

APPROVED

by the meeting of the Council
of the Joint Stock Company
"Conexus Baltic Grid"
on December 22, 2016,
minutes No. 1(2016)

with Amendment approved
by the meeting of the Council
of the Joint Stock Company
"Conexus Baltic Grid"
on December 31, 2017,
minutes No. 10 (2017)

REGULATION OF THE SUPERVISORY COUNCIL OF THE JOINT STOCK COMPANY "CONEXUS BALTIC GRID"

Riga

January 2, 2018

No 3/2

The Regulation of the Supervisory Council of the Joint Stock Company "Conexus Baltic Grid" (hereinafter - Company) has been drawn up on the basis of the Articles of Association of the Company (hereinafter - Articles of Association).

The Regulation of the Supervisory Council (hereinafter - Regulation) of the Company shall determine the general principles of operations, competence, agenda and responsibility of the Supervisory Council.

1. Composition of the Supervisory Council

1.1. The Supervisory Council shall comprise 7 (seven) members.

1.2. The Supervisory Council shall be elected by the Shareholders' Meeting of the Company (hereinafter - Shareholders' Meeting) for a term of 3 (three) years. Members of the Supervisory Council that are elected before 31 December 2017 shall hold the office only until this date

1.3. The number of representatives to be nominated may be such as the voting capital represented by the respective Shareholder or a group of Shareholders when divided by the number of representatives to be nominated, each nominated representative would have not less than 5 (five) per cent of the whole share capital with voting rights represented at the Shareholders' Meeting. For the purposes of calculation of threshold provided herein, restrictions stipulated in Clause 9.4. of the Articles of Association shall be considered. The Shareholders' Meeting shall include every such nominated representative in the list of nominees of the members of the Supervisory Council, unless the respective candidate has been nominated by a Shareholder subjected to restrictions provided in Clause 9.4. of the Articles of Association or does not qualify for the position due to restrictions provided in the Energy Law.

1.4. The Council Chairman and one Vice-Chairman shall be elected by the Council from amongst its members acting by a simple majority.

1.5. Changes to the composition of members of the Supervisory Council shall be reported by the Management Board of the Company to the Commercial Register Office, and these shall become effective in respect of third parties as of the day of announcement.

2. The Competence of the Supervisory Council

2.1. The Supervisory Council is a supervisory body of the Company, which represents interests of the Company's shareholders (hereinafter - Shareholders) between the Shareholders' Meetings and performs supervision of activities of the Management Board within the framework prescribed by the laws of the Republic of Latvia and by the Articles of Association.

2.2. The Supervisory Council shall have the following tasks:

2.2.1. Supervision on a regular basis that the operations of the Company are performed in accordance with the laws of the Republic of Latvia, the Articles of Association, resolutions of the Shareholders' Meeting and the Regulation of the Management Board;

2.2.2. Election and recalling of the members of the Management Board, regular supervision of activity of the Management Board, specifying remuneration for members of the Management Board;

2.2.3. Approval of deals to be concluded 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 of the Company;

2.2.4. Consideration of the annual report of the Company or a report on economic activity and proposal of the Management Board on the use of Company's profit, drawing up a Supervisory Council's report for the Shareholders Meeting;

2.2.5. Representation of interests of the Company in the court regarding all claims brought by the Company against the members of the Management Board, as well as the claims brought by the members of the Management Board against the Company and representation of the Company in other legal relations with the members of the Management Board;

2.2.6. Evaluation of the performance of the Company and the reports from the Management Board, as well as suggesting of proposals for improvement of performance of the Company;

2.2.7. Preliminary consideration of all the issues scheduled to be included in the agenda and falling within the exclusive competence of the Shareholders' Meeting, or proposed for discussion at the Shareholders' Meeting at the request of the members of the Management Board or of the Supervisory Council, or Shareholders and submission of conclusions thereon;

2.2.8. Election of standing commissions or temporary commissions for examination of certain questions and preparation of reports;

2.2.9. Review and approval of the Company's 3 (three) year Business Plan.

2.3. The Management Board needs a prior consent of the Supervisory Council for adoption of resolutions on the following issues:

2.3.1. Acquiring shares in other companies, increase or decrease of such shareholding;

2.3.2. Foundation of the subsidiaries of the Company;

2.3.3. Purchase and sale of the assets substantial for the operation of the Company;

2.3.4. 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;

2.3.5. Not stipulated in the respective Annual Budget of the Company:

2.3.5.1. Purchase of the real estate at a price over EUR 100,000 (one hundred thousand Euros);

2.3.5.2. Purchase of any real estate, if the annual purchase amount of real estate exceeds EUR 400,000 (four hundred thousand Euros), if not planned in the Annual Budget;

