
 LIETUVOS GELEŽINKELIAI	AB "Lietuvos geležinkeliai" Strategy and Operational Efficiency
Strategic Planning and Management Policy	No. P/FN5.1/LG/1 Version 03


APPROVED by:
Decision No. SPR-VL(LTG)-13/2025
of the Board of AB Lietuvos geležinkeliai
dated April 15th, 2025

STRATEGIC PLANNING AND MANAGEMENT POLICY

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1. Purpose and scope


- 1.1. This Strategic Planning and Management Policy (hereinafter referred to as "the Policy") defines the general principles, responsibilities and key business processes of strategic planning and managing of AB "Lietuvos geležinkeliai" Group of Companies (hereinafter referred to as "the Group").
- 1.2. The purpose of this Policy is to ensure consistent strategic planning and management across the Group.
- 1.3. The Policy applies to Group companies that are required to prepare a strategy in accordance with Resolution of the Government of the Republic of Lithuania No. 665 of June 6, 2012 "On Approving the "Description of the Procedure for Exercising the Ownership and Non-Ownership Rights of the State in State Companies" as amended" (the "Ownership Guidelines"): the "Ownership Guidelines":
 - 1.3.1. AB Lietuvos geležinkeliai
 - 1.3.2. LTG Cargo AB and its subsidiaries¹
 - 1.3.3. LTG Link UAB
 - 1.3.4. LTG Infra AB
 - 1.3.5. Geležinkelio tiesimo centras UAB
 - 1.3.6. LTG Kompetencijų centras UAB
- 1.4. The Policy is intended for Group employees who are directly involved in long-term decision-making and whose activities are related to strategic planning and management, investment planning and management, performance management and financial planning functions.
- 1.5. Other LTG policies governing strategic planning and management shall not conflict with this Policy.
- 1.6. In regard to the Group company that is functioning as a public railway infrastructure manager, the terms of this Policy shall be applicable and effective, provided that they do not contradict the regulatory requirements pertaining to the management of public railway infrastructure. These requirements pertain to the principles of impartiality, financial transparency, the allocation of public railway infrastructure capacity, and the calculation and payment of Minimum Access Package Fees.

2. Definitions

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

Term / abbreviation	Definition / Explanation
Business unit	Companies within the Group of companies of AB Lietuvos geležinkeliai: AB LTG Cargo, LTG Cargo Polska Sp. Zo.o., LTG Cargo Ukraine LLC, LTG Link UAB, LTG Infra AB, Geležinkelio tiesimo centras UAB and LTG Kompetencijų centras UAB, with the exception of LTG
Executive Committee	The executive body, consisting of the LTG Chief Executive Officer, the Heads of Units reporting directly to LTG Chief Executive Officer and the Managing Directors of the Business Units
Function	Non-commercial structural units of LTG and LTG Kompetencijų centras UAB

¹ LTG Cargo's subsidiaries LTG Cargo Polska Sp. Zo.o. and LTG Cargo Ukraine LLC shall develop simplified content strategies that can be integrated into LTG Cargo's consolidated strategy.

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Term / abbreviation	Definition / Explanation
Key Performance Indicator (KPI)	A performance management tool that measures a company's performance. Key performance indicators (KPIs) demonstrate whether the company is progressing towards its objectives and highlight areas that require further assessment to achieve those goals.
LTG	AB Lietuvos geležinkeliai, the managing company of the Group
LTG Board	Board of Lietuvos geležinkeliai AB
PIV	LTG Project and investment management
PVA	LTG Planning and management accounting
Risk function	LTG Risks and compliance
Shareholder	Ministry of Transport and Communications of the Republic of Lithuania
SVE	LTG Strategy and Operational Efficiency
Sustainability function	LTG Sustainability


3. Goals and operating principles

3.1. Goals

- 3.1.1. The objective is to develop and refine the Group's unified strategic planning and management model in order to:
- 3.1.1.1. Increase the maturity of strategic planning and management within the Group.
 - 3.1.1.2. Ensure that the Group and its Business unit strategies are relevant and mutually consistent
 - 3.1.1.3. Ensure that the Group and its Business unit strategies are focused on long-term value creation and adaptable to a changing environment.

