



APPROVED BY  
SC KN ENERGIES  
General Meeting of Shareholders  
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# CORPORATE GOVERNANCE POLICY OF SC KN ENERGIES

No POL014

VERSION 3

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KORPORATYVINIO VALDYMO POLITIKA

## INTRODUCTION

This Corporate Governance Policy of SC KN Energies (hereinafter – KN) (the “Policy”) has been developed following the Law on Companies and other legal acts, regulating the activities of KN and taking account of the principles of national and international best practices, such as the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius, the G20/OECD Principles of Corporate Governance, and the Guidelines on Corporate Governance of State-Owned Enterprises of OECD, as well as, given the state-owned enterprise status of KN, the Shareholder Letter of Expectation (issued under the Lithuanian Government Decree)<sup>1</sup>.

The Policy is based on the current corporate structure of KN, which is currently being reviewed with an expectation of a new corporate structure to come into force with the expiration of the current terms of office of the Supervisory Council and the Board in 2026. Approved Policy with these provisions necessitates the management to timely inform the Ministry of Energy (in 2025) to initiate selection of a new Board as required by the procedures.

The Policy has been approved by the General Shareholders Meeting of KN.

KN expects its shareholders and stakeholders to respect the provisions of this Policy in their relations therewith.

The Policy is publicly available on KN's website ([www.kn.lt](http://www.kn.lt)).

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<sup>1</sup>[Government of Lithuania resolution no. 665 regarding the Description of State's Property and Non-property rights implementation in the State-Controlled Enterprises](#)



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## 1. GENERAL PROVISIONS

This Policy lays out the primary approaches, requirements, and principles of corporate governance, as well as respective commitments of KN (or the "Parent company") and all directly or indirectly *de jure*-controlled companies of KN ("Subsidiaries")<sup>2</sup> (hereinafter collectively referred to as "KN Group")<sup>3</sup>, subject to the applicable regulations and practices of the relevant jurisdiction of incorporation and to the extent required not to impede efficient governance.

This Policy serves as a flexible framework within which the collegial (corporate) bodies and the Chief Executive Officer (hereinafter – CEO) of KN aim to ensure efficient governance, sustainable corporate growth, and value creation over the mid to long-term of KN and KN Group. The activities of KN Group are carried out in accordance with the requirements of the applicable legislation.

KN shall institute specific corporate governance procedures and practices, which shall be delineated and governed by the policies and internal documents of KN or KN Group. Such procedures and practices shall receive an approval from the collegial corporate bodies or the CEO, as appropriate.

The framework for decision-making within KN shall be comprehensively set forth in the Decision-making Matrix. The authority to approve the Decision-making Matrix is assigned to the Supervisory Council, the Board and CEO. Decision can be made only by mutual consent.

In urgent situations where business demands quick actions, collegial corporate bodies and the CEO are hereby empowered to enact decisions on an accelerated basis, as required by the urgency of the situation and in line with responsible business principles.

## 2. COMMITMENT TO CORPORATE GOVERNANCE PRINCIPLES

Corporate governance of KN Group is based on the following principles:

### *Protection of the Interests of Shareholders and their Equality*

KN Group's corporate governance is aimed to protect and facilitate the exercise of the shareholders' rights and ensure equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders have equal access to information and documents according to and within the limits of applicable law.

The corporate governance system encourages the engagement of shareholders in matters of KN through active participation in KN's General Shareholders' Meeting. The procedures for organization and participation in the General Shareholders' Meeting provide equal opportunities for shareholders to participate.

### *Cooperation and Recognition of Interests of Stakeholders*

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<sup>2</sup> Not applicable to associated entities in which the KN directly or indirectly owns less than 51% shares/votes.

<sup>3</sup> Any expectations formed and actions taken upon the information on this Policy are strictly at your own risk. KN or its subsidiaries will not be liable for any losses or damages in connection with the use or interpretation of this Policy

KN Group's corporate governance framework recognizes the rights of its stakeholders established by law or through mutual agreements, and it encourages active cooperation between KN, its Subsidiaries, and stakeholders in ensuring responsibility towards the environment, employees, and society. KN Group cooperates with stakeholders via consultations, dialogues, engagement, and partnerships.

Stakeholders, including individual employees, may freely communicate their concerns about possible discrepancies through the KN Group's reporting channels, and their rights should not be compromised for doing this.

### *Responsibility and Accountability of Collegial bodies*

KN Group's corporate governance seeks to ensure the highest standards of the governance and performance of collegial bodies of KN Group in the appropriate fulfillment of their functions and these bodies' accountability to the shareholders. Members of collegial bodies should act in the interest of KN Group, KN, and its shareholders.

### *Timely and Accurate Disclosure of Information*

KN Group's corporate governance framework seeks to ensure timely and accurate disclosure of all material matters regarding KN Group and KN, including the financial situation, share ownership, and governance. All relevant publicly disclosed information is available on KN website and (or) on the Nasdaq Vilnius Stock Exchange.

