

Joint stock company Augstsprieguma tīkls

Regulation of the Management Board

Regulation of the Management Board (hereinafter - the Regulation) of the joint stock company Augstsprieguma tīkls (hereinafter - the Company), in accordance with the Articles of Association of the Company (hereinafter - the Articles of Association), Law on Governance of Capital Shares of a Public Person and Capital Companies (hereinafter - the Law on Governance), Commercial Law, internal rules of the Ministry of Finance for governance of capital companies and other regulatory enactments binding to the Company shall be determined by the procedure and principles of operation of the Management Board of the Company (hereinafter - the Management Board).

1. COMPOSITION OF THE MANAGEMENT BOARD AND RIGHTS OF REPRESENTATION

- 1.1. The Management Board consists of five members of the Management Board, elected by the Council of the Company (hereinafter - the Council). The members of the Management Board shall manage the Company jointly.
- 1.2. One of the members of the Management Board shall be elected as the Chairman of the Management Board.
- 1.3. Members of the Management Board shall mutually divide the responsibilities in the field of management of the Company.
- 1.4. All members of the Management Board shall have joint representation rights. The members of the Management Board shall represent the Company individually.
- 1.5. Members of the Board may authorise one or several members of the Management Board among themselves to represent the Company, including to conclude certain transactions or certain types of transactions on behalf of the Company, to sign authorisations (commercial powers of attorney), statements of claim and other procedural documents to the court, letters and other documents.

2. DUTIES AND RIGHTS OF THE MANAGEMENT BOARD

- 2.1. The members of the Management Board of the Company, while managing the Company, shall jointly perform the following duties:
 - 2.1.1. develop and submit to the Council for approval:
 - 2.1.1.1. The medium-term operating strategy of the Company (hereinafter - the Strategy of the Company) at least three months before the expiry of the Strategy of the Company for the previous period;
 - 2.1.1.2. The budget, capital investment plan and business plan for the next calendar year of the Company, as well as the long-term financial management plan before 1 December, as well as changes in these documents;
 - 2.1.1.3. implementation policies of the operation of the Company.
 - 2.1.2. develop and submit to the Council for assessment:
 - 2.1.2.1. unaudited financial statement of the Company for three, six, nine and twelve

months within 2 months from the end of the reporting period;

- 2.1.2.2. report of the Company for three, six, nine and twelve months regarding the course of execution of the budget and action plan, fulfilment of the capital investment plan, including the information determined in Section 311 of the Commercial Law within 2 months after the end of the reporting period;
 - 2.1.2.3. annual and consolidated annual report of the Company, ensuring that the meeting of shareholders for approval of the annual report is convoked up until (including) 30 April;
 - 2.1.2.4. recommendations on the use of the profit of the previous year of operation;
 - 2.1.2.5. report on the results of operation of the Company in the previous year;
 - 2.1.2.6. information about the operation of internal control and risk management systems, their adequacy and effectiveness;
 - 2.1.2.7. information about the essential decisions adopted during the meetings of the Management Board of the Company;
 - 2.1.2.8. other significant information regarding the operation of the Company and Management Board, including with regard to circumstances and risks that could affect the fulfilment of financial and non-financial objections proposed in the mid-term operation strategy of the Company;
 - 2.1.2.9. any issue to be examined by the meeting of shareholders.
- 2.1.3. develop and submit for information to the Council:
- 2.1.3.1. report on the realisation of the capital investment plan in the transmission assets;
 - 2.1.3.2. electricity transmission system development plan;
 - 2.1.3.3. drafts of the electricity transmission system services tariff;
 - 2.1.3.4. other significant information on the aspects of operation important to the Company.
- 2.1.4. The Management Board shall require the prior consent of the Council:
- 2.1.4.1. for making purchases, the amount of which exceeds 140 000 euro (one hundred and forty thousand euro), i.e., the annual plan of the procurements of the Company and amendments therein on the expected transactions;
 - 2.1.4.2. for the conclusion of transactions, as a result of which it is planned to utilise the monetary funds of the company in the amount exceeding EUR 1 500 000 (one million five hundred thousand euros);
 - 2.1.4.3. for transactions, significantly affecting (at least by 15 percent and not provided for in the mid-term operation strategy) the volume of assets determined in the mid-term operation strategy of the capital company;
 - 2.1.4.4. for entering into a transaction between the Company and a Board Member or the auditor;
 - 2.1.4.5. opening or closure of branches and representative offices;
 - 2.1.4.6. issuance of loans not related to the usual commercial activities of the Company;
 - 2.1.4.7. issuing loans to employees of the Company;
 - 2.1.4.8. determination of general commercial operation principles.
- 2.1.5. Consent of the Council shall not be required if a transaction is concluded for:
- 2.1.5.1. purchase and sale of electricity or capacity;

