



**REGISTERED**

In the Register of Enterprises  
of the Republic of Latvia  
On xx November, 2017

## **Joint stock company “Gaso” ARTICLES OF ASSOCIATION**

### **1. COMPANY NAME**

- 1.1. The company name is joint stock company “Gaso” (hereinafter - Company). The Company is established pursuant to amendments to the Energy Law, which came into force on 1 January 2018 providing for a spin-off of distribution system operator activities from joint stock company “Latvijas Gāze” (registration number 40003000642) into a separate legal company with an independent legal personality.

### **2. LEGAL STATUS, RIGHTS AND OBLIGATIONS OF THE COMPANY**

- 2.1. The Company is incorporated and shall operate in accordance with the legal acts (hereinafter - Law), including The Commercial Law, Group of Companies Law and Energy Law, the present articles of association (hereinafter – Articles of Association), the resolutions of the Company’s Shareholders’ meeting (hereinafter – Shareholders’ Meeting) and the Company’s supervisory council (hereinafter – Supervisory Council).
- 2.2. Shareholder is a person which is recorded into the register of shareholders (hereinafter – Shareholder).
- 2.3. The Company is a legal entity and has its own individual balance sheet. The Company has a corporate seal and trade mark(s), bank accounts and legal requisites as may be required.
- 2.4. The Company has civil capacity to act and legal capacity, including the right to act on its own behalf and on behalf of third parties, if duly authorized, to enter into agreements and transactions with any legal entity and individual, to acquire and alienate the property and to obtain rights and to undertake obligations, to act as a claimant, defendant or participant in court and arbitration proceedings.
- 2.5. The Company is entitled to undertake any export and import activities necessary for its business.
- 2.6. The Company is entitled to establish subsidiaries, open representative offices and branches in Latvia and abroad, take part in joint ventures and strategic alliances with other companies, to incorporate foreign subsidiaries or obtain shareholding in Latvian or foreign companies, as well as buy and sell securities of other companies in accordance with the Articles of Association.

The Company shall be liable with all of its property for the obligations of its branches and representative offices.

- 2.7. The Company is entitled to possess, use, manage and dispose of its assets in accordance with its business objectives, laws of the Republic of Latvia and laws of the asset locations and other legal provisions.
- 2.8. The Company shall be liable for its own obligations with all of its property.
- 2.9. The Company shall not be liable for the obligations of its Shareholders; the Shareholders shall not be liable for the obligations of the Company, unless otherwise provided by the Law.
- 2.10. The official language of the Company is Latvian. The working languages of the Company are Latvian, English and Russian; the books and other documents of the Company shall be kept in Latvian.

### **3. TYPES OF COMMERCIAL ACTIVITY**

- 3.1. The objective of the Company is to provide natural gas services of distribution system operator and development of the natural gas transmission and storage services and facilities.
- 3.2. The principal lines of activity of the Company according to the General Classification of Economic Activities (NACE, 2<sup>nd</sup> ed.) shall be as follows:
  - 3.2.1. Distribution of gaseous fuels through pipeline (35.22);
  - 3.2.2. Engineering activities and related consultancy (71.12);
  - 3.2.3. Development of construction design (41.1), construction of residential and non-residential buildings (41.2) and engineering-technical works (42.), including construction and assembly works on gas mains;
  - 3.2.4. Installation of plumbing, heating and acclimatization techniques (43.22), as well as elsewhere not classified construction works (43.99);
  - 3.2.5. Installation of other engineering systems (43.29);
  - 3.2.6. Renting and operating of own or leased real estate (68.20), Renting and leasing of cars and light motor vehicles (77.11), Renting and leasing of trucks (77.12), Renting and leasing of construction and civil engineering machinery and equipment (77.32) and Renting and leasing of other machinery, equipment and tangible goods n.e.c. (77.39)
- 3.3. The Company is entitled to undertake other activities necessary for fulfilment of the main objectives of the Company.
- 3.4. The Company is entitled to manufacture, develop, acquire and sell, import and export products and render services, master, develop and use any kind of technology and know-how which is relevant for the operation and activities of the Company, sell such products and services in Latvia and abroad, as well as perform any other commercial activity, performance of which is not prohibited by the Law.
- 3.5. Activities performance of which is subject to a special permission (license) or certificate(s) shall be commenced only after receipt of such license(s) or certificate(s) pursuant to the procedure specified by the Law.

