

## **Regulations of the Management Board of Latvenergo AS**

The Regulations of the Management Board (hereinafter referred to as the Regulations) of Latvenergo AS (hereinafter referred to as the Company) pursuant to the Articles of Association of the Company, the Law On Governance of Capital Shares of a Public Person and Capital Companies, the Commercial Law and other legislation that is binding for the Company shall define the procedure and principles of functioning for the Management Board of the Company.

### **1. THE COMPOSITION OF THE MANAGEMENT BOARD AND RIGHTS OF REPRESENTATION**

- 1.1. The Management Board shall include five Members of the Management Board, one of whom shall be the Chairperson of the Management Board. The Members of the Management Board shall manage and represent the Company jointly.
- 1.2. The Members of the Management Board may authorise one or more Members of the Management Board, or one or more Chief Officers, or other Members of the Company to represent the Company.

### **2. OBLIGATIONS AND RIGHTS OF THE MANAGEMENT BOARD**

- 2.1. The Members of the Management Board of the Company, in managing the Company, shall jointly carry out the following duties:
  - 2.1.1. developing and submitting to the Supervisory Board for approval the budget, including annual goals, of the Company for the next calendar year and a financial management plan, as well as amendments to these documents;
  - 2.1.2. drafting and submitting to the Shareholders' Meeting for approval the annual report of the Company and proposals for profit spending;
  - 2.1.3. determining the amounts and the structure for the generation and supply, as well as for other types of commercial activity of the Company;
  - 2.1.4. accepting and submitting to the Public Utilities Commission projects of energy tariffs;
  - 2.1.5. determining the organisational structure necessary for the implementation of the commercial activity of the Company, the system of work pay and incentives of the employees;
  - 2.1.6. ensuring the submission of the necessary documents to the Shareholders' Meeting and the Supervisory Board;
  - 2.1.7. once a year (at the regular Shareholders' Meeting) submitting a written report of its activity to the Shareholders' Meeting, with the report reflecting:
    - 2.1.7.1. commercial performance results of the Company;
    - 2.1.7.2. the most essential performance results of and activities carried out by the capital company;
    - 2.1.7.3. other essential aspects of functioning of the Company;
  - 2.1.8. once a quarter submitting a written report of its activity to the Supervisory Board, with the report reflecting:
    - 2.1.8.1. commercial performance results of the Company, also providing information about the implementation of budget in the reporting year, including unaudited quarterly financial statements;

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- 2.1.8.2. the most essential performance results of the capital company and progress in the implementation of the action plan;
- 2.1.8.3. other essential aspects of functioning of the Company, including those in regard to market development, changes in market conditions and competition;
- 2.1.9. after the end of the reporting year, submitting a report on performance results of the Company in the previous reporting year to the Supervisory Board, reflecting in the report any information about the fulfilment of the goals, financial results and other essential aspects set in the medium-term strategy and other internal documents of the capital company;
- 2.1.10. deciding on the purchase of shares in other commercial companies, the increase or decrease in the number of such shares, on the joining to associations and foundations or leaving thereof, on the nomination of representatives of the Company to commercial companies, associations or foundations;
- 2.1.11. deciding on the founding or liquidation of commercial companies belonging to the Company, the acquisition or alienation of companies;
- 2.1.12. deciding on the nomination of candidates for positions of Members of management bodies of commercial companies belonging to the Company, as well as the dismissal of Members of management bodies;
- 2.1.13. deciding on entering into transactions;
- 2.1.14. deciding on the delegation of the rights to make decisions within the competence of the Management Board to other functions, organisational units or employees of the Company;
- 2.1.15. deciding on the acquisition, alienation of immovable property;
- 2.1.16. deciding on the opening or closing of branches and representations of the Company;
- 2.1.17. confirming a list of positions in the Company connected with the use and protection of state secrets, and a list of persons that occupy the positions of state officials in the Company;
- 2.1.18. participating in the Shareholders' Meetings and Supervisory Board meetings;
- 2.1.19. the Management Board shall have the right to consider and make decisions on any other issues that are connected with the activity of the Company within the competencies defined in the legislation and the Articles of Association of the Company.
- 2.2. The Management Board shall require the permission from the Cabinet of Ministers for purchasing or selling shares in, as well as the acquisition of decisive control over other capital company or suspension thereof.
- 2.3. The Management Board shall require the prior approval of the Shareholders' Meeting to decide on the following issues:
  - 2.3.1. acquiring or alienating an enterprise;
  - 2.3.2. suspending specific types of activity and commencing new types of activity.
- 2.4. The Management Board shall require the prior approval of the Supervisory Board for entering into transactions (after the completion of the procurement procedure, but prior to entering into new commitments) in the following cases:
  - 2.4.1. transactions that envisage utilisation of the Company's funds in an amount exceeding EUR 2,500,000 (two million five hundred thousand euro) excl. value added tax, except for transactions related to:
    - 2.4.1.1. assets required for operation, maintenance or development of the electricity transmission or distribution system;
    - 2.4.1.2. services of the energy transmission system, distribution system or storage;

