APPROVED June 28, 2024
by Decision No SPR-VL(LTG)-20/2024
of the Board of AB Lietuvos Geležinkeliai

SUSTAINABILITY POLICY

CONTENTS

1. PURPOSE AND SCOPE OF APPLICATION

1.1. The aim of the policy is to set out the principles and priorities for the LTG Group's sustainability activities, defining the key sustainability-related activities and the governance model. This policy prioritises the relevant sustainability areas where the LTG Group's activities have the greatest environmental impact and seek to create the greatest value.

1.2. The implementation and application of the Policy is defined in detailed internal regulations (methodologies and processes) approved by LTG and the legal entities directly and indirectly controlled by LTG and its subsidiaries.

1.3. The implementation of the sustainability priorities and principles enshrined in the Policy may also be elaborated in other internal regulations of LTG Group companies. LTG Group companies' internal documents relating to sustainability management shall not contradict provisions of the Policy and shall be updated in accordance with the Policy as necessary.

1.4. The Sustainability Policy is applied to the entire LTG Group of companies to ensure a common understanding of sustainability and to develop a sustainable culture.

1.5. In respect of an LTG group company acting as a public railway infrastructure manager, the provisions of this policy shall be valid and apply to the extent that they do not conflict with the regulatory requirements of impartiality in the management of the public railway infrastructure manager, financial transparency, the allocation of public railway infrastructure capacity, and the calculation and payment of the minimum access package fee.

2. DEFINITIONS

2.1. Key concepts and abbreviations used in this Policy include.

Concept	Definition
AB Lietuvos Geležinkeliai Group (LTG Group)	A group of companies consisting of LTG and the legal entities under its direct and indirect control: AB LTG Cargo, UAB LTG Link, AB LTG Infra, UAB Geležinkelio Tiesimo Centras, as well as other legal entities in which LTG is a participant.
RES	Renewable energy sources.
ESG	The environmental, social and governance dimensions of sustainability.
Corporate Sustainability Reporting Directive (CSRD)	An EU law requiring all companies covered by the Directive to publish regular reports on the environmental, human and social impacts of their activities.
Sustainable Development Goals, SDGs	Global targets set by the United Nations to be achieved by 2030.The agenda consists of 17 Sustainable Development Goals (SDGs), which declare the pursuit of peace, prosperity and well-being for humanity and the planet now and in the future, and call for unity in pursuit of the goals.
Dual materiality	Dual materiality consists of two aspects: the significance of the company's impact on the environment and society, and financial materiality (the risks and opportunities that affect the company's financial position, financial performance and cash flows).

Concept	Definition
European Sustainability Accountability Standards (ESAS)	Sustainability Reporting Standards to be applied by all companies subject to the requirements of the Corporate Sustainability Reporting Directive (CSRD)
Corporate function	Top-level LTG Group activities (core functions, corporate functions and internal audit).
LTG	AB Lietuvos Geležinkeliai.
LTG Board	Board of AB Lietuvos Geležinkeliai
Paris Agreement	Paris Agreement on Climate Change (Council Decision (EU) 2016/1841 of 5 October 2016) - an agreement between countries to address the risks posed by climate change. The aim is to limit the increase in the average temperature of the earth and to continue to aim for an increase in the average temperature of the earth of no more than 1.5°C.
Helpline	Communication channels to record investigations of fraud, corruption or other criminal offences within the LTG Group. LTG Business Safety administers the Helpline.
Policy	A document that sets out corporate governance guidelines, principles, long-term and short-term objectives that take into account the LTG's or Business Unit's strategy, regulatory norms, business model and standards governing the LTG's Group's management systems.
Risks and opportunities	Contingent environmental, social or governance events or conditions that, if they occur or arise, could have a potentially material adverse effect on an entity's business model or strategy, its ability to achieve its goals, objectives and value creation, and hence on its decisions on sustainability issues, as well as those of its business partners with whom it has a business relationship.
Indicators	Qualitative and quantitative indicators that a company uses to measure and report on the effectiveness of its implementation of sustainability-related policies against its targets over time. Indicators also help to measure the company's performance in relation to affected people, the environment and the company.
Stakeholders	Parties that positively or negatively affect or are affected by the activities of LTG Group. For LTG Group, the main stakeholders are: employees, customers, society and communities, shareholders, business partners and suppliers, government representatives, the Board, the media, international organisations, creditors, etc.

