

## **Joint stock company Augstsprieguma tīkls**

### **Regulation of the Supervisory Board**

#### **Table of Contents**

1. General Provisions
2. Composition of the Supervisory Board
3. Tasks and Rights of the Supervisory Board
4. Secretary and Secretariat of the Supervisory Board
5. Convening of Supervisory Board Meetings
6. Decision-making of the Supervisory Board
7. Preparation of Documents for the Supervisory Board
8. Activities of a Member of the Supervisory Board

#### **1. GENERAL PROVISIONS**

- 1.1. The Regulation of the JSC Augstsprieguma tīkls (hereinafter referred to as - Company) Supervisory Board (hereinafter referred to as - Supervisory Board) has been developed in compliance with the Articles of Association of the Company, the Law on the Governance of Capital Shares of a Public Person and Capital Companies, the Commercial Law, internal regulations of the Ministry of Finance for the management of State capital shares in State capital companies and other regulatory enactments binding on the Company.
- 1.2. The Regulation of the Supervisory Board (hereinafter referred to as - the Regulation) determines the general operating principles, agenda, rights and responsibilities of the Supervisory Board.

#### **2. COMPOSITION OF THE SUPERVISORY BOARD**

- 2.1. The Supervisory Board is a supervisory body of the Company that represents the interests of the shareholders and monitors the activities of the Management Board.
- 2.2. The Supervisory Board has 5 (five) Members. The Supervisory Board Members shall be elected by a meeting of the Company shareholders.
- 2.3. A member of the Supervisory Board shall be elected for a term of five years.
- 2.4. A member of the Supervisory Board may not delegate their duties to another person.
- 2.5. A member of the Supervisory Board may be removed from office at any time by a decision of a meeting of the Company shareholders. A member of the Supervisory Board may resign from their position at any time by submitting a notice to the Company.

- 2.6. The Supervisory Board Members shall elect a Chairman and a Deputy Chairman of the Supervisory Board from among themselves.
- 2.7. The Chairman of the Supervisory Board shall administer the Supervisory Board activities in accordance with regulatory enactments, the Company's Articles of Association, resolutions of the shareholders' meeting and this Regulation.
- 2.8. The Deputy Chairman of the Supervisory Board shall fulfil the duties of the Chairman of the Supervisory Board when the Chairman of the Supervisory Board is absent or has assigned such a task.
- 2.9. The Chairman of the Supervisory Board may give tasks and orders to invited persons to ensure the operation of the Supervisory Board.
- 2.10. Public announcements on behalf of the Supervisory Board may only be made by its Chairman or another Member duly entrusted for this by the Chairman of the Supervisory Board.
- 2.11. The Management Board shall notify the Commercial Register of any changes in the composition of the Supervisory Board by submitting a list of Members of the Supervisory Board, the written consent of each Member and the decision of the relevant shareholders' meeting or the notice of the relevant Member of the Supervisory Board.

### **3. TASKS AND RIGHTS OF THE SUPERVISORY BOARD**

- 3.1. Members of the Supervisory Board supervising the Company jointly perform the following tasks:
  - 3.1.1. approve the Supervisory Board Regulation and submit it to the representative of the Company's shareholder for information;
  - 3.1.2. elect and revoke the Chairman and Members of the Management Board;
  - 3.1.3. enter into authorisation agreements with Members of the Management Board of the Company;
  - 3.1.4. determine the remuneration of Members of the Management Board;
  - 3.1.5. approve the medium-term operational strategy and monitor its implementation;
  - 3.1.6. constantly monitor to ensure that the Company's affairs are arranged in accordance with the requirements of regulatory enactments, the Company's Articles of Association and resolutions of the shareholders' meeting;
  - 3.1.7. review the Company's Annual Report, the report of the Management Board and its proposals on the use of profit, prepare a Supervisory Board statement on them and submit them to the shareholders' meeting;
  - 3.1.8. review the Company's report on the operation results in the previous year, attach the Supervisory Board's assessment on the fulfilment of the financial and non-financial objectives set for the Company and submit it to the shareholders' meeting;
  - 3.1.9. represent the Company in court for all claims brought by the Company against Members of the Management Board and for claims brought by Members of the Management Board against the Company;
  - 3.1.10. approve entering into a transaction between the Company and the Board Member or the auditor;
  - 3.1.11. examine in advance all issues which are within the competence of the Shareholders' Meeting or which have been recommended for discussion at the Shareholders' Meeting upon the proposal of the Board or Supervisory Board Members and provide an opinion thereon;

