
	AB Lietuvos geležinkeliai Project and Investment Management
Project and Investment Management Policy	Nr. P/FN8/LTG/1 Version 01


APPROVED by:
Decision No. SPR-VL(LTG)-10/2023
of the Board of AB Lietuvos geležinkeliai
of 25 April 2023

PROJECT AND INVESTMENT MANAGEMENT POLICY

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1. Introduction

- 1.1. The Project and Investment Management policy (hereinafter - the Policy) establishes the general policy for project and investment management in AB Lietuvos Geležinkeliai (hereinafter - 'LTG') to ensure the timely implementation of projects and investments within the expected scope, time, and budget.
- 1.2. The Policy applies to all companies within the LTG Corporate Group. Project and Investment Management processes, methodologies, and other regulatory documents valid in different companies within LTG Group must not contradict the provisions of the Policy and, if necessary, must be updated in accordance with this Policy.
- 1.3. The policy is prepared in accordance to the strategy of LTG.
- 1.4. LTG is a company of strategic importance to national security. Specific requirements may be applied to projects carried out by LTG Group's business units (i.e. Rail Baltica). In such case, exceptions to the application of the provisions of this Policy may be made in agreement with the owner of this Policy.
- 1.5. With regard to a company within LTG Corporate 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.
- 1.6. Detailed processes and standard document forms for project and investment management are provided in the documents regulating the function - Project and Investment Management methodology and process standards.


2. Terms

- 2.1. Terms and abbreviations used in this Policy.

Term	Definition
Business Unit	A company belonging to the Corporate Group of AB Lietuvos Geležinkeliai, except for LTG
Corporate Group of AB Lietuvos Geležinkeliai / LTG Corporate Group	A group of companies consisting of LTG and legal entities under direct or indirect control of LTG
Investment	Use of the resources of the LTG Corporate Group for the creation/ acquisition of new long-term tangible or intangible assets (including acquisition of shares of existing or new legal entities, creation of intellectual property), as well as for the development, modernisation, or renewal of existing long-term assets.
LTG	AB Lietuvos Geležinkeliai
LTG strategy	Operational planning document, which defines the general development direction of the LTG Corporate Group of companies, sets the business and operational goals and results to be achieved for a period of at least 5 years

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Portfolio	Projects and programs managed as a group to achieve company's strategic objectives
Program	Related projects and program activities that are managed in a coordinated manner to obtain benefits not available from managing them individually
Project	A temporary endeavour undertaken to create a unique product, service, or result
Project / Program Steering Committee	A collegial project / program management institute whose members work together to provide support to the project / program manager and team, make recommendations on project / program implementation, and make decisions that exceed the mandate of the project / program team
Project / Program Owner	Head of a company or corporate function responsible for mobilising resources for project / program implementation and achieving project / program benefits
Project / Program Manager	Employee authorized by the performing organization to lead the team or teams responsible for achieving project / program objectives, creating benefits within the planned scope, on time and within the budget

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3. General Provisions

3.1. The purpose of the Project and Investment Management function:

- 3.1.1. Acting as the project and investment management competence centre and a project and investment implementation partner, contribute to the implementation of LTG's strategy and the satisfaction of business needs through the unified application of good project and investment management practices.

3.2. Short-term and long-term goals of the Project and Investment Management function:

- 3.2.1. Form and improve the unified project and investment management practice of the LTG Corporate Group, to advise on its application;
- 3.2.2. Increase the maturity of project and investment management;
- 3.2.3. Develop competencies of project managers and owners in the field of project and investment management;
- 3.2.4. Help organise the selection and prioritisation of projects and investments that are most necessary for the implementation of LTG's strategy and business needs;
- 3.2.5. Ensure timely implementation of projects and investments within the expected scope, time and cost, proactively notice potential problems and promote timely decision-making.

4. Principles of Project and Investment Management function

4.1. The Project and Investment Management function is implemented in accordance with the following basic principles:

- 4.1.1. Ownership – every project and program must have an owner;
- 4.1.2. Commitment – the project team must commit to achieving the intended goals and results within the established scope, time, and cost limitations;
- 4.1.3. Adequacy – the nature of management, attention and effort devoted to the management of projects and investments must be adequate to the nature and complexity of the project;
- 4.1.4. Empowerment – the project manager and team have the authority to implement the project plan and are responsible for creating the benefits sought by the project; they have the right and obligation to perform the tasks provided for in the approved project plan.


4.2. These principles are implemented through project and investment management processes and methodology.

5. Operational model and main processes of the Project and Investment Management function

5.1. Project and Investment Management consists of five main stages (Process Groups): Initiating, Planning, Executing, Controlling and Closing (see *Figure 1*).