2.3.5.3. Sale of the real estate at a price above EUR 200,000 (two hundred thousand Euros);

2.3.5.4. Lease of the real estate at the lease payment, which per year is higher than EUR 100,000 (one hundred thousand Euros);

2.3.5.5. An encumbering of the real estate;

2.3.6. Granting guarantees, except for guarantees to be granted to fulfil the measures stipulated in the Annual Budget;

2.3.7. 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;

2.3.8. Closing of transactions, which are not stipulated in the Company's respective Annual Budget and amount of which exceed EUR 300,000 (three hundred thousand Euros) or the term is longer than 1 (one) year;

2.3.9. 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 2.3.8. hereof;

2.3.10. Contracting legal advisers, broker companies, advisers, investment consultants or auditor companies to prepare the public issue prospectus of Company's securities;

2.3.11. Granting of loans and taking of loans not stipulated in the Company's Annual Budget;

2.3.12. Preliminary review of the issue regarding a merger with another company or acquisition by another company;

2.3.13. Approval of the 3 (three) year Business Plan;

2.3.14. Approval of the Annual Budget;

2.3.15. Establishment and use of the Company's reserves;

2.3.16. Approval of the Regulation of the Management Board;

2.3.17. Other significant issues.

2.4. The Vice-Chairman of the Council shall exercise the functions of the Council Chairman only if the Council Chairman is absent for a long periods (illness, business travel, vacation, etc.) or has assigned such a task.

2.5. The Supervisory Council shall be entitled at any time to demand from the Management Board a report regarding overall position of the Company, or structural units, enterprises, branches and representative offices thereof, as well as regarding any particular matters, to receive full information thereof and transactions concluded thereby, to review budgets, balance sheet, and auditors' reports regarding the Company, its subsidiaries, representative offices and enterprises, to review other registers and books of the Company, cash register and securities. Any 2 (two) members of the Supervisory

Council together shall be entitled to request such report from the Management Board to be submitted to the Supervisory Council.

2.6. The Management Board shall provide regular reports to the Supervisory Council. Reports should cover among others all matters the Management Board: (i) plans to propose for discussion at the Shareholders' Meeting, and (ii) intends to carry out if such matter will be subject to approval from the Supervisory Council.

2.7. The Supervisory Council may recall any member of the Management Board at any time if there is a serious reason for that. A serious reason in any case shall be deemed to be a Management Board member's non-compliance with the independence requirements set by the Energy Law, gross misuse of authority, non-fulfilment or improper fulfilment of duties, inability to manage the Company, harming interests of the Company, as well as a vote of no confidence manifested by the Shareholders' Meeting. A new member of the Management Board shall be elected at the same meeting of the Supervisory Council.

3. Preparation and Convening of Meeting of the Supervisory Council

3.1. The Supervisory Council shall hold meetings as appropriate, but not less frequently than once a quarter.

3.2. The Chairman of the Supervisory Council shall convene regular meetings on the dates determined by the Supervisory Council itself.

3.3. Extraordinary meetings shall be convened by the Chairman of the Supervisory Council at the request of the Management Board or any member of the Supervisory Council. The request for convening of an emergency meeting should state the reason and the objective for convening.

3.4. If the Chairman of the Supervisory Council fails to comply with the request for convening of the meeting of the Supervisory Council within two weeks from the time of receipt thereof, the initiator for convocation of the meeting shall be entitled to convene a meeting of the Supervisory Council, by explaining the state of affairs.

3.5. Agenda of the meeting of the Supervisory Council shall be drawn up, on the basis of decisions in the last meeting of the Supervisory Council regarding the matters to be examined at the next meeting, proposals from the member of the Supervisory Council and from the Management Board.

3.6. The proposal for inclusion of the matter in the agenda of meeting of the Supervisory Council should be accompanied by a draft resolution and other documents and materials required to resolve the matter in question. The proposals and the draft resolutions, documents and materials enclosed therewith shall be submitted to the Secretary of the Supervisory Council. Each Supervisory Council member is entitled to submit to the Supervisory Council his/her comments or proposals on the draft resolutions prior to or during the Supervisory Council meeting. The Chairman has to inform the Supervisory Council meeting about the comments or proposals submitted prior to the Supervisory Council meeting.

The Supervisory Council, when deciding regarding inclusion of any matter in the agenda of the next meeting, may assign to the Management Board preparation of a draft resolution and to aggregate the necessary documents and materials.

3.7. The draft resolutions to be submitted for examination at the meeting of the Supervisory Council should have precise and concise wording, indicating the time limits for performance of the resolution and the performers.

The proponent or the Management Board should draw up and enclose a short summary with the materials, providing reasons for the need to adopt the decision in question and specifying the rapporteur, as well as the persons to be invited to the meeting of the Supervisory Council due to examination of this resolution.