- 2.1.5.2. auctions of long-term transmission rights;
- 2.1.5.3. transmission system ancillary services, including balancing services;
- 2.1.5.4. lease of transmission system assets.
- 2.1.6. prepare and after review in the meeting of the Council and receipt of the opinion of the Council submit to the meeting of shareholders:
 - 2.1.6.1. for approval the annual report of the Company and recommendations for use of the profit;
 - 2.1.6.2. a proposal for election and revocation of the auditor of the Company, determination of the amount of remuneration for the auditor;
 - 2.1.6.3. recommendations regarding bringing a claim against a member of the Management Board, the Council or an auditor, or regarding refusal to bring a claim against them, as well as appointment of the representative of the Council for representation of the Company in the court;
 - 2.1.6.4. a recommendation regarding approval and amending of the Articles of Association of the Company;
 - 2.1.6.5. a proposal regarding increasing or reducing the share capital;
 - 2.1.6.6. for information on the medium-term business strategy of the Company;
 - 2.1.6.7. for information on the budget, capital investment plan and business plan for the next calendar year of the Company, as well as the long-term financial management plan;
 - 2.1.6.8. other significant information on the aspects of operation of the Company.
- 2.1.7. The Management Board shall require the prior consent of the meeting of shareholders in order to resolve the following issues:
 - 2.1.7.1. acquisition or disposal of an enterprise;
 - 2.1.7.2. launching new types of activity and termination of existing types of activity.
- 2.1.8. The Management Board shall require a permit of the Cabinet of Ministers for acquisition or termination of shares, as well as acquisition of decisive influence or termination thereof in other capital companies;
- 2.1.9. ensure the submission of necessary documents to the Council and the meeting of shareholders;
- 2.1.10. determine the organizational structure, labour payment and employee motivation system necessary for performance of the commercial activity of the Company;
- 2.1.11. approve the development plans of the directions of operation of the Company;
- 2.1.12. decide on joining or exiting from unions or foundations, as well as appointment of the representatives of the Company in commercial companies, unions or foundations;
- 2.1.13. decide on the utilisation of voting rights in the commercial companies, where the Company is a shareholder, in accordance with the scope of shares in the Company, including proposal and revocation of the members of the management bodies, as well as the proposal of candidates for such offices or revocation thereof;
- 2.1.14. decide on the conclusion of transactions;
- 2.1.15. decide on the delegation of the right to decide the issues being under the competence of the Management Board to certain members of the Management Board of the Company, other structural units or employees of the Company;

- 2.1.16. approve the list of positions related to the use and protection of state secrets as well as those holding the offices of public officials in the Company;
- 2.1.17. participate in the meetings of the Council and meetings of shareholders;
- 2.1.18. within the framework of competence determined by regulatory enactments or Articles of Association of the Company review and adopt the decisions on any issues related to the operation of the Company;
- 2.1.19. submit to the Commercial Register authority the documents, substantiating making of an entry in the Commercial Register;
- 2.1.20. develop and manage the procedures necessary for the Company for elimination of conflicts of interest as well as fraud and corruption risks.

3. DECISION MAKING OF THE MANAGEMENT BOARD

- 3.1. Decisions of the Board shall be made during the meetings of the Management Board.
- 3.2. The Board shall meet whenever required, but at least twice a month. The meetings shall be convened by the Chairman of the Management Board. On the assignment of the Chairman of the Management Board or in case of absence of the Chairman of the Management Board, the meetings shall be convoked by the member of the Management Board, who substitutes the Chairman of the Management Board.
- 3.3. When convening a meeting of the Management Board, the time of its meeting and the issues to be decided shall be indicated.
- 3.4. The meetings of the Management Board may take place:
 - 3.4.1. in person at the legal address of the Company or, by mutual agreement of the members of the Management Board, at any other place;
 - 3.4.2. remotely through telecommunication means, in compliance with the procedure for convocation and organization of the meetings of the Management Board in person.
- 3.5. The Management Board shall be entitled to decide if at least three members of the Management Board participate in the meeting thereof.
- 3.6. Each member of the Management Board has one vote. The Management Board shall take decisions by a simple majority vote of the members of the Management Board present. The voting shall be open.
- 3.7. Minutes shall be taken of meetings of the board. The following shall be indicated in the Minutes:
 - 3.7.1. Firm Name of the Company;
 - 3.7.2. place, date and time of the meeting of the Management Board;
 - 3.7.3. members of the Management Board and other persons participating in the meeting;
 - 3.7.4. issues of the agenda;
 - 3.7.5. course and content of the discussion on the issues of the agenda;
 - 3.7.6. the results of voting, recording the vote of each member of the Management Board "for" or "against" each decision;
 - 3.7.7. the decision taken on each issue;
 - 3.7.8. other information, which is requested by a member of the Management Board to be included in the minutes or which is necessary to accurately reflect the course of the meeting of the Management Board.

