



# AB „KN ENERGIES“ REGULATIONS OF AUDIT COMMITTEE ACTIVITIES

*APPROVED*

*at 2024-04-30 Annual General Meeting of Shareholders of AB "KN ENERGIES"*

*Minutes No.*

## I.GENERAL PART

### 1. Terms used in the Regulations:

*AC* - AB "KN Energies" audit committee.

*Company* - AB "KN Energies", its subsidiaries and lower level subsidiaries.

*Supervisory Council* - AB "KN Energies" Supervisory Council .

*Board* - AB "KN Energies" board.

*IA* - AB "KN Energies" internal audit.

*HIA* - head of internal audit of AB "KN Energies".

*GSM* – general meeting of shareholders of AB "KN Energies".

*Audit law* - the Law on the Audit of Financial Statements of the Republic of Lithuania.

*Regulations* - these regulations of the Company's AC activities.

*FAC* - Collection of Annual financial statements.

2. These Regulations define the rights and duties of the AC, the composition and size of the AC, the period of membership of the AC, requirements for the education and professional experience of the AC members, the principles of independence applied to independent members of the AC, and other issues related to the formation of the AC and the organization of its work.
3. The regulations have been prepared in accordance with the Law on Audit, the resolution of the Board of the Bank of Lithuania "On the approval of the description of requirements for audit committees" and other legal acts defining the activities of the AC. When preparing the Regulations, the provisions of the Corporate Governance Code for The Companies Listed on NASDAQ Vilnius were also taken into account.
4. The AC is established in the Company, as the parent company of the Company's group of companies, therefore these Regulations and the requirements arising from them are applied to all subsidiary and lower-level subsidiary companies and legal entities of other legal forms, in which the Company can directly or indirectly have a decisive influence.
5. The Regulations are approved and changed by the Company's GSM by a simple majority vote of the shareholders participating in it.

## II.THE PROCEDURE FOR ESTABLISHING THE AC

6. The AC is formed by the decision of the GSM from 3 (three) members, of which 1 (one) is external independent, and 2 (two) are delegated independent members of the Supervisory Council.
7. GSM can decide that contracts are concluded with members of the AC regarding their activity in this committee and determine that its members are paid remuneration for their

activity in the AC, the amount of such remuneration and the procedure for its payment to members. Agreements with the members of the AC are signed by the Head of the Company or another person authorized by the GSM according to the form approved by the GSM.

8. Independent members of the Committee must also comply with the provisions of the Corporate Governance Code for the Companies Listed on NASDAQ Vilnius regarding independent members of a collegial body and the provisions of the Requirements for Audit Committees description (current version), approved by the 24 January 2017 resolution of the Bank of Lithuania.
9. AC members must have appropriate qualifications and experience, have collegial knowledge in the field of finance, accounting or auditing of financial statements and in the sector in which the Company operates. At least one of the members of the AC must have at least 3 (three) years of work experience in the fields of accounting or auditing financial statements. In this case, experience in holding the position of financial director or qualifications in the fields of accounting, FAC audit are recognized as suitable work experience.
10. The entity initiating the selection of the AC or its individual member may require that at least one of the independent AC members be a certified auditor in accordance with the procedure established by legal acts and/or set specific minimum qualification requirements.
11. When an elected independent member of the AC no longer meets the independence criteria, the AC member must immediately inform the Company. In such a case, the Company's Board must convene a GSM to elect a new independent member of the AC.
12. The AC is elected for a term of 4 (four) years. If individual members of the AC are elected, they shall be elected only until the end of the term of office of the existing AC.
13. The elected new AC (or its individual members) take office from the moment when the term of office in which the AC (or its individual members) were elected expires.
14. GSM may recall the entire AC or its individual members before the term of office of the AC expires.
15. The AC elects the chairman of the AC from its independent members. The chairman of the AC cannot lead any other committee established in the Company. The chairman of the Supervisory Council cannot be the chairman of the AC.
16. If the chairman of the AC is not present or due to objective reasons he cannot perform his duties temporarily or permanently, the functions of the chairman of the AC are performed by another member of the AC, to whom the AC assigns to temporarily perform the duties of the chairman of the AC in a specific meeting. A member of the AC acting as the chairman of the AC does not have a decisive vote in decision-making.
17. Appointed members of the AC declare their private interests in accordance with the procedure established by the Law on Reconciliation of Public and Private Interests of the Republic of Lithuania.

