

Supported with resolution by the
Supervisory Council of Joint Stock
Company “Conexus Baltic Grid” of
June 10, 2020, minutes of the
extraordinary meeting No 5

Approved with resolution of July 9,
2020 by the Management Board of
the Joint Stock Company
“Conexus Baltic Grid”, minutes of
the extraordinary meeting No 38

Riga, July 10, 2020

No INA-VAR-001

REGULATION OF THE MANAGEMENT BOARD OF THE JOINT STOCK COMPANY “CONEXUS BALTIC GRID”

The Regulation of the Management Board of the Joint Stock Company “Conexus Baltic Grid” (hereinafter – Company) has been developed according to the Articles of Association of the Company (hereinafter – Articles of Association).

The Regulation of the Management Board (hereinafter – Regulation) sets down the general principles for operation of the Management Board, its competency, agenda, and responsibility.

1. Members of the Management Board

- 1.1. Operations of the Company are managed by the Management Board. The Management Board is an executive institution managing and representing the Company.
- 1.2. The Management Board comprises of three Management Board members. Management Board members are elected by the Supervisory Council of the Company for a three years term.
- 1.3. The Chairman of the Management Board are elected by the Supervisory Council from among the Management Board members.
- 1.4. The Management Board notifies the Commercial Register Office of all changes in the Management Board, as well as changes in representation rights of the Management Board members, and such changes are effective towards third parties as of the day of their announcement.
- 1.5. Remuneration for Chairman and Members of the Management Board is determined by the Supervisory Council. Chairman of the Supervisory Council shall conclude with the Chairman and Members of the Board written agreements, stipulating the Board member’s rights, obligations, liability, remuneration, term of the agreement and other terms.

2. Competency of the Management Board

- 2.1. The Management Board passes decisions on all issues falling within its competency in the meetings of the Management Board.
- 2.2. The Management Board oversees and manages all affairs of the Company and manages assets of the Company according to legislative acts, the Articles of Association and decisions of the Shareholders' Meeting. The Management Board decides on all issues concerning the Company's operations which do not fall into competency of the Supervisory Council or the Shareholders' Meeting.
- 2.3. The Management Board:
 - 2.3.1. Prepares proposals and materials and submits them for review of the Supervisory Council and passing of decision on:
 - 2.3.1.1. Draft Annual Budget and three year Business Plan of the Company;
 - 2.3.1.2. Annual Accounts of the Company;
 - 2.3.1.3. Proposals for the use of Company's profit;
 - 2.3.1.4. Conclusion of, or amendments to a transaction between the Company and its Shareholders, related persons, or persons related to a Shareholder (irrespective of their place of residence, citizenship, place of incorporation or registered office), or any Management Board or Supervisory Council member, or the Company's auditor (hereinafter – Auditor);
 - 2.3.1.5. issues which upon initiative of the Management Board are to be proposed for discussion in the Shareholders' Meeting;
 - 2.3.1.6. issues where the Management Board needs a prior consent of the Supervisory Council for passing a decision;
 - 2.3.2. upon its own initiative or following decisions of the Shareholders' Meeting or the Supervisory Council prepares and issues reports and statements to the Shareholders' Meeting or the Supervisory Council on the issues listed herein and in the Articles of Association;
 - 2.3.3. summons regular Shareholders' Meeting by the deadlines and according to the procedure set in the Articles of Association;
 - 2.3.4. summons extraordinary Shareholders' Meeting in the cases, by the deadlines and according to the procedure set in the Articles of Association;
 - 2.3.5. if necessary, requests summoning an ad hoc meeting of the Supervisory Council by motivating the reason and objective of summoning of such meeting;
 - 2.3.6. once per month prepares and submits to the Supervisory Council and once per year – to the Shareholders' Meeting – a written report on its operations and main plans for commercial activities and management of the Company, on the results of financial operations, cash flow, main operational activities of the Company, realisation of goods and services, securities circulation and other key activities of the Company;
 - 2.3.7. organises expenses within the framework of the Company's Annual Budget and is in charge of the Company's expenses, especially their compliance with the Annual Budget and justification;

