

Audit Committee Regulations of Latvenergo AS

I General Provisions

- 1.1. The Latvenergo AS (hereinafter referred to as the Company) Audit Committee (hereinafter referred to as the Committee) is a supervisory body of the Company operating in accordance with the provisions of the applicable legislation, observing principles of good corporate governance.
- 1.2. The Committee Regulations (hereinafter referred to as the Regulations) have been drawn up on the basis of the Commercial Law and the Financial Instrument Market Law of the Republic of Latvia and define the Committee's lines of action, principles and scope of responsibility.
- 1.3. The Company shall provide the financial and other resources necessary for operation of the Committee, and the participation of Company employees specified by the Committee in the operation of the Committee; it shall also provide information requested by the Committee.

II Composition and Structure of the Committee

- 2.1. The Committee shall consist of five Members, of whom at least one shall be a Member of the Supervisory Board (hereinafter referred to as the Supervisory Board) of the Company. The Committee shall be chaired by its chairperson, elected by Committee Members from amongst themselves.
- 2.2. The Shareholders' Meeting of the Company shall elect Committee Members by a simple majority vote for a term of three years in accordance with the procedure established by the Financial Instrument Market Law.
- 2.3. An authorisation agreement shall be concluded with Committee Members. Committee Members, except those who are also Members of the Supervisory Board, receive remuneration in an amount which is determined by the Shareholders' Meeting of the Company. The provisions of the Company's Collective Bargaining Agreement shall not apply to Members of the Committee.
- 2.4. Monthly remuneration of Committee Members shall be determined by the amount of the average monthly wage in the previous year for persons employed by the state, published in the official statistics report of the Central Statistical Bureau. It shall be set for the entire term of office of the Committee Member, with the right to revise it once a year, after publication of the official statistics report by the Central Statistical Bureau on the amount of the average monthly wage in the previous year for persons employed by the state.
- 2.5. Only a legally capable individual with a flawless reputation in accordance with the provisions of the Financial Instrument Market Law whose right to conduct commercial activity has not been revoked and who has not been convicted of an intentional criminal act shall be entitled to be a Member of the Committee.
- 2.6. Members of the Company's Management Board, proxies or commercial attorneys, sworn auditor who provides or has provided the audit service to the capital company during the last three years preceding his or her candidacy for the office of the Member of the Audit

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Committee, as well as the Members of the Management Board of a company controlled by the Company (i.e. a subsidiary of the Company) and persons authorised to represent such a controlled company (subsidiary) shall not be entitled to be Members of the Committee.

- 2.7. The qualifications of a Committee Member shall meet the following minimum criteria:
 - 2.7.1. higher education in economics, management or finance received in the Republic of Latvia or abroad, or the status of a sworn auditor in accordance with the Law on Auditing Services, or the appropriate auditor's qualifications received in a foreign country;
 - 2.7.2. at least 4 years of experience working for large, preferably international capital companies by (a) conducting audits and preparing financial reports in accordance with the International Financial Reporting Standards, or (b) acting as a lead specialist or manager in the field of financial supervision or internal auditing, or (c) managing risks.
- 2.8. The majority of Committee Members shall be independent, in accordance with the provisions of the Financial Instrument Market Law.
- 2.9. A Committee Member may resign from the position of Committee Member by submitting a written notification to the Shareholders' Meeting of the Company.
- 2.10. The Shareholders' Meeting of the Company shall be entitled to discharge a Committee Member before his/her authorisation expires.
- 2.11. The process of resigning, revoking and electing new Members of the Committee shall take place in accordance with the procedures specified in the Financial Instrument Market Law.

III Tasks, Rights and Obligations of the Audit Committee

- 3.1. The Committee shall have the following tasks:
 - 3.1.1. to monitor the process of preparation of the annual report and the consolidated annual report of the Company and to provide proposals to the Supervisory Board to ensure credibility and objectivity of the annual report and the consolidated annual report;
 - 3.1.2. to monitor the progress of auditing of the annual report and the consolidated annual report of the Company;
 - 3.1.3. to verify and supervise whether before starting and during the performance of an audit of the annual report and the consolidated annual report of the Company the sworn auditor or a commercial company of sworn auditors (hereinafter referred to as the sworn auditor) appointed by the Company complies with the independence and objectivity requirements set out in the Law on Auditing Services, Article 6 of Regulation No. 537/2014 on preparation for the audit concerned and assessment of threats to independence and Article 5 of this Regulation on the prohibition of the provision of non-audit services;
 - 3.1.4. to inform the Supervisory Board about the findings made by the sworn auditor during the auditing of the annual report and the consolidated annual report, to provide an opinion on how this audit has facilitated credibility and objectivity of the annual report and the consolidated annual report of the Company, and to report on the role of the Committee in this process;
 - 3.1.5. to ensure the process of selection of candidates for the sworn auditor's position in the Company according to Article 16 of Regulation No. 537/2014, which requires the Committee to recommend to the Shareholders' Meeting of the Company at least two candidates for the sworn auditor's position for the provision of the