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- 2.4.1.3. installation of connections of the energy transmission or distribution system;
- 2.4.1.4. procurement of energy and financial services related to procurement and sales of energy (energy derivative financial instruments), as well as receipt of regulated public utility services and procurement of fuel;
- 2.4.1.5. purchase of financial instruments;
- 2.4.1.6. procurement of the European Union emission allowances (EUA) and certified emission reduction units (CER);
- 2.4.1.7. construction work, deliveries or services if the purpose of the transaction is to sell or lease the subject of the contract to third parties;
- 2.4.2. lending transactions, unless such transaction is concluded with a merchant where all capital shares or voting shares belong to the Company;
- 2.4.3. borrowing transactions in an amount exceeding EUR 25,000,000 (twenty five million euro);
- 2.4.4. opening or closing of branches and representations of the Company;
- 2.4.5. determining general principles of commercial activity – the Supervisory Board shall approve the medium-term strategy of the Company, the Corporate Governance Policy of Latvenergo Group, the Risk Management Policy of Latvenergo Group, the Code of Ethics of Latvenergo Group, the Remuneration Policy of Latvenergo Group, the Internal Audit Policy and the Internal Audit Plan of Latvenergo Group for the next year;
- 2.4.6. for a transaction that significantly influences (at least by 15 percent and is not envisaged in the medium-term strategy) the amount of assets specified in the medium-term strategy of the Company;
- 2.4.7. entering into transactions between the Company and a Member of the Management Board or an auditor;
- 2.4.8. entering into transactions with related persons that are not concluded within the Company's regular commercial activities or that do not comply with market conditions;
- 2.4.9. entering into a transaction that is not concluded within the Company's regular commercial activities and in an amount exceeding EUR 2,500,000 (two million five hundred thousand euro) (in accordance with this Article consent of the Supervisory Board is not necessary for the transactions defined as exceptions in the Articles of Association of Latvenergo AS).

### **3. ADOPTING DECISIONS OF THE MANAGEMENT BOARD**

- 3.1. The decisions of the Management Board shall be adopted at meetings of the Management Board.
- 3.2. The meetings of the Management Board shall take place when required, usually on a weekly basis. They shall be summoned by the Chairperson of the Management Board. With the authorisation of the Chairperson of the Management Board, or in the absence of the Chairperson of the Management Board, the meetings shall be summoned by other Member of the Management Board.
- 3.3. In summoning a meeting of the Management Board, the time when it shall take place and the agenda shall be indicated.
- 3.4. The meetings of the Management Board shall take place at the offices of the Company (at its registered address). The Members of the Management Board may previously agree on holding the meetings elsewhere.
- 3.5. The Management Board meetings may take place:
  - 3.5.1. on site or