18. Members of the AC are obliged to protect the Company's commercial (industrial) secrets and confidential information which they have learned when they were members of the AC. AC members sign confidentiality agreements. A member of the AC, after he ceases to perform his duties in the AC, must transfer to other and/or newly elected members of the AC all available information, which the latter had at his disposal due to the functions assigned to him, in the performance of the duties provided for in these Regulations.
19. A member of the AC has the right to resign after submitting a written notice to the Company 14 (fourteen) days in advance. If a member of the Supervisory Council, who is also a member of the AC, is recalled, resigns, or for other reasons ceases to serve as a member of the Supervisory Council, he also ceases to serve in the AC.

### III. RIGHTS AND RESPONSIBILITIES OF THE AC

20. Members of the AC have the following rights in the performance of their duties:
  - 20.1. to use their professional knowledge and skills to choose operating order and procedures that would ensure the proper implementation of the functions of the AC.
  - 20.2. to receive from the Company the necessary documents and/or their copies and information necessary to perform and use the functions of the AC, as well as enlist the help of external consultants to perform special investigations or other tasks and receive the necessary funding from the Company;
  - 20.3. to invite the responsible persons of the Company to the meetings at their own discretion and receive from them the necessary information related to the issues of the agenda of the meeting;
  - 20.4. after assessing and establishing the relevant need, to organize a system of anonymous reports about violations committed in the Company;
  - 20.5. other rights provided for in valid legal acts.
21. Members of the AC have the following responsibilities in the implementation of their duties:
  - 21.1. to act honestly, carefully and responsibly for the benefit of the Company and its shareholders;
  - 21.2. to ensure the confidentiality and protection of the information they have learned while performing their duties as a member of the AC.

### IV. AC FUNCTIONS

22. monitor the Company's financial reporting process and provide recommendations on ensuring its reliability;
23. monitor the effectiveness of the Company's internal quality control and risk management systems that affect the company's financial reporting, the company's internal quality control and risk management systems for the prevention of corruption, bribery of foreign

- officials in international transactions, money laundering and terrorist financing and, when applicable, the effectiveness of IA, without prejudice to IA's independence;
24. supervise the audit of annual financial statements and consolidated financial statements, paying particular attention to its performance, taking into account the shortcomings of the audit of financial statements identified during the inspection by the institution authorized by the Government of the Republic of Lithuania to perform public supervision of auditors and audit companies and the conclusions reached in accordance with Regulation (EU) No. 537/2014;
  25. review and monitor the independence and objectivity of external auditors or audit firms, as defined in Article 4 of the Law on Audit, including but not limited to monitoring that the rotation requirements of external audit firms and key audit partners are not violated, discuss possible threats to independence and the ones provided for in Regulation (EU) No. 537/2014, especially regarding the suitability of providing non-audit services to the audited company, including but not limited to, monitoring the nature and extent of non-financial statement audit services, provide an opinion on the company's policy defining the provision of non-financial statement audit services, granting permission to perform non-audit services;
  26. be responsible for carrying out the selection procedure of auditor(s) or audit firm(s) and providing a recommendation on which auditor(s) or audit firm(s) to appoint in accordance with Regulation (EU) No. 537/2014, Article 16.
  27. inform the Company's Head and the Supervisory Council about the results of the audit of the financial statements and explain how this audit contributed to the reliability of the financial statements and what was the role of the AC in doing so;
  28. provide an opinion on transactions with a related party, as provided for in Article 37<sup>2</sup>(5) of the Law on Companies of the Republic of Lithuania;
  29. monitor the functioning of the Company's internal control and risk management systems, perform other functions and evaluate and analyze other issues assigned to the competence of the AC;
  30. check whether the Company complies with the applicable provisions governing the possibility for employees to file a complaint or anonymously report suspicions when violations are committed in the Company, and to establish a procedure for a proportionate and independent investigation of such issues, as well as appropriate follow-up actions.
  31. While ensuring the effectiveness of the internal control system, carry out supervisory control of the decisions of the Company's Board and the Company's Head and to submit proposals to the Supervisory Council regarding the cancellation of decisions of the Company's Board and the Company's Head that are contrary to laws and other legal acts, the Company's statutes or GSM decisions;
  32. The Supervisory Council, the Board, the Head of the Company, the HIA, the Head of Business Resilience may apply to the AC, requesting an opinion, conclusions on the specific issues specified by them, which are not assigned to the functions of the AC,

provided for in Part IV of the Regulations. After assessing its competences, experience and expert knowledge, the AC has the right to give such an opinion and/or conclusion.