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- auditing service and express a duly justified preference for one of them;
- 3.1.6. to perform other tasks assigned to the Audit Committee in Regulation No. 537/2014.
- 3.2. The Committee's duties are not limited to ensuring the credibility and objectivity of the annual reports and the consolidated annual reports in accordance with the requirements of the Financial Instrument Market Law. The Committee shall also perform the following delegated tasks of the Supervisory Board:
 - 3.2.1. to monitor the effectiveness of the internal control, risk management system and Internal Audit Department of the Company and to provide recommendations for the elimination of any weaknesses in the system concerned;
 - 3.2.2. to contribute to the elaboration of Latvenergo Group internal audit policy and to monitor the implementation thereof by performing functional supervision of the Internal Audit Department. This includes, but is not limited to following activities:
 - 3.2.2.1. to approve the Internal Audit Department charter;
 - 3.2.2.2. to review the annual internal audit plan before submitting it for approval to the Supervisory Board;
 - 3.2.2.3. to review the internal audit budget and resource plan;
 - 3.2.2.4. to approve the objectives of the Internal Audit Department;
 - 3.2.2.5. to directly receive information from the Internal Audit Director on the performance of the Internal Audit Department;
 - 3.2.2.6. to receive information from the Company's Management Board on administrative performance (day-to-day operations) of the Internal Audit Department;
 - 3.2.2.7. to submit to the Human Resources Committee of the Supervisory Board the conditions for the selection of the Internal Audit Director of the Company and the qualification criteria to be set for the position. The selection of candidates for the office of Internal Audit Director of the Company and the nomination of a candidate for the office shall be carried out by the Human Resources Committee of the Supervisory Board;
 - 3.2.2.8. to participate in the appointment and/or removal of the Internal Audit Director and to approve decisions related to the employment of the Internal Audit Director;
 - 3.2.2.9. to approve the remuneration, incl. bonus payments, of the Internal Audit Director,
 - 3.2.3. to monitor the effectiveness of compliance control, including the implementation of the Fraud Risk Management Plan.
- 3.3. The Committee shall be entitled to:
 - 3.3.1. to request and receive from the Company's Management Board, the sworn auditor, and the internal audit any information and documents necessary for the fulfilment of the tasks of the Committee;
 - 3.3.2. to request and receive from the Company's Management Board information on methods applied in executing important and unusual transactions, where different methods may be applied for evaluation;
 - 3.3.3. to conduct an independent audit of fulfilment of the tasks specified in these Regulations;
 - 3.3.4. to ask the Supervisory Board, if necessary, for further indications on its requirements for the exercise of delegated functions;
 - 3.3.5. to request the Company's Internal Audit Department to provide reports on any audits conducted;
 - 3.3.6. to participate in the Shareholders' Meetings of the Company;

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- 3.3.7. to provide its opinion or reports to the Shareholders' Meetings and the Supervisory Board regarding issues handled by the Committee.
- 3.4. The Company shall ensure that all Committee Members are provided access to information on the accounting methods applied by the Company.
- 3.5. The Committee shall be obliged:
 - 3.5.1. to report in writing on its activity and fulfilment of its tasks to the Supervisory Board of the Company not less than once per year;
 - 3.5.2. upon the request of the Shareholders' Meeting of the Company, to submit to the latter a report on the Company's condition within the Committee's competence;
 - 3.5.3. to report to the Supervisory Board of the Company on weaknesses established:
 - 3.5.3.1. in preparing and/or auditing the Company's financial reports and consolidated financial reports;
 - 3.5.3.2. in the effectiveness of the Company's internal control and risk management and Internal Audit Department,
 - 3.5.4. to immediately report to the Company on a sworn auditor's non-compliance with the Law on Auditing Services.
- 3.6. The Company's Management Board, the sworn auditor and the Internal Audit Department shall not be entitled to refuse to provide information to the Committee or Members thereof, unless provision of specific information is restricted by the applicable legislation of the Republic of Latvia.
- 3.7. The Committee shall comply with high ethical standards in its activities.
- 3.8. The Committee shall adopt decisions in the best interests of the Company and the Shareholder on the basis of comprehensive information, in good faith and as a prudent owner.
- 3.9. The Member of the Committee shall perform its duties as a prudent and caring owner.

