
	JSC "Lietuvos Geležinkeliai" Risk and Compliance
Risk Management Policy	No P/FN14/LTG Version 04


APPROVED by
AB "Lietuvos geležinkeliai"
board's
Decision No SPR-VL(LTG)-33/2025 of
October 15th 2025

RISK MANAGEMENT POLICY

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1. Introduction

- 1.1. The Risk management policy (hereinafter referred to as - the Policy) establishes a unified risk management model, principles and responsibilities of the LTG group of companies.
- 1.2. The Policy is drawn up in accordance with good practices for risk management, international risk management standards (ISO 31000, COSO ERM) and in accordance with EU and national legislation.
- 1.3. The implementation and application of the Policy is defined in the detailing internal legislation (methodology and processes) approved by the LTG Business Resilience Director.
- 1.4. Internal documents of LTG Group companies related to risk management must not be contrary to the provisions of the Policy and, if necessary, must be updated in accordance with this Policy.
- 1.5. The Policy is mandatory for all companies of the LTG group of companies.
- 1.6. In relation to the company of the LTG group of companies performing the functions of the public railway infrastructure manager, the provisions of this Policy are valid and applied to the extent that is not contrary to the statutory requirements for impartiality, financial transparency of the management of the public railway infrastructure manager, the capacity allocation of the public railway infrastructure and the calculation and payment of the fee for the minimum access package.

2. Terms and Definitions

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

Term / Abbreviation	Definition / Explanation
AB "Lietuvos geležinkeliai" group of companies (LTG group of companies)	A group of companies consisting of LTG and legal entities directly and indirectly controlled by it.
ESG	The environmental, social and governance dimensions of sustainability.
Function	Activities of the LTG group of companies at the highest level (core functions, corporate functions and internal audit).
LTG	AB "Lietuvos geležinkeliai".
LTG strategy	The activity planning document, which defines the general development direction of the LTG group of companies, determines the activity goals and results to be achieved for a period of at least 5 years.
Methodology	The document describing the methods used in organizing the activities of the LTG group of companies, indicating how they are applied, and providing definitions.
Process	A logical sequence of related activities that use resources, create added value, and produce a result.
Business	A set of processes detailing the management area of a function.
Business continuity	The ability of an organization to continue supplying products and providing services within an acceptable time at predetermined capacity during a business disruption.

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Term / Abbreviation	Definition / Explanation
Business continuity plan (BCP)	Documented information that tells the organization how to respond to business disruptions, preserve, update, and restore the provision of products and services, taking into account business continuity goals.
Business unit	A company belonging to AB "Lietuvos geležinkeliai" group of companies, except for LTG.
Risk	The effect of uncertainty on goals. The effect can be positive and/or negative, and can target, create, or determine opportunities and threats.
Risk appetite	The level of risk that the organization is willing to take in order to achieve the goals.
Risk portfolio	A structured set of all risks identified and assessed by the LTG group of companies.
Risk owner	LTG Group employee responsible for specific risk management.
Key Risk Indicator - KRI	A unit of measure that is used to indicate an increasing level of risk.
Risk management plan	A set of risk management tools.

3. General provisions

3.1. Purpose of function:

3.1.1. The purpose of the function is to ensure a consistent and common principles-based risk management system of the LTG group of companies, which would help achieve the goals set out in the LTG strategy, maintain and increase the value of the LTG group of companies.

3.2. Goals of the function:

3.2.1. To ensure an effective risk management system that would contribute to strengthening business resilience and the implementation of other strategic goals of the LTG group of companies. Effective risk management helps protect the organization's assets and resources, ensure the stability and continuity of operations, protect the reputation and trust of interested parties, and achieve long-term growth;

3.2.2. In the changing organizational environment, to maintain the integrity and implementation of risk management processes in all activities of the LTG group of companies;

3.2.3. To increase the maturity level of risk management in the organization - foster a culture of risk management, promote greater involvement of employees and managers, assumption of ownership, with the aim of timely identification and effective management of risks.


3.2.4. To ensure clear and timely risk management communication and accountability so that decision-makers can make informed decisions based on an understanding of risks.

4. Principles of risk management activities

4.1. In order to achieve effective and efficient risk management in the LTG group of companies, the following principles are followed when implementing the risk management system:

4.1.1. **Integrity** – a structured risk management system or its individual elements must be integrated into all activities and decision-making of the LTG group of companies, and interested parties must be included in the risk management process in a timely manner so that their knowledge, approach and understanding can be taken into account.

4.1.2. **Adaptability** – the structure and processes of risk management are adapted to the LTG group of companies, correspond to the external and internal context related to its goals.