#### **4. THE CAPITAL OF THE COMPANY**

- 4.1. The share capital of the Company is EUR 39 900 000 (thirty nine million nine hundred thousand euro). The share capital of the Company is formed by 39 900 000 (thirty nine million nine hundred thousand) shares. The par value of a share is EUR 1 (one euro).
- 4.2. All shares of the Company grant their owners equal rights, namely: rights to receive dividends and liquidation quotas, as well as voting rights at the Shareholders' Meeting.
- 4.3. All the shares of the Company are registered shares.
- 4.4. All the shares of the Company are dematerialised shares.
- 4.5. The share capital of the Company can be increased or decreased by a resolution of the Shareholders' Meeting, which approves regulations for an increase or decrease of the share capital and amendments to the Articles of Association.
- 4.6. Money and securities, property and intellectual property invested by the Shareholders into the Company's share capital form the property of the Company.

#### **5. SECURITIES OF THE COMPANY**

- 5.1. The Company may issue shares and other securities.
- 5.2. The Shareholders' Meeting determines the amount, timeline, terms and conditions, and other issues related to the issue of Company's shares. The Shareholders' Meeting approves the rules of such issue. The issue and distribution of the shares shall be organized by the Company's management board (hereinafter – Management Board) in accordance with the procedures set forth by the Shareholders' Meeting.
- 5.3. Information on the owners of registered shares, as well as transfers of registered shares shall be recorded in the register of shareholders (hereinafter - Register of Shareholders) of the Company. Owners of registered shares shall obtain rights of a Shareholder only upon registration in the Register of Shareholders.  
With respect to dividends and other payments due to a Shareholder from the Company, a Shareholder shall inform the Management Board of its address, bank account number and tax residency country. A Shareholder is obliged to immediately notify the Management Board of any changes in the relevant information.
- 5.4. The acquirer of registered share shall notify the Company about the acquisition of shares in the form of a common application, which is prepared by the person alienating his shares and the person buying the shares, or by means of an act evidencing the transaction. The record in the Register of Shareholders of the Company shall be made no later than on the next day after the Management Board receives the information on changes in the records of the Register of Shareholders of the Company.

#### **6. COMMERCIAL AND FINANCIAL ACTIVITIES OF THE COMPANY**

- 6.1. The Company's report (financial) year shall start on January 1 and end on December 31.

- 6.2. The Company's annual report shall give a true and fair view of the Company's assets, liabilities and equity, its financial position and income and expenses for the reporting year. It shall be drawn up in accordance with provisions of the Annual Reports and Consolidated Annual Reports Law of the Republic of Latvia and the International Financial Reporting Standards.
- 6.3. Immediately, but no later than within 2 (two) months after the end of the operating year the Management Board shall submit the Company's annual report for audit to an internationally recognized sworn (certified) auditor registered in the Republic of Latvia or a commercial company of sworn (certified) auditors (hereinafter - Auditor) elected by the Shareholders' Meeting.
- 6.4. The audit of the Company's annual report shall also include the audit of the Company in order to make sure that accounting records in the Company comply with the basic principles of accounting and that aforementioned documents give a true and fair view of the Company's financial position.
- 6.5. Until Joint stock company "Latvijas Gāze" has decisive influence in accordance with Group of Companies Law the Company shall prepare report on dependency for each financial year.

Report on dependency shall present an overview of the relations of the company with Joint stock company "Latvijas Gāze" as dominant undertaking in accordance with Group of Companies Law.

Management Board shall submit the report on dependency concurrently with the annual accounts for examination to the Auditor.