Concept	Definition
Goal	A long-, medium- or short-term objective set out in the planning documents, indicating the expected result to be achieved within the timeframe of the planning document.
Sustainability	Generic terms for a way of development based on a balance between environmental prosperity, social well-being and economic development. This concept includes the principles of sustainable development and resource efficiency
Sustainability report	A specific communication from the company's management providing information on areas of ESG in accordance with the CSRD and ESAS.
Sustainable development	To meet the needs of humanity today, while taking into account the well-being of future generations.
Operational unit	A company which is a part of AB Lietuvos Geležinkeliai Group of companies.
Green Paper	The European Commission's Corporate Governance Framework, which includes corporate social responsibility and identifies key issues for good corporate governance in the European Union (COM(2001) 366)
Green Deal	A set of European policy initiatives to transform the EU's climate, energy, transport and tax policies so that Europe becomes a climate-neutral continent in 2050, economic growth is decoupled from the use of natural resources, and a socially just transformation ensures that no person and no place is left behind.

3. SUSTAINABILITY OPERATING PRINCIPLES

3.1. The sustainability policy is based on the operational principles set out in the United Nations Global Compact, the resolutions of the Paris Agreement, the provisions of the European Union's strategic documents (the European Commission's Communication on Promoting Corporate Social Responsibility, the Green Paper), the declarations of the International Labour Organisation on the implementation of the Fundamental Principles and Rights at Work and the Principles of Good Corporate Governance in State-Owned Enterprises by the Governing Coordination Centre established by the Government of the Republic of Lithuania, and other recommendations on sustainability.

3.2. LTG Group's activities take into account the environmental, social, governance and economic aspects of its operations in order to achieve sustainable value creation, which is realised by striking a balance between financial and non-financial returns and by taking into account the needs of Stakeholders.

3.3. LTG Group strives for an open and proactive cooperation based on mutual communication, trust and integrity with all Stakeholders who also have sustainability standards and principles in their operations. In its cooperation with Stakeholders, LTG strives to take into account their expectations and suggestions in the area of sustainable development and is guided by the values adopted by the Group.

3.4. The LTG Group undertakes to regularly review the environmental, economic and social impacts and priorities of the LTG Group, taking into account stakeholder expectations and the latest available scientific information. The LTG Group also commits to regularly improve its performance and compliance with sustainability standards based on best practices and recommendations.

3.5. **Guiding Principles for Sustainability Performance of LTG Group**:

3.5.1. **Initiative**. The need to adapt to rapidly changing circumstances is recognised and therefore priorities, initiatives, projects and activities in the areas of sustainability are continuously identified and/or updated, taking into account the priorities set out in the Policy, in order to ensure continued and sustainable growth of LTG Group.

3.5.2. **Promoting engagement**. All initiatives and activities to address the sustainability priorities shall seek to involve the necessary external and internal stakeholders and seek their active participation.

3.5.3. **Timeliness of implementation**. Adequate and necessary resources are allocated and the attention of all stakeholders is ensured for the implementation of sustainability activities, both in the Transformation Portfolio and in other projects or activities at the level of LTG Group.

3.5.4. **Continuous monitoring and improvement**. Continuous monitoring of the implementation of sustainability activities and continuous search for ways to improve sustainability performance. Business partners and suppliers are monitored for sustainability compliance and performance.

3.5.5. **Responsibility and accountability**. To ensure the implementation and accountability of sustainability priorities and related targets, the Sustainability Performance Management Model develops and provides stakeholders with timely and periodic reports on sustainability activities/progress describing the results of LTG Group's sustainability activities, ongoing initiatives, action plans and the LTG Group's progress towards sustainability.

3.5.6. **Transparency and public communication**. Data and information on the LTG Group's progress on sustainability is publicly disclosed in accordance with globally recognised standards and in formats and ways that are accessible to a wide range of stakeholders, both within and outside the LTG Group.

4. PRIORITIES FOR SUSTAINABLE ACTIVITIES

4.1. In this document, LTG Group establishes priorities in each area of the ESG to ensure the sustainability of LTG Group's activities and to minimise their negative impact on the environment, therefore efforts must be made in the areas where they can have the greatest impact and where actions can achieve the best results in a resource-efficient manner.

4.2. Through its strategic objectives and sustainability management priorities, LTG Group aims to contribute directly to the UN Sustainable Development Goals (SDGs), with particular emphasis on the priorities of good health and well-being, decent work and economic growth, industry, innovation and infrastructure, sustainable cities and communities, responsible consumption and production, and mitigating the impacts of climate change. In addition, in the performance of other activities and priorities, LTG Group aims to contribute to SDGs ensuring the availability of clean water and sanitation, and access to affordable and clean energy for all.