- 2.3.8. within one month's time from the end of quarter reviews the course of Annual Budget performance and introduces necessary adjustments in the approved Annual Budget;
- 2.3.9. organises accounting and statistical accounting, draws up annual accounts according to legislative acts and submits it by the deadline set in the Articles of Association for auditing to an internationally admitted commercial company of sworn auditors registered in the Republic of Latvia or a sworn auditor (Auditor);
- 2.3.10. according to the procedure set out in the legislative acts publishes in newspapers the annual results of the Company's financial and economic activities approved by the Shareholders' Meeting;
- 2.3.11. within the framework of the three year Business Plan organises the Company's economic activities, develops the fundamental principles of business policy, performs the realisation of products and the development and modernisation of the related area of services;
- 2.3.12. according to the procedure and volumes stipulated by the Shareholders' Meeting performs the issue and distribution of securities;
- 2.3.13. organises the record-keeping of the Company's registered shares and their holders in the Register of Shareholders;
- 2.3.14. decides on the insurance of the Company's assets, defines its scope and form;
- 2.3.15. approves the organisation structure of the Company and regulations of structural units;
- 2.3.16. develops the key areas of the Company's human resources policy, defines the system for remuneration and material benefits, work regime, social insurance and other employment related issues, decides on all critical issues concerning the Company's employees;
- 2.3.17. approves social and day-to-day benefits to the Company's employees in addition to benefits provided by the legislative acts;
- 2.3.18. approves internal rules of order of the Company and other internal legal acts binding to the employees;
- 2.3.19. reports to the Commercial Register Office all changes in the Articles of Association, the Supervisory Council and the Management Board;
- 2.3.20. decides on the nomination of an authorised representative of the Company for representation of the Company's interests in the Shareholders' Meeting and the nomination of candidates for membership in managing institutions of the companies where the Company holds capital shares or stock;
- 2.3.21. approves model forms of contracts for commercial activities of the Company, including contracts for the transmission and storage of natural gas;
- 2.3.22. appoints persons for signing of financial (bank) documents of the Company;
- 2.3.23. upon coordination with the Supervisory Council approves the procedure of management of the Company's assets;
- 2.3.24. decides on the writing off of bad debts;
- 2.3.25. decides on the encumbering of any movable assets of the Company, cession of rights of claim;

- 2.3.26. within the framework of Company's economic activities forms commissions for the investigation, control of various issues and preparation of proposals, and determines the remuneration for work of such commissions;
- 2.3.27. according to the procedure set in the legislative acts passes decisions on sponsorship considering tax reliefs;
- 2.3.28. reviews any issue requested for hearing of the Management Board member;
- 2.3.29. decides on the signing of agreements whose value exceeds the amount set in the Clause 4.2. hereof;
- 2.3.30. reviews draft contracts for the transmission and storage of natural gas;
- 2.3.31. approves the procedure for application of prices and tariff rates, and the procedure for settlement of payments for the transmission and storage of natural gas.
- 2.4. The Management Board requires prior consent of the Supervisory Council for deciding on the following issues:
 - 2.4.1. Acquiring shares in other companies, increase or decrease of such shareholding;
 - 2.4.2. Foundation of the subsidiaries of the Company;
 - 2.4.3. Purchase and sale of the assets substantial for the operation of the Company;
 - 2.4.4. Foundation or closure of companies, branches and representative offices, as well as approval of their regulations (Articles of Associations), purchase, sale and lease of Company's property, or suspension of Company's operations;
 - 2.4.5. Not stipulated in the respective Annual Budget of the Company:
 - 2.4.5.1. Purchase of the real estate at a price over 100,000 EUR (one hundred thousand Euros);
 - 2.4.5.2. Purchase of any real estate, if the annual purchase amount of real estate exceeds 400,000 EUR (four hundred thousand Euros);
 - 2.4.5.3. Sale of the real estate at a price above 200,000 EUR (two hundred thousand Euros)
 - 2.4.5.4. Lease of the real estate at the lease payment, which per year is higher than 100,000 EUR (one hundred thousand Euros)
 - 2.4.5.5. An encumbering of the real estate;
 - 2.4.6. Granting guarantees, except for guarantees to be granted to fulfil the measures stipulated in the Annual Budget;
 - 2.4.7. Conclusion of a transaction between the Company and its Shareholders, related persons, or persons related to a Shareholder (irrespective of their place of residence, citizenship, place of incorporation or registered office), or any Management Board or Supervisory Council member, or the Auditor;
 - 2.4.8. Closing of transactions, which are not stipulated in the Company's respective Annual Budget and amount of which exceed 300,000 EUR (three hundred thousand Euros) or the term is longer than 1 (one) year;
 - 2.4.9. Entering into strategically important long-term agreements on cooperation, as well as conclusion of such cooperation agreements, which require Company's financing exceeding the amount stated in the Clause 2.4.8. hereof;