33. The AC, while ensuring the effectiveness of the IA function:

- 33.1. provides recommendations to the Company's Supervisory Council regarding the selection, appointment, re-appointment and dismissal of the Company's HIA;
  - 33.2. considers and submits a recommendation to the Company's Supervisory Council regarding the annual IA report.
  - 33.3. considers and submits a recommendation to the Company's Supervisory Council regarding the Company's IA activity regulations and IA plan for the current year;
  - 33.4. oversees that the Company's IA is allocated sufficient financial resources to implement the planned tasks, as well as maintain the necessary qualifications of IA employees to perform their functions;
  - 33.5. monitor and periodically evaluate the work of the Company's IA, discusses the results of inspections, how the deficiencies found are eliminated, how the IA plans are implemented, and if necessary, take appropriate actions;
  - 33.6. submit an opinion to the Company's Supervisory Council and the Head of the Company's regarding the implementation of HIA objectives for the previous year.
  - 33.7. submit an opinion to the Company's Supervisory Council and the Head of the Company's regarding the current year's objectives of HIA.
  - 33.8. perform other functions provided for in legal acts related to the functions of the AC.
34. The AC performs its functions by providing consultations, opinions and recommendations to the Supervisory Council, which in turn makes a decision on the transmission of the opinion and recommendation to the Head of the Company's and the Board.
35. In the last month of each current year, the AC prepares the annual AC activity plan, indicating the dates of the meetings and the most important issues, and submits it to the Supervisory Council for approval.
36. The AC informs the Supervisory Council about its activities at least once every 6 (six) months, and once a year it submits a written report of its activities to the GSM and the Supervisory Council, when a set of financial statements is submitted to the Company's GSM for approval.

### V.AC WORK ORGANIZATION

37. The AC is a collegial body responsible for making decisions, providing opinions, and/or offering recommendations during its meetings. A meeting of the AC is considered valid when at least two members are present. Decisions (opinions and/or recommendations) are adopted based on a majority vote of the AC members. In the event of a tie, the chairman of the AC holds the decisive vote. Members may express their choice—either 'for' or 'against' a proposed decision—in advance by submitting their vote in writing, provided they

are familiar with the draft being considered. Voting by means of telecommunication terminals is equivalent to voting in writing, if the text is protected and the signature can be identified. The AC meeting can be organized by means of teleconference.

### 38. AC meetings:

38.1. Ordinary meetings are held according to the annual activity plan of the AC approved by the AC.

### 38.2. Extraordinary meetings:

38.2.1. Every member of the AC has the right to convene meetings of the AC, the proposal must be approved by at least half of the members of the AC.

38.2.2. The Supervisory Council, the Board, the Head of the Company also have the right to initiate the AC meeting with the approval of the AC chairman. In such cases, the procedure provided for in Art. 32 of the Regulations for providing recommendations or opinions does not apply, i.e. the recommendation/opinion is provided directly to the entity that referred to the AC, and not through the Supervisory Council.

38.2.3. The subject proposing to convene the AC meeting must submit a proposal regarding the agenda of the AC meeting to the secretary. Together with the proposal, the materials required for consideration of the question is submitted. Submission of the explanatory note is not mandatory when the AC is approached with questions for which the AC does not have to make a separate decision (issue an opinion and/or recommendation), but only consultations are requested.

38.3. The AC has the right to invite the Company's Chief Financial Officer, employees responsible for finance, accounting and treasury issues, external auditors, and other responsible persons to its meetings, whose explanations are necessary for the objective examination of the issues considered by the AC. The invited participants of the meeting have the obligation to submit materials related to the issues on the agenda no later than the date of the meeting specified in the invitation.

