
 <b>LIETUVOS GELEŽINKELIAI</b>	AB “Lietuvos Geležinkeliai” Finance
Related-Party Transactions Policy	No. P/FN11/LTG/4 Version 01


APPROVED  
by Decision No. SPR-VL(LTG)-1/2024  
of December 12, 2023  
of the Board of AB “Lietuvos Geležinkeliai”

## RELATED-PARTY TRANSACTIONS POLICY

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## 1. Purpose and Scope of Application

1.1. The policy of the Group's transactions with related parties (hereinafter – the Policy) is intended to protect the interests of shareholders of AB “Lietuvos Geležinkeliai” (hereinafter – LTG) and the AB “Lietuvos Geležinkeliai” group of companies (hereinafter – the Group) in order to properly assess the conflicts of interest related to such transactions, to minimize the potential negative consequences of such transactions and to ensure that information is properly disclosed in the financial statements of LTG and the Group.

1.2. The Policy sets out the principles and procedures for the identification of related parties, the evaluation and approval of transactions.

1.3. The Policy applies to transactions concluded by:

1.3.1. LTG with Related Party.


1.3.2. Group company (including legal entities of the next level, subsidiary (parent) companies) (hereinafter – Group Company) with the Company's Related Party (only Significant Transactions), including the transactions concluded between the Group Companies (only Significant Transactions).

1.4. The Policy applies to LTG and Group Companies directly.


## 2. Terms and Abbreviations

2.1. In this Related-Party Transactions Policy, the terms below have the following meaning:

Term	Definition
<b>IAS 24</b>	The 24 <sup>th</sup> International Accounting Standard (IAS) “Related Party Disclosures”, approved by Commission Regulation (EC) No. 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council (with all subsequent amendments).
<b>Close family members of the person</b>	<p>This concept is understood as defined in IAS 24. On the date of approval of this Policy, this term refers to family members who may influence a person or whom a person may influence in transactions with an economic entity; they can be:</p> <ul style="list-style-type: none"> <li>✓ children and spouse or domestic partner of that person;</li> <li>✓ children of that person's spouse or domestic partner and</li> <li>✓ dependents of that person or that person's spouse or domestic partner.</li> </ul> <p>The list of family members is non exhaustive and does not preclude other family members from being considered as close members of the family of a person. Consequently, other family members, including parents or grandparents, brothers or sisters and etc. could qualify as close members of the family depending on the assessment of specific facts and circumstances.</p>
<b>Associate Company</b>	This is a company over which LTG or a Group company has significant influence, but does not control. It usually involves an ownership share of 20 to 50 percent.
<b>Audit Committee</b>	Advisory body of the LTG Board, whose main task is to provide conclusions and proposals to the LTG Board regarding the operation of internal and external audit, risk management and control systems in LTG and its subsidiaries.