5.2. Project and Investment Management is:

- 5.2.1. Partially centralised: projects and investments are initiated, planned, implemented, and closed by separate units and departments; control is performed centrally.
- 5.2.2. Partially standardised: the entire LTG Corporate Group of companies follows the common established project and investment management procedure, however, if necessary, the departments managing projects and investments set additional requirements within the limits of their activities, which do not conflict with the generally applied processes and methodology.

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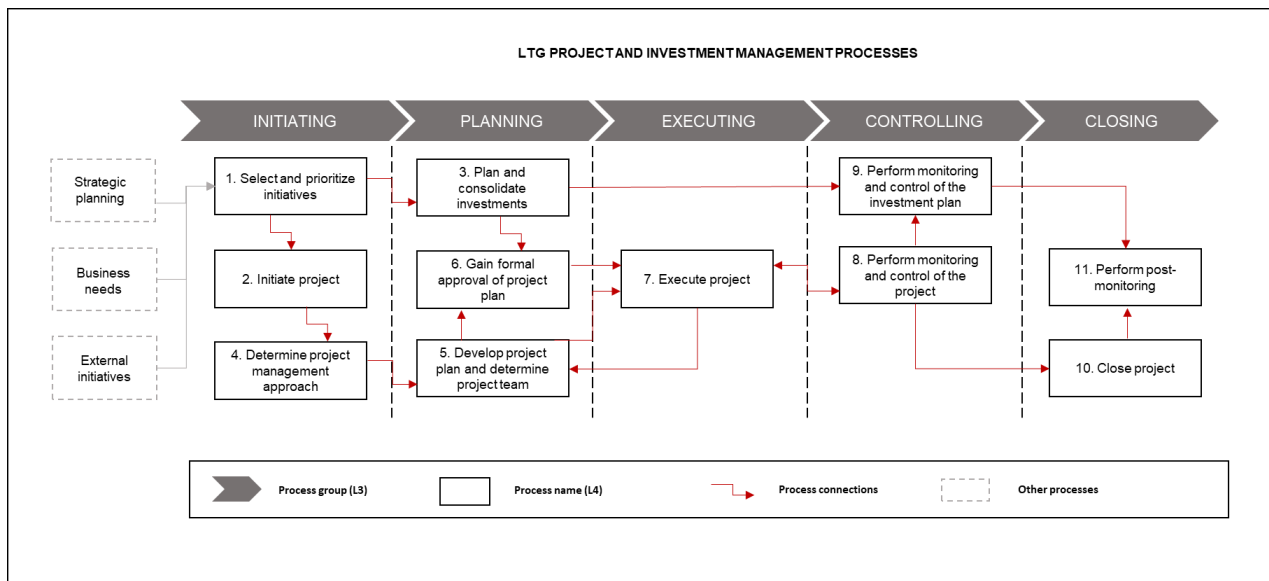


Figure 1. Main Stages and Processes of Project and Investment Management

5.3. Initiation


- 5.3.1. In the LTG Corporate Group, projects are initiated in order to implement the strategy, meet other business needs, or take into account external initiatives in which LTG can/ must participate. Usually, the volumes of various initiatives significantly exceed LTG's investment capabilities. It is very important to get the most out of the limited LTG resources. Therefore, all initiatives are evaluated, their priority is determined, they are compared with each other according to the established criteria, and in this way the selection of projects is carried out.
- 5.3.2. Selected projects move into next project stage, for projects that were not selected, resources are not allocated. Even good initiatives may not be implemented if it is decided to prioritise LTG resources to other initiatives.
- 5.3.3. Selected projects are included in the consolidated investment plan, specific intended benefits are ordered, and a project manager is appointed. Requirements are set for how a specific project should be managed (to what extent the methodology is applied, assigned to the program/ portfolio). A project charter is prepared, summarising essential project information (goals, high-level scope, time and cost constraints, key risks, etc.)

5.4. Planning

- 5.4.1. A project plan is prepared, and a project team is appointed. In the early stages of the project, the plan can be preliminary, later refined and elaborated with details. The project plan includes the budget, which is approval by evaluating both the project information and the context of the implementation of the consolidated investment plan.

5.5. Execution

- 5.5.1. The project is being implemented according to the prepared and approved plan. In case of any significant deviation from the confirmed project scope, time or budget, the project has to return to the process of developing project plan and determining project team, and, if necessary, gain formal approval of the adjusted project plan. At any time, it may be decided to stop or terminate the implementation of the project, if such a decision best suits the interests of LTG.

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5.6. Controlling

5.6.1. During project implementation, progress monitoring and control is carried out, progress reports are provided. This information summarises how well the benefits are being achieved within the scope, time and cost constraints of the approved project plan. Monitoring of investment implementation is also carried out. This information summarises the performance of allocated investments against the consolidated investment plan.