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When the external or internal context changes, possible changes in risks are dynamically predicted and revealed. The risk management system is constantly improved, taking into account changes, applying various measures, learning and gaining experience.

- 4.1.3. **Reliability and impartiality of information** – all available information is used to manage risk, including historical, current, as well as future predictions. Information must be clear, timely and accessible to the interested parties directly involved. When providing its insights and information, the Risk and Compliance Management function must adhere to the principles of impartiality and transparency, therefore this function must be provided with the opportunity to directly provide information to the management (the General Director of the LTG Group of Companies, the LTG Board, the heads of Business Units and the boards of these companies).
- 4.1.4. **Cooperation and culture formation** – people's behavior and culture significantly influence all aspects of risk management at every level and stage. We encourage continuous communication and cooperation between organizational members to effectively manage risks and achieve common goals.

5. Risk management activity model

- 5.1. The risk management system ensures the identification and management of risks arising in the activity, which may have a direct negative influence on the implementation of the goals set out in the LTG activity strategy. The risk management framework is illustrated in Figure 3 and detailed in the methodology and processes.
- 5.2. In LTG Group, risk management responsibilities are allocated according to the Three Lines model.
 - 5.2.1. In the 1st line, risk management activities are carried out by employees and managers of LTG group of companies and LTG corporate functions, who identify, assess and manage risks, ensure the creation of business continuity plans. The heads of LTG Group companies and LTG corporate functions are responsible for the proper functioning of Line 1st.
 - 5.2.2. In the 2nd line, risk management activities are carried out by the Risk and Compliance Management function of LTG, which develops and improves the overall system, performs coordination and control activities, ensures consulting and education of companies and departments operating at the 1st risk management level on methodological and expert risk management issues, prepares risk management reports for senior management.
 - 5.2.3. In the 3rd line, LTG Internal Audit operates, which conducts an independent assessment of the effectiveness of the 1st and 2nd risk management levels, independently provides comments and recommendations on improving the risk management system.

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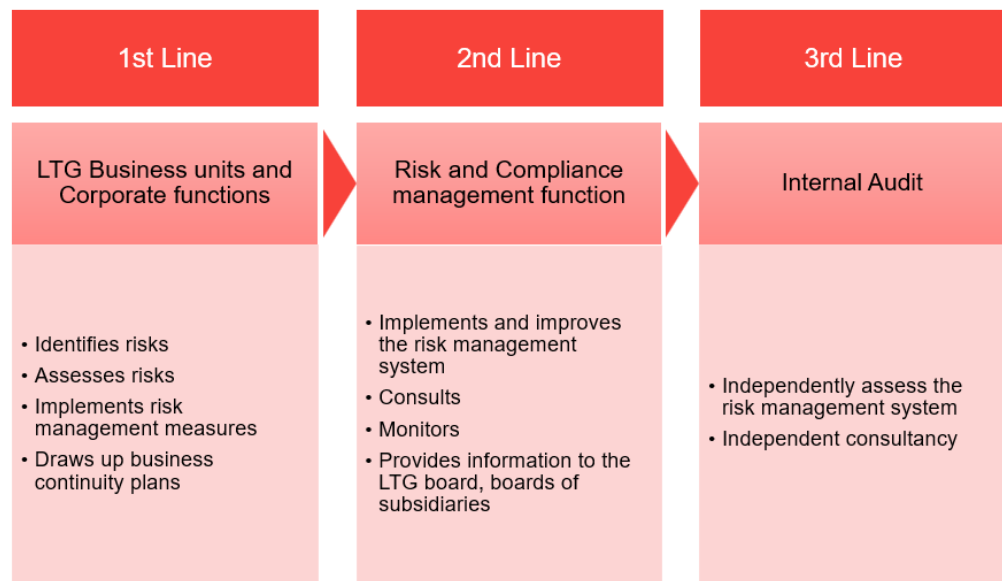


Fig. 1. Three line model

- 5.3. Risk management activities are cyclical and contextual, applied at different levels - strategic, operational, program, project.
- 5.4. Risk management activities include the systematic application of the Policy, methodology and process standards in determining scope of application and context, assessing risk, creating and executing a risk management plan, monitoring, reviewing and reporting. This process is illustrated in Figure 2.

