LTG, in accordance with their competence and areas of responsibilities.

5.3 LTG Business Resilience Director is responsible for the development of Sanctions implementation and control model as well as continuous review and improvement, and evaluation of its effectiveness. LTG Business Resilience Director shall periodically, at least once every six months, or immediately should the need arise, inform the Board about the state of Sanctions implementation and control, related risks and incidents.

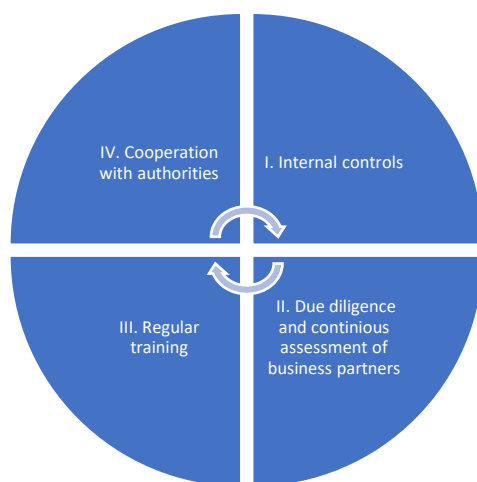




Figure 1: Model for the Sanctions implementation and control by the LTG group

5.4. LTG group implements Sanctions by applying comprehensive measures, which are divided into 4 groups:

5.4.1. **Internal controls** – a set of dedicated processes, internal rules and additional measures in related processes (which have been identified as processes that might be subject to Sanctions incompliance risk), which must ensure LTG group does not violate the requirements of the Sanctions in its activities and will consistently adhere to its value-based position. Internal enforcement procedures are implemented and carried out by all Operational units and LTG Functions.

 	AB " Lietuvos geležinkeliai " Business Resilience Director
Policy on sanctions implementation and control	No. P/FN13/LTG/03) Version 02

5.4.1.1. Additional or new internal procedures must be implemented in accordance with requirements of external legal acts and / or in accordance with the instruction of the LTG Business Resilience Director or conclusions/recommendation by the control function.

5.4.1.2. Process owners are responsible for the internal implementation procedure actions integration into processes as well as for implementation of said actions.

5.4.1.3. LTG group companies must review and update Sanctions implementation and compliance processes, operating instructions and other internal legal acts at least once a year. Updates must be made without undue delay if inconsistencies with the mandatory requirements of the Sanctions Regulation or interpretations of the competent authorities are identified.

5.4.1.4. The control of the implementation of internal compliance procedures is done by Business resilience unit carrying out scheduled and unscheduled reviews. The Business resilience function provide conclusions on procedural irregularities and recommendations for their improvement, based on their findings.

5.4.2. Due diligence and continuous assessment of partners and clients. The LTG group carries out due diligence and continuous Sanctions checks of its business partners and clients.

5.4.2.1. The initial due diligence (Sanctions checks) must be carried out by all Operational units and LTG functions, within the limits of their competences and on the basis of the available information.

5.4.2.2. The Sanctions screening of clients and business partners is carried out by Business Resilience in accordance with the Legal - Natural Person Verification Process No. PS/FN13/LTG/7 (current version).

5.4.2.3. It shall be ensured that the verification process is continuous. Persons can be checked in two ways: a) a scheduled check (at least once every 6 months) or b) at random (at any time or if the need arises (in case of suspicion)).

5.4.2.4. in order to properly implement verification and assessment procedures, reliable sources and competent specialists shall be engaged, and automated screening tools might be used.

5.4.2.5. When carrying out audits and review, compliance function shall carry out assessment procedure control as well as provide suggestions for improvement.

5.4.3. Regular training. In order to ensure sufficient competencies in the field of Sanctions requirements and process implementation, LTG group shall organize regular trainings for target audiences. Several levels of international Sanctions implementation and control trainings shall be carried out and organized by Business Resilience:

5.4.3.1. The first level of training is general training for employees (general knowledge of implementation of Sanctions, when appropriate actions need to be taken and reported to the responsible persons, who can take appropriate action for any possible, obvious or past violations of sanctions, etc.).