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<b>Group</b>	AB “Lietuvos geležinkeliai” group of companies, which consists of LTG and its directly and indirectly controlled legal entities (including downstream legal entities).
<b>Group Companies (Company)</b>	LTG or a subsidiary of LTG (including downstream legal entities) or any of these companies individually.
<b>Declaration of Interests</b>	A document that indicates whether the persons providing data in the declaration are politically vulnerable (affected) persons and provides information about the persons related to them.
<b>Control</b>	The power to manage the financial and operational policy of an economic entity in order to benefit from its activities.
<b>LTG</b>	AB “Lietuvos Geležinkeliai”
<b>Key management personnel</b>	<p>This concept is understood as defined in IAS 24. On the date of approval of this Policy, this term refers to persons who have authority and are directly and indirectly responsible for the planning, management and control of the Company’s activities:</p> <ul style="list-style-type: none"> <li>• head of the Company;</li> <li>• managers directly reporting to Head of the Company.</li> </ul> <p>This list is not exhaustive and therefore taking into account the specific facts and circumstances, other managers might be considered to be key management personnel.</p>
<b>Significant influence</b>	The right to participate in the decision-making of the legal entity’s financial and economic activity policy, but this is not control over this policy. Significant influence may be guaranteed by share ownership, articles of association or contract.
<b>Significant transaction</b>	<p>A transaction if:</p> <ul style="list-style-type: none"> <li>• it is concluded under <i>unusual</i> market conditions (<i>an exception applies to transactions that must be concluded according to legal acts and to which the state regulation pricing applies</i>) and/or;</li> <li>• it is <i>not attributable</i> to ordinary economic activity and/or;</li> <li>• the total possible impact of such a transaction on its finances, assets and liabilities to the respective company, expressed in money, exceeds the value determined in the articles of association of the respective Company and/or;</li> <li>• It is concluded with the Board members and their close relatives and companies controlled by them and/or;</li> <li>• It is concluded with the Key management personnel and their close relatives and companies controlled by them.</li> </ul>
<b>Transaction at market conditions</b>	A transaction that is concluded under the same conditions and circumstances as between the interested buyer and seller, when these persons are unrelated and act independently of each other, pursuing their own best interests.
<b>Related Party Transactions Policy or Policy</b>	This Policy of AB “Lietuvos Geležinkeliai” group of companies for transactions with related parties with all amendments and additions (if any).
<b>Related Party</b>	Parties are considered related when one party has the ability to control the other or can exercise significant influence over the other party’s financial and operational decisions.

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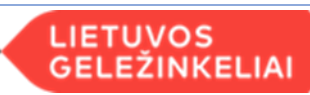
	<p>A Related Party is defined as defined in IAS 24. On the date of approval of this Policy, the following are considered Related Parties:</p> <ul style="list-style-type: none"> <li>• Companies or enterprises controlled by the State*,</li> <li>• Subsidiaries of parent company AB “Lietuvos geležinkeliai”,</li> <li>• Related, non-consolidated and associated and joint ventures of AB “Lietuvos geležinkeliai”,</li> <li>• Board members and their close relatives and companies controlled by them,</li> <li>• All Key management personnel and their close relatives and companies controlled by them.</li> </ul> <p>*For entities operating in an environment in which government control is pervasive, many counterparties are also government-related and therefore are related parties. IAS 24 allows a reporting entity to reduce the level of disclosures about transactions and outstanding balances, including commitments, with:</p> <ul style="list-style-type: none"> <li>• A government that has control, joint control or significant influence over the reporting entity; and</li> <li>• Another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.</li> </ul>
<b>Related Party Transaction</b>	Transfer of resources, services or obligations between Group Companies and a Related Party, regardless of whether or not any price is determined (excluding contracts for the activities of a board member, as well as confidentiality agreements, non-competition agreements, cooperation (information exchange) agreements and other agreements of a similar nature).
<b>IAS</b>	International Accounting Standards
Other concepts used in the Policy are understood as they are defined in the legal acts of the European Union, Republic of Lithuania and/or Group Companies.	

### 3. General Principles

3.1. The Policy applies directly to LTG and Group Companies. LTG’s key management personnel and employees responsible for concluding transactions, acting within the limits of their competence, are guided by the provisions of the Policy by approving the relevant internal documents of LTG, when necessary.

3.2. It is recommended that the Policy be implemented in the Group Companies and that measures implementing the Policy be provided for in the internal legal acts of the Group Companies. Companies decide on the preparation of internal legal acts, which would provide for the measures implementing the Policy, and the form of establishing such measures.

3.3. The LTG Finance Director is responsible for presenting this Policy to Group Companies, explaining it (in case of questions) and providing recommendations regarding the implementation of the Policy, receiving targeted information from the LTG Competence Centre Human Resources and other sources, LTG Business Security is responsible for preparing, approving and updating the list of related parties in case of information changes, responsible persons specified in Clauses 4.3.1, 4.3.3 and 4.3.4 of this Policy are responsible for identifying, evaluating and approving transactions with related parties, LTG Accounting is responsible for disclosing related party transactions in financial statements.

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3.4. When intending to conclude a transaction in the Company, in accordance with Part 4 of the Policy, it must be identified whether the transaction is concluded with a related party.