- 3.1.12. provide the shareholder with proposals regarding the improvement of the Company's operations, as well as provide information about significant issues related to the Company's operations;
- 3.1.13. approve the annual budget of the Company and monitor its execution;
- 3.1.14. monitor the operation of internal control and risk management systems, review their adequacy and effectiveness;
- 3.1.15. approve the Company's implementation policies, which define the Company's operating principles in relation to risk management, prevention of conflicts of interest, fight against corruption, corporate governance and other issues;
- 3.1.16. perform an annual self-assessment of the work of the Supervisory Board;
- 3.1.17. approve the annual internal audit plan and its amendments;
- 3.1.18. give consent to the Company's annual procurement plan after its initial elaboration on the expected transactions, the amount of which exceeds EUR 140 000 (one hundred and forty thousand euros);
- 3.1.19. give consent to amendments to the Company's annual procurement plan on the expected transactions, the amount of which exceeds EUR 140 000 (one hundred and forty thousand euros);
- 3.1.20. give consent for the conclusion of transactions (including the conclusion of procurement agreements, undertaking of obligations), as a result of which it is planned to use the Company's funds in an amount exceeding EUR 1 500 000 (one million five hundred thousand euros);
- 3.1.21. provide information (once a quarter) to the representative of the holder of the capital shares regarding the transactions for the conclusion of which consent has been given;
- 3.1.22. supervise activities of the Company's Audit Committee and review its reports on:
  - 3.1.22.1. an annual report on the activities of the Audit Committee and the fulfilment of the tasks assigned to the Audit Committee;
  - 3.1.22.2. the identified deficiencies and violations (if any) during the process of preparation and audit of the Company's Annual Report and Consolidated Annual Report, as well as the effectiveness of the internal control, risk management and the Company's Internal Audit Department in relation to quality assurance of these reports;
  - 3.1.22.3. the established cases when the qualification or professional experience of the sworn auditor is not sufficient to perform a quality audit or that the sworn auditor has not complied with the independence requirements specified in the Law on Audit Services;
  - 3.1.22.4. other issues related to the activities of the Audit Committee of the Company and the performance of the tasks assigned to it;
- 3.1.23. provide an assessment to the Company's meeting of shareholders on activities of the Audit Committee, including it in the Supervisory Board's statement on the annual report;
- 3.1.24. promote cooperation with the Ministry of Finance in other matters of mutual competence, including, at its own initiative or at the request of a representative of the shareholder, prepare and submit the Ministry of Finance proposals on matters of the sector represented by the Company as far as the Company's competence is concerned;
- 3.1.25. upon the request of the representative of the Company's shareholder, provide any information regarding the activities of the Company and its Management Board, as well as the activities of the Supervisory Board, by sending the information electronically to the shareholder's representative and the responsible employee.