- 3.8. If a member of the Management Board does not agree with the decision of the Management Board and votes against it, his/her separate opinion, upon his/her request, shall be recorded in the minutes of the meeting of the Management Board.
- 3.9. Persons invited to a meeting of the Management Board regarding a specific issue shall participate in the meeting only during the examination of the issue to which they have been invited.
- 3.10. A member of the Management Board who is not able to attend a meeting of the Management Board shall inform the person who convened the meeting of the Management Board or the Secretary of the Management Board on that.
- 3.11. If the issues contain information that is a state secret or the status of restricted access information are examined during the meeting of the Management Board, a closed meeting of the Management Board shall be held. The closed meeting may be held, if it is requested by the Chairman of the Management Board or if the Management Board adopts a decision about that.
- 3.12. Meetings of the Management Board shall be chaired by the Chairman of the Management Board, but during his/her absence by the member of the Management Board, substituting the Chairman of the Management Board. Meetings shall be recorded by the Secretary of the Management Board.
- 3.13. The Secretary of the Management Board shall prepare and submit to the Chairman of the Management Board or during his/her absence to the member of the Management Board, who substitutes the Chairman of the Management Board, for approval the draft agenda of the meeting of the Management Board, specifying reporters and invited persons.
- 3.14. The agenda of the meeting of the Management Board shall be announced to all members of the Management Board not later than 4 days before the meeting of the Management Board. It shall be delivered directly to the members of the Management Board together with draft decisions, notifications and other relevant documents. In case of extraordinary (unplanned) meetings of the Management Board, the agenda of the meeting of the Management Board shall be announced to all members of the Management Board immediately after approval of the agenda.
- 3.15. A member of the Management Board shall be entitled to propose to include in the agenda the examination of an issue of extraordinary nature, if half of the present members of the Management Board votes for it. The Chairman of the Board shall be entitled to unilaterally include in the agenda extraordinary issues.
- 3.16. Minutes of the meetings of the Management Board shall be signed by a person, who chairs the meeting of the Management Board, the rapporteur of the meeting and all members of the Management Board, who have participated in the meeting. Correctness of the extract of the minutes shall be approved by the same persons, who signed the original.
- 3.17. The amendments and supplements, specified in the minutes of the meeting, as well as editorial corrections may be made in the wording of the document adopted during the meeting of the Management Board before signing thereof.
- 3.18. Decision of the Management Board shall be signed by the Chairman of the Management Board or during his/her absence by the member of the Management Board, substituting the Chairman of the Management Board, and the decision shall be dated on the day, when it is adopted during the meeting of the Management Board.
- 3.19. Decisions of the Management Board shall come into force as of the day of adoption thereof, unless they determine otherwise.
- 3.20. The originals of the minutes of the meetings of the Management Board and the materials for the preparation of the meetings of the Management Board, as well as the originals of the

Management Board decisions shall be developed and maintained in the electronic document management system in the document database of the Management Board.

- 3.21. Minutes of the meetings of the Management Board and decisions of the Management Board shall be signed with a safe electronic signature, as well as in case of need with a physical signature, if there are objective circumstances and necessity for that. The range of persons who have the right to read the documents of the Management Board shall be determined by the Management Board.
- 3.22. The members of the Management Board have the right to request from the employees of the Company any information on issues related to the activities of the Company.
- 3.23. In case of need the Secretary of the Management Board certifies and issues (sends) certified copies of the decisions of the Management Board and certified extracts of minutes, observing the information protection restrictions set by the Company.
- 3.24. The decisions and minutes of the Management Board shall be clearly formulated, specify the persons responsible for implementation and the deadlines for implementation.

4. PREPARATION OF DOCUMENTS FOR THE MANAGEMENT BOARD

- 4.1. Proposals and documents shall be adopted for examination during the meeting of the Management Board only on the issues being under the competence of the Management Board.
- 4.2. Applications for examination of issues during the meeting of the Management Board may be submitted by the Chairman of the Management Board, a member of the Management Board, the Council, a representative of the shareholder, heads of structural units and other employees on the issues being under their competence. Applications shall be submitted in the electronic form to the Company in the document management electronic system established for this purpose in the database of the documents of the Management Board.
- 4.3. The application shall state the persons to be invited for the meeting of the Management Board as well as the reporter on the submitted issue. The application (report) shall be signed by the reporter.
- 4.4. The explanatory memorandum (report), the issue and proposals shall be precisely and clearly formulated, as well as a draft decision (if applicable) and supporting documents shall be attached on the issue to be submitted for examination during the meeting of the Management Board.
- 4.5. Summary of the proposals and draft decisions to be submitted for examination of the meeting of the Management Board shall be precise, sequential and brief, precisely formulated objectives and tasks shall be proposed, specifying the time periods for fulfilment, information and reports and specific executors.
- 4.6. The draft decision to be submitted shall be enclosed with explanatory memorandum (report) and other materials, justifying the need for the Board to make the relevant decision, as well as the potential economical, social, legal and other consequences in the case of adoption of the relevant decision shall be estimated. The explanatory memorandum shall include information regarding the fact how the previously taken decisions on the relevant issue are fulfilled.
- 4.7. The reporter shall be responsible for correctness of the facts and data mentioned in the submitted draft decision and enclosed materials.