5.4.3.2. The second level of training is specialized training for units working in the field of control of Sanctions implementation.

5.4.3.3. The third level of training is management training, which ensures that management is involved in and understands implementation of Sanctions.

5.4.3.4. International Sanction training is carried out at least once a year, in accordance with approved training plans.

5.4.3.5. All level Sanctions implementation and control trainings are obligatory.


5.4.3.6. Sanctions implementation training in the field of public procurement is carried out centrally, Procurement organizes such training on needs basis.

	AB " Lietuvos geležinkeliai " Business Resilience Director
Policy on sanctions implementation and control	No. P/FN13/LTG/03) Version 02

5.4. 4. Cooperation with the institutions

5.4.4.1. LTG group shall closely cooperate and consult with the competent authorities in order to implement the requirements of international and national Sanctions, in case of specific, atypical questions, exceptions or in accordance with the requirements specified in legal acts. Such cooperation is coordinated by the Director of Business resilience unit.

5.4.4.2. In order to ensure that information transfer to specific competent authorities is accurate and efficient, the communication with specific competent authorities is carried out by LTG Functions which are listed in Sanctions implementation and control methodology as well as employees approved by the Director of Business Resilience unit.

 	AB " Lietuvos geležinkeliai " Business Resilience Director
Policy on sanctions implementation and control	No. P/FN13/LTG/03) Version 02

6. Ensuring control of Sanctions implementation

6.1. The control actions, when implemented by different functions of the LTG, are integrated into all four groups of Sanctions implementing measures.

6.2. All units as well as LTG Functions that participate in the implementation of Sanctions must continuously monitor and identify the risks related to compliance with the Sanctions and inform the Director of Business Resilience unit. To reduce identified risks, the necessary actions are planned, and their implementation status is reviewed regularly, in accordance with the risk management processes of LTG.

6.3. An additional verification of actions / violations that have already occurred is also considered as a measure of control and is carried out by the LTG Business Resilience unit. Internal processes establish a clear course of actions in case non-compliance with the regulation of Sanctions implementation is identified.

6.4. The main task of SMG is to analyze relevant information about changes in Sanctions regulation, detected cases of non-compliance, incidents that have occurred, identify possible risks and propose the most optimal actions to reduce risks. In case of need, SMG is tasked to initiate the application of additional control and prevention measures. SMG members are appointed by the CEO of LTG. SMG meetings shall be held at least once a quarter.

6.5. The compliance Function shall carry out regular Sanction implementation compliance assessments. Assessments are organized at least once a year or in case of significant changes in the external Sanctions regulation as well as in case of new mandatory requirements. Evaluations are initiated by the Director of Business Resilience unit. If non-compliance is detected, plans are drawn up to eliminate such deficiencies and their implementation is controlled by the Compliance Function.

6.6. The effectiveness and efficiency of the LTG group's (as a whole) Sanctions implementation and control model is audited at least once a year by the Internal Audit Function.

6.7. In case of a large number of known incompliance cases and / or a significant change in external or internal circumstances, additional / unscheduled audits may be carried out. If the Board and / or the CEO and / or shareholder of LTG articulates a need, external audit might be commissioned.

7. Final provisions

7.1. This Policy as well as any amendments to this Policy shall be approved by the Board of LTG.

7.2. The review and updating of this Policy are initiated and coordinated by the Director of Business Resilience unit.

7.3. The Policy shall be reviewed at least once a calendar year, in the event of any changes to the relevant legal acts of the Republic of Lithuania, the EU or other relevant legislation, or in case of major changes to the Long-Term LTG Strategy.

7.4. The Policy shall be applied to the extent that it does not contradict the laws of the Republic of Lithuania and (or) other valid legal acts that apply in cases not regulated by the mandatory provisions of the Sanctions regulation.