- 3.2. Consent of the Supervisory Board shall not be required if a transaction is concluded for:
  - 3.2.1. purchase and sale of electricity or capacity;
  - 3.2.2. auctions of long-term transmission rights;
  - 3.2.3. transmission system ancillary services, including balancing services;
  - 3.2.4. lease of transmission system assets.
- 3.3. Members of the Supervisory Board supervising the Company jointly review and evaluate:
  - 3.3.1. the Company's business plan for the next calendar year, the capital investment plan and the long-term financial management plan;
  - 3.3.2. the Company's three-, six-, nine- and twelve-month unaudited financial statements and three-, six-, nine- and twelve-month reports on the implementation of the budget and business plan. If necessary, information on the progress of the implementation of the Company's budget and business plan may also be requested more frequently, indicating the reporting period and submission deadlines;
  - 3.3.3. information about the essential decisions adopted during the meetings of the Management Board of the Company;
  - 3.3.4. in the event of a change, information regarding the principles for determining the remuneration of the Company's employees;
  - 3.3.5. other information reasonably requested by the Supervisory Board, available at the Management Board and prepared for the Supervisory Board, which is provided in a form that allows one to achieve the objectives set in the request for information.
- 3.4. Members of the Supervisory Board supervising the Company have the following rights:
  - 3.4.1. to receive the information necessary for the performance of their duties from the shareholders' meeting or the Company;
  - 3.4.2. to request a report on the status of the Company from the Management Board at any time and to get acquainted with all the activities of the Management Board;
  - 3.4.3. to check the Company's registers and documents, as well as the Company's current accounts with credit institutions;
  - 3.4.4. to perform an inspection or assign an invited expert to perform it in order to clarify certain issues;
  - 3.4.5. to convene a shareholders' meeting or to instruct the Management Board to convene it when required in the interests of the Company;
  - 3.4.6. to request and receive access to the Company's electronic databases;
  - 3.4.7. to receive the technical and administrative support necessary for performing the duties of the Supervisory Board Member, including communication support, computers and office equipment, etc., taking considerations of expediency and effectiveness into account;
  - 3.4.8. to instruct the Management Board to inform the Supervisory Board in detail about any decision of the Management Board that is of interest to the Supervisory Board;
  - 3.4.9. to get acquainted with the materials of the Management Board meetings at any time.
- 3.5. The Supervisory Board does not have the right to decide on issues that are within the competence of the Management Board, however, the Management Board needs the consent of the Supervisory Board to decide on issues specified in the regulatory enactments, the Articles of Association or the Regulation of the Management Board.

#### **4. SECRETARY AND SECRETARIAT OF THE SUPERVISORY BOARD**

- 4.1. The function of the Secretariat of the Supervisory Board (hereinafter referred to as - the Secretariat) is performed by the Office of the Company Board, which organises and is responsible for the performance of the duties of the Secretariat specified in the Regulation.
- 4.2. The Secretariat shall be responsible for:
  - 4.2.1. Preparation of the agenda of the Supervisory Board meetings and its coordination with the Chairman of the Supervisory Board. Sending the agenda approved by the Chairman of the Supervisory Board to Members of the Supervisory Board within the time limits specified in the Regulation;
  - 4.2.2. Supervision, compilation and sending/submission of the documents and materials necessary for consideration at the meeting of the Supervisory Board to Members of the Supervisory Board within the time limits specified in the Regulation;
  - 4.2.3. Preparation and registration of minutes and decisions of the Supervisory Board meetings, maintenance of the register and control of the implementation of the Supervisory Board decisions. Minutes of the meetings and decisions of the Supervisory Board shall be numbered separately in chronological order each calendar year from anew;
  - 4.2.4. Certification and issuance/sending of attested copies of the Supervisory Board's decisions and extracts of the minutes to the addressee(s) for the resolution of issues within their competence and ensuring the implementation of the relevant Supervisory Board decision;
  - 4.2.5. Providing other support to the Supervisory Board Members necessary for the performance of their duties.
- 4.3. Minutes of the meetings of the Supervisory Board shall be taken by the Secretary of the Supervisory Board (hereinafter referred to as - the Secretary), who shall be appointed by the Secretariat.
- 4.4. The Secretariat shall ensure the storage of the minutes of the meetings of the Supervisory Board, the original decisions and other materials of the meetings of the Supervisory Board and their transfer to the archives in accordance with the procedures specified in the regulatory enactments.
- 4.5. The Secretariat shall ensure the placement and storage of the minutes, decisions and other materials of the Supervisory Board meetings in the electronic database accessible to the Supervisory Board Members, the maintenance and servicing of which shall be provided by the Company.

