

Private interest management policy

POL018 Version: 2

Field of activity	11. Manage risks, compliance, and strengthen operational resilience;
Process group	11.5 Manage resilience: prevention of corruption
Process owner	Chief Resilience Officer
Process manager	Corporate Security Manager
Prepared by	Prevention Specialist
Review	Every 3 years
Scope of application	Applies to all KN Group companies, except in cases where the local laws of a Group company provide for different regulation, or where the provisions of this document are incompatible with the activities of that Group company;

1. Purpose of policy implementation

Objective

To establish an effective conflict of interest management system that allows timely identification of conflicts of interest, ensures objective and impartial decision-making, contributes to the creation of an environment resistant to corruption, and strengthens confidence in the Company.

2. Main principles and commitments

2.1. KN undertakes to effectively manage private interests and ensure the prevention of conflicts of interest in accordance with the following principles:

- **Impartiality** – when circumstances arise that may create a conflict of interest between an individual and the Group of Companies, the Interested Person must recuse themselves from participation in the preparation, consideration, or adoption of decisions and must inform the responsible persons in accordance with the procedure established in the Group of Companies.
- **Priority of interests** – all potential conflict of interest situations must be avoided in every case; however, when avoidance of a conflict of interest is not possible, priority must always be given to the interests of the Group of Companies;
- **Compliance with duties and application of good practices** – in implementing any provision of the Policy, both the duties established for the relevant person and the rules of conduct formed by good practice must be observed.
- **Transparency and accountability** – the processes of aligning interests and avoiding conflicts of interest must be as transparent as possible, and circumstances that may give rise to a conflict of interest must be known to as wide a circle of persons as the applicable legal acts allow.
- **Activeness and integration into daily activities** – the alignment of interests and avoidance of conflicts of interest are part of each employee's and the Company's Interested Persons' daily activities and performance of duties, and each of them must take active measures to prevent not only their own but also other Interested Persons' conflicts of interest.

2.2. KN's subsidiaries established outside the Republic of Lithuania (hereinafter referred to as – Lithuania), in implementing the provisions of the Policy, must prepare, using their own resources, the procedures necessary for the management of conflicts of interest and ensure their implementation. Each subsidiary must appoint a

responsible person or a structural unit that performs the functions which, under the provisions of this Policy, are performed by KN's Corporate Security Manager.

- 2.3. KN, acting as the parent company of the Group of Companies, ensures periodic supervision and control of the implementation of the Policy in KN subsidiaries.
- 2.4. The implementation of private interest management procedures for candidates for management positions in the Group of Companies, for members of collegial supervisory and management bodies, and for employees is stipulated in the Procedure for Organizing the Selection of Collegial Supervisory and Management Bodies and the Company's Manager and in the Procedure for Organizing Employee Selection.
- 2.5. When implementing this Policy, KN ensures compliance with and the ability to demonstrate compliance with the principles related to personal data processing described in Article 5 of the requirements of the General Data Protection Regulation (GDPR).

3. Internal control measures

- 3.1. The Corporate Security Manager is responsible for the implementation of internal control measures in the area of conflict of interest management, including:
 - 3.1.1. informing employees and Interested Persons about the requirements applicable to them and their obligations related to aligning interests and avoiding conflicts of interest;
 - 3.1.2. providing consultation to employees and Interested Persons on issues related to aligning interests and avoiding conflicts of interest;
 - 3.1.3. preparing written preliminary recommendations, based on the data indicated in the private interest declarations, specifying from which duties the declarant must recuse themselves;
 - 3.1.4. analyzing the information provided in private interest declarations and providing consultations to employees;
 - 3.1.5. other measures specified in the Company's internal documents not mentioned in this Policy.
- 3.2. Conflict of interest management measures applied within the Group of Companies:
 - 3.2.1. **Disclosure of information about a potential conflict of interest.** Interested Persons, before starting to perform their assigned functions related to the activities of the Group of Companies, must disclose all information about a potential conflict of interest by submitting private interest declarations in accordance with the established procedure. This requirement applies to all companies in the Group of Companies, including those established outside the Republic of Lithuania. Upon declaration of interests, the data provided by the Interested Person are used for conflict of interest prevention, aiming to identify and assess whether there is a potential or actual conflict of interest and what potential impact it may have on the activities of the KN Group of Companies.
 - 3.2.2. **Declaration of private interests.** Interested Persons who are required to submit private interest declarations under the Law of the Republic of Lithuania on the Alignment of Public and Private Interests (hereinafter referred to as – the Law) or other legal acts must submit their declarations in accordance with the procedure established by those legal acts. With the consent of the Chief Official Ethics Commission (hereinafter referred to as – COEC), the KN General Director may additionally include other KN and Group of Companies positions in the list of declarants required to submit declarations under the Law. Group companies established outside the Republic of Lithuania ensure the implementation of the private interest declaration process independently. KN performs regular monitoring and control of the private interest declaration process.