4.3. LTG Group contributes to the European Green Deal and the Paris Agreement by committing to reduce net CO2 emissions to zero by 2050. The aim is to progressively reduce CO2 and particulate matter emissions, with the objective of reducing total CO2 emissions from rail transport by 30% by 2030 and reducing specific CO2 emissions from freight and passenger transport by 50% compared to 2005.

4.4. The LTG Group is committed to the Global Compact principles on human rights, employees' rights, non-discrimination, environmental protection, the development of environmentally friendly technologies and anti-corruption.

4.5. **Environmental priorities:**

4.5.1. **Reducing our climate impact** is one of the key priorities the LTG Group aims to fulfil by demonstrating environmental leadership. To bring climate change drivers under control, key business objectives are reducing CO2 emissions, increasing energy efficiency and the use of energy from renewable energy sources (RES), and developing a circular economy. The aim is to progressively reduce energy consumption across the LTG Group's activities, particularly in freight and passenger transport, by introducing more energy efficient and greener solutions, also aiming to generate as much energy as possible from RES and to promote the transition to RES in heat generation. In addition, as part of climate change mitigation, the aim is to adapt and offer infrastructure and other measures to make the most of the opportunities offered by intermodality, and stakeholders are encouraged to choose more sustainable modes of transport, in rail transport in particular.

4.5.2. LTG Group also pursues the implementation of other environmental objectives and/or priorities, such as ensuring ambient air quality, reducing noise and vibration from the rail network, waste management, water protection and wastewater management, biodiversity conservation and management of contaminated sites, which are set out in LTG's Group Strategy, LTG's Group Environmental Strategy, and in other Action Plans and documents.

4.5.3. **Promoting digitalisation and innovation.** LTG Group engages in a digital transformation that helps to use LTG Group's resources more efficiently, reduce waste and emissions, and contribute directly to protecting the environment and reducing pollution. Digitalisation also provides a broader opportunity to enter new areas of activity, to increase and diversify revenue streams, and contributes significantly to improving productivity and efficiency. The aim is to ensure seamless service delivery, essential business processes and staff competencies, and to enable the development of an innovation ecosystem, particularly in the environmental and circular economy fields. The digital transformation of the LTG Group takes a systematic approach and follows global best practice, creating conditions to test innovative solutions in LTG Group's activities.

4.6. **Operational priorities in the social field:**

4.6.1. **Ensuring employee well-being and developing a high-performance organisational culture**. Particular attention here is paid to ensuring employee well-being and functional competences, as well as to developing human capital and encouraging employee involvement in LTG Group's activities. The aim is to develop an effective social dialogue with employees and to create more comfortable working conditions by introducing advanced technological solutions and providing employees with the necessary working tools and benefits. Leadership of employees and managers is promoted, also emphasizing the importance of digital competences to both current and potential employees through educational initiatives with social and educational partners. A high-performance organisational culture is created and maintained, aiming to develop LTG Group values-based employee behaviour in daily activities, to increase employee engagement and loyalty, and to foster employee integrity and respect for people.

4.6.2. **Openness to the public and engagement with communities.** One of LTG Group's top priorities is to proactively and timely inform and involve communities and public interest groups in LTG Group's activities, sustainability, transparency and other initiatives, as well as to respond to legitimate interests of communities. LTG Group undertakes to periodically educate and inform the public about rail and sustainable transport activities, projects being implemented and planned, and to actively develop a two-way dialogue. All forms of accountability to all stakeholders are continuously reinforced and the aim is to publish all relevant information in the most appropriate ways and formats, based on a culture of openness and transparency within the company.

4.6.3. **Comprehensive safety.** The aim is to eliminate accidents in LTG Group's activities through sustainable, digitisation and other appropriate and quality measures and training programmes, seeking to preserve the working capacity, health and life of employees at work and to protect employees from actual or potential occupational and personal data protection risks. Priority is given to traffic safety, to ensure that railway users and passengers, as well as infrastructure, rolling stock, freight and luggage, are protected from railway accidents, unauthorised acts of others and related consequences, through centralised safety management, audits of management system elements, and traffic safety inspections. Timely identification and management of the protection of objects of national security significance and of risk factors that may pose a threat is considered an important part of comprehensive security. Therefore, LTG Group aims to ensure transparency of transactions and their compliance with interests of the state's national security, to responsibly manage critical information systems, to ensure data security through information dissemination and education, organisational and technical measures to prevent cyber incidents, to ensure the safety of business, and to implement other innovative and quality measures required by law.

4.6.4. LTG Group also pursues other social objectives and/or priorities, such as equal opportunities, employee diversity, non-discrimination and human rights, and the protection of the LTG Group's assets, which are listed in relevant policies, principles, methodologies and other documents.