## **5. CONVENING OF SUPERVISORY BOARD MEETINGS**

- 5.1. Supervisory Board meetings shall be held as necessary, but not less than once a quarter. The dates of the Supervisory Board meetings shall be determined by the Supervisory Board, having coordinated them with the Management Board of the Company.
- 5.2. The Supervisory Board shall approve the schedule of meetings of the Company's Supervisory Board. Extraordinary meetings of the Supervisory Board may be convened as necessary.
- 5.3. A Supervisory Board meeting shall be convened by the Chairman of the Supervisory Board. Each Member of the Supervisory Board, the Management Board and the shareholder has the right to request the convening of a meeting of the Supervisory Board, substantiating the necessity and purpose of convening it.
- 5.4. In the event that the Chairman of the Supervisory Board does not fulfil the request to convene a meeting of the Supervisory Board within 2 (two) weeks from the moment of its receipt, the

- initiator of convening the meeting has the right to convene it, explaining the circumstances of the case.
- 5.5. Meetings of the Supervisory Board, to the extent permitted by regulatory enactments, shall take place:
- 5.5.1. in person at the Company's premises, but, in accordance with the decision of the Supervisory Board, external meetings may be held;
- 5.5.2. in absentia, if the means of communication used allow Members of the Supervisory Board to participate in the discussion and decision-making at the same time and if this activity is duly documented, observing the procedure for convening and conducting meetings of the Supervisory Board in person.
- 5.6. Participants of the Supervisory Board meetings shall be Members of the Supervisory Board, the Secretary, Members of the Management Board, the rapporteur, if none of the aforementioned persons, as well as such invited persons whose participation in the Supervisory Board meeting has been accepted by the Supervisory Board or who have been invited by the Supervisory Board.
- 5.7. Persons invited to a meeting of the Supervisory Board shall only take part in deliberations on the matter to which they have been invited, unless the Supervisory Board decides otherwise.
- 5.8. The Supervisory Board has the right to hold closed Supervisory Board meetings.
- 5.9. Prior to each meeting of the Supervisory Board, the responsible employee of the Secretariat shall send the Supervisory Board Members the agenda of the meeting approved by the Chairman of the Supervisory Board, the list of invited persons, as well as documents and draft decisions related to the items on the agenda. Documents and draft resolutions required for considering the issues on the agenda of the Supervisory Board meeting shall be submitted to the Supervisory Board Members no later than 3 (three) working days before the regular meeting of the Supervisory Board, unless another term has been agreed upon.
- 5.10. Documents regarding a meeting of the Supervisory Board shall be delivered to the Supervisory Board Members on a business day and during working hours to the addresses or e-mails indicated by the Supervisory Board Members. Member of the Supervisory Board shall inform the Secretariat in writing about changes in the address for sending documents in due time. The costs of delivering the documents shall be borne by the Company.
- 5.11. A person who proposes to convene a meeting of the Supervisory Board or requests to include an issue on the agenda of a meeting of the Supervisory Board shall submit the Secretariat the documents and other information necessary for the consideration of such issue in such a manner so as to observe the time-limits for convening the meeting of the Supervisory Board provided for in this Regulation and for the delivery of documents.
- 5.12. Consideration of such issues proposed on the agenda of a meeting of the Supervisory Board or documents related thereto, which have not been submitted to the Supervisory Board Members within the term referred to in this Regulation, shall only be possible if agreed upon with the Supervisory Board Members.

## **6. DECISION-MAKING OF THE SUPERVISORY BOARD**

- 6.1. A meeting of the Supervisory Board shall be chaired by the Chairman of the Supervisory Board. In the absence of or on behalf of the Chairman of the Supervisory Board, it shall be chaired by the Deputy Chairman of the Supervisory Board.