### *Effective and Efficient Internal Control and Risk Management*

KN Group's corporate governance framework seeks to ensure effective and efficient internal control, risk management and compliance systems, and internal audit functions adequate to the size of KN Group and the scale of its activity.

## 3. CORPORATE GOVERNANCE SYSTEM OF KN GROUP

### *3.1. Corporate Governance System*

KN and Subsidiaries, the structure of corporate bodies of KN and KN Group, and governance principles described in this Policy form the corporate governance system of KN Group.

### *3.2. Interaction of Parent Company and its Subsidiaries*

#### *Establishment of Subsidiaries and their Corporate Bodies*

Subsidiaries are established to implement KN's (or KN Group's) strategy. Generally, KN implements LNG projects worldwide through special-purpose entities.

As a rule, separate collegial bodies are not established in the Subsidiaries. The collegial management and supervision are exercised by KN's collegial bodies and designated management entities (such as steering or supervisory committees) found on an ad hoc basis when there is a business need or due to local legal requirements of the jurisdiction regulating respective Subsidiary.

#### *The Role of the Parent Company in relation to Subsidiaries*

KN acts as a Parent Company of KN Group.

The corporate governance system of KN Group is organized in such a way that the Parent Company should make decisions regarding the coordination of the activities of KN Group and participate in the management of the Subsidiaries as required, as well as exercise supervision, monitoring, and

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management control over the Subsidiaries as it is provided in the Articles of Association and other internal documents of the Subsidiaries.



An effective system of management, supervision, and other bodies of KN Group is implemented through the appropriate functions assigned to the collegial bodies of KN and proper independence of their activities.

The main components of the Corporate Governance Structure of KN Group comprise:

- 1) Corporate bodies of the Parent Company:
  - *General Shareholders' Meeting*
  - *The Supervisory Council*
  - *Board*
  - *Audit Committee*
  - *Remuneration and Nomination Committee*
  - *Other Committees (if established).*
  - *CEO*
- 2) Corporate bodies of Subsidiaries:
  - *General Shareholder's Meeting*
  - *CEO of subsidiary*

- *Other committees or entities if specific project, jurisdiction, or the needs so require.*

### 3.3. Corporate Governance Documents and their Implementation

Articles of Association of KN and Subsidiaries define the purpose of KN Group companies and outline the functions and roles of different participants within an organization. In addition to that, to regulate the corporate governance matters of KN Group, KN may adopt relevant corporate governance documents (the "Corporate Governance Documents") that are consistent with the applicable laws and principles enshrined in this Policy for KN Group-wide application.

The levels of the Corporate Governance Documents application in the Subsidiaries:

- Applicable to the full extent (upon joining the relevant Corporate Governance Document of the KN Group, this document is directly applicable to the full extent in the subsidiary);
- applicable with exceptions, provided that the regulation of the Corporate Governance Document contradicts the legislation of the state in which the subsidiary is established or cannot be applied due to the specifics of KN's activities/business segment;
- applicable with additional regulation, if it is necessary due to business specifics of a Subsidiary;
- not applicable (temporarily or permanently) in exceptional cases, depending on the particulars of respective Subsidiary.

## 4. RESPONSIBILITIES OF KN CORPORATE BODIES

### 4.1. Division of Powers and Lines of Interaction in KN

Effective interaction between corporate bodies and clear-cut division of their powers is one of the key factors of proper corporate governance practice.

The Supervisory Council, the Board, and the CEO are vested with sufficient independence in their work. The Supervisory Council shall ensure and maintain the independent oversight of KN group. The Supervisory Council and committees shall not interfere (for no good reason) with the day-to-day activities of the Board and CEO, limiting their capacity to effectively resolve matters concerning KN's day-to-day business.

The Audit Committee, the Remuneration and Nomination Committee, and other committees (if established) regularly interact with the Supervisory Council, present their activities, and help to oversee KN.

Corporate bodies should act in close cooperation to attain benefits for KN Group and its shareholders. Good corporate governance requires an open discussion between the corporate bodies. KN should provide access to information on matters concerning KN as far as confidentiality is concerned.

### 4.2. General Meeting of KN Shareholders

The sole competence of the General Shareholders' Meeting is prescribed in the Law on Companies and in other applicable legal acts, as well as Articles of Association of KN.

The General Shareholders' Meeting is the principal channel of participation of the shareholders in KN. Shareholders may exercise their voting rights and take part in the decision-making process by attending:

- Annual General Meeting of Shareholders, which is held annually to present detailed annual information about KN's performance;
- Extraordinary General Meeting of Shareholders is convened in cases specified by the Law on Companies.