- 4.8. Applications submitted for examination during the meeting of the Management Board, failing to comply with the requirements specified herein, shall not be included in the draft agenda of the meeting of the Management Board. Before final approval of the agenda during the meeting of the Management Board, the members of the Management Board may exclude improperly prepared issues from it or supplement the agenda with Paragraph 3.15 of this Regulation.
- 4.9. The issue shall be included in the draft agenda of the meeting of the Management Board only in the case if the documents are executed in accordance with the requirements of the Regulation and submitted to the Secretary of the Management Board not later than 4 days before the meeting of the Management Board (for regular meetings of the Management Board - not later than before 12:00 o'clock of the previous Friday), except the case when the Chairman of the Management Board has determined any other deadline.

5. CONTROL OF THE IMPLEMENTATION OF THE DECISIONS OF THE MANAGEMENT BOARD

- 5.1. Decisions and instructions, where specific assignments, executors and performance deadlines are specified, shall be subject to control.
- 5.2. Employees specified therein shall be responsible for fulfilment of the decision or instruction of the Management Board, according to their competence. Information about the course of fulfilment of the decisions or instructions of the Management Board shall be submitted by the responsible employees to the Management Board.
- 5.3. Decisions and instructions of the Management Board shall be mandatory to all members of the Management Board, heads and employees of all structural units of the Company.

6. ACTIVITIES OF THE MEMBER OF THE MANAGEMENT BOARD

- 6.1. All members of the Management Board shall perform their duties, in accordance with regulatory enactments, Articles of Association of the Company, Regulations, decisions of the Council, meetings of shareholders and the Management Board. A member of the Management Board shall perform his/her duties prudently and diligently.
- 6.2. Members of the Management Board shall be responsible for their activities, in accordance with regulatory enactments and concluded authorisation agreements, in compliance with high standards of professional conduct and ethics ensuring that they are directed against corruption, prevention of conflicts of interest in day-to-day operations, illegal use of inside information and any other illegal and unethical conduct.
- 6.3. Members of the Management Board shall comply with the general and special restrictions for holding of more than one official jobs, as well as earning income, commercial activity, acceptance of gifts and donations, and other restrictions.
- 6.4. Members of the Management Board shall comply in their activities the restrictions determined by regulatory enactments for conclusion of transactions with related persons, as well as prohibition of competition.
- 6.5. A member of the Management Board shall be entitled to hold another position, when holding of several positions does not conflict with the applicable regulatory enactments, does not cause a conflict of interest and a written permit of the Council is received.
- 6.6. Members of the Management Board shall not be responsible for the loss caused to the Company, if they have acted in accordance with the decision lawfully adopted by the meeting of the Council or shareholders.

- 6.7. A member of the Management Board shall be responsible for high-quality and timely execution of the duties and tasks determined for him or her.
- 6.8. A member of the Management Board shall not make a decision or participate in adoption of the decision, or make any other activities related to the fulfilment of the duties of the member of the Management Board, which affects or may affect the personal or property interests of the member of the Management Board, his/her relatives or business partners.
- 6.9. A member of the Management Board shall have an obligation, pursuant to a written order/decision to transfer any functions, fulfilment of assignments to any other member of the Management Board or employee, if the member of the Management Board, who should perform the relevant function or assignment in accordance with work duties, is in a conflict of interest situation.

7. SECRETARY OF THE MANAGEMENT BOARD

- 7.1. The Secretary of the Management Board shall participate in the meetings of the Management Board, record the course of the meetings and prepare decisions and minutes of the meetings of the Management Board. All closed meetings of the Management Board shall be recorded by a member of the Management Board, unless the Management Board decides otherwise.
- 7.2. The Secretary of the Management Board shall prepare the draft agenda of the meeting of the Management Board and after approval thereof shall announce the meeting of the Management Board in accordance with the procedure determined by this Regulation.
- 7.3. Decisions and minutes of the meetings of the Management Board shall be registered by the secretary of the Management Board. Minutes of the meetings of the Management Board and decisions of the Management Board separately shall be numbered in chronological order each calendar year from anew.
- 7.4. The Secretary of the Management Board shall be responsible for accurate recording of the course of meetings in the minutes, preparation and sending thereof and decisions of the meetings of the Management Board in a timely manner.