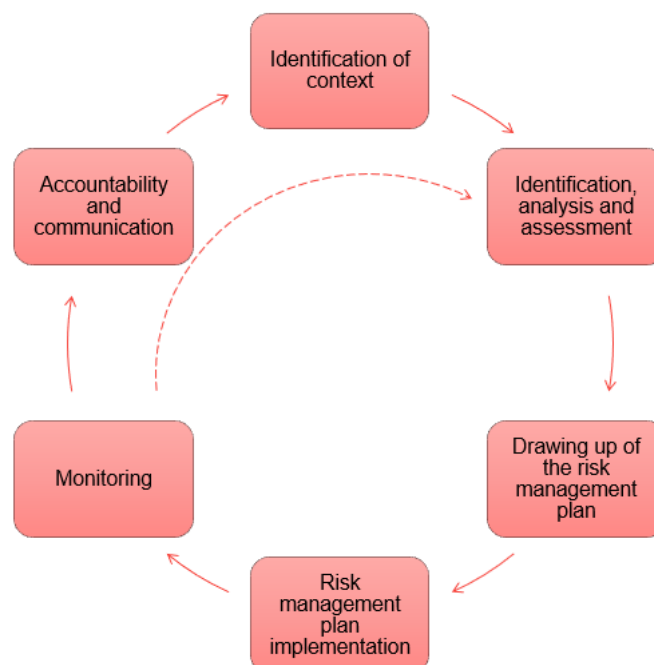




Fig. 2. Risk management cycle


- 5.4.1. **Defining the scope of application, context and criteria.** This stage defines risk management activities:

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- 5.4.1.1. **Scope of application** – the level or scope of activity at/in which the risks are identified (e.g. strategic level of LTG or Business Unit, specific activity or process, program, project);
- 5.4.1.2. **Environment** - the determined internal and external context of risks in which the operations are conducted, and which affects the intended organizational goals;
- 5.4.1.3. **Significance criteria** – based on them, risk probability and impact are assessed in order to identify the risk level.
- 5.4.2. **Identification, analysis and assessment of risks.** The actions provided for in this stage are carried out systematically, with the periodicity established in the Risk Management methodology and process standards. In the coordination of the risk and compliance management function, the risks of the Business Units and LTG's corporate functions are identified, their possible causes and consequences are analyzed, and the level of risks is determined (assessed according to probability and potential impact estimates). Risks are registered and all information related to them is stored in risk registers. Each of the identified risks is assigned to one of the risk categories based on its nature (strategic, operational, financial, compliance, ESG). LTG group of companies in its sustainable pursuit of set goals, also focuses on and manages risks related to ESG, for example: environmental safety, corruption, security and other related risks. Although risks related to ESG are identified across different areas and operational units, they are monitored through a unified risk management process in accordance with the LTG risk management policy and methodology.
- 5.4.3. For each of the identified risks, the risk level is determined in accordance with the Risk Management Methodology. Having assessed the likelihood and impact of risks (on human life and health, finances, compliance, and reputation), the risk level may be classified as low, medium, high, or the highest. LTG Group of Companies' risk appetite includes low and medium level risks, level of risk that Group is willing to take in order to achieve the goals. Tolerable risks are low and medium levels, while high and the highest - level risks may only be tolerated if risk mitigation measures are in place (such as risk management plans). All risks should be reduced in accordance with the AFAP principle (*as far as possible*), taking into account the cost-to-impact ratio of a potential risk occurrence. Risk appetite provisions apply to all Companies of LTG Group.
- 5.4.4. In the event of risks affecting the operations of core activities, the aim is to ensure business continuity and to get ready in advance. For this purpose, business continuity assurance processes approved in the LTG group of companies are applied.
- 5.4.5. In case of significant changes in the risk environment of the LTG group of companies, the classification and assessment structure may be revised.
- 5.4.6. **Drawing up of risk management plans.** In accordance with the procedure established in the risk management methodology and process standards, risk management plans for business units and corporate functions are drawn up, which specify specific tools for managing identified risks, the employees who implement them and the deadlines for the implementation.
- 5.4.7. The business continuity plan is one of the main risk management tools when the risk is determined by external factors and it is impossible to reduce its probability with internal efforts. After identifying such a risk, an analysis of its potential impact on the business is carried out, determining the extent to which this risk can disrupt the smooth business process. Considering this, business continuity plans must be drawn up. In order to ensure the relevance of business continuity plans, these plans are periodically tested (exercises are prepared) and updated as needed. Business continuity planning is carried out in accordance with the LTG Business Continuity and Crisis Management methodology.