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- 3.5.2. using telecommunication means.
- 3.6. When the meetings of the Management Board are held using telecommunication means, the procedures for summoning and holding meetings shall apply in accordance with the procedures for summoning and holding of on-site meetings to the extent possible.
- 3.7. In the case defined in Article 3.5.2 of the Regulations, only the information system of the Company may be used for adoption of decisions of the Management Board.
- 3.8. The Management Board shall be competent to make decisions if at least three Members of the Management Board participate at the meeting.
- 3.9. Each Member of the Management Board shall have one vote. The Management Board shall adopt decisions with a simple majority of votes of the present Members. The voting shall be open.
- 3.10. The Management Board meetings shall be minuted. In the minutes, the following shall be indicated:
- 3.10.1. the name of the company;
  - 3.10.2. the time, date and place where the meeting is held;
  - 3.10.3. Members of the Management Board and other persons attending the meeting;
  - 3.10.4. the agenda;
  - 3.10.5. the decision made on each issue;
  - 3.10.6. voting results, indicating the votes “in favour” and “against” of each Member of the Management Board on each issue;
  - 3.10.7. other information, which the Member of the Management Board asks to include in the minutes or which is required for accurate reflection of the progress of the session of the Management Board.
- 3.11. If a Member of the Management Board does not agree to the decision of the Management Board and votes against it, his/her differing opinion on his request shall be protocolled in the minutes of the meeting.
- 3.12. Persons who have been invited to the meeting of the Management Board concerning a specific issue shall participate at the meeting only during the time that the specific issue is considered.
- 3.13. A Member of the Management Board who cannot participate at the meeting of the Management Board shall inform the person who has summoned the meeting, or the Secretary of the Management Board.
- 3.14. If issues that contain commercial secrets should be considered at the meeting, a closed meeting of the Management Board shall be held. The meeting may take place behind closed doors if this should be requested by the Chairperson of the Management Board or if the Management Board should adopt a corresponding decision.
- 3.15. The meetings shall be chaired by the Chairperson of the Management Board or, in his/her absence, by the Member of the Management Board who acts as a deputy for the Chairperson. The minutes of the meeting shall be kept by the Secretary of the Management Board.
- 3.16. The Secretary of the Management Board shall prepare, sign and submit to the Chairperson of the Management Board – or, in his/her absence, to the Member of the Management Board who acts as a deputy for the Chairperson – the draft of the agenda for the meeting for approval, indicating the speakers and the persons invited.
- 3.17. The agenda for the Management Board meeting shall be notified to all the Members of the Management Board no later than 4 days prior to the meeting. This notification, together with the draft decisions, reports and other documents appended shall be handed to the Members of the Management Board directly. In the event of extraordinary (unscheduled) meetings of the Management Board, the agenda shall be notified to all the Members of the Management Board immediately after the approval of the agenda.

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- 3.18. A Member of the Management Board shall have the right to propose the inclusion of any extraordinary issue in the agenda or remove any issue from the approved agenda if half of the present Members of the Management Board vote in favour thereof. The Chairperson of the Management Board shall have the right to include any extraordinary issue in the agenda at his/her discretion unilaterally.
- 3.19. The minutes of the meeting of the Management Board shall be signed by the Chairperson of the Management Board, the Secretary of the Management Board and all the Members of the Management Board participating at the meeting. The correctness of the minutes shall be confirmed by specifically authorised employees.
- 3.20. Prior to signing documents adopted during the meeting of the Management Board, it shall be possible to add only amendments or supplements that are indicated in the minutes of the meeting, as well as editorial corrections.
- 3.21. The decision of the Management Board shall be signed by the Chairperson of the Management Board or, in his/her absence, the Member of the Management Board who performs duties of the Chairperson, and the decision shall be dated with the day on which it was passed at the meeting of the Management Board.
- 3.22. The decisions of the Management Board shall come into force on the day they are adopted, unless the text of the decision shall define otherwise.
- 3.23. The originals of the minutes and decisions of Management Board meetings and the materials for preparing Management Board meetings shall be kept in the Management Board Office until they are submitted to the archive pursuant to the procedure defined in the legislation.
- 3.24. The Members of the Management Board shall have the right to request any information about issues connected with the activity of the Company from the employees of the Company.
- 3.25. Minutes of meetings of the Management Board and decisions of the Management Board may also be signed with an electronic signature.
- 3.26. If necessary, an employee of the Management Board Office shall certify and issue (send) certified copies of the decisions of the Management Board and certified extracts from the minutes. The sending of confidential decisions of the Management Board and confidential extracts from minutes shall take place pursuant to the Rules on the Protection of Latvenergo Group Information.