5.7. Closing

5.7.1. The project is considered closed when it is completed or terminated. The benefits created by the project (if any) are accepted, and the resources dedicated to the project are released. Post-monitoring tracks whether the reason for project initiation (strategy implementation, business needs or external initiatives) has been properly fulfilled, whether the benefits created are in use. Experience gained during the project is saved as lessons learned offering suggestions for improving performance.

5.8. Management of Related Projects and Investments

5.8.1. To achieve coordination between different business units or departments, the management of related projects and investments can be integrated by forming programs and appointing a program manager. Projects are grouped into portfolios according to the attribute of ownership, the manager of the portfolio is the head of the business unit or department. Project portfolios include all investments, including capital repairs (i.e. rolling stock capitalized repairs), which may be implemented as ongoing non-project activities, and low-value investment purchases, which may not be subject to project management requirements. The structure of project and investment management is shown in the figure below (see *Figure 2*).

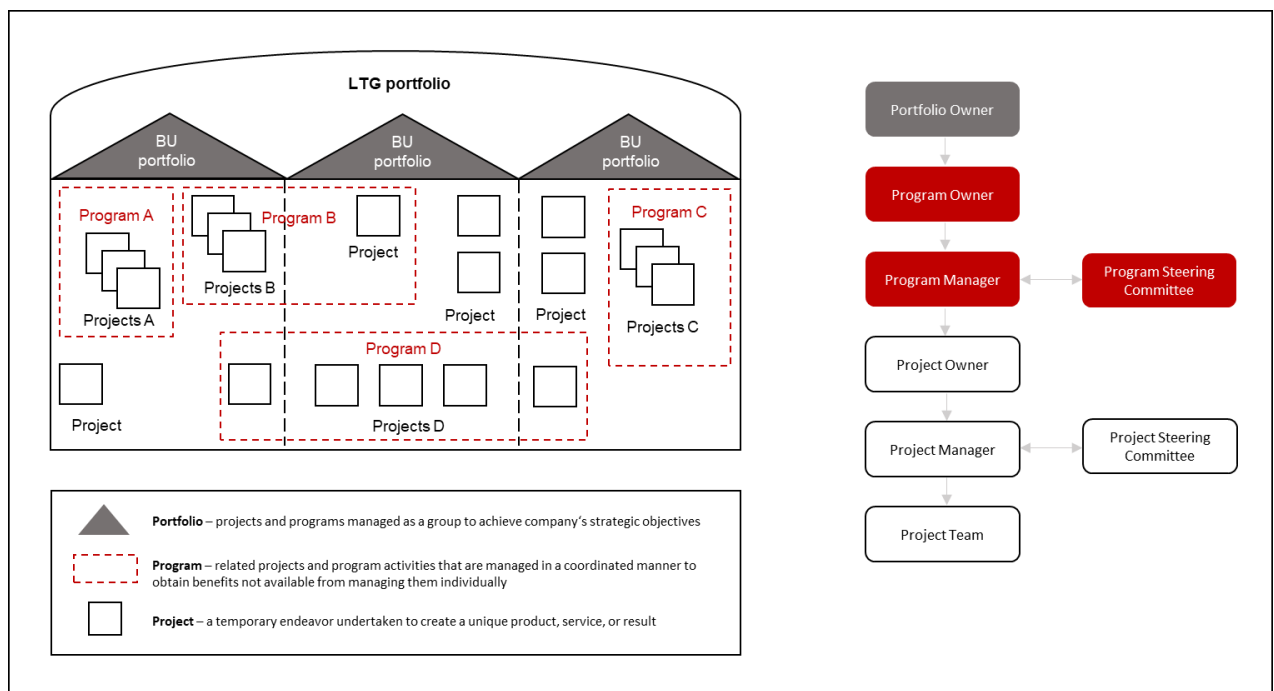



Figure 2. Project and Investment Management Structure

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5.9. Projects and investments are managed on a matrix basis

5.9.1. Project teams, if necessary, are formed not only from the employees of the business unit or department implementing the project, but also from other LTG employees. Project team members remain under their direct functional manager but work within the project team in a matrix manner.

6. Final Provisions

- 6.1. The Policy and any amendments hereto shall be approved by the Board of AB Lietuvos Geležinkeliai.
- 6.2. The Policy review and update is initiated and coordinated by the Head of Project and Investment Management.
- 6.3. The Policy shall be reviewed at least once a year, as well as in the event of significant changes in the LTG strategy, changes in the organisational management structure of LTG Corporate Group and business functions.
- 6.4. The Policy is applied insofar as it is in line with the laws of the Republic of Lithuania and/or other applicable legislation.