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- 5.4.8. **Implementation of risk management plans.** Risk owners are responsible for the implementation of risk management plans and must ensure that the measures specified in the plans are implemented in a timely manner and with high quality.
- 5.4.9. **Risk management monitoring.** The risk and compliance management function controls how risk management plans are drawn up and implemented in the companies and corporate functions of the LTG group of companies, and collects detailed information on the status of the implementation of risk management tools.
- 5.4.10. Everyone involved in risk management has the duty to provide reliable and detailed information to the Risk and Compliance Management function about the implementation or progress of the planned risk management tools and, if necessary, to provide actual evidence of the actions taken. If the implementation of the tools is delayed, the reason for the delay must be indicated and a new deadline must be agreed upon.
- 5.4.11. As result of monitoring risk management and evaluating information, new risks may be identified.
- 5.4.12. **Accountability and communication.** The Risk and Compliance Management function regularly submits reports to the LTG and Business Unit Boards in accordance with the procedure established in the Risk Management methodology and process standards. The reports provide summarized information collected from Business Units and corporate functions about the execution of risk management plans, current risk management trends, analysis of the external context, recommendations, signals regarding the possible occurrence of risks and other information related to risk management.
- 5.4.13. The Risk and Compliance management function should provide information to LTG and Business Unit Boards not only in regular reports, but also when there is a need to escalate emerging risks, after identifying unmanageable risks or in other cases.
- 5.5. Risks identified at different levels are systematized and a list of priority risks at the level of the LTG group of companies is compiled in accordance with the procedure established in the Risk Management Methodology and Process Standards.

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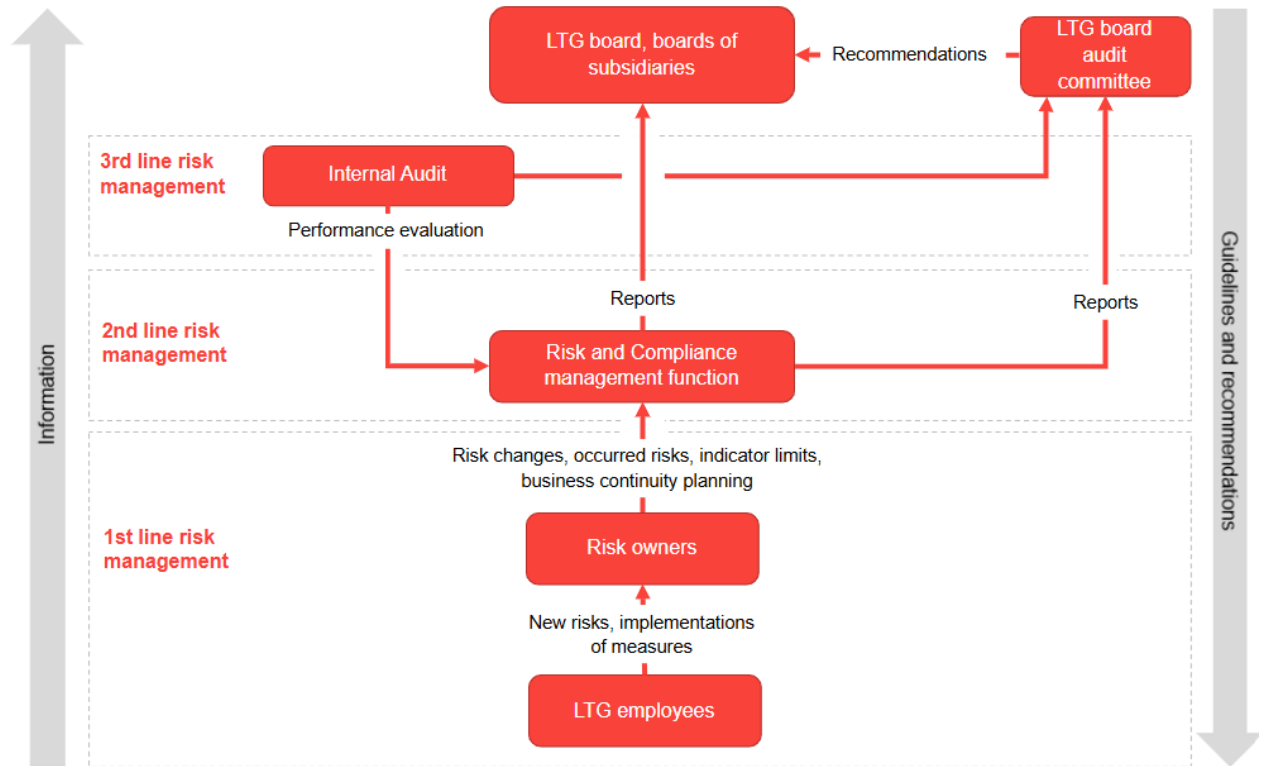


Fig. 3. Risk management system Information movement and responsibilities

6. General 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 is reviewed at least once every three years, following major changes to the Long-Term LTG Strategy, changes to the organizational management structure, and operational functions of the LTG Group of Companies.
- 6.4. The Policy is applied to the extent that is not contrary to the laws of the Republic of Lithuania and/or other valid regulatory enactments.