3.8. The proponent or the Management Board shall be held responsible for the accuracy and the completeness of the facts and data referred to in the submitted materials, as well as for compliance of the prepared draft resolution with the laws.

3.9. The Secretary of the Supervisory Council shall draw up a draft agenda of the meeting of the Supervisory Council and submit it to the Chairman of the Supervisory Council for approval, attaching draft resolutions, documents and other materials.

3.10. The Secretary of the Supervisory Council shall send out notifications regarding the meeting of the Supervisory Council at least two (2) weeks prior to the day of the meeting. When convening an extraordinary meeting, the Chairman of the Supervisory Council may take a decision regarding reduction of this period for one (1) week.

3.11. Each member of the Supervisory Council, after his or her election, shall specify to the Secretary of the Supervisory Council in which language (Latvian, English or Russian) he or she would like to receive a notification, draft decisions, documents and materials.

Unless the notification regarding the meeting of the Supervisory Council has specified otherwise, the meetings of the Supervisory Council shall be held at the legal address of the Company.

4. Proceedings of the Meeting of the Supervisory Council

4.1. The Supervisory Council shall be quorate if more than one half of the members of the Supervisory Council is taking part in its meeting. Absent members of the Supervisory Council shall be entitled to vote on any matter, by conveying their vote, in writing, to another member of the Supervisory Council and, in this case, they are considered to be present in resolving the relevant matter. One's vote over the phone or in some other way may be conveyed only if the means of communication used allow for the members of the Supervisory Council at the same time to take part in the discussion of the matter and in the adoption of the resolution and, if this operation is appropriately recorded and documented.

4.2. If the meeting of the Supervisory Council is not quorate, the Chairman of the Supervisory Council within 15 (fifteen) days shall convene a new meeting of the Supervisory Council, by providing notification to all the members of the Supervisory Council.

4.3. The members of the Supervisory Council, who are unable to attend the meeting of the Supervisory Council, shall notify the Secretary of the Supervisory Council thereof.

4.4. The Supervisory Council may discuss the matters, which are not mentioned in the notification regarding the meeting of the Supervisory Council, only with consent of all its members taking part in the meeting. The resolution on this matter may be adopted only if none of the members of the Supervisory Council taking part in the meeting is opposed to such a procedure.

4.5. The meeting of the Supervisory Council shall be chaired by the Chairman of the Supervisory Council or, in his or her absence, by the Vice-Chairman of the Supervisory Council, in accordance with the provisions of Clause 2.4. hereof.

4.6. The meeting of the Supervisory Council shall be held in Latvian, by providing synchronous translation in other languages as requested by the Supervisory Council members.

4.7. Each member of the Supervisory Council shall have one vote. The Supervisory Council shall act by a majority of votes of the members attending the meeting.

A Supervisory Council member has to inform the Supervisory Council immediately during the Supervisory Council meeting, or prior to it (if possible), if he/she is in a conflict-of-interest situation (pursuant to Clause 7.15.5. of the Articles of Association and Clause 2.3.7. hereof) in respect of a certain matter of agenda. Such Supervisory Council member cannot vote on the respective matter of agenda

and he/she is not taken into consideration when establishing the quorum for resolving on that matter of agenda.

4.8. The meeting of the Supervisory Council can be held also via conference communication or other communications equipment, providing an opportunity for all the members of the Supervisory Council at the same time to participate in deliberation over a matter and in decision-making. The Secretary of the Supervisory Council shall draw up the minutes of such a meeting, which is signed by all the members of the Supervisory Council who have attended in appropriate meeting of the Supervisory Council.

4.9. Upon invitation of the Supervisory Council, the members of the Management Board, as well as other persons may participate in the meetings of the Supervisory Council.

4.10. The persons invited to the meeting of the Supervisory Council with regard to settlement of the specific matter, shall participate in the meeting only while the matter is examined, in respect of which they have been invited.

4.11. Minutes of the meetings of the Supervisory Council shall be kept by the Secretary of the Supervisory Council, or during his or her absence, other person appointed by the Supervisory Council.

4.12. The minutes of the meeting of the Supervisory Council shall specify:

- 1) The name of the Company;
- 2) The place and the time for holding the meeting of the Supervisory Council;
- 3) The members of the Supervisory Council, members of the Management Board, as well as the invited persons present;
- 4) The Agenda;
- 5) The progress and the content for discussion of the agenda matters;
- 6) The results of voting, by indicating the vote of each member of the Supervisory Council “for” or “against” each decision, as well as Supervisory Council members not participating in the voting due to the conflict-of -interest;
- 7) The resolutions adopted;
- 8) Upon request of the member of the Supervisory Council, - his or her differing opinion;
- 9) The time and the place of the next meeting of the Supervisory Council, matters proposed for consideration, if any.