- 3.2.3. **Implementation of the duty to recuse oneself.** The Interested Person must recuse themselves from participating in the preparation, consideration, or adoption of decisions that cause or may cause a conflict of interest; If circumstances arise that may lead to a conflict of interest for the Interested Person, the Interested Person must submit a notice of recusal from participation in the preparation, consideration, or adoption of decisions that present an actual or potential conflict of interest to their immediate supervisor or other appointing authority.
- 3.2.4. **Preliminary written recommendation** – based on the data indicated in the private interest declaration, the KN Corporate Security Manager or the person holding the corresponding position in other Group companies prepares a written recommendation for the Interested Person, indicating from which duties, decision preparation, consideration, or adoption the Interested Person must recuse themselves.
- 3.3. Other conflict of interest management measures:
- 3.3.1. informing Interested Persons and persons related to the activities of the Group of Companies about the requirements and obligations applicable to them concerning the alignment of interests and prevention of conflicts of interest.
- 3.3.2. Continuous consultation of Interested Persons and persons related to the activities of the Group of Companies on matters related to alignment of interests and prevention of conflicts of interest.
- 3.3.3. Analysis of the information collected from the private interest declarations submitted by Interested Persons and provision of consultations to those persons.
- 3.3.4. Involvement of members of collegial bodies in the decision-making process when a decision needs to be taken regarding the declared recusal or removal from duties of a member of a company's sole management body or collegial body, if there are sufficient grounds to believe that the person's participation is related to their private interests and may cause a conflict of interest.
- 3.3.5. Additional control over the decisions of the Group of Companies and of persons related to Interested Persons.
- 3.3.6. Analysis, monitoring, and management of situations in which Interested Persons may find themselves or do find themselves in a conflict of interest situation.
- 3.3.7. Other measures specified in the internal documents of the Group of Companies that are not mentioned in this Policy.

4. Requirements for alignment of interests

- 4.1. The requirements for the declaration of private interests and management of conflicts of interest applied in KN, including requirements for KN collegial bodies, are provided in the Procedure for Declaration of Private Interests and Management of Conflicts of Interest.
- 4.2. The KN General Director is always informed of identified cases of conflicts of interest within the Group of Companies.
- 4.3. If a conflict of interest is identified involving the KN General Director or the head of a Group company – the KN Board is always informed
- 4.4. If a conflict of interest is identified involving a member of the KN Board – the KN Supervisory Council is always informed.
- 4.5. Information about the KN General Director's recusal from actions that may give rise to a conflict of interest is made publicly available on KN's website and submitted to the Chief Official Ethics Commission (COEC) in accordance with the prescribed procedure.
- 4.6. Information about a decision not to accept a declared recusal is submitted to COEC in accordance with its established procedure and deadlines.

- 4.7. KN, acting as the parent company of the Group of Companies, provides methodological assistance to Group companies on issues of alignment of interests, management of conflicts of interest, and other matters related to the scope of this Policy. The alignment of interests and implementation of this Policy in the Group companies are ensured independently by the Group companies, using their own resources.