- 6.6. The Company shall organize its bookkeeping and accounting and keep its records as required by the Law
- 6.7. The Management Board shall be responsible for bookkeeping and accounting records.
- 6.8. The dividend and financial policy of the Company shall be based on the following principles:
  - 6.8.1. In order to reach a sound financial basis, the Company shall pursue adequate equity and financing ratios. In order to reach these ratios, retained earnings will be established from net profit after tax as long as it will be necessary;
  - 6.8.2. The Company will operate in accordance with such basic principles, so that an adequate net profit after tax is achieved;
  - 6.8.3. The distribution of an adequate dividend to the Shareholders will be carried out each fiscal year, while determination and payment of interim dividends (within the meaning given to this term under the Latvian Commercial Law) shall be made in accordance with Clauses 6.10. and 6.11;
  - 6.8.4. The distribution of dividends will only be paid from available cash funds of the Company.
- 6.9. All the annual net profit of the Company, after deducting mandatory payments into the State budget according to the Law, payments into the funds of the Company and other payments determined by the Shareholders' Meeting, is distributed among the Shareholders in proportion to their shareholding in the share capital of the Company.
- 6.10. The property of the Company shall be insured with a Latvian or foreign insurance company. The insurance coverage and form of insurance shall be determined by the Management Board.

- 6.11. The Company may determine, calculate and pay extraordinary dividends in compliance with the provisions of the Commercial Law. The Shareholders' Meeting shall take a decision to determine extraordinary dividends:
  - 6.11.1. not earlier than 3 (three) months after taking a previous decision of the Shareholders' Meeting to determine dividends; and
  - 6.11.2. not later than 3 (three) months after the end of the reporting period regarding which a report on economic activity of the Company has been drawn up.
- 6.12. The Management Board shall be entitled to convene an extraordinary Shareholders' Meeting to adopt a decision on the determination of extraordinary dividends pursuant to Clause 6.10. hereof, if during the respective reporting period the Company has made profit and the Management Board sees financial or economic substantiation for paying extraordinary dividends.

## **7. MANAGEMENT OF THE COMPANY**

- 7.1. The management institutions of the Company shall be the Shareholders' Meeting, the Supervisory Council and the Management Board.
- 7.2. The Shareholders' Meeting shall be the superior management institution of the Company.
- 7.3. Only the Shareholders' Meeting shall be entitled to decide on:
  - 7.3.1. The annual report of the Company;
  - 7.3.2. Distribution of the profit of the previous operating year;
  - 7.3.3. Appointment and dismissal of the members of the Supervisory Council, Auditor, Company's controllers and liquidators;
  - 7.3.4. Bringing of claims against members of the Management Board and the Supervisory Council, and the Auditor, or dismissal of claims against them, as well as appointment of a representative of the Company for upholding the claim against the members of the Supervisory Council;
  - 7.3.5. Making amendments to the Articles of Association of the Company;
  - 7.3.6. Increase or decrease of the share capital of the Company;
  - 7.3.7. Termination or continuation of the activities of the Company or reorganization of the Company;
  - 7.3.8. Issue and conversion of the securities of the Company;
  - 7.3.9. Determination of remuneration for members of the Supervisory Council and the Auditor;
  - 7.3.10. Entering into, amending or terminating a group of companies' agreement;
  - 7.3.11. Inclusion of the Company or consent to inclusion in accordance with the Group of Companies Law;
  - 7.3.12. Inclusion of the Company's shares on the regulated market of financial instruments or exclusion therefrom;
  - 7.3.13. Other issues if directly envisaged by the Law.
- 7.4. The regular Shareholders' Meeting shall be annually convened by the Management Board. When convening a regular Shareholders' Meeting, the Management Board shall take into account the period prescribed in the Law for approval of annual reports.