### *4.3. KN Supervisory Council*

Supervisory Council is a collegial supervisory body responsible for the objective monitoring of KN Group's operations and execution of powers laid down in the applicable legal acts, including the provision of recommendations to the Board and CEO. The Supervisory Council should also ensure the integrity and transparency of KN Group's financial accounting and control system. The Supervisory Council is accountable to the General Meeting of Shareholders.

Its responsibilities, decision-making procedures, election, and member recall are established in the Law on Companies, other legal acts, Articles of Association of KN, and the Rules of Procedure for the Supervisory Council.

#### *Functions of the Permanent Committees*

Permanent committees – the Audit Committee and the Remuneration and Nomination Committee – are established in KN to perform supervisory functions efficiently. Other committees may be found (i.e., in areas of innovation, ESG, and others) by the decision of the Supervisory Council (or the Board), provided that their mandate and functions are clearly defined and are compliant with the applicable regulations.

The Committees serve the advisory functions to the Supervisory Council and provide consultations and recommendations in the areas of their competence. The Supervisory Council remains responsible for the decisions made under the Committee's recommendations.

### *4.4. KN Board*

The Board is a collegial body responsible for monitoring KN's financial and strategic goals. The primary responsibility of the Board is to foster the long-term success of KN, consistent with its fiduciary duties to the shareholders. The Board is accountable to the Supervisory Council and the General Meeting of Shareholders.

The detailed powers of the Board are as set in the Law on Companies; the additional powers are set in the Articles of Association of KN. The composition and election of the Board's members, Board's procedures, annual performance assessment, and other issues related to the activities of the Board are specified in detail in the Law on Companies, the Articles of Association of KN, and the Rules of Procedure for the Board.

### *4.5. KN Chief Executive Officer (CEO)*

KN CEO is designated by the Board. The Board sets the CEO's salary following the Remuneration Policy of KN, sets other terms of the employment agreement and the non-compete agreement, approves the CEO's job description, and provides incentives.

The CEO shall have general and active management of KN's business and be responsible for implementing KN's objectives. CEO oversees all day-to-day operations of KN, makes decisions regarding KN activities, acts on behalf of KN, and serves as the principal external spokesperson for KN



to the industry, investors, and clients. The CEO must ensure that KN's accounting principles comply with the laws and that financial matters are handled reliably.

Other responsibilities of the CEO are specified in detail in the Law on Companies, other legal acts, the Articles of Association of KN, and the job description of the CEO.

In the management of KN, the CEO is supported by the Top Management of KN which is selected and led by the CEO. Top management is responsible for managing and executing the strategy of KN, including but not limited to running the operations of KN and keeping the CEO informed of the status of KN's operations.

### 5. INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE

#### 5.1. *Internal Control, Risk Management, and Compliance Systems*

KN's and the KN Group's internal control, risk management, and compliance systems are made up of the rules, formal procedures, and significant actions intended to ensure its conduct follows ethical principles and applicable law, as well as to prevent improper conduct or conduct that is contrary to ethics, the laws or the corporate governance system that the professionals of KN might commit within the organization.

The construction of internal control, risk management, and compliance systems at KN are implemented in the Risk Management Policy approved by the Board.

#### 5.2. *External Audit and Related Party Transactions*

KN hires an internationally recognized external auditor to review and confirm the reliability of the financial (accounting) statements prepared under national law and (or) international standards. The external auditor is selected through open tender and is approved by the General Shareholders' Meeting.

KN has in place transparent procedures for preventing conflicts of interest and related party transactions (when required by the law) where a conflict of interest may occur. The established system enables the recognition of any situations that may involve or even appear to involve conflicts between the personal interests of management or employees of KN Group and the interests of KN Group.

KN complies with the requirements established by the Law on Companies for related party transactions.

### 6. CORPORATE CONDUCT, BUSINESS ETHICS AND TRANSPARENCY

#### 6.1. *Corporate Conduct and Business Ethics*

KN has established the Code of Conduct (the "Code"). Principles and concepts defined in this Code embody the commitment to conducting KN's business worldwide with the highest levels of ethics and integrity. This Code describes the way KN aspires to work at KN Group and guides in KN Group's business relationships. The Code contains KN Group's values and sets the standards for how members of the corporate bodies of KN, management, and employees should behave and make decisions.

#### 6.2. *General Principles of Disclosing Information*

KN provides timely publication of verified, accurate, and unambiguous essential financial and non-financial information (information on the Remuneration Policy, the Dividends Policy, and others). The financial statements of KN Group companies are prepared in accordance with the International Financial Reporting Standards (IFRS).

All relevant publicly disclosed information is disclosed on the Nasdaq Vilnius Stock Exchange following the Law on Securities of the Republic of Lithuania and AB Nasdaq Vilnius Guidelines for Information



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Types and Categories According to which Issuers Publish Regulated and Other Information. This information is also available on KN website ([www.kn.lt](http://www.kn.lt)).

Communication about KN with the press and media shall be made by the CEO or its duly authorized representatives. The means and principles of such connections are established in KN's Policy of Stakeholders.