4.13. Resolutions of the meeting of the Supervisory Council immediately after the meeting of the Supervisory Council shall be signed by the Chairman of the meeting, the Secretary of the Supervisory Council and all the members of the Supervisory Council who have participated in the meeting of the Supervisory Council. The minutes of meeting of the Supervisory Council shall be signed by the members of the Supervisory Council having participated in the respective meeting of the Supervisory Council. Each member of the Supervisory Council having participated in the meeting of the Supervisory Council shall be entitled to express his or her objections about the draft minutes of the meeting, until the next meeting of the Supervisory Council, by indicating the reason for such objections.

Objections are reviewed and the minutes of the meeting of the Supervisory Council shall be approved and signed at the next meeting of the Supervisory Council.

4.14. In the cases when resolution of the Supervisory Council is made via communications equipment, the members of the Supervisory Council shall confirm the cast vote with a written confirmation, sending it via mail or email to the Secretary of the Supervisory Council within 3 (three) working days after such meeting of the Supervisory Council.

On the basis of the submitted written confirmations, the resolution shall be signed by the Chairman of the Supervisory Council and the Secretary of the Supervisory Council.

4.15. The resolution and minutes of the meeting of the Supervisory Council shall be dated with the day when it has been adopted at the meeting of the Supervisory Council.

5. Implementation of Resolutions of the Supervisory Council

5.1. Resolutions of the Supervisory Council shall become effective on the day of adoption thereof, unless otherwise provided by the decision.

5.2. Implementation of the resolutions of the Supervisory Council shall be ensured by the Management Board or by the persons to whom this has been assigned subject to resolution of the Supervisory Council. Not later than 5 (five) days after the meeting of the Supervisory Council, the Secretary of the Supervisory Council shall prepare and issue copies of particular resolutions to the persons who are responsible for implementation thereof.

5.3. Resolution of the Supervisory Council may prescribe that the person responsible for implementation of the resolution should report to the Supervisory Council within a specified period of time. The Secretary of the Supervisory Council must propose inclusion of such reports in the agenda of meeting of the Supervisory Council.

6. Secretary of the Supervisory Council

6.1. The Secretary of the Supervisory Council shall be appointed by the Supervisory Council.

6.2. The Secretary of the Supervisory Council shall be responsible for preparation of the meetings of the Supervisory Council, timely sending of notifications and other documents, accurate reflection of proceedings of the meetings in minutes, timely completion of the minutes.

6.3. The Secretary of the Supervisory Council shall register the minutes of the meetings and the resolutions of the Supervisory Council in the log-book, by conferring serial numbers thereto.

6.4. Notifications of the meetings of the Supervisory Council and original accompanying documents, as well as original minutes shall be filed with the Secretary of the Supervisory Council until archiving thereof in accordance with the procedure prescribed by law.

6.5. The Secretary of the Supervisory Council shall send the draft minutes of meeting of the Supervisory Council to all the members of the Supervisory Council not later than 3 (three) weeks after the meeting of the Supervisory Council and issue or send copies of the minutes of meeting of the Supervisory Council immediately after affixing signature thereto.

7. Responsibility and Dismissal of the Members of the Supervisory Council

7.1. The members of the Supervisory Council have to fulfil their duties in accordance with the requirements of the laws, and the Articles of Association, and the present Regulation.

7.2. The members of the Supervisory Council, within one (1) month after the date of election, shall notify the Supervisory Council, with which commercial companies they have employment relationship, which commercial companies are owned by them, capital shares in which commercial companies are owned by them, in which commercial companies they are members of a Supervisory Council or a Management Board of directors. The same information shall be provided concerning their spouses and children.

For the purposes of this Clause, commercial companies shall mean the commercial companies incorporated either in the Republic of Latvia or in any other country.

Any changes in relation to the information referred herein, the members of the Supervisory Council have to communicate to the Supervisory Council within 1 (one) month from the time of such changes.

7.3. The member of the Supervisory Council may at any time submit a notice of resignation. In this case, the Chairman of the Supervisory Council has to propose convocation of an extraordinary Shareholders' Meeting, where the entire membership of the Supervisory Council is re-elected.

7.4. The members of the Supervisory Council each year, not later than three months after the end of the previous year have to provide to the Company the information required for drawing up annual report in accordance with the provisions of the Annual Reports and Consolidated Annual Reports Law and the International Financial Reporting Standards.

8. Confidentiality

8.1. Information related to operations of the Company shall be confidential information.

8.2. The members of the Supervisory Council and the Secretary of the Supervisory Council, as well as any other officials or employees of the Company do not have the right to disclose confidential information to third parties. The term "third party" in the context of this clause includes any legal or natural person not entitled to receive this information in accordance with the laws of the Republic of Latvia, the Articles of Association and the present Regulation.

Chairman of the Supervisory Council

(personal signature)

Kaspars Āboliņš