3.2. Operating principles

- 3.2.1. Compatibility. The strategic planning and management documents are based on the following key considerations: the Government of the Republic of Lithuania's transport-related priorities, the expectations of the shareholder, and the guidelines and recommendations for the content of the strategy of the Public Institution for Governance Coordination Centre (hereinafter referred to as "the GCC") and the Ministry of Economy and Innovation of the Republic of Lithuania.
- 3.2.2. Long-term value and sustainability. Strategic planning and management activities are intended to achieve long-term economic, social, and environmental benefits by implementing the principles of ESG (environmental protection, social responsibility, and good governance).
- 3.2.3. Data-driven decision-making. Update of strategic planning and management documents, as well as resource planning, is informed by analytical data on the market, finance, the competitive environment, and operational efficiency.
- 3.2.4. Strategic discipline. Decisions regarding the implementation of strategies are made based on the monitoring of KPIs, as defined in the LTG Performance Management Principles.
- 3.2.5. Flexibility and adaptation. Strategic planning and management documents are reviewed regularly. These reviews take into account external changes, including

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geopolitical, economic, and technological developments, as well as internal changes within the organization.

- 3.2.6. Responsibility. A clear strategic planning and management process is defined, encouraging active participation and personal ownership by all staff.
- 3.2.7. Transparency. In accordance with the Resolution of the Government of the Republic of Lithuania No. 1052 of March 7, 2012, "On the Approval of the Description of Guidelines for Ensuring Transparency in the Activities of State-Owned Enterprises and the Appointment of the Coordinating Authority," as amended, a summary of information on the Group's strategic directions, objectives, and strategic projects, as well as their implementation, is published publicly.
- 3.2.8. Inclusion and communication. Ensuring that staff members receive consistent, clear, and prompt communication regarding the processes, issues, timelines, and tasks involved in developing, updating, and implementing the strategy. This will facilitate staff engagement in achieving the strategic objectives.

4. Operating model

- 4.1. The Group has a standard operating model for strategic planning and management that is partly centralized. The formulation and application within the Group is coordinated by the SVE. In line with the operating model:
 - 4.1.1. The LTG formulates the Policy, prepares long-term planning guidelines for the Business Units, coordinates the consolidation of the Group's strategy, the preparation/updating of the Functional Plans, portfolio of strategic investments and the implementation of the Group's strategy.
 - 4.1.2. Business Units formulate and implement their strategies in line with the Group's vision, strategic directions and objectives, coordinate Business Unit's investments portfolio and resources and develop Business Unit strategic planning and management processes aligned with Group processes as required.
 - 4.1.3. Functions formulate and implement plans for their development, combining tactical and strategic management as defined by the organisation's operational architecture.

5. Core activities

- 5.1. The strategic planning documents consist of (i) the Group's consolidated strategy, (ii) the strategies of the Business Units, and (iii) the Functional Development Plans. The Group Strategy integrates the Business Unit Strategies and the Functional Development Plans, as shown in Figure 1. The strategic planning documents shall be prepared for a minimum period of 5 years.