### **4. DRAFTING OF DOCUMENTS FOR THE MANAGEMENT BOARD**

- 4.1. Only proposals and documents regarding issues within the competence of the Management Board shall be accepted for consideration at the Management Board meetings.
- 4.2. Proposals for considering issues at a Management Board meeting may be submitted by the Chairperson of the Management Board, a Member of the Management Board, heads of business divisions/functions, managers of organisational units and other employees on issues within their competence using electronic means and the dedicated database pursuant to its instructions of use. The proposal shall include a list of the persons that should be invited to the Management Board meeting, as well as the speaker for the proposed issue. The report shall be signed by the reporter.
- 4.3. Regarding an issue proposed for consideration at a Management Board meeting, there shall be a precisely and clearly defined problem and proposals, as well as an attached draft decisions and documents motivating the adoption of the decision.
- 4.4. The exposition of the proposals and draft decisions for the Management Board meeting shall be precise, logical and succinct; it shall define precisely formulated goals and tasks, indicating the time limits for implementation and submission of information and reports.
- 4.5. A draft decision to be submitted shall be accompanied by a report and other materials that

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motivate the necessity for the Management Board to adopt the corresponding decision as well as forecast the possible economic, social, legal and other consequences of adopting the corresponding decision. The Report shall include information about the implementation of other decisions passed on the same issue.

- 4.6. The reporter shall be personally responsible for the correctness of facts and data given in the submitted draft decision and the attached materials, as well as for their conformity with the legislation of the Republic of Latvia.
- 4.7. The Secretary of the Management Board shall return to the submitter documents that are submitted for consideration to the Management Board not in conformity with the above-mentioned requirements, and they shall not be included in the draft of the agenda for the Management Board meeting. Prior to confirming the final agenda during the Management Board meeting, the Members of the Management Board may remove from it incorrectly prepared issues or supplement the agenda pursuant to the procedure defined in Article 3.15 of these Regulations.
- 4.8. An issue shall be included in the draft of the agenda for the Management Board meeting only if the documents are prepared pursuant to the requirements of these Regulations and have been submitted to the Secretary of the Management Board no later than 4 days prior to the Management Board meeting (in case of the regular Management Board meetings – not later than until 14:00 hrs of the previous Thursday), except the case when the Chairperson of the Management Board has defined a different term.

### **5. CONTROLLING THE IMPLEMENTATION OF THE MANAGEMENT BOARD DECISIONS**

- 5.1. Decisions and directions of the Management Board in which specific tasks and execution time limits are defined shall be subject to control.
- 5.2. The responsibility for the implementation of a decision or a direction of the Management Board shall be borne by the employees according to their competences.
- 5.3. The control of the implementation of the adopted Management Board decisions and directions shall be ensured by the Management Board Office.
- 5.4. The decisions and directions of the Management Board shall be binding on all the Members of the Management Board, heads of business divisions/functions, managers and employees of all the organisational units of the Company.

### **6. THE ACTIVITY OF A MEMBER OF THE MANAGEMENT BOARD**

- 6.1. A Member of the Management Board shall carry out his/her duties as an upright and conscientious manager.
- 6.2. The Members of the Management Board shall be responsible for their actions pursuant to the law and the signed authorisation agreements.
- 6.3. A Member of the Management Board may occupy another position in the Company if the combination of several positions does not create a conflict of interests and a written permission has been received from the Supervisory Board.
- 6.4. A Member of the Management Board may not adopt decisions or participate in the adoption thereof, or carry out any other actions connected with the duties of the Member of the Management Board that influence or may influence the private or property interests of that Member of the Management Board, his/her relatives or business partners.

### **7. SECRETARY OF THE MANAGEMENT BOARD**

- 7.1. The Management Board shall assign a Secretary of the Management Board.

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- 7.2. The basis of the activity of the Secretary of the Management Board shall be these Regulations, the Articles of Association and the legislation of the Republic of Latvia.
- 7.3. The Secretary of the Management Board shall participate at Management Board meetings, take minutes of the meetings and prepare decisions and minutes of Management Board meetings. The minutes of the closed meetings of the Management Board shall be taken by one of the Members of the Management Board, unless the Management Board resolves otherwise.
- 7.4. The Secretary of the Management Board shall prepare the draft for the agenda of the Management Board meeting and after its approval shall announce the Management Board meeting pursuant to the procedure defined in Section 3 of these Regulations.
- 7.5. The decisions and minutes of the Management Board meetings shall be registered by the Secretary of the Management Board. The minutes of Management Board meetings and the decisions of the Management Board shall each be numbered in a chronological order, starting the numeration anew each calendar year.
- 7.6. The Secretary of the Management Board shall be responsible for drafting of the minutes, the timely preparation and sending of the minutes and the Management Board decisions.

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