4.6.5. LTG Group employees are encouraged to show no tolerance for misconduct or non-performance of duties by colleagues and others, discrimination, harassment, unlawful acts, especially those of a corrupt or otherwise criminal nature. Employees are also encouraged to comply with the principles and standards of ethics set out in the Employee Code of Conduct, to refrain from following unlawful instructions and to report them to the LTG Group's Helpline.

4.7. **Operating priorities in the governance field:**

4.7.1. **Creating lasting value for the country and society.** LTG Group aims to be a competitive, growing group of companies that generates sustainable returns for shareholders and creates long-term value for society. LTG Group's investments are focused on long-term value creation, leveraging sustainable borrowing for strategic projects, and aiming to secure the necessary financial resources, the financial ratios required for the lowest cost of borrowing, and stable financing for long-term projects. The aim is to obtain a high investment grade credit rating, which would contribute to better financing conditions for operations. Also, the organisation uses other financial resources, including funds received from the EU and other international donors, responsibly to meet its strategic commitments and reduce the risk of non-implementation. LTG Group also focuses on the creation of socio-economic value for society by consistently introducing measures to promote sustainable mobility for citizens, to increase convenience and encourage the use of more sustainable means of transport, and by continuously striving to minimise the negative impact on the environment and on society, while also contributing to the improvement of public well-being and the strengthening of citizenship.

4.7.2. **Business continuity and risk management.** LTG Group places particular emphasis on the preventive and timely identification and management of risks, implementing a unified and standardised risk management system and processes that are integrated into core activities and decision-making. Recognising the importance of LTG Group's activities to the state and society, integrated business continuity mechanisms (business continuity plans, exercises, testing, etc.) are developed and applied to ensure uninterrupted operations. Attention is paid to the organisation-wide capacity to apply risk management practices and to sharing good practices with other organisations.

4.7.3. LTG Group also aims to implement other governance activities and objectives, such as ensuring good governance and effective corporate governance, zero tolerance to corruption, fostering transparency, legal regulation of state-owned enterprises, and fostering a governance structure and remuneration system that is in line with good governance practices, as stipulated in the Corporate Governance Policy, the Senior Management Remuneration Policy, the Corruption Resistance Policy, strategies, action plans and other documents.

5. KEY SUSTAINABILITY ACTIVITIES

5.1. The following activities are being carried out to create a culture of sustainability within LTG Group and to ensure that sustainability principles and values are applied in business decisions:

5.1.1. improving and enabling the LTG Group's sustainability management model, which helps to ensure that the priorities set out in the LTG Group Strategy are implemented in line with best sustainability practices and standards, as well as European Union and national legislation;

5.1.2. the sustainability priorities set out in the Sustainability Policy at LTG Group level are implemented and integrated into the LTG Group Strategy and other LTG Group documents;

5.1.3. the monitoring and reporting framework for sustainability performance indicators is maintained and improved, preparing an annual LTG Group Sustainability Report;

5.1.4. the LTG Group's environmental, economic and social impacts are periodically assessed by means of a dual materiality analysis, and priorities for sustainability activities are updated as necessary, taking into account the expectations of all stakeholders and the latest available scientific information;

5.1.5. contribution to creating LTG Group's reputation as a fully sustainable organisation by communicating the importance of sustainability principles to stakeholders both internally and externally;