5. Requirements for Interested Persons and persons related to the Company's activities

5.1. All Interested Persons of the Group of Companies must, in their daily activities:

- 5.1.1. perform their duties impartially, honestly, and properly;
- 5.1.2. not seek personal gain for themselves, their close persons, or other Related Persons;
- 5.1.3. avoid conflicts of interest and act in a way that prevents any doubt that such a conflict exists;
- 5.1.4. refrain from any actions, while performing their functions, that could give rise to a conflict of interest;
- 5.1.5. make only objectively justified decisions that best meet the needs of the Group of Companies, in accordance with laws, other legal acts, and the principle of equality of all persons;
- 5.1.6. not use or allow others to use:
 - 5.1.6.1. one's position or professional status for personal gain;
 - 5.1.6.2. non-public or confidential information related to the Group of Companies' activities for personal benefit or for the benefit of others;
 - 5.1.6.3. any property, assets, or rights owned or managed by the Group of Companies for non-work-related purposes or in any way other than in the interests of the Group of Companies and in accordance with established procedures;
 - 5.1.6.4. to immediately inform one's direct supervisor or other appointing authority about a conflict of interest that has arisen, or about situations in which existing conflicts of interest could materialize.
- 5.2. The head of a Group company or their deputy, upon receiving an offer to take another position, must immediately inform in writing their direct supervisor or the authority that appointed them, or its authorized person. The direct supervisor or the appointing authority (or its authorized representative), upon determining that the person is closely connected by official relations with a prospective employer, must immediately take measures to eliminate the risk of a conflict of interest.
- 5.3. Actions (decision-making, submission of conclusions, etc.) from which an Interested Person has abstained in order to avoid a potential conflict of interest may only be resumed when the respective collegial body, the company's manager, or the Interested Person's direct supervisor makes a reasoned written decision assessing the Interested Person's submitted notice of recusal. Non-acceptance of recusal may be applied only in exceptional cases (criteria established by the Chief Official Ethics Commission (COEC) for non-acceptance of declared recusal: the circumstances indicated by the person declaring recusal are not a sufficient basis for a conflict of interest to arise; acceptance of the recusal would make it impossible to take a decision; the matter under consideration concerns public services provided by the company, which the person or their close relatives use). Each case of acceptance or non-acceptance of recusal must be assessed individually, considering all the circumstances that may cause a conflict of interest.
- 5.4. If, due to the recusal of a member of a collegial body, the collegial body cannot make a decision, the decision shall be taken by the body that appointed the collegial body, as provided in Articles 10.2 and 14.3 of the KN Articles of Association.
- 5.5. All notifications about recusal (or non-acceptance of recusal) by Interested Persons must be submitted to the KN Corporate Security Manager or to the respective officers holding equivalent positions in other Group companies.

5.6. The KN Corporate Security Manager and the respective officers in other Group companies ensure that Interested Persons can receive timely consultations on compliance with the requirements and procedures established in this Policy.

5.7. All Related Persons of the Group of Companies must:

- 5.7.1. Perform their duties impartially, honestly, and properly. Make only objectively justified decisions that best meet the needs of the Company and the Group of Companies and comply with the requirements of legal acts;
 - 5.7.2. recuse themselves from the preparation, consideration, or adoption of decisions that may cause a conflict of interest;
 - 5.7.3. immediately notify their direct supervisor or other appointing authority about any conflict of interest related to the Group of Companies' activities;
 - 5.7.4. not use or allow others to use:
 - 5.7.4.1. their position or professional status;
 - 5.7.4.2. information related to the Group of Companies' activities, or assets and rights managed by the Group of Companies, for personal or other persons' unlawful benefit, except as provided by legal acts or contractual obligations.
- 5.8. If circumstances arise that may create a conflict of interest for a person related to the Group of Companies, they must immediately refrain from any actions in the performance of their duties that could give rise to a conflict of interest and must promptly submit a written free-form notice (or make an oral statement duly recorded in the meeting minutes) about their recusal or abstention from actions that could result in a conflict of interest.
- 5.9. Requirements for the supervision and disclosure of KN's transactions with related parties are established and managed as set out in the Guidelines for Transactions with Related Parties.