- 6.2. The Chairman of the Supervisory Board shall present the proposed agenda to the Supervisory Board Members. The Supervisory Board shall approve the agenda of the specific Supervisory Board meeting at the beginning of the meeting.
- 6.3. The Supervisory Board Members are entitled to propose the inclusion of an issue in the agenda of the Supervisory Board meeting or introduce other changes to the agenda before the relevant meeting of the Supervisory Board or at the beginning of the meeting before approving the agenda.
- 6.4. The Supervisory Board shall take decisions on the items on the agenda by a simple majority of Members of the Supervisory Board present. In the event of a tied vote, the chairperson of the Supervisory Board shall have the casting vote. Voting at the Supervisory Board meetings is open.
- 6.5. A member of the Supervisory Board may only vote when participating in a meeting of the Supervisory Board.
- 6.6. A member of the Supervisory Board who cannot participate in a meeting of the Supervisory Board shall inform the Chairman of the Supervisory Board thereof at least 1 (one) day before the meeting of the Supervisory Board.
- 6.7. The Supervisory Board has a quorum if more than one-half of the members of the Supervisory Board attend it. If the Supervisory Board contains fewer members than prescribed by the Articles of Association, a quorum shall be established based on the number of the Supervisory Board Members specified in the Articles of Association.
- 6.8. If the required number of the Supervisory Board Members do not participate in the Supervisory Board meeting, the Chairman of the Supervisory Board may reschedule the meeting to another place, time and date, notifying all Members of the Supervisory Board about it.
- 6.9. The results of votes shall be recorded in the minutes. The Supervisory Board Members shall have no right to abstain from voting or withdraw their vote after the results of the voting have been announced. If a member of the Supervisory Board does not agree with the Supervisory Board decision and votes against it, their separate opinion, upon their request, shall be recorded in the minutes of the Supervisory Board meeting.
- 6.10. Minutes of the Supervisory Board meetings shall be taken.
- 6.11. The following shall be provided in the minutes of the Supervisory Board meeting:
  - 6.11.1. firm name of the Company;
  - 6.11.2. place, date and time of the Supervisory Board meeting;
  - 6.11.3. participants of the meeting;
  - 6.11.4. issues on the agenda;
  - 6.11.5. course and content of the discussion on the issues on the agenda;
  - 6.11.6. the results of voting, recording the vote of each member of the Supervisory Board “for” or “against” each decision;
  - 6.11.7. decisions taken.
- 6.12. Minutes of the Supervisory Board meeting shall be signed by the person chairing the meeting of the Supervisory Board, the recorder of the meeting, as well as all members of the Supervisory Board who participate in the meeting.
- 6.13. Decisions adopted at a meeting of the Supervisory Board shall be drawn up in the form of decisions of the Supervisory Board and shall be signed after each meeting of the Supervisory Board. Decisions of the Supervisory Board shall be signed by all members of the Supervisory Board.
- 6.14. Decisions taken by the Supervisory Board shall enter into force on the date of their adoption, unless the Supervisory Board decides otherwise. The execution of the decisions of the

Supervisory Board shall be ensured by the Management Board and the employees of the Company to whom the decision of the Supervisory Board is assigned.

## **7. PREPARATION OF DOCUMENTS FOR THE SUPERVISORY BOARD**

- 7.1. Proposals and documents shall only be adopted for consideration at a meeting of the Supervisory Board on matters within the competence of the Supervisory Board.
- 7.2. The agenda of the Supervisory Board meeting shall be prepared on the basis of the agenda items included in the schedule of the Supervisory Board meetings, proposals of the Supervisory Board Members and the Management Board.
- 7.3. The Secretariat shall prepare the draft agenda for the Supervisory Board meeting and shall submit it to the Chairman of the Supervisory Board for approval. Upon approval by the Chairman of the Supervisory Board, the Secretariat shall send the approved agenda of the Supervisory Board meeting to all Members of the Supervisory Board and the Management Board.
- 7.4. Applications for the agenda of the Supervisory Board meeting (hereinafter referred to as - the Application) shall be submitted electronically in the document management system set up at the Company for that purpose - in the database of Supervisory Board meeting documents. The Application shall state the persons to be invited for the Supervisory Board meeting and the rapporteur on the submitted issue.
- 7.5. The issue to be submitted to the Supervisory Board meeting shall be precisely and clearly stated in the problem and proposals, as well as the draft decision and the documents substantiating the decision shall be attached.
- 7.6. The draft decision to be submitted shall be enclosed with an explanatory memorandum (report), a presentation and other materials, justifying the need for the Supervisory Board to make the relevant decision, as well as the potential economic, social, legal and other consequences in the case of adoption of the relevant decision shall be estimated. The applicant shall be responsible for the accuracy and adequacy of the facts and data mentioned in the submitted materials.
- 7.7. The Company maintains an electronic exchange of documents between the Company and the Supervisory Board Members. Electronic information about a meeting of the Supervisory Board, its agenda, indicating the rapporteurs and invited persons, draft resolutions, and all other documents necessary for the issues included on the agenda of the Supervisory Board shall be placed in the database available to the Supervisory Board Members no later than 3 (three) days before the meeting, unless another deadline has been agreed upon. The Secretariat shall send a notice to the Supervisory Board Members regarding the placement of the information necessary for a meeting of the Supervisory Board in the database to the e-mail address specified by the Supervisory Board Members.
- 7.8. The database stores all information relevant to the Supervisory Board meetings (information prepared for the Supervisory Board meeting - reports, annexes, presentations and other related documents), as well as decisions and minutes adopted by the Supervisory Board.
- 7.9. The Secretary shall ensure that the decisions adopted by the Supervisory Board are entered in the database on the following day, and the draft minutes of the Supervisory Board meetings shall be sent electronically to all Members of the Supervisory Board for approval within 14 (fourteen) working days, unless agreed otherwise. After receiving the approval and comments of all Members of the Supervisory Board and making possible corrections, the Secretary shall