38.4. AC members (meeting participants) must avoid a conflict of interest, and if it arises, refrain from participating in the preparation, consideration or adoption of decisions related to their private interests.

38.5. AC members have the duty to inform the AC secretary about a possible conflict of interest immediately after the draft agenda of the AC meeting is submitted to the AC members. The participants of the meeting who have reported a possible conflict of interest are not provided with materials, the content of which may cause a conflict of interest.

38.6. A possible conflict of interest and withdrawal of a member of the AC from the preparation, consideration and/or decision upon the relevant issue shall be recorded in the minutes of the meeting. The decision on non-acceptance of the withdrawal of a member of the AC and the obligation for the member of the AC to continue participating in the preparation, consideration of a question or making a decision on a relevant issue and on removal due to a conflict of interests is made by a simple majority of the votes

of the members of the AC participating in the meeting. The minutes of the AC meeting record the reasons and/or circumstances that caused or may cause a conflict of interest between the AC member and the Company and record the AC decision on the AC member's suspension or non-acceptance of the AC member's withdrawal and the obligation for the AC member to continue to participate in the preparation, consideration of such issue or the adoption of a decision on such issue. The Head of the Company is immediately informed about the existing conflict of interest and/or withdrawal, and/or removal from the preparation, consideration and decision-making on the issue due to the existing or potential conflict of interest.

### 39. Agenda of the AC meeting:

39.1. The Secretary of the AC meeting, prepares the draft agenda of the AC meeting according to the questions proposed for the AC meeting and coordinates it with the chairman of the AC, then sends the agenda by e-mail to members of the AC and other meeting participants.

39.2. The agenda of the meeting can be changed or supplemented at the initiative of any member of the AC, if the members of the AC do not oppose it.

39.3. Issues not included in the meeting agenda can be considered at the meeting of the AC only if all the members of the AC participate in the meeting of the AC and none of the members of the AC oppose it.

39.4. If all AC members agree, the AC meeting can be convened without observing the procedure and deadlines for convening AC meetings specified in the Regulations.

### 40. Explanatory notes:

40.1. an Explanatory note (Annex No. 1) must be prepared for each issue included in the AC meeting agenda and on which a decision must be made, in which all essential information must be disclosed and a proposed draft decision must be submitted. In the event that the AC is approached for an opinion or providing a recommendation, the draft decision is not proposed.

40.2. along with the Explanatory note (as integral attachments), the drafts, analyses, conclusions or other documents justifying the proposed decisions must also be submitted.

40.3. Explanatory notes are signed by the person submitting the question to the AC. Explanatory notes approved by signature mean that the information presented in them and/or proposed decisions have been verified by the responsible employees of the Company (in all cases – financier and lawyer), and the financial, legal and business risks, as well as opportunities and consequences, have been assessed accordingly by the Company's management. When the Explanatory note is submitted by the Company's Board or committees, the Explanatory note is approved by the secretary of the relevant collegial body.

- 40.4. for a question included in the AC meeting agenda, but on which a decision (opinion/recommendation) will not be made, the Explanatory notes are not prepared, but the question must be accompanied by documents that reveal essential information related to the question.
41. Secretary of the AC meeting:
- 41.1. The AC, by the suggestion of the Company, appoints a permanent secretary of the AC meetings (hereinafter referred to as the Secretary). After the appointment of the Secretary, procedural decisions regarding the appointment of the secretary of the AC meeting are not made in subsequent meetings.
- 41.2. If the Secretary is temporarily unable to perform his duties, the functions of the Secretary are performed by another employee of the Company who is appointed during the meeting of the AC.
- 41.3. The Secretary, no later than within 7 (seven) working days from the approval of the annual AC meeting calendar, sends invitations to the scheduled AC meetings to the AC members and other interested parties (if they are already known) by e-mail.
- 41.4. The Secretary performs his functions until the AC decides to recall him or appoint another permanent AC secretary.
- 41.5. The Secretary of the AC meetings is responsible for the collection, administration and proper storage of information necessary for the work of the AC, as well as the transfer of tasks formed by the AC.
- 41.6. The Secretary of the AC meetings sends the invitation to the meeting, the agenda of the meeting and all materials related to the issues to be discussed to the members of the AC and other participants invited to the meeting by e-mail.
42. AC Meeting Minutes:
- 42.1. Within 7 (seven) working days after the end of the meeting, the Secretary prepares a draft of the Minutes and sends it by e-mail to the members of the AC for alignment. The members of the AC review the draft Minutes and submit their comments, if any, to the Secretary. Comments cannot be made on questions and topics that have not been discussed. The Secretary, taking into account the comments received, prepares the Minutes of the meeting. The Minutes of the meeting is approved during the next regular meeting.
- 42.2. The Minutes are signed by the chairman of the meeting and the Secretary. The Minutes must indicate the place and time of the meeting (gathering), meeting participants, voting results and decisions. The Minutes records the most important questions and statements of the participants and provides summarized information about the discussion that took place. At the request of the persons participating in the meeting, the information requested by them during that meeting is recorded in the Minutes.
43. AC meetings may be recorded. The audio recording of the meeting is intended for the purpose of preparing the Minutes of the meeting. The recording of the meeting must be