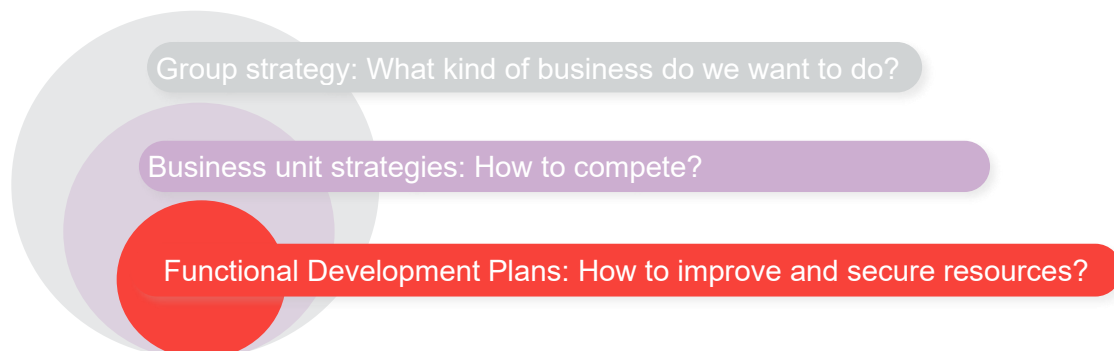


Figure 1: Types of strategic planning documents and their interlinkages.

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- 5.2. Strategic management documents consist of the following: (i) reports on the implementation of strategies, (ii) annual target-setting and evaluation documents, and (iii) interim and annual performance reports and improvement action plans.
- 5.3. The strategic planning and management documents shall align with the requirements of transparency, impartiality and independence of the public railway infrastructure manager from railway undertakings/carriers.
- 5.4. Strategic planning and management consists of 4 phases, as shown in Figure 2.

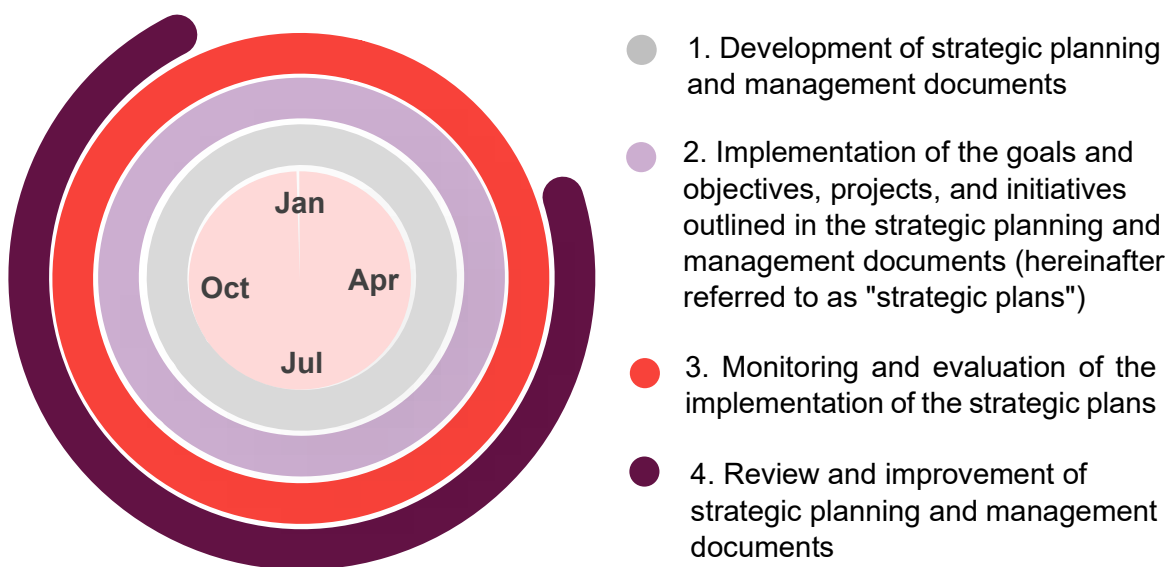



Figure 2: Key steps in strategic planning and management.

- 5.5. Development of strategic planning and management documents (Phase 1) combines top-down and bottom-up planning, as illustrated in Figure 3.



Figure 3: Top-down and bottom-up planning principles.

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5.6. Implementation of strategic plans (Phase 2).


- 5.6.1. The strategy documents set out the goals and objectives, projects and initiatives, transferring KPIs from the KPI system. The LTG CEO, the Executive Committee and the Heads of Function are responsible for the implementation of the specific strategic goals and objectives assigned to them in accordance with the established KPIs.
- 5.6.2. Annual targets are developed for the LTG CEO and the Executive Committee. These targets are developed in accordance with the strategic goals, objectives, measures, and projects, and subsequently cascaded down to the individual employee targets as outlined in the LTG Operational Efficiency Principles.