- 2.4.10. Contracting legal advisers, broker companies, advisers, investment consultants or auditor companies to prepare the public issue prospectus of Company's securities;
 - 2.4.11. Granting of loans and taking of loans not stipulated in the Company's Annual Budget;
 - 2.4.12. Preliminary review of the issue regarding a merger with another company or acquisition by another company;
 - 2.4.13. Approval of the three year Business Plan;
 - 2.4.14. Approval of the Annual Budget;
 - 2.4.15. Establishment and use of the Company's reserves;
 - 2.4.16. Approval of the Regulation of the Management Board;
 - 2.4.17. Other significant issues.
- 2.5. The split of obligations among the Management Board members:
- 2.5.1. The Management Board determines the split of obligations among the Management Board members. Every Management Board member is in charge of a certain range of issues. The Management Board members shall serve their obligations with a view of common interests of the Company pursuant to legislative acts of the Republic of Latvia, the Articles of Association and this Regulation.
 - 2.5.2. The split of obligations among the Management Board members is appended to this Regulation.
 - 2.5.3. None of the Management Board members is entitled to act within the range of issues assigned to another Management Board member except in urgent cases, especially for the purpose of preventing losses to Company. In such case the Management Board member acting within the range of issues assigned to another Management Board member shall immediately notify the Management Board member in charge of the respective issue and the Chairman of the Management Board.
 - 2.5.4. During the absence of a Management Board member on holidays, as well as in the case when respective Management Board member is out of reach, his obligations are reassigned by the Management Board to another Management Board member.
 - 2.5.5. All Management Board members shall periodically report to other Management Board members on all significant events occurring in the areas for which they are in charge.
 - 2.5.6. The Management Board members are entitled to request at any time the provision of reports from employees of the Company on the overall standing of the Company and to receive complete information on the operations of and transactions entered into by the Company and its branches, companies and representative offices, to audit budgets, balance sheet, auditors' reports on the Company and its branches, representative offices and companies, to inspect other registers and documents of the Company.
 - 2.5.7. If cooperation of several Management Board members is necessary, especially in the cases when the ranges of issues for which the Management Board members are in charge overlap, the Management Board after hearing from the respective Management Board members shall set up the cooperation procedure.

- 2.5.8. The Management Board may assign the preparation of certain issues and the collection of necessary documents to any of the Company's employees, who shall report to the Management Board on the work completed.

3. Competency of the Chairman of the Management Board

- 3.1. The Chairman of the Management Board manages work of the Management Board and organises daily operations of the Company, including:
- 3.1.1. Ensures the passing and execution of decisions on issues provided by the laws, the Articles of Association and this Regulation;
 - 3.1.2. Informs the Supervisory Council on every significant aspect of the Company's operations;
 - 3.1.3. Decides on all operational issues of the Company within their competence;
 - 3.1.4. Develops and submits for approval to the Management Board the Company's structure;
 - 3.1.5. Organises the execution of decisions of the Shareholders' Meeting, the Supervisory Council and the Management Board;
 - 3.1.6. Reports to the Supervisory Council on transactions concluded with Shareholders, related persons, persons related to a Shareholder (irrespective of their place of residence, citizenship, place of incorporation or registered office), or any Management Board or Supervisory Council member, or the Auditor;
 - 3.1.7. Jointly with another Management Board member signs agreements as ordered by the Shareholders' Meeting in the cases provided by the law and decisions of the Management Board according to the procedure set forth herein;
 - 3.1.8. In a lengthy absence of the Chairman of the Management Board (sickness, holidays, business travel) the obligations of the Chairman of the Management Board in the management of the Management Board and the organisation of daily work of the Company are fulfilled by member of the Management Board assigned by the Management Board;
 - 3.1.9. The Chairman of the Management Board is in charge of all types of cooperation with the Supervisory Council;
 - 3.1.10. At every meeting of the Management Board provides information on the main events in the Company and its economic activities;
 - 3.1.11. Is liable for the fulfilment of requirements set in legislative acts for managers of commercial companies and employers;
 - 3.1.12. The Chairman of the Management Board represents the Company jointly with one of the Management Board members;
 - 3.1.13. Operates with the assets and funds of the Company according to legislative acts, the Articles of Association and this Regulation;
 - 3.1.14. Jointly with one of the Management Board members signs financial and other documents of the Company, as well as agreements, according to the procedure set forth herein, issues powers of attorney, including with rights of further authorisation, and opens accounts with banks;