3.5. After identifying that the intended transaction will be concluded with a related party, the significance of the transaction is assessed in accordance with Part 5 of this Policy. The head of the Company (or a person authorized by the head of the Company), before concluding a significant transaction with a related party on behalf of the Company, must submit transaction assessment documents, as stipulated in Part 6 of the Policy, and obtain the opinion of the Audit Committee and the approval of the Board.

#### 4. Identification of Related Parties and Transaction Principles

4.1. The Company, choosing the most appropriate form in accordance with the internal procedure, compiles a list of Related Parties, which identifies in advance the persons and economic entities that can be considered a Related Party of the Company. The list of Related Parties is updated every time the Key Management Personnel provide information about changed data in their declarations of private interests (the data is managed by the LTG Business Security Manager).

4.2. The list of Related Parties must be compiled and stored in the Company's document management system and available to employees of the Group companies responsible for concluding transactions, who must review the list of Related Parties every time before initiating transactions and follow this Policy after determining that a transaction is concluded with a Related Party.

4.3. The fact that a transaction with a Related Party is planned may be identified by:

4.3.1. The head of the Group Company, following the list of Related Parties and other available information;

4.3.2. Related Party (with which the Company plans to conclude a transaction);

4.3.3. Key Management employee (when, to his/her knowledge, a Related Party intends to conclude a transaction with the Company);

4.3.4. Employees of Group Companies responsible for concluding transactions.

4.4. After identifying that the Company intends to conclude a transaction with a Related Party, the assessment of the transaction to be concluded must be carried out in accordance with Part 5 of the Policy.


4.5. The Key Management Personnel of the Group Companies conclude transactions with Related Parties under market conditions, without prejudice to the interests of the respective Company and the Company's shareholders.

4.6. When concluding transactions with Related Parties, the requirements established by the Policy for the Prevention and Management of Conflicts of Interest of the Company, as well as other internal legal acts regulating the management of conflicts of interest must also be taken into account.

#### 5. Assessment of Transaction Significance

5.1. Before concluding a transaction with a Related Party, it must be assessed whether the transaction has any of the following characteristics:

- It is concluded **under unusual market conditions** (an exception applies to transactions that must be concluded according to legal acts and to which the state regulation pricing applies) and/or;
- It is not attributable to **normal economic activity** and/or;
- If the total potential impact of such a transaction on its finances, assets and liabilities, expressed in money, exceeds **the value of the transaction specified** in the articles of association of the relevant Company and/or;

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- *It is concluded with the Board members and their close relatives and companies controlled by them and/or;*
- *It is concluded with the Key Management personnel and their close relatives and companies controlled by them.*

5.2. In order to determine whether the intended transaction meets the characteristics specified in Clause 5.1 of the Policy, the following recommended criteria are used:

5.2.1. When determining whether a transaction is concluded under **unusual market conditions**:

5.2.1.1. The conditions of previous identical or similar transactions of the Company concluded by the Company with one or more unrelated parties are assessed, or

5.2.1.2. A comparison is made between the terms of the transaction with the Related Party and the known market conditions in which similar transactions are concluded between unrelated parties in the market (an assessment is carried out regarding the conformity of the prices of mutual transactions based on the arm's length principle of the pricing methodology of the transactions of related parties of AB "Lietuvos geležinkeliai" group of companies).

5.2.2. When determining whether the transaction is related to the **Company's unusual activity**, the approved list of transactions concluded during the Company's normal economic activity is followed;

5.2.3. **When determining the value of the transaction**, the Company's articles of association, which specify the value of the transaction, and other internal documents that regulate how the value of the transaction is determined, are followed.

5.3. After identifying that the intended transaction with a related party does not have any of the characteristics specified in Clause 5.1 of this Policy, the transaction is concluded by the decision of the head of the Company (or a person authorized by the head of the Company), if the transaction meets at least one characteristic specified in Clause 5.1, the approval of the transaction is carried out in accordance with the provisions of Part 6 of this Policy.