5.7. Monitoring and evaluation of the implementation of the strategic plans (Phase 3).

- 5.7.1. The implementation of the Group's and Business Units' strategies is reviewed at least once a year to assess the relevance of the strategic objectives, changes in the competitive environment and other factors that may affect the achievement of the strategic objectives.
- 5.7.2. Reporting on the implementation of the Strategies shall be submitted to the GCC in accordance with the Ownership Guidelines. The preparation and submission of reports on the implementation of the Strategies to the GCC shall be coordinated by the SVE.
- 5.7.3. The Head of the relevant Function shall coordinate the review and evaluation of the implementation of the Functional Development Plans on an annual basis prior to the start of the renewal of the plans.
- 5.7.4. SVE, PVA and PIV, within their respective areas of responsibility (monitoring and reporting of the achievement of annual targets, financial targets, implementation of the investment portfolio), prepare joint interim and annual performance reports, monitor the achievement of the KPI indicators and prepare monthly reports on the implementation of the strategy, and coordinate action plans for improvement.
- 5.7.5. The Group's performance reports are reviewed by the LTG Board and Executive Committee. The reports of the Business Units are reviewed by the relevant governing bodies and managers of the respective Business Unit.

5.8. Review and improvement of strategic planning and management documents (Phase 4) is carried out on an annual basis, incorporating the results of external analysis, risk assessment, and updated financial forecasts. Responsibilities at this stage:

- 5.8.1. The LTG Board initiates and evaluates the review and improvement of the Group's strategy and approves the updated Group strategy.
- 5.8.2. The Executive Committee assesses the need to update the Group's mission, vision, strategic directions, long-term planning guidelines for the Business Units, and formulates tasks for the review and updating of strategic documents.
- 5.8.3. The competent management bodies of the Business Units shall assess the review and improvement of the Business Unit Strategy and approve the updated Business Unit Strategy.
- 5.8.4. Business Unit Managers analyse the external and internal environment, formulate tactical actions, plan initiatives, and formulate tasks to review and update the Business Unit's strategic documents.
- 5.8.5. Functions update the Functional Development Plans, aligning them with the Business Units' strategies, to ensure that the strategies are resourced and

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implemented at Group level, and to shape strategic governance and advise on operational principles.

- 5.8.6. SVE coordinates the process of reviewing and refining centrally and semi-centrally prepared strategic documents. This includes consolidating the Group's strategy, updating the KPI system, and preparing the final Group strategy document. SVE ensures that the strategic documents are in line with shareholder expectations. SVE also organizes the communication of the review of the strategic documents to staff and stakeholders, ensuring clear presentation of processes, deadlines, and tasks, and promoting the involvement of LTG and Business Unit staff.
- 5.8.7. PVA prepares the financial consolidation forms and coordinates the assessment and updating of the Group's financial forecasts, provides Business Units with criteria for updates and growth guidance (inflation, wage, fuel and electricity price forecasts for the strategy period) as required.
- 5.8.8. PIV assesses strategic initiatives and investments, develops criteria and creates investment consolidation forms.
- 5.8.9. The Risk function monitors and assesses the global risk context and formulates strategic risks, their potential consequences and key management measures.
- 5.8.10. The Sustainability function reviews strategic documents from an environmental, social and good governance perspective, assessing the relevance and integration of sustainability objectives into strategies.

6. Final provisions

- 6.1. The Policy and its amendments are approved by the Board of AB Lietuvos geležinkeliai.
- 6.2. The review and updating of the Policy shall be initiated and coordinated by the Head of LTG Strategic Planning and Management.
- 6.3. The Policy shall be reviewed at least once a year, as well as in the event of changes in the LTG Group's organisational management structure and/or in the legislation of the Republic of Lithuania regulating strategic planning activities.
- 6.4. The Policy shall apply to the extent that it does not conflict with the laws of the Republic of Lithuania and/or other applicable legal acts.