6. Assessment of the independence of collegial bodies

- 6.1. To ensure the objectivity of decisions, the KN Group's corporate governance policy provides that Independent Members are included in collegial bodies.
- 6.2. The independence of members of collegial bodies is assessed:
 - 6.2.1. at the time of appointment to the collegial body. The assessment is performed by the body electing or appointing the member, in accordance with the Procedure for Organizing the Selection of Collegial Supervisory and Management Bodies and the Company's Manager;
 - 6.2.2. periodically, once per year, or when any circumstances arise that may have affected the independence of the respective Independent Member of the Collegial Body.
- 6.3. Periodic and ad hoc assessments, upon receipt of information about the loss or potential loss of independence of a Collegial Body member, are performed by the collegial body, which also decides on further actions.
- 6.4. A member of a collegial body must continually assess whether they can make independent (impartial) decisions and whether they can be considered an Independent Member of a Collegial Body. In the event of a change in the independence status, or in situations where it is not unequivocally clear whether independence has been lost, the member must immediately notify in writing the Collegial Body to which they belong, the body that appointed them, and the company.

- 6.5. The Collegial Body, when assessing the independence criteria, the member's self-assessment, and other circumstances known to the Collegial Body, decides whether the member of the Collegial Body can be considered an Independent member of the Collegial Body.

7. Prevention, monitoring, implementation, and control of interest management

- 7.1. The heads of the Group companies or their authorized representatives monitor and supervise how employees comply with the requirements of this Policy and other related legal acts, manage and monitor conflict-of-interest risks, and implement preventive measures.
- 7.2. The KN Corporate Security Manager is responsible for the monitoring and control of public and private interests across the KN Group of Companies.
- 7.3. In KN subsidiaries established outside Lithuania, the monitoring and control of public and private interests are performed by the respective officers, who submit annual reports to the KN Corporate Security Manager.
- 7.4. Within the Group of Companies, in accordance with legal requirements, a list of positions whose holders are obliged to declare private interests is approved.
- 7.5. In the Group of Companies, during the initiation, organization, and execution of public procurements, the declaration of private interests and management of conflicts of interest must be ensured.
- 7.6. The Group of Companies informs appointed or recruited persons and persons who are otherwise required to declare private interests about their duty to submit a declaration at the time of candidacy, recruitment, appointment or acquisition of declarant status.
- 7.7. The Group of Companies may establish internal declaration procedures and adopt internal legal acts implementing them, which would apply alongside the declaration requirements set out in the legal acts of the Republic of Lithuania regulating public and private interests.
- 7.8. The Group ensures the protection of personal data obtained in the course of prevention, monitoring, and control of public and private interests within the Group, in accordance with the procedure established by legal acts.
- 7.9. The Group ensures employee training, as well as the informing and consulting of persons related to the Group's activities in the area of private interest declaration and management of conflicts between public and private interests.
- 7.10. The Group publishes this Policy publicly on its website <https://www.kn.lt/apie-mus/korupcijos-prevencija/5846> to ensure that persons related to its activities are familiar with its provisions and comply with them; the list of positions whose holders are obliged to declare private interests in accordance with the Law of the Republic of Lithuania on the Alignment of Public and Private Interests (the Law) is also made publicly available.
- 7.11. The person declaring interests is responsible for the accuracy of the data provided in the Private Interests Declaration and for the submission of the declaration.
- 7.12. The provisions of this Policy shall be reviewed every three (3) years, or earlier if necessary; the review is initiated by the Corporate Security Manager of KN.
- 7.13. The KN Corporate Security Manager is responsible for the implementation and application of this Policy within the Group, as well as for the collection and submission of information to the KN management and members of the collegial bodies, at least once per calendar year.
- 7.14. The Policy is approved, amended, or repealed by the Supervisory Board, with the consent of the collegial management and supervisory body.
- 7.15. Reports of conflicts of private and Group interests or other inappropriate behaviour are encouraged to be submitted via email at SpeakUp@kn.lt or through the anonymous form at www.kn.lt/pranesk/2570.

7.16. Violation of the provisions of this Policy or other legal acts related to the alignment of public and private interests shall result in liability in accordance with the procedure established by law.