- 3.1.15. Jointly with one of the Management Board members determined by the Chairman of the Management Board, signs important correspondence;
- 3.1.16. Ensures the development of the Company's Annual Budget and annual accounts pursuant to the procedure set in the law, their further review and approval according to the Articles of Association and the Latvian legislation;
- 3.1.17. Coordinates the development of the Company's Annual Budget and 3 (three) year Business Plan;
- 3.1.18. Organises the development of Regulation and its approval by the Supervisory Council;
- 3.1.19. Represents the Company in the Parliament (*Saeima*), the Cabinet of Ministers, state and municipal institutions and courts, as well as in relations with natural persons, in addressing issues of interest to the Company;
- 3.1.20. Ensures the fulfilment and control of measures provided in the Annual Budget and 3 (three) year Business Plan;
- 3.1.21. According to the procedure set by the Management Board hires and fires employees of the Company and determines the amount of their remuneration;
- 3.1.22. According to the procedure set by the Management Board determines the competency of heads of structural units;
- 3.1.23. Issues orders and gives instructions mandatory for all employees of the Company;
- 3.1.24. Personally coordinates the cooperation with the Public Utilities Commission, the responsible commission of Parliament (*Saeima*) and the Cabinet of Ministers on issues concerning tariff rates and amendments to the Energy Law;
- 3.1.25. The Chairman of the Management Board upon approval of the Management Board may delegate some of his rights to the heads of structural units of the Company and other officials.

4. Procedure for signing of agreements

- 4.1. Agreements (of construction and assembly, procurement of materials and equipment, and other economic activities) within the framework of funds provided in the Company's Annual Budget are signed by:
 - 4.1.1. the Chairman of the Management Board jointly with one of the Management Board members or, on the basis of a commercial power of attorney, the Management Board member in charge of the respective issue, or two employees authorised by the Company, if the value of agreement does not exceed 30,000 EUR (thirty thousand Euros);
 - 4.1.2. the Chairman of the Management Board and the Management Board member in charge of the respective issue, if the value of agreement is from 30,000 EUR (thirty thousand Euros) to 150,000 EUR (one hundred fifty thousand Euros).

During a lengthy absence of the Management Board member in charge of the respective issues, agreement in their place is signed by the Chairman of the Management Board or another Management Board member appointed by the Management Board on the basis of a commercial power of attorney.

- 4.2. The agreements within the framework of funds provided in the Annual Budget, the signing of which falls in the competency of the Management Board and where the value exceeds 150,000 EUR (one hundred fifty thousand Euros), are reviewed by the Management Board and the Management Board appoints the persons who will sign the respective agreement. Such agreements shall be signed by at least two duly authorised persons.
- 4.3. Agreements, for the signing of which the Management Board needs prior consent of the Supervisory Council, are signed by the Chairman of the Management Board along with another Management Board member appointed by the Management Board upon receipt of the consent of the Supervisory Council or with condition that agreement enters into force only after receipt of the consent of the Supervisory Council.