IV Activities of the Audit Committee

- 4.1. The Committee shall make independent decisions related to its tasks.
- 4.2. Meetings of the Committee shall be convened as necessary, but not less than three times a year. Committee meetings shall be convened by the chairperson of the Committee or, in their absence, by their designated deputy. Committee Members, the Supervisory Board and the representative of the Latvenergo AS state capital Shareholder shall also be entitled to initiate the convening of a meeting.
- 4.3. The party convening a Committee meeting shall draft the agenda for that meeting.
- 4.4. The Committee shall constitute a quorum if more than half of the Committee Members participate in a meeting. The chairperson of the meeting of the Committee shall be entitled to invite Members of the Supervisory Board or Management Board, the Company's auditor, or other employees of the Company to participate in that meeting.
- 4.5. At a Committee meeting, each Committee Member shall have one vote. The Committee shall make decisions by a majority of votes of those present at the meeting. If the votes are split evenly, a decision shall be deemed not adopted. A Committee Member shall not be entitled to entrust their duties to a third party.
- 4.6. Committee meetings shall take place at the Company's registered office. The Committee shall also be entitled to decide to hold a meeting at a different location.
- 4.7. Committee meetings shall be recorded in minutes. The person taking minutes of a Committee meeting shall be appointed by decision of the Committee. The Company shall pay for the services of the person taking minutes.
- 4.8. As far as this is allowed by the provisions of legislation, meetings of the Committee may take place:

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- 4.8.1. by physical presence;
 - 4.8.2. by using means of telecommunications; or
 - 4.8.3. by means of correspondence (electronic mail).
- 4.9. If meetings of the Committee are held by means of correspondence, documents of the meeting, including proposed draft decisions are submitted to all the Members of the Committee. The meeting of the Committee is considered to have taken place if the Members of the Committee composing the required quorum enabling the Committee to adopt decisions submit a written opinion regarding proposed decisions within 4 (four) business days following the date of submitting the documents.
- 4.10. In the event that certain decisions of the Committee are adopted by means of correspondence:
- 4.10.1. the Chairman of the Committee shall ensure that the supporting documents necessary for taking decisions are forwarded to the members of the Committee and shall set a deadline for giving an opinion;
 - 4.10.2. Members of the Committee shall submit a written opinion on the matter to be decided within the deadline established; in the event of failure to submit an opinion, a member of the Committee shall be deemed to be in favor of a decision agreed by a majority of the members of the Committee who submitted their opinions;
 - 4.10.3. the Chairman of the Committee shall formulate the final opinion of the Committee and shall repeatedly send the opinion to the members of the Committee, giving reasons for respecting/not respecting the opinion of the members of the Committee;
 - 4.10.4. Members of the Committee shall give their opinions on the final decision within 2 (two) working days;
 - 4.10.5. the Chairman of the Committee shall forward the opinion of the Committee to the proposer of the matter/decision by sending a copy to the members of the Committee.

V Liability of the Audit Committee

- 5.1. Committee Members shall perform their duties in good faith, in accordance with the applicable legislation and other provisions regulating activities of the Committee.
- 5.2. In the event that any Committee Members act illegally, exceed the boundaries of their authority, or fail to comply with the applicable legislation, the Company's Articles of Association, bylaws, or decisions of the Shareholders' Meeting, or act with negligence or malicious intent, they shall be held liable for damages caused to the Company and to other parties.

VI Confidentiality

- 6.1. All information and documents received by Committee Members or to which Committee Members have access for the purposes of fulfilling their duties shall be treated as confidential. Committee Members shall be responsible for non-disclosure of such information and data contained in such documents, unless specified otherwise in the applicable legislation.
- 6.2. Upon leaving their position as Committee Member, a Committee Member shall be obliged to deliver to the Company's Management Board all information and material assets currently at their disposal which they have received for work-related purposes as a Member of the Committee.

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- 6.3. Committee Members shall be liable for illegal disclosure of any information received while performing their duties.
- 6.4. The obligation not to disclose information shall remain in effect even after leaving the position of an Audit Committee Member.