8. References

8.1. The requirements of this Policy are implemented in accordance with the following legal acts of the Republic of Lithuania and internal KN documents (as amended):

[General Data Protection Regulation](#);
[Personal Data Privacy Policy POL013](#);
[AB "KN Energijos" Work Regulations](#);
[Employee Recruitment Procedure PRC053](#);
[Gifts Policy POL021](#);
[Code of Conduct POL012](#);
[Procedure for Reporting, Examining, and Informing on Possible Violations PRC011](#);
[Procedure for Selection of Members of Collegial Supervisory and Management Bodies and the General Director PRC072](#);
[Corporate Governance Policy POL014](#);
[Anti-Bribery and Anti-Corruption Policy POL003](#);
[Law of the Republic of Lithuania on the Legal Protection of Personal Data](#);
[Law of the Republic of Lithuania on the Prevention of Corruption](#);
[Law of the Republic of Lithuania on the Adjustment of Public and Private Interests](#);
[Procedure for Declaration of Private Interests and Management of Conflicts of Interest PRC029](#);
[Guidelines for Transactions with Related Parties GAI021](#).

9. Terms and abbreviations

9.1. The following terms and abbreviations are used in this Policy:

Close persons – spouses, cohabitants or partners of the Company's employees; parents (including adoptive parents); children (including adopted children); brothers (including stepbrothers) and sisters (including stepsisters); grandparents, their spouses, cohabitants or partners; grandchildren and their cohabitants or partners, where the partnership is registered in accordance with the procedure established by law.

Company – AB KN Energijos (KN).

Employee – a person employed by KN, holding a position in its management or supervisory bodies, or a third party acting on behalf of KN.

Group of companies – KN and the legal entities directly or indirectly controlled by it.

Conflict of interest – a situation in which an Employee, while performing duties or carrying out an assignment, must make or participate in making a decision, or carry out an assignment, that is also related to his or her private interests;

Collegial body – the collegial management and supervisory bodies of KN: the Supervisory Board, Audit Committee, Remuneration and Appointment Committee, and the Board.

Independent member of a collegial body – a person who has no business, kinship, affinity, or partnership ties with the Company, its controlling shareholder, or members of the Company's bodies, and who for at least one year prior to appointment had no business relations with the Company, either directly or as a shareholder or manager of a company having such relations, and who also meets the independence criteria set out in the Law of the Republic of Lithuania on Companies, Government Resolution No 631 of 17 June 2015, and the Corporate Governance Code for Companies Listed on Nasdaq Vilnius;

Parent company or KN – AB "KN Energijos";

Private interests – an Employee's or a member of a collegial body's interest in obtaining personal material or non-material benefit, as well as the moral obligation or commitment of an Employee, a member of a collegial body, or their Close Person, or any other similar interest that could influence decision-making, participation in decision-making, or execution of assignments. An Employee's or member of a collegial body's financial, moral, or other

obligations towards persons connected to them through friendship, partnership, or other relationships, after assessing the individual situation, may also be recognized as a Private interest.

Interested persons – managers of KN and companies within the Group, members of their collegial management and supervisory bodies, and all KN and Group employees who perform any duties related to KN and the Group, make decisions, carry out assignments, provide advice or information, or perform other actions that may affect the rights and obligations of the Group.

Related persons – a natural or legal person as defined in IAS 24:

- a) a natural person or a close member of that person's family is related to KN if that person:
 - 1) controls or jointly controls KN;
 - 2) has significant influence over KN;
 - 3) is one of the key management personnel of KN or its parent company;
- b) a legal person is related to KN if any of the following conditions apply:
 - 1) the legal person and KN belong to the same group (meaning each parent, subsidiary, and fellow subsidiary is related to the others);
 - 2) one legal person is an associate of another or a joint venture (or an associate of the group to which the other legal person belongs, or a joint venture);
 - 3) both legal persons are joint ventures of the same third party;
 - 4) one legal person is a joint venture of a third party, and the other is an associate of the same third party;
 - 5) the legal person is controlled or jointly controlled by a person referred to in point (a);
 - 6) a person referred to in subpoint (a)(1) has significant influence over the legal person or is one of its (or its parent's) key management personnel;
 - 7) the legal person is an entity administering post-employment benefit plans for employees of KN or a related entity. If KN itself administers such a plan, the sponsoring employers are also considered related to KN.

Other terms used in this Policy shall be understood as defined in the laws and other legal acts of the Republic of Lithuania and in the Company's internal documents.