- 7.5. The Management Board shall notify the owners of registered shares about the Shareholders' Meeting at least 30 (thirty) days before the Shareholders' Meeting by sending a written notice to each Shareholder to the respective addresses indicated in the Register of Shareholders, or by sending a notice by fax. The notice by fax shall be considered received as of the date when the facsimile message is received. Each notice shall specify the Company's name and the registered address of the Company, place, date and time of calling the Shareholders' Meeting, type of the Shareholders' Meeting (regular or extraordinary), the body which calls the Shareholders' Meeting, the activities which the Shareholders should perform in order to take part and vote at the Shareholders' Meeting, the status of the regulations on representation of Shareholders at the Shareholders' Meeting, agenda of the Shareholders' Meeting, venue and time to allow Shareholders to acquaint with draft resolutions regarding agenda of the Shareholders' meeting and regarding other issues to be resolved at the Shareholders' meeting; as well as shall include draft resolutions on amendments to the Articles of Association, if any.
- 7.6. Extraordinary Shareholders' Meeting shall be convened by the Management Board on its own initiative or if requested by the Supervisory Council, Auditor or Shareholders representing together at least 5% (five per cent) of the Company's shares with voting rights, by indicating the reasons and agenda of the extraordinary Shareholders' Meeting. The Management Board shall call the extraordinary Shareholders' Meeting not later than within 2 (two) weeks after receipt of the respective request.
- 7.7. The Shareholders' Meeting is quorate if at least one half of the Company's shares with voting rights are represented at the Shareholders' Meeting.  
If the regular Shareholders' Meeting announced on time is not quorate, a repeated Shareholders' Meeting with the same agenda shall be convened not later than within a month. Such a repeated Shareholders' Meeting shall be announced not less than 20 (twenty) days prior to its date and it is entitled to decide on all issues included in the agenda regardless of the amount of the Company's voting share capital represented at this Shareholders' Meeting.  
If the extraordinary Shareholders' Meeting announced on time is not quorate, a repeated extraordinary Shareholders' Meeting with the same agenda shall be convened not later than within a month and it may proceed on all issues listed in the agenda if at least one quarter of the Company's shares with voting rights is represented at the Shareholders' Meeting. If there is no such quorum, the Shareholders' Meeting shall be postponed and convened again within 2 (two) months after the initial Shareholders' Meeting. The repeatedly convened Shareholders' Meeting is entitled to decide on all issues of the agenda regardless of the amount of the Company's voting share capital represented at this Shareholders' Meeting.
- 7.8. The Shareholders' Meeting shall adopt resolutions by open ballot and simple majority vote of Shareholders with voting rights, the Shareholders' Meeting can adopt that all the issues or specific issues on the agenda shall be decided by secret ballot.
- 7.9. The following issues may be decided by the Shareholders' Meeting only if at least three fourths of the Company's shares with voting rights are represented and the resolutions of the Shareholders' Meeting on these issues are adopted if voted for by at least 85% (eighty-five per cent) of the voting shares represented at the Shareholders' Meeting:
- 7.9.1. Making of amendments to the Company's Articles of Association;
  - 7.9.2. Increase of the share capital of the Company;
  - 7.9.3. Decrease of the share capital of the Company;
  - 7.9.4. Liquidation or reorganization of the Company;
  - 7.9.5. Issue of new types or categories of shares of the Company;