5. Preparation and summoning of meetings of the Management Board

- 5.1. Meetings of the Management Board are summoned when necessary, but at least once per month.
- 5.2. Regular meetings of the Management Board are summoned by the Chairman of the Management Board on dates set by the Management Board itself.
- 5.3. Ad hoc meetings of the Management Board are summoned by the Chairman of the Management Board following a proposal of any of the Management Board members. The request for summoning of the ad hoc meeting of the Management Board shall contain the reason and purpose of summoning. Copy of such request shall be immediately forwarded to all Management Board members.
- 5.4. For deciding on the inclusion of any issues in the agenda of the following meeting of the Management Board, the Chairman of the Management Board may assign any employee of the Company with preparation of a draft decision and collection of necessary documents and materials.
- 5.5. A proposal for an issue to be included in the agenda of a meeting of the Management Board shall be submitted to the Chairman of the Management Board. The proposal shall include the subject matter of the issue to be heard, the person reporting on it at the meeting of the Management Board and the persons to be invited to attend the meeting of the Management Board.
- 5.6. A person submitting the proposal or preparing the draft decision is liable for completeness and accuracy of facts and data referred to in the submitted materials, as well as for compliance of the prepared draft decision with legislative acts, and reports on the draft decision to the Management Board.

A person submitting the draft decision prior to submission of the draft to the Chairman of the Management Board coordinates it with departments, divisions or sectors of the Company, if the issue to be decided on concerns any of them.
- 5.7. The Chairman of the Management Board initialises the submitted proposals by stating that they shall be included in the agenda and transfers them along with other submitted materials to the Secretary of the Management Board.
- 5.8. The Secretary of the Management Board summarises the proposals submitted, requesting additional data, documents and materials if necessary.
- 5.9. Proposals not compliant with the requirements of this Regulation are returned by the Secretary of the Management Board to the person submitting them by indicating that the Regulation has not been complied with and what amendments are required.

- 5.10. The Secretary of the Management Board prepares a draft agenda of the meeting of the Management Board and submits it to the Chairman of the Management Board for approval, attaching draft decisions, documents and other materials and indicating also the reporting persons and other invited attendees.
- 5.11. The Secretary of the Management Board notifies the Management Board member on the date and time of the meeting of the Management Board not later than 3 (three) days prior to the meeting, as well as submits the draft agenda of the meeting along with appended draft decisions, documents and materials required for review of the issues included in the agenda.
- Upon their election, every Management Board member shall indicate to the Secretary of the Management Board the language (Latvian, English or Russian) in which they are willing to receive notices and draft decisions.
- 5.12. In urgent cases, when agreed by all Management Board members, the Chairman of the Management Board summons an immediate meeting of the Management Board.
- 5.13. The Secretary of Management Board notifies on the meeting of Management Board also the invited attendees.
- 5.14. Unless the notice on the meeting of Management Board provides otherwise, the meetings of Management Board are held at the legal address of the Company.

6. Course of meetings of the Management Board

- 6.1. Decisions can be passed by meetings of the Management Board if attended by at least 2 Management Board members.
- 6.2. The Management Board members unable to attend a meeting of the Management Board shall notify the Secretary of the Management Board.
- 6.3. The Management Board hears only the issues included in its agenda. Other issues may be decided upon only if all Management Board members present at the meeting of the Management Board agree with hearing of such issues and the draft decision of the Management Board is prepared according to requirements set forth in Clauses 5.5. and 5.6. hereof.
- 6.4. Meetings of the Management Board are chaired by the Chairman of the Management Board or in their absence another member of the Management Board assigned by the Management Board according to Clause 3.1.8. hereof.
- 6.5. Meetings of the Management Board are held in the Latvian language, if necessary, providing interpretation in other languages determined by the Management Board.
- 6.6. Every Management Board member has one vote. The Management Board passes decisions with a simple majority of votes of Management Board members.
- 6.7. When the interests of the Company collide with the interests of any Management Board member, their spouse, relative or in-law relative, considering relationship up to the second degree and in-law relationship up to the first degree (see Clause 3.1.6. hereof), the issue is passed by a meeting of the Management Board where the concerned Management Board member is not entitled to vote, and that shall be noted in the minutes of the meeting of the Management Board. The Management Board member is obliged to report on such interest prior to opening of the meeting of the Management Board. The Management Board member in breach of this requirement is liable for losses caused to the Company.