ensure the organisation, registration and storage of the signing of the relevant protocol as soon as possible in accordance with the procedures specified in the regulatory enactments.

- 7.10. Members of the Supervisory Board shall be provided with an opportunity to get acquainted with all the documents of the Company included in the database. The database does not contain confidential information. Such is delivered to Members of the Supervisory Board in accordance with the procedure for the circulation of information and delivery of documents specified in the Regulation and other internal regulatory documents of the Company.

## **8. ACTIVITIES OF A MEMBER OF THE SUPERVISORY BOARD**

- 8.1. All Members of the Supervisory Board shall perform their duties in accordance with the regulatory enactments, Articles of Association of the Company, the Regulation, decisions of the meetings of shareholders and the Management Board.
- 8.2. A member of the Supervisory Board has the right to hold another position, provided that such concurrent service does not contradict the applicable laws and regulations, does not create a conflict of interest and written permission from the representative of the shareholder nominating the relevant Member of the Supervisory Board for election or written permission of a meeting of the shareholders has been received.
- 8.3. A member of the Supervisory Board, while performing the duties of the position and exercising their powers, shall observe the restrictions on activities specified in the Law On Prevention of Conflict of Interest in Activities of Public Officials and the provisions of other regulatory enactments.
- 8.4. A member of the Supervisory Board may not make a decision or participate in the adoption of a decision, or perform any other activities related to the fulfilment of the duties of the member of the Supervisory Board, which affects or may affect the personal or property interests of the member of the Supervisory Board, their relatives or business partners. A member of the Supervisory Board is obliged to inform the Supervisory Board about potential conflicts of interest.
- 8.5. All documents, decisions made and any other information about the Company that has become known to a Member of the Supervisory Board while performing their duties shall be confidential, except for information to be disclosed in accordance with the external regulatory enactments.
- 8.6. A member of the Supervisory Board is not entitled to disclose confidential information to third parties that relates to the activities of the Company and that has become known to the member of the Supervisory Board in the performance of their official duties.
- 8.7. A member of the Supervisory Board shall submit the Secretariat the documentation related to conducting the meetings of the Supervisory Board (draft agendas and decisions related to the items on the agenda, reports, presentations, etc.) issued to the member of the Supervisory Board in printed form for the intended purpose, having used it for the intended purpose, or shall store the aforementioned information in accordance with the requirements specified in the regulatory enactments. The Secretariat shall ensure the registration, storage or destruction of the submitted documentation in accordance with the requirements specified in the regulatory enactments.
- 8.8. At the end of their term of office, a member of the Supervisory Board shall transfer the Secretariat all information and documents, technical and administrative support in their possession related to the performance of their duties as the Supervisory Board Member, as well as shall acquaint it with the content of the transferred information and documents.

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