- 7.9.6. Issue of Company's securities;
  - 7.9.7. Conversion of Company's registered shares into bearer shares and vice versa;
  - 7.9.8. Entering into, amending or terminating a group of companies' agreement;
  - 7.9.9. Inclusion of the Company or consent to inclusion in accordance with the Group of Companies Law;
  - 7.9.10. Inclusion of the Company's shares on the regulated market of financial instruments or exclusion therefrom.
- 7.10. Minutes of the Shareholders' Meeting shall be kept. Minutes shall be signed by the chairman of the Shareholders' Meeting and the secretary of the Shareholders' Meeting, as well as by one Shareholder elected by the Shareholders' Meeting who shall verify the correctness of the meeting minutes.
- 7.11. The Supervisory Council is a supervisory body of the Company, which represents interests of the Shareholders between Shareholders' Meetings and performs supervision of activities of the Management Board within the limits provided by the Law and these Articles of Association. The Supervisory Council shall operate in accordance with its approved Regulation.
- 7.12. The Supervisory Council shall consist of 11 (eleven) members.
- 7.13. The Supervisory Council shall be elected by the Shareholders' Meeting for the term of three years. If a member of the Supervisory Council leaves his/her post or is dismissed from his/her post before the expiry of the Supervisory Council mandate, new elections are held during which the whole composition of the Supervisory Council is re-elected.
- 7.14. The Chairman of the Supervisory Council and one Vice-Chairman shall be elected by simple majority of votes of the Supervisory Council from amongst themselves.
- 7.15. Assignments of the Supervisory Council shall be as follows:
- 7.15.1. To elect and recall the members of the Management Board, regular supervision of activity of the Management Board, specifying remuneration for members of the Management Board;
  - 7.15.2. To supervise that the operations of the Company are performed in accordance with the Law, the Articles of Association and resolutions of the Supervisory Council;
  - 7.15.3. To review the Company's annual report or a report on economic activity and proposal of the Management Board on the use of profit, to draw up a report for the Shareholders Meeting;
  - 7.15.4. To represent the Company's interests in the court regarding all claims brought by the Company against the members of the Management Board, including all claims brought by the members of the Management Board against the Company and representation of the Company in other court relations with the members of the Management Board;
  - 7.15.5. To give prior approval to the conclusion of, or to amendments to a transaction or give advance consent to a transaction or amendments to a transaction between the Company and its Shareholders, related persons (irrespective of their place of residence, citizenship, place of incorporation or registered office), or any Management Board or Supervisory Council member, or to them related persons, or the Auditor;
  - 7.15.6. To consider preliminary all issues included in the agenda that are in the competence of the Shareholders' Meeting, or proposed for discussion in the Shareholders'

Meeting at the request of the members of the Management Board or the Supervisory Council, and submission of conclusions on these issues;

- 7.15.7. To approve Company's 3 (three) year Business Plan.
- 7.16. The Supervisory Council shall be entitled to form permanent or temporary commissions to consider particular issues and to prepare reports on them.
- 7.17. The Supervisory Council shall be entitled at any time to demand from the Management Board a report on the overall position of the Company, structural units of the Company, enterprises, branches and representative offices, to receive full information on their position and transactions entered into, to review budgets, balance sheets and Auditor's reports on the Company, its branches, representative offices and enterprises, to review registers and books of the Company, its branches, representative offices and enterprises, to inspect other registers and documents, cash register and securities of the Company. Each member of the Supervisory Council shall be entitled to request such report from the Management Board to be given to the Supervisory Council.
- 7.18. Meetings of the Supervisory Council are convened by the Chairman of the Supervisory Council as necessary, but at least once in a quarter. The Management Board and each member of the Supervisory Council are entitled to demand calling of an extraordinary meeting by indication on the reason and purpose of the meeting.
- 7.19. With advisory rights and without voting rights Chairman of the management board of the dominant undertaking or his designated person is entitled to take part in the meetings of the Supervisory Council subject to the rules of independence of the Company as operator providing natural gas distribution services determined in accordance with the Energy Law and decisions issued by the Public Utilities Commission.
- 7.20. The Chairman of the Supervisory Council shall notify the members of the Supervisory Council in writing on the meeting at least 2 (two) weeks ahead. In urgent cases, the Chairman may decide to shorten this period to 1 (one) week. Notice on the meeting shall be accompanied by the agenda and draft resolutions. The Supervisory Council may discuss issues not properly notified only with the consent of all the members of the Supervisory Council present at the meeting. A resolution on such issues can only be taken if no member of the Supervisory Council objects to this procedure.
- 7.21. The Supervisory Council shall be competent to adopt resolutions if more than a half of the members of the Supervisory Council are present. Absent members of the Supervisory Council shall be entitled to vote on any resolution of the Supervisory Council by submitting the vote in writing to another member of the Supervisory Council, and in such case they will be considered as being present in solution of such issue. To take part and to give one's vote the member of Supervisory Council is also entitled by using phone or electronic communications (in such case it shall be considered for the member to be present in resolving the relevant matter) and if such technological solution is ensured that allows the members of the Supervisory Council to take part in the discussion and decision making at the same time and in such audio quality that allows to clearly understand the issues discussed, the given opinions and the cast votes. Each form of taking part in the meeting which is not personal presence shall be accordingly recorded in the minutes.
- 7.22. The Supervisory Council shall decide issues with the majority of the votes of the Supervisory Council members (with voting rights) attending the meeting.