- 6.8. Unless any of the Management Board members present at the meeting objects, a meeting of the Management Board may be held by means of communications ensuring that all Management Board members are able to hear each other simultaneously. The Secretary of the Management Board draws minutes of the meeting of the Management Board, which is signed by the Chairman of the Management Board and the Secretary of the Management Board. In such case the decision is effective as of the moment of the signing of the minutes.

The Management Board members sign and approve the minutes during the next meeting, which is duly noted in the minutes.

- 6.9. The Management Board meetings in advisory capacity may be attended by members of the Supervisory Council, as well as other persons invited by the Management Board.
- 6.10. Persons invited to attend a meeting of the Management Board in relation to hearing of a particular issue shall be present at the meeting only while the issue for hearing of which they have been invited is being reviewed.
- 6.11. Minutes of the meetings of the Management Board are made by the Secretary of the Management Board or, in their absence, by another person appointed by the Management Board.
- 6.12. The minutes shall contain indication of:
- 6.12.1. the Company's name;
 - 6.12.2. the time and place of meeting of the Management Board;
 - 6.12.3. the attendees of the meeting;
 - 6.12.4. the issues included in the agenda;
 - 6.12.5. the course and content of discussions on the issues of the agenda;
 - 6.12.6. the results of voting by indicating the "for" or "against" voting of each Management Board member for each decision, as well Management Board members not participating in the voting due to the conflict-of-interest;
 - 6.12.7. the decisions passed.

If a Management Board member disagrees with a decision of the Management Board and votes against it, his distinctive opinion upon his request shall be recorded in the minutes of the meeting of the Management Board.

- 6.13. Minutes of meetings of the Management Board are signed by the Chairman of the meeting of the Management Board, the Secretary of the Management Board and all Management Board members attending the meeting of the Management Board. Every Management Board member attending the meeting is entitled to object to the draft Minutes by the following meeting, indicating the reasons for objection.

The objection is reviewed at the following meeting of the Management Board, and the minutes of the Management Board meeting are approved and signed.

- 6.14. An extract from the minutes of the meeting of Management Board may be issued if the draft of this decision of the Management Board is signed by all Management Board members present at the meeting of the Management Board and the Secretary of the Management Board.
- 6.15. A decision and the minutes of a meeting of the Management Board is dated with the day when it was passed at the meeting of the Management Board.

7. Execution of decisions of the Management Board

- 7.1. Decisions of the Management Board are effective as of the day of passing, unless the decision states otherwise.
- 7.2. Not later than 2 (two) business days from signing of the minutes of the meeting of the Management Board the Secretary of the Management Board prepares and issues extracts of particular decisions to the persons in charge for their execution.
- 7.3. A decision of the Management Board may provide that a person in charge of the execution of the decision shall report to the Management Board within a certain deadline. The Secretary of Management Board is obliged to propose the inclusion of such reports in the agenda of meeting of the Management Board.

8. Secretary of the Management Board

- 8.1. The Secretary of the Management Board is appointed by the Management Board.
- 8.2. The Secretary of the Management Board registers minutes and decisions of meetings of the Management Board in the registration log by assigning sequence numbers to them.
- 8.3. A notice on the meetings of Management Board along with originals of appended documents and minutes are stored by the Secretary of Management Board until their transfer to the archive according to procedure set by the law.
- 8.4. Not later than 2 (two) business days after signing of the minutes of the meeting of the Management Board the Secretary of the Management Board issues copies of minutes of meetings of the Management Board to all Management Board members.
- 8.5. The Secretary of the Management Board is in charge of the preparation of meetings of the Management Board, a timely forwarding of notices and documents, the notification of invited persons, an accurate reflection of the course of meetings in minutes, a timely preparation of minutes, the issue of copies of decisions and the forwarding of extracts from the decision to parties concerned by the decision.

9. Obligations, rights and responsibility of Management Board members

Releasing of Management Board members from the office

- 9.1. The Management Board members shall serve their duties pursuant to legislative requirements, the Articles of Association and this Regulation.
- 9.2. A Management Board member may at any time submit a notice of resignation. In such case the Chairman of the Management Board shall suggest convening Supervisory Council meeting to decide on electing a new Management Board member.
- 9.3. The Management Board members shall coordinate their leaves of absence with the Chairman of the Management Board.