## 6. Transaction Confirmation Procedures

6.1. The head of the Company (or a person authorized by the head of the Company) must apply to the Audit Committee for an opinion and to obtain the approval of the Board of the Company for the Related Party transaction, if the transaction has any of the characteristics specified in Clause 5.1 of this Policy.

6.2. When applying to the next meeting of the Audit Committee, the head of the Company must provide the Audit Committee with detailed information related to such a transaction:


6.2.1. Assessment of whether the party to the transaction is considered a Related Party;

6.2.2. Assessment of whether the Related Party transaction is classified as the Company's normal economic activity;

6.2.3. Assessment of whether the Related Party transaction is concluded under normal market conditions (including transaction value). Recommendation for information provided:

- Comparison of the conditions of a transaction with a Related Party with the conditions of an identical or similar transaction concluded by the Company with one or more unrelated parties;
- Assessment of an external expert who assessed the market value of the Transaction with the Related Party and the compliance of other commercial conditions of the transaction with market conditions (if used)
- A comparison of the conditions of the Related Party transaction with the known market conditions of similar open market transactions.



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6.2.4. Arguments why the Transaction is fair and reasonable in relation to the Company and its shareholders who are not parties to the transaction.

6.3. The Audit Committee assesses the fairness/reasonableness of the transaction, compliance with normal market conditions, following the same criteria used by auditors when conducting an audit or the criteria established in the applicable accounting principles/standards.

6.4. The Audit Committee provides an opinion to the Company based on the information provided to it and its assessment of the transaction.

6.5. If, according to the opinion of the Audit Committee, the Related Party transaction does not have any of the characteristics provided for in Clause 5.1 of this Policy, the transaction is concluded by the decision of the head of the Company or a person authorized by the head of the Company.

6.6. If, according to the opinion of the Audit Committee, the Related Party transaction has at least one of the characteristics provided for in Clause 5.1 of this Policy, the transaction documents are submitted to the next meeting of the Company's Board for a decision on approval or disapproval of the transaction with the related party.

6.7. When changing the essential conditions of a Related Party transaction, the next meeting of the Audit Committee must be re-applied with the information of such transaction as specified in Clause 6.2 for the opinion and, if necessary, the approval of the Company's Board must be obtained.

6.8. If it turns out that the Company concluded a Related Party transaction without receiving the opinion of the Audit Committee and/or the decision of the Company's Board, when these decisions should have been made, the head of the Company must apply to the Audit Committee, submitting the information specified in Clause 6.2 of the Policy, and after receiving the opinion of the Audit Committee that the transaction meets at least one of the characteristics specified in Clause 5.1 of this Policy, respectively to the Company's Board.

6.9. In cases where a Group Company intends to conclude a Related Party transaction, the procedure set out above in this part of the Policy is applied *mutatis mutandis*, i.e. the head of the Group Company (or the person authorized by the head of the Group Company) submits to the Audit Committee the information specified in Clause 6.2 of the Policy, and after receiving the opinion of the Audit Committee, the board of the relevant Group Company makes a decision on approval or disapproval of such a transaction. If the Board is not formed in the Group Company, the key management personnel make the decision to conclude or not to conclude the corresponding Related Party transaction.

## 7. Final Provisions

7.1. The Policy and its amendments are approved by the LTG Board.

7.2. The control of the implementation of the Policy is carried out by the Head of the Company.


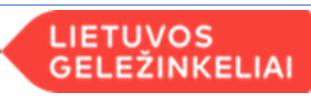
7.3. The review and updating of the Policy is initiated and coordinated by the Finance Director of LTG.

7.4. The Policy is reviewed at least once a year or when changes are made to IAS 24 or other legal acts of the Republic of Lithuania or the European Union, as well as related internal legal acts of LTG or Group Companies.

7.5. For the implementation of this Policy, the Finance Director of LTG must ensure that relevant methodologies regulating the identification, evaluation, and approval of transactions with related parties are prepared or updated.

7.6. LTG announces this Policy publicly on its website.



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