- 7.23. Minutes of the Supervisory Council meetings shall be kept. Minutes of the meeting shall be signed by all the members of the Supervisory Council taking part in the meeting.
- 7.24. The Management Board of the Company shall comprise 5 (five) members of the Management Board. The members of the Management Board shall be elected by the Supervisory Council for a term of 3 (three) years.
- 7.25. The members of the Supervisory Council shall elect the Chairman of the Management Board from amongst the members of the Management Board.
- 7.26. The Supervisory Council may recall any member of the Management Board if there is a serious reason. A serious reason in any case shall be a gross violation of powers, 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.
- 7.27. The Management Board supervises and manages all activities of the Company, represents the Company and manages the Company's property in accordance with the Law, these Articles of Association and the resolutions of the Shareholders' Meeting and the Supervisory Council. The Management Board decides on all issues, which are not in the competence of the Supervisory Council or the Shareholders' Meeting.
- The Management Board shall get a prior consent of the Supervisory Council for adoption of resolutions on the following issues:
- 7.27.1. Acquiring shares in other companies, increase or decrease of such shareholding
- 7.27.2. Foundation of the subsidiaries of the Company;
- 7.27.3. Purchase and sale of undertaking;
- 7.27.4. Purchase and sale of the assets substantial for the operation of the Company;
- 7.27.5. 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;
- 7.27.6. Not stipulated in the respective Annual Budget of the Company:
- 7.27.6.1. Purchase of the real estate at a price over 100,000 EUR (one hundred thousand *euro*);
- 7.27.6.2. Purchase of any real estate, if the annual purchase amount of real estate exceeds 400,000 EUR (four hundred thousand *euro*);
- 7.27.6.3. Sale of the real estate at a price above 200,000 EUR (two hundred thousand *euro*)
- 7.27.6.4. Lease of the real estate at the lease payment, which per year is higher than 100,000 EUR (one hundred thousand *euro*)
- 7.27.6.5. An encumbering of the real estate;
- 7.27.7. Granting guarantees, except for guarantees to be granted to fulfil the measures stipulated in the Annual Budget;
- 7.27.8. 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 Auditor;
- 7.27.9. 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 *euro*) or the term is longer than 1 (one) year;
- 7.27.10. 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 7.26.8. hereof;

- 7.27.11. Contracting legal advisers, broker companies, advisers, investment consultants or auditor companies to prepare the public issue prospectus of Company's securities;
  - 7.27.12. Granting of loans and taking of loans not stipulated in the Company's Annual Budget;
  - 7.27.13. Preliminary review of the issue regarding a merger with another company or acquisition by another company;
  - 7.27.14. Approval of the 3 (three) year Business Plan;
  - 7.27.15. Approval of the Annual Budget and changes to the Annual Budget;
  - 7.27.16. Establishment and use of the Company's reserves;
  - 7.27.17. Approval of the Regulation of the Management Board;
  - 7.27.18. Other significant issues.
- 7.28. The Management Board shall act according to the instructions of the Supervisory Council and the Management Board Regulation.
- 7.29. Members of the Management Board may at any time demand from employees of the Company a report on the overall position of the Company, receive full information on the operations and transactions of the Company, its branches, enterprises and representative offices, check the budgets, balance sheets, Auditor's reports on the Company and its branches, representative offices and enterprises, check other Company's records and documents.
- 7.30. Meeting of the Management Board shall be convened at necessity but at least 1 (one) time in a month. Meetings are convened by the Chairman of the Management Board. The Management Board is entitled to decide on issues if at least 3 (three) members of the Management Board are present. Management Board meetings shall be held in accordance with the procedure stipulated by the Management Board Regulation.
- 7.31. Resolutions shall be adopted by simple majority of votes of the Management Board members.
- 7.32. Minutes of the meetings of the Management Board shall be kept. Minutes shall be signed by the Chairman of the Management Board, all the Management Board members present, as well as the minutes' taker.
- 7.33. The Management Board shall submit at least once a quarter to the Supervisory Council and once a year to the Shareholders' Meeting a written report on its activities and most significant intentions regarding commercial operations and management, financial results of the Company, cash flow, main commercial activities conducted, sale of the goods and services, movement of securities and other activities important for the operation of the Company. The Supervisory Council or the Shareholders' Meeting may request more frequent reports by the Management Board.
- 7.34. The Chairman of the Management Board shall manage the activities of the Management Board and organize everyday management of the Company, including:
- 7.34.1. Informing the Supervisory Council on any significant aspect of the Company's operations;
  - 7.34.2. Submitting the Company's organizational structure for approval to the Management Board;
  - 7.34.3. Deciding on all operational issues of the Company within his competence;
  - 7.34.4. Organizing fulfilment of the resolutions of the Shareholders' Meeting;
  - 7.34.5. Performing other functions provided in the Regulation of the Management Board;