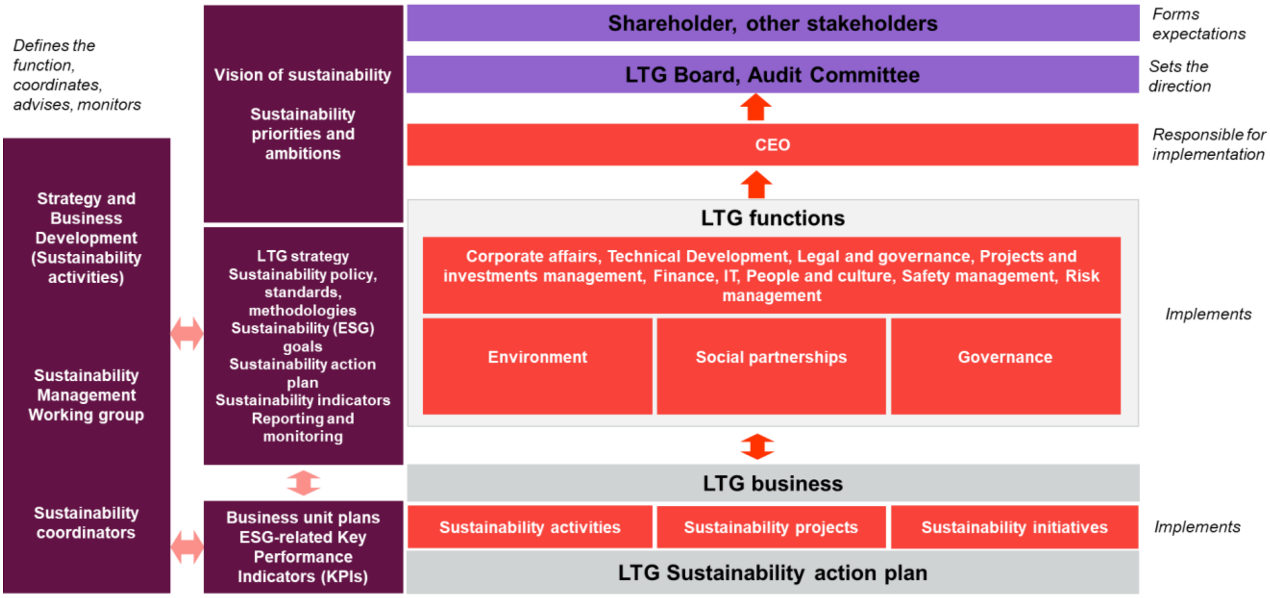
5.1.6. improving staff competences and engagement in sustainability-related activities.

6. SUSTAINABILITY PERFORMANCE MODEL

6.1. To ensure the implementation of sustainability priorities and activities, LTG Group has adopted a partially centralised and standardised operating model, which defines clear responsibilities and allows decentralisation of activities at the level of corporate functions, divisions and business units.

6.2. Specific policies, strategies and/or action plans are being developed in different areas of sustainability, as appropriate. The development of these documents is the responsibility of the relevant unit, while the Strategy and Business Development Department coordinates the integration of these documents into the Sustainability Policy and/or LTG Group Strategy.

Activities	Governance model	Comment
Strategic sustainability planning and governance	Partly centralised, standardised	Updated annually in conjunction with the LTG strategy
Implementation of the sustainability priorities and principles set out in the strategy and policy	Decentralised, partly standardised	-
Monitoring and control	Partly centralised, standardised	-



Schematic diagram of the model of management of LTG Group's sustainability activities

7. SUSTAINABILITY REPORTING

7.1. Sustainability reporting information is provided in accordance with the European Sustainability Reporting Standards and includes:

7.1.1. a brief description of the company's business model and strategy;

7.1.2. a description of the sustainability-related objectives to be achieved by the company over time;

7.1.3. a description of the role of the administrative, management and supervisory bodies in sustainability matters and of their expertise and skills, or access to such expertise and skills;

7.1.4. a description of the company's policy on sustainability issues;

7.1.5. information on existing incentive schemes related to sustainability issues;

7.1.6. a description of the due diligence process on sustainability issues implemented by the company;

7.1.7. a description of the main actual or potential negative impacts related to the company's operations and its value chain;

7.1.8. a description of any action taken by the undertaking in response to actual or potential adverse effects and the results of such action;

7.1.9. a description of the main sustainability-related risks to the company;

7.1.10. disclosure-related indicators.

7.2. The European Sustainability Reporting Standards (ESRS), which LTG uses to report on sustainability:

General information	1 ETAS	General requirements
	2 ETAS	General disclosures
Environmental information	E1 ETAS	Climate change
	E2 ETAS	Pollution
	E3 ETAS	Water and marine resources
	E4 ETAS	Biodiversity and ecosystems
	E5 ETAS	Resource use and circular economy
	S1 ETAS	Own workforce

Social information	S2 ETAS	Value chain workers
	S3 ETAS	Affected communities
	S4 ETAS	Consumers and end-users
Governance information	G1 ETAS	Business ethics

8. FINAL PROVISIONS

8.1. The Sustainability Policy and its amendments are approved by LTG Board.

8.2. The review and update of the Sustainability Policy is initiated and coordinated by Strategy and Business Development (Sustainability function).

8.3. The Policy enters into force upon its approval.

8.4. The Sustainability Policy is reviewed at least once a year, as well as in the event of a material change in the LTG Group's strategy, the LTG Group's organisational governance structure or in the event of any other strategically important circumstances.

8.5. LTG Group report publicly on its sustainability activities and their impact at least once per year, through separate and/or integrated sustainability reports prepared in accordance with ESAS, best disclosure practices and other recognised international standards. The report is publicly available on the LTG Group's website.

8.6. The Sustainability Policy is in line with applicable legislation and LTG Group’s documents.

8.7. The Sustainability Policy is publicly available on LTG Group's website.