approved by all the members of the AC and the meeting participants presenting the issues on the agenda. If the participant of the meeting does not agree to the recording of the discussion on the agenda item presented by him, the recording is stopped in that part, and the fact of suspension is recorded in the minutes. The audio recording of the meeting is deleted no later than within 3 (three) working days from the date of approval of the Minutes of the meeting.

44. No later than 3 (three) months before the end of the financial year of the Company, the AC prepares the budget of the AC for the coming year and submits it for the approval of the Supervisory Council. The AC budget consists of a remuneration budget for independent AC members (if such remuneration is paid) and a budget for ensuring the resources necessary for the AC's activities, which are not provided by the Company itself (e.g., consultations in various fields, etc.).
45. No later than within 5 (five) working days from the drawing up of the Minutes of the Supervisory Council, by which the decision to approve the AC budget was accepted, it must be submitted to the Head of the Company so that the established AC budget is taken into account when planning the Company's budget for the next financial year.
46. The AC has the right to consider the issue on the agenda and make a decision (opinion and/or recommendation) without following the procedure for convening the AC meeting and/or preparing the material set out in these Regulations, if none of the AC members participating in that meeting objects to such actions. The AC may set a different procedure for the submission of material and set separate requirements for the submission of material.

### VI.AC MEMBERS' RESPONSIBILITY

47. These Regulations are binding on all members of the AC and each of them is responsible for the proper implementation of these Regulations and the implementation of the decisions of the AC.
48. AC members must act for the benefit of all the Company's shareholders. In his activities, the member of the AC is guided by laws, the Company's Articles of Association, the decisions of the GSM and the Supervisory Council, and other legal acts.

### VII.AC ACTIVITIES EVALUATION

49. The evaluation of the AC is carried out at least once a year, after the approval of the Company's annual financial plan, but no later than before the ordinary GSM.
50. The evaluation of the AC's activity is initiated and proposed to be included in the AC's agenda by the AC's chairman.
51. The assessment of the AC's performance is discussed during the AC meeting by all AC members, and the self-assessment of individual AC members is discussed by the AC chairman individually with each AC member.

52. After performing the performance evaluation, the AC approves the evaluation results and the performance improvement plan, which is intended to improve the operation processes of the AC.
53. After approval of the results of the self-evaluation of the AC and the performance improvement plan, the chairman of the AC instructs the Secretary of the AC to present the information to the interested parties.

### VIII.FINAL PROVISIONS

54. These Regulations enter into force from the date of their approval at the GSM.
55. The Regulations are binding to all members of the AC.

Annex No 1

## AB KN ENERGIES EXPLANATORY NOTE TO THE ITEM OF THE AUDIT COMMITTEE NO.

1.	<b>Date</b>	
2.	<b>Item of the agenda</b>	
3.	<b>Type of the item</b>	
4.	<b>Substance of the decision / information</b>	
5.	<b>Proposed decision</b>	
6.	<b>Substantiation of the proposed decision/ information</b>	
7.	<b>Relation with previous decisions</b>	
8.	<b>Legal basis</b>	
9.	<b>Annexes</b>	
10.	<b>Signature</b>	