- 7.34.6. Reporting to the Supervisory Council on transactions concluded or amended thereof 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 member of the Management Board or of the Supervisory Council, or the Auditor;
  - 7.34.7. Organizing preparation of the Regulation of the Management Board and after consent by the Supervisory Council approves it.
- 7.35. The Company shall be represented by 2 (two) Management Board members jointly.

## **8. AUDIT OF THE COMPANY'S OPERATIONS**

- 8.1. The financial statements of the Company shall be audited by an independent internationally recognized Auditor.
- 8.2. The Shareholders' Meeting each year shall make a decision on appointment of a specific Auditor for each financial year. Auditor shall audit the activities performed during the reporting year.
- 8.3. When detecting violations and inaccuracies, Auditor shall immediately inform the Management Board and the Supervisory Council.
- 8.4. Immediately, but no later than 2 (two) months after the end of the reporting year, the Management Board shall inform the Auditor that the Company's annual report has been prepared, the balance sheet closed and the documents are ready for the audit.
- 8.5. The Auditor shall draw up an opinion on the results of the audit of Company's operations indicating whether the annual report and the Management Board's report, as well as the Company's accounting complies with the requirements of the Law, whether the financial statements give a true and fair view of the Company's assets, liabilities and equity and the Company's financial position at the end of the reporting year, as well as income and expenses in the reporting year, and whether the Management Board has provided all the necessary information, documents and explanations for the annual report audit. The Auditor shall inform the Shareholders' Meeting of the Auditor's report.
- 8.6. If the Shareholders' Meeting deems it necessary, it may elect one or several controllers of the Company authorized to conduct audit of the Company's operations at any time provided that the Management Board is properly informed of such action.

## **9. FINAL PROVISIONS**

- 9.1. In compliance with the requirements stipulated in the Energy Law as of 1 January 2018, prohibitions provided by the Energy Law to ensure the independence of an operator which provides natural gas distribution services (regarding the prohibition for a person with controlling interest in the Company to take part into vertically integrated structure of natural gas operator which is directly or indirectly responsible for the manufacture, management and storage of natural gas; for the services and sale of liquefied natural gas). The Company has the right to take decisions independently of the vertically integrated energy supply merchant in relation to assets, which are needed for the operation, maintenance or development of the natural gas distribution network. This shall not prohibit the vertically integrated energy supply merchant from establishing relevant co-ordination mechanisms in order to ensure the protection

of the economic rights of the dominant merchant in relation to the return on the existing assets at the disposal of dependent merchants.

9.2. In compliance with the requirements stipulated in the Energy Law, the Company establishes compliance program, in which the company states specific provisions for employees, as well as mandatory provisions to ensure the there is no discrimination, and which ensures the monitoring of the implementations of the above-mentioned compliance program, in addition, the Company appoints a specific person or establishes a department, which would be liable for the monitoring of the implementation of the above-mentioned compliance program, in each financial year the Company will submit a report regarding the taken measures to the Public Utilities Commission and will make this report public.

9.3. The Company as dependent company complies with Group of Companies Law.

Chairman of the Management Board

Member of the Management Board

Chairman of the Shareholders' Meeting

Person attesting the correctness of the minutes

Riga \_\_\_\_\_ 2017